

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from ..... to .....



Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices, zip code and telephone number	IRS Employer Identification Number
1-14465	<b>IDACORP, Inc.</b>	82-0505802
1-3198	<b>Idaho Power Company</b> 1221 W. Idaho Street Boise, ID 83702-5627 (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 ( )

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	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Idaho Power Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Idaho Power Company:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act).

IDACORP, Inc.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	Idaho Power Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Aggregate market value of voting and non-voting common stock held by non-affiliates (June 30, 2014 ):

IDACORP, Inc.:	\$	2,875,967,074	Idaho Power Company:	None
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Number of shares of common stock outstanding as of February 13, 2015:

IDACORP, Inc.: 50,259,292

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 2015 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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**TABLE OF CONTENTS**


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	<b>Page</b>
Commonly Used Terms	4
Cautionary Note Regarding Forward-Looking Statements	5
<b>Part I</b>	
Item 1 Business	7
Executive Officers of the Registrants	18
Item 1A Risk Factors	19
Item 1B Unresolved Staff Comments	28
Item 2 Properties	28
Item 3 Legal Proceedings	30
Item 4 Mine Safety Disclosures	30
<b>Part II</b>	
Item 5 Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	30
Item 6 Selected Financial Data	32
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 7A Quantitative and Qualitative Disclosures About Market Risk	72
Item 8 Financial Statements and Supplementary Data	74
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	127
Item 9A Controls and Procedures	127
Item 9B Other Information	131
<b>Part III</b>	
Item 10 Directors, Executive Officers and Corporate Governance*	131
Item 11 Executive Compensation*	131
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*	131
Item 13 Certain Relationships and Related Transactions, and Director Independence*	132
Item 14 Principal Accountant Fees and Services*	132
<b>Part IV</b>	
Item 15 Exhibits and Financial Statement Schedules	133
Signatures	144

\* 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 2015 annual meeting of shareholders.

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**COMMONLY USED TERMS**


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The following select abbreviations, terms, or acronyms are commonly used or found in multiple locations in this report:

ADITC	- Accumulated Deferred Investment Tax Credits	IFS	- IDACORP Financial Services, Inc., a subsidiary of IDACORP, Inc.
AFUDC	- Allowance for Funds Used During Construction	IPUC	- Idaho Public Utilities Commission
APCU	- Annual Power Cost Update	IRP	- Integrated Resource Plan
BACT	- Best Available Control Technology	IRS	- U.S. Internal Revenue Service
BCC	- Bridger Coal Company, a joint venture of IERCo	kW	- Kilowatt
BLM	- U.S. Bureau of Land Management	MATS	- Mercury and Air Toxics Standards
BPA	- Bonneville Power Administration	MD&A	- Management's Discussion and Analysis of Financial Condition and Results of Operations
CAA	- Clean Air Act	MW	- Megawatt
CAMP	- Comprehensive Aquifer Management Plan	MWh	- Megawatt-hour
CO <sub>2</sub>	- 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
HAPS	- Hazardous Air Pollutants	RPS	- Renewable Portfolio Standard
HCC	- Hells Canyon Complex	SEC	- U.S. Securities and Exchange Commission
Ida-West	- Ida-West Energy, a subsidiary of IDACORP, Inc.	SMSP	- Security Plan for Senior Management Employees
Idaho ROE	- Idaho-jurisdiction return on year-end equity	SO <sub>2</sub>	- Sulfur Dioxide
IERCo	- Idaho Energy Resources Co., a subsidiary of Idaho Power Company	USFWS	- U.S. Fish and Wildlife Service
IESCo	- IDACORP Energy Services Co., a subsidiary of IDACORP, Inc.	VIEs	- Variable Interest Entities

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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In addition to the historical information contained in this report, this report contains (and oral communications made by IDACORP, Inc. and Idaho Power Company may contain) statements that relate to future events and expectations, such as statements regarding projected or future financial performance, cash flows, capital expenditures, dividends, capital structure or ratios, strategic goals, challenges, objectives, and plans for future operations. Such statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, or future events or performance, often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue," or similar expressions, are not statements of historical facts and may be forward-looking. Forward-looking statements are not guarantees of future performance and involve estimates, assumptions, risks, and uncertainties. Actual results, performance, or outcomes may differ materially from the results discussed in the statements. In addition to any assumptions and other factors and matters referred to specifically in connection with such forward-looking statements, factors that could cause actual results or outcomes to differ materially from those contained in forward-looking statements include those factors set forth in 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, the loss or change in the business of significant customers, and the availability and use of demand-side management programs, and their associated impacts on loads and load growth;
- the impacts of changes in economic conditions, including the potential for changes in customer demand for electricity, revenue from sales of excess power, financial soundness of counterparties and suppliers, and collections of receivables;
- unseasonable or severe weather conditions, wildfires, drought, and other natural phenomena and natural disasters, which affect customer demand, hydroelectric generation levels, repair costs, and the availability and cost of fuel for generation plants or purchased power to serve customers;
- advancement of technologies that reduce loads or reduce the need for Idaho Power's generation of electric power;
- adoption of, changes in, and costs of compliance with, laws, regulations, and policies relating to the environment, natural resources, and endangered species, and the ability to recover those costs through rates;
- the ability to obtain debt and equity financing or refinance existing debt when necessary or advisable and on favorable terms, which can be affected by factors such as credit ratings, volatility in the financial markets, interest rate fluctuations, decisions by the Idaho or Oregon public utility commissions, and the companies' past or projected financial performance;
- reductions in credit ratings, which could adversely impact access to capital markets and would require the posting of additional collateral to counterparties pursuant to credit and contractual arrangements;
- variable hydrological conditions and over-appropriation of surface and groundwater in the Snake River basin, which may impact the amount of generation from Idaho Power's hydroelectric facilities;
- the ability to purchase fuel and power on favorable payment terms and prices, particularly in the event of unanticipated power demands, lack of physical availability, transportation constraints, or a credit downgrade;
- accidents, fires, explosions, and mechanical breakdowns that may occur while operating and maintaining an electric system, which can cause unplanned outages, reduce generating output, damage the companies' assets, operations, or reputation, subject the companies to third-party claims for property damage, personal injury, or loss of life, or result in the imposition of civil, criminal, or regulatory fines or penalties;
- the ability to buy and sell power, transmission capacity, and fuel in the markets;
- the ability to enter into financial and physical commodity hedges with creditworthy counterparties to manage price and commodity risk, and the failure of any such risk management and hedging strategies to work as intended;
- administration of Federal Energy Regulatory Commission and other mandatory reliability, security, and other requirements for system infrastructure, which could result in penalties and increase costs;
- disruptions or outages of Idaho Power's generation or transmission systems or of any interconnected transmission system;

- the increased costs and operational challenges associated with purchasing and integrating intermittent renewable energy sources, including mandated power purchases under federal law, into Idaho Power's resource portfolio;
- changes in actuarial assumptions, changes in interest rates, and the return on plan assets for pension and other post-retirement plans, which can affect future pension and other postretirement plan funding obligations, costs, and liabilities;
- the ability to continue to pay dividends based on financial performance, and in light of contractual covenants and restrictions and regulatory limitations;
- changes in tax laws or related regulations or new interpretations of applicable laws by federal, state, or local taxing jurisdictions, the availability of tax credits, and the tax rates payable by IDACORP shareholders on common stock dividends;
- employee workforce factors, including the operational and financial costs of unionization or the attempt to unionize all or part of the companies' workforce, the impact of an aging workforce and retirements, the cost and ability to retain skilled workers, and the ability to adjust the labor cost structure when necessary;
- failure to comply with state and federal laws, policies, and regulations, including new interpretations and enforcement initiatives by regulatory and oversight bodies, which may result in penalties and fines and increase the cost of compliance, the nature and extent of investigations and audits, and the cost of remediation;
- unusual or unanticipated changes in normal business operations, including unusual maintenance or repairs, or the failure to successfully implement new technology solutions;
- the inability to obtain or cost of obtaining and complying with required governmental permits and approvals, licenses, rights-of-way, and siting for transmission and generation projects and hydroelectric facilities;
- the cost and outcome of litigation, dispute resolution, and regulatory proceedings, and the ability to recover those costs or the costs of operational changes through insurance or rates, or from third parties;
- the failure of information systems or the failure to secure information system data, failure to comply with privacy laws, security breaches, or the direct or indirect effect on the companies' business or operations resulting from cyber attacks, terrorist incidents or the threat of terrorist incidents, and acts of war; 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.

**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, 2014, IDACORP had 2,021 full-time employees, 2,011 of whom were employed by Idaho Power, and 22 part-time employees, 20 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.

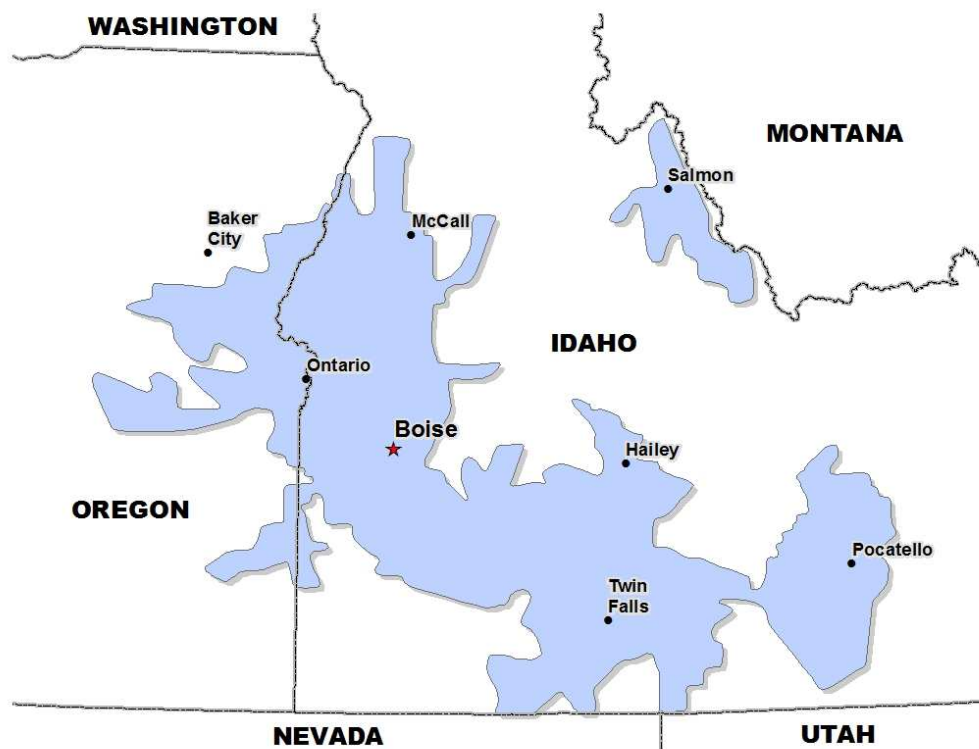
IDACORP's and Idaho Power's principal executive offices are located at 1221 W. Idaho Street, Boise, Idaho 83702, and the telephone number is (208) 388-2200.

**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](http://www.idacorpinc.com) and Idaho Power's website is [www.idahopower.com](http://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](http://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 516,000 general business customers in southern Idaho and eastern Oregon as of December 31, 2014. Over 428,000 of these customers are residential. Idaho Power's principal commercial and industrial customers are involved in food processing and refining, 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 nine 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 three 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.



Electric utilities have historically been recognized as natural monopolies and operate in a highly regulated environment - one in which they have an obligation to provide electric service to their customers and in return receive an exclusive franchise within their service territory - with an opportunity to earn a regulated rate of return. 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 provide for the deferral as regulatory assets of certain costs that would otherwise be charged to expense, based on expected recovery from customers in future prices. Likewise, certain credits that would otherwise reduce expense or increase revenues can be deferred as regulatory liabilities, based on expected future credits or refunds to customers. 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.

- **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 regularly evaluates and refines its business strategy to ensure coordination among and integration of all functional areas of the company. 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.

## 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 seek changes to its retail electricity price structure to cover its operating costs and provide an opportunity for a reasonable rate of 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.

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 deferred amounts recorded pursuant to specific authorization from the IPUC or OPUC. 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 some 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.

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,		
	2014	2013	2012
General business revenues (thousands of dollars)			
Residential	\$ 500,195	\$ 513,914	\$ 431,555
Commercial	299,462	281,009	241,519
Industrial	182,675	165,941	145,054
Irrigation	158,654	159,242	137,424
Provision for rate refund for sharing mechanism	(7,999)	(7,602)	(7,151)
Deferred revenue related to Hells Canyon Complex relicensing AFUDC	(10,706)	(10,776)	(10,636)
<b>Total general business revenues</b>	<b>1,122,281</b>	<b>1,101,728</b>	<b>937,765</b>
Off-system sales	77,165	54,473	61,534
Other	79,205	86,897	77,426
<b>Total revenues</b>	<b>\$ 1,278,651</b>	<b>\$ 1,243,098</b>	<b>\$ 1,076,725</b>
Energy sales (thousands of MWh)			
Residential	4,965	5,365	5,039
Commercial	3,944	3,975	3,865
Industrial	3,217	3,182	3,133
Irrigation	1,966	2,097	2,048
<b>Total general business</b>	<b>14,092</b>	<b>14,619</b>	<b>14,085</b>
Off-system sales	2,220	1,683	2,183
<b>Total</b>	<b>16,312</b>	<b>16,302</b>	<b>16,268</b>

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

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.

## 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, 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 has PCA mechanisms in Idaho and Oregon that 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, and the all-time winter peak demand was 2,527 MW, set on December 10, 2009. 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 below presents Idaho Power's total power supply for the last three years:

	MWh			Percent of Total Generation		
	2014	2013	2012	2014	2013	2012
	(thousands of MWh)					
Hydroelectric plants	6,170	5,656	7,956	47%	42%	57%
Coal-fired plants	5,851	6,327	5,227	44%	47%	38%
Natural gas fired plants	1,175	1,576	676	9%	11%	5%
Total system generation	13,196	13,559	13,859	100%	100%	100%
Purchased power - cogeneration and small power production	2,286	2,127	1,961			
Purchased power - other	1,867	1,775	1,709			
Total purchased power	4,153	3,902	3,670			
Total power supply	17,349	17,461	17,529			

**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 hydroelectric power generated depends on several factors—the amount of snow pack in the mountains upstream of Idaho Power's hydroelectric facilities, reservoir storage, springtime snow pack run-off, river base flows, spring flows, rainfall, the amount and timing of water leases, and other weather and stream flow considerations. Generation at the plants located on the Snake River also depends on the state water rights held by Idaho Power and the long-term sustainability of the Snake River, tributary spring flows, and the Eastern Snake Plain Aquifer that is connected to the Snake River. Idaho Power participates in work groups related to water management issues in Idaho that may affect those water rights and resources with the goal to preserve, to the fullest extent possible, 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, resulting in a reliance on other generation resources and power purchases. In 2013, below average snow accumulation in the Snake River basin resulted in hydroelectric generation below the 8.5 million MWh historical median. For 2014, significantly low upstream carryover storage hindered the impact of the runoff of near-normal 2014 snow accumulation, resulting in 2014 generation below the historical median. Generation from Idaho Power's hydroelectric facilities was 6.2

million MWh in 2014. The Northwest River Forecast Center of the National Oceanic and Atmospheric Administration reported that Brownlee Reservoir (part of Idaho Power's Hells Canyon Complex) inflow for April through July 2014 was 3.4 million acre-feet (maf). By comparison, April through July Brownlee Reservoir inflow was 2.6 maf in 2013 and 5.5 maf in 2012. For 2015, Idaho Power estimates generation from its hydroelectric facilities of between 7.0 million MWh and 9.0 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 issues. 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.

PacifiCorp is the operator of the Jim Bridger power plant. Idaho Power owns a one-third interest in BCC, which owns the mine that supplies coal to the Jim Bridger power plant. The mine, which is operated by PacifiCorp and located near the Jim Bridger plant, 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 2015. Idaho Power's share of these contracts along with existing coal inventory at the plant are expected to meet Idaho Power's projected coal supply needs for 2015 and approximately 60 percent of its supply needs for 2016.

Portland General Electric Company is the operator of the Boardman power plant. Ninety percent of the Boardman plant's projected coal requirement is under contract for 2015. The Boardman generating plant receives coal through annual contracts with suppliers from the Powder River Basin in northeast Wyoming. 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. The Langley Gulch power plant was placed into service in June 2012.

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, with the latest termination date of May 2042, but with extensions at Idaho Power's discretion. 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, 2014, approximately 5.35 million MMBtu's of natural gas was financially hedged for physical delivery for the operational dispatch of the Langley Gulch plant through July 2015. 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 2014 and 2013 , Idaho Power purchased 1.9 million MWh and 1.8 million MWh of power through wholesale market purchases at an average cost of \$49.31 per MWh and \$47.91 per MWh, respectively. During 2014 and 2013 , Idaho Power sold 2.2 million MWh and 1.7 million MWh of power in wholesale market sales, with an average price of \$34.76 per MWh and \$32.37 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:

- 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.
- 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.
- 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 is through December 31, 2015. Idaho Power has the right to renew the agreement for two additional five-year terms.

**PURPA Power Purchase Contracts** : Idaho Power purchases power from PURPA projects as mandated by federal law. As of December 31, 2014 , Idaho Power had contracts with on-line PURPA-related projects with a total of 781 MW nameplate generation capacity, with an additional 521 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 table below:

	Year Ended December 31,		
	2014	2013	2012
PURPA contract expense (in thousands)	\$ 144,617	\$ 131,338	\$ 117,618
MWh purchased under PURPA contracts (in thousands)	2,286	2,127	1,961
Average cost per MWh from PURPA contracts	\$ 63.26	\$ 61.75	\$ 59.98

Pursuant to the requirements of Section 210 of PURPA, the state regulatory commissions having jurisdiction over Idaho Power 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 territory, 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 territory 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.
- IPUC and OPUC jurisdictional regulations have generally provided for PURPA standard contract terms of up to 20 years, though a current docket exists at the IPUC to review contract terms for future agreements.
- 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.

Idaho Power, as well as other affected electric utilities, have engaged in proceedings at the IPUC and OPUC relating to PURPA contracts. 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 Standards and Contracts" for a summary of those proceedings.

**Emerging Energy Imbalance Markets** : 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 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, PacifiCorp, and other parties implemented a new energy imbalance market in the fourth quarter of 2014 (California ISO-PAC EIM) under which the parties enabled their systems to interact for dispatch purposes. Similarly, the Northwest Power Pool (NWPP) Members Market Assessment and Coordination Committee has stated that it intends to implement the Security Constrained Economic Dispatch (NWPP SCED), an intra-hour energy balancing market, in 2016. The California ISO-PAC EIM and the NWPP SCED are similar but not identical approaches to balancing services and each are intended to reduce the 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 both the California ISO-PAC EIM and the NWPP SCED are voluntary and available to all balancing authorities in the western United States. Idaho Power is an active participant in the development stage of the NWPP SCED project and is also evaluating the potential opportunities and challenges associated with the NWPP SCED and the California ISO-PAC EIM.

### **Transmission Services and Federal Tariff**

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 anywhere from a few miles to hundreds of miles 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 2013. 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.

In February 2014, the IPUC accepted the 2013 IRP for filing and requested that Idaho Power continue monitoring environmental requirements at a national level and account for their impact in resource planning, continue to collaborate with stakeholders on how best to use energy efficiency as a resource, and continue to be actively involved in matters relating to the North Valmy coal-fired power plant and promptly apprise the IPUC of developments that could impact the company's continued reliance on that coal-fired resource. In July 2014, the OPUC acknowledged Idaho Power's short-term action items in the 2013 IRP. However, in its order the OPUC did not acknowledge Idaho Power's investments in selective catalytic reduction emissions technology being installed at the Jim Bridger plant. The OPUC stated that it would undertake a fair and thorough investigation of the prudence of the emissions technology investments at the Jim Bridger plant when Idaho Power seeks rate recovery for the investments.

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.

Idaho Power expects to file the 2015 IRP in June 2015. Idaho Power has begun its 2015 IRP process, initiating the public involvement process and analyzing future anticipated loads. The load forecast Idaho Power expects to use 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 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.

Recent studies outside of the IRP process that incorporate the potential for additional mandatory PURPA-related power purchases suggest that no peak-hour load deficit exists through 2021 under some circumstances. Thus, Idaho Power expects there may be available near term capacity to accommodate growth from economic development or increases in customers and loads. Idaho Power expects to be able to manage near-term summer peak capacity deficits until completion of the Boardman-to-Hemingway transmission line, which is expected to be in service in 2021 or beyond. If the Boardman-to-Hemingway line is not constructed by the time necessary to meet load demand, Idaho Power will need to identify alternatives to meet future load requirements. Should estimates of higher growth rates materialize, or were there to be a significant increase in loads due to new, unanticipated large-load customers, Idaho Power could be required to adjust its infrastructure development timing and plans accordingly.

**Integration of Intermittent Resources:** In response to the operational challenges associated with integrating intermittent wind and solar generation that Idaho Power must purchase pursuant to PURPA, and in recognition that the costs and challenges associated with integrating these resources will become even more pronounced as the volume of intermittent resources in Idaho Power's portfolio increases, Idaho Power continues efforts to better understand the effects of wind and solar generation on power system operation. As part of these efforts, Idaho Power has performed wind and solar integration studies aimed at providing insight into the maximum amounts of intermittent generation Idaho Power's system can accommodate without significantly impacting reliability. In further response to the integration challenges, Idaho Power has implemented an internally developed wind forecasting system, in recognition that cost-intensive modifications to operations intended to integrate wind are reduced, though not eliminated, with improved wind production forecasting. Due to the large volumes of solar generation projects being proposed under PURPA, the IPUC recently directed Idaho Power to update the solar integration study, taking

into account the higher solar penetration levels. Idaho Power expects to complete and file the updated study during 2015. Also due to the large volumes of proposed solar projects, in January 2015 Idaho Power initiated a proceeding at the IPUC regarding the length of contract terms under PURPA contracts, described in Part II - Item 7 - MD&A - "Regulatory Matters."

**Energy Efficiency and Demand Response Programs:** Idaho Power has 19 energy efficiency and demand response programs targeting energy savings across the entire year and summer system demand reduction. These 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 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 efficient appliances and HVAC 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 interruption of central air conditioners for residential customers, interruption of irrigation pumps, and reduction of commercial and industrial demand through a third-party demand response aggregator; and
- membership in the Northwest Energy Efficiency Alliance, which supports market transformation efforts across the region.

In 2014, Idaho Power's energy efficiency programs reduced energy usage by approximately 125,000 MWh. For 2014, Idaho Power had a demand response capacity of approximately 390 MW. In 2014 and 2013, Idaho Power expended approximately \$37 million and \$27 million, respectively, on 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 continues to impact Idaho Power's operations due to the cost of installation and operation of equipment and facilities required for compliance with environmental regulations, and the modification of system operations to accommodate environmental regulations. In addition to generally applicable regulations, the FERC licenses issued for Idaho Power's hydroelectric generating plants have numerous environmental requirements, such as the aeration of turbine water to meet dissolved gas and temperature standards in the waters downstream from the plants. Idaho Power monitors these issues and reports the results to the appropriate regulatory agencies. Idaho Power's three coal-fired power plants and three natural gas combustion turbine power plants are also subject to a broad range of environmental requirements, including air quality regulation. 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 regulation proposed and under discussion 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):

	2015	2016 - 2017
<b>Capital expenditures:</b>		
Studies and measures at hydroelectric facilities	\$ 13	\$ 28
Investments in equipment and facilities at thermal plants	60	27
<b>Total capital expenditures</b>	<b>\$ 73</b>	<b>\$ 55</b>
<b>Operating expenses:</b>		
Operating costs for environmental facilities - hydroelectric	\$ 19	\$ 39
Operating costs for environmental facilities - thermal	12	26
<b>Total operations and maintenance</b>	<b>\$ 31</b>	<b>\$ 65</b>

Idaho Power anticipates that finalization of a number of federal and state rulemakings and other proceedings addressing, among other things, greenhouse gas and particulate emissions, hazardous materials, 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.

**Environmental Controls Cost Study:** In connection with its IRP process, in February 2013 Idaho Power filed with the IPUC and OPUC the results of cost studies and scenario analyses conducted to assess the potential future investments necessary for the continued operation of the Jim Bridger and North Valmy coal-fired generation facilities. The Boardman plant was not included in the study because of the existing schedule to cease coal-fired operations at that plant by the end of 2020. The analysis compared the cost of future compliance with regulations to the cost of replacement generation capacity provided by combined-cycle combustion turbine technology and conversion of the units to natural gas. Because of the speculative nature of many of the future requirements, the analysis was performed under a range of fuel pricing assumptions, carbon cost assumptions, plant upgrade and retirement costs, environmental regulation assumptions, and replacement costs. Idaho Power concluded in its study that the Jim Bridger and North Valmy plants should be retained in its resource portfolio as coal-fired plants, and supports planned investments in environmental controls at those plants. However, Idaho Power will continue to monitor environmental requirements to assess whether environmental control upgrades at the coal-fired plants remain economically appropriate. Continued review of the economic appropriateness of further investment 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 will continue to work 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.

**Voluntary CO<sub>2</sub> Intensity Reduction Goal:** Idaho Power continues to prepare for potential legislative and/or regulatory restrictions on emissions in order to help reduce the costs of complying with such restrictions on its customers. To that end, 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<sub>2</sub>) emissions intensity for the 2010 through 2013 time period to a level of 10 to 15 percent below Idaho Power's 2005 CO<sub>2</sub> emissions intensity of 1,194 lbs CO<sub>2</sub>/MWh. Idaho Power's estimated CO<sub>2</sub> emissions intensity from its generation facilities, as submitted to the Carbon Disclosure Project, was as follows:

	2010	2011	2012	2013
<b>Emission Intensity (lbs CO<sub>2</sub>/MWh)</b>	1,060	677	871	1,129

As of the date of this report, emission intensity information for 2014 was not yet available. The combination of effective utilization of hydroelectric projects, above average stream flows in some years, reduced usage of coal-fired facilities, and addition of the Langley Gulch natural gas-fired power plant positioned Idaho Power to extend its CO<sub>2</sub> 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.

## IFS

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, 2014, the gross amount of IFS's portfolio equaled \$192 million in tax credit investments. IFS generated tax credits of \$5.2 million, \$5.5 million, and \$5.5 million in 2014, 2013, and 2012, respectively.

## IDA-WEST

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 \$9 million each year from 2012 to 2014.

**EXECUTIVE OFFICERS OF THE REGISTRANTS**

The names, ages, and positions of the executive officers of IDACORP and Idaho Power are listed below, 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.

Senior Executive Officers (in alphabetical order)**DARREL T. ANDERSON, 56**

- President and Chief Executive Officer of IDACORP, May 1, 2014 - present.
- President and Chief Executive Officer of Idaho Power Company, January 1, 2014 - present.
- President and Chief Financial Officer of Idaho Power Company, January 1, 2012 - December 31, 2013.
- Executive Vice President, Administrative Services and Chief Financial Officer of IDACORP, Inc., October 1, 2009 - April 30, 2014.
- Executive Vice President, Administrative Services and Chief Financial Officer of Idaho Power Company, October 1, 2009 - December 31, 2011.
- Member of the Boards of Directors of both IDACORP, Inc. and Idaho Power Company since September 2013.

**REX BLACKBURN, 59**

- Senior Vice President and General Counsel, IDACORP, Inc. and Idaho Power Company, April 1, 2009 - present.

**LISA A. GROW, 49**

- Senior Vice President - Power Supply of Idaho Power Company, October 1, 2009 - present.

**STEVEN R. KEEN, 54**

- Senior Vice President - Chief Financial Officer, and Treasurer of IDACORP, May 1, 2014 - present.
- Senior Vice President - Chief Financial Officer, and Treasurer of Idaho Power Company, January 1, 2014 - present.
- Vice President - Finance and Treasurer of IDACORP, Inc., June 1, 2010 - April 30, 2014.
- Senior Vice President - Finance and Treasurer of Idaho Power Company, January 1, 2012 - December 31, 2013.
- Vice President - Finance and Treasurer of Idaho Power Company, June 1, 2010 - December 31, 2011.
- Vice President and Treasurer of IDACORP, Inc. and Idaho Power Company, June 1, 2006 - May 31, 2010.

**WARREN KLINE, 59**

- Senior Vice President - Customer Operations of Idaho Power Company, June 1, 2014 - present.
- Vice President - Customer Operations of Idaho Power Company, May 20, 2010 - May 31, 2014.
- Vice President - Customer Service and Regional Operations of Idaho Power Company, July 20, 2005 - May 19, 2010.

**DANIEL B. MINOR, 57**

- Executive Vice President and Chief Operating Officer of Idaho Power Company, January 1, 2012 - present.
- Executive Vice President of IDACORP, Inc., May 20, 2010 - present.
- Executive Vice President - Operations of Idaho Power Company, October 1, 2009 - December 31, 2011.

Other Executive Officers (in alphabetical order)**PATRICK A. HARRINGTON, 54**

- Corporate Secretary of IDACORP, Inc. and Idaho Power Company, March 15, 2007 - present.

**LONNIE KRAWL, 51**

- Vice President and Chief Information Officer of Idaho Power Company, October 1, 2013 - present.
- Director of Human Resources of Idaho Power Company, July 25, 2009 - September 30, 2013.

**LUCI K. MCDONALD, 57**

- Vice President - Human Resources and Corporate Services of Idaho Power Company, May 20, 2010 - present.
- Vice President - Human Resources and Corporate Services of IDACORP, Inc., May 20, 2010 - December 31, 2011.
- Vice President - Human Resources of IDACORP, Inc. and Idaho Power Company, December 6, 2004 - May 19, 2010.

## KEN W. PETERSEN, 51

- Vice President, Controller and Chief Accounting Officer of IDACORP, Inc. and Idaho Power Company, January 1, 2014 - present.
- Corporate Controller and Chief Accounting Officer of IDACORP, Inc. and Idaho Power Company, May 20, 2010 - December 31, 2013.
- Corporate Controller of IDACORP, Inc. and Idaho Power Company, December 29, 2007 - May 19, 2010.

## N. VERN PORTER, 55

- Vice President - Idaho Power Company, January 1, 2014 - present.
- Vice President - Delivery Engineering and Construction of Idaho Power Company, May 17, 2012 - December 31, 2013.
- Vice President - Delivery Engineering and Operations of Idaho Power Company, October 1, 2009 - May 16, 2012.

## GREGORY W. SAID, 60

- Vice President - Regulatory Affairs of Idaho Power Company, January 20, 2011 - present.
- General Manager of Regulatory Affairs of Idaho Power Company, April 3, 2010 - January 19, 2011.
- Director, State Regulation of Idaho Power Company, August 23, 2008 - April 2, 2010.

## LORI D. SMITH, 54

- Vice President and Chief Risk Officer of IDACORP, Inc. and Idaho Power Company, May 20, 2010 - present.
- Vice President - Corporate Planning and Chief Risk Officer of IDACORP, Inc. and Idaho Power Company, January 1, 2008 - May 19, 2010.

### ITEM 1A. RISK FACTORS

IDACORP and Idaho Power operate in an 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 evaluating IDACORP and Idaho Power.

***If the Idaho Public Utilities Commission, the Public Utility Commission of Oregon, or the Federal Energy Regulatory Commission grant less recovery through rates than 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 and Public Utility Commission of Oregon authorize Idaho Power to charge for its retail services, and the tariff rate that the Federal Energy Regulatory Commission 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. The rates ultimately approved by regulators may not match prior or anticipated future expenses, and recovery of expenses may lag behind the occurrence of those expenses. 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.

Further, 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 Idaho Public Utilities Commission and the Public Utility Commission of Oregon have the authority to disallow recovery of any costs that they consider unreasonable or imprudently incurred. Collection of costs and capital expenditures through rates often occurs subsequent to the time those costs and expenditures are incurred, resulting in a lag in collection. Idaho Power's regulators may also disagree with Idaho Power's rate calculations under various tracking and decoupling mechanisms, like the power cost adjustment and fixed cost adjustment mechanisms. Regulators may also decide to modify or eliminate these mechanisms, which may make it more difficult for Idaho Power to recover its costs in the rates it charges to customers. Thus, the regulatory process does not assure that Idaho Power will be able to fully recover its costs or achieve the rate of return authorized or contemplated in connection with the ratemaking process. 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 and construction expenditures. In some instances, denial of recovery may cause IDACORP and Idaho Power to record an impairment of those assets. If Idaho Power's costs are not fully and timely recovered through the rates ultimately approved by regulators, IDACORP's and Idaho Power's financial condition and results of operations, and its ability to earn a return on investment and meet financial obligations, could be adversely affected.

For additional information relating to Idaho Power's regulatory framework and recent 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 deferral mechanisms and methods may not function as intended, 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 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, but not all, of the variance between these two amounts is deferred for future recovery from, or refund to, customers through rates. Consequently, the power cost adjustment mechanisms only partially offset the potentially adverse financial impacts of forced generating plant outages, severe weather, reduced hydroelectric generation, and volatile wholesale energy prices. When costs rise above the level recovered in current retail rates, it adversely affects Idaho Power's operating cash flow and liquidity until those costs are recovered from customers. Further, during 2014 the Idaho Public Utilities Commission opened dockets to review the operation of the Idaho power cost adjustment mechanism and the fixed cost adjustment mechanism. Any future modification or elimination of the mechanisms based on these or subsequent proceedings may increase Idaho Power's financial exposure to changes in power costs and collection of fixed costs.

***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 .*** Customer growth and customer usage are affected by a number of factors outside of the control of IDACORP and Idaho Power, such as implementation of energy efficiency measures, customer-generated power such as from rooftop solar panels, demand side management requirements, and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation or migration, and the overall level of economic activity. The regional economy in which Idaho Power operates is influenced by conditions in the agriculture, recreation, technology, medical, and other industries, and as these conditions change, IDACORP's and Idaho Power's revenues will be impacted. Weak economic conditions may 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 adoption of technology by customers can also have both positive and negative impacts on sales. Some new technologies and modern equipment utilize less energy than in the past, while new electric technologies like electric vehicles can create additional demand.

In light of the need to predict future electric power demands and how Idaho Power can meet those demands, Idaho Power prepares and periodically updates a load forecast as part of its integrated resource planning process. In doing so, Idaho Power makes load estimates that are based on a number of factors that are uncertain and difficult to estimate, including those described above. Any unanticipated increase in the demand for energy could result in increased reliance on higher-cost purchased power to meet peak system demand, the need to initiate new demand response and energy efficiency programs, or the 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 those sales, and Idaho Power is unable to secure timely and full rate relief to recover those costs, the resulting imbalance could have an adverse effect on IDACORP's and Idaho Power's financial condition and results of operations. Decreases in loads also have the potential to adversely affect IDACORP and Idaho Power. A resulting decrease in overall customer usage or collections and slower or negative load growth may delay or decrease capital spending, which can adversely affect Idaho Power's rate base used for establishing customer rates and may reduce revenues, earnings, and cash flows.

Depending on changes in load and infrastructure project timing, Idaho Power may seek to accelerate, scale back, modify, or eliminate projects, or seek alternative projects, to accommodate anticipated resource needs and to help ensure its ability to provide reliable electric service and meet load and transmission capacity obligations. Scaling back or eliminating a project due to regulatory challenges or other factors influencing the feasibility of a project may result in Idaho Power pursuing one or more separate, more costly projects. For instance, if Idaho Power were unable to secure permits or joint funding commitments to develop its 500-kV transmission projects, it may terminate those projects and seek other resources to serve loads. Termination of a project carries with it the potential for a write-off of all or a portion of the costs associated with the project if regulators deem the costs incurred imprudent.

***Extreme weather events and their associated impacts can adversely affect IDACORP's and Idaho Power's results of operations and financial condition.*** Extreme weather events and their associated impacts (such as fires and high winds) can

damage generation facilities and disrupt transmission and distribution systems, causing service interruptions and extended outages, increasing supply chain costs, and limiting Idaho Power's ability to meet customer energy demand. 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. Disruption in generation, transmission, and distribution systems due to weather-related factors also increases operations and maintenance expenses and could negatively affect IDACORP's and Idaho Power's results of operations and financial condition. Economic losses incurred as a result of such events might not be recoverable through customer rates or covered in full by insurance.

***New advances in power generation, energy efficiency, or other technologies that impact the power utility industry could decrease revenues*** . Idaho Power primarily generates power at large central facilities, which results in economies of scale and lower costs than many newer generation technologies. However, the increasing costs of energy have incentivized the development of new technologies for power generation, power storage, and energy efficiency, and further investment in research and development to make those technologies more efficient and cost-effective. For instance, while solar technology remains a relatively high-cost means of power generation, in recent years there have been numerous advancements in the design of solar generation facilities and the materials used in panels that may further increase the efficiency and power output of solar generation sources in a more cost-effective manner. As the cost of the technology has decreased, there has been an increase in adoption of rooftop solar systems by both residential and commercial customers, particularly in areas where electric rates are high and the weather is suitable for solar power systems. There is potential that these alternative 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. 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 maintain adequate regulatory mechanisms or develop new mechanisms or rate structures allowing for timely and adequate cost recovery, declining usage would result in under-recovery of fixed costs. Further, widespread adoption of distributed generation and declining usage may decrease the need for electric power supplied by Idaho Power, which would reduce Idaho Power's revenue, potentially result in the impairment of assets that produce and deliver energy, and have a negative impact on IDACORP's and Idaho Power's results of operations and financial condition.

***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. In many instances, review by regulators of the prudence of investments will not occur until expenditures have been made. Even if Idaho Power completes a construction project, the total costs may be higher than estimated and/or higher than amounts approved for recovery by regulators. 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 siting or environmental 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 the purchase order 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, and health and safety are applicable to IDACORP's and Idaho Power's operations. Many of these laws, including the Environmental Protection Agency's proposed rules under Section 111(d) under the Clean Air Act, 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.

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 in the process of installing environmental control apparatus in two units of its co-owned Jim Bridger power plant at an estimated cost of \$113 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. 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.

Idaho Power is not guaranteed timely or full recovery of those costs, and regulators may not grant prior approval of cost recovery. For example, in 2013 the Idaho Public Utilities Commission 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. 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. 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. At the same time, consumer preference for renewable or low greenhouse gas-emitting sources of energy could impact the desirability of generation from existing sources and require significant investment in new generation and transmission resources. If Idaho Power is unable to recover in full these increased costs through the ratemaking process, such under-recovery would negatively impact IDACORP's and Idaho Power's financial condition and results of operations.

Relicensing of the Hells Canyon hydroelectric project and construction of the proposed Gateway West and Boardman-to-Hemingway 500-kV transmission lines requires consultation under the Endangered Species Act to determine the effects of these projects on any listed species within the project areas. The presence of sage grouse, which is being considered for listing as an endangered species, in the vicinity of the Gateway West and Boardman-to-Hemingway transmission projects has required more extensive, costly, and time consuming evaluation and engineering. These and other requirements of the Endangered Species Act, Clean Air Act, Clean Water Act, and similar environmental laws may increase costs, adversely affect the timing or ability to complete major projects, and may have an adverse effect on IDACORP's and Idaho Power's results of operations and financial condition.

***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 2014, 47 percent of Idaho Power's electric power generation was from hydroelectric facilities. Because of Idaho Power's heavy reliance on hydroelectric generation, snow pack, the timing of run-off, drought conditions, 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 proposed approach to the over-appropriation dispute. Diversions from the Snake River for aquifer recharge or the loss of water rights may further 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 purchased power; therefore, costs increase and opportunities for off-system sales are reduced, reducing earnings. Through its power cost adjustment mechanisms, Idaho Power expects to recover most of the increase in net power supply costs caused by lower hydroelectric generation. Recovery of the increased costs, however, may not occur until the subsequent power cost adjustment year, negatively affecting cash flows and liquidity.

***Conditions 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. In addition, new interpretations of existing laws and regulations could be adopted or become applicable to hydroelectric facilities, which could further increase required expenditures for marine life recovery and endangered species protection and reduce the amount of hydroelectric generation available to meet Idaho Power's energy 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 water temperature management apparatus which, if required to be installed, would require substantial capital expenditures to construct and maintain. Idaho Power may be unable to recover in full 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, or whether a new multi-year license will ultimately be issued. 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.

***IDACORP's and Idaho Power's operating results are subject to seasonal fluctuations, and unusually mild or extreme temperatures and weather can impact their results of operations and financial condition.*** 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 enhanced 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, unusually mild weather or the timing and extent of precipitation can cause IDACORP's and Idaho Power's results of operations and financial condition to fluctuate seasonally and from year to year.

***Complying with renewable portfolio standards could increase capital expenditures and operating costs and adversely affect IDACORP's and Idaho Power's results of operations and financial condition .*** Renewable portfolio standards require that electricity providers obtain a minimum percentage of their power from renewable energy sources by a specified date. Idaho Power's operations in Oregon will be required to comply with a 10 percent renewable portfolio standard beginning in 2025, and it is possible that other states, including Idaho, could adopt renewable portfolio standards. The cost of purchasing or generating power from renewable energy sources is often greater than fossil fuel and hydroelectric generation sources, and construction of renewable energy facilities involves significant capital expenditures. As a result, new state or federal renewable portfolio standards could increase capital expenditures and operating costs and negatively affect results of operations and financial condition. In accordance with a renewable energy certificate management plan on file with the Idaho Public Utilities Commission, Idaho Power currently sells the renewable energy certificates it receives in connection with its power purchases from some renewable energy generation resources, using the proceeds to benefit customers. Enactment of a renewable portfolio standard in Idaho would cause Idaho Power to retain and retire some or all of those renewable energy certificates rather than sell them for the benefit of customers, and could thus result in increased rates.

***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. Following the completion of the Langley Gulch natural gas-fired power plant, Idaho Power has become more dependent on natural gas for a portion of its electric generating capacity. Natural gas transportation to Idaho Power's 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, as the case may be, on satisfactory terms, or at all. There also can be no assurance that counterparties to the coal supply agreements will fulfill their obligations to supply coal, and they may experience financial or technical problems that inhibit their ability to deliver coal. The coal supply agreements also contain terms that allow the coal suppliers to curtail the delivery of coal in certain circumstances, such as in the event of a natural disaster.

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 recover these increased costs through rates or its power cost adjustment mechanisms, which may adversely affect IDACORP's and Idaho Power's financial condition and results of operations.

Historically, natural gas prices have tended to be more volatile than prices for other fuel sources. Recently, however, the availability of natural gas from shale production has lessened both natural gas prices and price volatility. Market power prices are impacted in part by the availability and cost of natural gas -- as the price of natural gas falls, other market participants that utilize natural gas-fired generation will be able to generate and sell into the wholesale markets electricity at increasingly competitive prices, which could decrease Idaho Power's off-system sales revenues.

***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 or 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.

As discussed in Item 1 - "Business" in this report, in the fourth quarter of 2014 new energy imbalance markets began to emerge in the western United States. The energy imbalance markets are intended to allow for automated near real-time dispatch of generation resources. Idaho Power has not yet joined the energy imbalance markets and cannot predict the ultimate impact, whether positive or negative, that the energy imbalance markets will have on its ability to make economic off-system sales and purchase power in the market. There is potential that, whether Idaho Power joins an energy imbalance market or not, Idaho Power's off-system sales will decrease or purchased power costs will increase, which could adversely affect IDACORP's and Idaho Power's results of operations and financial condition.

***Volatility in the financial markets, or 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, or result in losses on investments .*** IDACORP and Idaho Power use short-term and long-term debt as a significant source of liquidity and funding for capital requirements not satisfied by operating cash flow. In a volatile credit environment IDACORP and Idaho Power may be unable to issue short-term or long-term debt at reasonable interest rates or at all, one or more of the participating banks in IDACORP's and Idaho Power's credit facilities may default on their obligations to make loans under, or may withdraw from,

the credit facilities, or IDACORP's and Idaho Power's access to capital may otherwise be inhibited. In addition, at times Idaho Power has a relatively large balance of short-term investments. Volatility in the financial markets may result in a lack of liquidity for short-term investments and declines in value of some investments. The occurrence of any of these events could affect Idaho Power's ability to execute its business plan and adversely affect IDACORP's and Idaho Power's results of operations and financial condition.

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 and capital expenditures. Notably, without additional approval from those commissions, the aggregate amount of short-term borrowings by Idaho Power at any one time outstanding may not exceed \$450 million. 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. 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 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.*** Access to capital markets is important to IDACORP's and Idaho Power's ability to operate and to complete capital projects. 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 mechanisms, management and their effectiveness, resource risks and power supply costs, and other factors. These ratings impact access to, and the cost of, borrowing. 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 hedges 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 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. 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 Federal Energy Regulatory Commission. 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 Federal Energy Regulatory Commission, the North American Electric Reliability Corporation, and the Western Electricity Coordinating Council, as applicable. Potential monetary and non-monetary penalties for a violation of Federal Energy Regulatory Commission 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.

***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 during times when Idaho Power has available lower-cost resources to meet load demands has an impact on the operation of Idaho Power's hydroelectric generation plants, system reliability, power supply costs, and the wholesale power markets in the Pacific Northwest. Idaho Power's purchases of power from certain renewable energy projects, which Idaho Power is generally obligated to purchase under federal law regardless of the then-current load demand, availability of lower cost generation resources, or wholesale energy market prices, increase the likelihood and frequency that Idaho Power will be required to reduce output from its lower-cost hydroelectric and fossil fuel-fired generation resources, increasing 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. Idaho Power anticipates that costs will escalate as the volume of intermittent wind and solar generation on its system increases, which may negatively affect IDACORP's and Idaho Power's results of operations and financial condition.

***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 payments. 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.

***Employee workforce factors, including the impacts of an aging 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 is subject to workforce factors, including loss or retirement of key personnel, availability of qualified personnel, an aging workforce, and impacts of efforts to organize the workforce. 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 expects that a significant portion of its skilled workforce will be retiring within the current decade, which will require Idaho Power to attract, train, and retain new employees to help prevent a loss of institutional knowledge and avoid a skills gap. Without a skilled workforce, Idaho Power's ability to provide reliable service to its customers and meet regulatory requirements will be challenging, which could negatively affect earnings. The costs associated with attracting and retaining appropriately qualified employees to replace an aging and skilled workforce could also 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. As an example, over the past decade Idaho Power has been a party to proceedings relating to high prices for electricity, energy shortages, and blackouts in California and in western wholesale markets during 2000 and 2001, which caused numerous purchasers of electricity in those markets to initiate proceedings seeking refunds or other forms of relief and the Federal Energy Regulatory Commission to initiate its own investigations. While Idaho Power has largely disposed of direct claims in those proceedings, the settlements and associated Federal Energy Regulatory Commission orders did not eliminate the potential for speculative "ripple claims," which involve potential claims for refunds from an upstream seller of power based on a finding that its downstream buyer was liable for refunds as a seller of power during the relevant period. Idaho Power's settlement payments in those proceedings have been relatively small to date, but the legal costs of defending the claims over the past decade have been substantial. In recent years, Idaho Power has also been a party to legal proceedings advanced by private parties relating to alleged violations of environmental statutes and regulations at its co-owned coal-fired plants. 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 business practices and procedures, including the nature and extent of operation of generation facilities, which could also have a negative effect on their financial positions and results of operations.

***Acts or threats of terrorism, cyber attacks, 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, national public health or safety, or any combination of those matters. 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 significant additional costs to protect, repair, and insure Idaho Power's assets, and could further adversely affect Idaho Power's operations by contributing to disruption of supplies and markets for natural gas or coal used to fuel gas- or coal-fired power plants.

In the normal course of business, Idaho Power collects, processes, and retains sensitive and confidential customer and employee information and the proprietary information of both Idaho Power and third parties. Cyber attacks have evolved to become increasingly sophisticated and difficult to detect in recent years. Despite the cyber security measures in place, Idaho Power's networks and infrastructure could be vulnerable to security breaches, data leakage, or other similar events that could interrupt operations, expose Idaho Power to liability, and require that Idaho Power remedy the security breaches. Those breaches and events may result from acts of Idaho Power employees, contractors, or third parties. Separate from liability to third parties and information owners, if Idaho Power's information technology and security systems were to fail or be breached and Idaho Power were unable to recover the systems and/or data in a timely manner, Idaho Power may be unable to fulfill critical business functions.

***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. The companies' tax obligations include income, real estate, public utility, municipal, sales and use, business and occupation, employment-related taxes, and Canadian goods and services and provincial taxes, and ongoing issues related to these taxes. In recent years, tax settlements, as well as state regulatory mechanisms with tax-related provisions (such as Idaho Power's 2011 regulatory settlement stipulation with the Idaho Public Utilities Commission, which has been extended, with modifications, for future periods), have 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 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 Federal Energy Regulatory Commission 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, 2014, the system also includes approximately 4,858 pole-miles of high-voltage transmission lines, 24 step-up transmission substations located at power plants, 24 transmission substations, 10 switching stations, 222 energized distribution substations (excluding mobile substations and dispatch centers), and approximately 27,072 pole-miles of distribution lines.

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 listed below:

Project	Nameplate Capacity (kW) <sup>(1)</sup>	License Expiration
<b>Hydroelectric Projects:</b>		
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 <sup>(2)</sup>
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	
<b>Total Hydroelectric</b>	<b>1,709,045</b>	
<b>Steam and Other Generating Plants:</b>		
Jim Bridger (coal-fired) <sup>(3)</sup>	770,501	
North Valmy (coal-fired) <sup>(3)</sup>	283,500	
Boardman (coal-fired) <sup>(3)(4)</sup>	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	
<b>Total Steam and Other</b>	<b>1,885,353</b>	
<b>Total Generation</b>	<b>3,594,398</b>	

<sup>(1)</sup> Actual generation capacity from a facility may be greater or less than the rated nameplate generation capacity.

<sup>(2)</sup> Licensed on an annual basis while the application for a new multi-year license is pending.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 and approximately 51,000 square feet of leased office space. Excluding Idaho Power's power generation facilities and substations, Idaho Power owns an additional 605,000 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.

Idaho Energy Resources Co. 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.

**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 13, 2015, there were 10,872 holders of record of IDACORP common stock and the closing stock price was \$61.55 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 \$ 89 million , \$79 million , and \$69 million in 2014 , 2013 , and 2012 , 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. At its November 2011 meeting, the IDACORP board of directors adopted 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. 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 2014 and 2013 as reported by the NYSE:

Quarter	2014			2013		
	High	Low	Dividends paid per share	High	Low	Dividends paid per share
1st	\$ 56.65	\$ 50.21	\$ 0.43	\$ 48.53	\$ 43.13	\$ 0.38
2nd	57.86	52.91	0.43	50.16	46.03	0.38
3rd	58.79	51.70	0.43	54.74	45.62	0.38
4th	70.05	53.39	0.47	53.99	47.57	0.43

During 2014, 2013, and 2012, Idaho Power paid dividends to its parent, IDACORP, in the amounts shown in Idaho Power's Consolidated Statements of Retained Earnings included in this report.

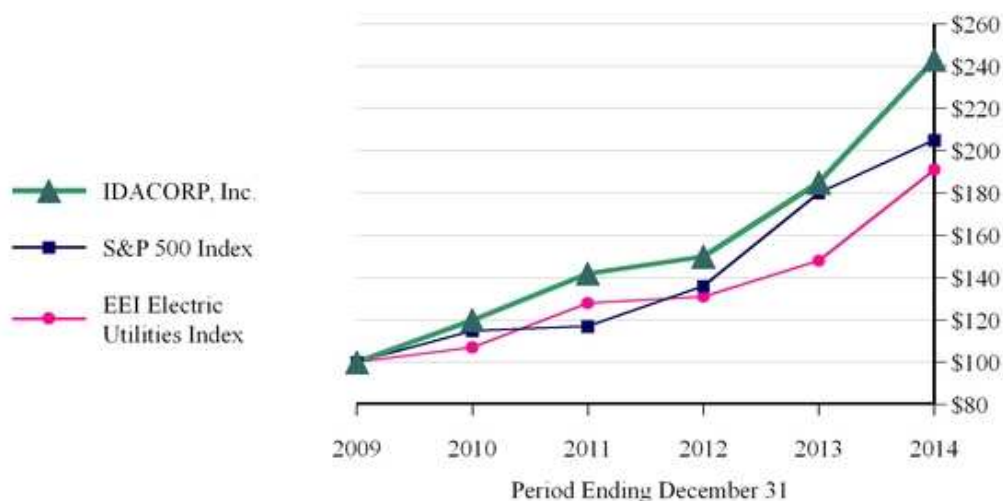
IDACORP did not repurchase any shares of its common stock during the fourth quarter of 2014.

**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, 2009, with beginning-of-period weighting of the peer group indices (based on market capitalization) and monthly compounding of returns.

### Comparison of Cumulative Total Return \$100 Invested December 31, 2009



Source: Bloomberg and EEI

	2009	2010	2011	2012	2013	2014
IDACORP	\$ 100.00	\$ 119.85	\$ 141.72	\$ 149.76	\$ 184.97	\$ 243.49
S&P 500	100.00	115.08	117.47	136.24	180.33	204.96
EEI Electric Utilities Index	100.00	107.04	128.43	131.11	148.17	191.00

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.

## ITEM 6. SELECTED FINANCIAL DATA

## IDACORP, Inc.

## SUMMARY OF OPERATIONS

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

	2014	2013	2012	2011	2010
Operating revenues	\$ 1,282,524	\$ 1,246,214	\$ 1,080,662	\$ 1,026,756	\$ 1,036,029
Operating income	253,696	291,742	242,602	155,352	191,811
Net income attributable to IDACORP, Inc.	193,480	182,417	173,014	169,981	145,018
Diluted earnings per share	3.85	3.64	3.46	3.43	3.00
Dividends declared per share	1.76	1.57	1.37	1.20	1.20

**Financial Condition:**

Total assets	5,716,853	5,364,563	5,291,290	4,925,319	4,635,304
Long-term debt (including current portion)	\$ 1,615,502	\$ 1,616,322	\$ 1,537,696	\$ 1,488,614	\$ 1,610,859

**Financial Statistics:**

## Times interest charges earned:

Before tax <sup>(1)</sup>	3.38	3.87	3.41	2.48	2.78
After tax <sup>(2)</sup>	3.19	3.06	3.02	3.00	2.69
Book value per share <sup>(3)</sup>	\$ 38.85	\$ 36.84	\$ 34.73	\$ 32.76	\$ 30.51
Market-to-book ratio <sup>(4)</sup>	170%	141%	125%	129%	121%
Payout ratio <sup>(5)</sup>	46%	43%	40%	35%	40%
Return on year-end common equity <sup>(6)</sup>	9.9%	9.9%	9.9%	10.4%	9.6%

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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Total equity, excluding non-controlling interests, at the end of the year divided by shares outstanding at the end of the year.

<sup>(4)</sup> 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 (3) above.

<sup>(5)</sup> Dividends paid per common share divided by diluted earnings per share.

<sup>(6)</sup> Net income attributable to IDACORP, Inc. divided by total equity, excluding non-controlling interests, at the end of the year.

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

In Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), the general financial condition and results of operations for IDACORP, Inc. and its subsidiaries (collectively, 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.

IDACORP is a holding company formed in 1998 whose principal operating subsidiary is Idaho Power. IDACORP's common stock is listed and trades on the New York Stock Exchange under the trading symbol "IDA". Idaho Power is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. Idaho Power provided electric service to approximately 516,000 general business customers as of December 31, 2014. As a regulated utility, many of Idaho Power's fundamental business decisions are subject to the approval of governmental agencies. Idaho Power is under the jurisdiction (as to rates, service, accounting, and other general matters of utility operation) of the Idaho Public Utilities Commission (IPUC), the Public Utility Commission of Oregon (OPUC), and the Federal Energy Regulatory Commission (FERC). The IPUC and OPUC determine the rates that Idaho Power charges to its retail customers. Idaho Power is also under the regulatory jurisdiction of the IPUC, the OPUC, and the Public Service Commission of Wyoming as to the issuance of debt and equity securities. As a public utility under the Federal Power Act, Idaho Power has authority to charge market-based rates for wholesale energy sales under its FERC tariff and to provide transmission services under its open access transmission tariff (OATT). Idaho Power uses general rate cases, cost adjustment mechanisms, tariff riders, and subject-specific filings to recover its costs of providing service and the costs of its energy efficiency and demand-response programs, and to seek to earn a return on investment.

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

IDACORP's other subsidiaries include IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and 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. 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.

## EXECUTIVE OVERVIEW

### Management's Outlook

In recent years Idaho Power has seen 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 biennial Integrated Resource Plan (IRP) seeks to identify cost-effective and responsible means for Idaho Power to address future customer demand for electricity. Preparation of the 2015 IRP is underway and is expected to be completed by the end of the second quarter of 2015. Recent infrastructure investments and future anticipated infrastructure projects are intended to help Idaho Power both provide reliable service to existing customers and meet projected future customer growth. Idaho Power has invested significant capital in recent years to maintain and replace aging assets and to build for the future. Idaho Power expects to continue these significant levels of capital investment going forward. 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 approximately \$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 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. Based on its assessment, as of the date of this report Idaho Power does not expect to file an application for a general rate change in Idaho or Oregon during 2015.

Another area of recent focus has been IDACORP's dividend. In November 2011, IDACORP's board of directors adopted a target dividend payout ratio of between 50 and 60 percent of sustainable IDACORP earnings. From 2012 through 2014, IDACORP's board of directors has approved a collective 57 percent increase in the quarterly dividend, from \$0.30 to \$0.47 per share. Idaho Power's need and ability to construct infrastructure, the availability of timely regulatory recovery of costs associated with that construction, and IDACORP's earnings, among other factors discussed elsewhere in this report, all influence dividend decisions. A number of positive outcomes in those areas have been important elements that IDACORP's board of directors has considered in its recent dividend decisions.

### 2014 Accomplishments and 2015 Initiatives

IDACORP's business strategy emphasizes Idaho Power as IDACORP's core business. For the past several years, Idaho Power has been implementing 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 during 2014 under its three-part business strategy include:

- achieved net income growth for a seventh consecutive year;
- extended (with modifications) the December 2011 Idaho settlement stipulation to provide potential earnings support for 2015 through 2019;
- executed on business optimization initiatives, focusing on improving operations and controlling expenditures;
- managed through planned retirements, natural attrition, and business optimization, while scoring in the top quartile of a benchmark employee engagement survey;
- implemented Safety4Life—an initiative to increase employee safety awareness and improve employee safety behaviors and practices, and maintained Occupational Safety and Health Administration recordable injury rates well below utility industry national averages;
- continued progress toward the permitting of the Boardman-to-Hemingway and Gateway West 500-kV transmission projects, including the issuance of the U.S. Bureau of Land Management's (BLM) draft environmental impact statement for the Boardman-to-Hemingway project in December 2014;
- remained on target to meet its goal to reduce average CO<sub>2</sub> emissions intensity by 10 to 15 percent below 2005 emissions for the six-year period 2010 through 2015; and
- improved Idaho Power's ranking from 29 to 17 in the annual "40 Best Energy Companies" list published by *Public Utilities Fortnightly*.

For 2015, in addition to its specific infrastructure and regulatory projects noted above, Idaho Power has established a number of organizational initiatives, including the following:

- emphasize and enhance its enterprise safety culture;
- actively manage costs and the ability to fund planned capital investments by optimizing business practices;
- continue innovative approaches to regulatory strategy;
- promote economic development through collaboration with the states of Idaho and Oregon to attract new businesses and expand existing businesses that utilize Idaho Power's available capacity and generation resources;
- focus on operational excellence through responsible resource planning, by matching resources to customer loads, managing the impacts of environmental regulations, maintaining Idaho Power's hydroelectric base, and enhancing power quality and reliability, and customer satisfaction;
- continue progress toward federal relicensing for the Hells Canyon Complex (HCC) hydroelectric facility and permitting of the 500-kV transmission projects;
- address issues related to the integration of renewable generation resources on the system grid;
- actively participate in the process for shaping carbon emission regulation for the electric utility industry; and
- address workforce attrition associated with anticipated retirements, using targeted succession planning and development programs.

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

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

**Timely Regulatory Cost Recovery:** The price that Idaho Power is authorized to charge for its electric service is a critical factor in determining IDACORP's and Idaho Power's results of operations and financial condition. Because of the significant impact of ratemaking decisions, and in furtherance of its goal of advancing a purposeful regulatory strategy, Idaho Power has focused on timely recovery of its costs through filings with the company's regulators, and on the prudent management of expenses and investments.

One of the most notable regulatory developments during 2014 was the IPUC's October 2014 approval of a regulatory settlement stipulation extending, with modifications, a December 2011 settlement stipulation that permitted Idaho Power to amortize additional accumulated deferred investment tax credits (ADITC) to help achieve a minimum 9.5 percent Idaho-jurisdictional return on year-end equity (Idaho ROE) in 2012, 2013, and 2014, subject to prescribed limits and conditions. The October 2014 settlement stipulation allows for Idaho Power's amortization of up to a total of \$45 million of additional ADITCs for the period from 2015 through 2019 to help achieve a minimum 9.5 percent Idaho ROE for an applicable year, subject to prescribed limits and conditions. Like the December 2011 settlement stipulation, the new settlement stipulation provides for the sharing between Idaho Power and Idaho customers of Idaho-jurisdictional earnings in excess of specified levels of Idaho ROE. While providing no assurance that Idaho Power will obtain a 9.5 percent Idaho ROE in any of the years, IDACORP and Idaho Power believe the ability to amortize additional ADITC under the settlement stipulation provides an element of earnings stability for 2015 and potentially the next several years.

Another item that Idaho Power believes is representative of its active approach to regulatory matters was the IPUC's approval during 2014 of Idaho Power's request to shift recovery of approximately \$99 million in Idaho-jurisdiction power supply expenses historically collected through the PCA mechanism to collection via base rates. While approval of the application results in no net change in the amount collected through base rates and the PCA mechanism in the aggregate, approval of the application will decrease the amount of any base rate increase requested in Idaho Power's next general rate case application filed with the IPUC.

The October 2014 settlement stipulation, base level power supply expense order, and other significant rate proceedings during 2012, 2013, and 2014 are described in "Regulatory Matters" in this MD&A. Important regulatory matters are also discussed in Note 3 - "Regulatory Matters" to the consolidated financial statements included in this report.

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

- Based on Idaho Department of Labor preliminary data, the total number of persons employed in the service area in December 2014 was 459,531, compared with 452,666 in December 2013, and the associated unemployment rate for the service area was 3.6 percent, compared with 5.3 percent in December 2013. The U.S. rate stood at 5.6 percent in December 2014, according to U.S. Department of Labor data.
- Gross area product for Idaho Power's service area, as reported by Moody's Analytics, grew by 1.9 percent for 2014. Moody's forecasts, as of January 14, 2015, 3.1 percent and 3.5 percent growth in gross area product for 2015 and 2016, respectively.
- Customer growth from 2013 to 2014 was 1.4 percent.
- A number of businesses have recently constructed, or are in the process of constructing, sizable facilities in Idaho Power's service territory, including office and manufacturing complexes, particularly in the food processing industry.

Based on recent economic data, Idaho Power predicts that customer growth within its service area will continue to be positive. Idaho Power's most recent load forecast predicts a 1.4 percent five-year compound annual growth rate in residential loads and a 2.1 percent five-year compound annual growth rate in residential customers. For longer-term resource planning purposes, Idaho Power expects to include in its 2015 IRP, to be filed with the IPUC and OPUC in June 2015, a forecasted long-term annual residential customer growth rate of 1.6 percent, an increase over the 1.4 percent residential customer growth rate used in the 2013 IRP. These projected residential customer growth rates are improvements over the 1.0 percent growth rate experienced the past 5 years, but less than the 2.3 percent growth rate realized over the past 20 years.

Should the updated estimates of higher growth rates materialize, or if there is a significant increase in loads due to new, unanticipated large-load customers, growth would exceed the projections and Idaho Power could be required to adjust its infrastructure development timing and plans accordingly.

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

Idaho Power's hydroelectric facilities comprise nearly one-half of Idaho Power's nameplate generation capacity. However, the availability and volume of hydroelectric power generated depends on several factors - the snow pack levels in the mountains upstream of Idaho Power's facilities, reservoir storage, springtime snow pack run-off, base flows in the Snake River, spring flows, rainfall, water leases and other water rights, and other weather and stream flow considerations. Idaho Power's hydroelectric generation during 2014 was 6.2 million megawatt-hours (MWh), compared with actual generation of 5.7 million MWh in 2013 and 8.0 million MWh in 2012. Since 1928, the resource-adjusted median annual hydroelectric generation is 8.5 million MWh. For 2015, Idaho Power estimates generation from its hydroelectric facilities of between 7.0 million MWh and 9.0 million MWh.

When hydroelectric generation is reduced, Idaho Power must rely on more expensive generation sources and purchased power. Most of the increase in power supply costs is collected from customers through the Idaho and Oregon PCA mechanisms. Conversely, in periods of greater hydroelectric generation most of the resulting decrease in power supply costs that typically occurs is returned to customers through the PCA mechanisms. When favorable hydroelectric generating conditions exist for Idaho Power, they also may exist for other Pacific Northwest hydroelectric facility operators – increasing the available supply of lower-cost power, lowering regional wholesale market prices, and impacting the revenue Idaho Power receives from off-system sales of its excess power. Conversely, when hydroelectric generating conditions are poor, wholesale market prices may be higher due to lower supply, but Idaho Power would generally have less surplus energy available for sale into the wholesale markets at those times. Much of the adverse or favorable impact of this volatility is addressed through the PCA mechanisms.

**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. Operation of Idaho Power's Langley Gulch power plant, placed into operation in June 2012, has increased Idaho Power's use of natural gas as a generation fuel and thus its exposure to volatility in natural gas prices.

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. Softened market prices due to PURPA impacts also decrease Idaho Power's excess power sales. The proceeds from off-system sales lower overall power supply costs. Integration of intermittent, non-dispatchable resources (such as wind or solar energy) into Idaho Power's portfolio also creates a number of complex operational challenges and risks that Idaho Power must address. Notably, integration of these sources of power into Idaho Power's portfolio does not eliminate Idaho Power's need to construct facilities and infrastructure that provide reliable power. For instance, at the time Idaho Power reached its all-time system peak demand of 3,407 MW on July 2, 2013, wind resources on Idaho Power's system, representing roughly 675 MW of nameplate capacity, were contributing only 57 MW of power due to lack of wind. Increases in federally mandated PURPA power purchases have contributed to increases in customer rates.

The Idaho and Oregon PCA mechanisms mitigate in large part the potential adverse impacts of fluctuations in power supply costs to Idaho Power, including substantially all of the Idaho-jurisdiction PURPA power purchase costs. Idaho Power also uses physical and financial forward contracts for both electricity and fuel and other hedging strategies in order to manage the risks relating to fuel and power price exposures.

**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. Potential fines and monetary awards that result from a violation of, and costs associated with operational changes that are necessary to comply with, applicable laws or regulations may be substantial. Accordingly, Idaho Power has in place numerous compliance policies and initiatives to help ensure compliance, and periodically evaluates and updates those policies and initiatives.

Environmental laws and regulations in particular may, among other things, increase the cost of operating generation plants and constructing new facilities, require that Idaho Power install additional pollution control devices at existing generating plants, or require that Idaho Power cease operating certain generation plants. For instance, the Boardman coal-fired power plant, in which Idaho Power owns a 10-percent interest, is scheduled to cease coal-fired operations by the end of 2020, the decision for which was driven in large part by the substantial cost of environmental controls required by existing regulations. Idaho Power expects to spend a considerable amount on environmental compliance and controls in the next decade. As legislation and regulations concerning greenhouse gas emissions develop, including the proposed rule under Section 111(d) of the Clean Air Act, Idaho Power will continue to actively participate in the rulemaking process.

#### **Other Notable Matters and Areas of Focus**

**Water Management and Relicensing of the Hells Canyon Hydroelectric Project:** 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 use at its hydroelectric projects. Also, Idaho Power is involved in renewing its federal license for the HCC, its largest hydroelectric generation source. Relicensing involves numerous environmental issues and substantial costs. Idaho Power is working with the states of Idaho and Oregon, federal and state regulatory authorities, and interested parties to address concerns and take appropriate measures relating to the relicensing of the HCC. However, given the number of parties and issues involved, Idaho Power's relicensing costs have been and will continue to be substantial, and the terms of, and costs associated with, any resulting license are not currently determinable.

**Transmission Projects:** Idaho Power continues to focus on expansion of its transmission system in an effort to enhance system reliability and access to wholesale markets. Its most notable transmission projects in progress are the proposed Boardman-to-Hemingway and Gateway West 500-kV transmission projects. In January 2012, Idaho Power entered into cost-sharing arrangements with third parties for the permitting phases of both projects. Construction of these projects cannot commence until all federal, state, and local regulatory requirements are met. As it relates to the Boardman-to-Hemingway project, for which Idaho Power is the project manager, environmental requirements and regulations (particularly relating to sage grouse) for the siting process have changed significantly since commencement of the project, making permitting for the transmission line more difficult. This has resulted in project delays and increased permitting costs. In light of the delays and siting impediments that have occurred and are expected to continue, Idaho Power estimates that the in-service date for the Boardman-to-

Hemingway line would be 2021 or beyond. The Boardman-to-Hemingway line remains Idaho Power's preferred resource alternative, as identified in Idaho Power's 2013 IRP.

### Summary of 2014 Financial Results

The following is a summary of Idaho Power's net income, net income attributable to IDACORP, and IDACORP's earnings per diluted share for the years ended December 31, 2014, 2013, and 2012 (in thousands, except earnings per share amounts):

	Year Ended December 31,		
	2014	2013	2012
Idaho Power net income	\$ 189,387	\$ 176,741	\$ 168,168
Net income attributable to IDACORP, Inc.	\$ 193,480	\$ 182,417	\$ 173,014
Average outstanding shares – diluted (000's)	50,199	50,126	50,010
IDACORP, Inc. earnings per diluted share	\$ 3.85	\$ 3.64	\$ 3.46

The table below provides a reconciliation of net income attributable to IDACORP, Inc. for year ended December 31, 2014 to the year ended December 31, 2013 (items are in millions and are before tax unless otherwise noted):

<b>Net income attributable to IDACORP, Inc. - December 31, 2013</b>	<b>\$ 182.4</b>
Change in Idaho Power net income:	
Decreased sales volumes attributable to usage per customer, net of associated power supply costs and PCA mechanism impacts	\$ (38.1)
Increased sales volumes attributable to customer growth, net of associated power supply costs and PCA mechanism impacts	9.1
Increased labor-related expenses	(4.6)
Increased depreciation, property tax, and other (net)	(3.8)
Greater sharing-related costs reflected as pension expense and revenue sharing	(0.6)
Decrease in Idaho Power operating income	(38.0)
Increase in allowance for funds used during construction (AFUDC)	3.9
Gains on sale of investments in 2013, not repeated in 2014	(11.6)
Changes in other non-operating income and expenses	1.6
Decreased income taxes due to tax method changes for years prior to 2014	29.1
Decreased income taxes due to greater capitalized repairs deduction in 2014	7.8
Decreased other income tax expense	19.8
Total increase in Idaho Power net income	12.6
Other net changes (net of tax)	(1.5)
<b>Net income attributable to IDACORP, Inc. - December 31, 2014</b>	<b>\$ 193.5</b>

IDACORP's net income increased \$11.1 million for the year ended December 31, 2014 when compared with 2013. Idaho Power's operating income decreased by \$38.0 million for 2014 compared with 2013. Lower overall usage per customer, primarily due to a return to moderate weather conditions in 2014 compared with 2013, decreased operating income by \$38.1 million. These weather-related decreases were partially offset by increased sales volumes associated with continued growth in the number of Idaho Power customers, which increased operating income by \$9.1 million when compared with 2013. The number of Idaho Power's general business customers increased by 1.4 percent from December 31, 2013 to December 31, 2014. Increases in labor-related expenses, depreciation, property taxes, and other items combined to decrease operating income by \$8.4 million in 2014 when compared with 2013.

In 2014, Idaho Power recorded a \$3.9 million increase in AFUDC related to greater average construction work in progress, while in 2013 it recorded a gain of \$11.6 million related to the sale of investments in securities that was not repeated in 2014. The net decrease in income tax expense of \$56.7 million more than offset the lower pre-tax income in 2014.

***Effect of Income Taxes and Tax Method Changes on Results***

Income tax accounting method changes for years prior to 2014 increased net income by \$29.1 million for 2014 when compared with 2013. In 2013, Idaho Power recorded \$4.6 million of income tax expense as a result of a cumulative method change adjustment related to its capitalized repairs deduction for generation assets for years prior to 2013. By contrast, during 2014, Idaho Power recorded an income tax benefit of \$24.5 million related to finalization of its method change adjustment for generation assets for years prior to 2014 as well as modifications to its overall capitalized repairs deduction tax method as agreed to with the U.S. Internal Revenue Service (IRS). The income tax benefit related to Idaho Power's 2014 capitalized repairs deduction was \$7.8 million greater than 2013, due to the impact of the method changes and the amount and type of 2014 capital additions. Income tax expense at Idaho Power not related to method changes was \$19.8 million lower in 2014 than in 2013, primarily due to lower pre-tax earnings in 2014.

***Effect of Sharing Mechanism on Results***

During 2014, Idaho Power recorded a total of \$24.7 million related to a December 2011 Idaho regulatory settlement agreement, which requires sharing with Idaho customers of a portion of 2014 earnings exceeding a 10.0 percent Idaho ROE. In accordance with the terms of the settlement agreement, of the \$24.7 million, \$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. Idaho Power recorded similar amounts in 2013. A total of \$118 million in earnings has been shared with Idaho customers through sharing mechanisms since 2009. The settlement agreement is described further in "Regulatory Matters" in this MD&A. The impact of sharing on 2014 and 2013 results is reflected in the following table (in millions):

	<b>2014</b>	<b>2013</b>	<b>Variance</b>
Additional pension expense funded through sharing	\$ (16.7)	\$ (16.5)	\$ (0.2)
Provision against current revenue as a result of sharing	(8.0)	(7.6)	(0.4)
<b>Total</b>	<b>\$ (24.7)</b>	<b>\$ (24.1)</b>	<b>\$ (0.6)</b>

**Key Operating and Financial Metric Estimates for 2015**

IDACORP's and Idaho Power's estimates, as of the date of this report, for 2015 metrics are as follows:

	<b>2015 Estimate</b>	<b>2014 Actual</b>
Idaho Power Operating & Maintenance Expense (millions)	\$340-\$350	\$ 355
Idaho Power Additional Amortization of ADITC (millions)	None	None
Idaho Power Capital Expenditures, excluding AFUDC (millions)	\$300-\$310	\$ 265
Idaho Power Hydroelectric Generation (MWh)	7.0-9.0	6.2

## 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 2014 are compared with 2013 and the results for 2013 are compared with 2012. In the MD&A, MWh and dollar amounts in tables, other than earnings per share, are in thousands unless otherwise indicated.

### 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,		
	2014	2013	2012
General business sales	14,092	14,619	14,085
Off-system sales	2,220	1,683	2,183
<b>Total energy sales</b>	<b>16,312</b>	<b>16,302</b>	<b>16,268</b>
Hydroelectric generation	6,170	5,656	7,956
Coal generation	5,851	6,327	5,227
Natural gas and other generation	1,175	1,576	676
<b>Total system generation</b>	<b>13,196</b>	<b>13,559</b>	<b>13,859</b>
Purchased power	4,153	3,902	3,670
Line losses	(1,037)	(1,159)	(1,261)
<b>Total energy supply</b>	<b>16,312</b>	<b>16,302</b>	<b>16,268</b>

**Sales Volume and Generation** : In 2014, general business sales volume decreased by 0.5 million MWh, or 4 percent, compared with the prior year, mostly related to decreased residential customer usage attributable to more moderate weather conditions in 2014 compared with 2013. Industrial customer usage increased when compared with the prior year, partially offsetting the overall decrease in general business sales volumes. Off-system sales volume increased by 0.5 million MWh, or 32 percent, in 2014 as small increases in output from hydroelectric resources, a decrease in general business customer load, and favorable wholesale market conditions increased surplus power available for sale.

Hydroelectric generation provided 47 percent of Idaho Power's total system generation during 2014. Hydroelectric generation in 2014 was 73 percent of the annual median generation of 8.5 million MWh, which is based on median hydrologic conditions as derived from the Snake River Basin historical stream flow record normalized to reflect the current level of water resource development. The below-average hydroelectric generation during 2012 through 2014 resulted from relatively low snow pack and spring season run-off in the Snake River basin during the three-year period.

The small increase in hydroelectric generation during 2014 compared with 2013 contributed to decreased utilization of coal-fired and natural-gas fired generation.

The financial impacts of fluctuations in off-system sales, purchased power, fuel expense, and other power supply-related expenses are addressed in Idaho Power's Idaho and Oregon PCA mechanisms, which are described later in this MD&A.

**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,		
	2014	2013	2012
<b>Revenue</b>			
Residential	\$ 500,195	\$ 513,914	\$ 431,555
Commercial	299,462	281,009	241,519
Industrial	182,675	165,941	145,054
Irrigation	158,654	159,242	137,424
Total	1,140,986	1,120,106	955,552
Provision for sharing	(7,999)	(7,602)	(7,151)
Deferred revenue related to HCC relicensing AFUDC <sup>(1)</sup>	(10,706)	(10,776)	(10,636)
<b>Total general business revenues</b>	<b>\$ 1,122,281</b>	<b>\$ 1,101,728</b>	<b>\$ 937,765</b>
<b>Volume of Sales (MWh)</b>			
Residential	4,965	5,365	5,039
Commercial	3,944	3,975	3,865
Industrial	3,217	3,182	3,133
Irrigation	1,966	2,097	2,048
Total MWh sales	14,092	14,619	14,085
<b>Number of customers at year-end</b>			
Residential	428,294	422,188	416,020
Commercial	67,522	66,734	65,920
Industrial	121	115	119
Irrigation	19,826	19,398	19,045
Total customers	515,763	508,435	501,104

<sup>(1)</sup> As part of its January 30, 2009 general rate case order, the IPUC allowed Idaho Power to recover AFUDC for the HCC relicensing asset even though the relicensing process is not yet complete and the relicensing asset has not been placed in service. Idaho Power expects to collect approximately \$10.7 million annually in the Idaho jurisdiction, but is deferring revenue recognition of the amounts collected until the license is issued and the asset is placed in service under the new license.

Changes in rates and changes in customer demand are 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 influence on changes in customer demand for electricity is weather conditions. 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 affect sales to customers who use electricity to operate irrigation pumps. Rates are seasonally adjusted and based on a tiered rate structure that provides for higher rates during peak load periods. These seasonal and tiered rate structures contribute to seasonal fluctuations in revenues and earnings. For purposes of illustration and comparison, Boise, Idaho weather-related information for the last three years is presented in the following table:

	Year Ended December 31,			
	2014	2013	2012	Normal
Heating degree-days <sup>(1)</sup>	4,976	6,032	4,723	5,514
Cooling degree-days <sup>(1)</sup>	1,129	1,320	1,274	942

<sup>(1)</sup> 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 territory, the greater Boise area has the majority of Idaho Power's customers.

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 are discussed below.

- 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 rate in the current year. The PCA mechanism is discussed later in this MD&A.
- Usage . Lower usage per customer, primarily driven by the impact of more moderate weather during 2014 on residential customer usage, 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.

General Business Revenues - 2013 Compared with 2012 : General business revenue increased \$164.0 million in 2013 compared with 2012. The factors affecting general business revenues are discussed below.

- Rates . Rate changes, primarily associated with increased power supply costs, combined to increase general business revenue by \$130.8 million. The revenue impact of several of the rate changes was directly offset by associated changes in operating expenses. For example, Idaho PCA amortization expense increased \$42.0 million in 2013 due to the change in the corresponding Idaho PCA true-up rate in the current year.
- Usage . Higher usage per customer, primarily driven by residential customers, increased general business revenue by \$27.9 million. While usage increased across all customer classes, residential usage per customer was 5.2 percent higher for 2013 due largely to more extreme summer and winter temperatures.
- Customers . Customer growth contributed to the increase in overall MWh sales, increasing revenue \$12.3 million. Customer growth from 2012 to 2013 was 1.5 percent. The positive impact of customer growth was partially offset by a \$6.6 million decrease in revenues resulting from the termination in 2012 of an electric service agreement with Hoku Materials, Inc. Combined, these changes increased general business revenues by \$5.7 million.
- Sharing . The overall increase in general business revenue was impacted by Idaho Power's revenue sharing mechanism under the December 2011 Idaho regulatory settlement agreement noted above. Reductions of \$7.6 million and \$7.2 million were recorded in 2013 and 2012, respectively, resulting in a net decrease to general business revenue of \$0.4 million in 2013.

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

	Year Ended December 31,		
	2014	2013	2012
Revenue	\$ 77,165	\$ 54,473	\$ 61,534
MWh sold	2,220	1,683	2,183
Revenue per MWh	\$ 34.76	\$ 32.37	\$ 28.19

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.

**Off-System Sales - 2013 Compared with 2012:** Off-system sales revenue decreased by \$7.1 million, or 11 percent, in 2013 as a result of lower volumes of surplus power available for sale. Sales volumes decreased by 23 percent due to lower output from hydroelectric plants due to unfavorable hydroelectric generating conditions (as a result of lower snow pack and spring season run-off) and an increase in general business customer loads.

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

	Year Ended December 31,		
	2014	2013	2012
Transmission services and other	\$ 52,051	\$ 51,260	\$ 50,126
Energy efficiency	27,154	35,637	27,300
Total other revenues	\$ 79,205	\$ 86,897	\$ 77,426

**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.

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 - 2013 Compared with 2012:** Other revenues increased \$9.5 million in 2013, mainly due to an increase in energy efficiency revenues of \$8.3 million, due to an order issued by the IPUC allowing Idaho Power to recover custom efficiency program incentive payments 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. The impact of the order was offset by decreased utilization of demand response programs during 2013.

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

	Year Ended December 31,		
	2014	2013	2012
Expense			
PURPA contracts	\$ 144,617	\$ 131,338	\$ 117,618
Other purchased power (including wheeling)	92,071	85,038	64,838
Demand response incentive payments	7,940	4,203	14,479
Total purchased power expense	\$ 244,628	\$ 220,579	\$ 196,935
MWh purchased			
PURPA contracts	2,286	2,127	1,961
Other purchased power	1,867	1,775	1,709
Total MWh purchased	4,153	3,902	3,670
Cost per MWh from PURPA contracts	\$ 63.26	\$ 61.75	\$ 59.98
Cost per MWh from other purchased power	\$ 49.31	\$ 47.91	\$ 37.94
Weighted average - all sources (excluding demand response incentive payments)	\$ 56.99	\$ 55.45	\$ 49.72

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 - 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.

**Purchased Power - 2013 Compared with 2012 :** Purchased power expense increased \$23.6 million, or 12 percent, in 2013, principally due to additional PURPA wind generation that came on-line, as well as less favorable hydroelectric generating conditions, which increased the need to purchase power from third parties. The volume of power purchased through PURPA contracts increased 8 percent, contributing to a \$13.7 million increase in PURPA power purchase expense in 2013, while MWh purchased through other sources increased 4 percent. Reductions in demand response program costs, due to temporary suspension of two programs in 2013, partially offset the increased expenses related to power purchases.

**Fuel Expense :** The table below presents Idaho Power's fuel expenses and generation at its thermal generating plants for the last three years:

	Year Ended December 31,		
	2014	2013	2012
<b>Expense</b>			
Coal	\$ 156,172	\$ 160,277	\$ 134,501
Natural gas and other thermal	45,069	54,205	24,912
<b>Total fuel expense</b>	<b>\$ 201,241</b>	<b>\$ 214,482</b>	<b>\$ 159,413</b>
<b>MWh generated</b>			
Coal	5,851	6,327	5,227
Natural gas and other thermal	1,175	1,576	676
<b>Total MWh generated</b>	<b>7,026</b>	<b>7,903</b>	<b>5,903</b>
<b>Cost per MWh</b>			
Coal	\$ 26.69	\$ 25.33	\$ 25.73
Natural gas and other thermal	38.36	34.39	36.85
<b>Weighted average, all sources</b>	<b>\$ 28.64</b>	<b>\$ 27.14</b>	<b>\$ 27.01</b>

Most fuel supply contracts are subject to changes in published indexes that are closely related to materials and supplies, labor, and diesel costs. In addition to commodity (variable) costs, both natural gas and coal expense include costs that are more fixed in nature for items such as capacity charges, transportation, and fuel handling. Period to period variances in fuel expense per MWh are noticeably impacted by these fixed charges when generation output is substantially different between the periods.

**Fuel Expense - 2014 Compared with 2013 :** In 2014, fuel expense decreased \$13.2 million , or 6 percent , compared with 2013 , due principally to decreased output from the natural gas-fired plants during 2014, resulting from lower system load demands and increased generation provided by facilities under PURPA contracts. The thermal coal plants were also operated less in 2014 when compared with 2013, as higher hydroelectric generation enabled lower utilization of the coal plants to serve system load requirements. Partially offsetting these decreases were higher commodity costs when compared with 2013.

**Fuel Expense - 2013 Compared with 2012 :** In 2013, fuel expense - increased \$55.1 million, or 35 percent, compared with 2012, due principally to the following factors:

- Idaho Power's Langley Gulch natural gas-fired power plant came on line on June 29, 2012. Operation of the plant accounted for \$23.9 million of the increase in fuel expense. Idaho Power operated the plant primarily to serve peak load, to integrate intermittent resources, and for economic dispatch opportunities. During 2013, Idaho Power relied more on Langley Gulch and other gas plants to meet customer loads as a result of the decline in hydroelectric generation compared with the same period in 2012; and
- generation from coal-fired facilities increased 21 percent in 2013. This increase in generation accounted for \$25.6 million of the increase in fuel expense compared with 2012. During 2013, higher wholesale power prices and lower

hydroelectric generation when compared with 2012 increased Idaho Power's reliance on its coal-fired plants to meet customer loads.

**PCA Mechanisms :** Idaho Power's power supply costs (primarily purchased power and fuel, less off-system sales) can vary significantly from year to year. Volatility of power supply costs arises from factors such as weather conditions, wholesale market prices and volumes of power purchased and sold in the wholesale markets, Idaho Power's hydroelectric and thermal generation volumes and fuel costs, generation plant availability, and retail loads. To address the volatility of power supply costs, Idaho Power's PCA mechanisms in the Idaho and Oregon jurisdictions allow Idaho Power to recover from or refund to customers most of the fluctuations in power supply costs. In the Idaho jurisdiction, the PCA includes a cost or benefit sharing ratio that allocates the deviations in net power supply expenses between customers (95 percent) and the company (5 percent), with the exception of PURPA power purchases and demand-response program incentives, which are allocated 100 percent to customers. Because of the PCA mechanisms, the primary financial impacts of power supply cost variations is that cash is paid out but recovery from customers does not occur until a future period, or cash that is collected is refunded to customers in a future period, resulting in fluctuations in operating cash flows from year to year. The table that follows presents the components of the Idaho and Oregon PCA mechanisms for the last three years:

	Year Ended December 31,		
	2014	2013	2012
Idaho power supply cost deferral	\$ (48,104)	\$ (67,127)	\$ (45,064)
Oregon power supply cost deferral	—	—	(1,523)
Amortization of prior year authorized balances	70,339	27,590	(14,503)
Total power cost adjustment expense	\$ 22,235	\$ (39,537)	\$ (61,090)

The power supply deferrals represent the portion of the power supply cost fluctuations deferred under the PCA mechanisms. When actual power supply costs are higher than the amount forecasted in PCA rates, which was the case for 2014, 2013, and 2012, most of the difference is deferred. The amortization of the prior year's balances represents the offset to the amounts being collected or refunded in the current PCA year that were deferred or accrued in the prior PCA year (the true-up component of the PCA).

**PCA Mechanisms - 2014 Compared with 2013 :** Actual net power supply cost deferrals decreased in 2014 relative to 2013, a change of \$19.0 million — from \$67.1 million to \$48.1 million . Power supply costs collected through base rates increased on June 1, 2014, resulting in less costs needing to be recovered through the PCA mechanism since that time. The \$70.3 million of amortization offsets the collection from customers of prior years' deferrals.

**PCA Mechanisms - 2013 Compared with 2012 :** Actual net power supply cost deferrals increased in 2013 relative to 2012, a change of \$20.5 million—from deferrals of \$46.6 million to \$67.1 million. The \$27.6 million of amortization offsets the net collection from customers of prior years' deferrals.

**Other Operations and Maintenance Expenses :** The changes in operations and maintenance (O&M) expenses for the periods presented are discussed below.

**O&M - 2014 Compared with 2013 :** Other O&M expense increased by \$5.7 million in 2014 compared with 2013, an increase of less than two percent, due to the following factors:

- an increase of \$4.6 million in labor-related expenses, caused by normal escalations in labor and benefits costs; and
- an increase of \$0.9 million in bad debt expense resulting from fewer collections related to a billing system change made in 2013. Due to full implementation of the billing system change, Idaho Power expects that bad debt expense will return to more normal levels in future periods.

**O&M - 2013 Compared with 2012 :** Other O&M expense decreased by \$0.2 million in 2013 compared with 2012, a decrease of less than one percent, due to the following factors:

- pension expense increased \$1.9 million as the sharing mechanism in place during both years resulted in higher sharing-related pension expense in 2013;
- other O&M expenses were \$1.3 million lower, reflecting business optimization efforts;
- labor-related expenses increased by \$1.5 million as a result of normal escalations in labor and benefits costs; and

- O&M expenses associated with hydroelectric generation were \$2.3 million lower, primarily due to water lease payments made in 2012 that were not made in 2013 because less water associated with these leases was available in 2013.

### **Gain on Sale of Investments**

In 2013, Idaho Power recognized an \$11.6 million gain on the sale of marketable securities. These investments relate to the Rabbi trust designated to provide funding for Idaho Power's obligations under its Security Plan for Senior Management Employees. Gross proceeds from the sale were \$25.7 million. No such sale occurred in 2014 or 2012.

### **Income Taxes**

Income tax accounting method changes decreased 2014 income tax expense by \$29.1 million when compared with 2013. In 2013, Idaho Power recorded \$4.6 million of income tax expense as a result of a method change related to its capitalized repair deduction for generation assets for years prior to 2013. By contrast, in 2014, Idaho Power, in coordination with the IRS through IDACORP's Compliance Assurance Process program, implemented aspects of the final tangible property regulations and other technical interpretations of these rules into its existing capitalized repairs tax accounting method for generation, transmission, and distribution assets. These technical interpretations were received from the IRS in 2014. An \$11.1 million tax benefit related to the portion of the 2013 capitalized repairs deduction based on these modifications was recorded in 2014. Idaho Power finalized these changes with the filing of IDACORP's 2013 consolidated federal income tax return in September 2014. In 2014, Idaho Power also recorded a \$13.4 million for years prior to 2013 income tax benefit for the finalization of the cumulative method change impact related to the generation asset method change. The income tax benefit related to Idaho Power's 2014 capitalized repairs deduction was \$7.8 million greater than 2013, due to the impact of the method changes and the amount and type of 2014 capital additions. Further, income tax expense (excluding the tax method changes) decreased \$19.8 million compared with 2013, principally due to lower Idaho pre-tax earnings in 2014. Income tax expense in 2013 increased significantly compared with 2012, principally as a result of greater Idaho Power pre-tax earnings in 2013.

On August 18, 2014, the U.S. Treasury and IRS issued final regulations addressing the disposition of property subject to depreciation and general asset accounts. The regulations are generally effective for tax years beginning on or after January 1, 2014. IDACORP and Idaho Power do not believe these disposition regulations will have a material adverse effect on future tax filings. Therefore, as of December 31, 2014, no income tax impacts have been recorded related to the new guidance.

For additional information relating to IDACORP's and Idaho Power's income taxes, including the availability of tax credit carryforwards, see Note 2 - "Income Taxes" to the consolidated financial statements included in this report.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

Idaho Power has been pursuing significant enhancements to its utility infrastructure 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. Idaho Power's expenditures for property, plant and equipment, excluding AFUDC, were \$265 million in 2014 and \$228 million in 2013. Idaho Power expects these substantial capital expenditures to continue, with estimated total capital expenditures of approximately \$1.5 billion over the period from 2015 through 2019.

Idaho Power funds its liquidity needs for capital expenditures through cash flows from operations, debt offerings, commercial paper markets, credit facilities, and capital contributions from IDACORP. Idaho Power periodically files for rate adjustments for recovery of operating costs and capital investments to provide the opportunity to align Idaho Power's earned returns with those allowed by regulators. Idaho Power uses operating and capital budgets to control operating costs and capital expenditures, and has also been focusing on optimizing its business operations, which has included controlling operating and maintenance costs through process review and improvement initiatives. Consistent with 2014, during 2015 IDACORP and Idaho Power will continue to focus on optimizing operations, controlling costs, and generating sufficient operating cash inflows to meet operating expenditures, contribute to capital expenditure requirements, and pay dividends to shareholders.

As of February 13, 2015 , IDACORP's and Idaho Power's access to debt, equity, and credit arrangements included:

- \$125 million and \$300 million revolving credit facilities, respectively;
- IDACORP's shelf registration statement filed with the U.S. Securities and Exchange Commission (SEC) on May 22, 2013, which may be used for the issuance of debt securities and common stock, including up to 3 million shares of IDACORP common stock available for issuance under IDACORP's sales agency agreement executed in July 2013;
- Idaho Power's shelf registration statement, filed with the SEC jointly with IDACORP on May 22, 2013, which may be used for the issuance of first mortgage bonds and debt securities; \$500 million is available for issuance under a selling agency agreement executed in July 2013 and pursuant to state regulatory authority; and
- IDACORP's and Idaho Power's issuance of commercial paper, which may be issued up to an amount equal to the available credit capacity under their respective credit facilities.

IDACORP and Idaho Power have no significant long-term debt maturities until 2018. Based on planned capital expenditures and operating and maintenance expenses for 2015 , the companies believe they will be able to meet capital requirements and fund corporate expenses during 2015 with a combination of existing cash and operating cash flows generated by Idaho Power's utility business, together with proceeds from either draws upon credit facilities or Idaho Power's issuance of debt securities. IDACORP and Idaho Power would expect to meet any short-term cash shortfalls during 2015 with existing credit facilities and expect to continue to manage short-term liquidity through commercial paper markets.

IDACORP and Idaho Power also monitor capital markets with a view toward opportunistic debt and equity transactions, taking into account current and potential long-term future needs. As a result, IDACORP may issue debt securities or may issue common stock under the existing continuous equity program, and Idaho Power may issue debt securities, if the companies believe terms available in the capital markets are favorable and that issuances would be financially prudent. Idaho Power also periodically analyzes whether partial or full early redemption of one or more existing outstanding series of first mortgage bonds is desirable, and in some cases may refinance indebtedness with new indebtedness issued with more favorable terms, including interest rates lower than the series being redeemed.

IDACORP and Idaho Power seek to maintain capital structures of approximately 50 percent debt and 50 percent equity, and maintaining this ratio influences IDACORP's and Idaho Power's debt and equity issuance decisions. As of December 31, 2014 , IDACORP's and Idaho Power's capital structures were as follows:

	<b>IDACORP</b>	<b>Idaho Power</b>
Debt	46%	47%
Equity	54%	53%

IDACORP and Idaho Power generally maintain their cash and cash equivalents in highly liquid investments, such as U.S. Treasury Bills, money market funds, and bank deposits.

### Operating Cash Flows

IDACORP's and Idaho Power's principal sources of cash flows from operations are Idaho Power's sales of electricity and transmission capacity. Significant uses of cash flows from operations include the purchase of fuel and power, other operating expenses, interest, and pension plan contributions. Operating cash flows can be significantly influenced by factors such as weather conditions, rates and the outcome of regulatory proceedings, and economic conditions. As fuel and purchased power are significant uses of cash, Idaho Power has regulatory mechanisms in place that provide for the deferral and recovery of the majority of the fluctuation in those costs. However, if actual costs rise above the level allowed in retail rates, deferral balances increase (reflected as a regulatory asset), negatively affecting operating cash flows until such time as those costs, with interest, are recovered from customers.

IDACORP's and Idaho Power's operating cash inflows in 2014 were \$364 million and \$343 million , respectively, increases of \$59 million and \$53 million, respectively, compared with 2013 . Significant items that affected the companies' operating cash flows in 2014 relative to 2013 included:

- changes in regulatory assets and liabilities, mostly related to the relative amounts of power supply costs deferred and collected under the Idaho PCA mechanism, increased operating cash inflows by \$58 million;
- changes in working capital balances due primarily to timing. Decreases in receivable balances from 2013 to 2014 compared with the increase in receivable balances experienced from 2012 to 2013 resulted in an increase to cash flows for 2014 of approximately \$50 million for IDACORP and \$52 million for Idaho Power;

- cash outflows related to income taxes increased by approximately \$10 million for IDACORP and \$16 million for Idaho Power from 2013 to 2014; and
- Idaho Power's joint venture, BCC, made net distributions to Idaho Power of \$4 million in 2014 , as compared with \$15 million in 2013 . A build-up in coal inventories at BCC during 2014 reduced BCC's cash available for distribution.

IDACORP's and Idaho Power's operating cash inflows in 2013 were \$306 million and \$290 million , respectively, increases of \$56 million and \$32 million, respectively, compared with 2012 . In addition to increased pre-tax earnings, significant items that affected the companies' operating cash flows in 2013 relative to 2012 included:

- Idaho Power made \$30 million of cash contributions to its defined benefit pension plan in 2013, compared with \$44 million of cash contributions during 2012;
- changes in regulatory assets and liabilities, mostly related to the relative amounts of power supply costs deferred and collected under the Idaho PCA mechanism, increased operating cash inflows by \$28 million;
- cash outflows related to income taxes increased by approximately \$25 million for Idaho Power from 2012 to 2013 and cash outflows related to incomes taxes remained relatively flat at \$1 million for IDACORP between 2012 and 2013; and
- changes in working capital balances due primarily to timing. Increases in receivable balances reduced cash flows by approximately \$27 million, primarily as a result of increased year-end sales in 2013 compared with 2012. Fluctuations in accounts payables and other accrued liabilities reduced cash flows by \$11 million, largely as a result of reduced accruals for PURPA-related payables. Other current liabilities increased cash flows by \$10 million primarily due to customer deposits returned in 2012.

### Investing Cash Flows

Investing activities consist primarily of capital expenditures related to new construction and improvements to Idaho Power's generation, transmission, and distribution facilities. Idaho Power's construction expenditures, including AFUDC, were \$274 million , \$235 million , and \$240 million in 2014 , 2013 , and 2012 , respectively. These capital expenditures were primarily for construction of utility infrastructure needed to address Idaho Power's aging plant and equipment, customer growth, and environmental and regulatory compliance requirements.

### Financing Cash Flows

Financing activities provide supplemental cash for both day-to-day operations and capital requirements as needed. Idaho Power funds liquidity needs for capital investment, working capital, managing commodity price risk, and other financial commitments through cash flows from operations, debt offerings, commercial paper markets, credit facilities, and capital contributions from IDACORP. IDACORP funds its cash requirements, such as payment of taxes, capital contributions to Idaho Power, and non-utility operating expenses through cash flows from operations, commercial paper markets, sales of common stock, and credit facilities. The following are significant items and transactions that affected financing cash flows in 2012 , 2013 , and 2014 :

- on April 13, 2012, Idaho Power issued \$75 million in principal amount of 2.95% first mortgage bonds due 2022 and \$75 million in principal amount of 4.30% first mortgage bonds due 2042;
- in May 2012, Idaho Power redeemed prior to maturity \$100 million of 4.75% first mortgage bonds due in November 2012;
- on April 8, 2013, Idaho Power issued \$75 million in principal amount of 2.50% first mortgage bonds due 2023 and \$75 million in principal amount of 4.00% first mortgage bonds due 2043;
- on October 1, 2013 Idaho Power repaid at maturity \$70 million of its 4.25% first mortgage bonds;
- IDACORP and Idaho Power paid dividends of approximately \$88 million , \$79 million , and \$69 million in 2014 , 2013 , and 2012 , respectively;
- Idaho Power received capital contributions of \$8 million from IDACORP in 2012 ; and
- IDACORP's net change in commercial paper borrowings was a reduction of \$23 million and \$15 million in 2014 and 2013 , respectively, and an increase of \$16 million in 2012 .

### Financing Programs and Available Liquidity

**IDACORP Equity Programs:** On July 12, 2013, IDACORP entered into a Sales Agency Agreement with BNY Mellon Capital Markets, LLC (BNYMCM), under which IDACORP may offer and sell up to 3 million shares of its common stock from time to time through BNYMCM as IDACORP's agent. IDACORP has no obligation to sell any minimum number of shares under the

Sales Agency Agreement. As of the date of this report, 3 million shares of IDACORP common stock remain available for sale under the Sales Agency Agreement with BNYMCM.

Effective July 1, 2012, IDACORP discontinued original issuances of common stock and instructed the plan administrators to use market purchases of IDACORP common stock for purposes of acquiring IDACORP common stock for the IDACORP, Inc. Dividend Reinvestment and Stock Purchase Plan and the Idaho Power Company Employee Savings Plan. However, IDACORP may determine at any time to resume original issuances of common stock under those plans. As noted above, an important component of that determination will be IDACORP's and Idaho Power's capital structure. Under the dividend reinvestment and employee-related stock purchase plans in effect prior to July 1, 2012, IDACORP issued 111,380 shares in 2012 for proceeds of \$4.5 million.

**Idaho Power First Mortgage Bonds** : Idaho Power's issuance of long-term indebtedness is subject to the approval of the IPUC, OPUC, and Wyoming Public Service Commission (WPSC). In April 2013, Idaho Power received orders from the IPUC, OPUC, and WPSC authorizing Idaho Power to issue and sell from time to time up to \$500 million in aggregate principal amount of debt securities and first mortgage bonds, subject to conditions specified in the orders. Authority from the IPUC is through April 9, 2015, though Idaho Power may request an extension by letter filed with the IPUC prior to that date. The OPUC's and WPSC's orders do not impose a time limitation for issuances, but the OPUC order does impose a number of other conditions, including a maximum interest rate limit of seven percent.

On July 12, 2013, Idaho Power entered into a Selling Agency Agreement with eight banks named in the agreement in connection with the potential issuance and sale from time to time of up to \$500 million in aggregate principal amount of first mortgage bonds, Series J (Series J Notes), under Idaho Power's Indenture of Mortgage and Deed of Trust, dated as of October 1, 1937, as amended and supplemented (Indenture). Also on July 12, 2013, Idaho Power entered into the Forty-seventh Supplemental Indenture, dated as of July 1, 2013, to the Indenture. The Forty-seventh Supplemental Indenture provides for, among other items, the issuance of up to \$500 million in aggregate principal amount of Series J Notes. As of the date of this report, Idaho Power has not sold any first mortgage bonds or debt securities under the Selling Agency Agreement.

The issuance of first mortgage bonds requires that Idaho Power meet interest coverage and security provisions set forth in the Indenture. Future issuances of first mortgage bonds are subject to satisfaction of covenants and security provisions set forth in the Indenture, market conditions, regulatory authorizations, and covenants contained in other financing agreements.

The Indenture limits the maximum amount of first mortgage bonds at any one time outstanding to \$2.0 billion, and as a result the maximum amount of first mortgage bonds Idaho Power could issue as of December 31, 2014 was limited to approximately \$409 million. Idaho Power may increase the \$2.0 billion limit on the maximum amount of first mortgage bonds outstanding by filing a supplemental indenture with the trustee as provided in the Indenture of Mortgage and Deed of Trust. Separately, the Indenture also limits the amount of additional first mortgage bonds that Idaho Power may issue to the sum of (a) the principal amount of retired first mortgage bonds and (b) 60 percent of total unfunded property additions, as defined in the Indenture. As of December 31, 2014, Idaho Power could issue approximately \$1.6 billion of additional first mortgage bonds based on retired first mortgage bonds and total unfunded property additions.

Refer to Note 4 - "Long-Term Debt" to the consolidated financial statements included in this report for more information regarding long-term financing arrangements.

**IDACORP and Idaho Power Credit Facilities** : IDACORP and Idaho Power have \$125 million and \$300 million credit facilities, respectively. Each of the credit facilities may be used for general corporate purposes and commercial paper back-up. IDACORP's facility permits borrowings under a revolving line of credit of up to \$125 million at any one time outstanding, including swingline loans not to exceed \$15 million at any time and letters of credit not to exceed \$50 million at any time. IDACORP's facility may be increased, subject to specified conditions, to \$150 million. Idaho Power's facility permits borrowings through the issuance of loans and standby letters of credit of up to \$300 million at any one time outstanding, including swingline loans not to exceed \$30 million at any one time. Idaho Power's facility may be increased, subject to specified conditions, to \$450 million. The interest rates for any borrowings under the facilities are based on either (1) a floating rate that is equal to the highest of the prime rate, federal funds rate plus 0.5 percent, or LIBOR rate plus 1.0 percent, or (2) the LIBOR rate, plus, in each case, an applicable margin. The applicable margin is based on IDACORP's or Idaho Power's, as applicable, senior unsecured long-term indebtedness credit rating, as set forth on a schedule to the credit agreements. The companies also pay a facility fee based on the respective company's credit rating for senior unsecured long-term debt securities.

Each facility contains a covenant requiring each company to maintain a leverage ratio of consolidated indebtedness to consolidated total capitalization equal to or less than 65 percent as of the end of each fiscal quarter. In determining the leverage

ratio, “consolidated indebtedness” broadly includes all indebtedness of the respective borrower and its subsidiaries, including, in some instances, indebtedness evidenced by certain hybrid securities (as defined in the credit agreement). “Consolidated total capitalization” is calculated as the sum of all consolidated indebtedness, consolidated stockholders' equity of the borrower and its subsidiaries, and the aggregate value of outstanding hybrid securities. At December 31, 2014, the leverage ratios for IDACORP and Idaho Power were 46 percent and 47 percent, respectively. IDACORP's and Idaho Power's ability to utilize the credit facilities is conditioned upon their continued compliance with the leverage ratio covenants included in the credit facilities, which could limit the ability of the companies to issue first mortgage bonds and debt securities. There are additional covenants, subject to exceptions, that prohibit certain mergers, acquisitions, and investments, restrict the creation of certain liens, and prohibit entering into any agreements restricting dividend payments from any material subsidiary. At December 31, 2014, IDACORP and Idaho Power believe they were in compliance with all facility covenants. Further, IDACORP and Idaho Power do not believe they will be in violation or breach of their respective debt covenants during 2015.

The events of default under both facilities include, without limitation, non-payment of principal, interest, or fees; materially false representations or warranties; breach of covenants; bankruptcy or insolvency events; condemnation of property; cross-default to certain other indebtedness; failure to pay certain judgments; change of control; failure of IDACORP to own free and clear of liens the voting stock of Idaho Power; the occurrence of specified events or the incurring of specified liabilities relating to benefit plans; and the incurring of certain environmental liabilities, subject, in certain instances, to cure periods.

Upon any event of default relating to the voluntary or involuntary bankruptcy of IDACORP or Idaho Power or the appointment of a receiver, the obligations of the lenders to make loans under the applicable facility and to issue letters of credit will automatically terminate and all unpaid obligations will become due and payable. Upon any other event of default, the lenders holding greater than 50 percent of the outstanding loans or greater than 50 percent of the aggregate commitments (required lenders) or the administrative agent with the consent of the required lenders may terminate or suspend the obligations of the lenders to make loans under the facility and to issue letters of credit under the facility and/or declare the obligations to be due and payable. During an event of default under the facilities, the lenders may, at their option, increase the applicable interest rates then in effect and the letter of credit fee by 2.0 percentage points per annum. A ratings downgrade would result in an increase in the cost of borrowing, but would not result in a default or acceleration of the debt under the facilities. However, if Idaho Power's ratings are downgraded below investment grade, Idaho Power must extend or renew its authority for borrowings under its IPUC and OPUC regulatory orders.

In October 2013, IDACORP and Idaho Power executed agreements with the lenders, extending the maturity date under both credit agreements to October 26, 2018. No other terms of the credit agreements, including the amount of permitted borrowings under the credit agreements, were affected by the extension.

Without additional approval from the IPUC, the OPUC, and the WPSC, the aggregate amount of short-term borrowings by Idaho Power at any one time outstanding may not exceed \$450 million.

***IDACORP and Idaho Power Commercial Paper:*** IDACORP and Idaho Power have commercial paper programs under which they issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time not to exceed the available capacity under their respective credit facilities, described above. IDACORP's and Idaho Power's credit facilities are available to the companies to support borrowings under their commercial paper programs. The commercial paper issuances are used to provide an additional financing source for the companies' short-term liquidity needs. The maturities of the commercial paper issuances will vary, but may not exceed 270 days from the date of issue. Individual instruments carry a fixed rate during their respective terms, although the interest rates are reflective of current market conditions, subjecting the companies to fluctuations in interest rates.

**Available Short-Term Borrowing Liquidity**

The following table outlines available short-term borrowing liquidity as of the dates specified:

	December 31, 2014		December 31, 2013	
	IDACORP <sup>(2)</sup>	Idaho Power	IDACORP <sup>(2)</sup>	Idaho Power
Revolving credit facility	\$ 125,000	\$ 300,000	\$ 125,000	\$ 300,000
Commercial paper outstanding	(31,300)	—	(54,750)	—
Identified for other use <sup>(1)</sup>	—	(24,245)	—	(24,245)
Net balance available	\$ 93,700	\$ 275,755	\$ 70,250	\$ 275,755

<sup>(1)</sup>Port of Morrow and American Falls bonds that Idaho Power could be required to purchase prior to maturity under the optional or mandatory purchase provisions of the bonds, if the remarketing agent for the bonds were unable to sell the bonds to third parties.

<sup>(2)</sup>Holding company only.

At February 13, 2015, IDACORP had no loans outstanding under its credit facility and \$24.2 million of commercial paper outstanding, and Idaho Power had no loans outstanding under its credit facility and no commercial paper outstanding. The table below presents additional information about short-term commercial paper borrowing during the years ended December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	IDACORP <sup>(1)</sup>	Idaho Power	IDACORP <sup>(1)</sup>	Idaho Power
<b>Commercial paper:</b>				
Year end:				
Amount outstanding	\$ 31,300	\$ —	\$ 54,750	\$ —
Weighted average interest rate	0.43%	—%	0.34%	—%
Daily average amount outstanding during the year	\$ 37,786	\$ —	\$ 61,121	\$ 2,209
Weighted average interest rate during the year	0.32%	—%	0.39%	0.43%
Maximum month-end balance	\$ 47,300	\$ —	\$ 67,150	\$ 16,600

<sup>(1)</sup>Holding company only.

**Impact of Credit Ratings on Liquidity and Collateral Obligations**

IDACORP's and Idaho Power's access to capital markets, including the commercial paper market, and their respective financing costs in those markets, depends in part on their respective credit ratings. The following table outlines the ratings of Idaho Power's and IDACORP's securities, and the ratings outlook, by Standard & Poor's Ratings Services and Moody's Investors Service as of the date of this report:

	S&P		Moody's	
	IDACORP	Idaho Power	IDACORP	Idaho Power
Corporate Credit Rating/Long-Term Issuer Rating	BBB	BBB	Baa 1	A3
Senior Secured Debt	None	A-	None	A1
Senior Unsecured Debt	None	BBB	None	A3
Short-Term Tax-Exempt Debt	None	BBB/A-2	None	A3/ VMIG-2
Commercial Paper	A-2	A-2	P-2	P-2
Senior Unsecured Credit Facility	None	None	Baa 1	A3
Rating Outlook	Stable	Stable	Stable	Stable

These security ratings reflect the views of the ratings agencies. An explanation of the significance of these ratings may be obtained from each rating agency. Such ratings are not a recommendation to buy, sell, or hold securities. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides that the circumstances warrant the change. Each rating agency has its own methodology for assigning ratings and, accordingly, each rating should be evaluated independently of any other rating.

Idaho Power maintains margin agreements relating to its wholesale commodity contracts that allow performance assurance collateral to be requested of and/or posted with certain counterparties. As of December 31, 2014, Idaho Power had posted no

performance assurance collateral. Should Idaho Power experience a reduction in its credit rating on its unsecured debt to below investment grade Idaho Power could be subject to requests by its wholesale counterparties to post additional performance assurance collateral, and counterparties to derivative instruments and other forward contracts could request immediate payment or demand immediate ongoing full daily collateralization on derivative instruments and contracts in net liability positions. Based upon Idaho Power's current energy and fuel portfolio and market conditions as of December 31, 2014, the amount of additional collateral that could be requested upon a downgrade to below investment grade is approximately \$8.1 million. To minimize capital requirements, Idaho Power actively monitors its portfolio exposure and the potential exposure to additional requests for performance assurance collateral, through sensitivity analysis.

### Capital Requirements

Idaho Power's construction expenditures, excluding AFUDC, were \$265 million during the year ended December 31, 2014. The table below presents Idaho Power's estimated cash requirements for construction, excluding AFUDC, for 2015 through 2019 (in millions of dollars). Given the uncertainty associated with the timing of infrastructure projects and associated expenditures, actual expenditures and their timing could deviate substantially from those set forth in the table.

	2015	2016	2017-2019
Ongoing capital expenditures (excluding item listed below in this table)	\$ 255-260	\$ 285-290	\$ 850-905
Jim Bridger plant selective catalytic reduction equipment (discussed below)	45-50	15-20	20-25
Total (excluding AFUDC)	\$ 300-310	\$ 300-310	\$ 870-930

**Major Infrastructure Projects:** Idaho Power is engaged in the development of a number of significant projects and has entered into arrangements with third parties concerning joint infrastructure development. The most notable projects are described below.

**Jim Bridger Plant Selective Catalytic Reduction Equipment and Related IPUC Filing:** Idaho Power and the plant co-owners are installing selective catalytic reduction (SCR) equipment to reduce nitrogen oxide (NO<sub>x</sub>) emissions at the Jim Bridger power plant, in order to comply with regional haze rules. The regional haze rules provide for installation and operation of SCR on unit 3 by 2015 and unit 4 by 2016. The rules provide for an equivalent technology for NO<sub>x</sub> reductions on unit 2 by 2021 and unit 1 by 2022. Idaho Power estimates that the total cost for Idaho Power's share of the upgrades on units 3 and 4 is approximately \$113 million, excluding AFUDC. As of December 31, 2014, Idaho Power had expended \$46 million, excluding AFUDC, on SCR installation at units 3 and 4.

In June 2013, Idaho Power filed an application with the IPUC requesting that the IPUC issue a Certificate of Public Convenience and Necessity (CPCN) related to the SCR investments planned for units 3 and 4. Idaho Power's CPCN application requested that the IPUC provide Idaho Power with authorization and a binding commitment to provide rate base treatment for Idaho Power's share of the capital investment in the SCR. By filing the CPCN, Idaho Power intended to provide the IPUC with an opportunity to review the prudence of the investment in SCR prior to Idaho Power's incurring the bulk of the associated expenses. In December 2013, the IPUC issued an order granting the CPCN. However, the IPUC declined to grant Idaho Power's additional request for an early determination of binding ratemaking treatment.

**Boardman-to-Hemingway Transmission Line:** The Boardman-to-Hemingway line, a proposed 300-mile, 500-kV transmission project between a station near Boardman, Oregon and the Hemingway station near Boise, Idaho, would provide transmission service to meet future resource needs. The Boardman-to-Hemingway line was included in the preferred resource portfolio in Idaho Power's 2013 IRP. In January 2012, Idaho Power entered into a joint funding agreement with PacifiCorp and the Bonneville Power Administration (BPA) to pursue permitting of the project. The joint funding agreement provides that Idaho Power's interest in the permitting phase of the project would be approximately 21 percent, and that during future negotiations relating to construction of the transmission line Idaho Power would seek to retain that percentage interest in the completed project. Assuming both other participants fund their full share of the total cost of the permitting phase of the project, Idaho Power's estimated share of the cost of the permitting phase of the project is approximately \$35 million, including AFUDC, which has been extended to the project's anticipated in-service date. Total cost estimates for the project are between \$1.0 billion and \$1.2 billion, including AFUDC. This cost estimate excludes the impacts of inflation and price changes of materials and labor resources that may occur following the date of the estimate. Idaho Power's share of the permitting phase of the project (excluding AFUDC) is included in the capital requirements table above. Construction costs beyond the permitting phase are not included in the table above.

Idaho Power has expended approximately \$64 million on the Boardman-to-Hemingway project through December 31, 2014. Pursuant to the terms of the joint funding arrangements, approximately \$32 million of that amount must be reimbursed to Idaho Power by joint permitting participants for expenses Idaho Power incurred, \$23 million of which Idaho Power had received as of December 31, 2014. An additional \$15 million is subject to reimbursement at a later date from the joint permitting participants, assuming their continued participation in the project, for expenses Idaho Power incurred prior to execution of the joint funding arrangements. Idaho Power plans to seek recovery of its share of project costs through the regulatory process.

The permitting phase of the Boardman-to-Hemingway project is subject to review and approval by the BLM (as the lead federal agency on behalf of other federal agencies), the U.S. Forest Service, and the Oregon Department of Energy. The BLM issued a draft EIS for the project on December 19, 2014, and as of the date of this report Idaho Power expects the BLM to issue a final EIS during 2016. In the separate Oregon state permitting process, Idaho Power submitted a preliminary application for a site certificate in February 2013 and intends to submit an amended preliminary application in late 2015 or in 2016.

The environmental requirements for, and application of environmental regulations (particularly relating to sage grouse) to, the siting process have changed during the project, making permitting for the transmission line more difficult. This has resulted in project delays and increased permitting costs. The completion date of the project is subject to these siting, permitting, and regulatory approval requirements, as well as in-service date requirements of the parties electing to construct the line, the terms of any resulting joint construction agreements, and other factors. In light of the delays and siting impediments that have occurred and are expected, Idaho Power is unable to accurately determine an approximate in-service date for the line but expects the in-service date would be in 2021 or beyond.

**Gateway West Transmission Line :** Idaho Power and PacifiCorp are pursuing the joint development of the Gateway West project, a 500-kV transmission project between a station located near Douglas, Wyoming and the Hemingway station. In January 2012, Idaho Power and PacifiCorp entered a new joint funding agreement (Gateway Funding Agreement) for permitting of the project. Idaho Power's estimated cost for the permitting phase of the Gateway West project is approximately \$71 million, including AFUDC, which has been extended to the project's anticipated in-service date. Idaho Power has expended approximately \$27 million on the permitting phase of the project through December 31, 2014. As of the date of this report, Idaho Power estimates the total cost for its share of the project (including both permitting and construction) to be between \$200 million and \$400 million, including AFUDC. Idaho Power's share of the permitting phase of the project (excluding AFUDC) is included in the capital requirements table above. Construction costs are not included in the table above.

The Gateway Funding Agreement outlines the terms under which the parties will jointly own, develop, design, permit, site, and acquire rights-of-way for the Gateway West transmission project. Idaho Power's interest in the Gateway West project applies to four of 10 segments involved in the project. PacifiCorp is designated as the project manager under the agreement. The Gateway Funding Agreement provides that the project manager may seek to reconfigure portions of the federal permitting project, including segments in which Idaho Power has an interest, subject to certain limitations. Further, PacifiCorp retains the right to remove specified segments from the federal permitting project, including segments in which Idaho Power has an interest, subject to certain limitations specified in the Gateway Funding Agreement. Each party is responsible for its pro rata share, based on its respective federal and state permitting ownership interest, of the costs incurred under the agreement. The Gateway Funding Agreement provides for the parties to subsequently negotiate the terms and conditions of one or more definitive development and construction agreements for the Gateway West transmission line.

The permitting phase of the project is subject to review and approval of the BLM. The BLM released its record of decision under the National Environmental Policy Act in November 2013. In its record of decision, the BLM identified its final decision on the routing of the project, issued right-of-way grants on public land for some segments, and deferred a decision on two segments (in both of which Idaho Power has an interest) to resolve routing concerns in those areas. Several interested parties have appealed the BLM's record of decision, and Idaho Power has intervened in the proceedings. The BLM has initiated the supplemental EIS process for the two deferred segments. As of the date of this report, the BLM's schedule provides for the issuance of a record of decision on the two deferred segments by late 2016.

**Shoshone Falls Plant Expansion :** The Shoshone Falls plant expansion project was included in Idaho Power's 2013 IRP and consists of constructing a new powerhouse, intake structure, penstock, and substation and the installation of a new turbine to increase the nameplate generation capacity of the plant from 12.5 MW to 61.5 MW. The most recent FERC license amendment issued for the plant in 2012 required the project to be completed by 2017. However, as the project is unlikely to be completed by 2017, Idaho Power sought from the FERC an additional schedule extension. In May 2014, the FERC authorized extension of the date of commencement of construction to July 2018 and completion of construction by July 2022. Idaho Power's determination to proceed with the expansion project remains subject to the outcome of additional cost studies and analysis and the results of further engineering and design work, and further analysis of Idaho Power's supply-side resource needs. If Idaho

Power ultimately determines to move forward with the full project, Idaho Power may seek to obtain regulatory support from the IPUC and OPUC prior to commencement of construction to mitigate in part the regulatory cost-recovery risk associated with the project.

**Pending Transmission System Transaction** : To enhance the abilities of Idaho Power and PacifiCorp to serve their respective customers, on October 24, 2014, Idaho Power and PacifiCorp executed a Joint Ownership and Operating Agreement (Joint Operating Agreement) applicable to certain transmission-related equipment proposed to be exchanged by Idaho Power and PacifiCorp. The proposed exchange would be made pursuant to the terms of a Joint Purchase and Sale Agreement, also dated October 24, 2014, between Idaho Power and PacifiCorp, under which each party agreed to transfer to the other specified transmission-related equipment with an estimated year-end 2014 net book value of approximately \$43 million, subject to true-up as of the closing date. The proposed transaction also provides for the termination and amendment of a number of legacy long-term agreements related to the ownership and operation of jointly-owned facilities and transmission services between Idaho Power and PacifiCorp.

The Joint Operating Agreement is intended to provide Idaho Power and PacifiCorp with access to integrated transmission facilities that aligns more closely with current industry standards and allows the parties to more efficiently satisfy regulatory and reliability requirements. The Joint Operating Agreement allocates the directional transmission capacity of the exchanged transmission-related assets between the companies, which will be managed pursuant to each company's OATT. The Joint Operating Agreement also provides for the operation, upgrade, repair, rebuilding, and decommissioning of the exchanged assets and certain other equipment each company owns. Closing of the proposed transaction, effectiveness of the Joint Operating Agreement, and termination and amendment of the legacy long-term transmission service agreements is subject to a number of conditions, including approval by, or notice to, the public utility commissions of California, Idaho, Oregon, Utah, Washington, and Wyoming, and approval by the FERC.

***Other Infrastructure Projects***: Idaho Power continues to add to its system to accommodate for growth and to reinvest for reliability and general system improvement. These system enhancement projects involve significant capital expenditures. Examples of system enhancements over the period 2015 through 2019, and their estimated costs, include the following:

- \$10-\$15 million per year for replacement of underground distribution cables;
- \$30-\$40 million per year for reconstruction of distribution lines;
- \$5-\$10 million per year for reliability-related construction projects, such as wood pole crossarm replacements and feeder system improvement;
- \$50-\$90 million per year for transmission-related projects other than the Boardman-to-Hemingway and Gateway West projects;
- \$30-\$60 million per year for ongoing thermal plant improvement programs other than SCR equipment;
- \$10-\$20 million per year for hydroelectric plant improvement programs; and
- \$20-\$30 million per year for general plant improvements, such as information technology, facilities, and fleet vehicles.

Depending on changes in load and project timing Idaho Power may seek to accelerate, scale back, modify, or eliminate projects, or seek alternative projects, to accommodate anticipated resource needs and to help ensure its ability to provide reliable electric service and meet load and transmission capacity obligations. Scaling back or eliminating a project due to regulatory challenges or other factors influencing the feasibility of a project may result in Idaho Power pursuing one or more separate, more costly projects. For instance, if Idaho Power were 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, develop additional generation facilities within areas where Idaho Power has available transmission capacity. Termination of a project carries with it the potential for a write-off of all or a significant portion of the costs associated with the project, largely dependent on decisions of regulators as to the prudence of project expenditures.

***Environmental Regulation Costs***: Idaho Power anticipates that it will incur significant expenditures for the installation of environmental controls at its coal plants and for its hydroelectric relicensing efforts. These cost estimates are summarized in Part I - Item 1 - "Business" of this report. The capital portion of these amounts is included in the Capital Requirements table above but do not include costs related to possible changes in current or new environmental laws or regulations and enforcement policies that may be enacted in response to issues such as climate change and emissions from coal-fired and gas-fired generation plants.

## Defined Benefit Pension Plan Contributions and Recovery

Idaho Power contributed \$30 million, \$30 million, and \$44 million to its defined benefit pension plan in 2014, 2013, and 2012, respectively. Idaho Power estimates that it has no minimum contribution requirement for 2015, though it plans to contribute at least \$20 million to the pension plan during 2015 in a continued effort to balance the regulatory collection of these expenditures with the cost of being in an underfunded position. In 2016 and beyond, Idaho Power expects significant contribution obligations under the pension plan. Refer to Note 11 - "Benefit Plans" to the consolidated financial statements included in this report and the section titled "Contractual Obligations" below in this MD&A for information relating to those obligations.

Idaho Power defers its Idaho-jurisdiction pension expense as a regulatory asset until recovered from Idaho customers. As of December 31, 2014, Idaho Power's deferral balance associated with the Idaho jurisdiction was \$60.9 million. Deferred pension costs are expected to be amortized to expense to match the revenues received when contributions are recovered through rates. Idaho Power only records a carrying charge on the unrecovered balance of cash contributions. In May 2011, the IPUC authorized Idaho Power to increase its annual recovery and amortization of deferred pension costs from \$5.4 million to \$17.1 million. The primary impact of pension contributions is on timing of cash flows, as cost recovery lags behind the timing of contributions.

## Contractual Obligations

The following table presents IDACORP's and Idaho Power's contractual cash obligations for the respective periods in which they are due:

	Payments Due by Period				
	Total	2015	2016-2017	2018-2019	Thereafter
	(millions of dollars)				
Long-term debt <sup>(1)</sup>	\$ 1,618	\$ 1	\$ 2	\$ 220	\$ 1,395
Future interest payments <sup>(2)</sup>	1,249	81	161	151	856
Operating leases <sup>(3)</sup>	18	—	2	2	14
Purchase obligations:					
Cogeneration and small power production	5,143	181	419	479	4,064
Fuel supply agreements	235	64	84	19	68
Purchased power & transmission <sup>(4)</sup>	21	6	9	2	4
Other <sup>(5)</sup>	211	74	42	29	66
Pension and postretirement benefit plans <sup>(6)</sup>	198	8	51	97	42
Other long-term liabilities	1	—	1	—	—
<b>Total</b>	<b>\$ 8,694</b>	<b>\$ 415</b>	<b>\$ 771</b>	<b>\$ 999</b>	<b>\$ 6,509</b>

<sup>(1)</sup> For additional information, see Note 4 – "Long-Term Debt" to the consolidated financial statements included in this report.

<sup>(2)</sup> Future interest payments are calculated based on the assumption that all debt is outstanding until maturity. For debt instruments with variable rates, interest is calculated for all future periods using the rates in effect at December 31, 2014.

<sup>(3)</sup> The operating leases include right-of-way easements. Approximately \$1 million of the obligations included have contracts that do not specify terms related to expiration. As these contracts are presumed to continue indefinitely, 10 years of information, estimated based on current contract terms, has been included in the table for presentation purposes.

<sup>(4)</sup> Approximately \$9 million of the obligations included in purchased power and transmission have contracts that do not specify terms related to expiration. As these contracts are presumed to continue indefinitely, 10 years of information, estimated based on current contract terms, has been included in the table for presentation purposes.

<sup>(5)</sup> Approximately \$122 million of the amounts in other purchase obligations are contracts that do not specify terms related to expiration. As these contracts are presumed to continue indefinitely, 10 years of information, estimated based on current contract terms, has been included in the table for presentation purposes. Other purchase obligations also includes Idaho Power's estimated proportionate funding obligation for goods and services under non-fuel purchase agreements at its jointly owned generation facilities. In some instances, Idaho Power is not a direct party to an underlying purchase agreement, but is obligated under the instruments governing the joint ventures to reimburse the co-owner for payments the co-owner makes pursuant to the purchase agreement. Those estimated amounts have been included in the table above.

<sup>(6)</sup> Idaho Power estimates pension contributions based on actuarial data. As of the date of this report, Idaho Power cannot estimate pension contributions beyond 2019 with any level of precision, and amounts through 2019 are estimates only and are subject to change. For more information on pension and postretirement plans, refer to Note 11 – "Benefit Plans" to the consolidated financial statements included in this report.

## Dividends

The amount and timing of dividends paid on IDACORP's common stock are within the discretion of IDACORP's board of directors. IDACORP's board of directors reviews the dividend rate periodically to determine its appropriateness in light of IDACORP's current and long-term financial position and results of operations, capital requirements, rating agency considerations, 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.

IDACORP has a dividend policy 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 IDACORP's board of directors' dividend decisions. 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 continue to take into account the factors above, among others.

In January 2012, IDACORP's board of directors voted to increase the quarterly dividend from \$0.30 to \$0.33 per share of IDACORP common stock. In September of 2012, 2013, and 2014, IDACORP's board of directors voted to increase the quarterly dividend to \$0.38 per share, \$0.43 per share, and \$0.47 per share of IDACORP common stock, respectively.

For additional information relating to IDACORP and Idaho Power dividends, including restrictions on IDACORP's and Idaho Power's payment of dividends, see Note 6 – "Common Stock" to the consolidated financial statements included in this report.

## Contingencies and Proceedings

IDACORP and Idaho Power are involved in a number of litigation, alternative dispute resolution, and administrative proceedings, and are subject to claims and legal actions arising in the ordinary course of business, that could affect their future results of operations and financial condition. Certain legal or administrative proceedings to which IDACORP or Idaho Power are parties or are otherwise involved, and certain actual or potential legal claims pertaining to Idaho Power, are described in Note 10 - "Contingencies" to the consolidated financial statements included in this report. Except where noted in Note 10, in many instances IDACORP and Idaho Power are unable to predict the outcomes of the matters or estimate the impact the proceedings may have on their financial positions, results of operations, or cash flows.

Idaho Power is also actively monitoring various environmental regulations that may have a significant impact on its future operations. Given uncertainties regarding the outcome, timing, and compliance plans for these environmental matters, Idaho Power is unable to determine the financial impact of potential new regulations but does believe that future capital investment for infrastructure and modifications to its electric generating facilities to comply with these regulations could be significant.

## Off-Balance Sheet Arrangements

Through a self-bonding mechanism, Idaho Power guarantees its portion of reclamation activities and obligations at BCC, of which IERCo owns a one-third interest. This guarantee, which is renewed annually with the Wyoming Department of Environmental Quality, was \$70 million at December 31, 2014, representing IERCo's one-third share of BCC's total reclamation obligation of \$209 million. BCC has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs. At December 31, 2014, the value of the reclamation trust fund totaled \$67 million. During 2014, the reclamation trust fund distributed approximately \$13 million for reclamation activity costs associated with the BCC surface mine. BCC periodically assesses the adequacy of the reclamation trust fund and its estimate of future reclamation costs. To ensure that the reclamation trust fund maintains adequate reserves, BCC has the ability to add a per-ton surcharge to coal sales. Starting in 2010, BCC began applying a nominal surcharge to coal sales in order to maintain adequate reserves in the reclamation trust fund. Because of the existence of the fund and the ability to apply a per-ton surcharge, the estimated fair value of this guarantee is minimal.

## REGULATORY MATTERS

### Introduction

Idaho Power's need for rate relief and the development of rate case plans take into consideration short-term and long-term needs, as well as specific factors that can affect the timing of rate filings. Such factors include, among other things, in-service dates of major capital investments, the timing of changes in major revenue and expense items, and customer growth rates. Idaho Power filed general rate cases in Idaho and Oregon during 2011, as well as a single-issue rate case for the Langley Gulch power plant in Idaho and Oregon in 2012. These significant rate cases resulted in the resetting of base rates in both Idaho and Oregon during 2012.

Between general rate cases, Idaho Power relies upon power cost adjustment mechanisms, tariff riders, and other mechanisms to reduce regulatory lag, which refers to the period of time between making an investment or incurring an expense and recovering that investment or expense and earning a return. Management's focus on constructive regulatory outcomes in recent years has been targeted largely at general rate cases, regulatory settlement stipulations, and rate mechanisms. Going forward, Idaho Power will continue to assess its need for general rate relief in consideration of the factors described above. As of the date of this report Idaho Power does not anticipate filing an application for a general rate change in Idaho or Oregon during 2015.

### Idaho and Oregon Significant Regulatory Developments

Included in the table below are notable regulatory developments during 2012, 2013, and 2014 that affected Idaho Power's results for the periods. Also refer to Note 3 - "Regulatory Matters" to the consolidated financial statements included in this report for a description of the applicable regulatory mechanism and associated orders of the IPUC and OPUC, which should be read in conjunction with the discussion of regulatory matters in this MD&A.

Description	Effective Date	Estimated Annualized Revenue Impact (millions) (1)
Oregon general rate case settlement - 2012 stipulation	3/1/2012	\$ 2
2012 Idaho PCA <sup>(2)(3)</sup>	6/1/2012	16
Idaho - Boardman power plant cost recovery	6/1/2012	1
Idaho depreciation rate for non-AMI meters	6/1/2012	(11)
Idaho depreciation update (other than non-AMI meters and Boardman plant)	6/1/2012	(1)
2012 Idaho FCA <sup>(2)</sup>	6/1/2012	1
2012 Oregon APCU <sup>(2)</sup>	6/1/2012	2
Idaho - Langley Gulch power plant	7/1/2012	58
Oregon - Langley Gulch power plant	10/1/2012	3
2013 Idaho FCA <sup>(2)</sup>	6/1/2013	(1)
2013 Idaho PCA <sup>(2)(4)</sup>	6/1/2013	140
2013 Oregon APCU <sup>(2)</sup>	6/1/2013	3
2014 Idaho FCA <sup>(2)</sup>	6/1/2014	6
2014 Idaho PCA <sup>(2)(5)</sup>	6/1/2014	(88)
Transfer of power supply costs from the Idaho PCA mechanism to Idaho base rates <sup>(6)</sup>	6/1/2014	99

<sup>(1)</sup> The annual amount collected in rates is typically not recovered on a linear basis (i.e., 1/12th per month), and is instead recovered in proportion to general business sales volumes.

<sup>(2)</sup> The rate changes for the Idaho PCA and FCA are applicable only for one-year periods. Similarly, a portion of the rate changes from the Oregon APCU are applicable only for one-year periods.

<sup>(3)</sup> 2012 PCA rates reflect \$27 million of Idaho customer revenue sharing related to 2011 financial results pursuant to an Idaho regulatory settlement stipulation, resulting in a net rate increase of \$16 million.

<sup>(4)</sup> 2013 PCA rates reflect \$7 million of Idaho revenue-sharing related to 2012 financial results pursuant to an IPUC order issued in 2013 under regulatory settlement agreements approved in January 2010 and December 2011. The \$140 million increase in PCA rates includes the reduction in the PCA mechanism component of the revenue sharing amount from \$27 million for the 2012 PCA to \$7 million for the 2013 PCA.

<sup>(5)</sup> 2014 PCA rates reflect (a) the application of \$20 million of surplus Idaho energy efficiency rider funds, (b) \$8 million of customer revenue sharing for the year 2013 under a regulatory settlement agreement approved in December 2011, and (c) a \$99 million shift in base net power supply expenses from recovery via the PCA mechanism to recovery through base rates.

<sup>(6)</sup> See footnote 5 above. Approval of the transfer of collection of specified power supply costs from the Idaho PCA mechanism to Idaho base rates resulted in no net change in customer rates.

**Resetting of Idaho Base Rates** : In December 2011, the IPUC approved a settlement stipulation in Idaho Power's Idaho general rate case, which provided for a 7.86 percent authorized overall rate of return on an Idaho-jurisdiction rate base of approximately \$2.36 billion. The approved settlement stipulation resulted in a 4.07 percent, or \$34.0 million, overall increase in Idaho Power's annual Idaho-jurisdiction base rate revenues. New rates in conformity with the settlement became effective on January 1, 2012.

On June 29, 2012, the IPUC issued an order approving a \$58.1 million, or 6.83 percent, increase in annual Idaho-jurisdiction base rates, effective July 1, 2012, for recovery of Idaho Power's investment in the Langley Gulch power plant and associated costs. Neither of the IPUC's general rate change orders nor the December 2011 settlement stipulation specified an authorized rate of return on equity.

Since 2010, when Idaho Power's normalized level of net power supply expenses included in Idaho base rates last received a comprehensive review, many of the individual cost and revenue components of these "base level" net power supply expenses, which were being recovered through the Idaho PCA, changed significantly and permanently. The primary components that contributed to the increase in net power supply expenses are increased energy purchases pursuant to PURPA power purchase agreements, lower surplus energy sales revenue resulting from lower energy market prices, and the elimination of anticipated offsetting revenues from one special contract customer. In light of these permanent increases, on November 1, 2013, Idaho Power filed an application with the IPUC requesting an increase of approximately \$106 million on a total-system basis in the normalized or "base level" power supply expense to be used to update base rates and in the determination of the PCA rate that would become effective June 1, 2014. On March 21, 2014, the IPUC issued an order approving Idaho Power's application. This removed the Idaho-jurisdiction portion of those expenses (\$99 million) from collection via the Idaho PCA mechanism and instead results in Idaho Power collecting that portion in base rates. Approval of the application resulted in no change in the aggregate amount collected through base rates and the PCA mechanism. However, the approved application will reduce the magnitude of any base rate increase requested by Idaho Power in its next general rate case application filed with the IPUC.

**Resetting of Oregon Base Rates** : On February 23, 2012, the OPUC approved a settlement stipulation in Idaho Power's Oregon general rate case providing for a \$1.8 million base rate increase, a return on equity of 9.9 percent, and an overall rate of return of 7.757 percent in the Oregon jurisdiction. New rates in conformity with the settlement stipulation went into effect on March 1, 2012. On September 20, 2012, the OPUC issued an order approving an approximately \$3.0 million increase in annual Oregon jurisdiction base rates, effective October 1, 2012, for inclusion of the Langley Gulch power plant in Idaho Power's Oregon rate base.

**Idaho Regulatory Settlement Stipulations** : In December 2011, the IPUC issued an order, separate from the then-pending Idaho general rate case proceeding, approving a settlement stipulation that allowed Idaho Power to, in certain circumstances, amortize additional ADITC if Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 was less than 9.5 percent, to help achieve a 9.5 percent Idaho ROE for the applicable year. When Idaho Power's actual Idaho ROE for any of those years exceeded 10.0 percent, Idaho Power was required to share a portion of its Idaho-jurisdiction earnings with Idaho customers. As Idaho Power's 2012, 2013, and 2014 Idaho ROE exceeded 10.0 percent, Idaho Power did not amortize additional ADITC for those years, but instead shared earnings with customers. The amounts Idaho Power recorded for sharing for those years were as follows (in millions of dollars):

	2014	2013	2012
Additional pension expense funded through sharing	\$ 16.7	\$ 16.5	\$ 14.6
Provision against current revenue as a result of sharing	8.0	7.6	7.2
<b>Total</b>	<b>\$ 24.7</b>	<b>\$ 24.1</b>	<b>\$ 21.8</b>

In October 2014, the IPUC issued an order approving an extension, with modifications, of the terms of the December 2011 Idaho settlement stipulation for the period from 2015 through 2019, or until the terms are otherwise modified or terminated by order of the IPUC or the full \$45 million of additional ADITC contemplated by the settlement stipulation has been amortized. The more specific terms and conditions of the December 2011 and October 2014 Idaho settlement stipulations are described in Note 3 - "Regulatory Matters - *Idaho Regulatory Matters* " to the consolidated financial statements included in this report. IDACORP and Idaho Power believe that the terms allowing amortization of additional ADITC in the October 2014 settlement stipulation provide the companies with a greater degree of earnings stability than would be possible without the terms of the stipulation in effect.

**IPUC Review of Annual Rate Adjustment Mechanisms**: On July 1, 2014, the IPUC opened a docket pursuant to which Idaho Power, the IPUC Staff, and other interested parties would further evaluate Idaho Power's application of the true-up component of the PCA mechanism and whether a deferral balance adjustment is appropriate. The docket arose from the IPUC's May 2014 PCA order, which noted that the IPUC Staff believed that Idaho Power's application of the true-up component introduces a line-

loss bias that inflated the true-up revenue it must collect by \$14.2 million. The IPUC's docket was closed via an order issued by the IPUC on August 6, 2014, with no change to the PCA mechanism. Idaho Power has subsequently met with interested parties to explore approaches to increasing the accuracy of the actual cost recovery under the PCA mechanism, and discussions are ongoing.

Also on July 1, 2014, the IPUC opened a docket to allow Idaho Power, the IPUC Staff, and other interested parties to further evaluate the IPUC Staff's concerns regarding the application of the FCA. The FCA is designed to remove Idaho Power's financial disincentive to invest in energy efficiency programs by separating (or decoupling) the recovery of fixed costs from the variable kilowatt-hour charge and linking it instead to a set amount per customer. The FCA is adjusted each year to collect, or refund, the difference between the allowed fixed-cost recovery amount and the actual (weather-normalized) fixed costs recovered by Idaho Power during the year. Concerns cited by interested parties included the application of weather-normalization, the customer count methodology, the rate adjustment cap, cross-subsidization issues, and whether the FCA is in fact effectively removing Idaho Power's disincentive to aggressively pursue energy efficiency programs. Proceedings in the FCA docket, which remains open, could result in significant changes to the FCA.

### Deferred (Accrued) Net Power Supply Costs

Deferred power supply costs represent certain differences between Idaho Power's actual net power supply costs and the costs included in its retail rates, the latter being based on annual forecasts of power supply costs. Deferred power supply costs are recorded on the balance sheets for future recovery or refund through customer rates. Idaho Power's PCA mechanisms in its Idaho and Oregon jurisdictions provide for annual adjustments to the rates charged to retail customers. The PCA mechanism and associated financial impacts are described in "Results of Operations" in this MD&A and in Note 3 - "Regulatory Matters" to the consolidated financial statements included in this report.

Factors that have influenced significant PCA rate changes in recent years include year-to-year volatility in hydroelectric generation conditions, market energy prices and the volume of off-system sales, power purchase costs from renewable energy projects, and revenue sharing under Idaho regulatory settlement stipulations. From year to year, the factors that influence power supply costs can vary significantly, which can result in significant accruals and deferrals under the PCA mechanism.

For example, in May 2012 the IPUC issued an order approving a PCA rate increase of \$15.9 million, after application of the revenue sharing amount required by the December 2011 Idaho regulatory settlement stipulation. By comparison, in May 2013 the IPUC issued an order authorizing a \$140.4 million increase in PCA rates.

As noted above under "*Resetting of Idaho Base Rates*," in light of the existence of permanent increases in power supply costs, in March 2014 the IPUC issued an order approving Idaho Power's application requesting recovery of a portion of its ongoing power supply costs through base rates rather than through the Idaho PCA mechanism.

The table that follows summarizes the change in deferred net power supply costs over the prior two years:

	Idaho	Oregon <sup>(1)</sup>	Total
Balance at December 31, 2012	\$ 34,571	\$ 8,331	\$ 42,902
Current period net power supply costs deferred	67,127	—	67,127
Revenue sharing liability applied to PCA true-up mechanism	(7,172)	—	(7,172)
Prior deferred costs amortized and recovered through rates	(9,728)	(2,224)	(11,952)
SO <sub>2</sub> allowance and renewable energy certificate (REC) sales	(522)	(15)	(537)
Interest and other	567	519	1,086
Balance at December 31, 2013	84,843	6,611	91,454
Current period net power supply costs deferred	48,104	—	48,104
Revenue sharing and energy efficiency rider funds	(27,624)	—	(27,624)
Prior deferred costs amortized and recovered through rates	(48,489)	(2,210)	(50,699)
SO <sub>2</sub> allowance and renewable energy certificate (REC) sales	(2,895)	(127)	(3,022)
Interest and other	573	403	976
Balance at December 31, 2014	\$ 54,512	\$ 4,677	\$ 59,189

<sup>(1)</sup> Oregon power supply cost deferrals are subject to a statute that specifically limits rate amortizations of deferred costs to six percent of gross Oregon revenue per year (approximately \$3 million). Deferrals are amortized sequentially.

## Relicensing of Hydroelectric Projects

**Overview:** Idaho Power, like other utilities that operate nonfederal hydroelectric projects on qualified waterways, obtains licenses for its hydroelectric projects from the FERC. These licenses have a term of 30 to 50 years depending on the size, complexity, and cost of the project. The expiration dates for the FERC licenses for each of the facilities are included in Part I - Item 2 - "Properties" in this report. Costs for the relicensing of Idaho Power's hydroelectric projects are recorded in construction work in progress until new multi-year licenses are issued by the FERC, at which time the charges are transferred to electric plant in service. Relicensing costs and costs related to new licenses will be submitted to regulators for recovery through the ratemaking process. Relicensing costs of \$199 million for the HCC, Idaho Power's largest hydroelectric complex and a major relicensing effort, were included in construction work in progress at December 31, 2014. As of the date of this report, the IPUC authorizes Idaho Power to include in its Idaho jurisdiction rates approximately \$6.5 million annually (\$10.7 million grossed up for income taxes) of AFUDC relating to the HCC relicensing project. Collecting these amounts now will reduce the amount collected in the future once the HCC relicensing costs are approved for recovery in base rates. As of December 31, 2014, Idaho Power's regulatory liability for collection of AFUDC relating to the HCC was \$73 million. In addition to the discussion below, see "Environmental Matters" in this MD&A for a discussion of environmental compliance under FERC licenses for Idaho Power's hydroelectric generating plants.

**Hells Canyon Complex:** The HCC, located on the Snake River where it forms the border between Idaho and Oregon, provides approximately 68 percent of Idaho Power's hydroelectric generating nameplate capacity and 32 percent of its total generating nameplate capacity. In July 2003, Idaho Power filed an application with the FERC for a new license in anticipation of the July 2005 expiration of the then-existing license. Since the expiration of that license, Idaho Power has been operating the project under annual licenses issued by the FERC. In December 2004, Idaho Power and eleven other parties, including National Marine Fisheries Service (NMFS) and U.S. Fish and Wildlife Service (USFWS), involved in the HCC relicensing process entered into an interim agreement that addresses the effects of the ongoing operations of the HCC on Endangered Species Act (ESA) listed species pending the relicensing of the project. In August 2007 the FERC Staff issued a final EIS for the HCC, which the FERC will use to determine whether, and under what conditions, to issue a new license for the project. The purpose of the final EIS is to inform the FERC, federal and state agencies, Native American tribes, and the public about the environmental effects of Idaho Power's operation of the HCC. Certain portions of the final EIS involve issues that may be influenced by water quality certifications for the project under Section 401 of the Clean Water Act (CWA) and formal consultations under the ESA, which remain unresolved.

In connection with its relicensing efforts, Idaho Power has filed water quality certification applications, required under Section 401 of the CWA, with the states of Idaho and Oregon requesting that each state certify that any discharges from the project comply with applicable state water quality standards. Section 401 of the CWA requires that a state either approve or deny a Section 401 water quality certification application within one year of the filing of the application or the state may be considered to have waived its certification authority under the CWA. As a consequence, Idaho Power has been filing and withdrawing its Section 401 certification applications with Oregon and Idaho on an annual basis while it has been working with the states to identify measures that will provide reasonable assurance that discharges from the HCC will adequately address applicable water quality standards.

In September 2007, in connection with the issuance of its final EIS, the FERC notified the NMFS and the USFWS of its determination that the licensing of the HCC was likely to adversely affect ESA-listed species, including the bull trout and fall Chinook salmon and steelhead, under the NMFS's and USFWS's jurisdiction and requested that the NMFS and USFWS initiate formal consultation under Section 7 of the ESA on the licensing of the HCC. Each of the NMFS and USFWS responded to the FERC that the conditions relating to the licensing of the HCC were not fully described or developed in the final EIS as the measures to address the water quality effects of the project were yet to be fully defined by the Section 401 certification process pending before the Oregon and Idaho Departments of Environmental Quality. The NMFS and USFWS therefore recommended that formal consultation under the ESA be delayed until the Section 401 certification process is completed.

Idaho Power continues to work with Idaho and Oregon in the development of measures to provide reasonable assurance that any discharges from the HCC will comply with applicable state water quality standards so that appropriate water quality certifications can be issued for the project, and continues to cooperate with the USFWS, NMFS, and the FERC in an effort to address ESA concerns. Idaho Power has begun the process for construction of new aerated runners at the Brownlee project (part of the HCC) at an estimated cost of \$50 million. Other measures that have been proposed or considered have included modification of spillways at Brownlee and Hells Canyon to address total dissolved gas issues, and upstream watershed improvements or the installation of a temperature control structure to address water temperatures during a small portion of the year. If Idaho Power is required to take these or other additional measures to satisfy relicensing requirements, it could add

substantially to project costs. Idaho Power continues to work with the Oregon and Idaho Departments of Environmental Quality on the water quality certification issue and the water quality measures that will be required to obtain 401 certification. As of the date of this report, Idaho Power is unable to predict the timing of issuance by the FERC of any license order or the ultimate capital investment and ongoing operating and maintenance costs Idaho Power will incur in complying with any new license.

### Renewable Energy Standards and Contracts

**Renewable Portfolio Standards:** Numerous proponents have introduced legislation in the U.S. Congress that would require electric utilities to obtain a specified percentage of their electricity from renewable sources, commonly referred to as a "renewable portfolio standard" or "RPS." However, as of the date of this report no federal or State of Idaho RPS is in effect. Idaho Power will be required to comply with a 10-percent RPS in Oregon beginning in 2025, and Idaho Power expects to meet this requirement with RECs obtained from the purchase of power from the Elkhorn Valley wind project. Idaho Power continues to monitor proposed federal RPS legislation and the possibility of additional state RPS legislation.

Pursuant to an IPUC order, Idaho Power is selling its near-term RECs and returning to customers their share (shared 95% with customers in the Idaho jurisdiction) of those proceeds through the PCA. For the years ended December 31, 2014 and 2013, Idaho Power's REC sales totaled \$3.2 million and \$0.6 million, respectively. The comparative increase in REC sales resulted primarily from the execution of new REC purchase and sale agreements with third parties for sales during 2014. Idaho Power has sold all of its 2013 and earlier vintage RECs. Idaho Power has sold a portion of its 2014 RECs and intends to continue selling its 2014 and later RECs as they are generated and become available for sale.

Were Idaho Power to be subject to additional RPS legislation, it may cease in full or in part the sale of RECs it receives, seek to obtain RECs from additional projects, generate RECs from any REC-generating facilities it owns or may be required to construct in light of an RPS, or purchase RECs in the market. Historically, Idaho Power has generally not received the RECs associated with PURPA projects. However, an order issued by the IPUC in December 2012, described below, provides that Idaho Power will own a portion of the RECs generated by some PURPA projects. The required purchase of additional RECs to meet RPS requirements would increase Idaho Power's costs, which Idaho Power expects would be wholly or largely passed on to customers through rates and the PCA mechanisms.

**Renewable Energy Contracts and PURPA:** Idaho Power purchases wind power from both cogeneration and small power production (CSPP) and non-CSPP facilities, including its largest non-CSPP wind power project -- the Elkhorn Valley wind project with a 101 MW nameplate capacity. As of December 31, 2014, Idaho Power had contracts to purchase energy from on-line CSPP wind power projects with a combined nameplate rating of 577 MW and an additional 50 MW of CSPP wind power projects not on-line and scheduled to come on-line by year-end 2016. In addition to its power purchase arrangements with wind power generators, Idaho Power has contracts for the purchase of power from other CSPP and non-CSPP renewable generation sources, such as biomass, solar, small hydroelectric projects, and two geothermal projects. Recently, Idaho Power has received numerous requests for proposed power purchase contracts from developers of a number of potential solar power projects. As of December 31, 2014, Idaho Power had contracts to purchase energy from solar projects not yet on-line for a total of 461 MW. All of these solar projects have estimated on-line dates no later than year-end 2016. The following tables sets forth, as of December 31, 2014, the number and nameplate capacity of Idaho Power's signed CSPP-related agreements. These agreements have original contract terms ranging from one to 35 years.

Status	Number of CSPP Contracts	Nameplate Capacity (MW)
On-line as of December 31, 2014	105	781
Contracted and projected to come on-line by June 1, 2017	28	521

Pursuant to the requirements of Section 210 of PURPA, the IPUC and OPUC have each issued orders and rules regulating Idaho Power's purchase of power from CSPP facilities. A key component of the PURPA power purchase contracts is the energy price contained within the agreements. Regulatory-mandated execution of PURPA agreements can result in Idaho Power acquiring energy that it does not need to serve customer loads at above wholesale market prices and require additional operational integration measures, thus increasing costs to Idaho Power's customers. As the volume of CSPP purchases increases under PURPA, the magnitude of the costs and integration issues also increases. Substantially all PURPA power purchase costs are recovered through base rates and Idaho Power's PCA mechanisms, and thus the primary impact of PURPA agreements is on customer rates.

Idaho Power has been involved in a number of PURPA-related proceedings at the IPUC, OPUC, and the FERC, and has previously intervened in proceedings between the IPUC and the FERC. In June 2011, the IPUC issued an order providing for a 100 kW eligibility cap for published avoided cost rates for wind and solar PURPA projects. In December 2012, the IPUC issued an order providing that for projects not eligible for published avoided cost rates, the price used for power purchase determinations would be updated annually based on updated natural gas prices and Idaho Power's updated load forecast. The IPUC also determined that RECs will be owned by the PURPA project developer for projects eligible for published avoided cost rates, and apportioned equally between the project developer and Idaho Power for other projects. The IPUC's order also provided that new projects will be paid for capacity based on the project's ability to deliver during peak hours and when Idaho Power's long-range plan shows the company is capacity deficient. Additionally, in December 2013 the IPUC and the FERC signed a memorandum of agreement dismissing claims brought in a U.S. District Court in Idaho relating to the interpretation and enforcement of PURPA as it pertained to several power purchase agreements with wind power developers.

Most recently, in light of the volume of intermittent generation Idaho Power is required to purchase pursuant to existing PURPA power purchase agreements and the substantial increase in volume of proposed new solar generation facilities seeking power purchase agreements with Idaho Power, on January 30, 2015, Idaho Power filed an application with the IPUC requesting that the IPUC issue an order directing that the maximum required term for prospective PURPA power purchase agreements be reduced from 20 years to two years. In its application, Idaho Power stated that the requested modification to terms of PURPA energy purchases is necessary to prevent harm to Idaho Power's customers that may result from entering into additional long-term, fixed-rate purchase agreements when Idaho Power predicts that there is no need for new generation capacity through 2021. On February 6, 2015, the IPUC issued an order reducing the maximum contract term of future PURPA power purchase agreements from 20 years to five years during the pendency of the proceedings.

## ENVIRONMENTAL MATTERS

### Overview

Idaho Power is subject to a broad range of federal, state, regional, and local laws and regulations designed to protect, restore, and enhance the environment, including the Clean Air Act (CAA), the Clean Water Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the ESA, among other laws. Current and pending environmental legislation relates to, among other issues, climate change, greenhouse gas, mercury and other emissions, air quality, hazardous wastes, polychlorinated biphenyls (PCBs), and threatened and endangered species. These laws are administered by a number of federal, state, and local agencies. In addition to imposing continuing compliance obligations and associated costs, these laws and regulations provide authority to regulators to levy substantial penalties for noncompliance, injunctive relief, and other sanctions. Idaho Power's three co-owned coal-fired power plants and three natural gas-fired combustion turbine power plants are subject to many of these regulations. Idaho Power's 17 hydroelectric projects are also further subject to a number of water discharge standards and other environmental requirements.

Compliance with current and future environmental laws and regulations may:

- increase the operating costs of generating plants;
- increase the construction costs and lead time for new facilities;
- require the modification of existing generating plants, which could result in additional costs;
- require the curtailment or shut-down of existing generating plants; or
- reduce the output from current generating facilities.

Current and future environmental laws and regulations will increase the cost of operating coal-fired power plants and constructing new facilities, in large part as a result of the installation of additional pollution control devices at existing generating plants. The cost of additional pollution control equipment could cause Idaho Power to discontinue the operation of one or more coal-fired plants, where those costs are substantial and cause operation of the plant to become uneconomical. In connection with its IRP process, Idaho Power has conducted cost studies and scenario analysis to assess the potential future investments necessary for the continued operation of the Jim Bridger and North Valmy coal generation facilities, in light of the environmental laws and regulations impacting the costs of operating those plants. The results of that study are discussed in Part I, Item 1 - "Business - Utility Operations - *Environmental Regulation and Costs* ."

In addition to increasing costs generally, these environmental laws and regulations could affect IDACORP's and Idaho Power's results of operations and financial condition if the costs associated with these environmental requirements and early plant retirements cannot be fully recovered in rates on a timely basis. Part I, Item 1 - "Business - Utility Operations - *Environmental*

*Regulation and Costs* ” in this report includes a summary of Idaho Power's expected capital and operating expenditures for environmental matters during the period from 2015 to 2017. Given the uncertainty of future environmental regulations and technological advances, Idaho Power is unable to predict its environmental-related expenditures beyond 2017, though they could be substantial.

## Endangered Species and Fisheries Matters

**Overview:** The listing of a species of fish, wildlife, or plants as threatened or endangered under the ESA may have an adverse impact on Idaho Power's ability to construct generation, transmission, or distribution facilities or relicense or operate its hydroelectric facilities. When a species is added to the federal list of threatened and endangered species, it is protected from “take,” which is defined to include harming the species. The ESA directs that, concurrent with a designation of a threatened or endangered species, and where prudent and determinable, the applicable agency also designate “any habitat of such species which is then considered to be critical habitat.” The ESA also provides that each federal agency shall ensure that any action they authorize, fund, or carry out is not likely to jeopardize the continued existence of a listed species or result in the destruction or adverse modification of its critical habitat. If an action is determined to result in adverse modification of critical habitat, the federal action agency must adopt changes to the proposed action to avoid such adverse modification. These changes are often quite extensive and can affect the size, scope and even the feasibility of a project moving forward. In May 2014, the USFWS and the NMFS proposed a set of regulatory changes and policies relating to critical habitat and adverse modification determinations. Taken as a whole, Idaho Power believes that the proposed changes could result in the applicable agencies having greater authority in making broad-scale designations of critical habitat and could increase the likelihood of adverse modification determinations.

The construction of generation, transmission, or distribution facilities and the relicensing of Idaho Power's hydroelectric projects can be federally authorized actions that fall under the ESA. There are a number of threatened or endangered species within Idaho Power's service area and within or near proposed transmission line routes. Further, there are a number of ESA-listed fish and other aquatic species located in waterways in which Idaho Power has hydroelectric facilities, including fall Chinook salmon, bull trout, Bliss Rapids snail, and Snake River physa snail. To date, efforts to protect these and other listed species have not significantly affected generation levels or operating costs at any of Idaho Power's hydroelectric facilities. However, the ongoing relicensing of the HCC presents endangered species and fisheries issues that may require generation or other operational adjustments. These adjustments may reduce the generation output or capital or operating costs of the plants, potentially causing Idaho Power to rely on more expensive sources for power generation or market purchases.

### *ESA Issues Related to Specific Species:*

*Slickspot Peppergrass*: This southwestern Idaho plant species was listed as threatened by the USFWS in 2009. In May 2011, the USFWS issued a proposed rule to designate critical habitat for the slickspot peppergrass and proposed to designate approximately 58,000 acres of critical habitat in four southeast Idaho counties. Most of the species is located on federal land owned by the BLM and the U.S. Department of Defense. The BLM is currently treating the species as a proposed species under the ESA and will confer with the USFWS until a final decision is made. Parts of the Boardman-to-Hemingway and Gateway West 500-kV transmission lines will cross BLM land upon which this species is located. The listing of the slickspot peppergrass would require that Idaho Power, as one of the project developers, engage in an ESA Section 7 consultation with the USFWS, which would increase the cost of the transmission projects and potentially delay the receipt of a permit for construction.

*Greater Sage Grouse*: The greater sage grouse is considered a “candidate species” under the ESA, which allows land management agencies to implement additional conservation measures. In March 2010, the USFWS announced that listing of the greater sage grouse as threatened or endangered under the ESA is warranted but precluded by higher priority listing actions. In February 2012, a federal district court in Idaho denied a request to expedite the listing of the greater sage grouse under the ESA. As a result, the USFWS has until September 30, 2015 to make a final listing determination under the ESA. Also in February 2012, the same court issued an order holding that the BLM had violated the National Environmental Policy Act and other federal laws in connection with the granting of livestock grazing permit renewals in sage grouse habitat. Due to the presence of sage grouse in the vicinity of the Boardman-to-Hemingway and Gateway West 500-kV transmission lines, siting of these projects has required more extensive, costly, and time consuming evaluation, permitting, and engineering. In the event the USFWS lists the greater sage grouse as threatened or endangered, federal agencies that may authorize rights-of-way to Idaho Power, as one of the project developers, would be required to conduct a Section 7 consultation under the ESA for these transmission projects. Any required additional conservation measures may impact the timing and feasibility of siting, permitting, and constructing the Boardman-to-Hemingway and Gateway West transmission lines and other projects.

Washington Ground Squirrel: The Washington ground squirrel is considered a “candidate species” under the ESA. There are multiple records of Washington ground squirrels within or near portions of the proposed Boardman-to-Hemingway transmission line project. If this species is listed under the ESA, the BLM would be required to conduct a Section 7 consultation under the ESA for the Boardman-to-Hemingway project. If additional surveys are required, or if additional conservation and mitigation measures need to be developed, the overall timing of the permitting and construction, and the cost, of the Boardman-to-Hemingway project may be adversely affected.

**ESA Issues Related to Specific Projects:**

Hells Canyon Relicensing Project: In 2007, the FERC requested initiation of formal consultation under the ESA with the NMFS and the USFWS regarding potential effects of HCC relicensing on several listed aquatic and terrestrial species. Formal consultation has yet to be initiated and the NMFS and the USFWS continue to gather and consider information relative to the effects of relicensing on relevant ESA listed species. Idaho Power continues to cooperate with the USFWS, the NMFS, and the FERC in an effort to address ESA concerns. In December 2004, Idaho Power and eleven other parties, including NMFS and the USFWS, entered into an interim agreement that addresses the effects of the ongoing operations of the HCC on ESA listed species pending the relicensing of the project. At the conclusion of formal consultation and with the issuance of biological opinions by the NMFS and the USFWS and an operating license by the FERC, Idaho Power may be required to implement additional measures or further modify or adjust operations to comply with Section 7 of the ESA. The issuance of a final biological opinion during 2015 is unlikely.

Boardman-to-Hemingway and Gateway West Transmission Projects: As noted above, the existence of the slickspot peppergrass, greater sage grouse, and Washington ground squirrel within or near the proposed routes for these projects is impacting, and Idaho Power expects it to continue to impact, the cost and timing of permitting and construction of the projects.

**Climate Change and the Regulation of Greenhouse Gas (GHG) Emissions**

**Overview:** Long-term climate change could significantly affect Idaho Power's business in a variety of ways, including:

- changes in temperature and precipitation could affect customer demand and energy loads;
- extreme weather events could increase service interruptions, outages, maintenance costs, and the need for additional backup systems, and can affect the supply of, and demand for, electricity and natural gas, which may impact the price of those and other commodities;
- changes in the amount and timing of snowpack and stream flows could adversely affect hydroelectric generation;
- legislative and/or regulatory developments related to climate change could affect plants and operations, including restrictions on the construction of new generation resources, the expansion of existing resources, or the operation of generation resources; and
- consumer preference for, and resource planning decisions requiring, renewable or low GHG-emitting sources of energy could impact usage of existing generation sources and require significant investment in new generation and transmission infrastructure.

Federal and state regulations pertaining to GHG emissions under the CAA, including a proposed rule issued by the U.S. Environmental Protection Agency (EPA) under Section 111(d) of the CAA, could raise uncertainty about the future viability of fossil fuels, specifically coal, as an economical energy source for new and existing electric generation facilities because many new technologies for reducing CO<sub>2</sub> emissions from coal, including carbon capture and storage, are still in the development stage and are not yet proven. Stringent emissions standards could result in significant increases in capital expenditures and operating costs, which may accelerate the retirement of coal-fired units and create power system reliability issues. Due in part to the uncertainty of future GHG regulations, in its 2011 and 2013 IRPs Idaho Power did not include any new conventional coal resources in its resource portfolios. While it is not yet possible to determine the requirements of the final rule, in its 2015 IRP Idaho Power expects to include planning scenarios that take into account potential provisions of Rule 111(d) under the CAA.

A variety of factors contribute to the financial, regulatory, and logistical uncertainties related to GHG reductions, including the specific GHG emissions limits, the timing of implementation of these limits, the level of emissions allowances allocated and the level that must be purchased, the purchase price of emissions allowances, the development and commercial availability of technologies for renewable energy and for the reduction of emissions, the degree to which offsets may be used for compliance, provisions for cost containment (if any), the impact on coal and natural gas prices, and cost recovery through rates. Accordingly, Idaho Power cannot predict the effect on its results of operations, financial position, or cash flows of any GHG emission or other climate change requirements that may be adopted, although the costs to implement and comply with any such

requirements could be substantial. A more detailed discussion of legislative and regulatory developments related to climate change follows.

**National GHG Initiatives; Proposed Rule Under CAA Section 111(d):** There is concern both nationally and internationally about climate change and the possible contribution of GHG emissions to climate change. The EPA has become increasingly active in the regulation of GHGs. The EPA's endangerment finding in 2009 that GHGs threaten public health and welfare resulted in the enactment of a series of EPA regulations to address GHG emissions. The EPA has issued final rules regulating GHG emissions under the New Source Review (NSR)/Prevention of Significant Deterioration (PSD) and Title V Operating Permit programs under the CAA. Specifically, in May 2010 the EPA issued the "Tailoring Rule," which set thresholds for GHG emissions that define when permits are required for new and existing industrial facilities. The final rule "tailors" the requirements of these CAA permitting programs to limit which facilities will be required to obtain PSD and Title V permits. Additionally, in December 2010 the EPA issued a series of final regulations for GHG emissions designed to ensure that industrial facilities can obtain CAA permits for GHG emissions, and that facilities emitting GHGs at levels below those established in the Tailoring Rule do not need federal CAA permits. The first phase of the rules took effect in January 2011 and required imposition of "best available control technology" for GHG emissions if a new major source or modification of an existing major source is projected to result in GHG emissions of at least 75,000 tons per year (CO<sub>2</sub> equivalent). In addition, Title V permit renewals or modifications for existing major sources must include applicable requirements relating to GHGs. While the rules are complex, Idaho Power believes that its owned and co-owned generation plants are, as of the date of this report, in compliance with the GHG Tailoring Rule.

On June 2, 2014, the EPA released, under Section 111(d) of the CAA, a proposed rule for addressing GHG emissions from existing fossil fuel-fired electric generating units (EGUs). According to the EPA, the rule is designed to achieve a 30 percent reduction in CO<sub>2</sub> emissions from the power sector. The proposal has two main elements: (1) state-specific emission rate-based CO<sub>2</sub> goals and (2) guidelines for the development, submission, and implementation of state plans. The EPA used 2012 as the baseline when calculating the state-specific emission rate goals. While the proposal lays out state-specific CO<sub>2</sub> goals that each state is required to meet, it does not prescribe how a state should meet its goal. Under the proposal, each state may seek to do so alone or may seek to collaborate with other states on multi-state plans.

Under the proposed rule, the EPA would permit states to develop plans to reduce CO<sub>2</sub> emissions under an approach referred to as the "best system of emission reduction." This approach is intended to take into account both the cost and technical feasibility of achieving such reduction. States would have flexibility to implement measures that, in some cases, are already in progress. The EPA has grouped these measures into the following four "building blocks," which generally describe four approaches for CO<sub>2</sub> emission reduction:

1. Reducing the carbon intensity of generation at individual affected EGUs through heat rate improvements.
2. Reducing emissions from the most carbon-intensive affected EGUs in the amount that results from substituting generation at those EGUs with generation from less carbon-intensive affected EGUs.
3. Reducing emissions from affected EGUs in the amount that results from substituting generation at those EGUs with expanded low- or zero-carbon generation.
4. Reducing emissions from affected EGUs in the amount that results from the use of demand-side energy efficiency that reduces the amount of generation required.

The EPA's proposal requires that states meet their goal by 2030, with periodic reports to the EPA starting in 2022. The proposal also provides for states meeting interim goals from 2020 to 2029. The EPA has stated that it expects to finalize the rulemaking by mid-summer 2015. State implementation plans would be due by June 30, 2016, subject to extension for portions of the plan to June 30, 2017 for state plans or June 30, 2018 for multi-state plans, under certain circumstances.

Idaho Power has analyzed the proposed rule and is participating in state, regional, and national forums that are seeking to address the potential financial and operational impacts of the proposal and identify the means by which states may seek to achieve compliance. Because the rule is premised on state implementation plans, the terms of which Idaho Power does not control, as of the date of this report Idaho Power is unable to determine the financial or operational impacts of the proposed rule, if it were to be adopted as proposed.

**State and Regional GHG Initiatives:** On a regional level, there are a number of initiatives, including the Western Regional Climate Action Initiative, considering market-based mechanisms to reduce GHG emissions. Separately, in August 2007 the Oregon legislature enacted legislation setting goals of reducing GHG levels to 10 percent below 1990 levels by 2020 and at least 75 percent below 1990 levels by 2050. Oregon imposes GHG emission reporting requirements on facilities emitting 2,500 metric tons or more of CO<sub>2</sub> equivalent annually. The Boardman coal-fired power plant located in Oregon, in which Idaho

Power is a 10-percent owner, is subject to and in compliance with Oregon's GHG reporting requirements and is scheduled to cease coal-fired operations in 2020.

The State of Idaho has not passed legislation specifically regulating GHGs, but in May 2007 Governor Otter issued Executive Order 2007-05, which directed the Idaho Department of Environmental Quality to work with the state government to implement GHG reductions within each agency, complete a statewide emissions inventory, and provide recommendations to the Governor, among other tasks. Wyoming and Nevada similarly have not enacted legislation to regulate GHG emissions and do not have a reporting requirement, but are members of the Climate Registry, a national, voluntary GHG emission reporting system. The Climate Registry is a collaboration aimed at developing and managing a common GHG emission reporting system across states, provinces, and tribes to track GHG emissions nationally. All states for which Idaho Power has traditional fuel generating plants (i.e. Idaho, Oregon, Wyoming, and Nevada) are members of the Climate Registry.

**Idaho Power's Voluntary GHG Reduction Initiatives:** Despite the current absence of a national mandatory GHG reduction program, Idaho Power is engaged in voluntary GHG emissions intensity reduction efforts. Also, Idaho Power has voluntarily submitted information to the Carbon Disclosure Project, an independent, not-for-profit organization that claims the largest database of corporate climate change information in the world. Information on Idaho Power's emission intensity is included in Part I, Item 1 - "Business - *Environmental Regulation and Costs*" in this report. In 2013, Idaho Power and Ida-West together ranked as the 38<sup>th</sup> lowest emitter of CO<sub>2</sub> per MWh produced and the 36<sup>th</sup> lowest emitter of CO<sub>2</sub> by tons of emissions among the nation's 100 largest electricity producers, according to the May 2014 Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States, based on 2012 generation and emissions data. This report is the product of a collaborative effort among Ceres, Bank of America, four power producers, and the Natural Resources Defense Council.

**Public Nuisance-Related Suits for GHGs:** In June 2011, the U.S. Supreme Court held that federal courts do not have jurisdiction to hear federal common law nuisance claims relating to GHG emissions because the legal authority to regulate GHGs has been delegated by Congress to the EPA, not to the federal courts. The Court did not address, however, whether state common law nuisance claims would also be barred by the federal CAA. Accordingly, the Supreme Court's decision did not completely eliminate the potential for future nuisance-related suits for GHG emissions.

## Clean Air Act Matters

**Overview:** In addition to the CAA developments related to GHG emissions described above, several other regulatory programs developed under the CAA impact Idaho Power. These include the final Mercury and Air Toxics Standards (MATS), National Ambient Air Quality Standards (NAAQS), NSR/PSD Rules, and the Regional Haze Rule.

**Final MATS Implementation:** Several regulatory programs developed under the CAA impact Idaho Power. The CAA requires the EPA to develop industry-based standards to control emissions of hazardous air pollutants (HAPs). In February 2012, the EPA issued the final MATS rule to control emissions of mercury and other HAPs from coal- and oil-fired EGUs under the CAA. Additionally, in March 2013, the EPA issued a notice by which it finalized its MATS with regard to all pending issues except for the shutdown and startup of plants, in light of a number of requests for reconsideration that were filed by the electric utility industry. The notice revised the mercury emissions standard originally proposed in the February 2012 rule to make the mercury emission standard less stringent. The final rule took effect in April 2013. The compliance deadline for the new MATS has been established as April 2015. While the new MATS only applies to EGUs constructed in the future, and as a result Idaho Power does not expect the new standards to impact its existing generation facilities, the new MATS would impact the nature and extent of environmental controls to be installed on new EGUs, and thus would likely increase the cost of constructing new EGUs.

**National Ambient Air Quality Standards:** The CAA requires the EPA to set ambient air quality standards for six "criteria" pollutants considered harmful to public health and the environment. These six pollutants are carbon monoxide, lead, ozone, particulate matter, nitrogen dioxide, and sulfur dioxide. States are then required to develop emission reduction strategies through State Implementation Plans, or SIPs, based on attainment of these ambient air quality standards. Recent developments related to certain of those items relevant to Idaho Power include the following:

- **Particular Matter (PM<sub>2.5</sub>).** In 1997, the EPA adopted NAAQS for fine particulate matter of less than 2.5 micrometers in diameter (PM<sub>2.5</sub> standard), setting an annual limit of 15 micrograms per cubic meter ( $\mu\text{g}/\text{m}^3$ ), calculated as a three-year average. In 2006, the EPA adopted a 24-hour NAAQS for PM<sub>2.5</sub> of 35  $\mu\text{g}/\text{m}^3$ . All of the counties in Idaho, Nevada, Oregon, and Wyoming in which Idaho Power's power plants are located have been designated as "attainment" with these PM<sub>2.5</sub> standards. However, in December 2012, the EPA released final revisions to the PM<sub>2.5</sub> NAAQS. The revised annual standard is 12  $\mu\text{g}/\text{m}^3$ , calculated as a three-year average. The EPA retained the existing 24-hour

standard of  $35 \mu\text{g}/\text{m}^3$ . On December 18, 2014, the EPA issued final area designations for the 2012 PM<sub>2.5</sub> NAAQS, with the states of Wyoming, Nevada, and Oregon and all Idaho counties within Idaho Power's service area receiving attainment designations.

- NO<sub>x</sub>. In 2010, the EPA adopted a new NAAQS for NO<sub>x</sub> at a level of 100 parts per billion averaged over a 1-hour period. In connection with the new NAAQS, in February 2012 the EPA issued a final rule designating all of the counties in Idaho, Nevada, Oregon, and Wyoming where Idaho Power owns or has an interest in a natural gas or coal-fired power plant as "unclassifiable/attainment" for NO<sub>x</sub>. The EPA indicated it will review the designations after 2015, when three years of air quality monitoring data are available, and may formally designate the counties as attainment or non-attainment for NO<sub>x</sub>. A designation of non-attainment may increase the likelihood that Idaho Power would be required to install costly pollution control technology at one or more of its plants. As the designations have not yet been finalized, as of the date of this report Idaho Power is unable to predict the impact of the NAAQS for NO<sub>x</sub> on its operations. However, the costs of installation and implementation of any additional pollution reduction technology could be substantial.
- SO<sub>2</sub>. In 2010, the EPA adopted a new NAAQS for SO<sub>2</sub> at a level of 75 parts per billion averaged over a one-hour period. In 2011, the states of Idaho, Nevada, Oregon, and Wyoming sent letters to the EPA recommending that all counties in these states be classified as "unclassifiable" under the new one-hour SO<sub>2</sub> NAAQS because of a lack of definitive monitoring and modeling data. In February 2013, the EPA issued letters to the states of Idaho and Oregon, finding that the most recent air quality data for those states showed no violations of the 2010 SO<sub>2</sub> standard. As a result, the EPA is waiting to propose designation actions for those states, and is likely to proceed with designation actions once additional data is gathered. Idaho Power expects that designations for Nevada and Wyoming will also be addressed in a separate future action.
- Ozone. In late 2014, the EPA issued a proposed rule that would update the ozone standard under the CAA, from 75 parts per billion over an eight-hour period to 65 to 70 parts per billion over an eight-hour period. Under the proposed rule, the EPA would make attainment and non-attainment designations for any revised standards by October 2017, with states having until 2020 to late 2037 to meet the proposed standard, with attainment dates varying based on the ozone level in the area. The designation of an area as non-attainment, and SIPs implemented in order to reach attainment, could make the construction of new power generation plants, and operation of existing generation plants, more difficult or costly.

Because the EPA has not yet completed the designation of areas as attaining or not attaining the NAAQS for NO<sub>x</sub>, SO<sub>2</sub>, and ozone, Idaho Power is unable to predict what impact the adoption and implementation of these standards may have on its operations, though it does expect at least some increases in capital and operating costs from the standards.

**Regional Haze Rules:** In accordance with federal regional haze rules under the CAA, coal-fired utility boilers are subject to regional haze - best available retrofit technology (RH BART) if they were built between 1962 and 1977 and affect any "Class I" (wilderness) areas. This includes all four units at the Jim Bridger and the Boardman coal-fired plants.

**Jim Bridger Plant:** In December 2009, the Wyoming Department of Environmental Quality (WDEQ) issued a RH BART permit to PacifiCorp as the operator of the Jim Bridger plant. As part of the WDEQ's long term strategy for regional haze, the permit requires that PacifiCorp install SCR equipment for NO<sub>x</sub> control at Jim Bridger units 3 and 4 by December 31, 2015 and December 31, 2016, respectively, and submit an application by December 31, 2017 to install add-on NO<sub>x</sub> controls at Jim Bridger unit 2 by 2021 and unit 1 by 2022. In November 2010, PacifiCorp and the WDEQ signed a settlement agreement under which PacifiCorp agreed to the timing and nature of the controls. The settlement agreement was conditioned on the EPA ultimately approving those portions of the Wyoming Regional Haze SIP that are consistent with the terms of the settlement agreement. On January 10, 2014, the EPA approved Wyoming's Regional Haze SIP as to the Jim Bridger plant, with the NO<sub>x</sub> control compliance dates set forth in the settlement agreement. Several interested parties have appealed the EPA's decisions on Wyoming's RH SIP on various grounds. Idaho Power has not appealed the EPA's decisions but has intervened in the proceedings to participate if and to the extent the Jim Bridger plant could be affected.

**Boardman Plant:** Following the introduction of various plans and an extensive public process, in December 2010 the Oregon Environmental Quality Commission (OEQC) approved a plan to cease coal-fired operations at the Boardman power plant no later than December 31, 2020. The rules implementing the plan require the installation of a number of emissions controls and repeal the OEQC's 2009 BART rule, which would have allowed continued operation of the Boardman plant through at least 2040 with installation of a more extensive suite of emissions controls. Idaho Power's share of the capital cost of the required controls under the plan approved by the OEQC for controlling mercury, NO<sub>x</sub>, and SO<sub>2</sub> was approximately \$6 million.

***New Source Review / Prevention of Significant Deterioration:*** NSR/PSD is a pre-construction permitting program that requires a stationary source of air pollution to obtain a permit before beginning construction. The purpose of the program is to ensure that air quality is not significantly degraded by the addition of new and modified facilities, industrial boilers, and power plants. Under current NSR provisions of the CAA, any facility that emits regulated pollutants is required to obtain a permit from the EPA or a state regulatory equivalent before beginning the construction of a stationary source that will emit regulated pollutants, or before modifying an existing stationary source that will increase its emission levels. Since 1999, the EPA and the U.S. Department of Justice have been pursuing a national enforcement initiative focused on the compliance status of coal-fired power plants with the NSR permitting requirements and NSPS under the CAA. This initiative has resulted in both enforcement litigation and significant settlements with a large number of public utilities and other owners of coal-fired power plants across the country. As part of an industry-wide assessment of compliance with NSR and NSPS, EPA has sought information from a number of utilities regarding their coal-fired generating facilities. In 2003, the EPA sent information requests pursuant to the CAA to the Jim Bridger plant, seeking information relevant to NSR and NSPS compliance. Additional requests were received by the Boardman plant in 2008, with a follow up request for information in 2009 and by the Valmy plant in 2009. In September 2010, the EPA issued a Notice of Violation to Portland General Electric Company, the operator of the Boardman plant, alleging that Portland General Electric Company violated the NSPS under Section 111 of the CAA and operating permit requirements under Title V of the CAA at the Boardman coal-fired plant as a result of certain modifications made to the plant in 1998 and 2004. To date, the EPA has not taken action on the Notice of Violation, and a related private lawsuit under the CAA was settled in 2011.

### **Regulation of Coal Combustion Residuals (CCRs)**

The Resource Conservation and Recovery Act (RCRA) is a federal statute regulating the generation, treatment, storage, and disposal of solid and hazardous wastes. In December 2008, the breach of a dike at the Tennessee Valley Authority's Kingston Station resulted in a spill of several million cubic yards of ash into a nearby river and onto private properties. In response, in June 2010 the EPA proposed regulations governing the disposal and management of CCRs, which are regulated under the RCRA. In December 2014, the EPA signed a final rule for the disposal of CCRs. The rule establishes structural integrity design criteria and requires that owners and operators periodically conduct a number of structural integrity related assessments and install monitoring apparatus. The final rule also imposes location restrictions on impoundments, requires the closure of impoundments that cannot meet the location restrictions, imposes liner design criteria and operating requirements, and imposes certain record keeping and notification requirements. Additionally, the EPA's rule imposes obligations associated with the closure of CCR impoundments. As of the date of this report, Idaho Power and its co-owners of coal-fired units are performing engineering and cost studies to determine the financial and operational impact of the rule. The rule becomes effective in 2015. Upon completion of engineering and cost studies, Idaho Power plans to incorporate any impact of this rule into its estimates of asset retirement obligations associated with coal ash disposal facilities at its coal plants.

### **Regulation of Polychlorinated Biphenyls**

The Toxic Substances Control Act is a federal statute providing the EPA with the authority to, among other things, require use restrictions relating to chemical substances including PCBs. Generally, PCBs are prohibited from use, but some uses of PCBs - such as in electrical equipment - remain authorized under certain conditions. In April 2010, the EPA issued an advance notice of proposed rulemaking stating that it is considering revisiting the authorization allowing the continued use of PCBs in equipment. If new regulations require the replacement of existing equipment, they could have an adverse effect on IDACORP's and Idaho Power's financial condition and results of operations. However, the financial and operational consequences cannot be determined until final regulations are issued. Idaho Power currently records asset retirement obligation liabilities and associated regulatory assets for the estimated retirement costs of equipment containing PCBs. Final regulations could accelerate Idaho Power's estimated timing for the retirement of equipment with PCBs.

### **Clean Water Act Matters**

***Potential Expansion of CWA Scope*** : On April 21, 2014, the EPA and U.S. Army Corps of Engineers jointly published for public comment a proposed rule to revise the definition of "waters of the United States" for purposes of the CWA. The proposed rule would potentially expand federal jurisdiction under the CWA beyond traditional navigable waters, interstate waters, territorial seas, tributaries, and adjacent wetlands, to a number of other waters, including waters with a "significant nexus" to those traditional waters. The rule could trigger substantial additional permitting and regulatory requirements under multiple provisions of the CWA. Idaho Power is analyzing the proposed rule but as of the date of this report is unable to determine the impact of the proposed rule, should it become final, on its operations.

**Potential Section 316(b) Regulation of Cooling Water Intake Structures:** The CWA generally prohibits the discharge of any "pollutant" from a point source into waters of the United States without a permit. Pollutants are broadly defined to include changes in temperature. Section 316(b) of the CWA requires that National Pollutant Discharge Elimination System permits for facilities with cooling water intake structures ensure that the location, design, construction, and capacity of the structures employ the best technology available (BTA) to minimize harmful impacts on the environment, such as the removal of fish, fish larvae, marine mammals, and other aquatic organisms from waters of the U.S. In May 2014, the EPA issued final rules that establish requirements under Section 316(b) of the CWA for existing power generation facilities that withdraw more than 2 million gallons per day of water from waters of the U.S. and use at least 25 percent of the water they withdraw exclusively for cooling purposes. These facilities are required to reduce fish impingement under the final rules, using one of several options for meeting BTA requirements for reducing impingement. Based on the qualification criteria, Idaho Power is evaluating whether these new requirements apply to the Jim Bridger plant. Idaho Power and the plant's co-owner are performing studies at the plant to determine the applicability of the new rules and the infrastructure improvements or operational changes that may be required for the plant to comply with the new rules, if applicable. Based on its preliminary analysis, as of the date of this report Idaho Power does not expect that compliance with the new rules will result in a material increase in costs.

Idaho Power is also addressing CWA issues associated with the relicensing of its HCC. See "Relicensing of Hydroelectric Projects" in this MD&A for additional information on the impact of the CWA on that relicensing effort.

**Effluent Limitation Guidelines and Standards:** In June 2013, the EPA issued proposed rulemaking to revise the technology-based effluent limitation guidelines and standards under the CWA for water discharged from steam electric power plants, which includes coal-fired plants. The proposed rule would establish new or additional requirements for wastewater streams from a number of processes associated with steam electric power generation. The EPA has stated that more than half of coal-fired plants in the United States would be in compliance with the proposed rules without incurring any additional cost, and stated that its cost analysis shows very small effects on the electric power market. Idaho Power has conducted a preliminary analysis based on the proposed rule and as of the date of this report does not anticipate that the proposed rule would materially affect Idaho Power's operations or financial condition, but the company expects to conduct an additional assessment when and if final rules are issued.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

When preparing financial statements in accordance with generally accepted accounting principles (GAAP), IDACORP's and Idaho Power's management must apply accounting policies and make estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. These estimates often involve judgment about factors that are difficult to predict and are beyond management's control. Management adjusts these estimates based on historical experience and on other assumptions and factors that are believed to be reasonable under the circumstances. Actual amounts could materially differ from the estimates. Management believes the accounting policies and estimates discussed below are the most critical to the portrayal of their financial condition and results of operations and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

### **Accounting for Rate Regulation**

Entities that meet specific conditions are required by GAAP to reflect the impact of regulatory decisions in their consolidated financial statements and to defer certain costs as regulatory assets until matching revenues can be recognized. Similarly, certain items may be deferred as regulatory liabilities. Idaho Power must satisfy three conditions to apply regulatory accounting: (1) an independent regulator must set rates; (2) the regulator must set the rates to cover specific costs of delivering service; and (3) the service territory must lack competitive pressures to reduce rates below the rates set by the regulator.

Idaho Power has determined that it meets these conditions, and its financial statements reflect the effects of the different rate-making principles followed by the jurisdictions regulating Idaho Power. The primary effect of this policy is that Idaho Power had recorded \$1.2 billion of regulatory assets and \$402 million of regulatory liabilities at December 31, 2014. Idaho Power expects to recover these regulatory assets from customers through rates and refund these regulatory liabilities to customers through rates, but recovery or refund is subject to final review by the regulatory bodies. If future recovery or refund of these amounts ceases to be probable, or 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 those regulatory assets or liabilities. Either circumstance could have a material effect on Idaho Power's financial condition or results of operations.

## Income Taxes

IDACORP and Idaho Power use judgment and estimation in developing the provision for income taxes and the reporting of tax-related assets and liabilities. The interpretation of tax laws can involve uncertainty, since tax authorities may interpret such laws differently. Actual income taxes could vary from estimated amounts and may result in favorable or unfavorable impacts to net income, cash flows, and tax-related assets and liabilities.

Idaho Power provides deferred income taxes related to its plant assets for the difference between income tax depreciation and book depreciation used for financial statement purposes. Deferred income taxes for other items are provided for the temporary differences between the income tax and financial accounting treatment of such items. Unless contrary to applicable income tax guidance, deferred income taxes are not provided for those income tax temporary differences where the prescribed regulatory accounting methods, or flow-through, direct Idaho Power to recognize the tax impacts currently for rate making and financial reporting.

Refer to Note 1 - "Summary of Significant Accounting Policies" and Note 2 - "Income Taxes" to the consolidated financial statements included in this report for additional information relating to income taxes.

## Pension and Other Postretirement Benefits

Idaho Power maintains a tax-qualified, noncontributory defined benefit pension plan covering most employees, an unfunded nonqualified deferred compensation plan for certain senior management employees and directors called the Security Plan for Senior Management Employees (SMSPE), and a postretirement benefit plan (consisting of health care and death benefits).

The costs IDACORP and Idaho Power record for these plans depend on the provisions of the plans, changing employee demographics, actual returns on plan assets, and several assumptions used in the actuarial valuations from which the expense is derived. The key actuarial assumptions that affect expense are the expected long-term return on plan assets and the discount rate used in determining future benefit obligations. Management evaluates the actuarial assumptions on an annual basis, taking into account changes in market conditions, trends, and future expectations. Estimates of future stock market performance, changes in interest rates, and other factors used to develop the actuarial assumptions are uncertain, and actual results could vary significantly from the estimates.

The assumed discount rate is based on reviews of market yields on high-quality corporate debt. Specifically, IDACORP and Idaho Power determined the discount rate for each plan through the construction of hypothetical portfolios of bonds selected from high-quality corporate bonds available as of December 31, 2014, with maturities matching the projected cash outflows of the plans. Based on the results of this analysis, the discount rate used to calculate the 2015 pension expense will be decreased to 4.25 percent from the 5.20 percent used in 2014.

Rate-of-return projections for plan assets are based on historical risk/return relationships among asset classes. The primary measure is the historical risk premium each asset class has delivered versus the yield on the Moody's AA Corporate Bond Index. This historical risk premium is then added to the current yield on the Moody's AA Corporate Bond Index, and Idaho Power believes the result provides a reasonable prediction of future investment performance. Additional analysis is performed to measure the expected range of returns, as well as worst-case and best-case scenarios. Based on the current interest rate environment, current rate-of-return expectations are lower than the nominal returns generated over the past 20 years when interest rates were generally much higher. The long-term rate of return used to calculate the 2015 pension expense will be decreased to 7.5 percent from 7.75 percent for 2014.

Gross net periodic pension and other postretirement benefit cost for these plans totaled \$32 million, \$55 million, and \$51 million for the years ended December 31, 2014, 2013, and 2012, respectively, including amounts deferred as regulatory assets (see discussion below) and amounts allocated to capitalized labor. For 2015, gross pension and other postretirement benefit costs are expected to total approximately \$54 million, which takes into account the changes in the assumed long-term rate of return and discount rate noted above.

Had different actuarial assumptions been used, pension expense could have varied significantly. The following table reflects the sensitivities associated with changes in the discount rate and rate-of-return on plan assets actuarial assumptions on historical and future pension and postretirement expense:

	Discount rate		Rate of return	
	2015	2014	2015	2014
	(millions of dollars)			
Effect of 0.5% rate increase on net periodic benefit cost	\$ (7.2)	\$ (6.1)	\$ (2.9)	\$ (2.8)
Effect of 0.5% rate decrease on net periodic benefit cost	8.0	6.5	3.0	2.9

Additionally, a 0.5 percent increase in the plans' discount rates would have resulted in a \$72 million decrease in the combined benefit obligations of the plans as of December 31, 2014 . A 0.5 percent decrease in the plans' discount rates would have resulted in an \$82 million increase in the combined benefit obligations of the plans as of December 31, 2014 .

The IPUC has authorized Idaho Power to account for its defined benefit pension plan expense on a cash basis, and to defer and account for accrued pension expense as a regulatory asset. The IPUC acknowledged that it is appropriate for Idaho Power to seek recovery in its revenue requirement of reasonable and prudently incurred pension expense based on actual cash contributions. In 2007, Idaho Power began deferring pension expense to a regulatory asset account to be matched with revenue when future pension contributions are recovered through rates. At December 31, 2014 , a total of \$64 million of expense was deferred as a regulatory asset. Approximately \$24 million is expected to be deferred in 2015 . Idaho Power recorded pension expense in 2014 , 2013 , and 2012 of \$35 million , \$36 million , and \$34 million , respectively.

Refer to Note 11 – “Benefit Plans” to the consolidated financial statements included in this report for additional information relating to pension and postretirement benefit plans.

### Contingent Liabilities

An estimated loss from a loss contingency is charged to income if (a) it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of the loss can be reasonably estimated. If a probable loss cannot be reasonably estimated, no accrual is recorded but disclosure of the contingency, if material, in the notes to the financial statements is required. Gain contingencies are not recorded until realized. IDACORP and Idaho Power have a number of unresolved issues related to regulatory and legal matters. If the recognition criteria have been met, liabilities have been recorded. Estimates of this nature are highly subjective and the final outcome of these matters could vary significantly from the amounts that have been included in the financial statements.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* . ASU 2014-09 is intended to enable users of financial statements to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. Under the ASU, recognition of revenue occurs when a customer obtains control of promised goods or services. In addition, the ASU requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard including a cumulative-effect adjustment with disclosure of results under old standards. As such, at IDACORP's and Idaho Power's required adoption date of January 1, 2017, amounts in 2015 and 2016 may have to be revised. IDACORP and Idaho Power are currently evaluating the impact of ASU 2014-09 on their financial statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

IDACORP and Idaho Power are exposed to market risks, including changes in interest rates, changes in commodity prices, credit risk, and equity price risk. The following discussion summarizes these risks and the financial instruments, derivative instruments, and derivative commodity instruments sensitive to changes in interest rates, commodity prices, and equity prices that were held at December 31, 2014. IDACORP has not entered into any of these market-risk-sensitive instruments for trading purposes.

### Interest Rate Risk

IDACORP and Idaho Power manage interest expense and short- and long-term liquidity through a combination of fixed rate and variable rate debt. Generally, the amount of each type of debt is managed through market issuance, but interest rate swap and cap agreements with highly-rated financial institutions may be used to achieve the desired combination.

**Variable Rate Debt :** As of December 31, 2014, IDACORP and Idaho Power had \$55.4 million and \$24.1 million, respectively, in net floating rate debt. The fair market value of this debt was a respective \$55.4 million and \$24.1 million. Assuming no change in financial structure, if variable interest rates were to average one percentage point higher than the average rate on December 31, 2014, annual interest expense would increase and pre-tax earnings would decrease by approximately \$0.5 million for IDACORP and \$0.2 million for Idaho Power.

**Fixed Rate Debt :** As of December 31, 2014, IDACORP and Idaho Power had \$1.6 billion in fixed rate debt, with a fair market value equal to \$1.8 billion. These instruments are fixed rate and, therefore, do not expose the companies to a loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately \$220 million if market interest rates were to decline by one percentage point from their December 31, 2014 levels.

### Commodity Price Risk

IDACORP's exposure to changes in commodity prices is related to Idaho Power's ongoing utility operations that produce electricity to meet the demand of its retail electric customers. These effects of changes in commodity prices on Idaho Power are mitigated in large part by Idaho Power's Idaho and Oregon PCA mechanisms. To supplement its generation resources and balance its supply of power with the demand of its retail customers, Idaho Power participates in the wholesale marketplace. These purchased power arrangements allow Idaho Power to respond to fluctuations in the demand for electricity and variability in generating plant operations. Idaho Power also enters into arrangements for the purchase of fuel for natural gas and coal-fired generating plants. These contracts for the purchase of power and fuel expose Idaho Power to commodity price risk.

A number of factors associated with the structure and operation of the energy markets influence the level and volatility of prices for energy commodities and related derivative products. The weather is a major uncontrollable factor affecting the local and regional demand for electricity and the availability and cost of power generation. Other factors include the occurrence and timing of demand peaks due to seasonal, daily, and hourly power demand; power supply; power transmission capacity; changes in federal and state regulation and compliance obligations; fuel supplies; and market liquidity.

The primary objectives of Idaho Power's energy purchase and sale activity are to meet the demand of retail electric customers, to maintain appropriate physical reserves to ensure reliability, and to make economic use of temporary surpluses that may develop. Idaho Power has adopted a risk management program, which has been reviewed and accepted by the IPUC, designed to reduce exposure to power supply cost-related uncertainty, further mitigating commodity price risk. Idaho Power's Energy Risk Management Policy (Policy) and associated standards implementing the Policy describe a collaborative process with customers and regulators via a committee called the Customer Advisory Group (CAG). The Risk Management Committee (RMC), comprised of selected Idaho Power officers and other senior staff, oversees the risk management program. The RMC is responsible for communicating the status of risk management activities to the Idaho Power Board of Directors and to the CAG, and Idaho Power's Audit Committee is responsible for approving the Policy and associated standards. The RMC is also responsible for conducting an ongoing general assessment of the appropriateness of Idaho Power's strategies for energy risk management activities. In its risk management process, Idaho Power considers both demand-side and supply-side options consistent with its IRP. The primary tools for risk mitigation are physical and financial forward power transactions and fueling alternatives for utility-owned generation resources. Idaho Power only engages in a nominal amount of trading activity for non-retail purposes.

The Policy requires monitoring monthly volumetric electricity position and total monthly dollar (net power supply cost) exposure on a rolling 18-month forward view. The power supply business unit produces and evaluates projections of the

operating plan based on factors such as forecasted resource availability, stream flows, and load, and orders risk mitigating actions, including resource optimization and hedging strategies, dictated by the limits stated in the Policy to bring exposures within pre-established risk guidelines. The RMC evaluates the actions initiated by power supply for consistency and compliance with the Policy. Idaho Power representatives meet with the CAG at least annually to assess effectiveness of the limits. Changes to the limits can be endorsed by the CAG and referred to the board of directors for approval.

### **Credit Risk**

IDACORP is subject to credit risk based on Idaho Power's activity with market counterparties. Idaho Power is exposed to this risk to the extent that a counterparty may fail to fulfill a contractual obligation to provide energy, purchase energy, or complete financial settlement for market activities. Idaho Power mitigates this exposure by actively establishing credit limits; measuring, monitoring, and reporting credit risk using appropriate contractual arrangements; and transferring of credit risk through the use of financial guarantees, cash, or letters of credit. Idaho Power maintains a current list of acceptable counterparties and credit limits.

The use of performance assurance collateral in the form of cash, letters of credit, or guarantees is common industry practice. Idaho Power maintains margin agreements relating to its wholesale commodity contracts that allow performance assurance collateral to be requested of and/or posted with certain counterparties. As of December 31, 2014, Idaho Power had posted no performance assurance collateral. Should Idaho Power experience a reduction in its credit rating on Idaho Power's unsecured debt to below investment grade Idaho Power could be subject to requests by its wholesale counterparties to post additional performance assurance collateral. Counterparties to derivative instruments and other forward contracts could request immediate payment or demand immediate ongoing full daily collateralization on derivative instruments and contracts in net liability positions. Based upon Idaho Power's energy and fuel portfolio and market conditions as of December 31, 2014, the amount of collateral that could be requested upon a downgrade to below investment grade was approximately \$8.1 million. To minimize capital requirements, Idaho Power actively monitors the portfolio exposure and the potential exposure to additional requests for performance assurance collateral calls through sensitivity analysis.

Idaho Power is obligated to provide service to all electric customers within its service area. Credit risk for Idaho Power's retail customers is managed by credit and collection policies that are governed by rules issued by the IPUC or OPUC. Idaho Power records a provision for uncollectible accounts, based upon historical experience, to provide for the potential loss from nonpayment by these customers. Idaho Power continuously monitors the impact of current economic conditions on nonpayment from customers and makes any necessary adjustments to its provision for uncollectible accounts accordingly.

Idaho utility customer relations rules prohibit Idaho Power from terminating electric service during the months of December through February to any residential customer who declares that he or she is unable to pay in full for utility service and whose household includes children, elderly, or infirm persons. Idaho Power's provision for uncollectible accounts could be affected by changes in future prices as well as changes in IPUC or OPUC regulations.

### **Equity Price Risk**

IDACORP is exposed to price fluctuations in equity markets, primarily through Idaho Power's defined benefit pension plan assets, a mine reclamation trust fund owned by an equity-method investment of Idaho Power, and other equity security investments at Idaho Power. The equity securities held by the pension plan and in such accounts are diversified to achieve broad market participation and reduce the impact of any single investment, sector, or geographic region. Idaho Power has established asset allocation targets for the pension plan holdings, which are described in Note 11 - "Benefit Plans" to the notes to the consolidated financial statements included in this report. A hypothetical 10 percent decrease in equity prices would result in an approximate \$4.5 million decrease in the fair value of financial instruments that are classified as available-for-sale securities as of December 31, 2014.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Index to Financial Statements and Financial Statement Schedules

<b>Consolidated Financial Statements</b>	<b>Page</b>
<b>IDACORP, Inc.:</b>	
Consolidated Statements of Income	75
Consolidated Statements of Comprehensive Income	76
Consolidated Balance Sheets	77
Consolidated Statements of Cash Flows	79
Consolidated Statements of Equity	80
<b>Idaho Power Company:</b>	
Consolidated Statements of Income	81
Consolidated Statements of Comprehensive Income	82
Consolidated Balance Sheets	83
Consolidated Statements of Cash Flows	85
Consolidated Statements of Retained Earnings	86
Notes to the Consolidated Financial Statements	87
Reports of Independent Registered Public Accounting Firm	124
<b>Supplemental Financial Information and Financial Statement Schedules</b>	
Supplemental Financial Information (unaudited)	126
<b>Financial Statement Schedules</b>	
IDACORP, Inc. - Schedule I - Condensed Financial Information of Registrant	140
IDACORP, Inc. - Schedule II - Consolidated Valuation and Qualifying Accounts	142
Idaho Power Company - Schedule II - Consolidated Valuation and Qualifying Accounts	143

All other schedules have been omitted because they are not required, not applicable, or the required information is otherwise included.

**IDACORP, Inc.**  
**Consolidated Statements of Income**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars except for per share amounts)		
<b>Operating Revenues:</b>			
Electric utility:			
General business	\$ 1,122,281	\$ 1,101,728	\$ 937,765
Off-system sales	77,165	54,473	61,534
Other revenues	79,205	86,897	77,426
Total electric utility revenues	1,278,651	1,243,098	1,076,725
Other	3,873	3,116	3,937
Total operating revenues	1,282,524	1,246,214	1,080,662
<b>Operating Expenses:</b>			
Electric utility:			
Purchased power	244,628	220,579	196,935
Fuel expense	201,241	214,482	159,413
Power cost adjustment	22,235	(39,537)	(61,090)
Other operations and maintenance	354,567	348,867	349,033
Energy efficiency programs	27,154	35,636	27,300
Depreciation	132,987	129,735	123,941
Taxes other than income taxes	31,748	30,561	30,489
Total electric utility expenses	1,014,560	940,323	826,021
Other	14,268	14,149	12,039
Total operating expenses	1,028,828	954,472	838,060
<b>Operating Income</b>	253,696	291,742	242,602
<b>Allowance for Equity Funds Used During Construction</b>	17,931	14,858	22,433
<b>Earnings of Unconsolidated Equity-Method Investments</b>	12,372	11,939	11,617
<b>Other Income, Net</b>	6,328	17,013	4,209
<b>Interest Expense:</b>			
Interest on long-term debt	80,562	81,492	78,922
Other interest	7,703	7,203	6,876
Allowance for borrowed funds used during construction	(8,464)	(7,663)	(11,929)
Total interest expense, net	79,801	81,032	73,869
<b>Income Before Income Taxes</b>	210,526	254,520	206,992
<b>Income Tax Expense</b>	16,772	72,226	33,805
<b>Net Income</b>	193,754	182,294	173,187
Adjustment for (income) loss attributable to noncontrolling interests	(274)	123	(173)
<b>Net Income Attributable to IDACORP, Inc.</b>	\$ 193,480	\$ 182,417	\$ 173,014
Weighted Average Common Shares Outstanding - Basic (000's)	50,131	50,052	49,930
Weighted Average Common Shares Outstanding - Diluted (000's)	50,199	50,126	50,010
<b>Earnings Per Share of Common Stock:</b>			
Earnings Attributable to IDACORP, Inc. - Basic	\$ 3.86	\$ 3.64	\$ 3.47
Earnings Attributable to IDACORP, Inc. - Diluted	\$ 3.85	\$ 3.64	\$ 3.46

The accompanying notes are an integral part of these statements.

**IDACORP, Inc.**  
**Consolidated Statements of Comprehensive Income**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Net Income</b>	\$ 193,754	\$ 182,294	\$ 173,187
<b>Other Comprehensive Income:</b>			
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during the year, net of tax of \$0, \$1,894, and \$1,006	—	2,951	1,567
Reclassification adjustment for gains included in net income, net of tax of \$0, \$4,550, and \$0	—	(7,087)	—
Net unrealized (losses) gains	—	(4,136)	1,567
Unfunded pension liability adjustment, net of tax of \$(4,881), \$3,016, and \$(4,532)	(7,605)	4,699	(7,061)
<b>Total Comprehensive Income</b>	186,149	182,857	167,693
Comprehensive (income) loss attributable to noncontrolling interests	(274)	123	(173)
<b>Comprehensive Income Attributable to IDACORP, Inc.</b>	<u>\$ 185,875</u>	<u>\$ 182,980</u>	<u>\$ 167,520</u>

The accompanying notes are an integral part of these statements.

**IDACORP, Inc.**  
**Consolidated Balance Sheets**

	December 31,	
	2014	2013
	(thousands of dollars)	
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 56,808	\$ 78,162
Receivables:		
Customer (net of allowance of \$1,960 and \$2,349, respectively)	79,083	97,873
Other (net of allowance of \$144 and \$153, respectively)	16,018	15,274
Income taxes receivable	11,867	156
Accrued unbilled revenues	56,270	63,507
Materials and supplies (at average cost)	55,404	53,643
Fuel stock (at average cost)	55,171	41,546
Prepayments	18,476	15,338
Deferred income taxes	42,359	46,874
Current regulatory assets	50,042	61,837
Other	603	2,401
Total current assets	442,101	476,611
<b>Investments</b>	165,424	159,072
<b>Property, Plant and Equipment:</b>		
Utility plant in service	5,248,212	5,080,402
Accumulated provision for depreciation	(1,841,011)	(1,766,680)
Utility plant in service - net	3,407,201	3,313,722
Construction work in progress	401,930	327,000
Utility plant held for future use	7,090	7,090
Other property, net of accumulated depreciation	17,256	17,229
Property, plant and equipment - net	3,833,477	3,665,041
<b>Other Assets:</b>		
American Falls and Milner water rights	13,698	15,803
Company-owned life insurance	23,893	22,037
Regulatory assets	1,192,345	978,234
Long-term receivables (net of allowance of \$552 and \$885, respectively)	6,317	4,811
Other	39,598	42,954
Total other assets	1,275,851	1,063,839
<b>Total</b>	<b>\$ 5,716,853</b>	<b>\$ 5,364,563</b>

The accompanying notes are an integral part of these statements.

**IDACORP, Inc.**  
**Consolidated Balance Sheets**

	December 31,	
	2014	2013
(thousands of dollars)		
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 1,064	\$ 1,064
Notes payable	31,300	54,750
Accounts payable	97,271	91,519
Taxes accrued	10,367	13,302
Interest accrued	22,630	22,764
Accrued compensation	43,774	38,510
Current regulatory liabilities	11,400	10,684
Other	23,975	17,779
<b>Total current liabilities</b>	<b>241,781</b>	<b>250,372</b>
<b>Other Liabilities:</b>		
Deferred income taxes	1,065,290	969,593
Regulatory liabilities	390,207	375,873
Pension and other postretirement benefits	403,334	244,627
Other	44,238	54,100
<b>Total other liabilities</b>	<b>1,903,069</b>	<b>1,644,193</b>
<b>Long-Term Debt</b>	<b>1,614,438</b>	<b>1,615,258</b>
<b>Commitments and Contingencies</b>		
<b>Equity:</b>		
IDACORP, Inc. shareholders' equity:		
Common stock, no par value (shares authorized 120,000,000; 50,308,702 and 50,233,463 shares issued, respectively)	845,402	839,750
Retained earnings	1,132,237	1,027,461
Accumulated other comprehensive loss	(24,158)	(16,553)
Treasury stock (38,764 and 718 shares at cost, respectively)	(280)	(8)
<b>Total IDACORP, Inc. shareholders' equity</b>	<b>1,953,201</b>	<b>1,850,650</b>
Noncontrolling interests	4,364	4,090
<b>Total equity</b>	<b>1,957,565</b>	<b>1,854,740</b>
<b>Total</b>	<b>\$ 5,716,853</b>	<b>\$ 5,364,563</b>

The accompanying notes are an integral part of these statements.

**IDACORP, Inc.**  
**Consolidated Statements of Cash Flows**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Operating Activities:</b>			
Net income	\$ 193,754	\$ 182,294	\$ 173,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	137,088	133,776	128,611
Deferred income taxes and investment tax credits	19,163	65,568	33,985
Changes in regulatory assets and liabilities	32,135	(25,581)	(53,468)
Pension and postretirement benefit plan expense	44,627	45,907	45,230
Contributions to pension and postretirement benefit plans	(33,720)	(33,393)	(47,695)
Earnings of unconsolidated equity-method investments	(12,372)	(11,939)	(11,617)
Distributions from unconsolidated equity-method investments	5,261	17,526	18,546
Allowance for equity funds used during construction	(17,931)	(14,858)	(22,433)
Gain on sale of investments and assets	(193)	(11,678)	(202)
Other non-cash adjustments to net income, net	5,085	3,297	6,121
Change in:			
Accounts receivable	20,433	(29,557)	(2,741)
Accounts payable and other accrued liabilities	6,359	(517)	10,580
Taxes accrued/receivable	(13,631)	4,747	(604)
Other current assets	(13,124)	(12,165)	(5,255)
Other current liabilities	1,771	1,819	(8,500)
Other assets	(3,655)	(830)	(7,064)
Other liabilities	(6,707)	(8,867)	(7,412)
Net cash provided by operating activities	364,343	305,549	249,269
<b>Investing Activities:</b>			
Additions to property, plant and equipment	(274,094)	(235,310)	(239,788)
Proceeds from the sale of utility assets	620	—	—
Proceeds from the sale of emission allowances and RECs	2,931	498	2,739
Investments in affordable housing	—	—	(381)
Distributions from affordable housing investments	1,161	1,746	242
Purchase of available-for-sale securities	(8,000)	(32,661)	(7,000)
Proceeds from sale of available-for-sale securities	—	25,661	—
Other	4,962	3,473	367
Net cash used in investing activities	(272,420)	(236,593)	(243,821)
<b>Financing Activities:</b>			
Issuance of long-term debt	—	150,000	150,000
Retirement of long-term debt	(1,064)	(71,064)	(101,064)
Dividends on common stock	(88,489)	(78,832)	(68,928)
Net change in short-term borrowings	(23,450)	(14,950)	15,500
Issuance of common stock	195	255	4,882
Acquisition of treasury stock	(2,737)	(2,124)	(2,062)
Other	2,268	(606)	(5,062)
Net cash used in financing activities	(113,277)	(17,321)	(6,734)
Net (decrease) increase in cash and cash equivalents	(21,354)	51,635	(1,286)
Cash and cash equivalents at beginning of the year	78,162	26,527	27,813
Cash and cash equivalents at end of the year	\$ 56,808	\$ 78,162	\$ 26,527
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid during the year for:			
Income taxes	\$ 11,364	\$ 1,437	\$ 1,451
Interest (net of amount capitalized)	\$ 77,295	\$ 77,968	\$ 70,887
Non-cash investing activities:			
Additions to property, plant and equipment in accounts payable	\$ 28,438	\$ 24,246	\$ 26,882

The accompanying notes are an integral part of these statements.

**IDACORP, Inc.**  
**Consolidated Statements of Equity**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Common Stock:</b>			
Balance at beginning of year	\$ 839,750	\$ 834,922	\$ 828,389
Issued	195	255	4,882
Other	5,457	4,573	1,651
Balance at end of year	845,402	839,750	834,922
<b>Retained Earnings:</b>			
Balance at beginning of year	1,027,461	923,981	819,676
Net income attributable to IDACORP, Inc.	193,480	182,417	173,014
Common stock dividends (\$1.76, \$1.57, and \$1.37 per share, respectively)	(88,704)	(78,937)	(68,709)
Balance at end of year	1,132,237	1,027,461	923,981
<b>Accumulated Other Comprehensive (Loss) Income:</b>			
Balance at beginning of year	(16,553)	(17,116)	(11,622)
Net unrealized holding (loss) gain on securities (net of tax)	—	(4,136)	1,567
Unfunded pension liability adjustment (net of tax)	(7,605)	4,699	(7,061)
Balance at end of year	(24,158)	(16,553)	(17,116)
<b>Treasury Stock:</b>			
Balance at beginning of year	(8)	(21)	(29)
Issued	2,465	2,137	2,070
Acquired	(2,737)	(2,124)	(2,062)
Balance at end of year	(280)	(8)	(21)
<b>Total IDACORP, Inc. shareholders' equity at end of year</b>	<b>1,953,201</b>	<b>1,850,650</b>	<b>1,741,766</b>
<b>Noncontrolling Interests:</b>			
Balance at beginning of year	4,090	4,213	4,040
Net income (loss) attributable to noncontrolling interests	274	(123)	173
Balance at end of year	4,364	4,090	4,213
<b>Total equity at end of year</b>	<b>\$ 1,957,565</b>	<b>\$ 1,854,740</b>	<b>\$ 1,745,979</b>

The accompanying notes are an integral part of these statements.

**Idaho Power Company**  
**Consolidated Statements of Income**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Operating Revenues:</b>			
General business	\$ 1,122,281	\$ 1,101,728	\$ 937,765
Off-system sales	77,165	54,473	61,534
Other revenues	79,205	86,897	77,426
Total operating revenues	1,278,651	1,243,098	1,076,725
<b>Operating Expenses:</b>			
Operation:			
Purchased power	244,628	220,579	196,935
Fuel expense	201,241	214,482	159,413
Power cost adjustment	22,235	(39,537)	(61,090)
Other operations and maintenance	354,567	348,867	349,033
Energy efficiency programs	27,154	35,636	27,300
Depreciation	132,987	129,735	123,941
Taxes other than income taxes	31,748	30,561	30,489
Total operating expenses	1,014,560	940,323	826,021
<b>Income from Operations</b>	<b>264,091</b>	<b>302,775</b>	<b>250,704</b>
<b>Other Income (Expense):</b>			
Allowance for equity funds used during construction	17,931	14,858	22,433
Earnings of unconsolidated equity-method investments	10,814	10,242	9,412
Other (expense) income, net	(4,363)	5,772	(4,982)
Total other income	24,382	30,872	26,863
<b>Interest Charges:</b>			
Interest on long-term debt	80,562	81,492	78,922
Other interest	7,472	6,817	6,436
Allowance for borrowed funds used during construction	(8,464)	(7,663)	(11,929)
Total interest charges	79,570	80,646	73,429
<b>Income Before Income Taxes</b>	<b>208,903</b>	<b>253,001</b>	<b>204,138</b>
<b>Income Tax Expense</b>	<b>19,516</b>	<b>76,260</b>	<b>35,970</b>
<b>Net Income</b>	<b>\$ 189,387</b>	<b>\$ 176,741</b>	<b>\$ 168,168</b>

The accompanying notes are an integral part of these statements.

**Idaho Power Company**  
**Consolidated Statements of Comprehensive Income**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Net Income</b>	\$ 189,387	\$ 176,741	\$ 168,168
<b>Other Comprehensive Income:</b>			
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during the year, net of tax of \$0, \$1,894, and \$1,006	—	2,951	1,567
Reclassification adjustment for gains included in net income, net of tax of \$0, \$4,550, and \$0	—	(7,087)	—
Net unrealized (losses) gains	—	(4,136)	1,567
Unfunded pension liability adjustment, net of tax of \$(4,881), \$3,016, and \$(4,532)	(7,605)	4,699	(7,061)
<b>Total Comprehensive Income</b>	<b>\$ 181,782</b>	<b>\$ 177,304</b>	<b>\$ 162,674</b>

The accompanying notes are an integral part of these statements.

**Idaho Power Company  
Consolidated Balance Sheets**

	December 31,	
	2014	2013
	(thousands of dollars)	
<b>Assets</b>		
<b>Electric Plant:</b>		
In service (at original cost)	\$ 5,248,212	\$ 5,080,402
Accumulated provision for depreciation	(1,841,011)	(1,766,680)
In service - net	3,407,201	3,313,722
Construction work in progress	401,930	327,000
Held for future use	7,090	7,090
Electric plant - net	3,816,221	3,647,812
<b>Investments and Other Property</b>	142,825	131,520
<b>Current Assets:</b>		
Cash and cash equivalents	46,695	66,535
Receivables:		
Customer (net of allowance of \$1,960 and \$2,349, respectively)	79,083	97,873
Other (net of allowance of \$144 and \$153, respectively)	15,890	14,290
Income taxes receivable	20,428	—
Accrued unbilled revenues	56,270	63,507
Materials and supplies (at average cost)	55,404	53,643
Fuel stock (at average cost)	55,171	41,546
Prepayments	18,356	15,204
Deferred income taxes	—	12,386
Current regulatory assets	50,042	61,837
Other	603	2,401
Total current assets	397,942	429,222
<b>Deferred Debits:</b>		
American Falls and Milner water rights	13,698	15,803
Company-owned life insurance	23,893	22,037
Regulatory assets	1,192,345	978,234
Other	39,753	41,783
Total deferred debits	1,269,689	1,057,857
<b>Total</b>	<b>\$ 5,626,677</b>	<b>\$ 5,266,411</b>

The accompanying notes are an integral part of these statements.

**Idaho Power Company  
Consolidated Balance Sheets**

	December 31,	
	2014	2013
	(thousands of dollars)	
<b>Capitalization and Liabilities</b>		
<b>Capitalization:</b>		
Common stock equity:		
Common stock, \$2.50 par value (50,000,000 shares authorized; 39,150,812 shares outstanding)	\$ 97,877	\$ 97,877
Premium on capital stock	712,258	712,258
Capital stock expense	(2,097)	(2,097)
Retained earnings	1,033,350	932,547
Accumulated other comprehensive loss	(24,158)	(16,553)
Total common stock equity	1,817,230	1,724,032
Long-term debt	1,614,438	1,615,258
Total capitalization	3,431,668	3,339,290
<b>Current Liabilities:</b>		
Current maturities of long-term debt	1,064	1,064
Accounts payable	96,499	90,529
Accounts payable to related parties	2,027	1,158
Taxes accrued	10,329	14,031
Interest accrued	22,630	22,764
Accrued compensation	43,410	38,297
Current regulatory liabilities	11,400	10,684
Other	29,476	17,095
Total current liabilities	216,835	195,622
<b>Deferred Credits:</b>		
Deferred income taxes	1,141,755	1,058,734
Regulatory liabilities	390,207	375,873
Pension and other postretirement benefits	403,334	244,627
Other	42,878	52,265
Total deferred credits	1,978,174	1,731,499
<b>Commitments and Contingencies</b>		
<b>Total</b>	<b>\$ 5,626,677</b>	<b>\$ 5,266,411</b>

The accompanying notes are an integral part of these statements.

**Idaho Power Company**  
**Consolidated Statements of Cash Flows**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Operating Activities:</b>			
Net income	\$ 189,387	\$ 176,741	\$ 168,168
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	136,496	133,135	128,009
Deferred income taxes and investment tax credits	15,454	59,355	48,255
Changes in regulatory assets and liabilities	32,135	(25,581)	(53,467)
Pension and postretirement benefit plan expense	44,579	45,861	45,230
Contributions to pension and postretirement benefit plans	(33,672)	(33,347)	(47,695)
Earnings of unconsolidated equity-method investments	(10,814)	(10,242)	(9,412)
Distributions from unconsolidated equity-method investments	3,586	14,901	17,921
Allowance for equity funds used during construction	(17,931)	(14,858)	(22,433)
Gain on sale of investments and assets	(186)	(11,678)	(202)
Other non-cash adjustments to net income, net	2,087	629	438
Change in:			
Accounts receivable	20,072	(31,472)	(3,344)
Accounts payable	6,183	(397)	10,762
Taxes accrued/receivable	(22,911)	6,740	3,301
Other current assets	(13,137)	(12,166)	(5,252)
Other current liabilities	1,776	1,721	(8,506)
Other assets	(3,655)	(831)	(7,064)
Other liabilities	(6,238)	(8,603)	(6,856)
Net cash provided by operating activities	343,211	289,908	257,853
<b>Investing Activities:</b>			
Additions to utility plant	(273,911)	(235,306)	(239,761)
Proceeds from the sale of utility assets	620	—	—
Proceeds from the sale of emission allowances and RECs	2,931	498	2,739
Purchase of available-for-sale securities	(8,000)	(32,661)	(7,000)
Proceeds from the sale of available-for-sale securities	—	25,661	—
Other	4,957	3,473	367
Net cash used in investing activities	(273,403)	(238,335)	(243,655)
<b>Financing Activities:</b>			
Issuance of long-term debt	—	150,000	150,000
Retirement of long-term debt	(1,064)	(71,064)	(101,064)
Dividends on common stock	(88,584)	(78,926)	(68,740)
Capital contribution from parent	—	—	7,500
Other	—	(2,299)	(3,959)
Net cash used in financing activities	(89,648)	(2,289)	(16,263)
Net (decrease) increase in cash and cash equivalents	(19,840)	49,284	(2,065)
Cash and cash equivalents at beginning of the year	66,535	17,251	19,316
Cash and cash equivalents at end of the year	\$ 46,695	\$ 66,535	\$ 17,251
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid (received) during the year for:			
Income taxes	\$ 26,116	\$ 9,667	\$ (14,558)
Interest (net of amount capitalized)	\$ 77,063	\$ 77,583	\$ 70,447
Non-cash investing activities:			
Additions to property, plant and equipment in accounts payable	\$ 28,438	\$ 24,246	\$ 26,882

The accompanying notes are an integral part of these statements.

**Idaho Power Company**  
**Consolidated Statements of Retained Earnings**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Retained Earnings, Beginning of Year</b>	\$ 932,547	\$ 834,732	\$ 735,304
Net Income	189,387	176,741	168,168
Dividends on Common Stock	(88,584)	(78,926)	(68,740)
<b>Retained Earnings, End of Year</b>	<b>\$ 1,033,350</b>	<b>\$ 932,547</b>	<b>\$ 834,732</b>

The accompanying notes are an integral part of these statements.

**IDACORP, INC. AND IDAHO POWER COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This Annual Report on Form 10-K is a combined report of IDACORP, Inc. (IDACORP) and Idaho Power Company (Idaho Power). Therefore, the Notes to the Consolidated Financial Statements apply to both IDACORP and Idaho Power. However, Idaho Power makes no representation as to the information relating to IDACORP's other operations.

**Nature of Business**

IDACORP is a holding company formed in 1998 whose principal operating subsidiary is Idaho Power. Idaho Power is an electric utility with a service area covering approximately 24,000 square miles in southern Idaho and eastern Oregon. Idaho Power is regulated primarily by the Federal Energy Regulatory Commission (FERC) and the state regulatory commissions of Idaho and Oregon. Idaho Power is the parent of Idaho Energy Resources Co. (IERCo), a joint venturer in Bridger Coal Company (BCC), which mines and supplies coal to the Jim Bridger generating plant owned in part by Idaho Power.

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

**Principles of Consolidation**

IDACORP's and Idaho Power's consolidated financial statements include the accounts of each company, the subsidiaries that the companies control, and any variable interest entities (VIEs) for which the companies are the primary beneficiaries. Intercompany balances have been eliminated in consolidation. Investments in subsidiaries that the companies do not control and investments in VIEs for which the companies are not the primary beneficiaries, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting.

The entities that IDACORP and Idaho Power consolidate consist primarily of the wholly-owned subsidiaries discussed above. In addition, IDACORP consolidates one VIE, Marysville Hydro Partners (Marysville), which is a joint venture owned 50 percent by Ida-West and 50 percent by Environmental Energy Company (EEC). At December 31, 2014, Marysville had approximately \$20 million of assets, primarily a hydroelectric plant, and approximately \$13 million of intercompany long-term debt, which is eliminated in consolidation. EEC has borrowed amounts from Ida-West to fund a portion of its required capital contributions to Marysville. The loans are payable from EEC's share of distributions and are secured by the stock of EEC and EEC's interest in Marysville. Ida-West is identified as the primary beneficiary because of its ownership interest in the joint venture combined with the intercompany note and the EEC note, which collectively result in Ida-West's ability to control the activities of the joint ventures. Creditors of Marysville have no recourse to the general credit of IDACORP and there are no other arrangements that could require IDACORP to provide financial support to Marysville or expose IDACORP to losses.

The BCC joint venture is also a VIE, but because the power to direct the activities that most significantly impact the economic performance of BCC is shared with the joint venture partner, Idaho Power is not the primary beneficiary. The carrying value of BCC was \$96 million at December 31, 2014, and Idaho Power's maximum exposure to loss is the carrying value, any additional future contributions to BCC, and a \$70 million guarantee for mine reclamation costs, which is discussed further in Note 9.

IFS's investments in affordable housing and other real estate are also VIEs for which IDACORP is not the primary beneficiary. IFS's limited partnership interests range from 5 to 99 percent and were acquired between 1996 and 2010. As a limited partner, IFS does not control these entities and they are not consolidated. IFS's maximum exposure to loss in these developments is limited to its net carrying value, which was \$13 million at December 31, 2014.

## **Management Estimates**

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

## **System of Accounts**

The accounting records of Idaho Power conform to the Uniform System of Accounts prescribed by the FERC and adopted by the public utility commissions of Idaho, Oregon, and Wyoming.

## **Regulation of Utility Operations**

As a regulated utility, many of Idaho Power's fundamental business decisions are subject to the approval of governmental agencies, including the prices that Idaho Power is authorized to charge for its electric service. These approvals are a critical factor in determining IDACORP's and Idaho Power's results of operations and financial condition.

IDACORP's and Idaho Power's financial statements reflect the effects of the different ratemaking principles followed by the jurisdictions regulating Idaho Power. The application of accounting principles related to regulated operations sometimes results in Idaho Power recording expenses and revenues in a different period than when an unregulated enterprise would record such expenses and revenues. In these instances, the amounts are deferred as regulatory assets or regulatory liabilities on the balance sheet and recorded on the income statement when recovered or returned in rates. Additionally, regulators can impose regulatory liabilities upon a regulated company for amounts previously collected from customers that are expected to be refunded. The effects of applying these regulatory accounting principles to Idaho Power's operations are discussed in more detail in Note 3.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash on-hand and highly liquid temporary investments that mature within 90 days of the date of acquisition.

## **Receivables and Allowance for Uncollectible Accounts**

Customer receivables are recorded at the invoiced amounts and do not bear interest. A late payment fee of one percent may be assessed on account balances after 30 days. An allowance is recorded for potential uncollectible accounts. The allowance is reviewed periodically and adjusted based upon a combination of historical write-off experience, aging of accounts receivable, and an analysis of specific customer accounts. Adjustments are charged to income. Customer accounts receivable balances that remain outstanding after reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Other receivables, primarily notes receivable from business transactions, are also reviewed for impairment periodically, based upon transaction-specific facts. When it is probable that IDACORP or Idaho Power will be unable to collect all amounts due according to the contractual terms of the agreement, an allowance is established for the estimated uncollectible portion of the receivable and charged to income.

There were no impaired receivables without related allowances at December 31, 2014 and 2013. Once a receivable is determined to be impaired, any further interest income recognized is fully reserved.

## **Derivative Financial Instruments**

Financial instruments such as commodity futures, forwards, options, and swaps are used to manage exposure to commodity price risk in the electricity and natural gas markets. All derivative instruments are recognized as either assets or liabilities at fair value on the balance sheet unless they are designated as normal purchases and normal sales. With the exception of forward contracts for the purchase of natural gas for use at Idaho Power's natural gas generation facilities and a nominal number of

power transactions, Idaho Power's physical forward contracts are designated as normal purchases and normal sales. Because of Idaho Power's regulatory accounting mechanisms, Idaho Power records the changes in fair value of derivative instruments related to power supply as regulatory assets or liabilities.

### **Revenues**

Operating revenues related to Idaho Power's sale of energy are recorded when service is rendered or energy is delivered to customers. Idaho Power accrues estimated unbilled revenues for electric services delivered to customers but not yet billed at year-end. Idaho Power collects franchise fees and similar taxes related to energy consumption. None of these collections are reported on the income statement. Beginning in February 2009, Idaho Power is collecting in base rates a portion of the allowance for funds used during construction (AFUDC) related to its Hells Canyon Complex (HCC) relicensing project. Cash collected under this ratemaking mechanism is not recorded as revenue but is instead recorded as a regulatory liability.

### **Property, Plant and Equipment and Depreciation**

The cost of utility plant in service represents the original cost of contracted services, direct labor and material, AFUDC, and indirect charges for engineering, supervision, and similar overhead items. Repair and maintenance costs associated with planned major maintenance are expensed as the costs are incurred, as are maintenance and repairs of property and replacements and renewals of items determined to be less than units of property. For utility property replaced or renewed, the original cost plus removal cost less salvage is charged to accumulated provision for depreciation, while the cost of related replacements and renewals is added to property, plant and equipment.

All utility plant in service is depreciated using the straight-line method at rates approved by regulatory authorities. Annual depreciation provisions as a percent of average depreciable utility plant in service approximated 2.68 percent in 2014 , 2.69 percent in 2013 , and 2.75 percent in 2012 .

During the period of construction, costs expected to be included in the final value of the constructed asset, and depreciated once the asset is complete and placed in service, are classified as construction work in progress on the consolidated balance sheets. If the project becomes probable of being abandoned, such costs are expensed in the period such determination is made. If any costs are expensed, Idaho Power may seek recovery of such costs in customer rates, although there can be no guarantee such recovery would be granted.

Long-lived assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the undiscounted expected future cash flows from an asset is less than the carrying value of the asset, impairment is recognized in the financial statements. There were no material impairments of these assets in 2014 , 2013 , or 2012 .

### **Allowance for Funds Used During Construction**

AFUDC represents the cost of financing construction projects with borrowed funds and equity funds. With one exception, as discussed above for the HCC relicensing project, cash is not realized currently from such allowance; it is realized under the ratemaking process over the service life of the related property through increased revenues resulting from a higher rate base and higher depreciation expense. The component of AFUDC attributable to borrowed funds is included as a reduction to total interest expense. Idaho Power's weighted-average monthly AFUDC rate was 7.7 percent for 2014 , 2013 , and 2012 .

### **Income Taxes**

IDACORP and Idaho Power account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method (commonly referred to as normalized accounting), deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. In general, deferred income tax expense or benefit for a reporting period is recognized as the change in deferred tax assets and liabilities from the beginning to the end of the period. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date unless Idaho Power's primary regulator, the Idaho Public Utilities Commission (IPUC), orders direct deferral of the effect of the change in tax rates over a longer period of time.

Consistent with orders and directives of the IPUC, unless contrary to applicable income tax guidance, Idaho Power does not provide deferred income taxes for certain income tax temporary differences and instead recognizes the tax impact currently (commonly referred to as flow-through accounting) for rate making and financial reporting. Therefore, Idaho Power's effective income tax rate is impacted as these differences arise and reverse. Regulated enterprises are required to recognize such adjustments as regulatory assets or liabilities if it is probable that such amounts will be recovered from or returned to customers in future rates.

In compliance with the federal income tax requirements for the use of accelerated tax depreciation, Idaho Power provides deferred income taxes related to its plant assets for the difference between income tax depreciation and book depreciation used for financial statement purposes. Deferred income taxes are provided for other temporary differences unless accounted for using flow-through.

The state of Idaho allows a three percent investment tax credit on qualifying plant additions. Investment tax credits earned on regulated assets are deferred and amortized to income over the estimated service lives of the related properties. Credits earned on non-regulated assets or investments are recognized in the year earned.

Income taxes are discussed in more detail in Note 2.

### **Other Accounting Policies**

Debt discount, expense, and premium are deferred and are being amortized over the terms of the respective debt issues.

### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is intended to enable users of financial statements to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. Under the ASU, recognition of revenue occurs when a customer obtains control of promised goods or services. In addition, the ASU requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard including a cumulative-effect adjustment with disclosure of results under old standards. As such, at IDACORP's and Idaho Power's required adoption date of January 1, 2017, amounts in 2015 and 2016 may have to be revised. IDACORP and Idaho Power are currently evaluating the impact of ASU 2014-09 on their financial statements.

## 2. INCOME TAXES

A reconciliation between the statutory federal income tax rate and the effective tax rate is as follows:

	IDACORP			Idaho Power		
	2014	2013	2012	2014	2013	2012
	(thousands of dollars)					
Federal income tax expense at 35% statutory rate	\$ 73,588	\$ 89,125	\$ 72,387	\$ 73,116	\$ 88,550	\$ 71,448
Change in taxes resulting from:						
AFUDC	(9,238)	(7,882)	(12,027)	(9,238)	(7,882)	(12,027)
Capitalized interest	2,278	1,832	5,075	2,278	1,832	5,075
Investment tax credits	(3,002)	(3,119)	(3,267)	(3,002)	(3,119)	(3,267)
Removal costs	(3,656)	(3,527)	(2,697)	(3,656)	(3,527)	(2,697)
Capitalized overhead costs	(8,750)	(8,750)	(8,750)	(8,750)	(8,750)	(8,750)
Capitalized repair costs	(26,250)	(19,250)	(19,250)	(26,250)	(19,250)	(19,250)
Tax method change – capitalized repairs	(24,516)	4,583	(7,845)	(24,516)	4,583	(7,845)
State income taxes, net of federal benefit	4,680	6,730	7,801	5,334	6,970	7,646
Depreciation	16,040	14,820	14,398	16,040	14,820	14,398
Affordable housing tax credits	(5,189)	(5,503)	(5,493)	—	—	—
Affordable housing investment amortization	2,757	1,684	3,172	—	—	—
Other, net	(1,970)	1,483	(9,699)	(1,840)	2,033	(8,761)
<b>Total income tax expense</b>	<b>\$ 16,772</b>	<b>\$ 72,226</b>	<b>\$ 33,805</b>	<b>\$ 19,516</b>	<b>\$ 76,260</b>	<b>\$ 35,970</b>
Effective tax rate	8.0%	28.4%	16.3%	9.3%	30.1%	17.6%

The items comprising income tax expense are as follows:

	IDACORP			Idaho Power		
	2014	2013	2012	2014	2013	2012
	(thousands of dollars)					
<b>Income taxes current:</b>						
Federal	\$ (4,926)	\$ 3,416	\$ 547	\$ (2,805)	\$ 10,988	\$ (13,131)
State	3,516	3,241	306	6,867	5,917	846
<b>Total</b>	<b>(1,410)</b>	<b>6,657</b>	<b>853</b>	<b>4,062</b>	<b>16,905</b>	<b>(12,285)</b>
<b>Income taxes deferred:</b>						
Federal	17,159	61,947	28,315	21,833	60,934	48,839
State	(3,260)	1,806	(9,300)	(6,421)	(804)	(9,640)
<b>Total</b>	<b>13,899</b>	<b>63,753</b>	<b>19,015</b>	<b>15,412</b>	<b>60,130</b>	<b>39,199</b>
<b>Investment tax credits:</b>						
Deferred	3,044	2,344	12,323	3,044	2,344	12,323
Restored	(3,002)	(3,119)	(3,267)	(3,002)	(3,119)	(3,267)
<b>Total</b>	<b>42</b>	<b>(775)</b>	<b>9,056</b>	<b>42</b>	<b>(775)</b>	<b>9,056</b>
<b>Affordable housing investment amortization</b>	<b>4,241</b>	<b>2,591</b>	<b>4,881</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total income tax expense</b>	<b>\$ 16,772</b>	<b>\$ 72,226</b>	<b>\$ 33,805</b>	<b>\$ 19,516</b>	<b>\$ 76,260</b>	<b>\$ 35,970</b>

The components of the net deferred tax liability are as follows:

	IDACORP		Idaho Power	
	2014	2013	2014	2013
	(thousands of dollars)			
<b>Deferred tax assets:</b>				
Regulatory liabilities	\$ 55,490	\$ 55,017	\$ 55,490	\$ 55,017
Deferred compensation	25,355	23,739	25,240	23,647
Deferred revenue	28,529	23,063	28,529	23,063
Tax credits	154,044	149,188	26,843	23,698
Net operating losses	—	30,921	—	29,628
Partnership investments	8,190	8,195	—	—
Retirement benefits	132,571	69,033	132,571	69,033
Other	15,222	11,067	14,553	10,359
<b>Total</b>	<b>419,401</b>	<b>370,223</b>	<b>283,226</b>	<b>234,445</b>
<b>Deferred tax liabilities:</b>				
Property, plant and equipment	451,118	436,837	451,118	436,837
Regulatory assets	802,188	710,482	802,188	710,482
Power cost adjustments	23,192	35,763	23,192	35,763
Partnership investments	17,492	19,372	10,227	12,000
Retirement benefits	122,360	65,810	122,360	65,810
Other	25,982	24,678	22,252	19,901
<b>Total</b>	<b>1,442,332</b>	<b>1,292,942</b>	<b>1,431,337</b>	<b>1,280,793</b>
<b>Net deferred tax liabilities</b>	<b>\$ 1,022,931</b>	<b>\$ 922,719</b>	<b>\$ 1,148,111</b>	<b>\$ 1,046,348</b>

IDACORP's tax allocation agreement provides that each member of its consolidated group compute its income taxes on a separate company basis. Amounts payable or refundable are settled through IDACORP. See Note 1 for further discussion of accounting policies related to income taxes.

### Tax Credit Carryforwards

As of December 31, 2014, IDACORP had \$113.9 million of general business credit and \$2.8 million of alternative minimum tax credit carryforwards for federal income tax purposes and \$37.4 million of Idaho investment tax credit carryforward. The general business credit carryforward period expires from 2024 to 2034, and the Idaho investment tax credit expires from 2021 to 2028.

### Uncertain Tax Positions

IDACORP and Idaho Power believe that they have no material income tax uncertainties for 2014 and prior tax years. Both companies recognize interest accrued related to unrecognized tax benefits as interest expense and penalties as other expense.

IDACORP and Idaho Power are subject to examination by their major tax jurisdictions - U.S. federal and the State of Idaho. The open tax years for examination are 2014 for federal and 2011-2014 for Idaho. In May 2009, IDACORP formally entered the U.S. Internal Revenue Service (IRS) Compliance Assurance Process (CAP) program for its 2009 tax year and has remained in the CAP program for all subsequent years. The CAP program provides for IRS examination and issue resolution throughout the current year with the objective of return filings containing no contested items. In 2014, the IRS completed its examination of IDACORP's 2013 tax year with no unresolved income tax issues.

### Tax Accounting Method Changes for Repair-Related Expenditures

In the fourth quarter of 2014, Idaho Power finalized an income tax accounting method change for its 2014 tax year associated with the electric generation property portion of its capitalized repairs tax method it adopted in fiscal year 2010. As a result of the change, Idaho Power recorded an \$8.8 million tax benefit related to the cumulative method change adjustment for years prior to 2014 and reversed a related \$4.6 million tax expense estimate it had recorded in 2013 (discussed below), for a total adjustment of \$13.4 million.

The method change is pursuant to Revenue Procedure 2013-24 and will bring Idaho Power's existing method into alignment with the Revenue Procedure's safe harbor unit-of-property definitions for electric generation property. The change also incorporates provisions of the final tangible property regulations issued by the U.S. Treasury Department (Treasury) and IRS in the third quarter of 2013 that address the deduction or capitalization of expenditures related to tangible property. Following the automatic consent procedures provided for in the Revenue Procedure, Idaho Power expects to adopt this method with the filing of IDACORP's 2014 consolidated federal income tax return in September 2015. The method change will be subject to IRS review as part of IDACORP's CAP examination.

In the third quarter of 2014, Idaho Power, in coordination with the IRS through IDACORP's CAP examination process, implemented aspects of the final tangible property regulations and other technical interpretations of these rules into its existing capitalized repairs tax accounting method for generation, transmission and distribution assets. These technical interpretations were received from the IRS in 2014. An \$11.1 million tax benefit related to the portion of the 2013 capitalized repairs deduction based on these modifications was recorded in the third quarter. Idaho Power finalized these changes with the filing of IDACORP's 2013 consolidated federal income tax return in September 2014. The IRS approved the repairs method modifications prior to the filing of the return as part of IDACORP's 2013 CAP examination.

In connection with the issuance of the tangible property regulations and following the provisions of Revenue Procedure 2013-24 (discussed above), in the third quarter of 2013 Idaho Power assessed and estimated the impact of a method change associated with the electric generation property portion of its capitalized repairs method. Based upon this assessment, in 2013 Idaho Power recorded \$4.6 million of income tax expense related to the estimated cumulative method change adjustment for years prior to 2013.

In the third quarter of 2012, Idaho Power completed an income tax accounting method change for its 2011 tax year associated with the electric transmission and distribution property portion (as opposed to the generation property portion described above) of the capitalized repairs method it adopted in fiscal year 2010. As a result of the change, in 2012 Idaho Power recorded a \$7.8 million tax benefit related to the filed deduction for the cumulative method change adjustment for years prior to 2011. The change was made pursuant to Revenue Procedure 2011-43 to bring Idaho Power's existing method into alignment with the Revenue Procedure's safe harbor unit-of-property definitions for electric transmission and distribution property. Following the automatic consent procedures provided for in the Revenue Procedure, Idaho Power adopted this method with the filing of IDACORP's 2011 consolidated federal income tax return. The IRS approved the method change prior to the filing of the return as part of IDACORP's 2011 CAP examination. The final tangible property regulations issued in September 2013 did not adversely impact this tax accounting method.

The amount of the capitalized repairs annual tax deduction will vary depending on a number of factors, but most directly by the amount and type of Idaho Power's annual capital additions. The reversal of this temporary difference from prior years will offset a portion of the ongoing annual benefit. Idaho Power's prescribed regulatory accounting treatment requires immediate income recognition for temporary tax differences of this type, commonly referred to as "flow-through." A net regulatory asset is established to reflect Idaho Power's ability to recover the net increased income tax expense when such temporary differences reverse. Idaho Power's 2014 capitalized repairs deduction estimate incorporates the provisions of both method changes.

### 3. REGULATORY MATTERS

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

#### Regulatory Assets and Liabilities

The application of accounting principles related to regulated operations sometimes results in Idaho Power recording expenses and revenues in a different period than when an unregulated enterprise would record such expenses and revenues. Regulatory assets represent incurred costs that have been deferred because it is probable they will be recovered from customers through future rates. Regulatory liabilities represent obligations to make refunds to customers for previous collections, or represent amounts collected in advance of incurring an expense. The following table presents a summary of Idaho Power's regulatory assets and liabilities (in thousands of dollars):

Description	Remaining Amortization Period	As of December 31, 2014		Total as of December 31,	
		Earning a Return <sup>(1)</sup>	Not Earning a Return	2014	2013
<b>Regulatory Assets:</b>					
Income taxes		\$ —	\$ 802,188	\$ 802,188	\$ 710,482
Unfunded postretirement benefits <sup>(2)</sup>		—	264,548	264,548	116,583
Pension expense deferrals		40,816	22,828	63,644	75,108
Energy efficiency program costs <sup>(3)</sup>		4,690	—	4,690	3,694
Power supply costs <sup>(3)</sup>	Varies	59,189	—	59,189	91,477
Fixed cost adjustment <sup>(3)</sup>	2015-2016	23,737	—	23,737	19,526
Asset retirement obligations <sup>(4)</sup>		—	17,309	17,309	18,026
Mark-to-market liabilities <sup>(5)</sup>		—	3,961	3,961	1,629
Other	2015-2021	1,215	1,906	3,121	3,546
<b>Total</b>		<b>\$ 129,647</b>	<b>\$ 1,112,740</b>	<b>\$ 1,242,387</b>	<b>\$ 1,040,071</b>
<b>Regulatory Liabilities:</b>					
Income taxes		\$ —	\$ 55,490	\$ 55,490	\$ 55,017
Removal costs <sup>(4)</sup>		—	180,063	180,063	173,974
Investment tax credits		—	79,163	79,163	79,121
Deferred revenue-AFUDC <sup>(6)</sup>		48,306	24,669	72,975	58,991
Energy efficiency program costs <sup>(3)</sup>		—	—	—	6,686
Power supply costs <sup>(3)</sup>	Varies	1	—	1	24
Settlement agreement sharing mechanism <sup>(3)</sup>	2015-2016	7,999	—	7,999	7,602
Mark-to-market assets <sup>(5)</sup>		—	1,880	1,880	1,672
Other		3,114	922	4,036	3,470
<b>Total</b>		<b>\$ 59,420</b>	<b>\$ 342,187</b>	<b>\$ 401,607</b>	<b>\$ 386,557</b>

<sup>(1)</sup> Earning a return includes either interest or a return on the investment as a component of rate base at the allowed rate of return.

<sup>(2)</sup> Represents the unfunded obligation of Idaho Power's pension and postretirement benefit plans, which are discussed in Note 11.

<sup>(3)</sup> These items are discussed in more detail in this Note 3.

<sup>(4)</sup> Asset retirement obligations and removal costs are discussed in Note 13.

<sup>(5)</sup> Mark-to-market assets and liabilities are discussed in Note 16.

<sup>(6)</sup> As part of its January 30, 2009 general rate case order, the IPUC allowed Idaho Power to recover AFUDC for the HCC relicensing asset even though the relicensing process is not yet complete and the relicensing asset has not been placed in service. Idaho Power has collected revenue in the Idaho jurisdiction for these relicensing costs, but is deferring revenue recognition of the amounts collected until the license is issued and the asset is placed in service under the new license.

Idaho Power's regulatory assets and liabilities are typically amortized over the period in which they are reflected in customer rates. In the event that recovery of Idaho Power's costs through rates becomes unlikely or uncertain, regulatory accounting would no longer apply to some or all of Idaho Power's operations and the items above may represent stranded investments. If

not allowed full recovery of these items, Idaho Power would be required to write off the applicable portion, which could have a materially adverse financial impact.

### Power Cost Adjustment Mechanisms and Deferred Power Supply Costs

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

**Idaho Jurisdiction Power Cost Adjustment Mechanism:** In the Idaho jurisdiction, the annual PCA adjustment consists of (a) a forecast component, based on a forecast of net power supply costs in the coming year as compared with net power supply costs included in base rates; and (b) a true-up component, based on the difference between the previous year's actual net power supply costs and the previous year's forecast. The latter component also includes a balancing mechanism so that, over time, the actual collection or refund of authorized true-up dollars matches the amounts authorized. The Idaho PCA mechanism also includes:

- a cost or benefit sharing ratio that allocates the deviations in net power supply expenses between customers ( 95 percent ) and shareholders ( 5 percent ), with the exceptions of expenses associated with PURPA power purchases and demand response incentive payments, which are allocated 100 percent to customers; and
- a load change adjustment rate, which is intended to ensure that power supply expense fluctuations resulting solely from load changes do not distort the results of the mechanism.

The table below summarizes the three most recent Idaho PCA rate adjustments, all of which also include non-PCA-related rate adjustments as ordered by the IPUC:

Effective Date	\$ Change (millions)	Notes
June 1, 2014	\$ (88.2)	2014 PCA rates are net of (a) \$20.0 million of surplus Idaho energy efficiency rider funds, and (b) \$7.6 million of customer revenue sharing under a regulatory settlement stipulation. In addition, on June 1, 2014, there was an increase in base net power supply costs that shifted \$99.3 million in power supply expenses from recovery via the PCA mechanism to recovery via base rates. See further discussion of the change in base net power supply costs below.
June 1, 2013	\$ 140.4	The 2013 PCA rate increase was net of \$7.2 million of customer revenue sharing under regulatory settlement stipulations.
June 1, 2012	\$ 15.9	2012 PCA rates were net of \$27.1 million of customer revenue sharing under a regulatory settlement stipulation.

On November 1, 2013, Idaho Power filed an application with the IPUC requesting an increase of approximately \$106 million in the normalized or "base level" net power supply expense on a total-system basis to be used to update base rates and in the determination of the PCA rate that would become effective June 1, 2014. Idaho Power's request was intended to remove the Idaho-jurisdictional portion of those expenses (approximately \$99 million) from collection via the Idaho PCA mechanism and instead collect that portion through base rates. On March 21, 2014, the IPUC issued an order approving Idaho Power's application, with the change in collection methodology effective June 1, 2014.

**Oregon Jurisdiction Power Cost Adjustment Mechanism:** Idaho Power's power cost recovery mechanism in Oregon has two components: an annual power cost update (APCU) and a power cost adjustment mechanism (PCAM). The APCU allows Idaho Power to reestablish its Oregon base net power supply costs annually, separate from a general rate case, and to forecast net power supply costs for the upcoming water year. The PCAM is a true-up filed annually in February. The filing calculates the deviation between actual net power supply expenses incurred for the preceding calendar year and the net power supply expenses recovered through the APCU for the same period. Under the PCAM, Idaho Power is subject to a portion of the business risk or benefit associated with this deviation through application of an asymmetrical deadband (or range of deviations) within which Idaho Power absorbs cost increases or decreases. For deviations in actual power supply costs outside of the deadband, the PCAM provides for 90 / 10 sharing of costs and benefits between customers and Idaho Power. However, collection by Idaho Power will occur only to the extent that Idaho Power's actual Oregon-jurisdictional return on equity (ROE) for the year is no greater than 100 basis points below Idaho Power's last authorized ROE. A refund to customers will occur

only to the extent that Idaho Power's actual ROE for that year is no less than 100 basis points above Idaho Power's last authorized ROE. Oregon jurisdiction power supply cost changes under the APCU and PCAM during each of 2014, 2013, and 2012 are summarized in the table that follows:

Year and Mechanism	APCU or PCAM Adjustment
2014 PCAM	Idaho Power estimates that actual net power supply costs were within the deadband, which would result in no deferral.
2014 APCU	A rate increase of \$0.4 million annually took effect June 1, 2014.
2013 PCAM	Actual net power supply costs were within the deadband, resulting in no deferral.
2013 APCU	A rate increase of \$2.9 million annually took effect June 1, 2013.
2012 PCAM	Actual net power supply costs were within the deadband, resulting in no deferral.
2012 APCU	A rate increase of \$1.8 million annually took effect June 1, 2012.

### Idaho Regulatory Matters

**Idaho Base Rate Changes:** Effective January 1, 2012, Idaho Power implemented new Idaho base rates resulting from IPUC approval of a settlement stipulation that provided for a 7.86 percent authorized overall rate of return on an Idaho-jurisdiction rate base of approximately \$2.36 billion. The settlement stipulation resulted in a 4.07 percent, or \$34.0 million, overall increase in Idaho Power's annual Idaho-jurisdiction base rate revenues. Idaho base rates were subsequently adjusted again in 2012, in connection with Idaho Power's completion of the Langley Gulch power plant. On June 29, 2012, the IPUC issued an order approving a \$58.1 million increase in annual Idaho-jurisdiction base rates, effective July 1, 2012. The order also provided for a \$335.9 million increase in Idaho rate base. Neither the settlement stipulation nor the IPUC orders adjusting base rates specified an authorized rate of return on equity or imposed a moratorium on Idaho Power filing a general rate case at a future date.

As noted above in this Note 3, the IPUC also issued a March 2014 order approving Idaho Power's request for an increase in the normalized or "base level" net power supply expense to be used to update base rates and in the determination of the Idaho PCA rate that would become effective June 1, 2014.

**December 2011 Idaho Settlement Stipulation:** On December 27, 2011, the IPUC issued an order, separate from the general rate case proceeding, approving a settlement stipulation that provided as follows:

- If Idaho Power's actual Idaho-jurisdiction return on year-end equity (Idaho ROE) for 2012, 2013, or 2014 is less than 9.5 percent, then Idaho Power may amortize up to a total of \$45 million of additional ADITC to help achieve a minimum 9.5 percent Idaho ROE in the applicable year.
- If Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 exceeds 10.0 percent, the amount of Idaho Power's Idaho-jurisdiction earnings exceeding a 10.0 percent and up to and including a 10.5 percent Idaho ROE for the applicable year would be shared equally between Idaho Power and its Idaho customers in the form of a rate reduction to become effective at the time of the subsequent year's PCA mechanism adjustment.
- If Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 exceeds 10.5 percent, the amount of Idaho Power's Idaho jurisdictional earnings exceeding a 10.5 percent Idaho ROE for the applicable year would be allocated 75 percent to Idaho Power's Idaho customers as a reduction to the pension regulatory asset and 25 percent to Idaho Power.

As Idaho Power's Idaho ROE exceeded 10.5 percent for each of 2012, 2013, and 2014, Idaho Power did not amortize additional ADITC for those years, but instead shared a portion of its Idaho-jurisdiction earnings with Idaho customers. The amounts Idaho Power recorded in each of 2012, 2013, and 2014 for sharing with customers under the December 2011 Idaho regulatory settlement stipulation were as follows (in millions):

Year	Recorded as Refunds to Customers	Recorded as a Pre-tax Charge to Pension Expense
2014	\$8.0	\$16.7
2013	\$7.6	\$16.5
2012	\$7.2	\$14.6

**October 2014 Idaho Settlement Stipulation:** In October 2014, the IPUC issued an order approving an extension, with modifications, of the terms of the December 2011 Idaho settlement stipulation for the period from 2015 through 2019, or until the terms are otherwise modified or terminated by order of the IPUC or the full \$45 million of additional ADITC contemplated by the settlement stipulation has been amortized. The provisions of the new settlement stipulation are as follows:

- If Idaho Power's annual Idaho ROE in any year is less than 9.5 percent, then Idaho Power may amortize up to \$25 million of additional ADITC to help achieve a 9.5 percent Idaho ROE for that year, and may amortize up to a total of \$45 million of additional ADITC over the 2015 through 2019 period.
- If Idaho Power's annual Idaho ROE in any year exceeds 10.0 percent, the amount of earnings exceeding a 10.0 percent Idaho ROE and up to and including a 10.5 percent Idaho ROE will be allocated 75 percent to Idaho Power's Idaho customers as a rate reduction to be effective at the time of the subsequent year's power cost adjustment and 25 percent to Idaho Power.
- If Idaho Power's annual Idaho ROE in any year exceeds 10.5 percent, the amount of earnings exceeding a 10.5 percent Idaho ROE will be allocated 50 percent to Idaho Power's Idaho customers as a rate reduction to be effective at the time of the subsequent year's power cost adjustment, 25 percent to Idaho Power's Idaho customers in the form of a reduction to the pension regulatory asset balancing account (to reduce the amount to be collected in the future from Idaho customers), and 25 percent to Idaho Power.
- If the full \$45 million of additional ADITC contemplated by the settlement stipulation has been amortized the sharing provisions would terminate.
- In the event the IPUC approves a change to Idaho Power's Idaho-jurisdictional allowed return on equity as part of a general rate case proceeding seeking a rate change effective prior to January 1, 2020, the Idaho ROE thresholds (9.5 percent, 10.0 percent, and 10.5 percent) will be adjusted prospectively.

Neither the settlement stipulation nor the associated IPUC order impose a moratorium on Idaho Power filing a general rate case or other form of rate proceeding during the term of the settlement stipulation.

**Fixed Cost Adjustment:** The Idaho jurisdiction fixed cost adjustment (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 and linking it instead to a set amount per customer. The FCA mechanism is adjusted each year to collect, or refund, the difference between the allowed fixed-cost recovery amount and the actual (weather-normalized) fixed costs recovered by Idaho Power during the year. The amount of the FCA recovery is capped at no more than 3 percent of base revenue, with any excess deferred for collection in a subsequent year. The following table summarizes FCA amounts approved for collection in the prior three FCA years:

FCA Year	Period Rates in Effect	Annual Amount (in millions)
2013	June 1, 2014-May 31, 2015	\$14.9
2012	June 1, 2013-May 31, 2014	\$8.9
2011	June 1, 2012-May 31, 2013	\$10.3

On July 1, 2014, the IPUC opened a docket to allow Idaho Power, the IPUC Staff, and other interested parties to further evaluate the IPUC Staff's concerns regarding the application of the FCA mechanism. Concerns cited by interested parties included the application of weather-normalization, the customer count methodology, the rate adjustment cap, cross-subsidization issues, and whether the FCA mechanism is in fact effectively removing Idaho Power's disincentive to aggressively pursue energy efficiency programs. Proceedings in the FCA mechanism docket, which remains open, could result in significant changes to the FCA mechanism.

**Energy Efficiency and Demand Response Programs:** Idaho Power has implemented and/or manages a wide range of opportunities for its customers to participate in energy efficiency and demand response programs. Typically, a majority of energy efficiency activities are funded through a rider mechanism on customer bills. Program expenditures are reported as an operating expense with an equal amount of revenues recorded in other revenues, resulting in no impact on earnings. The cumulative variance between expenditures and amounts collected through the rider is recorded as a regulatory asset or liability pending future collection from or obligation to customers. The December 2011 IPUC general rate case settlement order described above reset Idaho Power's energy efficiency rider rate at 4.0 percent of the sum of the monthly billed charges for the base rate components, a reduction from the 4.75 percent rider amount in effect prior to that date. As of December 31, 2014, the Idaho energy efficiency rider balance was a regulatory asset of \$0.8 million.

On June 12, 2013, the IPUC issued an order authorizing Idaho Power to recover custom efficiency program incentive payments, including the then-current regulatory asset balance of approximately \$14 million , as well as subsequent custom efficiency program incentive payments, through the Idaho energy efficiency rider mechanism. As a result of the order, Idaho Power recognized the balance as other revenue and energy efficiency program expenses in 2013.

### Oregon Regulatory Matters

**Oregon Base Rate Changes:** On February 23, 2012, the OPUC issued an order approving a settlement stipulation that provided for a \$1.8 million base rate increase, a return on equity of 9.9 percent , and an overall rate of return of 7.757 percent in the Oregon jurisdiction. New rates in conformity with the settlement stipulation were effective March 1, 2012. Subsequently, on September 20, 2012, the OPUC issued an order approving an approximately \$3.0 million increase in annual Oregon jurisdiction base rates, effective October 1, 2012, for inclusion of the Langley Gulch power plant in Idaho Power's Oregon rate base.

### Federal Regulatory Matters - Open Access Transmission Tariff Rates

In 2006, Idaho Power moved from a fixed rate to a formula rate for transmission service provided under its OATT, which allows transmission rates to be updated annually based primarily on financial and operational data Idaho Power files with the FERC. Idaho Power's OATT rates submitted to the FERC in Idaho Power's four most recent annual OATT Final Informational Filings were as follows:

Applicable Period	OATT Rate (per kW-year)	
October 1, 2014 to September 30, 2015	\$	22.71
October 1, 2013 to September 30, 2014	\$	22.80
October 1, 2012 to September 30, 2013	\$	21.32
October 1, 2011 to September 30, 2012	\$	19.79

Idaho Power's current OATT rate is based on a net annual transmission revenue requirement of \$120.8 million , which represents the OATT formulaic determination of Idaho Power's net cost of providing OATT-based transmission service.

#### 4. LONG-TERM DEBT

The following table summarizes IDACORP's and Idaho Power's long-term debt at December 31 (in thousands of dollars):

	2014	2013
First mortgage bonds:		
6.025% Series due 2018	\$ 120,000	\$ 120,000
6.15% Series due 2019	100,000	100,000
4.50% Series due 2020	130,000	130,000
3.40% Series due 2020	100,000	100,000
2.95% Series due 2022	75,000	75,000
2.50% Series due 2023	75,000	75,000
6% Series due 2032	100,000	100,000
5.50% Series due 2033	70,000	70,000
5.50% Series due 2034	50,000	50,000
5.875% Series due 2034	55,000	55,000
5.30% Series due 2035	60,000	60,000
6.30% Series due 2037	140,000	140,000
6.25% Series due 2037	100,000	100,000
4.85% Series due 2040	100,000	100,000
4.30% Series due 2042	75,000	75,000
4.00% Series due 2043	75,000	75,000
<b>Total first mortgage bonds</b>	<b>1,425,000</b>	<b>1,425,000</b>
Pollution control revenue bonds:		
5.15% Series due 2024 <sup>(1)</sup>	49,800	49,800
5.25% Series due 2026 <sup>(1)</sup>	116,300	116,300
Variable Rate Series 2000 due 2027	4,360	4,360
<b>Total pollution control revenue bonds</b>	<b>170,460</b>	<b>170,460</b>
American Falls bond guarantee	19,885	19,885
Milner Dam note guarantee	3,191	4,255
Unamortized premium/discount - net	(3,034)	(3,278)
<b>Total IDACORP and Idaho Power outstanding debt <sup>(2)</sup></b>	<b>1,615,502</b>	<b>1,616,322</b>
Current maturities of long-term debt	(1,064)	(1,064)
<b>Total long-term debt</b>	<b>\$ 1,614,438</b>	<b>\$ 1,615,258</b>

<sup>(1)</sup> Humboldt County and Sweetwater County Pollution Control Revenue Bonds are secured by the first mortgage, bringing the total first mortgage bonds outstanding at December 31, 2014 to \$1.591 billion .

<sup>(2)</sup> At December 31, 2014 and 2013 , the overall effective cost of Idaho Power's outstanding debt was 5.19 percent .

At December 31, 2014 , the maturities for the aggregate amount of IDACORP and Idaho Power long-term debt outstanding were as follows (in thousands of dollars):

	2015	2016	2017	2018	2019	Thereafter
	\$ 1,064	\$ 1,064	\$ 1,064	\$ 120,000	\$ 100,000	\$ 1,395,344

#### Long-Term Debt Issuances, Maturities, and Availability

On April 8, 2013, Idaho Power issued \$75 million in principal amount of 2.50% first mortgage bonds, Series I, maturing on April 1, 2023, and \$75 million in principal amount of 4.00% first mortgage bonds, Series I, maturing on April 1, 2043. On October 1, 2013, Idaho Power used a portion of the net proceeds of the April 2013 sale of first mortgage bonds to satisfy its obligations upon maturity of \$70 million in principal amount of 4.25% first mortgage bonds.

In February 2013, Idaho Power filed applications with the IPUC, OPUC, and Wyoming Public Service Commission (WPSC) seeking authorization to issue and sell from time to time up to \$500 million in aggregate principal amount of debt securities and first mortgage bonds. In April 2013, Idaho Power received orders from the IPUC, OPUC, and WPSC authorizing such issuance and sales, subject to conditions specified in the orders. The order from the IPUC approved the issuance of the securities through April 9, 2015, subject to extension upon request to the IPUC. The OPUC's and WPSC's orders do not impose a time limitation for issuances, but the OPUC order does impose a number of other conditions, including a maximum interest rate limit of 7 percent .

In anticipation of the expiration of the prior registration statement, on May 22, 2013, IDACORP and Idaho Power filed a joint shelf registration statement with the SEC, which became effective upon filing, for the offer and sale of, in the case of Idaho Power, an unspecified principal amount of its first mortgage bonds and debt securities. On July 12, 2013, Idaho Power entered into a Selling Agency Agreement with eight banks named in the agreement in connection with the potential issuance and sale from time to time of up to \$500 million aggregate principal amount of first mortgage bonds, secured medium term notes, Series J (Series J Notes), under Idaho Power's Indenture of Mortgage and Deed of Trust, dated as of October 1, 1937, as amended and supplemented (Indenture). Also on July 12, 2013, Idaho Power entered into the Forty-seventh Supplemental Indenture, dated as of July 1, 2013, to the Indenture. The Forty-seventh Supplemental Indenture provides for, among other items, the issuance of up to \$500 million in aggregate principal amount of Series J Notes pursuant to the Indenture. As of December 31, 2014 , Idaho Power had not sold any first mortgage bonds, including Series J Notes, or debt securities under the Selling Agency Agreement.

**Mortgage :** As of December 31, 2014 , Idaho Power could issue under its Indenture approximately \$1.6 billion of additional first mortgage bonds based on retired first mortgage bonds and total unfunded property additions. These amounts are further limited by the maximum amount of first mortgage bonds set forth in the Indenture.

The mortgage of the Indenture secures all bonds issued under the Indenture equally and ratably, without preference, priority, or distinction. First mortgage bonds issued in the future will also be secured by the mortgage of the Indenture. The lien constitutes a first mortgage on all the properties of Idaho Power, subject only to certain limited exceptions including liens for taxes and assessments that are not delinquent and minor excepted encumbrances. Certain of the properties of Idaho Power are subject to easements, leases, contracts, covenants, workmen's compensation awards, and similar encumbrances and minor defects and clouds common to properties. The mortgage of the Indenture does not create a lien on revenues or profits, or notes or accounts receivable, contracts or choses in action, except as permitted by law during a completed default, securities, or cash, except when pledged, or merchandise or equipment manufactured or acquired for resale. The mortgage of the Indenture creates a lien on the interest of Idaho Power in property subsequently acquired, other than excepted property, subject to limitations in the case of consolidation, merger, or sale of all or substantially all of the assets of Idaho Power. The Indenture requires Idaho Power to spend or appropriate 15 percent of its annual gross operating revenues for maintenance, retirement, or amortization of its properties. Idaho Power may, however, anticipate or make up these expenditures or appropriations within the five years that immediately follow or precede a particular year.

On February 17, 2010, Idaho Power entered into the Forty-fifth Supplemental Indenture, dated as of February 1, 2010, to the Indenture for the purpose of increasing the maximum amount of first mortgage bonds issuable by Idaho Power from \$1.5 billion to \$2.0 billion . The amount issuable is also restricted by property, earnings, and other provisions of the Indenture and supplemental indentures to the Indenture. Idaho Power may amend the Indenture and increase this amount without consent of the holders of the first mortgage bonds. The Indenture requires that Idaho Power's net earnings be at least twice the annual interest requirements on all outstanding debt of equal or prior rank, including the bonds that Idaho Power may propose to issue. Under certain circumstances, the net earnings test does not apply, including the issuance of refunding bonds to retire outstanding bonds that mature in less than two years or that are of an equal or higher interest rate, or prior lien bonds.

## 5. NOTES PAYABLE

### Credit Facilities

IDACORP and Idaho Power have in place credit facilities that may be used for general corporate purposes and commercial paper backup. IDACORP's credit facility consists of a revolving line of credit not to exceed the aggregate principal amount at any one time outstanding of \$125 million , including swingline loans in an aggregate principal amount at any time outstanding not to exceed \$15 million , and letters of credit in an aggregate principal amount at any time outstanding not to exceed \$50 million . Idaho Power's credit facility consists of a revolving line of credit, through the issuance of loans and standby letters of credit, not to exceed the aggregate principal amount at any one time outstanding of \$300 million , including swingline loans in an aggregate principal amount at any time outstanding not to exceed \$30 million . IDACORP and Idaho Power have the right to

request an increase in the aggregate principal amount of the facilities to \$150 million and \$450 million , respectively, in each case subject to certain conditions.

The IDACORP and Idaho Power credit facilities have similar terms and conditions. The interest rates for any borrowings under the facilities are based on either (1) a floating rate that is equal to the highest of the prime rate , federal funds rate plus 0.5 percent , or LIBOR rate plus 1.0 percent , or (2) the LIBOR rate , plus, in each case, an applicable margin. The margin is based on IDACORP's or Idaho Power's, as applicable, senior unsecured long-term indebtedness credit rating by Moody's Investors Service, Inc., Standard and Poor's Ratings Services, and Fitch Rating Services, Inc., as set forth on a schedule to the credit agreements. Under their respective credit facilities, the companies pay a facility fee on the commitment based on the respective company's credit rating for senior unsecured long-term debt securities. While the credit facilities provide for an original termination date of October 26, 2016, the credit agreements grant IDACORP and Idaho Power the right to request up to two one-year extensions, in each case subject to certain conditions. In October 2012 and October 2013, IDACORP and Idaho Power executed agreements with the lenders, extending the maturity date under both credit agreements to October 26, 2018. No other terms of the credit facilities, including the amount of permitted borrowings under the credit agreements, were affected by the extensions.

At December 31, 2014 , no loans were outstanding under either IDACORP's or Idaho Power's facilities. At December 31, 2014 , Idaho Power had regulatory authority to incur up to \$450 million in principal amount of short-term indebtedness at any one time outstanding. Balances (in thousands of dollars) and interest rates of IDACORP's and Idaho Power's short-term borrowings were as follows at December 31, 2014 and December 31, 2013 :

	IDACORP		Idaho Power		Total	
	2014	2013	2014	2013	2014	2013
<b>Commercial paper balances:</b>						
At the end of year	\$ 31,300	\$ 54,750	\$ —	\$ —	\$ 31,300	\$ 54,750
Average during the year	\$ 37,786	\$ 61,121	\$ —	\$ 2,209	\$ 37,786	\$ 63,330
<b>Weighted-average interest rate</b>						
At the end of the year	0.43%	0.34%	—%	—%	0.43%	0.34%

## 6. COMMON STOCK

### IDACORP Common Stock

The following table summarizes common stock transactions during the last three years and shares reserved at December 31, 2014 :

	Shares issued			Shares reserved
	2014	2013	2012	December 31, 2014
Balance at beginning of year	50,233,463	50,158,486	49,964,172	
Continuous equity program	—	—	—	3,000,000
Dividend reinvestment and stock purchase plan	—	—	62,084	2,576,723
Employee savings plan	—	—	49,296	3,567,954
Long-term incentive and compensation plan	75,239	74,977	82,934	1,469,234
Restricted stock plan	—	—	—	256,154
Balance at end of year	50,308,702	50,233,463	50,158,486	

IDACORP enters into sales agency agreements as a means of selling its common stock from time to time pursuant to a continuous equity program. On July 12, 2013, IDACORP entered into its current Sales Agency Agreement with BNY Mellon Capital Markets, LLC (BNYMCM). IDACORP may offer and sell up to 3 million shares of its common stock from time to time in at-the-market offerings through BNYMCM as IDACORP's agent. IDACORP has no obligation to issue any minimum number of shares under the Sales Agency Agreement. As of the date of this report, no shares of IDACORP common stock have been issued under the current Sales Agency Agreement.

## Idaho Power Common Stock

In 2012, IDACORP contributed \$7.5 million of additional equity to Idaho Power. No contributions were made to Idaho Power in 2014 or 2013. No additional shares of Idaho Power common stock were issued in exchange for the contribution.

## Restrictions on Dividends

Idaho Power's ability to pay dividends on its common stock held by IDACORP and IDACORP's ability to pay dividends on its common stock are limited to the extent payment of such dividends would violate the covenants in their respective credit facilities or Idaho Power's Revised Code of Conduct. A covenant under IDACORP's credit facility and Idaho Power's credit facility requires IDACORP and Idaho Power to maintain leverage ratios of consolidated indebtedness to consolidated total capitalization, as defined therein, of no more than 65 percent at the end of each fiscal quarter. At December 31, 2014, the leverage ratios for IDACORP and Idaho Power were 46 percent and 47 percent, respectively. Based on these restrictions, IDACORP's and Idaho Power's dividends were limited to \$1.1 billion and \$944 million, respectively, at December 31, 2014. There are additional facility covenants, subject to exceptions, that prohibit or restrict the sale or disposition of property without consent and any agreements restricting dividend payments to the company from any material subsidiary. At December 31, 2014, IDACORP and Idaho Power were in compliance with those covenants.

Idaho Power's Revised Policy and Code of Conduct relating to transactions between and among Idaho Power, IDACORP, and other affiliates, which was approved by the IPUC in April 2008, provides that Idaho Power will not pay any dividends to IDACORP that will reduce Idaho Power's common equity capital below 35 percent of its total adjusted capital without IPUC approval. At December 31, 2014, Idaho Power's common equity capital was 53 percent of its total adjusted capital. Further, Idaho Power must obtain approval from the OPUC before it can directly or indirectly loan funds or issue notes or give credit on its books to IDACORP.

Idaho Power's articles of incorporation contain restrictions on the payment of dividends on its common stock if preferred stock dividends are in arrears. As of the date of this report, Idaho Power has no preferred stock outstanding.

In addition to contractual restrictions on the amount and payment of dividends, the Federal Power Act prohibits the payment of dividends from "capital accounts." The term "capital account" is undefined in the Federal Power Act or its regulations, but Idaho Power does not believe the restriction would limit Idaho Power's ability to pay dividends out of current year earnings or retained earnings.

## 7. STOCK-BASED COMPENSATION

IDACORP has two share-based compensation plans -- the 2000 Long-Term Incentive and Compensation Plan (LTICP) and the 1994 Restricted Stock Plan (RSP). These plans are intended to align employee and shareholder objectives related to IDACORP's long-term growth.

The LTICP (for officers, key employees, and directors) permits the grant of stock options, restricted stock, performance shares, and several other types of stock-based awards. The RSP (for officers and key employees) permits only the grant of restricted stock or performance-based restricted stock. At December 31, 2014, the maximum number of shares available under the LTICP and RSP were 1,166,210 and 15,796, respectively, excluding (i) issued but unvested performance-based restricted shares and (ii) issued but unvested time-based restricted shares.

**Stock Awards:** Restricted stock awards have three-year vesting periods and entitle the recipients to dividends and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The fair value of these awards is based on the closing market price of common stock on the grant date and is charged to compensation expense over the vesting period, based on the number of shares expected to vest.

Performance-based restricted stock awards have three-year vesting periods and entitle the recipients to voting rights. Unvested shares are restricted as to disposition, subject to forfeiture under certain circumstances, and subject to the attainment of specific performance conditions over the three-year vesting period. The performance conditions are two equally-weighted metrics, cumulative earnings per share (CEPS) and total shareholder return (TSR) relative to a peer group. Depending on the level of attainment of the performance conditions, the final number of shares awarded can range from zero to 150 percent of the target award. Dividends are accrued during the vesting period and paid out based on the final number of shares awarded.

The grant-date fair value of the CEPS portion is based on the closing market value at the date of grant, reduced by the loss in time-value of the estimated future dividend payments. The fair value of this portion of the awards is charged to compensation expense over the requisite service period, based on the number of shares expected to vest. The grant-date fair value of the TSR portion is estimated using the market value at the date of grant and a statistical model that incorporates the probability of meeting performance targets based on historical returns relative to the peer group. The fair value of this portion of the awards is charged to compensation expense over the requisite service period, provided the requisite service period is rendered, regardless of the level of TSR metric attained.

A summary of restricted stock and performance share activity is presented below. Idaho Power share amounts represent the portion of IDACORP amounts related to Idaho Power employees:

	IDACORP		Idaho Power	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested shares at January 1, 2014	310,379	\$ 36.88	305,984	\$ 36.85
Shares granted	106,527	48.75	105,367	48.74
Shares forfeited	(35,298)	46.34	(35,298)	46.34
Shares vested	(126,535)	30.09	(125,657)	30.09
Nonvested shares at December 31, 2014	255,073	\$ 43.90	250,396	\$ 43.91

The total fair value of shares vested during the years ended December 31, 2014, 2013, and 2012 was \$6.6 million, \$5.0 million, and \$4.9 million, respectively. At December 31, 2014, IDACORP had \$4.6 million of total unrecognized compensation cost related to nonvested share-based compensation that was expected to vest. Idaho Power's share of this amount was \$4.6 million. These costs are expected to be recognized over a weighted-average period of 1.69 years. IDACORP uses original issue and/or treasury shares for these awards.

In 2014, a total of 14,599 shares were awarded to directors at a grant date fair value of \$56.05 per share. Directors elected to defer receipt of 8,004 of these shares, which are being held as deferred stock units with dividend equivalents reinvested in additional stock units.

**Stock Options:** IDACORP has not granted any stock option awards since 2006 and has no plans to do so in the future. At December 31, 2014, there were no outstanding options.

**Compensation Expense:** The following table shows the compensation cost recognized in income and the tax benefits resulting from these plans, as well as the amounts allocated to Idaho Power for those costs associated with Idaho Power's employees (in thousands of dollars):

	IDACORP			Idaho Power		
	2014	2013	2012	2014	2013	2012
Compensation cost	\$ 5,609	\$ 4,888	\$ 4,696	\$ 5,458	\$ 4,783	\$ 4,577
Income tax benefit	2,193	1,911	1,836	2,134	1,870	1,789

No equity compensation costs have been capitalized.

## 8. EARNINGS PER SHARE

The following table presents the computation of IDACORP's basic and diluted earnings per share (EPS) for the years ended December 31, 2014, 2013, and 2012 (in thousands, except for per share amounts):

	Year Ended December 31,		
	2014	2013	2012
Numerator:			
Net income attributable to IDACORP, Inc.	\$ 193,480	\$ 182,417	\$ 173,014
Denominator:			
Weighted-average common shares outstanding - basic	50,131	50,052	49,930
Effect of dilutive securities	68	74	80
Weighted-average common shares outstanding - diluted	50,199	50,126	50,010
Basic earnings per share	\$ 3.86	\$ 3.64	\$ 3.47
Diluted earnings per share	\$ 3.85	\$ 3.64	\$ 3.46

## 9. COMMITMENTS

### Purchase Obligations

At December 31, 2014, Idaho Power had the following long-term commitments relating to purchases of energy, capacity, transmission rights, and fuel (in thousands of dollars):

	2015	2016	2017	2018	2019	Thereafter
Cogeneration and power production	\$ 181,468	\$ 189,493	\$ 229,255	\$ 240,280	\$ 238,501	\$ 4,064,213
Power and transmission rights	6,370	5,416	3,337	1,199	1,105	4,487
Fuel	64,415	42,124	41,744	9,352	9,169	68,359

As of December 31, 2014, Idaho Power had 781 MW nameplate capacity of PURPA-related projects on-line, with an additional 521 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. Idaho Power's expenses associated with PURPA-related projects were approximately \$145 million in 2014, \$131 million in 2013, and \$118 million in 2012.

In addition, Idaho Power has the following long-term commitments for lease guarantees, equipment, maintenance and services, and industry related fees (in thousands of dollars):

	2015	2016	2017	2018	2019	Thereafter
Operating leases	\$ 162	\$ 1,039	\$ 1,065	\$ 1,088	\$ 1,167	\$ 14,136
Equipment, maintenance, and service agreements	61,492	19,610	8,279	7,794	7,978	31,489
FERC and other industry-related fees	12,954	6,813	6,813	6,813	6,813	34,063

IDACORP's expense for operating leases was approximately \$5.9 million in 2014, \$5.3 million in 2013, and \$6.1 million in 2012.

### Guarantees

Through a self-bonding mechanism, Idaho Power guarantees its portion of reclamation activities and obligations at BCC, of which IERCo owns a one-third interest. This guarantee, which is renewed annually with the Wyoming Department of Environmental Quality, was \$70 million at December 31, 2014, representing IERCo's one-third share of BCC's total reclamation obligation. BCC has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs. At December 31, 2014, the value of the reclamation trust fund was \$67 million. During 2014 the reclamation trust fund distributed approximately \$13 million for reclamation activity costs associated with the BCC surface mine. BCC periodically assesses the adequacy of the reclamation trust fund and its estimate of future reclamation costs. To ensure that the reclamation trust fund maintains adequate reserves, BCC has the ability to add a per-ton surcharge to coal sales, all of which are made to the Jim Bridger plant. Starting in 2010, BCC began applying a nominal surcharge to coal sales in order to maintain adequate

reserves in the reclamation trust fund. Because of the existence of the fund and the ability to apply a per-ton surcharge, the estimated fair value of this guarantee is minimal.

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

## 10. CONTINGENCIES

IDACORP and Idaho Power have in the past and expect in the future to become involved in various claims, controversies, disputes, and other contingent matters, including the items described in this Note 10. Some of these claims, controversies, disputes, and other contingent matters involve litigation and regulatory or other contested proceedings. The ultimate resolution and outcome of litigation and regulatory proceedings is inherently difficult to determine, particularly where (a) the remedies or penalties sought are indeterminate, (b) the proceedings are in the early stages or the substantive issues have not been well developed, or (c) the matters involve complex or novel legal theories or a large number of parties. In accordance with applicable accounting guidance, IDACORP and Idaho Power, as applicable, establish an accrual for legal proceedings when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. IDACORP and Idaho Power monitor those matters for developments that could affect the likelihood of a loss and the accrued amount, if any, and adjust the amount as appropriate. If the loss contingency at issue is not both probable and reasonably estimable, IDACORP and Idaho Power do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. As of the date of this report, IDACORP's and Idaho Power's accruals for loss contingencies are not material to their financial statements as a whole; however, future accruals could be material in a given period. IDACORP's and Idaho Power's determination is based on currently available information, and estimates presented in financial statements and other financial disclosures involve significant judgment and may be subject to significant uncertainty. For matters that affect Idaho Power's operations, Idaho Power intends to seek, to the extent permissible and appropriate, recovery through the ratemaking process of costs incurred.

### Western Energy Proceedings

High prices for electricity, energy shortages, and blackouts in California and in western wholesale markets during 2000 and 2001 caused numerous purchasers of electricity in those markets to initiate proceedings seeking refunds or other forms of relief and the FERC to initiate its own investigations. Some of these proceedings remain pending before the FERC or are on appeal to the United States Court of Appeals for the Ninth Circuit. Idaho Power and IESCo (as successor to IDACORP Energy L.P.) believe that settlement releases they have obtained will restrict potential claims that might result from the disposition of pending proceedings and predict that these matters will not have a material adverse effect on IDACORP's or Idaho Power's results of operations or financial condition. However, the settlements and associated FERC orders have not fully eliminated the potential for so-called "ripple claims," which involve potential claims for refunds in the Pacific Northwest markets from an upstream seller of power based on a finding that its downstream buyer was liable for refunds as a seller of power during the relevant period. The FERC has characterized these ripple claims as "speculative." However, the FERC has refused to dismiss Idaho Power and IESCo from the proceedings in the Pacific Northwest and refused to approve portions of two settlements that provided for waivers of claims in those proceedings, despite only limited objections from two market participants to one of the two settlements and no objections to the other settlement. Idaho Power and IESCo have petitions for review of the FERC's decisions refusing to approve the waiver provision of the settlements, on the basis that the FERC failed to apply its established precedents and rules. The petitions for review are pending in the Ninth Circuit Court of Appeals.

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

**Other Proceedings**

IDACORP and Idaho Power are parties to legal claims and legal and regulatory actions and proceedings in the ordinary course of business that are in addition to those discussed above and, as noted above, records an accrual for associated loss contingencies when they are probable and reasonably estimable. As of the date of this report the companies believe that resolution of those matters will not have a material adverse effect on their respective consolidated financial statements. Idaho Power is also actively monitoring various pending environmental regulations, including the EPA's proposed rule under Section 111(d) of the Clean Air Act, that may have a significant impact on its future operations. Given uncertainties regarding the outcome, timing, and compliance plans for these environmental matters, Idaho Power is unable to estimate the financial impact of these regulations but does believe that future capital investment for infrastructure and modifications to its electric generating facilities to comply with these regulations could be significant.

**11. BENEFIT PLANS**

Idaho Power sponsors defined benefit and other postretirement benefit plans that cover the majority of its employees. Idaho Power also sponsors a defined contribution 401(k) employee savings plan and provides certain post-employment benefits.

**Pension Plans**

Idaho Power has two pension plans – a noncontributory defined benefit pension plan (pension plan) and a nonqualified defined benefit pension plan for certain senior management employees called the Security Plan for Senior Management Employees (SMSP). Idaho Power also has a nonqualified defined benefit pension plan for directors that was frozen in 2002. Remaining vested benefits from that plan are included with the SMSP in the disclosures below. The benefits under these plans are based on years of service and the employee's final average earnings.

Idaho Power's funding policy for the pension plan is to contribute at least the minimum required under the Employee Retirement Income Security Act of 1974 (ERISA) but not more than the maximum amount deductible for income tax purposes. In 2014, 2013, and 2012 Idaho Power elected to contribute more than the minimum required amounts in order to bring the pension plan to a more funded position, to reduce future required contributions, and to reduce Pension Benefit Guaranty Corporation premiums.

The following table summarizes the changes in benefit obligations and plan assets of these plans (in thousands of dollars):

	Pension Plan		SMSP	
	2014	2013	2014	2013
<b>Change in projected benefit obligation:</b>				
Benefit obligation at January 1	\$ 695,093	\$ 767,692	\$ 77,773	\$ 80,515
Service cost	25,292	31,357	1,645	2,178
Interest cost	35,415	31,830	3,856	3,258
Actuarial loss (gain)	114,496	(112,215)	15,324	(4,663)
Benefits paid	(25,484)	(23,571)	(4,188)	(3,515)
Projected benefit obligation at December 31	844,812	695,093	94,410	77,773
<b>Change in plan assets:</b>				
Fair value at January 1	545,092	460,862	—	—
Actual return on plan assets	10,111	77,801	—	—
Employer contributions	30,000	30,000	—	—
Benefits paid	(25,484)	(23,571)	—	—
Fair value at December 31	559,719	545,092	—	—
Funded status at end of year	\$ (285,093)	\$ (150,001)	\$ (94,410)	\$ (77,773)
<b>Amounts recognized in the statement of financial position consist of:</b>				
Other current liabilities	\$ —	\$ —	\$ (4,193)	\$ (3,905)
Noncurrent liabilities	(285,093)	(150,001)	(90,217)	(73,868)
Net amount recognized	\$ (285,093)	\$ (150,001)	\$ (94,410)	\$ (77,773)
<b>Amounts recognized in accumulated other comprehensive income consist of:</b>				
Net loss	\$ 263,350	\$ 120,587	\$ 38,808	\$ 26,102
Prior service cost	295	642	857	1,077
Subtotal	263,645	121,229	39,665	27,179
Less amount recorded as regulatory asset	(263,645)	(121,229)	—	—
Net amount recognized in accumulated other comprehensive income	\$ —	\$ —	\$ 39,665	\$ 27,179
<b>Accumulated benefit obligation</b>	<b>\$ 719,617</b>	<b>\$ 591,649</b>	<b>\$ 84,684</b>	<b>\$ 70,530</b>

The actuarial loss affecting the change in projected benefit obligations from December 31, 2013 to December 31, 2014 is due to the reduction in the discount rates, as identified in the plan assumptions table included later in this footnote.

As a non-qualified plan, the SMSP has no plan assets. However, Idaho Power has a Rabbi trust designated to provide funding for SMSP obligations. The Rabbi trust holds investments in marketable securities and corporate-owned life insurance. The fair value of these investments was approximately \$65.0 million and \$59.2 million at December 31, 2014 and 2013, respectively, and is reflected in Investments and in Company-owned life insurance on the consolidated balance sheets.

The following table shows the components of net periodic benefit cost for these plans (in thousands of dollars). For purposes of calculating the expected return on plan assets, the market-related value of assets is equal to the fair value of the assets.

	Pension Plan			SMSP		
	2014	2013	2012	2014	2013	2012
Service cost	\$ 25,292	\$ 31,357	\$ 25,571	\$ 1,645	\$ 2,178	\$ 2,151
Interest cost	35,415	31,830	31,489	3,856	3,258	3,218
Expected return on assets	(42,289)	(35,755)	(31,737)	—	—	—
Amortization of net loss	3,911	17,118	14,114	2,618	2,840	1,530
Amortization of prior service cost	347	347	347	220	212	212
Net periodic pension cost	22,676	44,897	39,784	8,339	8,488	7,111
Adjustments due to the effects of regulation <sup>(1)</sup>	12,124	(9,013)	(5,860)	—	—	—
Net periodic benefit cost recognized for financial reporting	\$ 34,800	\$ 35,884	\$ 33,924	\$ 8,339	\$ 8,488	\$ 7,111

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

The following table shows the components of other comprehensive income for the plans (in thousands of dollars):

	Pension Plan			SMSP		
	2014	2013	2012	2014	2013	2012
Actuarial (loss) gain during the year	\$ (146,674)	\$ 154,261	\$ (60,448)	\$ (15,324)	\$ 4,664	\$ (13,335)
Reclassification adjustments for:						
Amortization of net loss	3,911	17,118	14,114	2,618	2,840	1,530
Amortization of prior service cost	347	347	347	220	212	212
Adjustment for deferred tax effects	55,678	(67,136)	17,979	4,881	(3,017)	4,532
Adjustment due to the effects of regulation	86,738	(104,590)	28,008	—	—	—
Other comprehensive income recognized related to pension benefit plans	\$ —	\$ —	\$ —	\$ (7,605)	\$ 4,699	\$ (7,061)

In 2015, IDACORP and Idaho Power expect to recognize as components of net periodic benefit cost \$18.8 million from amortizing amounts recorded in accumulated other comprehensive income (or as a regulatory asset for the pension plan) as of December 31, 2014, relating to the pension plan and SMSP. This amount consists of \$14.2 million of amortization of net loss and \$0.2 million of amortization of prior service cost for the pension plan, and \$4.2 million of amortization of net loss and \$0.2 million of amortization of prior service cost for the SMSP.

The following table summarizes the expected future benefit payments of these plans (in thousands of dollars):

	2015	2016	2017	2018	2019	2020-2024
Pension Plan	\$ 27,634	\$ 29,938	\$ 32,428	\$ 35,036	\$ 37,644	\$ 226,411
SMSP	4,274	4,198	4,262	4,134	4,291	23,868

As of December 31, 2014, IDACORP's and Idaho Power's minimum required contributions to the pension plan are estimated to be zero in 2015, though Idaho Power plans to contribute at least \$20 million to the pension plan during 2015.

### Postretirement Benefits

Idaho Power maintains a defined benefit postretirement benefit plan (consisting of health care and death benefits) that covers all employees who were enrolled in the active-employee group plan at the time of retirement as well as their spouses and qualifying dependents. Retirees hired on or after January 1, 1999 have access to the standard medical option at full cost, with no contribution by Idaho Power. Benefits for employees who retire after December 31, 2002 are limited to a fixed amount, which has limited the growth of Idaho Power's future obligations under this plan.

The following table summarizes the changes in benefit obligation and plan assets (in thousands of dollars):

	2014	2013
<b>Change in accumulated benefit obligation:</b>		
Benefit obligation at January 1	\$ 57,341	\$ 72,547
Service cost	1,011	1,315
Interest cost	2,841	2,633
Actuarial loss (gain)	7,026	(16,788)
Benefits paid <sup>(1)</sup>	(2,220)	(2,366)
Benefit obligation at December 31	65,999	57,341
<b>Change in plan assets:</b>		
Fair value of plan assets at January 1	37,111	33,387
Actual return on plan assets	3,888	6,212
Employer contributions <sup>(1)</sup>	(404)	(122)
Benefits paid <sup>(1)</sup>	(2,220)	(2,366)
Fair value of plan assets at December 31	38,375	37,111
Funded status at end of year (included in noncurrent liabilities)	\$ (27,624)	\$ (20,230)

<sup>(1)</sup> Contributions and benefits paid are each net of \$3,379 thousand and \$3,272 thousand of plan participant contributions, and \$344 thousand and \$372 thousand of Medicare Part D subsidy receipts for 2014 and 2013, respectively.

Amounts recognized in accumulated other comprehensive income consist of the following (in thousands of dollars):

	2014	2013
Net loss	\$ 759	\$ (4,974)
Prior service cost	145	328
Subtotal	904	(4,646)
Less amount recognized in regulatory assets	(904)	4,646
Net amount recognized in accumulated other comprehensive income	\$ —	\$ —

The net periodic postretirement benefit cost was as follows (in thousands of dollars):

	2014	2013	2012
Service cost	\$ 1,011	\$ 1,315	\$ 1,292
Interest cost	2,841	2,633	3,135
Expected return on plan assets	(2,595)	(2,328)	(2,234)
Amortization of net loss	—	98	384
Amortization of prior service cost	183	(229)	(422)
Amortization of unrecognized transition obligation	—	—	2,040
Net periodic postretirement benefit cost	\$ 1,440	\$ 1,489	\$ 4,195

The following table shows the components of other comprehensive income for the plan (in thousands of dollars):

	2014	2013	2012
Actuarial (loss) gain during the year	\$ (5,733)	\$ 20,673	\$ (2,068)
Reclassification adjustments for:			
Amortization of net loss	—	98	384
Amortization of prior service cost	183	(229)	(422)
Amortization of unrecognized transition obligation	—	—	2,040
Adjustment for deferred tax effects	2,170	(8,031)	(153)
Adjustment due to the effects of regulation	3,380	(12,511)	219
Other comprehensive income related to postretirement benefit plans	\$ —	\$ —	\$ —

In 2015, IDACORP and Idaho Power expect to recognize as components of net periodic benefit cost \$15 thousand from amortizing amounts recorded in accumulated other comprehensive income as of December 31, 2014, relating to the postretirement benefit plan. The entire amount represents \$15 thousand of amortization of prior service cost.

**Medicare Act:** The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law in December 2003 and established a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare's prescription drug coverage.

The following table summarizes the expected future benefit payments of the postretirement benefit plan and expected Medicare Part D subsidy receipts (in thousands of dollars):

	2015	2016	2017	2018	2019	2020-2024
Expected benefit payments	\$ 3,970	\$ 4,040	\$ 4,090	\$ 4,160	\$ 4,210	\$ 21,310
Expected Medicare Part D subsidy receipts	390	430	470	520	560	3,560

### Plan Assumptions

The following table sets forth the weighted-average assumptions used at the end of each year to determine benefit obligations for all Idaho Power-sponsored pension and postretirement benefits plans:

	Pension Plan		SMSP		Postretirement Benefits	
	2014	2013	2014	2013	2014	2013
Discount rate	4.25%	5.20%	4.20%	5.10%	4.20%	5.15%
Rate of compensation increase <sup>(1)</sup>	4.30%	4.38%	4.50%	4.50%	—	—
Medical trend rate	—	—	—	—	6.4%	6.8%
Dental trend rate	—	—	—	—	5.0%	5.0%
Measurement date	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013

<sup>(1)</sup>The 2014 rate of compensation increase assumption for the pension plan includes an inflation component of 2.75% plus a 1.55% composite merit increase component that is based on employees' years of service. Merit salary increases are assumed to be 8.0% for employees in their first year of service and scale down to 0% for employees in their fortieth year of service and beyond.

The following table sets forth the weighted-average assumptions used to determine net periodic benefit cost for all Idaho Power-sponsored pension and postretirement benefit plans:

	Pension Plan			SMSP			Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Discount rate	5.20%	4.20%	4.90%	5.10%	4.15%	5.10%	5.15%	4.20%	5.05%
Expected long-term rate of return on assets	7.75%	7.75%	7.75%	—	—	—	7.25%	7.25%	7.25%
Rate of compensation increase	4.30%	4.38%	4.35%	4.50%	4.50%	4.50%	—	—	—
Medical trend rate	—	—	—	—	—	—	6.4%	6.8%	6.5%
Dental trend rate	—	—	—	—	—	—	5.0%	5.0%	5.0%

The assumed health care cost trend rate used to measure the expected cost of health benefits covered by the postretirement plan was 6.4 percent in 2014 and is assumed to decrease gradually to 5.1 percent by 2093. The assumed dental cost trend rate used to measure the expected cost of dental benefits covered by the plan was 5.0 percent for all years. A one percentage point change in the assumed health care cost trend rate would have the following effects at December 31, 2014 (in thousands of dollars):

	One-Percentage-Point	
	Increase	Decrease
Effect on total of cost components	\$ 325	\$ (241)
Effect on accumulated postretirement benefit obligation	3,426	(2,657)

## Plan Assets

**Pension Asset Allocation Policy:** The target allocation and actual allocations at December 31, 2014 for the pension asset portfolio by asset class is set forth below:

Asset Class	Target Allocation	Actual Allocation December 31, 2014
Debt securities	24%	24%
Equity securities	54%	55%
Real estate	6%	6%
Other plan assets	16%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Assets are rebalanced as necessary to keep the portfolio close to target allocations.

The plan's principal investment objective is to maximize total return (defined as the sum of realized interest and dividend income and realized and unrealized gain or loss in market price) consistent with prudent parameters of risk and the liability profile of the portfolio. Emphasis is placed on preservation and growth of capital along with adequacy of cash flow sufficient to fund current and future payments to pensioners.

The three major goals in Idaho Power's asset allocation process are to:

- determine if the investments have the potential to earn the rate of return assumed in the actuarial liability calculations;
- match the cash flow needs of the plan. Idaho Power sets bond allocations sufficient to cover at least five years of benefit payments and cash allocations sufficient to cover the current year benefit payments. Idaho Power then utilizes growth instruments (equities, real estate, venture capital) to fund the longer-term liabilities of the plan; and
- maintain a prudent risk profile consistent with ERISA fiduciary standards.

Allowable plan investments include stocks and stock funds, investment-grade bonds and bond funds, core real estate funds, private equity funds, and cash and cash equivalents. With the exception of real estate holdings and private equity, investments must be readily marketable so that an entire holding can be disposed of quickly with only a minor effect upon market price.

Rate-of-return projections for plan assets are based on historical risk/return relationships among asset classes. The primary measure is the historical risk premium each asset class has delivered versus the yield on the Moody's AA Corporate Bond Index. This historical risk premium is then added to the current yield on the Moody's AA Corporate Bond Index. Additional analysis is performed to measure the expected range of returns, as well as worst-case and best-case scenarios. Based on the current low interest rate environment, current rate-of-return expectations are lower than the nominal returns generated over the past 20 years when interest rates were generally much higher.

Idaho Power's asset modeling process also utilizes historical market returns to measure the portfolio's exposure to a "worst-case" market scenario, to determine how much performance could vary from the expected "average" performance over various time periods. This "worst-case" modeling, in addition to cash flow matching and diversification by asset class and investment style, provides the basis for managing the risk associated with investing portfolio assets.

**Fair Value of Plan Assets:** Idaho Power classifies its pension plan and postretirement benefit plan investments using the three-level fair value hierarchy described in Note 16. The following table presents the fair value of the plans' investments by asset category (in thousands of dollars). If the inputs used to measure the securities fall within different levels of the hierarchy, the

categorization is based on the lowest level input (Level 3 being the lowest) that is significant to the fair value measurement of the security.

	Level 1	Level 2	Level 3	Total
<b>Assets at December 31, 2014</b>				
<b>Pension plan assets:</b>				
Cash and cash equivalents	\$ 19,190	\$ —	\$ —	\$ 19,190
Short-term bonds	—	10,991	—	10,991
Intermediate bonds	—	101,867	—	101,867
Long-term bonds	—	21,615	—	21,615
Equity Securities: Large-Cap	66,151	—	—	66,151
Equity Securities: Mid-Cap	68,974	—	—	68,974
Equity Securities: Small-Cap	50,972	—	—	50,972
Equity Securities: Micro-Cap	22,962	—	—	22,962
Equity Securities: International	6,555	57,705	—	64,260
Equity Securities: Emerging Markets	8,629	22,915	—	31,544
Real estate	—	—	33,996	33,996
Private market investments	—	—	37,118	37,118
Commodities funds	—	30,079	—	30,079
<b>Total pension assets</b>	<b>\$ 243,433</b>	<b>\$ 245,172</b>	<b>\$ 71,114</b>	<b>\$ 559,719</b>
<b>Postretirement plan assets <sup>(1)</sup></b>	<b>\$ 11</b>	<b>\$ 38,364</b>	<b>\$ —</b>	<b>\$ 38,375</b>

#### Assets at December 31, 2013

##### Pension plan assets:

Cash and cash equivalents	\$ 33,030	\$ —	\$ —	\$ 33,030
Short-term bonds	—	11,068	—	11,068
Intermediate bonds	—	76,312	—	76,312
Long-term bonds	—	19,024	—	19,024
Equity Securities: Large-Cap	71,042	—	—	71,042
Equity Securities: Mid-Cap	23,346	23,112	—	46,458
Equity Securities: Small-Cap	48,998	—	—	48,998
Equity Securities: Micro-Cap	24,687	—	—	24,687
Equity Securities: International	19,128	74,908	—	94,036
Equity Securities: Emerging Markets	3,523	22,107	—	25,630
Equity Securities: Market Neutral	3,870	—	—	3,870
Real estate	—	—	28,019	28,019
Private market investments	—	—	33,709	33,709
Commodities funds	—	29,209	—	29,209
<b>Total pension assets</b>	<b>\$ 227,624</b>	<b>\$ 255,740</b>	<b>\$ 61,728</b>	<b>\$ 545,092</b>
<b>Postretirement plan assets <sup>(1)</sup></b>	<b>\$ 75</b>	<b>\$ 37,036</b>	<b>\$ —</b>	<b>\$ 37,111</b>

<sup>(1)</sup>The postretirement benefits assets are primarily life insurance contracts.

For the year ended December 31, 2014, the only significant transfer in and out of Levels 1, 2, or 3 was \$23.1 million of mid-cap equity security investments that were transferred from Level 2 to Level 1. For the year ended December 31, 2013, there were no significant transfers into or out of Levels 1, 2, or 3.

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) (in thousands of dollars):

	Private Equity	Real Estate	Total
Beginning balance - January 1, 2013	\$ 30,507	\$ 27,874	\$ 58,381
Realized gains	—	739	739
Unrealized gains	2,941	1,579	4,520
Purchases	89	4,726	4,815
Sales	—	(6,899)	(6,899)
Settlements	172	—	172
Ending balance - December 31, 2013	33,709	28,019	61,728
Realized gains	1,430	866	2,296
Unrealized (losses) gains	(545)	1,305	760
Purchases	2,434	3,806	6,240
Settlements	90	—	90
Ending balance - December 31, 2014	\$ 37,118	\$ 33,996	\$ 71,114

***Fair Value Measurement of Level 2 and Level 3 Plan Asset Inputs:***

**Level 2 Bonds, Equity Securities, and Level 2 Commodities:** These investments represent U.S. government and agency bonds, corporate bonds, and commingled funds consisting of publicly traded equity securities or exchange-traded commodity contracts and other contractual claims to commodity holdings. The U.S. government and agency bonds, as well as the corporate bonds, are not traded on an exchange and are valued utilizing quoted prices for similar assets or liabilities in active markets. The commingled funds themselves are not publicly traded, and therefore no publicly quoted market price is readily available. The value of these investments is calculated by the custodian for the fund company on a monthly basis, and is based on market prices of the assets held by the commingled fund divided by the number of fund shares outstanding.

**Level 2 Postretirement Assets:** These assets represent an investment in a life insurance contract and are recorded at fair value, which is the cash surrender value, less any unpaid expenses. The cash surrender value of this insurance contract is contractually equal to the insurance contract's proportionate share of the market value of an associated investment account held by the insurer. The investments held by the insurer's investment account are all instruments traded on exchanges with readily determinable market prices.

**Level 3 Real Estate:** Real estate holdings represent investments in open-ended commingled real estate funds. As the property interests held in these real estate funds are not frequently traded, establishing the market value of the property interests held by the fund, and the resulting unit value of fund shareholders, is based on unobservable inputs including property appraisals by the fund company, property appraisals by independent appraisal firms, analysis of the replacement cost of the property, discounted cash flows generated by property rents and changes in property values, and comparisons with sale prices of similar properties in similar markets. These open-ended real estate funds also furnish annual audited financial statements that are also used to further validate the information provided.

**Level 3 Private Market Investments:** Private market investments represent two categories: fund of hedge funds and venture capital funds. These funds are valued by the fund company based on the estimated fair value of the underlying fund holdings divided by the fund shares outstanding. Some hedge fund strategies utilize securities with readily available market prices, while others utilize less liquid investment vehicles that are valued based on unobservable inputs including cost, operating results, recent funding activity, or comparisons with similar investment vehicles. Venture capital fund investments are valued by the fund company based on estimated fair value of the underlying fund holdings divided by the fund shares outstanding. Some venture capital investments have progressed to the point that they have readily available exchange-based market valuations. Early stage venture investments are valued based on unobservable inputs including cost, operating results, discounted cash flows, the price of recent funding events, or pending offers from other viable entities. These private market investments furnish annual audited financial statements that are also used to further validate the information provided.

The fair value of the Level 3 assets is determined based on pricing provided or reviewed by third-party vendors to our investment managers. While the input amounts used by the pricing vendors in determining fair value are not provided, and therefore unavailable for Idaho Power's review, the asset results are reviewed and monitored to ensure the fair values are

reasonable and in line with market experience in similar assets classes. Additionally, the audited financial statements of the funds are reviewed at the time they are issued.

### Employee Savings Plan

Idaho Power has a defined contribution plan designed to comply with Section 401(k) of the Internal Revenue Code and that covers substantially all employees. Idaho Power matches specified percentages of employee contributions to the plan. Matching annual contributions were approximately \$7 million each year from 2012 to 2014 .

### Post-employment Benefits

Idaho Power provides certain benefits to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement, in addition to the health care benefits required under the Consolidated Omnibus Budget Reconciliation Act. These benefits include salary continuation, health care and life insurance for those employees found to be disabled under Idaho Power's disability plans, and health care for surviving spouses and dependents. Idaho Power accrues a liability for such benefits. The post employment benefit amounts included in other deferred credits on IDACORP's and Idaho Power's consolidated balance sheets at December 31, 2014 and 2013 are \$2.0 million and \$1.9 million , respectively.

## 12. PROPERTY, PLANT AND EQUIPMENT AND JOINTLY-OWNED PROJECTS

The following table presents the major classifications of Idaho Power's utility plant in service, annual depreciation provisions as a percent of average depreciable balance, and accumulated provision for depreciation for the years 2014 and 2013 (in thousands of dollars):

	2014		2013	
	Balance	Avg Rate	Balance	Avg Rate
Production	\$ 2,316,941	2.48%	\$ 2,272,381	2.47%
Transmission	1,016,207	2.03%	974,697	2.01%
Distribution	1,516,933	2.72%	1,459,666	2.72%
General and Other	398,131	5.49%	373,658	5.91%
Total in service	5,248,212	2.68%	5,080,402	2.69%
Accumulated provision for depreciation	(1,841,011)		(1,766,680)	
In service - net	\$ 3,407,201		\$ 3,313,722	

Idaho Power's ownership interest in three jointly-owned generating facilities is included in the table above. Under the joint operating agreements for these facilities, each participating utility is responsible for financing its share of construction, operating, and leasing costs. Idaho Power's proportionate share of operating expenses for each facility is included in the Consolidated Statements of Income. These jointly-owned facilities, including balance sheet amounts and the extent of Idaho Power's participation, were as follows at December 31, 2014 (in thousands of dollars):

Name of Plant	Location	Utility Plant in Service	Construction Work in Progress	Accumulated Provision for Depreciation	Ownership %	MW <sup>(1)</sup>
Jim Bridger Units 1-4	Rock Springs, WY	\$ 569,220	\$ 59,394	\$ 293,432	33	771
Boardman	Boardman, OR	80,951	125	60,031	10	64
Valmy Units 1 and 2	Winnemucca, NV	372,791	19,023	193,756	50	284

<sup>(1)</sup> Idaho Power's share of nameplate capacity.

IERCo, Idaho Power's wholly-owned subsidiary, is a joint venturer in BCC. Idaho Power's coal purchases from the joint venture were \$79 million in 2014 and 2013 , and \$75 million in 2012 .

Idaho Power has contracts to purchase the energy from four PURPA qualified facilities that are 50 percent owned by Ida-West. Idaho Power's power purchases from these facilities were \$9 million each year from 2012 to 2014 .

See Note 1 for a discussion of the property of IDACORP's consolidated VIE.

### 13. ASSET RETIREMENT OBLIGATIONS (ARO)

The guidance relating to accounting for AROs requires that legal obligations associated with the retirement of property, plant, and equipment be recognized as a liability at fair value when incurred and when a reasonable estimate of the fair value of the liability can be made. Under the guidance, when a liability is initially recorded, the entity increases the carrying amount of the related long-lived asset to reflect the future retirement cost. Over time, the liability is accreted to its estimated settlement value and paid, and the capitalized cost is depreciated over the useful life of the related asset. If, at the end of the asset's life, the recorded liability differs from the actual obligations paid, a gain or loss would be recognized. As a rate-regulated entity, Idaho Power records regulatory assets or liabilities instead of accretion, depreciation, and gains or losses, as approved by the IPUC. The regulatory assets recorded under this order do not earn a return on investment. Beginning June 1, 2012, accretion, depreciation, and gains or losses related to the Boardman generating facility have been exempted from such regulatory treatment as Idaho Power is now collecting amounts related to the decommissioning of Boardman in rates.

Idaho Power's recorded AROs relate to the removal of polychlorinated biphenyl-contaminated equipment at its distribution facilities and the reclamation and removal costs at its jointly-owned coal-fired generation facilities. In 2014, changes in estimates at its distribution facilities and at the coal-fired generation facilities resulted in a net decrease of \$4.1 million in the recorded AROs. The decrease in the AROs in 2014 is primarily due to decreases in estimated future costs related to evaporation ponds at the Valmy generating facility.

Idaho Power also has additional AROs associated with its transmission system, hydroelectric facilities, natural gas-fired generation facilities, and jointly owned coal-fired generation facilities; however, due to the indeterminate removal date, the fair value of the associated liabilities currently cannot be estimated and no amounts are recognized in the consolidated financial statements.

The regulated operations of Idaho Power also collect removal costs in rates for certain assets that do not have associated AROs. Idaho Power is required to redesignate these removal costs as regulatory liabilities. See Note 3 for the removal costs recorded as regulatory liabilities on IDACORP's and Idaho Power's consolidated balance sheets as of December 31, 2014 and 2013.

The following table presents the changes in the carrying amount of AROs (in thousands of dollars):

	2014	2013
Balance at beginning of year	\$ 25,765	\$ 22,982
Accretion expense	1,061	1,041
Revisions in estimated cash flows	(4,140)	2,722
Liability settled	(756)	(980)
Balance at end of year	\$ 21,930	\$ 25,765

### 14. INVESTMENTS

The table below summarizes IDACORP's and Idaho Power's investments as of December 31 (in thousands of dollars):

	2014	2013
Idaho Power investments:		
Bridger Coal Company (equity method investment)	\$ 96,219	\$ 88,990
Available-for-sale equity securities	44,942	41,119
Executive deferred compensation plan investments	141	1,153
Other investments	1	1
Total Idaho Power investments	141,303	131,263
Investments in affordable housing (IDACORP Financial Services)	12,762	17,372
Ida-West joint ventures (equity method investments)	11,393	11,454
Total IDACORP investments	\$ 165,458	\$ 160,089

### Equity Method Investments

Idaho Power, through its subsidiary IERCo, is a 33 percent owner of BCC. Ida-West, through separate subsidiaries, owns 50 percent of three electric generation projects that are accounted for using the equity method: South Forks Joint Venture; Hazelton/Wilson Joint Venture, and Snow Mountain Hydro LLC. All projects are reviewed periodically for impairment. The table below presents IDACORP's and Idaho Power's earnings (loss) of unconsolidated equity-method investments (in thousands of dollars):

	2014	2013	2012
Bridger Coal Company (Idaho Power)	\$ 10,814	\$ 10,242	\$ 9,412
Ida-West joint ventures	1,614	1,707	2,215
Other	(56)	(10)	(10)
<b>Total</b>	<b>\$ 12,372</b>	<b>\$ 11,939</b>	<b>\$ 11,617</b>

### Investments in Equity Securities

Investments in securities classified as available-for-sale securities are reported at fair value. Any unrealized gains or losses on available-for-sale securities are included in income, as the fair value option has been elected for these instruments. Unrealized gains and losses on available-for-sale securities were immaterial at December 31, 2014 and December 31, 2013 .

The following table summarizes sales of available-for-sale securities (in thousands of dollars):

	2014	2013	2012
Proceeds from sales	\$ —	\$ 25,661	\$ —
Gross realized gains from sales	—	11,637	—
Gross realized losses from sales	—	—	—

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

### Investments in Affordable Housing

IFS invests primarily 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.

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

### Commodity Price Risk

Idaho Power is exposed to market risk relating to electricity, natural gas, and other fuel commodity prices, all of which are heavily influenced by supply and demand. Market risk may be influenced by market participants' nonperformance of their contractual obligations and commitments, which affects the supply of or demand for the commodity. Idaho Power uses derivative instruments, such as physical and financial forward contracts, for both electricity and fuel to manage the risks relating to these commodity price exposures. The primary objectives of Idaho Power's energy purchase and sale activity are to meet the demand of retail electric customers, maintain appropriate physical reserves to ensure reliability, and make economic use of temporary surpluses that may develop.

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

The table below presents the gains and losses on derivatives not designated as hedging instruments for the years ended December 31, 2014 and 2013 (in thousands of dollars):

	Location of Realized Gain/(Loss) on Derivatives Recognized in Income	Gain/(Loss) on Derivatives Recognized in Income <sup>(1)</sup>		
		2014	2013	2012
Financial swaps	Off-system sales	\$ (4,119)	\$ (2,637)	\$ 15,104
Financial swaps	Purchased power	(1,416)	947	(6,280)
Financial swaps	Fuel expense	3,862	731	(6,359)
Financial swaps	Other operations and maintenance	(158)	35	(302)
Forward contracts	Off-system sales	277	185	—
Forward contracts	Purchased power	(279)	(196)	—
Forward contracts	Fuel expense	94	217	(1,755)

<sup>(1)</sup>Excludes unrealized gains or losses on derivatives, which are recorded on the balance sheet as regulatory assets or regulatory liabilities.

Settlement gains and losses on electricity swap contracts are recorded on the income statement in off-system sales or purchased power depending on the forecasted position being economically hedged by the derivative contract. Settlement gains and losses on contracts for natural gas are reflected in fuel expense. Settlement gains and losses on diesel derivatives are recorded in other operations and maintenance expense. See Note 16 for additional information concerning the determination of fair value for Idaho Power's assets and liabilities from price risk management activities.

## Derivative Instrument Summary

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

	Balance Sheet Location	Asset Derivatives			Liability Derivatives		
		Gross Fair Value	Amounts Offset	Net Assets	Gross Fair Value	Amounts Offset	Net Liabilities
<b>December 31, 2014</b>							
Current:							
Financial swaps	Other current assets	\$ 2,509	\$ (2,002) <sup>(1)</sup>	\$ 507	\$ 756	\$ (756)	\$ —
Financial swaps	Other current liabilities	379	(379)	—	4,335	(379)	3,956
Forward contracts	Other current assets	64	—	64	—	—	—
Forward contracts	Other current liabilities	—	—	—	5	—	5
Long-term:							
Forward contracts	Other assets	63	—	63	—	—	—
<b>Total</b>		<b>\$ 3,015</b>	<b>\$ (2,381)</b>	<b>\$ 634</b>	<b>\$ 5,096</b>	<b>\$ (1,135)</b>	<b>\$ 3,961</b>
<b>December 31, 2013</b>							
Current:							
Financial swaps	Other current assets	\$ 1,451	\$ (175)	\$ 1,276	\$ 175	\$ (175)	\$ —
Financial swaps	Other current liabilities	373	(373)	—	1,975	(1,429) <sup>(1)</sup>	546
Forward contracts	Other current assets	109	—	109	—	—	—
Forward contracts	Other current liabilities	—	—	—	26	—	26
Long-term:							
Financial swaps	Other assets	189	(28)	161	28	(28)	—
Forward contracts	Other assets	126	—	126	—	—	—
<b>Total</b>		<b>\$ 2,248</b>	<b>\$ (576)</b>	<b>\$ 1,672</b>	<b>\$ 2,204</b>	<b>\$ (1,632)</b>	<b>\$ 572</b>

<sup>(1)</sup> Current asset and current liability derivative amounts offset include \$1.2 million and \$1.1 million of collateral payable and receivable for the periods ending December 31, 2014 and 2013, respectively.

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

Commodity	Units	December 31,	
		2014	2013
Electricity purchases	MWh	115	89
Electricity sales	MWh	238	603
Natural gas purchases	MMBtu	6,913	10,804
Natural gas sales	MMBtu	409	555
Diesel purchases	Gallons	243	906

## Credit Risk

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

## Credit-Contingent Features

Certain of Idaho Power's derivative instruments contain provisions that require Idaho Power's unsecured debt to maintain an investment grade credit rating from Moody's Investors Service and Standard & Poor's Ratings Services. If Idaho Power's unsecured debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at December 31, 2014, was \$5.1 million. Idaho Power posted no cash collateral related to this amount. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2014, Idaho Power would have been required to post an additional \$5.9 million of cash collateral to its counterparties.

## 16. FAIR VALUE MEASUREMENTS

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

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

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that IDACORP and Idaho Power has the ability to access.
- Level 2: Financial assets and liabilities whose values are based on the following:
  - a) quoted prices for similar assets or liabilities in active markets;
  - b) quoted prices for identical or similar assets or liabilities in non-active markets;
  - c) pricing models whose inputs are observable for substantially the full term of the asset or liability; and
  - d) pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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

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

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

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

	December 31, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Derivatives	\$ 506	\$ 128	\$ —	\$ 634	\$ 1,437	\$ 235	\$ —	\$ 1,672
Money market funds	100	—	—	100	100	—	—	100
Trading securities: Equity securities	141	—	—	141	1,153	—	—	1,153
Available-for-sale securities: Equity securities	44,942	—	—	44,942	41,119	—	—	41,119
<b>Liabilities:</b>								
Derivatives	\$ 17	\$ 3,944	\$ —	\$ 3,961	\$ 546	\$ 26	\$ —	\$ 572

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

The table below presents the carrying value and estimated fair value of financial instruments that are not reported at fair value, as of December 31, 2014 and 2013, using available market information and appropriate valuation methodologies (in thousands of dollars):

	December 31, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(thousands of dollars)				
<b>IDACORP</b>				
<b>Assets:</b>				
Notes receivable <sup>(1)</sup>	\$ 3,804	\$ 3,804	\$ 3,472	\$ 3,472
<b>Liabilities:</b>				
Long-term debt <sup>(1)</sup>	1,615,502	1,788,197	1,616,322	1,600,248
<b>Idaho Power</b>				
<b>Liabilities:</b>				
Long-term debt <sup>(1)</sup>	\$ 1,615,502	\$ 1,788,197	\$ 1,616,322	\$ 1,600,248

<sup>(1)</sup>Notes receivable and long-term debt are categorized as Level 3 and Level 2, respectively, of the fair value hierarchy, as defined earlier in this Note 16.

Notes receivable are related to Ida-West and are valued based on unobservable inputs, including discounted cash flows, which are partially based on forecasted hydroelectric conditions. Long-term debt is not traded on an exchange and is valued using quoted rates for similar debt in active markets. Carrying values for cash and cash equivalents, deposits, customer and other receivables, notes payable, accounts payable, interest accrued, and taxes accrued approximate fair value.

## 17. SEGMENT INFORMATION

IDACORP's only reportable segment is utility operations. The utility operations segment's primary source of revenue is the regulated operations of Idaho Power. Idaho Power's regulated operations include the generation, transmission, distribution, purchase, and sale of electricity. This segment also includes income from IERCo, a wholly-owned subsidiary of Idaho Power that is also subject to regulation and is a 33 percent owner of BCC, an unconsolidated joint venture.

IDACORP's other operating segments are below the quantitative and qualitative thresholds for reportable segments and are included in the "All Other" category in the table below. This category is comprised of IFS's investments in affordable housing developments and historic rehabilitation projects, Ida-West's joint venture investments in small hydroelectric generation projects, the remaining activities of IESCO, the successor to which wound down its energy marketing operations in 2003, and IDACORP's holding company expenses.

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

	Utility Operations	All Other	Eliminations	Consolidated Total
<b>2014</b>				
Revenues	\$ 1,278,651	\$ 3,873	\$ —	\$ 1,282,524
Operating income	253,437	259	—	253,696
Other income	21,517	37	—	21,554
Interest income	2,705	34	(34)	2,705
Equity-method income	10,814	1,558	—	12,372
Interest expense	79,570	265	(34)	79,801
Income before income taxes	208,903	1,623	—	210,526
Income tax expense (benefit)	19,516	(2,744)	—	16,772
Income attributable to IDACORP, Inc.	189,387	4,093	—	193,480
Total assets	5,620,322	109,044	(12,513)	5,716,853
Expenditures for long-lived assets	273,911	183	—	274,094
<b>2013</b>				
Revenues	\$ 1,243,098	\$ 3,116	\$ —	\$ 1,246,214
Operating income	291,691	51	—	291,742
Other income	29,288	152	—	29,440
Interest income	2,426	44	(39)	2,431
Equity-method income	10,242	1,697	—	11,939
Interest expense	80,646	425	(39)	81,032
Income before income taxes	253,001	1,519	—	254,520
Income tax expense (benefit)	76,260	(4,034)	—	72,226
Income attributable to IDACORP, Inc.	176,741	5,676	—	182,417
Total assets	5,266,411	109,541	(11,389)	5,364,563
Expenditures for long-lived assets	235,306	4	—	235,310
<b>2012</b>				
Revenues	\$ 1,076,725	\$ 3,937	\$ —	\$ 1,080,662
Operating income	242,179	423	—	242,602
Other income	23,996	368	—	24,364
Interest income	1,980	380	(81)	2,279
Equity-method income	9,412	2,205	—	11,617
Interest expense	73,429	521	(81)	73,869
Income before income taxes	204,138	2,854	—	206,992
Income tax expense (benefit)	35,970	(2,165)	—	33,805
Income attributable to IDACORP, Inc.	168,168	4,846	—	173,014
Total assets	5,215,711	87,522	(11,943)	5,291,290
Expenditures for long-lived assets	239,761	27	—	239,788

**18. OTHER INCOME AND EXPENSE**

The following table presents the components of IDACORP's Other income, net and Idaho Power's Other (expense) income, net (in thousands of dollars):

<b>IDACORP - Other income, net</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Investment income, net	\$ 2,655	\$ 2,373	\$ 2,280
Carrying charges on regulatory assets	1,949	2,204	1,714
Gain on sale of investments	—	11,637	—
Other income	588	852	409
Life insurance proceeds, net of premiums	1,164	18	14
Other expenses	(28)	(71)	(208)
<b>Total</b>	<b>\$ 6,328</b>	<b>\$ 17,013</b>	<b>\$ 4,209</b>
<b>Idaho Power - Other (expense) income, net</b>			
Investment income, net	\$ 2,655	\$ 2,369	\$ 1,980
Carrying charges on regulatory assets	1,949	2,204	1,714
Gain on sale of investments	—	11,637	—
Other income	551	700	271
SMSP expense	(8,339)	(8,488)	(7,111)
Life insurance proceeds, net of premiums	1,164	18	14
Other expense	(2,343)	(2,668)	(1,850)
<b>Total</b>	<b>\$ (4,363)</b>	<b>\$ 5,772</b>	<b>\$ (4,982)</b>

**19. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME**

Comprehensive income includes net income, unrealized holding gains and losses on available-for-sale marketable securities, and amounts related to the SMSP. The table below presents changes in components of accumulated other comprehensive income (AOCI), net of tax, during the years ended December 31, 2014, 2013, and 2012 (in thousands of dollars). Items in parentheses indicate reductions to AOCI.

	<b>Unrealized Gains and Losses on Available-for-Sale Securities</b>	<b>Defined Benefit Pension Items</b>	<b>Total</b>
<b>December 31, 2014</b>			
Balance at beginning of period	\$ —	\$ (16,553)	\$ (16,553)
Other comprehensive income before reclassifications	—	(9,333)	(9,333)
Amounts reclassified out of AOCI	—	1,728	1,728
Net current-period other comprehensive income	—	(7,605)	(7,605)
Balance at end of period	\$ —	\$ (24,158)	\$ (24,158)
<b>December 31, 2013</b>			
Balance at beginning of period	\$ 4,136	\$ (21,252)	\$ (17,116)
Other comprehensive income before reclassifications	2,951	2,840	5,791
Amounts reclassified out of AOCI	(7,087)	1,859	(5,228)
Net current-period other comprehensive income	(4,136)	4,699	563
Balance at end of period	\$ —	\$ (16,553)	\$ (16,553)
<b>December 31, 2012</b>			
Balance at beginning of period	\$ 2,569	\$ (14,191)	\$ (11,622)
Other comprehensive income before reclassifications	1,567	(8,122)	(6,555)
Amounts reclassified out of AOCI	—	1,061	1,061
Net current-period other comprehensive income	1,567	(7,061)	(5,494)
Balance at end of period	\$ 4,136	\$ (21,252)	\$ (17,116)

The table below presents amounts reclassified out of components of AOCI and the income statement location of those amounts reclassified during the years ended December 31, 2014 , 2013 , and 2012 (in thousands of dollars). Items in parentheses indicate increases to net income.

	Amount Reclassified from AOCI		
	Year Ended December 31,		
	2014	2013	2012
Unrealized gains on available-for-sale securities			
Realized gain on sale of securities, before tax <sup>(1)</sup>	\$ —	\$ (11,637)	\$ —
Tax benefit <sup>(2)</sup>	—	4,550	—
Net of tax	—	(7,087)	—
Amortization of defined benefit pension items <sup>(3)</sup>			
Prior service cost	220	212	212
Net loss	2,618	2,839	1,530
Total before tax	2,838	3,051	1,742
Tax benefit <sup>(2)</sup>	(1,110)	(1,192)	(681)
Net of tax	1,728	1,859	1,061
Total reclassification for the period	\$ 1,728	\$ (5,228)	\$ 1,061

<sup>(1)</sup> The realized gain is included in IDACORP's consolidated income statement in other income, net and in Idaho Power's consolidated income statements in other income (expense), net.

<sup>(2)</sup> The tax benefit is included in income tax expense (benefit) in the consolidated income statements of both IDACORP and Idaho Power.

<sup>(3)</sup> Amortization of these items is included in IDACORP's consolidated income statements in other operating expenses and in Idaho Power's consolidated income statements in other expense, net.

## 20. RELATED PARTY TRANSACTIONS

**IDACORP:** Idaho Power performs corporate functions such as financial, legal, and management services for IDACORP and its subsidiaries. Idaho Power charges IDACORP for the costs of these services based on service agreements and other specifically identified costs. For these services Idaho Power billed IDACORP \$1.4 million in 2014 , \$1.0 million in 2013 , and \$0.8 million in 2012 .

**Ida-West:** Idaho Power purchases all of the power generated by four of Ida-West's hydroelectric projects located in Idaho. Idaho Power paid \$9 million to Ida-West in each year from 2012 to 2014 .

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of IDACORP, Inc. and subsidiaries (the “Company”) as of December 31, 2014 and 2013 , and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014 . Our audits also included the financial statement schedules listed in the Index at Item 8. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of IDACORP, Inc. and subsidiaries at December 31, 2014 and 2013 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 , in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014 , based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Boise, Idaho  
February 19, 2015

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Idaho Power Company and subsidiary (the “Company”) as of December 31, 2014 and 2013 , and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for each of the three years in the period ended December 31, 2014 . Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Idaho Power Company and subsidiary at December 31, 2014 and 2013 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 , in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014 , based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ *DELOITTE & TOUCHE LLP*

Boise, Idaho  
February 19, 2015

**SUPPLEMENTAL FINANCIAL INFORMATION, UNAUDITED****QUARTERLY FINANCIAL DATA**

The following unaudited information is presented for each quarter of 2014 and 2013 (in thousands of dollars, except for per share amounts). In the opinion of each company, all adjustments necessary for a fair statement of such amounts for such periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Accordingly, earnings information for any three-month period should not be considered as a basis for estimating operating results for a full fiscal year. Amounts are based upon quarterly statements and the sum of the quarters may not equal the annual amount reported.

	Quarter Ended			
	March 31	June 30	September 30	December 31
<b>IDACORP, Inc.</b>				
<b>2014</b>				
Revenues	\$ 292,719	\$ 317,783	\$ 382,201	\$ 289,821
Operating income	48,578	71,809	105,722	27,586
Net income	27,185	44,697	87,234	34,638
Net income attributable to IDACORP, Inc.	27,404	44,540	86,889	34,648
Basic earnings per share	\$ 0.55	\$ 0.89	\$ 1.73	\$ 0.69
Diluted earnings per share	\$ 0.55	\$ 0.89	\$ 1.73	\$ 0.69
<b>2013</b>				
Revenues	\$ 264,928	\$ 303,948	\$ 381,107	\$ 296,230
Operating income	59,433	79,406	115,559	37,343
Net income	35,041	46,639	73,104	27,509
Net income attributable to IDACORP, Inc.	35,194	46,502	73,119	27,602
Basic earnings per share	\$ 0.70	\$ 0.93	\$ 1.46	\$ 0.55
Diluted earnings per share	\$ 0.70	\$ 0.93	\$ 1.46	\$ 0.55
<b>Idaho Power Company</b>				
<b>2014</b>				
Revenues	\$ 292,320	\$ 316,655	\$ 380,711	\$ 288,964
Income from operations	51,949	74,369	107,644	30,129
Net income	27,900	42,653	84,600	34,233
<b>2013</b>				
Revenues	\$ 264,368	\$ 302,856	\$ 380,304	\$ 295,569
Income from operations	62,719	81,954	118,215	39,886
Net income	34,046	44,983	70,302	27,411

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**ITEM 9A. CONTROLS AND PROCEDURES****Disclosure Controls and Procedures - IDACORP, Inc.**

The Chief Executive Officer and Chief Financial Officer of IDACORP, Inc., based on their evaluation of IDACORP, Inc.'s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2014, have concluded that IDACORP, Inc.'s disclosure controls and procedures are effective as of that date.

**Internal Control Over Financial Reporting - IDACORP, Inc.*****Management's Annual Report on Internal Control Over Financial Reporting***

The management of IDACORP is responsible for establishing and maintaining adequate internal control over financial reporting for IDACORP. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with the authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

IDACORP's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2014. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*.

Based on its assessment, management concluded that, as of December 31, 2014, IDACORP's internal control over financial reporting is effective based on those criteria.

IDACORP's independent registered public accounting firm has audited the financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2014 and issued a report, which appears on the next page and expresses an unqualified opinion on the effectiveness of IDACORP's internal control over financial reporting as of December 31, 2014.

February 19, 2015

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the internal control over financial reporting of IDACORP, Inc. and subsidiaries (the “Company”) as of December 31, 2014 , based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Annual Report on Internal Control over Financial Reporting* . Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 , based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2014 of the Company and our report dated February 19, 2015 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Boise, Idaho  
February 19, 2015

**Disclosure Controls and Procedures - Idaho Power Company**

The Chief Executive Officer and Chief Financial Officer of Idaho Power Company, based on their evaluation of Idaho Power Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2014, have concluded that Idaho Power Company's disclosure controls and procedures are effective as of that date.

**Internal Control Over Financial Reporting - Idaho Power Company*****Management's Annual Report on Internal Control Over Financial Reporting***

The management of Idaho Power Company (Idaho Power) is responsible for establishing and maintaining adequate internal control over financial reporting of Idaho Power. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with the authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Idaho Power's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2014. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*.

Based on its assessment, management concluded that, as of December 31, 2014, Idaho Power's internal control over financial reporting is effective based on those criteria.

Idaho Power's independent registered public accounting firm has audited the financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2014 and issued a report which appears on the next page and expresses an unqualified opinion on the effectiveness of Idaho Power's internal control over financial reporting as of December 31, 2014.

February 19, 2015

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the internal control over financial reporting of Idaho Power Company and subsidiary (the “Company”) as of December 31, 2014 , based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Annual Report on Internal Control over Financial Reporting* . Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 , based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated February 19, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Boise, Idaho  
February 19, 2015

**Changes in Internal Control Over Financial Reporting - IDACORP, Inc. and Idaho Power Company**

There have been no changes in IDACORP, Inc.'s or Idaho Power Company's internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, IDACORP, Inc.'s or Idaho Power Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The portions of IDACORP's definitive proxy statement appearing under the captions "Proposal No. 1: Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Board of Directors - Committees of the Board of Directors - Audit Committee," "Corporate Governance Principles and Practices - Codes of Business Conduct," and "Corporate Governance Principles and Practices - Certain Relationships and Related Transactions - Related Person Transactions in 2014" to be filed pursuant to Regulation 14A for the 2015 annual meeting of shareholders are hereby incorporated by reference.

Information regarding IDACORP's executive officers required by this item appears in Item 1 of this report under "Executive Officers of the Registrants."

**ITEM 11. EXECUTIVE COMPENSATION**

The portion of IDACORP's definitive proxy statement appearing under the caption "Executive Compensation" to be filed pursuant to Regulation 14A for the 2015 annual meeting of shareholders is hereby incorporated by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The portion of IDACORP's definitive proxy statement appearing under the caption "Security Ownership of Directors, Executive Officers, and Five-Percent Shareholders" to be filed pursuant to Regulation 14A for the 2015 annual meeting of shareholders is hereby incorporated by reference. The table below includes information as of December 31, 2014 with respect to equity compensation plans where equity securities of IDACORP may be issued. These plans are the 1994 Restricted Stock Plan (RSP) and the IDACORP 2000 Long-Term Incentive and Compensation Plan (LTICP).

**Equity Compensation Plan Information**

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders <sup>(1)</sup>	—	\$ —	1,182,006 <sup>(2)</sup>
Equity compensation plans not approved by shareholders	—	\$ —	—
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>1,182,006</b>

<sup>(1)</sup> Consists of the RSP and the LTICP.

<sup>(2)</sup> 1,166,210 shares under the LTICP may be issued in connection with stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, or other equity-based awards as of December 31, 2014. 15,796 shares remain available for future issuance under the RSP and may be issued as restricted stock or performance-based restricted stock. The number of shares listed in this column excludes (i) issued but unvested performance-based restricted shares, and (ii) issued but unvested time-based restricted shares, in both cases issued pursuant to the RSP and LTICP and unvested as of December 31, 2014.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The portions of IDACORP's definitive proxy statement appearing under the captions "Certain Relationships and Related Transactions" and "Corporate Governance Principles and Practices – Director Independence and Executive Sessions" to be filed pursuant to Regulation 14A for the 2015 annual meeting of shareholders are hereby incorporated by reference.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

**IDACORP:** The portion of IDACORP's definitive proxy statement appearing under the caption "Independent Accountant Billings" in the proxy statement to be filed pursuant to Regulation 14A for the 2015 annual meeting of shareholders is hereby incorporated by reference.

**Idaho Power:** The table below presents the aggregate fees our principal independent registered public accounting firm, Deloitte & Touche LLP, billed or is expected to bill to Idaho Power for the fiscal years ended December 31, 2014 and 2013 :

	2014	2013
Audit fees	\$ 1,239,913	\$ 1,223,220
Audit-related fees <sup>(1)</sup>	32,300	93,200
Tax fees <sup>(2)</sup>	1,640	54,016
All other fees <sup>(3)</sup>	2,000	2,200
<b>Total</b>	<b>\$ 1,275,853</b>	<b>\$ 1,372,636</b>

<sup>(1)</sup> Audits of Idaho Power's benefit plans and compliance audit for the U.S. Department of Energy Smart Grid Investment Grant Program.

<sup>(2)</sup> Includes fees for benefit plan tax returns and consultation related to tax planning.

<sup>(3)</sup> Accounting research tool subscription.

#### **Policy on Audit Committee Pre-Approval:**

Idaho Power and the Audit Committee are committed to ensuring the independence of the independent registered public accounting firm, both in fact and in appearance. In this regard, the Audit Committee has established and periodically reviews a pre-approval policy for audit and non-audit services. For 2013 and 2014, all audit and non-audit services and all fees paid in connection with those services were pre-approved by the Audit Committee.

In addition to the audits of Idaho Power's consolidated financial statements, the independent public accounting firm may be engaged to provide certain audit-related, tax, and other services. The Audit Committee must pre-approve all services performed by the independent public accounting firm to assure that the provision of those services does not impair the public accounting firm's independence. The services that the Audit Committee will consider include: audit services such as attest services, changes in the scope of the audit of the financial statements, and the issuance of comfort letters and consents in connection with financings; audit-related services such as internal control reviews and assistance with internal control reporting requirements; attest services related to financial reporting that are not required by statute or regulation, and accounting consultations and audits related to proposed transactions and new or proposed accounting rules, standards and interpretations; and tax compliance and planning services. Unless a type of service to be provided by the independent public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. In addition, any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee. Under the pre-approval policy, the Audit Committee has delegated to the Chairman of the Audit Committee pre-approval authority for proposed services; however, the Chairman must report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Any request to engage the independent public accounting firm to provide a service which has not received general pre-approval must be submitted as a written proposal to Idaho Power's Chief Financial Officer with a copy to the General Counsel. The request must include a detailed description of the service to be provided, the proposed fee, and the business reasons for engaging the independent public accounting firm to provide the service. Upon approval by the Chief Financial Officer, the General Counsel, and the independent public accounting firm that the proposed engagement complies with the terms of the pre-approval policy and the applicable rules and regulations, the request will be presented to the Audit Committee or the Committee Chairman, as the case may be, for pre-approval.

In determining whether to pre-approve the engagement of the independent public accounting firm, the Audit Committee or the Committee Chairman, as the case may be, must consider, among other things, the pre-approval policy, applicable rules and regulations, and whether the nature of the engagement and the related fees are consistent with the following principles:

- the independent public accounting firm cannot function in the role of management of Idaho Power; and
- the independent public accounting firm cannot audit its own work.

The pre-approval policy and separate supplements to the pre-approval policy describe the specific audit, audit related, tax, and other services that have the general pre-approval of the Audit Committee. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee will periodically revise the list of pre-approved services, based on subsequent determinations.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) and (2) Please refer to Part II, Item 8 - “Financial Statements and Supplementary Data” for a complete listing of all consolidated financial statements and financial statement schedules.

(3) Exhibits .

**Note Regarding Reliance on Statements in Agreements** : The agreements filed as exhibits to this Annual Report on Form 10-K are filed to provide information regarding their terms and are not intended to provide any other factual or disclosure information about IDACORP, Inc., Idaho Power Company, or the other parties to the agreements. Some of the agreements contain statements, representations, and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (a) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties to the agreement if those statements prove to be inaccurate; (b) have been qualified by disclosures that were made to the other party, which disclosures are not necessarily reflected in the agreement; (c) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (d) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, readers should not rely upon the statements, representations, or warranties made in the agreements.

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
2	Agreement and Plan of Exchange between IDACORP, Inc. and Idaho Power Company, dated as of February 2, 1998	S-4	333-48031	A	3/16/1998	
3.1	Restated Articles of Incorporation of Idaho Power Company as filed with the Secretary of State of Idaho on June 30, 1989	S-3 Post-Effective Amend. No. 2	33-00440	4(a)(xiii)	6/30/1989	
3.2	Statement of Resolution Establishing Terms of Flexible Auction Series A, Serial Preferred Stock, Without Par Value (cumulative stated value of \$100,000 per share) of Idaho Power Company, as filed with the Secretary of State of Idaho on November 5, 1991	S-3	33-65720	4(a)(ii)	7/7/1993	
3.3	Statement of Resolution Establishing Terms of 7.07% Serial Preferred Stock, Without Par Value (cumulative stated value of \$100 per share) of Idaho Power Company, as filed with the Secretary of State of Idaho on June 30, 1993	S-3	33-65720	4(a)(iii)	7/7/1993	
3.4	Articles of Share Exchange, as filed with the Secretary of State of Idaho on September 29, 1998	S-8 Post-Effective Amend. No. 1	33-56071-99	3(d)	10/1/1998	
3.5	Articles of Amendment to Restated Articles of Incorporation of Idaho Power Company, as filed with the Secretary of State of Idaho on June 15, 2000	10-Q	1-3198	3(a)(iii)	8/4/2000	
3.6	Articles of Amendment to Restated Articles of Incorporation of Idaho Power Company, as filed with the Secretary of State of Idaho on January 21, 2005	8-K	1-3198	3.3	1/26/2005	

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
3.7	Articles of Amendment to Restated Articles of Incorporation of Idaho Power Company, as amended, as filed with the Secretary of State of Idaho on November 19, 2007	8-K	1-3198	3.3	11/19/2007	
3.8	Articles of Amendment to Restated Articles of Incorporation of Idaho Power Company, as amended, as filed with the Secretary of State of Idaho on May 18, 2012	8-K	1-3198	3.14	5/21/2012	
3.9	Amended Bylaws of Idaho Power Company, amended on November 15, 2007 and presently in effect	8-K	1-3198	3.2	11/19/2007	
3.10	Articles of Incorporation of IDACORP, Inc.	S-3	333-64737	3.1	11/4/1998	
3.11	Articles of Amendment to Articles of Incorporation of IDACORP, Inc. as filed with the Secretary of State of Idaho on March 9, 1998	S-3 Amend. No. 1	333-64737	3.2	11/4/1998	
3.12	Articles of Amendment to Articles of Incorporation of IDACORP, Inc. creating A Series Preferred Stock, without par value, as filed with the Secretary of State of Idaho on September 17, 1998	S-3 Post-Effective Amend. No. 1	333-00139-99	3(b)	9/22/1998	
3.13	Articles of Amendment to Articles of Incorporation of IDACORP, Inc., as amended, as filed with the Secretary of State of Idaho on May 18, 2012	8-K	1-14465	3.13	5/21/2012	
3.14	Amended and Restated Bylaws of IDACORP, Inc., amended on October 29, 2014 and presently in effect	10-Q	1-14465	3.15	10/30/2014	
4.1	Mortgage and Deed of Trust, dated as of October 1, 1937, between Idaho Power Company and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) and R. G. Page, as Trustees		2-3413	B-2		
4.2	Idaho Power Company Supplemental Indentures to Mortgage and Deed of Trust:					
	File number 1-MD, as Exhibit B-2-a, First, July 1, 1939					
	File number 2-5395, as Exhibit 7-a-3, Second, November 15, 1943					
	File number 2-7237, as Exhibit 7-a-4, Third, February 1, 1947					
	File number 2-7502, as Exhibit 7-a-5, Fourth, May 1, 1948					
	File number 2-8398, as Exhibit 7-a-6, Fifth, November 1, 1949					
	File number 2-8973, as Exhibit 7-a-7, Sixth, October 1, 1951					
	File number 2-12941, as Exhibit 2-C-8, Seventh, January 1, 1957					
	File number 2-13688, as Exhibit 4-J, Eighth, July 15, 1957					
	File number 2-13689, as Exhibit 4-K, Ninth, November 15, 1957					
	File number 2-14245, as Exhibit 4-L, Tenth, April 1, 1958					
	File number 2-14366, as Exhibit 2-L, Eleventh, October 15, 1958					
	File number 2-14935, as Exhibit 4-N, Twelfth, May 15, 1959					
	File number 2-18976, as Exhibit 4-O, Thirteenth, November 15, 1960					
	File number 2-18977, as Exhibit 4-Q, Fourteenth, November 1, 1961					
	File number 2-22988, as Exhibit 4-B-16, Fifteenth, September 15, 1964					
	File number 2-24578, as Exhibit 4-B-17, Sixteenth, April 1, 1966					
	File number 2-25479, as Exhibit 4-B-18, Seventeenth, October 1, 1966					
	File number 2-45260, as Exhibit 2(c), Eighteenth, September 1, 1972					
	File number 2-49854, as Exhibit 2(c), Nineteenth, January 15, 1974					
	File number 2-51722, as Exhibit 2(c)(i), Twentieth, August 1, 1974					
	File number 2-51722, as Exhibit 2(c)(ii), Twenty-first, October 15, 1974					
	File number 2-57374, as Exhibit 2(c), Twenty-second, November 15, 1976					
	File number 2-62035, as Exhibit 2(c), Twenty-third, August 15, 1978					
	File number 33-34222, as Exhibit 4(d)(iii), Twenty-fourth, September 1, 1979					
	File number 33-34222, as Exhibit 4(d)(iv), Twenty-fifth, November 1, 1981					
	File number 33-34222, as Exhibit 4(d)(v), Twenty-sixth, May 1, 1982					
	File number 33-34222, as Exhibit 4(d)(vi), Twenty-seventh, May 1, 1986					
	File number 33-00440, as Exhibit 4(c)(iv), Twenty-eighth, June 30, 1989					

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
	File number 33-34222, as Exhibit 4(d)(vii), Twenty-ninth, January 1, 1990					
	File number 33-65720, as Exhibit 4(d)(iii), Thirtieth, January 1, 1991					
	File number 33-65720, as Exhibit 4(d)(iv), Thirty-first, August 15, 1991					
	File number 33-65720, as Exhibit 4(d)(v), Thirty-second, March 15, 1992					
	File number 33-65720, as Exhibit 4(d)(vi), Thirty-third, April 1, 1993					
	File number 1-3198, Form 8-K, filed on 12/20/93, as Exhibit 4, Thirty-fourth, December 1, 1993					
	File number 1-3198, Form 8-K, filed on 11/21/00, as Exhibit 4, Thirty-fifth, November 1, 2000					
	File number 1-3198, Form 8-K, filed on 10/1/01, as Exhibit 4, Thirty-sixth, October 1, 2001					
	File number 1-3198, Form 8-K, filed on 4/16/03, as Exhibit 4, Thirty-seventh, April 1, 2003					
	File number 1-3198, Form 10-Q for the quarter ended June 30, 2003, filed on 8/7/03, as Exhibit 4(a)(iii), Thirty-eighth, May 15, 2003					
	File number 1-3198, Form 10-Q for the quarter ended September 30, 2003, filed on 11/6/03, as Exhibit 4(a)(iv), Thirty-ninth, October 1, 2003					
	File number 1-3198, Form 8-K filed on 5/10/05, as Exhibit 4, Fortieth, May 1, 2005					
	File number 1-3198, Form 8-K filed on 10/10/06, as Exhibit 4, Forty-first, October 1, 2006					
	File number 1-3198, Form 8-K filed on 6/4/07, as Exhibit 4, Forty-second, May 1, 2007					
	File number 1-3198, Form 8-K filed on 9/26/07, as Exhibit 4, Forty-third, September 1, 2007					
	File number 1-3198, Form 8-K filed on 4/3/08, as Exhibit 4, Forty-fourth, April 1, 2008					
	File number 1-3198, Form 10-K filed on 2/23/10, as Exhibit 4.10, Forty-fifth, February 1, 2010					
	File number 1-3198, Form 8-K filed on 6/18/10, as Exhibit 4, Forty-sixth, June 1, 2010					
	File number 1-3198, Form 8-K filed on 7/12/2013, as Exhibit 4.1, Forty-seventh, July 1, 2013					
4.3	Instruments relating to Idaho Power Company American Falls bond guarantee (see Exhibit 10.4)	10-Q	1-3198	4(b)	8/4/2000	
4.4	Agreement of Idaho Power Company to furnish certain debt instruments	S-3	33-65720	4(f)	7/7/1993	
4.5	Agreement of IDACORP, Inc. to furnish certain debt instruments	10-Q	1-14465	4(c)(ii)	11/6/2003	
4.6	Agreement and Plan of Merger dated March 10, 1989, between Idaho Power Company, a Maine Corporation, and Idaho Power Migrating Corporation	S-3 Post-Effective Amend. No. 2	33-00440	2(a)(iii)	6/30/1989	
4.7	Indenture for Senior Debt Securities dated as of February 1, 2001, between IDACORP, Inc. and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee	8-K	1-14465	4.1	2/28/2001	
4.8	First Supplemental Indenture dated as of February 1, 2001 to Indenture for Senior Debt Securities dated as of February 1, 2001 between IDACORP, Inc. and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee	8-K	1-14465	4.2	2/28/2001	
4.9	Indenture for Debt Securities dated as of August 1, 2001 between Idaho Power Company and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee	S-3	333-67748	4.13	8/16/2001	
4.10	Idaho Power Company Instrument of Further Assurance relating to Mortgage and Deed of Trust, dated as of August 3, 2010	10-Q	1-3198	4.12	8/5/2010	
10.1	Agreements, dated September 22, 1969, between Idaho Power Company and Pacific Power & Light Company, relating to the operation, construction, and ownership of the Jim Bridger Project (see Exhibits 10.4 and 10.5)		2-49584	5(b)		
10.2	Amendment, dated February 1, 1974, relating to the agreement filed as Exhibit 10.1 (see Exhibits 10.4 and 10.5)		2-51762	5(c)		
10.3	Agreement, dated as of October 11, 1973, between Idaho Power Company and Pacific Power & Light Company		2-49584	5(c)		

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
10.4	Amended and Restated Agreement for the Operation of the Jim Bridger Project, dated December 11, 2014, between Idaho Power Company and PacifiCorp (to supersede Exhibits 10.1 and 10.2 upon satisfaction of conditions precedent in the agreement)					X
10.5	Amended and Restated Agreement for the Ownership of the Jim Bridger Project, dated December 11, 2014, between Idaho Power Company and PacifiCorp (to supersede Exhibits 10.1 and 10.2 upon satisfaction of conditions precedent in the agreement)					X
10.6	Guaranty Agreement, dated April 11, 2000, between Idaho Power Company and Bank One Trust Company, N.A., as Trustee, relating to \$19,885,000 American Falls Replacement Dam Refinancing Bonds of the American Falls Reservoir District, Idaho	10-Q	1-3198	10(c)	8/4/2000	
10.7	Guaranty Agreement, dated as of August 30, 1974, between Idaho Power Company and Pacific Power & Light Company	S-7	2-62034	5(r)	6/30/1978	
10.8	Letter Agreement, dated January 23, 1976, between Idaho Power Company and Portland General Electric Company		2-56513	5(i)		
10.9	Agreement for Construction, Ownership and Operation of the Number One Boardman Station on Carty Reservoir, dated as of October 15, 1976, between Portland General Electric Company and Idaho Power Company	S-7	2-62034	5(s)	6/30/1978	
10.10	Amendment, dated September 30, 1977, relating to the agreement filed as Exhibit 10.8	S-7	2-62034	5(t)	6/30/1978	
10.11	Amendment, dated October 31, 1977, relating to the agreement filed as Exhibit 10.8	S-7	2-62034	5(u)	6/30/1978	
10.12	Amendment, dated January 23, 1978, relating to the agreement filed as Exhibit 10.8	S-7	2-62034	5(v)	6/30/1978	
10.13	Amendment, dated February 15, 1978, relating to the agreement filed as Exhibit 10.8	S-7	2-62034	5(w)	6/30/1978	
10.14	Amendment, dated September 1, 1979, relating to the agreement filed as Exhibit 10.8	S-7	2-68574	5(x)	7/23/1980	
10.15	Participation Agreement, dated September 1, 1979, relating to the sale and leaseback of coal handling facilities at the Number One Boardman Station on Carty Reservoir	S-7	2-68574	5(z)	7/23/1980	
10.16	Agreements for the Operation, Construction and Ownership of the North Valmy Power Plant Project, dated December 12, 1978, between Sierra Pacific Power Company and Idaho Power Company	S-7	2-64910	5(y)	6/29/1979	
10.17	Framework Agreement, dated October 1, 1984, between the State of Idaho and Idaho Power Company relating to Idaho Power Company's Swan Falls and Snake River water rights	S-3	33-65720	10(h)	7/7/1993	
10.18	Agreement, dated October 25, 1984, between the State of Idaho and Idaho Power Company, relating to the agreement filed as Exhibit 10.17	S-3	33-65720	10(h)(i)	7/7/1993	
10.19	Contract to Implement, dated October 25, 1984, between the State of Idaho and Idaho Power Company, relating to the agreement filed as Exhibit 10.17	S-3	33-65720	10(h)(ii)	7/7/1993	
10.20	Settlement Agreement, dated March 25, 2009, between the State of Idaho and Idaho Power Company relating to the agreement filed as Exhibit 10.17	10-Q	1-14465	10.58	5/7/2009	
10.21	Agreement Regarding the Ownership, Construction, Operation and Maintenance of the Milner Hydroelectric Project (FERC No. 2899), dated January 22, 1990, between Idaho Power Company and the Twin Falls Canal Company and the Northside Canal Company Limited	S-3	33-65720	10(m)	7/7/1993	
10.22	Hemingway Joint Ownership and Operating Agreement, dated May 3, 2010, by and between Idaho Power Company and PacifiCorp (to be superseded by the agreement filed as Exhibit 10.24 upon satisfaction of conditions precedent in that agreement)	10-Q	1-14465, 1-3198	10.70	8/5/2010	

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
10.23	Populus Joint Ownership and Operating Agreement, dated May 3, 2010, by and between Idaho Power Company and PacifiCorp (to be superseded by the agreement filed as Exhibit 10.24 upon satisfaction of conditions precedent in that agreement)	10-Q	1-14465, 1-3198	10.71	8/5/2010	
10.24	Joint Ownership and Operating Agreement, dated October 24, 2014, between Idaho Power Company and PacifiCorp (to supersede Exhibits 10.22 and 10.23 upon satisfaction of conditions precedent in the agreement)	8-K	1-14465, 1-3198	10.1	10/24/2014	
10.25 <sup>1</sup>	Idaho Power Company Security Plan for Senior Management Employees I, amended and restated effective December 31, 2004, and as further amended November 20, 2008	10-K	1-14465, 1-3198	10.15	2/26/2009	
10.26 <sup>1</sup>	Amendment, dated September 19, 2012, to the Idaho Power Company Security Plan for Senior Management Employees I	10-Q	1-14465, 1-3198	10.62	11/1/2012	
10.27 <sup>1</sup>	Idaho Power Company Security Plan for Senior Management Employees II, effective January 1, 2005, as amended and restated November 30, 2011	10-K	1-14465, 1-3198	10.21	2/22/2012	
10.28 <sup>1</sup>	Amendment, dated September 19, 2012, to the Idaho Power Company Security Plan for Senior Management Employees II	10-Q	1-14465, 1-3198	10.63	11/1/2012	
10.29 <sup>1</sup>	Amendment, dated January 16, 2014, to the Idaho Power Company Security Plan for Senior Management Employees II	10-K	1-14465, 1-3198	10.26	2/20/2014	
10.30 <sup>1</sup>	IDACORP, Inc. Restricted Stock Plan, as amended and restated September 20, 2007	10-Q	1-14465, 1-3198	10(h)(iii)	10/31/2007	
10.31 <sup>1</sup>	IDACORP, Inc. Restricted Stock Plan - Form of Restricted Stock Agreement (time-vesting)	10-Q	1-14465, 1-3198	10(h)(vi)	11/2/2006	
10.32 <sup>1</sup>	IDACORP, Inc. Restricted Stock Plan - Form of Performance Stock Agreement (performance vesting)	10-Q	1-14465, 1-3198	10(h)(vii)	11/2/2006	
10.33 <sup>1</sup>	Idaho Power Company Security Plan for Board of Directors - a non-qualified deferred compensation plan, as amended and restated effective July 20, 2006	10-Q	1-14465, 1-3198	10(h)(viii)	11/2/2006	
10.34 <sup>1</sup>	IDACORP, Inc. Non-Employee Directors Stock Compensation Plan, as amended November 20, 2014					X
10.35 <sup>1</sup>	Form of Officer Indemnification Agreement between IDACORP, Inc. and Officers of IDACORP, Inc. and Idaho Power Company, as amended July 20, 2006	10-Q	1-14465, 1-3198	10(h)(xix)	11/2/2006	
10.36 <sup>1</sup>	Form of Director Indemnification Agreement between IDACORP, Inc. and Directors of IDACORP, Inc., as amended July 20, 2006	10-Q	1-14465, 1-3198	10(h)(xx)	11/2/2006	
10.37 <sup>1</sup>	Form of Amended and Restated Change in Control Agreement between IDACORP, Inc. and Officers of IDACORP and Idaho Power Company (senior vice president and higher), approved November 20, 2008	10-K	1-14465, 1-3198	10.24	2/26/2009	
10.38 <sup>1</sup>	Form of Amended and Restated Change in Control Agreement between IDACORP, Inc. and Officers of IDACORP and Idaho Power Company (below senior vice president), approved November 20, 2008	10-K	1-14465, 1-3198	10.25	2/26/2009	
10.39 <sup>1</sup>	Form of Amended and Restated Change in Control Agreement between IDACORP, Inc. and Officers of IDACORP, Inc. and Idaho Power Company, approved March 17, 2010	8-K	1-14465, 1-3198	10.1	3/24/2010	
10.40 <sup>1</sup>	IDACORP, Inc. and/or Idaho Power Company Officers with Amended and Restated Change in Control Agreements chart, as of January 1, 2015					X
10.41 <sup>1</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan, as amended November 18, 2010	10-K	1-14465, 1-3198	10.33	2/23/2011	
10.42 <sup>1</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Stock Option Award Agreement	10-Q	1-14465, 1-3198	10(h)(xvi)	11/2/2006	
10.43 <sup>1</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Restricted Stock Award Agreement (Time Vesting)					X
10.44 <sup>1</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Performance Share Award Agreement (Performance with Two Goals)					X

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
10.45 <sup>1</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Restricted Stock Award Agreement (Time Vesting)	10-Q	1-14465, 1-3198	10(h)(xvii)	11/2/2006	
10.46 <sup>1</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Performance Share Award Agreement (Performance with Two Goals)	10-Q	1-14465, 1-3198	10.69	5/5/2011	
10.47 <sup>1</sup>	IDACORP, Inc. Executive Incentive Plan, as amended and restated January 16, 2014	10-K	1-14465, 1-3198	10.42	2/20/2014	
10.48 <sup>1</sup>	Idaho Power Company Executive Deferred Compensation Plan, effective November 15, 2000, as amended November 20, 2008	10-K	1-14465, 1-3198	10.32	2/26/2009	
10.49 <sup>1</sup>	IDACORP, Inc. and Idaho Power Company Compensation for Non-Employee Directors of the Board of Directors, effective January 1, 2015					X
10.50 <sup>1</sup>	IDACORP, Inc. and Idaho Power Company Compensation for Non-Employee Directors of the Board of Directors, as of January 16, 2014 (superseded by Exhibit 10.49 effective January 1, 2015)	10-K	1-14465, 1-3198	10.44	2/20/2014	
10.51 <sup>1</sup>	Form of IDACORP, Inc. Director Deferred Compensation Agreement, as amended November 20, 2008	10-K	1-14465, 1-3198	10.46	2/26/2009	
10.52 <sup>1</sup>	Form of Letter Agreement to Amend Outstanding IDACORP, Inc. Director Deferred Compensation Agreement (November 16, 2008)	10-K	1-14465, 1-3198	10.47	2/26/2009	
10.53 <sup>1</sup>	Form of Amendment to IDACORP, Inc. Director Deferred Compensation Agreement, as amended November 20, 2008	10-K	1-14465, 1-3198	10.48	2/26/2009	
10.54 <sup>1</sup>	Form of Termination of IDACORP, Inc. Director Deferred Compensation Agreement, as amended November 20, 2008	10-K	1-14465, 1-3198	10.49	2/26/2009	
10.55 <sup>1</sup>	Form of Idaho Power Company Director Deferred Compensation Agreement, as amended November 20, 2008	10-K	1-14465, 1-3198	10.50	2/26/2009	
10.56 <sup>1</sup>	Form of Letter Agreement to Amend Outstanding Idaho Power Company Director Deferred Compensation Agreement (November 16, 2008)	10-K	1-14465, 1-3198	10.51	2/26/2009	
10.57 <sup>1</sup>	Form of Amendment to Idaho Power Company Director Deferred Compensation Agreement, as amended November 20, 2008	10-K	1-14465, 1-3198	10.52	2/26/2009	
10.58 <sup>1</sup>	Form of Termination of Idaho Power Company Director Deferred Compensation Agreement, as amended November 20, 2008	10-K	1-14465, 1-3198	10.53	2/26/2009	
10.59 <sup>1</sup>	Idaho Power Company Employee Savings Plan, as amended and restated as of January 1, 2010	10-K	1-14465, 1-3198	10.63	2/23/2010	
10.60 <sup>1</sup>	Amendment to the Idaho Power Company Employee Savings Plan, dated August 31, 2011	10-Q	1-14465, 1-3198	10.72	11/3/2011	
10.61 <sup>1</sup>	Amendment to the Idaho Power Company Employee Savings Plan, dated November 29, 2011	10-Q	1-14465, 1-3198	10.61	8/2/2012	
10.62 <sup>1</sup>	Third Amendment to the Idaho Power Company Employee Savings Plan, dated October 11, 2013	10-Q	1-14465, 1-3198	10.64	11/5/2013	
10.63 <sup>1</sup>	Fourth Amendment to the Idaho Power Company Employee Savings Plan, dated June 16, 2014	10-Q	1-14465, 1-3198	10.65	7/31/2014	
10.64	Second Amended and Restated Credit Agreement, dated October 26, 2011, among IDACORP, Inc., various lenders, Wells Fargo Bank, National Association, as administrative agent, swingline lender, and LC issuer, JPMorgan Chase Bank, N.A., as syndication agent and LC issuer, KeyBank National Association and Union Bank, N.A., as documentation agents, and Wells Fargo Securities, LLC, J.P. Morgan Securities Inc., Keybank Capital Markets, and Union Bank, N.A. as joint lead arrangers and joint book runners	8-K	1-14465	10.70	10/28/2011	
10.65	First Extension Agreement, dated October 12, 2012, to the Second Amended and Restated Credit Agreement, dated October 26, 2011, filed as Exhibit 10.63	10-Q	1-14465	10.64	11/1/2012	
10.66	Second Extension Agreement, dated October 8, 2013, to the Second Amended and Restated Credit Agreement, dated October 26, 2011, filed as Exhibit 10.63	10-Q	1-14465	10.62	11/5/2013	

Exhibit No.	Exhibit Description	Incorporated by Reference				Included Herewith
		Form	File No.	Exhibit No.	Date	
10.67	Second Amended and Restated Credit Agreement, dated October 26, 2011, among Idaho Power Company, various lenders, Wells Fargo Bank, National Association, as administrative agent, swingline lender, and LC issuer, JPMorgan Chase Bank, N.A., as syndication agent and LC issuer, KeyBank National Association and Union Bank, N.A., as documentation agents, and Wells Fargo Securities, LLC, J.P. Morgan Securities Inc., Keybank Capital Markets, and Union Bank, N.A. as joint lead arrangers and joint book runners	8-K	1-3198	10.71	10/28/2011	
10.68	First Extension Agreement, dated October 12, 2012, to the Second Amended and Restated Credit Agreement, dated October 26, 2011, filed as Exhibit 10.66	10-Q	1-3198	10.65	11/1/2012	
10.69	Second Extension Agreement, dated October 8, 2013, to the Second Amended and Restated Credit Agreement, dated October 26, 2011, filed as Exhibit 10.66	10-Q	1-3198	10.63	11/5/2013	
10.70	Loan Agreement, dated October 1, 2006, between Sweetwater County, Wyoming and Idaho Power Company	8-K	1-3198	10.1	10/10/2006	
10.71	Guaranty Agreement, dated February 10, 1992, between Idaho Power Company and New York Life Insurance Company, as Note Purchaser, relating to \$11,700,000 Guaranteed Notes due 2017 of Milner Dam Inc.	S-3	33-65720	10(m)(i)	7/7/1993	
12.1	IDACORP, Inc. Computation of Ratio of Earnings to Fixed Charges and Supplemental Ratio of Earnings to Fixed Charges					X
12.2	Idaho Power Company Computation of Ratio of Earnings to Fixed Charges and Supplemental Ratio of Earnings to Fixed Charges					X
21.1	Subsidiaries of IDACORP, Inc.	10-K	1-14465, 1-3198	21.1	2/21/2013	
23.1	Consent of Registered Independent Accounting Firm					X
23.2	Consent of Registered Independent Accounting Firm					X
31.1	IDACORP, Inc. Rule 13a-14(a) CEO certification					X
31.2	IDACORP, Inc. Rule 13a-14(a) CFO certification					X
31.3	Idaho Power Rule 13a-14(a) CEO certification					X
31.4	Idaho Power Rule 13a-14(a) CFO certification					X
32.1	IDACORP, Inc. Section 1350 CEO certification					X
32.2	IDACORP, Inc. Section 1350 CFO certification					X
32.3	Idaho Power Section 1350 CEO certification					X
32.4	Idaho Power Section 1350 CFO certification					X
95.1	Mine Safety Disclosures					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X

<sup>1</sup> Management contract or compensatory plan or arrangement

**IDACORP, INC.**  
**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Income:</b>			
Equity in income of subsidiaries	\$ 193,707	\$ 182,463	\$ 172,844
Investment income	—	3	295
<b>Total income</b>	<b>193,707</b>	<b>182,466</b>	<b>173,139</b>
<b>Expenses:</b>			
Operating expenses	1,376	940	473
Interest expense	261	416	511
Other expenses	45	71	45
<b>Total expenses</b>	<b>1,682</b>	<b>1,427</b>	<b>1,029</b>
<b>Income from Before Income Taxes</b>	<b>192,025</b>	<b>181,039</b>	<b>172,110</b>
<b>Income Tax Benefit</b>	<b>(1,455)</b>	<b>(1,378)</b>	<b>(904)</b>
<b>Net Income Attributable to IDACORP, Inc.</b>	<b>193,480</b>	<b>182,417</b>	<b>173,014</b>
Other comprehensive (income) loss	(7,605)	563	(5,494)
<b>Comprehensive Income Attributable to IDACORP, Inc.</b>	<b>\$ 185,875</b>	<b>\$ 182,980</b>	<b>\$ 167,520</b>

The accompanying note is an integral part of these statements.

**IDACORP, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2014	2013	2012
	(thousands of dollars)		
<b>Operating Activities:</b>			
Net cash provided by operating activities	\$ 109,289	\$ 96,391	\$ 61,876
<b>Investing Activities:</b>			
Distributions from (contributions to) subsidiaries	—	2,282	(7,525)
Net cash provided by (used in) investing activities	—	2,282	(7,525)
<b>Financing Activities:</b>			
Issuance of common stock	195	255	4,882
Dividends on common stock	(88,489)	(78,832)	(68,928)
(Decrease) increase in short-term borrowings	(23,450)	(14,950)	15,500
Change in intercompany notes payable	(198)	647	(2,308)
Other	(469)	(431)	(3,147)
<b>Net cash used in financing activities</b>	<b>(112,411)</b>	<b>(93,311)</b>	<b>(54,001)</b>
Net (decrease) increase in cash and cash equivalents	(3,122)	5,362	350
Cash and cash equivalents at beginning of year	8,898	3,536	3,186
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,776</b>	<b>\$ 8,898</b>	<b>\$ 3,536</b>

The accompanying note is an integral part of these statements.

**IDACORP, INC.**  
**CONDENSED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(thousands of dollars)</b>	
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 5,776	\$ 8,898
Receivables	1,702	996
Income taxes receivable	—	2,044
Deferred income taxes	42,766	33,928
Other	106	117
Total current assets	50,350	45,983
<b>Investment in subsidiaries</b>	1,910,084	1,814,565
<b>Other Assets:</b>		
Deferred income taxes	44,546	56,718
Other	287	385
Total other assets	44,833	57,103
Total assets	\$ 2,005,267	\$ 1,917,651
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Notes payable	\$ 31,300	\$ 54,750
Accounts payable	8	4
Taxes accrued	8,950	—
Other	854	684
Total current liabilities	41,112	55,438
<b>Other Liabilities:</b>		
Intercompany notes payable	9,658	9,822
Other	1,296	1,742
Total other liabilities	10,954	11,564
<b>IDACORP, Inc. Shareholders' Equity</b>	1,953,201	1,850,649
Total Liabilities and Shareholders' Equity	\$ 2,005,267	\$ 1,917,651

The accompanying note is an integral part of these statements.

**NOTE TO CONDENSED FINANCIAL STATEMENTS**
**1. BASIS OF PRESENTATION**

Pursuant to rules and regulations of the Securities and Exchange Commission, the unconsolidated condensed financial statements of IDACORP, Inc. do not reflect all of the information and notes normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the 2014 Form 10-K, Part II, Item 8.

**Accounting for Subsidiaries:** IDACORP has accounted for the earnings of its subsidiaries under the equity method of accounting in these unconsolidated condensed financial statements. Included in net cash provided by operating activities in the condensed statements of cash flows are dividends that IDACORP subsidiaries paid to IDACORP of \$91 million in 2014 and 2013, and \$71 million in 2012.

**IDACORP, INC.**  
**SCHEDULE II - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS**  
**Years Ended December 31, 2014 , 2013 , and 2012**

Column A	Column B	Column C		Column D	Column E
Classification	Balance at Beginning of Year	Additions		Deductions <sup>(1)</sup>	Balance at End of Year
		Charged to Income	Charged (Credited) to Other Accounts		
(thousands of dollars)					
<b>2014:</b>					
Reserves deducted from applicable assets					
Reserve for uncollectible accounts	\$ 2,502	\$ 6,756	\$ 198	\$ 7,352	\$ 2,104
Reserve for uncollectible notes	885	(333)	—	—	552
Other Reserves:					
Rate refunds	398	(398)	—	—	—
Injuries and damages	1,671	461	—	137	1,995
<b>2013:</b>					
Reserves deducted from applicable assets					
Reserve for uncollectible accounts	\$ 1,873	\$ 5,777	\$ (38)	\$ 5,110	\$ 2,502
Reserve for uncollectible notes	1,260	(375)	—	—	885
Other Reserves:					
Rate refunds	—	398	—	—	398
Injuries and damages	5,480	913	—	4,722	1,671
<b>2012:</b>					
Reserves deducted from applicable assets					
Reserve for uncollectible accounts	\$ 1,435	\$ 4,524	\$ 283	\$ 4,369	\$ 1,873
Reserve for uncollectible notes	2,743	(1,483)	—	—	1,260
Other Reserves:					
Injuries and damages	1,925	4,481	—	926	5,480

<sup>(1)</sup> Represents deductions from the reserves for purposes for which the reserves were created. In the case of uncollectible accounts, and notes reserves, includes reversals of amounts previously written off.



## SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 19, 2015

IDACORP, INC.

Date

By: /s/ Darrel T. Anderson

Darrel T. Anderson

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert A. Tinstman</u> Robert A. Tinstman	Chairman of the Board	February 19, 2015
<u>/s/ Darrel T. Anderson</u> Darrel T. Anderson President and Chief Executive Officer and Director	(Principal Executive Officer)	February 19, 2015
<u>/s/ Steven R. Keen</u> Steven R. Keen Senior Vice President, Chief Financial Officer, and Treasurer	(Principal Financial Officer)	February 19, 2015
<u>/s/ Kenneth W. Petersen</u> Kenneth W. Petersen Vice President, Controller, and Chief Accounting Officer	(Principal Accounting Officer)	February 19, 2015
<u>/s/ Thomas Carlile</u> Thomas Carlile	Director	February 19, 2015
<u>/s/ Richard J. Dahl</u> Richard J. Dahl	Director	February 19, 2015
<u>/s/ Ronald W. Jibson</u> Ronald W. Jibson	Director	February 19, 2015
<u>/s/ Judith A. Johansen</u> Judith A. Johansen	Director	February 19, 2015
<u>/s/ Dennis L. Johnson</u> Dennis L. Johnson	Director	February 19, 2015
<u>/s/ J. LaMont Keen</u> J. LaMont Keen	Director	February 19, 2015
<u>/s/ Christine King</u> Christine King	Director	February 19, 2015
<u>/s/ Richard J. Navarro</u> Richard J. Navarro	Director	February 19, 2015
<u>/s/ Jan B. Packwood</u> Jan B. Packwood	Director	February 19, 2015

*/s/ Joan H. Smith*

Joan H. Smith

Director

February 19, 2015

*/s/ Thomas J. Wilford*

Thomas J. Wilford

Director

February 19, 2015

## SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 19, 2015

Idaho Power Company

Date

By: /s/ Darrel T. Anderson

Darrel T. Anderson

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert A. Tinstman</u> Robert A. Tinstman	Chairman of the Board	February 19, 2015
<u>/s/ Darrel T. Anderson</u> Darrel T. Anderson President and Chief Executive Officer and Director	(Principal Executive Officer)	February 19, 2015
<u>/s/ Steven R. Keen</u> Steven R. Keen Senior Vice President, Chief Financial Officer, and Treasurer	(Principal Financial Officer)	February 19, 2015
<u>/s/ Kenneth W. Petersen</u> Kenneth W. Petersen Vice President, Controller, and Chief Accounting Officer	(Principal Accounting Officer)	February 19, 2015
<u>/s/ Thomas Carlile</u> Thomas Carlile	Director	February 19, 2015
<u>/s/ Richard J. Dahl</u> Richard J. Dahl	Director	February 19, 2015
<u>/s/ Ronald W. Jibson</u> Ronald W. Jibson	Director	February 19, 2015
<u>/s/ Judith A. Johansen</u> Judith A. Johansen	Director	February 19, 2015
<u>/s/ Dennis L. Johnson</u> Dennis L. Johnson	Director	February 19, 2015
<u>/s/ J. LaMont Keen</u> J. LaMont Keen	Director	February 19, 2015
<u>/s/ Christine King</u> Christine King	Director	February 19, 2015
<u>/s/ Richard J. Navarro</u> Richard J. Navarro	Director	February 19, 2015
<u>/s/ Jan B. Packwood</u> Jan B. Packwood	Director	February 19, 2015

*/s/ Joan H. Smith*

Joan H. Smith

Director

February 19, 2015

*/s/ Thomas J. Wilford*

Thomas J. Wilford

Director

February 19, 2015

## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
10.4	Amended and Restated Agreement for the Operation of the Jim Bridger Project, dated December 11, 2014, between Idaho Power Company and PacifiCorp (to supersede Exhibits 10.1 and 10.2 upon satisfaction of conditions precedent in the agreement)
10.5	Amended and Restated Agreement for the Ownership of the Jim Bridger Project, dated December 11, 2014, between Idaho Power Company and PacifiCorp (to supersede Exhibits 10.1 and 10.2 upon satisfaction of conditions precedent in the agreement)
10.34 <sup>(1)</sup>	IDACORP, Inc. Non-Employee Directors Stock Compensation Plan, as amended November 20, 2014
10.40 <sup>(1)</sup>	IDACORP, Inc. and/or Idaho Power Company Officers with Amended and Restated Change in Control Agreements chart, as of January 1, 2015
10.43 <sup>(1)</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Restricted Stock Award Agreement (Time Vesting)
10.44 <sup>(1)</sup>	IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan - Form of Performance Share Award Agreement (Performance with Two Goals)
10.49 <sup>(1)</sup>	IDACORP, Inc. and Idaho Power Company Compensation for Non-Employee Directors of the Board of Directors, effective January 1, 2015
12.1	IDACORP, Inc. Computation of Ratio of Earnings to Fixed Charges and Supplemental Ratio of Earnings to Fixed Charges
12.2	Idaho Power Company Computation of Ratio of Earnings to Fixed Charges and Supplemental Ratio of Earnings to Fixed Charges
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
31.1	IDACORP, Inc. Rule 13a-14(a) CEO certification
31.2	IDACORP, Inc. Rule 13a-14(a) CFO certification
31.3	Idaho Power Rule 13a-14(a) CEO certification
31.4	Idaho Power Rule 13a-14(a) CFO certification
32.1	IDACORP, Inc. Section 1350 CEO certification
32.2	IDACORP, Inc. Section 1350 CFO certification
32.3	Idaho Power Section 1350 CEO certification
32.4	Idaho Power Section 1350 CFO certification
95.1	Mine safety disclosures
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

<sup>(1)</sup> Management contract or compensatory plan or arrangement.

**AMENDED AND RESTATED**

**AGREEMENT**

**for the**

**OPERATION**

**of the**

**JIM BRIDGER PROJECT**

**between**

**IDAHO POWER COMPANY**

**and**

**PACIFICORP**

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# INDEX

## Part I

1.	RECITALS	1
2.	AGREEMENT	2
3.	DEFINITIONS	2
4.	OPERATION OF PROJECT	5
5.	EXPENSE OF OPERATION, MAINTENANCE, REPAIRS AND REPLACEMENTS	5
6.	PAYMENT OF OPERATING EXPENSES	8
	OPERATING EXPENSE DISTRIBUTION FOR ADDITIONAL UNITS, OTHER USES, OR FOR STORAGE	
7.	OPERATIONS	9
8.	COAL TRAIN	10
9.	WATER RIGHTS	11
10.	OPERATION AND SCHEDULING	12
11.	RECORDS	14
12.	SCHEDULING OF OUTAGES	14
13.	[DELETED]	15
14.	CAPITAL ADDITIONS	15
	DISPOSAL OF WASTE OR SURPLUS COMMODITIES, MATERIALS, EQUIPMENT AND OTHER PERSONAL	
15.	PROPERTY	16
16.	INSURANCE	16
17.	OBSERVATION	17
18.	LICENSES AND PERMITS	17

# INDEX

## Part II

1.	LIABILITIES	18
2.	DEFAULTS	18
3.	UNCONTROLLABLE FORCES	18
4.	TRANSFER AND ASSIGNMENTS: SECURED INTERESTS	19
5.	COVENANTS RUNNING WITH THE LAND	20
6.	OBLIGATIONS ARE SEVERAL	21
7.	SUCCESSORS AND ASSIGNS	21
8.	ARBITRATION	21
9.	APPLICABLE LAWS AND REGULATIONS	22
10.	NOTICES	22
11.	ADDITIONAL DOCUMENTS	23
12.	EFFECTIVENESS OF THIS AGREEMENT	23
13.	ENTIRE AGREEMENT	23

## Exhibits

A.	AMENDMENT TO AGREEMENTS FOR THE OPERATION AND OWNERSHIP OF THE JIM BRIDGER PROJECT	A-1
B.	O&M AGREEMENT	B-1
	ATTACHMENT A TO EXHIBIT B	B-4
	ATTACHMENT B TO EXHIBIT B	B-7
C.	LETTER AGREEMENT	C-1
D.	SUMMARY OF OVERHEAD COSTS	D-1
E.	USE-OF-FACILITIES AGREEMENT (JIM BRIDGER PUMP SUBSTATION WHEELING AGREEMENT)	E-1
E.	JOINT OWNERSHIP FINANCIAL CONTROL PROCEDURES	F-1

**AGREEMENT FOR THE OPERATION OF THE JIM BRIDGER PROJECT**

**AGREEMENT** , dated as of December 11, 2014, **between IDAHO POWER COMPANY** (Idaho), an Idaho corporation, and **PACIFICORP** (formerly **PACIFIC POWER & LIGHT COMPANY** (PacifiCorp), an Oregon corporation, hereinafter collectively referred to as "parties",

**WITNESSETH:**

**PART I**

**1. RECITALS:** This Agreement is made with reference to the following facts, among others:

1.1 Idaho is engaged in the generation, transmission and distribution of electric power and energy as an electric utility in southern Idaho, eastern Oregon and northern Nevada.

1.2 PacifiCorp is engaged in the generation, transmission and distribution of electric power and energy as an electric utility in Oregon, northern California, Idaho, Montana, Washington and Wyoming.

1.3 Idaho and PacifiCorp are both members of the Western Systems Coordinating Council, which comprises operating utilities in thirteen western states and part of British Columbia, all of whose systems are interconnected.

1.4 Both PacifiCorp and Idaho have connections with the above described interconnected systems at several points.

1.5 PacifiCorp has acquired from the Union Pacific Railroad Company, the United States Government and the State of Wyoming certain leases covering coal deposits in Sweetwater County, Wyoming, and has acquired certain rights to stored water in Fontenelle

Reservoir on the Green River in Wyoming, and has filed for additional natural flow rights in said stream.

1.6 PacifiCorp and Idaho are desirous of jointly building a project consisting of a coal-fired steam electric generating project, which project will be known as the "Jim Bridger Project" near the lands covered by said Coal Leases, using the coal therein and the water rights described in Section 1.5, the generation from which will be conducted to the transmission systems of and be distributed by said companies.

1.7 On September 22, 1969, the parties executed a letter of intent which set forth the considerations for, and the general scope of an agreement or agreements to be entered into with respect to their participation in the ownership and production from three 500 megawatt steam electric generating units to be built in southwestern Wyoming.

1.8 This Agreement is executed for the purpose of establishing the respective obligations of Idaho and PacifiCorp with respect to the operation of the Project.

1.9 All references herein to sections are to sections of Part I unless otherwise specified.

## **2. AGREEMENT:**

2.1 The parties, for and in consideration of the mutual covenants to be by them kept and performed, agree with respect to the operation of the Project as set forth in this Agreement.

## **3. DEFINITIONS:**

The following terms, when used herein, shall have the meaning specified:

3.1 **Project** : The Jim Bridger Project, located in Sweetwater County, Wyoming, a 2,000 megawatt coal-fired electric power plant, which will consist generally of four units, each of approximately 500 megawatts, each with turbine generator, coal-fired steam generator,

condenser, pumps, motors, feedwater heaters, cooling water systems, protection and control systems, coal pulverizing systems, air pollution control systems and main and auxiliary power systems; and such facilities common to the four units, as coal receiving and stocking systems, a unit coal train, water treating systems, ash handling and disposal systems, roads, utilities systems and other site developments, offices, warehouses and machine shops, and all other appurtenances and structures required for the efficient and reliable operation of a modern steam electric power plant; the Water Supply System; the switchyard; all real property and property rights, including access easements and appurtenances; acquired for or in connection with the Project or used in the operation and maintenance thereof.

3.2 **Unit** : A complete 500 megawatt generating plant, including boiler, turbine generator, that part of coal preparation and supply, and all attachments and accessories and controls, readily identified with and solely associated with the Unit.

3.3 **Common Facilities** : All facilities, other than the facilities included in each Unit, which will serve and be required in connection with the operation and maintenance of more than one unit, including, without limitation, Water Supply System, the switchyard other than the 345 kv facilities included in a unit, access roads, railroads, a unit coal train, coal receiving and stocking systems, engineering and legal fees and expenses, easements and all lands or interest in land included in the Project.

3.4 **Coal Leases** : The coal lease by Union Pacific Railroad Company to PacifiCorp dated June 1, 1969, the Federal lease No. W-0313558 dated January 1, 1968, the Federal leases Nos. W-2727 and W-2728 dated October 1, 1969, and the State of Wyoming lease No. 0-26745 dated January 2, 1965.

3.5 **Water Rights** : Rights obtained by PacifiCorp from the State of Wyoming by contract dated November 20, 1969, for 35,000 acre feet stored water in Fontenelle Reservoir, of which 25,000 acre feet is referred to as "senior priority" water and 10,000 acre feet is referred to as "junior priority" water and other rights obtained by PacifiCorp or applied for by the parties to store water and to divert and use waters of the Green River.

3.6 **Water Supply System** : The river diversion facilities, pumping station, control valves, conduits, structures, pipeline, associated land and land rights and other related common facilities used to convey water from the Green River to the Jim Bridger Project and to supply the water for said Project.

3.7 **[DELETED]**

3.8 **Completion** : Date when the parties determine that a Unit is ready for continuous commercial operation.

3.9 **Project Agreements** :

- (a) Agreement for the Ownership of the Jim Bridger Project ("Ownership Agreement").
- (b) Agreement for the Construction of the Jim Bridger Project ("Construction Agreement").
- (c) Agreement for the Operation of the Jim Bridger Project ("Operation Agreement").

The three said agreements constitute the Project Agreements and shall be construed together.

3.10 **Operator** : The Operator shall be PacifiCorp.

3.11 **Operating Expenses** : The Operating Expenses shall be those expenses set forth in Section 5.

**4. OPERATION OF PROJECT:**

4.1 PacifiCorp shall be the Operator of the Project on behalf of and for the account of both parties subject to the terms, conditions and covenants contained in this Agreement.

4.2 PacifiCorp covenants that it will operate and maintain the Project at the lowest reasonable cost and in a prudent and skillful manner in accord both with the standards prevailing in the utility industry for projects of a similar size and nature and with applicable laws and final orders or regulations of regulatory or other agencies having jurisdiction. It is recognized that the Operator must have the latitude necessary to operate and maintain the Project accordingly.

4.3 All persons employed in the operation and maintenance of the Project, other than employees of independent contractors, shall be PacifiCorp employees and shall not be considered to be employees or agents of Idaho.

4.4 Operator shall pay promptly all sums due employees or due any governmental or other agency on their behalf and shall not permit any labor claims to become a lien against the Project other than claims that are being contested in good faith.

**5. EXPENSE OF OPERATION, MAINTENANCE, REPAIRS AND REPLACEMENTS:**

5.1 Costs of repairs and replacements, operating and maintenance expenses, administrative, accounting and general expenses, incurred by the Operator for operation and maintenance of the Project, are "Operating Expenses" and include, but are not limited to:

- (a) The cost of all services performed by the Operator directly applicable to Project operation and maintenance.

(b) Payroll of direct Project employees, and of other Operator's employees on an actual time basis (excluding officers and principal department heads), including related employee benefit costs such as Social Security taxes, unemployment insurance expense, group life insurance, group hospitalization and medical insurance, pension funding expense, workmen's compensation, long-term disability and other insurance and paid leave.

(c) Materials and supplies including related purchasing and handling costs.

(d) Costs of coal.

(e) Traveling expense including use of Company transportation equipment.

(f) Any purchased power costs.

(g) All federal, state or local taxes imposed upon the Project and payments in lieu of taxes, (but excluding state and federal net income taxes levied upon income derived by the parties during said period), except any tax assessed directly against an individual party unless such tax was assessed to the individual party in behalf of the other party.

(h) Other miscellaneous costs.

(i) Administrative, accounting and general expense in an amount equal to a percentage of the total expenses detailed in Section 5.1(a) through 5.1(h). The applicable percentage shall be established annually on the basis of a ratio, the numerator of which is the Operator's administrative and accounting department salaries and expenses and the denominator of which is the Operator's utility direct expenses to which such administration and accounting applies.

(j) Miscellaneous receipts.

(k) [DELETED]

5.2 [DELETED]

5.3 The Operator shall account for all Operating Expenses and for any receipts in accordance with the Uniform System of Accounts prescribed for electric utilities by the Federal Power Commission, or its successor commission, or if there be none, by an appropriate regulatory agency.

5.4 On or before October 1 of each year, PacifiCorp shall submit to Idaho a budget of its estimate of Operating Expenses by calendar months for the calendar year beginning January 1 next following, as set out in the Joint Ownership Financial Control Procedures, as updated from time to time. Such budget shall be subject to approval by Idaho, which approval shall not unreasonably be withheld. If such approval is not given by November 1 in any such year, the parties shall agree upon a revised budget not later than December 1 of such year. Each budget shall include such items of expenditures for replacement and repair of Project facilities as are normal to projects of a similar character and shall provide an adequate contingency item for emergency repairs and replacements. PacifiCorp will also provide Monthly Reports, as set out in the Joint Ownership Financial Control Procedures. PacifiCorp will submit any budget revisions which changes the budget by 10% or more during any calendar year which Idaho shall promptly consider and which shall similarly be subject to approval by Idaho. Additional notifications and approvals shall follow the terms of the Joint Ownership Financial Control Procedures.

5.5 Idaho recognizes that it will be necessary for continued operation of the Project, or to maintain the Project in operable condition, that PacifiCorp be in a position to meet commitments for payroll, repairs and replacements, materials and supplies, services and other expenses of a continuing nature in order that it may fulfill its obligations to Idaho as Operator

under this Agreement. Accordingly, notwithstanding the foregoing provisions of Section 5.4, PacifiCorp may make all expenditures in the normal course of business, or in an emergency, as necessary for the proper and safe operation and maintenance of the Project, and Idaho will advance to or reimburse its percentage share of such expenditures to PacifiCorp as hereinafter provided.

**6. PAYMENT OF OPERATING EXPENSES:**

6.1 To the extent not set forth in the Annual Budget, the Operator will provide, not later than the first of each month, a schedule by days of payments to be made of Operating Expenses in such month. The Operator may, during a month, notify the parties of additional dates or additional amounts, if unanticipated obligations are incurred. Each party will deposit in a special Operating Expense account, designated by the Operator, not less than twenty-four hours in advance of each such date such party's respective portion of such payment determined on the following basis:

(a) Except as provided in Section 6.1(c), each party will pay its percentage share as set forth in Section 10.2 of Operating Expenses; and

(b) [DELETED]

(c) A party's share of the specific Operating Expenses listed in this Section 6.1(c) shall be determined as provided in this Section 6.1(c).

(i) Expenses on account of water rights and storage rights shall be distributed as provided in Section 9.

(ii) [DELETED]

(iii) [DELETED]

6.2 For use as minimum working capital, Idaho will deposit in the Operating Expense Account the sum of \$10,000 on the completion of Unit No. 1, and PacifiCorp will deposit in such fund the sum of \$10,000 on the completion of Unit No. 2 and \$10,000 on the completion of Unit No. 3. If the balance in the Operating Expense Account is at any time depleted below the amount then required to have been deposited, the parties shall immediately restore such balance in proportion to their then obligation to have made such deposit.

6.3 Funds deposited in the Operating Expense Account shall be used by the Operator solely for payment of Operating Expenses.

6.4 On or before the 26th day of each month, the Operator shall render to the parties a statement classified by accounts in accordance with Section 5.3 showing for the preceding calendar month all Operating Expenses incurred by the Operator during such preceding month. Any variance between such statement of actual Operating Expenses and the amounts deposited by the parties in the previous month, including the parties' respective portions of such Operating Expense, shall be added to or deducted from the respective parties' obligation to deposit in the month or months succeeding the issuance of the statement.

6.5 [DELETED]

**7. OPERATING EXPENSE DISTRIBUTION FOR ADDITIONAL UNITS, OTHER USES, OR FOR STORAGE OPERATIONS:**

7.1 [DELETED]

7.2 As used in the Project Agreements, the stockpile refers to the minimum quantity of coal the parties agree should be maintained in storage in addition to amounts to be used in normal operations. A party may at any time use coal from the stockpile but not in excess of its percentage share of the quantity so determined. Subject to applicable regulations, a party may determine that it requires a lesser quantity of coal in the stockpile related to its percentage share

than the other party, in which case such party may not use more coal from the stockpile than such lesser quantity.

## **8. COAL TRAIN:**

8.1 The parties will acquire a unit coal train for the primary purpose of supplying coal to the Project. The purchase cost or lease payment for the unit coal train will be paid by the parties according to their respective percentage shares in the Project, pursuant to Section 14 hereof. Each party will be entitled to use the unit coal train for its own service up to its percentage share in the Project or any unused capacity when the other party does not require use of its full capacity in the unit coal train. Weekly and monthly unit coal train schedules will be furnished to both parties by the Plant manager.

8.2 Each party shall pay into an Ownership Account a mutually agreeable levelized annual cost (Ownership Fee) per coal car per day (partial days shall be treated as full days) for its percentage use of the unit coal train which shall recover the purchase cost or lease payment of the unit coal train referenced in Section 8.1. Where the unit coal train is jointly or individually used by the parties, the Ownership Fee shall be prorated between the parties based upon each party's percentage of coal transported per car. The accumulated balance in the Ownership Account will be disbursed to the parties each month according to their respective percentage shares in the Project.

Maintenance expenses incurred will be accumulated on a monthly basis and billed to the parties, with such billing prorated based upon each party's percentage usage per coal car mile for the historical life of the unit train. If extraordinary maintenance expenses (i.e. generic structural defects, complete rail car rebuilds, owner responsible derailments, etc) not based upon usage of

the coal cars are incurred, the parties agree to fund the extraordinary maintenance expenses, according to their respective percentage shares in the Project.

The ownership account and maintenance expenses will be recorded and administered separately from the normal operation and maintenance expenses for the Bridger Plant. As such the Ownership Account and maintenance expenses will not include any A & G or other loadings. Disbursements, billings, and statements regarding Ownership Account and maintenance expense activity will be issued on a monthly basis.

8.3 The unit coal train may be leased to either owner for use outside the project or to third parties at times and upon terms and conditions mutually agreed to by the Parties. The lease fees assessed by the parties shall be sufficient to pay the Ownership Fee and an estimated amount for maintenance expenses as set forth in Section 8.2 plus an amount for profit. The lease fees collected shall be paid into the Ownership Account and shall be disbursed as provided in Section 8.2.

8.4 The Bridger Project plant manager will be responsible for the operation, maintenance and scheduling of the unit coal train and will provide operating reports to both parties each month.

8.5 Each coal car shall be registered with the appropriate state and federal agency(s) and be stenciled with its own ULMER registration number. All registration will be in the names of both owners and the Jim Bridger Project.

**9. WATER RIGHTS:**

9.1 In addition to Idaho's rights to 9,000 acre feet of stored water in the Fontenelle Reservoir of "senior priority" heretofore transferred by PacifiCorp to Idaho, PacifiCorp will take

appropriate steps to transfer to Idaho rights to 33-1/3% of 8,000 acre feet of "junior priority" acquired by PacifiCorp by contract with the State of Wyoming dated November 20, 1969.

9.2 Idaho will pay PacifiCorp 33-1/3% of any payments made and for any costs incurred by PacifiCorp in securing such contract or payments made pursuant to such contract prior to the date of transfer less any payments heretofore made by Idaho in reimbursement of such costs.

9.3 Idaho will pay 33-1/3% of the total annual "readiness to serve" charge specified in Section D(3) of said contract until the first year an "Annual Payment" charge is required under Section D(1) of said contract. PacifiCorp will pay the balance. Idaho shall promptly reimburse PacifiCorp for Idaho's share of such charges heretofore borne solely by PacifiCorp.

9.4 Idaho will pay 33-1/3% of the "Annual Payment" charge specified in Section D(1) of said contract. PacifiCorp will pay the balance.

9.5 Idaho will pay 33-1/3% of O.M.&R. charges made under Section E of said contract. PacifiCorp will pay the balance.

9.6 Idaho will pay 33-1/3% of the costs of acquiring rights to divert water from the Green River and for acquisition of a secondary permit and PacifiCorp will pay 66-2/3% of such cost and each party will pay any further annual charges for such water rights in the same percentages.

9.7 PacifiCorp as Operator of the Project shall schedule deliveries of water under said contract to the Project.

## **10. OPERATION AND SCHEDULING:**

10.1 Each party shall have a right to schedule its percentage share as set forth below of the Project capability at any time within the ability of the Project at such time to operate:

provided that the schedule of a party shall not require withdrawals from the stockpile in excess of the amount a party may withdraw under Section 7.2, other than by agreement of the parties.

10.2 The percentage share of the parties to the capability of the Project shall be Idaho 33-1/3% and PacifiCorp 66-2/3%.

10.3 Not later than 2:00 p.m. of each day, each party shall provide to the Operator through its dispatchers its estimated hourly schedule of generation from the Project for each hour of the following day. Such schedule may thereafter be changed by the party at any time. The schedule shall not be less in any hour than such party's percentage share of the minimum capability of the Project, unless the parties agree to a shutdown of the Project, or except to the extent the other party agrees to a schedule of more than its share of minimum capability so that the total of the two schedules equals the minimum capability of the Project.

10.4 Neither party shall schedule a rate of change of its share of output greater than such party's percentage of the rate of change which is within the ability of the Project to perform, except to the extent the other party schedules a rate of change such that the rate of change of the combined schedules is not greater than the ability of the Project to perform.

10.5 A party may schedule in any hour for its own system loads any unused capability in such hour of the other party in the Project. As used herein, system loads do not include economy exchange or surplus sales to other utilities, unless otherwise agreed, but do include firm sales to other utilities.

10.6 The Operator shall promptly notify each party of any change in operating limits or operating capability of the Project and, subject to Section 10.3, the parties shall thereupon make any necessary changes in their respective generation schedules (except as provided in Section 10.5) to conform their schedules to their respective percentage of such changed operating limits

and capability. Idaho's share of the Project's output shall not be reduced because of loading on the Project's 345/230 transformer bank if PacifiCorp's scheduled transfers through said transformer bank exceed the transformer bank's operational limit.

10.7 The Operator shall, subject to unscheduled outages, operate the Project as scheduled by the parties and shall hold deviations from schedule to a minimum and shall correct deviations from schedule as soon as possible under like conditions.

**11. RECORDS:**

11.1 The Operator shall keep adequate records of Project operations, including records necessary to reflect the efficiency of Project operation and maintenance programs, and to record generation of power, and shall keep other records as required by regulatory authorities. All records shall be made available for inspection by the parties as desired and copies shall be furnished the parties as desired.

**12. SCHEDULING OF OUTAGES:**

12.1 Scheduled outages for major maintenance shall be as required by the manufacturers' applicable conditions of sale and delivery of the affected facilities and equipment and thereafter not less frequently than once each four-year period or as the manufacturers may advise from time to time, unless otherwise agreed by the parties. Maintenance shall be in such month and year and for such periods of time as shall be agreed by the parties.

12.2 Outages for inspection and ordinary maintenance shall be scheduled as agreed by the parties at times as shall be agreed by the parties. Any outages required for maintenance affecting the safety of the Project shall be scheduled by the Operator as required.

12.3 In the event of emergency outages, or forced outages, or reductions in project capability for any reason, the Operator shall determine a normal schedule for repair or

replacement or other restoration. If either party requires an expedition of such normal schedule, the Operator shall carry out the repair with such expedited schedule to the extent feasible and the party so requesting shall bear the additional cost of so expediting the repair or replacement or other restoration.

**13. [DELETED] ]**

**14. CAPITAL ADDITIONS:**

14.1 At any time that either party shall determine a capital addition, improvement or betterment is required or useful (other than replacements budgeted under the maintenance and repair provisions of this Agreement), the Operator shall have prepared a cost estimate of such capital addition and, if the parties agree, proceed with construction and installation, the costs thereof to be paid one-third by Idaho and two-thirds by PacifiCorp unless otherwise agreed to at the time. The Operator shall notify the parties not less than twenty days in advance of a required payment, and the parties shall not less than twenty-four hours in advance of such date deposit such amounts in a separate account designated by the Operator; Operator shall disburse amounts from such account only for costs of such capital addition. Additionally, Parties will follow the Joint Ownership Financial Control Procedures for the provision of related budgets and reports. Proceeds from salvage, if any, shall be distributed in accordance with the percentage shares in the cost of the capital addition. The Operator shall proceed with a capital addition at the request of a party at such party's sole cost; provided that such addition does not diminish the entitlement or increase the costs of the other party. Appropriate changes shall be made in the Project Agreements.

**15. DISPOSAL OF WASTE OR SURPLUS COMMODITIES, MATERIALS, EQUIPMENT AND OTHER PERSONAL PROPERTY:**

15.1 Any net cost or gain of disposal of waste products of combustion shall be included in Operating Expenses.

15.2 Any commodities, materials, equipment or other personal property which are produced from or are available from the Project and which are surplus to the then present or reasonably foreseeable future requirements of the Project may be sold or otherwise disposed of upon such terms and conditions and for such periods of time as may be agreed by the parties. The proceeds of any such sale or costs and expenses of any such disposal shall be divided among or borne by the parties in the ratio of one-third to Idaho and two-thirds to PacifiCorp.

15.3 The foregoing shall not be applicable under any circumstances or in any manner to sale or disposal of electric energy.

**16. INSURANCE:**

16.1 The parties shall procure prior to completion of Unit No. 1 and thereafter maintain in effect at all times hereinafter provided, to the extent available, at reasonable cost and in accord with standards prevailing in the utility industry for projects of similar size and nature, adequate insurance coverage for the operation and maintenance of the Project with responsible insurers, with each party as a named assured and with losses payable to the respective parties for their benefit as their respective interests may appear to protect and insure against: (i) Workmen's Compensation and Employer's Liability, (ii) public liability for bodily injury and property damage, (iii) all risks of physical damage to property or equipment, including transportation and installation perils, and (iv) such other insurance as the parties deem necessary, with reasonable limits and subject to appropriate exclusions and deductibles.

16.2 The premium costs for such insurance coverages shall be an Operating Expense of the Project.

**17. OBSERVATION:**

17.1 Authorized representatives of the parties shall be authorized to visit the Project at any time to observe and study its operation, and to examine and copy all records and papers maintained by Operator with respect to the ownership, operation and maintenance of the Project.

**18. LICENSES AND PERMITS:**

18.1 Upon the expiration of any licenses or permits required for the operation of the Project, or should any additional or further licenses or permits be required, the parties agree to file timely applications for a new or further license or permit, as the case may be, to be held as tenants in common in the undivided interests set forth hereinabove.

## **PART II**

### **1. LIABILITIES:**

Any loss, cost, liability, damage and expense to the parties or either party resulting from the construction, operation, maintenance, reconstruction or repair of the Project and based upon injury to persons or employees of the parties or others, or other parties, or damage to property including the property of parties or other parties to the extent not covered by collectible insurance shall be chargeable to Construction Cost or Operating Expenses as may be appropriate.

### **2. DEFAULTS:**

(a) Each party hereby agrees that it will make all payments and perform all other obligations by it to be made or performed pursuant to all of the terms, covenants and conditions contained in the Project Agreements and that a default by a party of any of terms, covenants and conditions contained in any of the Project Agreements shall be an act of default under this Agreement.

(b) In the event a party shall dispute an asserted default by it, then such party shall make payment of any sums in dispute or perform the obligation in dispute but may do so under protest. Such protest shall be in writing and shall specify the reasons upon which the protest is based and shall be mailed to the other party. Upon settlement of such dispute by the parties, by arbitration, or by a court of competent jurisdiction, as the case may be, then appropriate adjustments shall be made.

### **3. UNCONTROLLABLE FORCES:**

No party shall be considered to be in default in the performance of any of the obligations hereunder, other than obligations of the parties to pay costs and expenses, if failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" shall mean

any cause beyond the control of the party affected and which, by the exercise of reasonable diligence, the party is unable to overcome, and shall include, but not be limited to an act of God, fire, flood, explosion, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require a party to settle any strike or labor dispute in which it may be involved. A party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

#### **4. TRANSFER AND ASSIGNMENTS: SECURED INTERESTS:**

This Agreement, the undivided interest of a party in the Project, and the property, real or personal, related thereto may be transferred and assigned as follows but not otherwise:

(a) To any mortgagee, trustee, or secured party, as security for bonds or other indebtedness of such party, present or future, and such mortgagee, trustee or secured party may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title and interest of such party. Anything herein to the contrary notwithstanding, any such mortgagee, trustee or secured party may sell the undivided interest obtained upon such foreclosure or other suitable proceedings to any person.

(b) To any corporation or other entity acquiring all or substantially all the property of the party making the transfer.

(c) To any corporation or entity into which or with which the party making the transfer may be merged or consolidated.

(d) To any corporation or entity, the stock or ownership of which is wholly owned by the party making the transfer.

(e) To any other person where the other party consents to such transfer in advance in writing.

(f) No transfer or assignment may be made except under Section 4(a) Part II unless simultaneously the party's interests in all other Project Agreements are similarly transferred or assigned to the same person or persons, and such person or persons have assumed all the duties and obligations of the party transferring or assigning under this Agreement and under all other Project Agreements.

(g) Transfers or assignments shall not relieve a party of any obligation hereunder, except to the extent agreed in writing by the other party.

**5. COVENANTS RUNNING WITH THE LAND:**

All of the respective covenants and agreements set forth herein shall bind and shall be and become the respective obligations of each party, its successors and assigns, and shall be obligations running with each of such party's rights, titles and interests in the Project and with all of the rights, titles and interests of each such party in, to and under the Project Agreements and with the rights, titles and interest in and to all real property and real property rights and personal property and personal property rights. It is the specific intention of this provision that all of such covenants, conditions and obligations shall be binding upon any party which acquires any of the rights, titles and interests of either party in the Project or in, to and under the Project Agreements.

**6. OBLIGATIONS ARE SEVERAL:**

The duties, obligations and liabilities of the parties hereunder are intended to be several and not joint or collective and neither of the parties shall be jointly or severally liable for the acts, omissions or obligations of the other. Nothing herein contained shall be construed to create an association, joint venture, partnership, or impose a partnership duty, obligation or liability, on or with regard to either of the parties. No party shall have right or power to bind the other party without its express, written consent, except as expressly provided in this Agreement.

**7. SUCCESSORS AND ASSIGNS:**

Subject to the restrictions on transfer and assignment herein provided, all of the respective covenants and obligations of each of the parties shall be and become the respective obligations of the successors and assigns of each such party and shall be obligations running with the respective party's rights, titles and interests in the Project. It is the specific intention of this provision that all such covenants and obligations shall be binding upon any party which acquires any of the right, title and interest of either of the parties in the Project.

**8. ARBITRATION:**

Any dispute arising between the parties involving any of the terms, covenants and conditions of this Agreement shall be subject to arbitration in accordance with the following procedure.

The party demanding arbitration shall give to the other party notice in writing of such demand. The parties shall meet within ten (10) days thereafter to select an arbitrator by mutual agreement. In the event the parties cannot agree upon such arbitrator, the Judge or any judge, if more than one, of the District Court of the United States for the State of Wyoming or such tribunal as may at the time be the successor of such Court, may, upon request of any party,

appoint the arbitrator who shall be an individual of national reputation having demonstrated expertise in the field of the matter or item to be arbitrated. If pending any arbitration under this Agreement, the arbitrator, or successor or substitute arbitrator, shall die or for any reason be unable or unwilling to act, his successor shall be appointed as he was appointed, and such successor or substitute arbitrator, as to all matters then pending, shall act the same as if he had been originally appointed as an arbitrator. The award of the arbitrator so chosen shall be final and binding upon all parties, and if necessary and appropriate in the premises, the arbitrator may make an order requiring specific performance of any of the terms and conditions of said award. Each party shall bear the expense of preparing and presenting its own case, and the expense of the arbitrator shall be equitably divided between the parties by the arbitrator.

**9. APPLICABLE LAWS AND REGULATIONS:**

The parties in their performance of their obligations hereunder shall conform to all applicable laws, rules and regulations and, to the extent that their operations may be subject to the jurisdiction of state or federal regulatory agencies, subject to the terms of valid and applicable orders of any such agencies. This Agreement shall be subject to the laws of the State of Wyoming. This Agreement is subject to the approval of any state or federal regulatory agency having jurisdiction thereof.

**10. NOTICES:**

Any notice, demand or request provided for in this Agreement served, given or made in connection therewith shall be deemed properly served, given or made if sent by registered or certified mail, postage prepaid, addressed to the party at its principal place of business to the attention of the president or chief executive officer of PacifiCorp or Idaho. A party may at any time, and from time to time, change its designation of the person to whom notice shall be given

by written notice to the other party as hereinabove provided.

**11. ADDITIONAL DOCUMENTS:**

Each party, upon request by the other party, shall make, execute and deliver any and all documents reasonably required to implement the terms of this Agreement.

**12. EFFECTIVENESS OF THIS AGREEMENT**

This Agreement, including the Parties' rights and obligations hereunder, shall become effective, if at all, on the Closing Date as set out in the Joint Purchase and Sale Agreement ("JPSA") between the Parties and dated October 24, 2014. For the avoidance of doubt, no aspect of this Agreement, other than this Section 12, shall have any effect unless and until the Closing Date occurs. If the Closing Date does not occur and the JPSA is terminated, this Agreement, including this Section 12, shall become void ab initio.

**13. ENTIRE AGREEMENT**

This Agreement, together with Exhibits hereto, embody the entire agreement and understanding of the Parties in respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof.

**[Signature Page to Follow]**

**IN WITNESS WHEREOF** , the parties hereto have executed this Agreement in several counterparts.

**IDAHO POWER COMPANY**

By: /s/ Lisa Grow  
Name: Lisa Grow  
Title: SVP Power Supply

**PACIFICORP**

By: /s/ Rick Vail  
Name: Rick Vail  
Title: VP - Transmission

**EXHIBIT A**

**AMENDMENT TO AGREEMENTS FOR THE OPERATION AND  
OWNERSHIP OF THE JIM BRIDGER PROJECT**

The parties to this agreement are PACIFIC POWER & LIGHT COMPANY, a Maine corporation (“Pacific”), and IDAHO POWER COMPANY, a Maine corporation (“Idaho”).

**RECITALS**

1. As of September 22, 1969, Pacific and Idaho executed an “Agreement for the Operation of the Jim Bridger Project” (“Operation Agreement”) and an “Agreement for the Ownership of the Jim Bridger Project” (“Ownership Agreement”).
2. Pursuant to the Operation and Ownership Agreements Pacific and Idaho contemplated the joint operation and ownership of coal properties to supply coal for Units Nos. 1, 2 and 3 of the Jim Bridger Project. Pacific and Idaho have determined that these properties will be operated and owned by a joint venture consisting of wholly owned subsidiary corporations of Pacific and Idaho.
3. Subsection 5.1 of the Ownership Agreement contemplated the assignment to Idaho of a one-third undivided interest in the coal in an area sufficient to provide the necessary coal for Units Nos. 1, 2 and 3 of the Jim Bridger Project. Under Subsections 5.3 and 5.5 of the Ownership Agreement, the parties contemplated that if Idaho so desired, additional coal for additional units would be made available to Idaho.
4. Idaho and Pacific have tentatively determined that Idaho will desire coal for a generator to be constructed after completion of Unit No. 3 of the Jim Bridger Project and Pacific desires to make available to Idaho, on a reasonable basis, sufficient coal reserves to provide Idaho with an assured coal supply.
5. The parties have determined that various provisions of the Operation and Ownership Agreements will not be applicable if the coal properties are to be operated by a joint venture consisting of wholly owned subsidiaries of Pacific and Idaho.

**AGREEMENT**

In consideration of their mutual promises, the parties agree as follows:

1. The following provisions of the Operation and Ownership Agreements are hereby terminated, rescinded and of no further force and effect as of September 22, 1969:

### **Operation Agreement**

- (a) Subsection 3.1 is amended by deleting “the portion of the area covered by the coal leases in which Idaho and Pacific hold undivided interests pursuant to Section 5 of the Ownership Agreement” and “the Coal Supply System”.
- (b) Subsection 3.3 is amended by deleting “the Coal Supply System”.
- (c) Subsection 3.7 is deleted.
- (d) Subsection 5.1 (d) is amended by substitution for this subsection the words “Costs of coal”.
- (e) Subsection 5.1(k) is deleted.
- (f) Subsection 5.2 is deleted.
- (g) Subsection 6.1 (a) is amended to delete “Excluding variable coal mining operating expenses”.
- (h) Subsection 6.1 (b) is deleted.
- (i) Subsection 6.1 (c) is amended by deleting parts (ii) and (iii).
- (j) Subsection 7.1 is deleted.
- (k) Section 8 is deleted.

### **Ownership Agreement**

- (a) Subsection 3.1 is amended by deleting “the portion of the area covered by the coal leases in which Idaho and Pacific hold undivided interests pursuant to Section 5 of this Agreement” and “the Coal Supply System”.
- (b) Subsection 3.3 is amended by deleting “Coal Supply System”.
- (c) Subsection 3.4 is deleted.
- (d) Subsection 3.7 is deleted.
- (e) Subsection 3.10 is deleted.
- (f) Subsection 4.2 is amended by deleting “(excluding undivided interests in the coal covered by the Coal Leases provided by Section 5)”.
- (g) Section 5 and its parts are deleted.

(h) Subsection 6.1 is amended by deleting wherever used the parenthetical phrase “(excluding the Coal Mine)”.

(i) Subsection 8.1 is amended by deleting “(excluding the coal mine)”.

2. Pacific agrees to cause the incorporation of a wholly owned subsidiary, Pacific Minerals, Inc., a Wyoming corporation (“Minerals”), and Idaho agrees to cause the incorporation of a wholly owned subsidiary, Idaho Energy Resources Co. a Wyoming corporation (“Resources”). Pacific and Idaho agree that these two corporations will enter into a joint venture to provide coal for the Jim Bridger Project.

3. Pacific shall retain the consideration of \$390,000 previously paid to it under Subsection 5.2 of the Ownership Agreement as a bonus paid.

4. Pacific hereby assigns, subleases and transfers to Idaho, and agrees to cause the assignment, sublease or transfer of, a one-third undivided interest in the Jim Bridger Coal Leases defined in Subsection 3.4 of the Ownership Agreement (the “Coal Leases”). The parties shall make suitable joint or separate applications and will otherwise cooperate in securing approval of the sublease by the Department of the Interior of the one-third undivided interest in the federal coal leases referred to in said Subsection 3.4, and approval of the sublease or by the State of Wyoming of the one-third undivided interest in the Wyoming lease referred to in said Subsection 3.4.

5. As consideration for the above transfer, Idaho agrees to and hereby assumes and agrees to perform each and all of the obligations and covenants of Pacific pursuant to the terms of the coal leases, up to its interest therein created hereby, including the obligation to pay one-third of all minimum, advance and production royalties pertaining to said coal leases, when and as the same shall become due under the terms thereof. In addition, Idaho shall pay to Pacific overriding production royalties as follows:

- (a) With respect to each ton of coal mined from the federal leases, two-and-two-thirds cents ( $2\frac{2}{3}\text{¢}$ ) per ton; and
- (b) With respect to each ton of coal mined from the Union Pacific and Wyoming leases, four cents ( $4\text{¢}$ ) per ton.

All said overriding royalties to be paid Pacific shall be paid on or before sixty (60) days from the date of sale of coal to which said overriding royalties pertain.

6. As advance prepaid royalties, Idaho shall pay to Pacific (a) on or before March 1, 1974, the sum of \$3,410,000; (b) within 90 days after Idaho shall have notified Pacific by mail of its desire to utilize

additional coal tonnage to provide fuel to generating facilities to be owned by Idaho in addition to Units Nos. 1, 2 and 3 of the Jim Bridger Project, the sum derived by multiplying one-third of the total remaining recoverable coal reserves of the Bridger Coal Field expressed in tons (which reserves shall be calculated in accordance with an acceptable modified mining plan developed at or about the time of Idaho's notice to Pacific, after taking into account such reserves as must be dedicated to insure full compliance with all prior coal sales agreements to provide coal from the Bridger Coal Field to said Units Nos. 1, 2 and 3) by 10 cents per ton. Such amounts shall be used as credits annually by Idaho up to the full amount thereof against all overriding production royalties payable by Idaho to Pacific under paragraph 5 above.

7. Pacific agrees that Idaho shall have the right to assign, sublease and transfer to Resources, which shall have the same right to assign, sublease and transfer to the joint venture of Minerals and Resources the one-third undivided interest in the Jim Bridger Coal Leases described in Section 4 of this Agreement in return for assumption of obligations and payments by the joint venture to Resources and by Resources to Idaho of all royalties described in Section 5 of this Agreement, including overriding royalties in the amounts set forth in (a) and (b) of such section.

8. Pacific and Idaho agree that the aggregate over-riding royalties payable by the joint venture of Minerals and Resources to Pacific shall not exceed eight cents (8¢) per ton of coal mined from the federal leases and twelve cents (12¢) per ton of coal mined from the Union Pacific and Wyoming leases; provided, however, that nothing herein shall obligate the joint venture, Minerals or Pacific to reimburse Idaho, Resources, or the venture for any advance prepaid royalties previously paid to Pacific.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Agreements for the Operation and Ownership of the Jim Bridger Project this 1st day of February, 1974.

PACIFIC POWER & LIGHT COMPANY

By: /s/ Don C. Fisbee  
Chairman of the Board

ATTEST:

/s/ George D. Rives  
Assistant Secretary

IDAHO POWER COMPANY

By: /s/ Albert Carlson  
President

ATTEST:

/s/ James E. Bruce  
Secretary

**EXHIBIT B**  
**O&M Agreement**

*700 N.E. Multnomah St.  
Portland, Oregon 97232-4116  
(503) (503) 731-2157  
FAX (503) 731-2027*

PACIFICORP

February 16, 1994

Jan Packwood, Vice President  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

Dear Mr. Packwood:

The source for auxiliary power, station service and service to the Jim Bridger Mine has previously been provided for via a 34.5 tertiary winding of the 345/230 kV station transformers, through a 34.5 isolation transformer. Serving these 34.5 kV loads in this method has recently caused the loss of the 34.5 kV isolation transformer and one of the two 345/230 kV transformers as a result of faults on the 34.5 kV system.

PacifiCorp and Idaho Power personnel have discussed a proposal to install a 230/34.5 kV, 75 MVA transformer in the Jim Bridger Plant switchyard to reduce risk to the Jim Bridger Plant and to provide better service for the 34.5 kV loads. From those discussions, it has been determined that approximately one half of the proposed transformer's capacity is adequate to serve the Jim Bridger Plant requirements.

The estimated total cost to install the transformer and associated metering, relaying and communications is \$2,759,548. A copy of the ER for the transformer installation is attached. The installation of the transformer and associated equipment is currently underway with an anticipated in-service date of March 15, 1994.

Pursuant to the Jim Bridger Ownership and Operation Agreement, cost at the Jim Bridger switchyard are to be shared on a basis of two-thirds (2/3) PacifiCorp, one-third (1/3) Idaho Power. However, in that only fifty percent (50%) of the transformer's capacity is required for plant use, the Parties have agreed that Idaho Power's share of the cost would be one-sixth of the total cost of the installation. In addition, Idaho Power's contribution to the operation and maintenance expenses for the transformer and related 34.5 kV facilities shall be one-sixth of the actual operation and maintenance expense of the transformer and associated 34.5 kV facilities.

Jan Packwood, Vice President  
Idaho Power Company  
Page 2  
February 16, 1994

If Idaho Power agrees with the above, please sign in the space provided below and return one fully executed original of this Letter Agreement to PacifiCorp.

Sincerely,

/s/ Dennis P. Steinberg

Idaho Power Company

By: /s/ J. B. Packwood

Title: Vice President



**ATTACHMENT A TO EXHIBIT B**

*700 N.E. Multnomah St.  
Portland, Oregon 97232-4116  
(503) (503) 731-2157  
FAX (503) 731-2027*

PACIFICORP  
Pacific Power Utah Power

May 20, 1994

Lois D. Cashell, Secretary  
Federal Energy Regulatory Commission  
c/o Dockets Branch, Room 3110  
825 N. Capitol Street, N.E.  
Washington, D.C. 20426

Re: Docket No. ER94-1134-000

Dear Ms. Cashell:

PacifiCorp files herewith in accordance with 18 CFR 35 of the Commission's Rules and Regulation, an original and six (6) copies this letter as an amendment to its filing in the docket referenced above.

By letter dated April 4, 1994, PacifiCorp filed with the Commission a Letter Agreement dated February 16, 1994 between PacifiCorp and Idaho Power Company ("Idaho Power"). The Letter Agreement provides for the joint construction and ownership of a new 230/34.5 kV transformer to be installed in the electrical switchyard of the parties' jointly owned Jim Bridger Project. The Letter Agreement also provides for cost sharing of the operation and maintenance costs incurred by PacifiCorp pursuant to the Jim Bridger Ownership and Operation Agreement between the parties.

Attached to the Letter Agreement is PacifiCorp's Expenditure Requisition ("ER") which was prepared to estimate the cost of the installation of the new transformer and related equipment. The ER was prepared in 1991 and the Letter Agreement altered, for this equipment only and for the reasons stated therein, the two-thirds, one-third sharing of costs between PacifiCorp and Idaho Power, respectively, as provided in the Jim Bridger Ownership and Operation Agreement. Pursuant to the Letter Agreement, PacifiCorp and Idaho Power will share the costs of the installed transformer on a five-sixths/one-sixth basis, respectively.

Ownership of Facilities

In response to Commission Staff's comments that the Letter Agreement is somewhat vague in its description of the ownership shares of the facilities, PacifiCorp hereby states that PacifiCorp shall have a five-sixths ownership share and Idaho Power shall have a one-sixth ownership share of the facilities installed pursuant to the Letter Agreement.

Operation and Maintenance Charges

PacifiCorp will operate and maintain the 230/34.5/kV transformer as part of its activities associated with the Jim Bridger Project. PacifiCorp's costs incurred for the transformer will be accounted and billed to Idaho Power -- except, in this case, at 16.7% rather than 33.3% -- as part of the Jim Bridger Project. The Letter Agreement provides for cost sharing of PacifiCorp's actual costs of operating and maintaining the facilities to be installed. PacifiCorp's actual costs consist of its direct costs such as labor, materials, transportation and contracted services as well as PacifiCorp's overheads. Such actual costs are for such items including but not limited to wages plus associated overtime, benefits and taxes, materials either purchased or withdrawn from stores, freight expenses, vehicle charges, tool expenses and contract rates or charges for outside services.

Any overheads applied to PacifiCorp's actual direct costs of operation and maintenance of the facilities, and allocated between the parties pursuant to the Letter Agreement, are the same overheads which PacifiCorp applies for operation and maintenance of its own facilities. PacifiCorp will apply no additional or modified overheads to the new facilities because of their partial ownership by Idaho Power.

In accordance with 18 CFR 35.11 of the Commission's Rules and Regulations, PacifiCorp requests a waiver of prior notice such that a rate schedule be assigned to be effective within 60 days of the Commission's receipt of PacifiCorp's initial filing of April 4, 1994. Such waiver, if granted, would have no effect on purchasers under other rate schedules.

Copies of this amended filing have been supplied to the parties shown on the attached distribution list. A draft Notice of Amended Filing is attached to this letter.

Sincerely,  
/s/ Jerry D. Miller  
Jerry D. Miller, Manager  
Power System Services

CP : cc

Attachment

FEDERAL EXPRESS

Distribution List on attached sheet.

Lois D. Cashell, Secretary  
May 20, 1994  
Page 3

DISTRIBUTION LIST

Steven Herod, Director  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

William G. Longenecker, Chief  
Electric Rate Filings Branch (ER-12.1)  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

Stephen D. Pointer  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

William Warren  
Public Utility Commission of Oregon  
550 Capital Street, N.E.  
Salem, Oregon 97310-1380

Idaho Public Utilities Commission  
Statehouse  
Boise, Idaho 83720

Jan B. Packwood, Vice President  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

Jerry D. Miller  
Manager, Power System Services  
PacifiCorp  
920 S.W Sixth Avenue, 424 PSB  
Portland, Oregon 97204

Marcus Wood  
Stoel Rives Boley Jones & Grey  
900 S.W. Fifth Avenue, Suite 2700  
Portland, Oregon 97204

**ATTACHMENT B TO EXHIBIT B**

**PACIFICORP TRANSMISSION SYSTEM**

**ALTERNATIVE O&M AND A&G COSTS**

O&M and A&G expense Factors as a percent of installed cost of facilities. (See Page 2)

**1.68%**

Installed Cost of Facilities per attachment to Letter Agreement.

**\$1,840,619**

Alternative Annual O&M and A&G Charge:

$(1/6) \times \$1,840,619 \times 1.68\% = \mathbf{\$5,154}$



**PACIFICORP RATE SCHEDULE FERC NO. \_\_\_\_**

**RATE SHEET FOR OPERATION AND MAINTENANCE CHARGES  
PURSUANT TO THE  
LETTER AGREEMENT  
DATED FEBRUARY 16, 1994 BETWEEN  
IDAHO POWER COMPANY AND PACIFICORP**

PacifiCorp shall charge Idaho Power Company one-sixth of its actual costs of operation and maintenance of the facilities installed pursuant to the Letter Agreement. PacifiCorp's actual costs plus PacifiCorp's standard overheads.

PacifiCorp shall maintain a record of the charges to Idaho Power Company pursuant to the Letter Agreement. Upon termination of this rate schedule, PacifiCorp shall tender with the Federal Energy Regulatory Commission a compliance filing illustrating that the then-present value of the cumulative amounts charged to Idaho Power Company do not exceed the then-present value of the cumulative amounts calculated by applying the sum of PacifiCorp's annual transmission system operation and Maintenance and Administrative and General expense factors, as defined below, to one-sixth of the installed cost (as may be adjusted from time to time by betterments, retirements or replacements) of the facilities installed under the Letter Agreement.

PacifiCorp's Operating and Maintenance ("O&M") and Administrative and General ("A&G") expense factors for any calendar year shall be calculated as follows based upon PacifiCorp's FERC Form No. 1 for the previous calendar year.

Operation and Maintenance Expense Factor

$$\text{O\&M Expense Factor} = (A - B) / E$$

Administrative and General Expense Factor

$$\text{A\&G Expense Factor} = ((G/H) \times F) / E$$

where

- A = Total Transmission O&M Expense (Page 321, Line 99)
- B = Transmission of Electricity by Others (Page 321, Line 87)
- C = Total Transmission Plant in Service, Beginning of Year (Page 206-7, Line 53)
- D = Total Transmission Plant in Service, End of Year (Page 206-7, Line 53)
- E = Average Transmission Plant in service = (C + D) / 2
- F = Total A&G Expense (Page 323, Line 167)
- G = Transmission O&M Wages (Page 354, Line 19)
- H = Total O&M Wages without A&G (Page 354, Line 25 minus Line 24)

**EXHIBIT C**  
**Letter Agreement**

**PACIFICORP**

**ONE UTAH CENTER**

201 SOUTH MAIN SUITE 600 SALT LAKE CITY, UTAH 84140-0006

June 8, 1993

Mr. Harold Hochhalter  
Controller  
Idaho Power Company  
P. O. Box 70  
Boise, Idaho 83707

Mr. William Brauer  
Vice President  
PacifiCorp  
201 South Main St.  
Salt Lake City, Utah 84140-0023

Re: Jim Bridger Plant A&G Letter of Intent

Gentlemen:

This letter memorializes the intent of the following Parties: PacifiCorp and Idaho Power Company (collectively, the "Parties"). This letter interprets section 5.1(i) of the Operation Agreement of the Jim Bridger Project, executed September 22, 1969 (the "Operating Agreement") and sets forth an agreed upon method and process of determining administrative, accounting and general ("A&G") expenses under the Operating Agreement for the years 1991, 1992, 1993 and 1994. This letter of intent also allows the parties to negotiate a fixed dollar amount for A&G expenses after 1994 upon mutual agreement.

**Background**

The amounts to be reimbursed pursuant to section 5.1(i) of the Operating Agreement are intended to allow PacifiCorp to charge and recover A&G expenses for the Jim Bridger Power Plant as defined in the Operating Agreement. The Parties desire to resolve questions regarding the A&G expense percentage calculation for the period addressed herein and to simplify the process for determining A&G expenses pursuant to section 5.1(i).

An interim agreement between the Parties was executed on January 29, 1990, wherein the Parties agreed to a fixed A&G percentage for a period of four years to allow for the organizational and

accounting systems changes resulting from the merger and expansion of Pacific Power & Light Company into what is now known as PacifiCorp.

The Parties agreed in the interim A&G agreement to put forth their best efforts to develop a new A&G methodology.

The Parties agree to the following provisions to establish A&G amounts for the years addressed. These following provisions shall supersede any previous methods used in calculating the A&G expenses under the Operating Agreement for the years 1991, 1992, 1993 and 1994.

#### Provisions

1. The amount of A&G expense due PacifiCorp from Idaho Power for the year 1991 will be settled at \$2,085,000.00 (Two million eighty-five thousand dollars).
2. The amount of A&G to be paid by Idaho Power Company in each year of a three multiple-year period beginning January 1, 1992 and ending December 31, 1994 shall be \$2,050,000.00 (Two million fifty thousand dollars) payable in equal monthly installments.
3. The A&G amount to be reimbursed to PacifiCorp under this letter of intent will be re-evaluated at the beginning of the last year of each multiple-year period. The Parties shall also agree to the number of consecutive years to be included in each multiple-year period. In the absence of such agreement, the A&G amount for the previous multiple-year period shall remain in effect until an agreement can be reached. Once an agreement is reached, the A&G amount shall become retroactive to the first day of the new multiple-year period for which it was calculated. No interest shall apply to the retroactive amount. If agreement is not reached, then the A&G calculation will be determined again by the previous method of calculating a percentage ratio of A&G to O&M.
4. The Parties recognize that significant variation of actual operations and maintenance costs compared to the fixed A&G amount may occur. The Parties may review A&G costs and determine to make an adjustment to the fixed A&G amount for a particular year. Such an adjustment for one year will have no effect on the need for an adjustment in any prior year, but may indicate the need as determined by the Parties for an adjustment of the fixed A&G amount in future years of a multiple-year period.

The process in this letter shall become effective upon execution by both Parties.

PacifiCorp

Idaho Power Company

By: /s/William Brauer

By: /s/Harold Hochhalter

Title: V.P.

Title: Controller

Date signed: June 21, 1993

Date signed: 6/11/93

Please sign under your designated section and return this letter of intent to PacifiCorp, Attention: Mr. Patrick W. Henderson, 201 South Main - Suite 600, Salt Lake City, Utah 84140-0006. A copy of this letter with signatures will be forwarded to you as soon as possible.

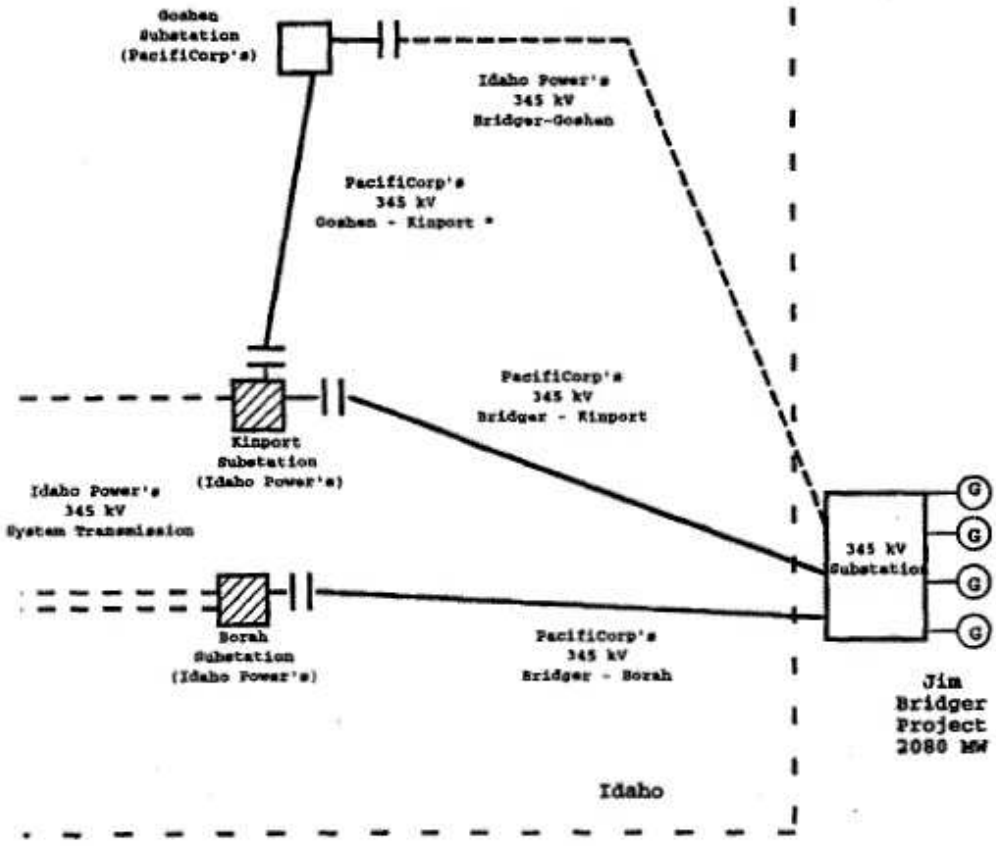
Sincerely,

*/s/ Jerry M. Jones*

Jerry M. Jones  
Director of Property Accounting

JMJ/data/PAD - JMJ2/93-JMJ40.W52

Idaho Power Company  
PacifiCorp  
Jim Bridger Joint Plant  
Transmission System



\* Goshen - Kinport 345 kV line  
Service provided to Idaho pursuant to  
PacifiCorp Rate Schedule No. 293

CIA  
10/25/93

## **EXHIBIT D**

### **Summary of Overhead Costs**

#### Development of PacifiCorp Overheads

PacifiCorp's accounting and payroll departments determine the overhead rates that will be uniformly applied to all direct labor and material costs associated with work performed by PacifiCorp personnel. PacifiCorp's accounting and payroll departments are administratively separate from those departments which negotiate, administer and invoice Federal Energy Regulatory Commission ("FERC") jurisdictional contracts with other entities and, therefore, the department which prepares the overhead rates does not have any knowledge as to which projects the overhead rates will be applied. PacifiCorp's accounting and payroll personnel do not prepare separate overhead rates for work performed for other parties and overhead rates charged to other parties do not include any markup or premiums over those rates PacifiCorp would charge to its own projects and facilities. PacifiCorp's overhead rates are determined at the beginning of each year and are based on previous year actual costs adjusted for inflation and other forecasted adjustments anticipated for the coming year. The projected overhead rates are utilized to determine budgeted overhead dollars for the coming year which are assigned to clearing accounts that are then charged to projects as direct labor and material costs are incurred during the year. The overhead rates and clearing accounts are adjusted either monthly or quarterly using year-to-date actual and remaining year forecasted expenses with the goal of zeroing out the clearing accounts by year end. The overhead rates are determined in accordance with internal accounting procedures standard to the utility industry which follow FERC accounting procedures. PacifiCorp's overhead rates and supporting data are subject to internal audit, and in the case of work performed for others, outside audits and review by both state and federal regulatory agencies.

## EXHIBIT E

This Use-of-Facilities Agreement entered into as of this  1st  day of  January , 19  80  by and between IDAHO POWER COMPANY, a Corporation of the State of Maine (hereinafter called "Idaho") and PACIFIC POWER & LIGHT COMPANY, a Corporation of the State of Maine (hereinafter called "Pacific").

### WITNESSETH

WHEREAS Idaho desires to transfer station service power and energy from the Jim Bridger Project to Bridger Pump Substation, and

WHEREAS Pacific agrees to provide such transfer service for Idaho on the terms herein stated;

Now, therefore, it is mutually agreed by the parties as follows:

1.  Effective Date and Term .

This agreement shall be effective as of 0000 hours on January 1, 1980 and shall continue until the earlier of (a) the termination of the Agreement for the Ownership of the Jim Bridger Project between Idaho Power Company and Pacific Power & Light Company dated September 22, 1969 or (b) the date specified by either party in a 12 month's prior written notice to the other.

2.  Use-of-Facilities Charges .

The use-of-facilities charge is one thousand and three hundred and fifty seven dollars (\$1357) per month for the transmission system facilities in-volved hereunder. Pacific may at anytime and at least once every two years, update this charge to reflect prior years' maximum demands, and system changes, if any.

3. a)  Energy Settlement .

Idaho shall return to Pacific a total of 84,263 megawatt-hours of energy supplied by Pacific for the period January 1, 1974, to July 31, 1980. This energy shall be returned at a rate of four megawatt-hours per hour (4mwh/h)

beginning 0100 August 1, 1980, Mountain Advanced Standard Time, at points of interconnection between the parties as determined by Idaho until all energy is re-turned.

b) Use-of-Facilities Settlement.

Upon execution of this Agreement, Idaho shall pay to Pacific a total of \$160,662 for the use of transmission facilities in transferring the power and energy for the period January 1, 1974, through 12:00 p.m., December 31, 1979, the receipt of which is hereby acknowledged.

4. Transmission of Power and Energy.

- a) Subject to Section 4(b) Pacific shall transfer, for Idaho, all power and energy over its transmission system from the Jim Bridger Project to Bridger Pump Substation necessary to serve Idaho's share of the water pumping load requirements necessary for the operation of the Jim Bridger Project.
- b) Nothing in this Agreement, either directly or indirectly, shall require Pacific to add facilities to accommodate Idaho.

5. Payment for Transmission of Power and Energy.

Pacific will invoice Idaho, at its principal place of business for use of transmission facilities for service hereunder each month in accordance with Section 2 above. Idaho shall pay Pacific, at its principal place of business within ten (10) days of receipt of said invoice.

6. Uncontrollable Forces.

No party shall be considered to be in default in the performance of any of the obligations hereunder, other than obligations of the parties to pay costs and expenses, if failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" shall mean any cause beyond the control of the party affected and which, by the exercise of reasonable diligence, the party is unable to overcome, and shall include, but not be limited to an act of God, fire, flood, explosion,

strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require a party to settle any strike or labor dispute in which it may be involved. A party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

7. Regulatory Authority .

The rates, terms and provisions hereof are and shall be subject at all times to the lawful order of the regulatory authority or governmental agency having jurisdiction.

8. Rate Change .

Nothing contained herein shall be construed as affecting in any way the right of any party furnishing or receiving service under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

9. Successors and Assigns .

The Agreement and all the terms and provisions hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

10. Limitation of Liability .

In no event shall Pacific be liable to Idaho for any damages in excess of the charge for transferring power and energy hereunder including

but not limited to incidental or consequential damages and arising from whatever cause, including but not limited to contract, warranty, strict liability or partial negligence of Pacific.

11. Amendment.

Except as provided in Section 2, this Agreement may not be modified without the written consent of both parties.

In Witness Whereof, the parties hereto have executed this Agreement.

PACIFIC POWER & LIGHT COMPANY

By /s/ R. B. Lisbakken

Vice President

IDAHO POWER COMPANY

By /s/ C. E. Bissell

Title Vice President

## EXHIBIT F

Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

February 28, 2005

Mr. Bob Arambel  
Managing Director  
Jim Bridger Power Plant  
PO Box 158  
Point of Rocks, Wyoming 82942

Dear Bob:

For Sarbanes-Oxley Act (SOX) compliance purposes, last fall Idaho Power Company introduced its plans to use budget versus actual variance analysis as a key control of our jointly-owned thermal plant activities. The enclosed document provides specific procedures, metrics and thresholds we are expecting to use.

Cooperation and effective, timely communication are critical for this control to succeed. Please identify our point person for information. He/she should be able to address both 'plant' and 'corporate' transactions and issues. This person will be expected to answer questions about variances and notify us of anticipated changes, as defined in the enclosed document. If different people handle capital and O&M, please identify both. Idaho Power Company's contact people are John Carstensen for capital, and Kent Christensen for O&M.

With our plan, budgets and variance analysis serve as surrogate controls for more conventional and onerous control methods, such as extensive on-site auditing of PacifiCorp's internal systems, controls and detailed transactions. Working together we should be able to use the simpler process.

December 2004 activities provide an example of how the simpler process could fail. Significant unbudgeted charges for overtime labor and materials were incurred at Bridger but not communicated to Idaho Power Company in time to make a December accrual. Instead, the December projection (estimate) provided at the September Owners meeting was booked. Two consequences of this situation are: booking an estimate that misstates the Company's financial position, which is a financial reporting problem; and creating a large budget variance that is only identified after the fact, which is evidence of a weak control. Admittedly, this example comes from the time when we are getting started with new processes. It has value, however, illustrating how important it is for Idaho Power Company to be informed of, and in certain cases pre-approve, deviations from budgeted activities.

We want to continue our productive relationship with PacifiCorp and not get into the

daily details of operating Bridger. We recognize that timing differences between when activities are planned (budgeted) and when they are accomplished can occur. Substituting projects happens as well. It is necessary, though, for Idaho Power Company to be fully informed of variances from plans and budgets. Comprehensive variance explanations are needed. If variances are anticipated to be significant, we need to know in advance. Anticipated variances that will cause changes to the budget need to be approved by Idaho Power Company in advance. The enclosed document provides variance thresholds that we believe will maintain PacifiCorp's operating decision flexibility, satisfy Idaho Power Company's need to be informed and exercise-appropriate oversight.

We are looking forward to establishing an effective procedure with the person you name as our contact. Please do not hesitate to call if you have questions about our plans and expectations.

Sincerely,

*/s/ Dave Bean*

---

Dave Bean  
Controller Power Supply

*/s/ Darwin Pugmire*

---

Darwin Pugmire  
General Manager Power Production

Enc

cc: Jon Christensen  
John Rauch

## JOINT OWNERSHIP FINANCIAL CONTROL PROCEDURES

2-15-2005

Revised 10-8-2005

### **Point Person**

Each partner will identify a point person who will be responsible for providing notifications, information, and reports. This person will be responsible to answer questions about variances or facilitate the process to obtain answers from others. If O&M and Capital duties are split between two people, both will be identified. The person will be able to address plant and corporate perspectives, issues, and transactions. PacifiCorp will make every reasonable effort to respond to the requests outlined in this procedure, however in the event of a dispute the terms of the ownership agreement will apply.

### **Budgets**

*Due on or before October 1*

Annual budgets will be developed and agreed upon in writing. Budgets will be based on a calendar year (January - December) and will be structured with monthly information. Budget information will be in sufficient detail to support effective variance analysis described in the Reports section.

### **Reports**

*Due on or before the 20th of the following month*

### **O&M**

*Actual vs. Budget Report* . In any month where the actual expense varies from the agreed upon budget amount by plus or minus 10%, a report explaining the variance needs to be provided. This report should address the total amount as billed to Idaho Power, including overheads and costs from departments other than the power plant. This report should also include reasons for the variances, not just a listing of the areas or types of expenses that have caused the variances. Timing issues or project substitutions should be identified.

### **Capital**

*Actual vs. Budget Report* . A total monthly variance greater than 10% of the agreed upon budget needs to be explained by project to account for total variance. This report should address the total amount as billed to Idaho Power, including overheads and costs from departments other than the power plant. Explanations need to be of sufficient detail to accurately describe the variance cause and changes in forecast. Timing issues or project substitutions should be identified.

*Reforecast of Capital Projects Report* . A report of capital project reforecast amounts, by month and including year-end totals, needs to be provided. This report should address the total amount as billed to Idaho Power, including overheads and costs from departments in addition to the power plant.

**Notifications and Approvals**

*Due when identified*

If the year-end O&M forecast is greater than the yearly O&M budget by more than \$500,000 (Idaho Power share), it will be reviewed and agreed upon in writing.

If the year-end O&M forecast is less than the yearly O&M budget by more than 10% of the original budget, it will be reviewed and agreed upon in writing.

An anticipated O&M variance greater than \$250,000 (Idaho Power share), even though it will not result in an increase to the annual budget, should be communicated via email as soon as identified. The variance explanation will be included in the Actual vs. Budget Report, subsequently.

If the capital forecast is greater than the capital budget by more than \$100,000 (Idaho Power share), it will be reviewed and agreed upon in writing.

At anytime an individual capital project with a value greater than \$1 million (current budget year, 100% partnership) is expected to exceed the current year original budget by 20% it will be reviewed and agreed upon in writing prior to starting or continuing.

All new/unbudgeted individual capital projects larger than \$1,000,000 (100% partnership) will be reviewed and agreed upon in writing prior to starting the project.

In situations where an expedited authorization is needed, email will be acceptable.

**Procedure Modification**

These procedures may be reviewed periodically and modified as necessary by mutual consent.

*/s/ Darwin Pugmire*

\_\_\_\_\_  
Darwin Pugmire  
General Manager Power Production  
Idaho Power Co.

*/s/ Bob Arambel*

\_\_\_\_\_  
Bob Arambel  
Managing Director  
Jim Bridger Power Plant

**AMENDED AND RESTATED**

**AGREEMENT**

**for the**

**OWNERSHIP**

**of the**

**JIM BRIDGER PROJECT**

**between**

**IDAHO POWER COMPANY**

**and**

**PACIFICORP**

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# INDEX

## Part I

1. RECITALS
2. AGREEMENT
3. DEFINITIONS
4. OWNERSHIP RIGHTS AND INTERESTS
5. [DELETED]
6. DAMAGE TO OR DESTRUCTION OF PROJECT; DISPOSITION UPON ABANDONMENT
7. WAIVER OF RIGHT TO PARTITION
8. TERMINATION

## Part II

1. LIABILITIES
2. DEFAULTS
3. UNCONTROLLABLE FORCES
4. TRANSFERS AND ASSIGNMENTS: SECURED INTERESTS
5. COVENANTS RUNNING WITH THE LAND
6. OBLIGATIONS ARE SEVERAL
7. SUCCESSORS AND ASSIGNS
8. ARBITRATION
9. APPLICABLE LAWS AND REGULATIONS
10. NOTICES
11. ADDITIONAL DOCUMENTS
12. EFFECTIVENESS OF THIS AGREEMENT
13. ENTIRE AGREEMENT

## Exhibits

A.	AMENDMENT TO AGREEMENTS FOR THE OPERATION AND OWNERSHIP OF THE JIM BRIDGER PROJECT	A
B.	O&M AGREEMENT	B
	ATTACHMENT A TO EXHIBIT B	B
	ATTACHMENT B TO EXHIBIT B	B

**AGREEMENT FOR THE OWNERSHIP OF THE JIM BRIDGER PROJECT**

AGREEMENT, dated as of December 11, 2014, between IDAHO POWER COMPANY (Idaho), an Idaho corporation, and PACIFICORP (formerly PACIFIC POWER & LIGHT COMPANY) (PacifiCorp), an Oregon corporation, hereinafter collectively referred to as "parties",

WITNESSETH:

**PART I.**

**1. RECITALS:** This Agreement is made with reference to the following facts, among others:

1.1 Idaho is engaged in the generation, transmission and distribution of electric power and energy as an electric utility in southern Idaho, eastern Oregon and northern Nevada.

1.2 PacifiCorp is engaged in the generation, transmission and distribution of electric power and energy as an electric utility in Oregon, northern California, Idaho, Montana, Washington and Wyoming.

1.3 Idaho and PacifiCorp are both members of the Western Systems Coordinating Council, which comprises operating utilities in thirteen western states and part of British Columbia, all of whose systems are interconnected.

1.4 Both PacifiCorp and Idaho have connections with the above described interconnected systems at several points.

1.5 PacifiCorp has acquired from the Union PacifiCorp Railroad Company, the United States Government and the State of Wyoming certain leases covering coal deposits in Sweetwater County, Wyoming, and has acquired certain rights to stored water in Fontenelle Reservoir on the Green River in Wyoming, and has filed for additional natural flow rights in said stream.

1.6 PacifiCorp and Idaho are desirous of jointly building a project consisting of a coal-fired steam electric generating project, which project will be known as the "Jim Bridger Project" near the lands covered by said coal leases, using the coal therein and the water rights, described in Section 1.5, the generation from which will be conducted to the transmission systems of and be distributed by said companies.

1.7 On September 22, 1969, the parties executed a letter of intent which set forth the consideration for and the general scope of an agreement or agreements to be entered into with respect to their participation in the ownership and production from three 500 megawatt steam electric generating units to be built in south-western Wyoming.

1.8 This Agreement is executed for the purpose of confirming the respective ownership interests of Idaho and PacifiCorp in the Project, the nature of such interests and the respective percentage ownerships of the parties thereto and for the purpose of establishing the respective obligations of Idaho and PacifiCorp with respect to the ownership of such project.

1.9 All references herein to sections are to sections of Part I unless otherwise specified.

## **2. AGREEMENT:**

2.1 The parties, for and in consideration of the mutual covenants to be by them kept and performed, agree with respect to the ownership of the Project as set forth in this Agreement.

## **3. DEFINITIONS:** The following terms, when used herein, shall have the meaning specified:

3.1 Project: The Jim Bridger Project, located in Sweetwater County, Wyoming, a 2,000 megawatt coal-fired electric power plant, which will consist generally of four units, each of approximately 500 megawatts, each with turbine generator, coal-fired steam generator,

condenser, pumps, motors, feedwater heaters, cooling water systems, protection and control systems, coal pulverizing systems, air pollution control systems and main and auxiliary power systems; and such facilities common to the four units, as coal receiving and stocking systems, a unit coal train, water treating systems, ash handling and disposal systems, roads, utilities systems and other site developments, offices, warehouses and machine shops, and all other appurtenances and structures required for the efficient and reliable operation of a modern steam electric power plant; the Water Supply System; the switchyard; all real property and property rights, including access easements and appurtenances, acquired for or in connection with the Project or used in the operation and maintenance thereof.

3.2 Unit: A complete 500 megawatt generating plant, including boiler, turbine generator, that part of coal preparation and supply, and all attachments and accessories and controls, readily identified with and solely associated with the Unit.

3.3 Common Facilities: All facilities, other than the facilities included in each Unit, which will serve and be required in connection with the operation and maintenance of more than one unit, including, without limitation, Water Supply System, the switchyard other than the 345 kv facilities included in a unit, access roads, railroads, a unit coal train, coal receiving and stocking systems, engineering and legal fees and expenses, easements and all lands or interest in land included in the Project.

3.4 [DELETED]

3.5 Water Rights: Rights obtained by PacifiCorp from the State of Wyoming by contract dated November 20, 1969, for 35,000 acre feet stored water in Fontenelle Reservoir, of which 25,000 acre feet is referred to as "senior priority" water and 10,000 acre feet is referred to

as "junior priority" water and other rights obtained by PacifiCorp or applied for by the parties to store water and to divert and use waters of the Green River.

3.6 Water Supply System : The river diversion facilities, pumping station, control valves, conduits, structures, pipeline, associated land and land rights and other related common facilities used to convey water from the Green River to the Jim Bridger Project and to supply the water for said Project.

3.7 [DELETED]

3.8 Completion : Date when the parties determine that a Unit is ready for continuous commercial operation.

3.9 Project Agreements :

- (a) Agreement for the Ownership of the Jim Bridger Project ("Ownership Agreement").
- (b) Agreement for the Construction of the Jim Bridger Project ("Construction Agreement").
- (c) Agreement for the Operation of the Jim Bridger Project ("Operation Agreement").

The three said Agreements constitute the Project Agreements and shall be construed together.

3.10 [DELETED]

#### **4. OWNERSHIP RIGHTS AND INTERESTS:**

4.1 Except as otherwise provided in this Agreement, the parties will own the Project as tenants in common with Idaho owning a 33-1/3% undivided interest and PacifiCorp owning a

66-2/3% undivided interest. Such percentages are hereinafter referred to as the parties' "percentage share."

4.2 If Unit No. 3 is not a 500 megawatt unit, the parties shall determine the appropriate percentage ownership in the entire Project and shall execute and deliver suitable instruments of conveyance to provide for the changes in ownership percentages and will also make any necessary changes in the other Project Agreements in accordance with the respective ownerships.

4.3 In order to effectuate the ownership as tenants in common in the respective percentages set out in Section 4.1, or in such other percentages as provided in this Agreement, the parties will execute and cause to be recorded any instruments of title required in order to provide the respective ownership interests of the parties in and to the Project.

4.4 In order to transmit the electricity generated from the Jim Bridger Project, it will be necessary to construct electric transmission lines, and separate agreements will be consummated between the parties with respect to the ownership, use and operation thereof.

**5. [DELETED]**

**6. DAMAGE TO OR DESTRUCTION OF PROJECT: DISPOSITION UPON ABANDONMENT:**

6.1 If all, or substantially all, of the Project be destroyed or damaged beyond repair or damaged to the extent that the cost of repair substantially exceeds the proceeds of insurance available for reconstruction or repair and the parties do not agree to reconstruct or repair the Project, or if for any reason the parties determine to abandon the Project, the salvageable portion of the Project and the plant site shall be disposed of in accordance with a procedure agreed upon by the parties or if the parties cannot agree, they shall be sold at public auction, the proceeds from such disposition shall be distributed to the parties in accordance with their respective

ownerships; any demolition, removal and cleanup costs shall be charged against and borne by the parties in accordance with their respective ownerships; provided, however, that if either of the parties of the Project elect to reconstruct the Project, the value of the Project shall be appraised by independent appraisers and an amount of money equal to such value multiplied by the appropriate respective percentage ownership of the other party shall be paid by the party so electing; the party upon receiving payment shall convey its interest in the Project to the party so electing to reconstruct.

6.2 In the event that less than substantially all of the Project shall be destroyed and the cost of repair, restoration or reconstruction does not substantially exceed the proceeds of applicable insurance, unless otherwise agreed by the parties, the Project shall be repaired, restored or reconstructed by the parties in such manner as to restore the Project to substantially the same general character and use as the original project, with the cost of such reconstruction or repair in excess of the proceeds of insurance, to be paid by the parties in accordance with their respective percentage shares.

**7. WAIVER OF RIGHT TO PARTITION:**

7.1 The parties and each of them shall, to the extent provided in this Agreement, accept title to the Project, as tenants in common, and agree that their interests therein shall be held in such tenancy in common.

7.2 So long as the Project or any part thereof as originally constructed, reconstructed or added to is used or useful for the generation of electric power and energy, or to the end of the period permitted by applicable law, whichever first occurs, the parties waive the right to partition whether by partitionment in kind or sale or division of the proceeds thereof and agree that they

will not resort to any action at law or in equity to partition and further waive the benefit of all laws that may now or hereafter authorize such partition of the properties comprising the Project.

**8. TERMINATION:**

8.1 This Agreement shall terminate at such time as the Project or any part thereof as originally constructed, reconstructed or added to is no longer used or usable for the generation of power or electric energy, and the salvageable portion of the Project shall be disposed of as provided for in Section 6.1).

**PART II.**

**1. LIABILITIES:**

Any loss, cost, liability, damage and expense to the parties or either party resulting from the construction, operation, maintenance, reconstruction or repair of the Project and based upon injury to persons or employees of the parties or others, or other parties, or damage to property including the property of parties or other parties to the extent not covered by collectible insurance shall be charge-able to Construction Cost or Operating Expenses as may be appropriate.

**2. DEFAULTS:**

(a) Each party hereby agrees that it will make all payments and perform all other obligations by it to be made or performed pursuant to all of the terms, covenants and conditions contained in the Project Agreements and that a default by a party of any of terms, covenants and conditions contained in any of the Project Agreements shall be an act of default under this Agreement.

(b) In the event a party shall dispute an asserted default by it, then such party shall make payment of any sums in dispute or perform the obligation in dispute but may do so under protest. Such protest shall be in writing and shall specify the reasons upon which the

protest is based and shall be mailed to the other party. Upon settlement of such dispute by the parties, by arbitration, or by a court of competent jurisdiction, as the case may be, then appropriate adjustments shall be made.

**3. UNCONTROLLABLE FORCES:**

No party shall be considered to be in default in the performance of any of the obligations hereunder, other than obligations of the parties to pay costs and expenses, if failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" shall mean any cause beyond the control of the party affected and which, by the exercise of reasonable diligence, the party is unable to overcome, and shall include, but not be limited to an act of God, fire, flood, explosion, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of, the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require a party to settle any strike or labor dispute in which it may be involved. A party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

**4. TRANSFER AND ASSIGNMENTS: SECURED INTERESTS:**

This Agreement, the undivided interest of a party in the Project, and the property, real or personal, related thereto may be transferred and assigned as follows but not otherwise:

(a) To any mortgagee, trustee, or secured party, as security for bonds or other indebtedness of such party, present or future, and such mortgagee, trustee or secured party may

realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title and interest of such party. Anything herein to the contrary notwithstanding, any such mortgagee, trustee or secured party may sell the undivided interest obtained upon such foreclosure or other suitable proceedings to any person.

- (b) To any corporation or other entity acquiring all or substantially all the property of the party making the transfer.
- (c) To any corporation or entity into which or with which the party making the transfer may be merged or consolidated.
- (d) To any corporation or entity, the stock or ownership of which is wholly owned by the party making the transfer.
- (e) To any other person where the other party consents to such transfer, in advance in writing.
- (f) No transfer or assignment may be made except under Section 4(a) Part II unless simultaneously the party's interests in all other Project Agreements are similarly transferred or assigned to the same person or persons, and such person or persons have assumed all the duties and obligations of the party transferring or assigning under this Agreement and under all other Project Agreements.
- (g) Transfers or assignments shall not relieve a party of any obligation hereunder, except to the extent agreed in writing by the other party.

**5. COVENANTS RUNNING WITH THE LAND:**

All of the respective covenants and agreements set forth herein shall bind and shall be and become the respective obligations of each party, its successors and assigns, and shall be obligations running with each of such party's rights, titles and interests in the Project and with all

of the rights, titles and interests of each such party in, to and under the Project Agreements and with the rights, titles and interest in and to all real property and real property rights and personal property and personal property rights. It is the specific intention of this pro-vision that all of such covenants, conditions and obligations shall be binding upon any party which acquires any of the rights, titles and interests of either party in the Project or in, to and under the Project Agreements.

**6. OBLIGATIONS ARE SEVERAL:**

The duties, obligations and liabilities of the parties hereunder are intended to be several and not joint or collective and neither of the parties shall be jointly or severally liable for the acts, omissions or obligations of the other. Nothing herein contained shall be construed to create an association, joint venture, partnership, or impose a partnership duty, obligation or liability, on or with regard to either of the parties. No party shall have right or power to bind the other party without its express, written consent, except as expressly provided in this Agreement.

**7. SUCCESSORS AND ASSIGNS:**

Subject to the restrictions on transfer and assignment herein provided, all of the respective covenants and obligations of each of the parties shall be and become the respective obligations of the successors and assigns of each such party and shall be obligations running with the respective party's rights, titles and interests in the Project. It is the specific intention of this provision that all such covenants and obligations shall be binding upon any party which acquires any of the right, title and interest of either of the parties in the Project.

**8. ARBITRATION:**

Any dispute arising between the parties involving any of the terms, covenants and conditions of this Agreement shall be subject to arbitration in accordance with the following procedure.

The party demanding arbitration shall give to the other party notice in writing of such demand. The parties shall meet within ten (10) days thereafter to select an arbitrator by mutual agreement. In the event the parties cannot agree upon such arbitrator, the Judge or any judge, if more than one, of the District Court of the United States for the State of Wyoming or such tribunal as may at the time be the successor of such Court, may, upon request of any party, appoint the arbitrator who shall be an individual of national reputation having demonstrated expertise in the field of the matter or item to be arbitrated. If pending any arbitration under this Agreement, the arbitrator, or successor or substitute arbitrator, shall die or for any reason be unable or unwilling to act, his successor shall be appointed as he was appointed, and such successor or substitute arbitrator, as to all matters then pending, shall act the same as if he had been originally appointed as an arbitrator. The award of the arbitrator so chosen shall be final and binding upon all parties, and if necessary and appropriate in the premises, the arbitrator may make an order requiring specific performance of any of the terms and conditions of said award. Each party shall bear the expense of preparing and presenting its own case, and the expense of the arbitrator shall be equitably divided between the parties by the arbitrator.

**9. APPLICABLE LAWS AND REGULATIONS:**

The parties in their performance of their obligations hereunder shall conform to all applicable laws, rules and regulations and, to the extent that their operations may be subject to the jurisdiction of state or federal regulatory agencies, subject to the terms of valid and applicable orders of any such agencies. This Agreement shall be subject to the laws of the State of Wyoming. This Agreement is subject to the approval of any state or federal regulatory agency having jurisdiction thereof.

**10. NOTICES:**

Any notice, demand or request provided for in this Agreement served, given or made in connection therewith shall be deemed properly served, given or made if sent by registered or certified mail, postage prepaid, addressed to the party at its principal place of business to the attention of the president or chief executive officer of PacifiCorp or Idaho. A party may at any time, and from time to time, change its designation of the person to whom notice shall be given by written notice to the other party as hereinabove provided.

**11. ADDITIONAL DOCUMENTS:**

Each party, upon request by the other party, shall make, execute and deliver any and all documents reasonably required to implement the terms of this Agreement.

**12. EFFECTIVENESS OF THIS AGREEMENT:**

This Agreement, including the Parties' rights and obligations hereunder, shall become effective, if at all, on the Closing Date as set out in the Joint Purchase and Sale Agreement ("JPSA") between the Parties and dated October 24, 2014. For the avoidance of doubt, no aspect of this Agreement, other than this Section 12, shall have any effect unless and until the Closing Date occurs. If the Closing Date does not occur and the JPSA is terminated, this Agreement, including this Section 12, shall become void ab initio.

**13. ENTIRE AGREEMENT:**

This Agreement, together with Exhibits hereto, embody the entire agreement and understanding of the Parties in respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof.

**[Signature Page to Follow]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in several counterparts.

**IDAHO POWER COMPANY**

By: /s/ Lisa Grow  
Name: Lisa Grow  
Title: SVP Power Supply

**PACIFICORP**

By: /s/ Rick Vail  
Name: Rick Vail  
Title: VP - Transmission

## **EXHIBIT A**

### **AMENDMENT TO AGREEMENTS FOR THE OPERATION AND OWNERSHIP OF THE JIM BRIDGER PROJECT**

The parties to this agreement are PACIFIC POWER & LIGHT COMPANY, a Maine corporation (“Pacific”), and IDAHO POWER COMPANY, a Maine corporation (“Idaho”).

#### **RECITALS**

1. As of September 22, 1969, Pacific and Idaho executed an “Agreement for the Operation of the Jim Bridger Project” (“Operation Agreement”) and an “Agreement for the Ownership of the Jim Bridger Project” (“Ownership Agreement”).
2. Pursuant to the Operation and Ownership Agreements Pacific and Idaho contemplated the joint operation and ownership of coal properties to supply coal for Units Nos. 1, 2 and 3 of the Jim Bridger Project. Pacific and Idaho have determined that these properties will be operated and owned by a joint venture consisting of wholly owned subsidiary corporations of Pacific and Idaho.
3. Subsection 5.1 of the Ownership Agreement contemplated the assignment to Idaho of a one-third undivided interest in the coal in an area sufficient to provide the necessary coal for Units Nos. 1, 2 and 3 of the Jim Bridger Project. Under Subsections 5.3 and 5.5 of the Ownership Agreement, the parties contemplated that if Idaho so desired, additional coal for additional units would be made available to Idaho.
4. Idaho and Pacific have tentatively determined that Idaho will desire coal for a generator to be constructed after completion of Unit No. 3 of the Jim Bridger Project and Pacific desires to make available to Idaho, on a reasonable basis, sufficient coal reserves to provide Idaho with an assured coal supply.

5. The parties have determined that various provisions of the Operation and Ownership Agreements will not be applicable if the coal properties are to be operated by a joint venture consisting of wholly owned subsidiaries of Pacific and Idaho.

### **AGREEMENT**

In consideration of their mutual promises, the parties agree as follows:

1. The following provisions of the Operation and Ownership Agreements are hereby terminated, rescinded and of no further force and effect as of September 22, 1969:

#### **Operation Agreement**

- (a) Subsection 3.1 is amended by deleting “the portion of the area covered by the coal leases in which Idaho and Pacific hold undivided interests pursuant to Section 5 of the Ownership Agreement” and “the Coal Supply System”.
- (b) Subsection 3.3 is amended by deleting “the Coal Supply System”.
- (c) Subsection 3.7 is deleted.
- (d) Subsection 5.1 (d) is amended by substitution for this subsection the words “Costs of coal”.
- (e) Subsection 5.1(k) is deleted.
- (f) Subsection 5.2 is deleted.
- (g) Subsection 6.1 (a) is amended to delete “Excluding variable coal mining operating expenses”.
- (h) Subsection 6.1 (b) is deleted.
- (i) Subsection 6.1 (c) is amended by deleting parts (ii) and (iii).
- (j) Subsection 7.1 is deleted.
- (k) Section 8 is deleted.

## Ownership Agreement

(a) Subsection 3.1 is amended by deleting “the portion of the area covered by the coal leases in which Idaho and Pacific hold undivided interests pursuant to Section 5 of this Agreement” and “the Coal Supply System”.

(b) Subsection 3.3 is amended by deleting “Coal Supply System”.

(c) Subsection 3.4 is deleted.

(d) Subsection 3.7 is deleted.

(e) Subsection 3.10 is deleted.

(f) Subsection 4.2 is amended by deleting “(excluding undivided interests in the coal covered by the Coal Leases provided by Section 5)”.

(g) Section 5 and its parts are deleted.

(h) Subsection 6.1 is amended by deleting wherever used the parenthetical phrase “(excluding the Coal Mine)”.

(i) Subsection 8.1 is amended by deleting “(excluding the coal mine)”.

2. Pacific agrees to cause the incorporation of a wholly owned subsidiary, Pacific Minerals, Inc., a Wyoming corporation (“Minerals”), and Idaho agrees to cause the incorporation of a wholly owned subsidiary, Idaho Energy Resources Co. a Wyoming corporation (“Resources”). Pacific and Idaho agree that these two corporations will enter into a joint venture to provide coal for the Jim Bridger Project.

3. Pacific shall retain the consideration of \$390,000 previously paid to it under Subsection 5.2 of the Ownership Agreement as a bonus paid.

4. Pacific hereby assigns, subleases and transfers to Idaho, and agrees to cause the assignment, sublease or transfer of, a one-third undivided interest in the Jim Bridger Coal Leases defined in Subsection 3.4 of the Ownership Agreement (the “Coal Leases”). The

parties shall make suitable joint or separate applications and will otherwise cooperate in securing approval of the sublease by the Department of the Interior of the one-third undivided interest in the federal coal leases referred to in said Subsection 3.4, and approval of the sublease or by the State of Wyoming of the one-third undivided interest in the Wyoming lease referred to in said Subsection 3.4.

5. As consideration for the above transfer, Idaho agrees to and hereby assumes and agrees to perform each and all of the obligations and covenants of Pacific pursuant to the terms of the coal leases, up to its interest therein created hereby, including the obligation to pay one-third of all minimum, advance and production royalties pertaining to said coal leases, when and as the same shall become due under the terms thereof. In addition, Idaho shall pay to Pacific overriding production royalties as follows:

- (a) With respect to each ton of coal mined from the federal leases, two-and-two-thirds cents ( $2\frac{2}{3}\text{¢}$ ) per ton; and
- (b) With respect to each ton of coal mined from the Union Pacific and Wyoming leases, four cents ( $4\text{¢}$ ) per ton.

All said overriding royalties to be paid Pacific shall be paid on or before sixty (60) days from the date of sale of coal to which said overriding royalties pertain.

6. As advance prepaid royalties, Idaho shall pay to Pacific (a) on or before March 1, 1974, the sum of \$3,410,000; (b) within 90 days after Idaho shall have notified Pacific by mail of its desire to utilize additional coal tonnage to provide fuel to generating facilities to be owned by Idaho in addition to Units Nos. 1, 2 and 3 of the Jim Bridger Project, the sum derived by multiplying one-third of the total remaining recoverable coal reserves of the Bridger Coal Field expressed in tons (which reserves shall be calculated in accordance with an acceptable

modified mining plan developed at or about the time of Idaho's notice to Pacific, after taking into account such reserves as must be dedicated to insure full compliance with all prior coal sales agreements to provide coal from the Bridger Coal Field to said Units Nos. 1, 2 and 3) by 10 cents per ton. Such amounts shall be used as credits annually by Idaho up to the full amount thereof against all overriding production royalties payable by Idaho to Pacific under paragraph 5 above.

7. Pacific agrees that Idaho shall have the right to assign, sublease and transfer to Resources, which shall have the same right to assign, sublease and transfer to the joint venture of Minerals and Resources the one-third undivided interest in the Jim Bridger Coal Leases described in Section 4 of this Agreement in return for assumption of obligations and payments by the joint venture to Resources and by Resources to Idaho of all royalties described in Section 5 of this Agreement, including overriding royalties in the amounts set forth in (a) and (b) of such section.

8. Pacific and Idaho agree that the aggregate over-riding royalties payable by the joint venture of Minerals and Resources to Pacific shall not exceed eight cents (8¢) per ton of coal mined from the federal leases and twelve cents (12¢) per ton of coal mined from the Union Pacific and Wyoming leases; provided, however, that nothing herein shall obligate the joint venture, Minerals or Pacific to reimburse Idaho, Resources, or the venture for any advance prepaid royalties previously paid to Pacific.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Agreements for the Operation and Ownership of the Jim Bridger Project this 1st day of February, 1974.

PACIFIC POWER & LIGHT COMPANY

By: /s/ Don C. Fisbee  
Chairman of the Board

ATTEST:

/s/ George D. Rives  
Assistant Secretary

IDAHO POWER COMPANY

By: /s/ Albert Carlson  
President

ATTEST:

/s/ James E. Bruce  
Secretary

**EXHIBIT B**  
**O&M Agreement**

*700 N.E. Multnomah St.  
Portland, Oregon 97232-4116  
(503) (503) 731-2157  
FAX (503) 731-2027*

PACIFICORP

February 16, 1994

Jan Packwood, Vice President  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

Dear Mr. Packwood:

The source for auxiliary power, station service and service to the Jim Bridger Mine has previously been provided for via a 34.5 tertiary winding of the 345/230 kV station transformers, through a 34.5 isolation transformer. Serving these 34.5 kV loads in this method has recently caused the loss of the 34.5 kV isolation transformer and one of the two 345/230 kV transformers as a result of faults on the 34.5 kV system.

PacifiCorp and Idaho Power personnel have discussed a proposal to install a 230/34.5 kV, 75 MVA transformer in the Jim Bridger Plant switchyard to reduce risk to the Jim Bridger Plant and to provide better service for the 34.5 kV loads. From those discussions, it has been determined that approximately one half of the proposed transformer's capacity is adequate to serve the Jim Bridger Plant requirements.

The estimated total cost to install the transformer and associated metering, relaying and communications is \$2,759,548. A copy of the ER for the transformer installation is attached. The installation of the transformer and associated equipment is currently underway with an anticipated in-service date of March 15, 1994.

Pursuant to the Jim Bridger Ownership and Operation Agreement, cost at the Jim Bridger switchyard are to be shared on a basis of two-thirds (2/3) PacifiCorp, one-third (1/3) Idaho Power. However, in that only fifty percent (50%) of the transformer's capacity is required for plant use, the Parties have agreed that Idaho Power's share of the cost would be one-sixth of the total cost of the installation. In addition, Idaho Power's contribution to the operation and maintenance expenses for the transformer and related 34.5 kV facilities shall be one-sixth of the actual operation and maintenance expense of the transformer and associated 34.5 kV facilities.

Jan Packwood, Vice President  
Idaho Power Company  
Page 2  
February 16, 1994

If Idaho Power agrees with the above, please sign in the space provided below and return one fully executed original of this Letter Agreement to PacifiCorp.

Sincerely,

/s/ Dennis P. Steinberg

Idaho Power Company

By: /s/ J. B. Packwood

Title: Vice President



ATTACHMENT A TO EXHIBIT B

700 N.E. Multnomah St.  
Portland, Oregon 97232-4116  
(503) (503) 731-2157  
FAX (503) 731-2027

PACIFICORP  
Pacific Power Utah Power

May 20, 1994

Lois D. Cashell, Secretary  
Federal Energy Regulatory Commission  
c/o Dockets Branch, Room 3110  
825 N. Capitol Street, N.E.  
Washington, D.C. 20426

Re: Docket No. ER94-1134-000

Dear Ms. Cashell:

PacifiCorp files herewith in accordance with 18 CFR 35 of the Commission's Rules and Regulation, an original and six (6) copies this letter as an amendment to its filing in the docket referenced above.

By letter dated April 4, 1994, PacifiCorp filed with the Commission a Letter Agreement dated February 16, 1994 between PacifiCorp and Idaho Power Company ("Idaho Power"). The Letter Agreement provides for the joint construction and ownership of a new 230/34.5 kV transformer to be installed in the electrical switchyard of the parties' jointly owned Jim Bridger Project. The Letter Agreement also provides for cost sharing of the operation and maintenance costs incurred by PacifiCorp pursuant to the Jim Bridger Ownership and Operation Agreement between the parties.

Attached to the Letter Agreement is PacifiCorp's Expenditure Requisition ("ER") which was prepared to estimate the cost of the installation of the new transformer and related equipment. The ER was prepared in 1991 and the Letter Agreement altered, for this equipment only and for the reasons stated therein, the two-thirds, one-third sharing of costs between PacifiCorp and Idaho Power, respectively, as provided in the Jim Bridger Ownership and Operation Agreement. Pursuant to the Letter Agreement, PacifiCorp and Idaho Power will share the costs of the installed transformer on a five-sixths/one-sixth basis, respectively.

Ownership of Facilities

In response to Commission Staff's comments that the Letter Agreement is somewhat vague in its description of the ownership shares of the facilities, PacifiCorp hereby states that PacifiCorp shall have a five-sixths ownership share and Idaho Power shall have a one-sixth ownership share of the facilities installed pursuant to the Letter Agreement.

Lois D. Cashell, Secretary

May 20, 1994

Page 2

Operation and Maintenance Charges

PacifiCorp will operate and maintain the 230/34.5/kV transformer as part of its activities associated with the Jim Bridger Project. PacifiCorp's costs incurred for the transformer will be accounted and billed to Idaho Power -- except, in this case, at 16.7% rather than 33.3% -- as part of the Jim Bridger Project. The Letter Agreement provides for cost sharing of PacifiCorp's actual costs of operating and maintaining the facilities to be installed. PacifiCorp's actual costs consist of its direct costs such as labor, materials, transportation and contracted services as well as PacifiCorp's overheads. Such actual costs are for such items including but not limited to wages plus associated overtime, benefits and taxes, materials either purchased or withdrawn from stores, freight expenses, vehicle charges, tool expenses and contract rates or charges for outside services.

Any overheads applied to PacifiCorp's actual direct costs of operation and maintenance of the facilities, and allocated between the parties pursuant to the Letter Agreement, are the same overheads which PacifiCorp applies for operation and maintenance of its own facilities. PacifiCorp will apply no additional or modified overheads to the new facilities because of their partial ownership by Idaho Power.

In accordance with 18 CFR 35.11 of the Commission's Rules and Regulations, PacifiCorp requests a waiver of prior notice such that a rate schedule be assigned to be effective within 60 days of the Commission's receipt of PacifiCorp's initial filing of April 4, 1994. Such waiver, if granted, would have no effect on purchasers under other rate schedules.

Copies of this amended filing have been supplied to the parties shown on the attached distribution list. A draft Notice of Amended Filing is attached to this letter.

Sincerely,  
/s/ Jerry D. Miller  
Jerry D. Miller, Manager  
Power System Services

CP : cc

Attachment

FEDERAL EXPRESS

Distribution List on attached sheet.

DISTRIBUTION LIST

Steven Herod, Director  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

William G. Longenecker, Chief  
Electric Rate Filings Branch (ER-12.1)  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

Stephen D. Pointer  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

William Warren  
Public Utility Commission of Oregon  
550 Capital Street, N.E.  
Salem, Oregon 97310-1380

Idaho Public Utilities Commission  
Statehouse  
Boise, Idaho 83720

Jan B. Packwood, Vice President  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

Jerry D. Miller  
Manager, Power System Services  
PacifiCorp  
920 S.W Sixth Avenue, 424 PSB  
Portland, Oregon 97204

Marcus Wood  
Stoel Rives Boley Jones & Grey  
900 S.W. Fifth Avenue, Suite 2700  
Portland, Oregon 97204

**ATTACHMENT B TO EXHIBIT B**

**PACIFICORP TRANSMISSION SYSTEM  
ALTERNATIVE O&M AND A&G COSTS**

O&M and A&G expense Factors as a percent of installed cost of facilities. (See Page 2)	<b>1.68%</b>
Installed Cost of Facilities per attachment to Letter Agreement.	<b>\$1,840,619</b>
Alternative Annual O&M and A&G Charge:	
$(1/6) \times \$1,840,619 \times 1.68\% =$ <b>\$5,154</b>	

**1993 Transmission O&M and A&G Expense Allocations**

Basis: PacifiCorp 1993 FERC Form No.1.

**Transmission O&M Expense Factor**

Total Transmission O&M Expense [1]	\$61,644,494
Transmission of Electricity by Others [2]	<u>(\$39,072,622)</u>
Net Transmission O&M Expense	\$22,571,867

Total Transmission Plant in Service [3]	
Beginning of Year	\$1,738,185,000
End of Year	\$1,892,345,928
Average Plant in Service	\$1,815,265,464

Transmission O&M Expense Factor (as % of Transmission Plant):	
$\$22,571,867 \div \$1,815,265,464 =$	<b>1.24%</b>

**Transmission A&G Expense Factor**

Total A&G Expense [4]	\$143,191,599
Transmission O&M Wages [5]	\$10,012,679
Total O&M Wages w/o A&G [6]	\$178,970,727

Total Transmission Plant in Service [3]	
Beginning of Year	\$1,738,185,000
End of Year	\$1,892,345,928
Average Plant in Service	\$1,815,265,464

Transmission A&G Expense Factor (as % of Transmission Plant):	
$(\$10,012,679 + \$178,970,727) \times \$143,191,599 \div$ $\$1,815,265,464$	<b>0.44%</b>

**Total of O&M and A&G Expense Factors 1.68%**

Notes:

- [1] 1993 FERC Form 1, Page 321, Line 99
- [2] 1993 FERC Form 1, Page 321, Line 87
- [3] 1993 FERC Form 1, Page 206-7, Line 53
- [4] 1993 FERC Form 1, Page 323, Line 167
- [5] 1993 FERC Form 1, Page 354, Line 19
- [6] 1993 FERC Form 1, Page 354, Line 25 minus Line 24

**PACIFICORP RATE SCHEDULE FERC NO. \_\_\_\_**

**RATE SHEET FOR OPERATION AND MAINTENANCE CHARGES  
PURSUANT TO THE  
LETTER AGREEMENT  
DATED FEBRUARY 16, 1994 BETWEEN  
IDAHO POWER COMPANY AND PACIFICORP**

PacifiCorp shall charge Idaho Power Company one-sixth of its actual costs of operation and maintenance of the facilities installed pursuant to the Letter Agreement. PacifiCorp's actual costs plus PacifiCorp's standard overheads.

PacifiCorp shall maintain a record of the charges to Idaho Power Company pursuant to the Letter Agreement. Upon termination of this rate schedule, PacifiCorp shall tender with the Federal Energy Regulatory Commission a compliance filing illustrating that the then-present value of the cumulative amounts charged to Idaho Power Company do not exceed the then-present value of the cumulative amounts calculated by applying the sum of PacifiCorp's annual transmission system operation and Maintenance and Administrative and General expense factors, as defined below, to one-sixth of the installed cost (as may be adjusted from time to time by betterments, retirements or replacements) of the facilities installed under the Letter Agreement.

PacifiCorp's Operating and Maintenance ("O&M") and Administrative and General ("A&G") expense factors for any calendar year shall be calculated as follows based upon PacifiCorp's FERC Form No. 1 for the previous calendar year.

Operation and Maintenance Expense Factor

$$\text{O\&M Expense Factor} = (A - B) / E$$

Administrative and General Expense Factor

$$\text{A\&G Expense Factor} = ((G/H) \times F) / E$$

where

- A = Total Transmission O&M Expense (Page 321, Line 99)
- B = Transmission of Electricity by Others (Page 321, Line 87)
- C = Total Transmission Plant in Service, Beginning of Year (Page 206-7, Line 53)
- D = Total Transmission Plant in Service, End of Year (Page 206-7, Line 53)
- E = Average Transmission Plant in service = (C + D) / 2
- F = Total A&G Expense (Page 323, Line 167)
- G = Transmission O&M Wages (Page 354, Line 19)
- H = Total O&M Wages without A&G (Page 354, Line 25 minus Line 24)

**IDACORP, INC.**  
**NON-EMPLOYEE DIRECTORS STOCK COMPENSATION PLAN**  
**(As Amended November 20, 2014)**

I. Purpose

The purpose of the IDACORP, Inc. Non-Employee Directors Stock Compensation Plan is to provide ownership of the Company's stock to non-employee members of the Board of Directors and to strengthen the commonality of interest between directors and shareholders.

II. Definitions

When used herein, the following terms shall have the respective meanings set forth below:

"Annual Retainer" means the annual retainer payable by the Company to Non-Employee Directors and shall include, for purposes of this Plan, meeting fees, cash retainers and any other cash compensation payable to Non-Employee Directors by the Company for services as a director.

"Annual Meeting of Shareholders" means the annual meeting of shareholders of the Company at which directors of the Company are elected.

"Board" or "Board of Directors" means the Board of Directors of the Company.

"Change in Control" means the earliest of the following to occur: (a) any person (which shall not include the Company, any Subsidiary or any employee benefit plan of the Company or of any Subsidiary) ("Person") or group (as that term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company; (b) any Person or group (as that term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) acquires ownership of the stock of the Company that, together with stock held by such Person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company (this part (b) applies only when there is a transfer of stock of the Company and the Company's stock remains outstanding after the transaction); (c) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board; or (d) any Person or group (as that term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) assets from the Company that have a gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions.

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Notwithstanding anything contained herein to the contrary, no transaction or event shall constitute a Change in Control for purposes of the Plan unless the transaction or event constitutes a change in the ownership of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)), a change in effective control of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)) or a change in the ownership of a substantial portion of the assets of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)) and the term Change in Control shall be interpreted in a manner consistent with the proper interpretation of the similar provisions in the Section 409A Treasury Regulations.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board of Directors.

"Common Stock" means the common stock, without par value, of the Company.

"Company" means IDACORP, Inc., an Idaho corporation, and any successor corporation.

"Deferral Account" means an account maintained by the Company in the name of a Participant that is used to track the Deferred Stock Units of a Participant who elects to defer receipt of his or her Stock Payments pursuant to Section VI hereof.

"Deferral Election" means a Participant's deferral election, as defined in Section VI(A) hereof.

"Deferred Stock Unit" means a notional entry in a Participant's Deferral Account representing one share of Common Stock.

"Effective Date" means May 17, 1999.

"Employee" means any officer or other common law employee of the Company or of any Subsidiary.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Non-Employee Director" or "Participant" means any person who is elected or appointed to the Board of Directors of the Company and who is not an Employee.

"Plan" means the Company's Non-Employee Directors Stock Compensation Plan, adopted by the Board on May 5, 1999, as it may be amended from time to time.

"Separation from Service" means a Participant's separation from service (as that term is used in Section 409A(a)(2)(A)(i) of the Code) with the Company.

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"Stock Payment" means that portion of the Annual Retainer to be paid to Non-Employee Directors in shares of Common Stock rather than cash for services rendered as a director of the Company, as provided in Section V hereof.

"Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

### III. Shares of Common Stock Subject to the Plan

Subject to Section VII below, the maximum aggregate number of shares of Common Stock that may be delivered under the Plan is 100,000 shares. The Common Stock to be delivered under the Plan will be made available from treasury stock or shares of Common Stock purchased on the open market.

### IV. Administration

The Plan shall be administered by the Compensation Committee of the Board of Directors. The Company shall pay all costs of administration of the Plan. Subject to and not inconsistent with the express provisions of the Plan, the Committee has and may exercise such powers and authority of the Board as may be necessary or appropriate for the Committee to carry out its functions under the Plan. Without limiting the generality of the foregoing, the Committee shall have full power and authority (i) to determine all questions of fact that may arise under the Plan, (ii) to interpret the Plan and to make all other determinations necessary or advisable for the administration of the Plan and (iii) to prescribe, amend and rescind rules and regulations relating to the Plan, including, without limitation, any rules which the Committee determines are necessary or appropriate to ensure that the Company and the Plan will be able to comply with all applicable provisions of any federal, state or local law. All interpretations, determinations and actions by the Committee will be final and binding upon all persons, including the Company, the Participants and their estates and beneficiaries.

### V. Determination of Annual Retainer and Stock Payments

#### A. Annual Retainer

The Board shall determine the Annual Retainer payable to all Non-Employee Directors of the Company.

#### B. Stock Payments

Subject to the provisions of Section V(C) below, each director who is a Non-Employee Director on March 1 of each year shall receive, on March 1 or the first business day thereafter, as a portion of the Annual Retainer, a Stock Payment of \$80,000 in value of Common Stock. Non-Employee Directors may elect to defer receipt of the

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Stock Payment in accordance with the provisions of Section VI hereof. The number of shares granted (or credited as Deferred Stock Units pursuant to a Deferral Election in accordance with Section VI hereof) shall be determined based on (i) for shares granted from treasury stock and Deferred Stock Units, the closing price of the Common Stock on the consolidated transaction reporting system on the business day immediately preceding the date paid to the Non-Employee Director or credited to his or her Deferral Account, as the case may be, and (ii) for open market purchases, the actual price paid to purchase the shares.

Non-Employee Directors who are initially elected to the Board after March 1 in any year shall receive a prorated Stock Payment on the first business day of the month following the effective date of their election to the Board, but in no event later than March 15 of the year following the year in which they are initially elected to the Board. The Stock Payment will be prorated by multiplying \$80,000 by a fraction, the numerator of which equals the number of months (with a partial month counted as a full month) remaining in the calendar year and the denominator of which is twelve.

At the time of payment (or, if applicable, at the time of distribution of any shares of Common Stock pursuant to Section VI hereof), a certificate evidencing the shares of Common Stock shall be registered in the name of the Participant and issued to the Participant.

C. Non-Employee Directors on April 1, 2007 and Thereafter

A Non-Employee Director initially elected to the Board effective on or after April 1, 2007 shall receive, on March 1 or the first business day thereafter, a prorated Stock Payment if the Board is aware on March 1 that the Non-Employee Director will not continue to serve on the Board for the entire year. The number of shares granted (or credited as Deferred Stock Units pursuant to a Deferral Election) shall be calculated by multiplying \$80,000 by a fraction, the numerator of which is the number of actual or expected months (with a partial month counted as a full month) of service on the Board during the year and the denominator of which is twelve. If the Board is not aware on March 1 that a Non-Employee Director initially elected to the Board effective on or after April 1, 2007 will not serve on the Board for the entire year, such Non-Employee Director shall receive a full Stock Payment and shall not be required to forfeit or otherwise return any shares of Common Stock granted as a Stock Payment or credited as Deferred Stock Units pursuant to the Plan notwithstanding any change in status of such Non-Employee Director which renders him or her ineligible to continue as a Participant in the Plan.

D. Non-Employee Directors Prior to April 1, 2007

A Non-Employee Director initially elected to the Board effective prior to April 1, 2007 will not receive a prorated Stock Payment as set forth in the immediately preceding Section V(C), but rather will receive a full Stock Payment on March 1 or the first business day thereafter, notwithstanding the fact that the Board may be aware that the Non-Employee Director will not continue to serve on the Board for the entire year. The

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number of shares granted (or credited as Deferred Stock Units pursuant to a Deferral Election) shall be calculated in the manner set forth in Section V(B) hereof. No Non-Employee Director who was a member of the Board effective prior to April 1, 2007 shall be required to forfeit or otherwise return any shares of Common Stock granted as a Stock Payment or credited as Deferred Stock Units pursuant to the Plan notwithstanding any change in status of such Non-Employee Director which renders him or her ineligible to continue as a Participant in the Plan.

E. No Further Stock Payments

Notwithstanding the foregoing, Non-Employee Directors will not receive a Stock Payment under the Plan on or after February 26, 2010.

VI. Deferral of Stock Payment

A. Deferral Elections

A Participant may elect to defer receipt of his or her Stock Payment by timely filing a deferral election (a "Deferral Election") in accordance with such procedures as may from time to time be prescribed by the Committee. A Deferral Election shall be valid only if it is delivered prior to the first day of the calendar year in which the services giving rise to the Stock Payment being deferred are to be performed.

A Participant's Deferral Election shall become irrevocable as of the last date the Deferral Election could be delivered or such earlier date as may be established by the Committee. A Participant may revoke or change a Deferral Election at any time prior to the date the election becomes irrevocable, subject to such restrictions as the Committee may establish from time to time. Any such revocation or change shall be in a form and manner determined by the Committee. A Participant's Deferral Election shall remain in effect and will apply to Stock Payments in future years (beyond the first year to which it relates) unless and until the Participant revokes the Deferral Election. The deadline for revocation of a Deferral Election for this purpose shall be the same as the deadline for delivering a Deferral Election with respect to the year or such earlier date as may be established by the Committee. Revocation shall be effected by the Participant's delivery of a Termination of Deferral Election Agreement or such other document as the Committee may prescribe for such purpose.

If a valid Deferral Election is timely filed by a Participant, a Deferral Account shall be established for the Participant and credited with a number of Deferred Stock Units equal to the number of shares of Common Stock that would have been received by the Participant pursuant to Section V hereof absent the Deferral Election.

B. Dividends

If dividends are paid on shares of Common Stock, a Participant's Deferral Account shall be credited on the dividend payment date with a number of additional Deferred Stock Units (and/or fraction thereof) determined by dividing (i) the dividends

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that would have been paid on the Deferred Stock Units held in the Participant's Deferral Account as of the dividend record date as if they were actual shares of Common Stock by (ii) the closing price of the Common Stock on the consolidated transaction reporting system on the dividend payment date.

C. Deferred Stock Units

Amounts in a Participant's Deferral Account shall remain denominated in the form of Deferred Stock Units until distributed.

D. Time of Distribution

Deferral Accounts shall be distributed (or, in the case of installments, distributions shall commence) upon Separation from Service. Participants shall elect in their Deferral Elections whether distributions shall be in a lump sum or in installments, subject to such terms and conditions as the Committee may from time to time prescribe. In the case of a Participant's death, whether before or after distributions have commenced, the Participant's Deferral Account balance shall be distributed in a lump sum as soon as practicable (but in all events within 90 days) thereafter to the Participant's estate or, if applicable, designated beneficiary.

Upon a Change in Control, the Participant's Deferral Account balance shall be distributed in a lump sum as soon as practicable (but in all events within 90 days) thereafter to the Participant.

E. Beneficiaries

A Participant may designate a beneficiary or beneficiaries (which may be an entity other than a natural person) to receive any payments to be made under Section VI hereof upon the Participant's death. At any time, and from time to time, any such designation may be changed or canceled by the Participant without the consent of any beneficiary. Any such designation, change or cancellation must be by written notice filed with the Secretary of the Company and shall not be effective until received by the Secretary of the Company. If a Participant designates more than one beneficiary, any payments under Section VI hereof to such beneficiaries shall be made in equal amounts unless the Participant has designated otherwise, in which case the payments shall be made in the amounts designated by the Participant. If no beneficiary has been designated by the Participant, or the designated beneficiaries have predeceased the Participant, payment shall be made to the Participant's estate. If any dispute shall arise as to the entitlement of any person to any portion of the Participant's Deferral Account balance, the Company's obligations under this Plan will be satisfied if it makes payment to the Participant's estate.

F. Distribution of Deferral Accounts

Distribution shall be in shares of Common Stock, with each Deferred Stock Unit equal to one share of Common Stock and any fractional shares paid in cash.

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G. Section 409A

To the extent applicable, it is intended that this Plan will comply with Section 409A of the Code and any regulations and guidance issued thereunder, and the Plan shall be interpreted accordingly.

VII. Adjustments in Authorized Shares and Deferred Stock Units

In the event of any equity restructuring (within the meaning of Financial Accounting Standards No. 123(R)), such as a stock dividend, stock split, spinoff, rights offering or recapitalization through a large, nonrecurring cash dividend, the Committee shall cause an equitable adjustment to be made in (i) the number and kind of shares of Common Stock that may be delivered under the Plan and (ii) the number and kind of Deferred Stock Units in Participants' Deferral Accounts, in either case to prevent dilution or enlargement of rights. In the event of any other change in corporate capitalization, such as a merger, consolidation or liquidation, the Committee may, in its sole discretion, cause an equitable adjustment as described in the foregoing sentence to be made, to prevent dilution or enlargement of rights. The maximum number of shares issuable under the Plan and the number of Deferred Stock Units allocated to a Participant's Deferral Account as a result of any such adjustment shall be rounded down to the nearest whole share or unit. Adjustments made by the Committee pursuant to this Section VII shall be final, binding and conclusive.

VIII. Amendment and Termination of Plan

The Board will have the power, in its discretion, to amend, suspend or terminate the Plan at any time, subject to the satisfaction of all obligations under the Plan to Participants (and Participants' estates and beneficiaries). However, no such termination, suspension or amendment or other action with respect to the Plan shall adversely affect the Participants' Deferral Account balances which have accrued prior to such action.

IX. Effective Date and Duration of the Plan

The Plan will become effective upon the Effective Date and shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Section VIII, until all shares subject to the Plan have been granted or distributed according to the Plan's provisions.

X. Miscellaneous Provisions

A. Continuation of Directors in Same Status

Nothing in the Plan or any action taken pursuant to the Plan shall be construed as creating or constituting evidence of any agreement or understanding, express or implied, that the Company will retain a Non-Employee Director as a director or in any other capacity for any period of time or at a particular retainer or other rate of compensation, as

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conferring upon any Participant any legal or other right to continue as a director or in any other capacity, or as limiting, interfering with or otherwise affecting the right of the Company to terminate a Participant in his or her capacity as a director or otherwise at any time for any reason, with or without cause, and without regard to the effect that such termination might have upon him or her as a Participant under the Plan.

**B. Compliance with Government Regulations**

Neither the Plan nor the Company shall be obligated to issue any shares of Common Stock pursuant to the Plan at any time unless and until all applicable requirements imposed by any federal and state securities and other laws, rules and regulations, by any regulatory agencies or by any stock exchanges upon which the Common Stock may be listed have been fully met. As a condition precedent to any issuance of shares of Common Stock pursuant to the Plan, the Board or the Committee may require a Participant to take any such action and to make any such covenants, agreements and representations as the Board or the Committee, as the case may be, in its discretion deems necessary or advisable to ensure compliance with such requirements. The Company shall in no event be obligated to register the shares of Common Stock deliverable under the Plan pursuant to the Securities Act of 1933, as amended, or to qualify or register such shares under any securities laws of any state upon their issuance under the Plan or at any time thereafter, or to take any other action in order to cause the issuance and delivery of such shares under the Plan or any subsequent offer, sale or other transfer of such shares to comply with any such law, regulation or requirement. Participants are responsible for complying with all applicable federal and state securities and other laws, rules and regulations in connection with any offer, sale or other transfer of the shares of Common Stock issued under the Plan or any interest therein including, without limitation, compliance with the registration requirements of the Securities Act of 1933, as amended (unless an exemption therefrom is available), or with the provisions of Rule 144 promulgated thereunder, if applicable, or any successor provisions. Certificates for shares of Common Stock may be legended as the Committee shall deem appropriate.

**C. Nontransferability of Rights**

No Participant shall have the right to assign the right to receive any Stock Payment or any other right or interest under the Plan, contingent or otherwise, or to cause or permit any encumbrance, pledge or charge of any nature to be imposed on any such Stock Payment or any such right or interest (prior to the issuance of stock certificates evidencing such Stock Payment).

**D. Successor Entities**

All obligations of the Company or any Subsidiary under the Plan shall be binding on any successor to the Company or any Subsidiary, respectively, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, reorganization or other transaction involving all or substantially all of the business and/or assets of the Company or any Subsidiary. References to the Company or Subsidiary in the Plan shall be deemed to refer to the successors thereto, as applicable.

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E. Severability

In the event that any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of the Plan.

F. Governing Law

To the extent not preempted by Federal law, the Plan and all rights and obligations hereunder shall be governed by and interpreted in accordance with the laws of the State of Idaho, without regard to conflicts of law provisions.

G. No Right to Company Assets

Nothing in this Plan shall be construed as giving the Participant, Participant's beneficiaries or any other person any equity or interest of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person. As to any claim for payments due under the provisions of this Plan, the Participant, Participant's beneficiaries and any other persons having a claim for payments shall be unsecured creditors of the Company.

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Amended as of September 20, 2007 to add proration

Amended as of November 15, 2007 to increase stock payment from \$40,000 to \$45,000 effective January 1, 2008

Amended as of November 20, 2008 to permit deferrals

Amended as of February 26, 2010 to permit no further Stock Payments

Amended as of January 19, 2012 to increase stock payment from \$45,000 to \$60,000 effective January 1, 2012

Amended as of January 16, 2014 to increase stock payment from \$60,000 to \$75,000 effective January 1, 2014

Amended as of November 20, 2014 to increase stock payment from \$75,000 to \$80,000 effective January 1, 2015

**IDACORP, Inc. and/or Idaho Power Company Executive Officers  
with Amended and Restated Change in Control Agreements  
(as of January 1, 2015)**

<b>Name</b>	<b>Title</b>	<b>Date of Agreement</b>
Darrel T. Anderson	President and Chief Executive Officer of IDACORP, Inc. and Idaho Power Company	12/23/2008
Daniel B. Minor	Executive Vice President of IDACORP, Inc. and Executive Vice President and Chief Operating Officer of Idaho Power Company	12/30/2008
Rex Blackburn	Sr. Vice President and General Counsel of IDACORP, Inc. and Idaho Power Company	4/1/2009
Lisa A. Grow	Sr. Vice President of Power Supply of Idaho Power Company	12/12/2008
Steve R. Keen	Senior Vice President, Chief Financial Officer, and Treasurer of IDACORP, Inc. and Idaho Power Company	12/30/2008
Lori D. Smith	Vice President and Chief Risk Officer of IDACORP, Inc. and Idaho Power Company	12/31/2008
Luci K. McDonald	Vice President of Human Resources and Corporate Services of Idaho Power Company	12/20/2008
Warren Kline	Senior Vice President of Customer Operations of Idaho Power Company	12/15/2008
Patrick A. Harrington	Corporate Secretary of IDACORP, Inc. and Idaho Power Company	12/9/2008
N. Vern Porter*	Vice President of Idaho Power Company	3/18/2010
Kenneth W. Petersen*	Vice President, Controller, and Chief Accounting Officer of IDACORP, Inc. and Idaho Power Company	5/20/2010
Gregory W. Said*	Vice President of Regulatory Affairs of Idaho Power Company	1/20/2011

\*Change in control agreement does not include 13<sup>th</sup>-month trigger or tax gross-up provisions.

IDACORP, Inc.

2000 LONG-TERM INCENTIVE AND COMPENSATION PLAN

RESTRICTED STOCK AGREEMENT

(Time vesting)

[Date]

[Name]

In accordance with the terms of the 2000 Long-Term Incentive and Compensation Plan (the "Plan"), pursuant to action of the Compensation Committee (the "Committee") of the Board of Directors, IDACORP, Inc. (the "Company") hereby grants to you (the "Participant"), subject to the terms and conditions set forth in this Restricted Stock Agreement (including Annex A hereto and all documents incorporated herein by reference), an award of restricted shares of Company common stock (the "Restricted Stock"), as set forth below:

Date of Grant: \_\_\_\_\_

Number of Shares of Restricted Stock: \_\_\_\_\_

Restricted Period: \_\_\_\_\_ through \_\_\_\_\_

Vesting Schedule: All of the Shares of Restricted Stock subject to this Award shall vest on \_\_\_\_\_ if the Participant remains employed through the Restricted Period.

THESE SHARES OF RESTRICTED STOCK ARE SUBJECT TO FORFEITURE AS PROVIDED IN ANNEX A AND THE PLAN.

Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of this Restricted Stock Agreement.



All terms, provisions and conditions applicable to the Award set forth in the Plan and not set forth herein are hereby incorporated by reference herein. To the extent any provision hereof is inconsistent with the Plan, the Plan will govern. The Participant hereby acknowledges receipt of a copy of this Restricted Stock Agreement including Annex A hereto and a copy of the Plan and agrees to be bound by all the terms and provisions hereof and thereof.

IDACORP, Inc.

By: \_\_\_\_\_

Agreed :

\_\_\_\_\_  
[Name]

Address:  
\_\_\_\_\_  
\_\_\_\_\_

Attachment: Annex A

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ANNEX A

TO

IDACORP, INC. RESTRICTED STOCK PLAN

RESTRICTED STOCK AGREEMENT

It is understood and agreed that the Award of Restricted Stock evidenced by the Restricted Stock Agreement to which this is annexed is subject to the following additional terms and conditions:

1. Forfeiture and Transfer Restrictions.

- A. Forfeiture Restrictions. Except as provided otherwise in Section 2 of this Annex A, if the Participant's employment is terminated during the Restricted Period, the Shares of Restricted Stock subject to this Award shall be forfeited as of the date of termination.
- B. Transfer Restrictions. The Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated during the Restricted Period.

2. Termination of Employment. If the Participant's employment is terminated during the Restricted Period (i) due to the Participant's death or disability or (ii) with the approval of the Committee due to the Participant's retirement, the Restricted Stock shall vest on the date of such termination of employment (unless the date of termination of employment is the final day of the Restricted Period, in which case the Restricted Stock shall vest on the Vesting Schedule date set forth on page 1 of the Restricted Stock Agreement) with respect to a prorated number of Shares of Restricted Stock determined by multiplying the total number of Shares subject to this Award times a fraction, the numerator of which is the number of whole months having elapsed during the Restricted Period as of the date of such termination of employment and the denominator of which is the total number of whole months in the Restricted Period. For purposes of this Section 2, determination of whether a Participant's employment is terminated due to the Participant's retirement shall be made in the sole discretion of the Committee and the Committee's determination shall be final.

3. Vesting of Restricted Stock. Except as provided otherwise in Article 14 of the Plan and Sections 1 or 2 of this Annex A, the Restricted Stock shall vest in accordance with the Vesting Schedule set forth in the Restricted Stock Agreement. Any Shares that do not vest shall be forfeited.

4. Voting Rights, Dividends and Custody. The Participant shall be entitled to vote and receive regular cash dividends paid with respect to the Shares subject to this Award during the Restricted Period; provided, however, that in no event shall the Participant vote or receive dividends paid with respect to any forfeited Shares on or after the date of forfeiture. The Shares subject to this Award shall be registered in the name of the Participant and held in the Company's custody during the Restricted Period.

5. Tax Withholding. The Company may make such provisions as are necessary for the withholding of all applicable taxes on the Restricted Stock, in accordance with Article 15 of the Plan. With respect to the minimum statutory tax withholding required with respect to the Restricted Stock, the Participant may elect to satisfy such withholding requirement by having the Company withhold Shares from this Award.

6. Ratification of Actions. By accepting this Award or other benefit under the Plan, the Participant and each person claiming under or through him shall be conclusively deemed to have indicated the Participant's acceptance and ratification of, and consent to, any action taken under the Plan or the Award by IDACORP, Inc.

7. Notices. Any notice hereunder to IDACORP, Inc. shall be addressed to its office at 1221 West Idaho Street, Boise, Idaho 83702; Attention: Manager of Compensation, and any notice hereunder to the Participant shall be addressed to him or her at the address specified on the Restricted Stock Agreement, subject to the right of either party to designate at any time hereafter in writing some other address.

8. Definitions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

9. Governing Law and Severability. To the extent not preempted by Federal law, the Restricted Stock Agreement will be governed by and construed in accordance with the laws of the State of Idaho, without regard to conflicts of law provisions. In the event any provision of the Restricted Stock Agreement shall be held illegal or invalid for any reason, the illegality or invalidity

shall not affect the remaining parts of the Restricted Stock Agreement, and the Restricted Stock Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

10. Additional Information. Please see Exhibit A for additional information regarding the performance shares and related matters.

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Exhibit A

Dear Participant -

A copy of the 2000 IDACORP, Inc. Long Term Incentive and Compensation Plan (“LTIP”) and supplemental information is available on the Idaho Power Company Intranet site. You may access the LTIP and supplemental information by clicking the following link: \_\_\_\_\_.

Additionally, IDACORP will make available to you without charge, upon your written or oral request, a copy of any and all documents incorporated by reference in Item 3 of Part II of the latest Registration Statement on Form S-8 relating to the LTIP (which documents are incorporated by reference in the Section 10(a) prospectus) and any other documents required to be delivered to employees pursuant to Rule 428(b) of the Securities Act of 1933, as amended. This includes, but is not limited to, the most recently filed version of IDACORP’s Annual Report on Form 10-K. IDACORP’s most recent Annual Report on Form 10-K is also available on the IDACORP website.

**This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.**

IDACORP, Inc.

2000 LONG-TERM INCENTIVE AND COMPENSATION PLAN

PERFORMANCE SHARE AWARD AGREEMENT
(Performance with two goals)

[Date]

[Name]

In accordance with the terms of the IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan (the "Plan"), pursuant to action of the Compensation Committee (the "Committee") of the Board of Directors, IDACORP, Inc. (the "Company") hereby grants to you (the "Participant"), subject to the terms and conditions set forth in this Performance Share Award Agreement (including Annex A hereto and all documents incorporated herein by reference), an award of shares of Company common stock that are subject to the attainment of performance target levels ("Performance Shares") and an opportunity to earn additional Performance Shares of Company common stock if performance exceeds target levels, as set forth below:

Date of Grant: \_\_\_\_\_
Number of Performance Shares (the "Target Award"): \_\_\_\_\_
Maximum Number of Additional Performance Shares: \_\_\_\_\_
Performance Period: \_\_\_\_\_ through \_\_\_\_\_
Performance Goal: (i) Cumulative earnings per share ("CEPS") for the Performance Period, as reported on the Company's audited financial statements, weighted 50% and (ii) IDACORP total shareholder return ("TSR") relative to the Peer Group defined in Annex A for the Performance Period, weighted 50%
Vesting Date: Vesting of the Performance Shares subject to the Target Award (if at all) shall occur as soon as administratively practicable in the calendar year following the Performance Period to the extent the Performance Goals are met
Vesting of any additional Performance Shares (if at all) shall occur as soon as administratively practicable, but no later than March 15 of the calendar year following the Performance Period to the extent performance exceeds target levels
Dividends: Dividends are accrued throughout the Performance Period and paid as soon as administratively practicable, but no later than March 15 of the calendar year following the Performance Period with respect to Performance Shares subject to the Target Award that vest and any additional Performance Shares that are earned and distributed

THESE PERFORMANCE SHARES ARE SUBJECT TO FORFEITURE AS PROVIDED IN ANNEX A AND THE PLAN.

Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of this Performance Share Award Agreement.

All terms, provisions and conditions applicable to the Award set forth in the Plan and not set forth herein are hereby incorporated by reference herein. To the extent any provision hereof is inconsistent with the Plan, the Plan will govern. The Participant hereby acknowledges receipt of a copy of this Performance Share Award Agreement including Annex A hereto and a copy of the Plan and agrees to be bound by all the terms and provisions hereof and thereof.

IDACORP, Inc.

By: \_\_\_\_\_

Agreed :

\_\_\_\_\_  
[Name]

Address:  
\_\_\_\_\_  
\_\_\_\_\_

Attachment: Annex A

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ANNEX A

TO

IDACORP, Inc.

2000 LONG-TERM INCENTIVE AND COMPENSATION PLAN

PERFORMANCE SHARE AWARD AGREEMENT

(Performance with two goals)

It is understood and agreed that the Award of Performance Shares evidenced by the Performance Share Award Agreement to which this is annexed is subject to the following additional terms and conditions:

1. Nature of Award. The Award represents the opportunity to receive shares of Company common stock ("Shares") and cash dividends on those Shares. The Award consists of uncertificated Shares registered in your name as of the Date of Grant, but subject to performance-based vesting conditions ("Performance Shares"). Furthermore, if the combined performance results exceed target levels, additional Performance Shares are earned and distributed in proportion to this excess as determined pursuant to Section 2 hereof. The amount of dividends paid on Performance Shares shall be determined pursuant to Section 4 hereof.

2. Performance Goals and Determination of Number of Performance Shares Earned.

The number of Performance Shares earned, if any, for the Performance Period shall be determined in accordance with the following formula:

$$\# \text{ of Shares} = \text{Combined Payout Percentage} \times \text{Target Award}$$

If the Combined Payout Percentage is not greater than 100%, the "# of Shares" earned relates to the number of Performance Shares subject to the Target Award that vest. To illustrate, with a Target Award of 100 Performance Shares, a 90% Combined Payout Percentage would result in 90% of the Target Award vesting (90 Performance Shares). If the Combined Payout Percentage is greater than 100%, all Performance Shares subject to the Target Award vest and additional Performance Shares equal to the "# of Shares" in excess of the Target Award are earned and distributed. To illustrate, with a Target Award of 100 Performance Shares, a 140% Combined Payout Percentage would result in 100% of the Performance Shares subject to the Target Award vesting and 40 additional Performance Shares earned and distributed. All Performance Shares that do not vest shall be forfeited.

The "Combined Payout Percentage" is based on (i) the Company's cumulative earnings per share ("CEPS") for the Performance Period as set forth in the table below, weighted 50% and (ii) the Company's total shareholder return ("TSR") relative to that of the Peer Group defined herein (the "Percentile Rank") for the Performance Period, determined in accordance with the table set forth below, weighted 50%:

CEPS Table and Method of Calculation:

CEPS for Performance Period	Payout Percentage (% of Target Award)
\$_.__ ("maximum") or higher	___%
\$.__ ("target")	___%
\$.__ ("threshold")	___%
Less than \$_.__	—%

Performance results between threshold and target, and target and maximum, will be interpolated.

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TSR Table and Method of Calculation:

<b>Percentile Rank</b>	<b>Payout Percentage (% of Target Award)</b>
__ <sup>th</sup> ("maximum") or higher	___%
__ <sup>th</sup> ("target")	___%
__ <sup>th</sup> ("threshold")	___%
Less than __ <sup>th</sup>	—%

Performance results between threshold and target, and target and maximum, will be interpolated.

The Percentile Rank of a given company's TSR is defined as the percentage of the Peer Group companies' returns falling at or below the given company's TSR. The formula for calculating the Percentile Rank follows:

$$\text{Percentile Rank} = (n - r + 1)/n \times 100$$

Where:

n = total number of companies in the Peer Group, excluding the Company

r = the numeric rank of the Company's TSR relative to the Peer Group, where the highest return in the group is ranked number 1.

To illustrate, if the Company's TSR is the third highest in the Peer Group comprised of 29 companies, its Percentile Rank would be 93, which would result in a TSR Payout Percentage (weighted 50%) of \_\_\_%. The calculation is:  $(29 - 3 + 1)/29 \times 100 = 93$ .

The Percentile Rank shall be rounded to the nearest whole percentage, with (.5) rounded up.

The "Peer Group" is defined as those utility companies listed in the EEI Index of U.S. Shareholder-Owned Electric Utilities at the end of the Performance Period.

Total shareholder return is the percentage change in the value of an investment in the common stock of a company from the initial investment made on the last trading day in the calendar year preceding the beginning of the Performance Period through the last trading day in the final year of the Performance Period. It is assumed that dividends are reinvested in additional shares of common stock at the frequency paid.

The Combined Payout Percentage is determined by dividing the sum of the CEPS and TSR Payout Percentages by 2. The total number of Shares earned shall be rounded to the nearest whole number of Shares, with (.5) rounded up.; *provided, however*, that in determining the number of Shares the Company may further round the total number of shares to be issued up or down by not more than one (1) additional share as necessary to reflect the share rounding that would occur if the number of shares issuable in connection with the resulting Combined Payout Percentage had been determined by separately calculating and rounding the CEPS and TSR share payouts.

3. Vesting of Performance Shares and Issuance of Performance Shares. Subject to Section 2 and Section 8 hereof and Article 13 of the Plan, vesting of Performance Shares subject to the Target Award shall occur (if at all) as soon as administratively practicable in the calendar year following the Performance Period to the extent the Performance Goals are met. Subject to any restrictions on issuance of Performance Shares under the Plan, and subject to Section 8 hereof and Article 13 of the Plan, the issuance of additional Performance Shares earned (if any) pursuant to Section 2 hereof shall occur as soon as administratively practicable, but no later than March 15 of the calendar year following the Performance Period.

4. Dividends. The Participant shall be entitled to cash dividends accrued during the Performance Period with respect to Performance Shares subject to the Target Award that vest and any additional Performance Shares that are earned and distributed pursuant to Section 2 hereof. Any such dividends shall be paid in cash to the Participant as soon as administratively practicable, but no later than March 15 of the calendar year following the Performance Period.

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5. Forfeiture and Transfer Restrictions .

- A. Forfeiture Restrictions . Except as provided otherwise in Section 6 hereof, if the Participant's employment is terminated during the Performance Period, Performance Shares shall be forfeited as of the date of termination.
- B. Transfer Restrictions . Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated during the Performance Period.

6. Termination of Employment . If the Participant's employment is terminated during the Performance Period (i) due to the Participant's death or Disability or (ii) due to the Participant's Retirement, the number of Performance Shares subject to the Target Award that vest (if any) and the number of additional Performance Shares earned (if any) shall be determined in accordance with the provisions of Section 2 hereof as if the Participant had remained employed through the Performance Period, but shall be reduced by multiplying the number of Performance Shares subject to the Target Award that would otherwise be vested and the total number of Performance Shares that would otherwise be earned times a fraction, the numerator of which is the total number of months (with any partial month treated as a whole month) remaining in the Performance Period as of the date of such termination of employment and the denominator of which is the total number of whole months in the Performance Period. Any such vesting of Performance Shares subject to the Target Award and any issuance of Performance Shares earned shall occur in accordance with Section 3 hereof.

7. Voting Rights and Custody . The Participant shall be entitled to vote Performance Shares subject to the Target Award during the Performance Period; provided, however, that in no event shall the Participant vote any such Performance Shares on or after the date of forfeiture. Performance Shares subject to the Target Award shall be registered in the name of the Participant and held in the Company's custody during the Performance Period. The Participant shall not be entitled to vote the Performance Shares in excess of the Target Award unless and until such Performance Shares are earned and distributed.

8. Tax Withholding . The Company may make such provisions as are necessary for the withholding of all applicable taxes on all Performance Shares vested and earned under this Award, in accordance with Article 15 of the Plan. With respect to the minimum statutory tax withholding required with respect to such Performance Shares, the Participant may elect to satisfy such withholding requirement by having the Company withhold Performance Shares from this Award.

9. Ratification of Actions . By accepting this Award or other benefit under the Plan, the Participant and each person claiming under or through him shall be conclusively deemed to have indicated the Participant's acceptance and ratification of, and consent to, any action taken under the Plan or the Award by IDACORP, Inc.

10. Notices . Any notice hereunder to IDACORP, Inc. shall be addressed to its office at 1221 West Idaho Street, Boise, Idaho 83702; Attention: Corporate Secretary, and any notice hereunder to the Participant shall be addressed to him at the address specified on the Performance Share Award Agreement, subject to the right of either party to designate at any time hereafter in writing some other address.

11. Definitions . Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

12. Governing Law and Severability . To the extent not preempted by Federal law, the Performance Share Award Agreement will be governed by and construed in accordance with the laws of the State of Idaho, without regard to conflicts of law provisions. In the event any provision of the Performance Share Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Performance Share Award Agreement, and the Performance Share Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

13. Clawback . All shares paid out to the Participant under the Performance Share Award Agreement are subject to recoupment by the Company under the terms of the IDACORP Clawback Policy attached hereto as Exhibit A.

14. Additional Information . Please see Exhibit B for additional information regarding the performance shares and related matters.

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Exhibit A

**CLAWBACK POLICY**

If the Board of Directors determines that a current or former executive officer has engaged in fraud, willful misconduct, gross negligence or violation of Company policy that caused or otherwise contributed to the need for a material restatement of the Company's financial results, the Compensation Committee will review all performance-based compensation awarded to or earned by that executive officer on the basis of performance during fiscal periods materially affected by the restatement. This would include annual cash incentive/bonus awards and all forms of equity-based compensation. If, in the Committee's view, the performance-based compensation would have been materially lower if it had been based on the restated results, the Committee will, to the extent permitted by applicable law, seek recoupment from that executive officer of any portion of such performance-based compensation as it deems appropriate after a review of all relevant facts and circumstances.

In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law or prejudice the interests of the Company in any related proceeding or investigation, the passage of time since the occurrence of the act in respect of the applicable fraud or intentional illegal conduct, and the cost of the recovery process versus the amount to be recovered. The Committee shall have sole discretion in determining whether an executive officer's conduct has or has not met any particular standard of conduct under law or Company policy.

This policy will apply to new performance-based awards granted after the adoption of the policy. The policy will be updated to conform to the final clawback regulations adopted by the SEC pursuant to the Dodd-Frank Act.

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Exhibit B

Dear Participant -

A copy of the 2000 IDACORP, Inc. Long Term Incentive and Compensation Plan (“LTIP”) and supplemental information is available on the Idaho Power Company Intranet site. You may access the LTIP and supplemental information by clicking the following link: \_\_\_\_\_.

Additionally, IDACORP will make available to you without charge, upon your written or oral request, a copy of any and all documents incorporated by reference in Item 3 of Part II of the latest Registration Statement on Form S-8 relating to the LTIP (which documents are incorporated by reference in the Section 10(a) prospectus) and any other documents required to be delivered to employees pursuant to Rule 428(b) of the Securities Act of 1933, as amended. This includes, but is not limited to, the most recently filed version of IDACORP’s Annual Report on Form 10-K. IDACORP’s most recent Annual Report on Form 10-K is also available on the IDACORP website.

**This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.**

**IDACORP, Inc. and Idaho Power Company Compensation for  
Non-Employee Directors of the Board of Directors  
(Effective January 1, 2015)**

All directors of IDACORP also serve as directors of Idaho Power. The fees and other compensation discussed below are for service on both boards. Employee directors receive no compensation for service on the boards.

Form of Fee	Amount
Base Board Annual Retainer	\$ 65,000
Base Committee Annual Retainers <sup>(1)</sup>	
Audit Committee	12,000
Compensation Committee	6,000
Corporate Governance and Nominating Committee	6,000
Executive Committee	3,000
Additional Chair Annual Retainers	
Chairperson of the Board of Directors	100,000
Chair of the Audit Committee	12,500
Chair of the Compensation Committee	10,000
Chair of the Corporate Governance and Nominating Committee	7,500
Annual Stock Awards	80,000
Subsidiary Board Fees:	
IDACORP Financial Services:	
Monthly retainer	750
Meeting fees	600
Ida-West Energy:	
Monthly retainer	750
Meeting fees	600

(1) The Chairperson of the Board of Directors does not receive base committee retainers.

#### Deferral Arrangements

Directors may defer all or a portion of their annual IDACORP, Idaho Power, IDACORP Financial Services, Inc., and Ida-West Energy retainers and meeting fees and receive a lump-sum payment of all amounts deferred with interest or a series of up to 10 equal annual payments after they separate from service with IDACORP and Idaho Power. Any cash fees that were deferred before 2009 for service as a member of the board of directors are credited with the preceding month's average Moody's Long-Term Corporate Bond Yield for utilities, or the Moody's Rate, plus 3%, until January 1, 2019 when the interest rate will change to the Moody's Rate. All cash fees that are deferred for service as a member of the board of directors after January 1, 2009 are credited with interest at the Moody's Rate. Interest is calculated on a pro rata basis each month using a 360-day year and the average Moody's Rate for the preceding month.

Directors may also defer their annual stock awards, which are then held as deferred stock units with dividend equivalents reinvested in additional deferred stock units. Upon separation from service with IDACORP and Idaho Power, directors will receive either a lump-sum distribution or a series of up to 10 equal annual installments. Upon a change in control the directors' deferral accounts will be distributed to each participating director in a lump sum. The distributions will be in shares of IDACORP common stock, with each deferred stock unit equal to one share of IDACORP common stock and any fractional shares paid in cash.

**IDACORP, Inc.**  
**Consolidated Financial Information**  
**Ratio of Earnings to Fixed Charges and Supplemental Ratio of Earnings to Fixed Charges**  
**(Thousands of Dollars)**

	Twelve Months Ended				
	December 31,				
	2014	2013	2012	2011	2010
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>					
Earnings, as defined:					
Income from continuing operations before income taxes	\$ 210,526	\$ 254,520	\$ 206,992	\$ 125,795	\$ 152,568
Adjust for distributed income of equity investees	(6,797)	4,812	7,704	(8,993)	(7,317)
Fixed charges, as below	90,012	90,236	87,635	86,758	86,806
<b>Total earnings, as defined</b>	<b>\$ 293,741</b>	<b>\$ 349,568</b>	<b>\$ 302,331</b>	<b>\$ 203,560</b>	<b>\$ 232,057</b>
Fixed charges, as defined:					
Interest charges <sup>1</sup>	\$ 88,265	\$ 88,695	\$ 85,799	\$ 85,097	\$ 85,840
Rental interest factor	1,747	1,541	1,836	1,661	966
<b>Total fixed charges, as defined</b>	<b>\$ 90,012</b>	<b>\$ 90,236</b>	<b>\$ 87,635</b>	<b>\$ 86,758</b>	<b>\$ 86,806</b>
Ratio of earnings to fixed charges	3.26x	3.87x	3.45x	2.35x	2.67x
<b>SUPPLEMENTAL RATIO OF EARNINGS TO FIXED CHARGES</b>					
Earnings, as defined:					
Income from continuing operations before income taxes	\$ 210,526	\$ 254,520	\$ 206,992	\$ 125,795	\$ 152,568
Adjust for distributed income of equity investees	(6,797)	4,812	7,704	(8,993)	(7,317)
Supplemental fixed charges, as below	90,356	90,741	88,266	87,544	87,870
<b>Total earnings, as defined</b>	<b>\$ 294,085</b>	<b>\$ 350,073</b>	<b>\$ 302,962</b>	<b>\$ 204,346</b>	<b>\$ 233,121</b>
Supplemental fixed charges:					
Interest charges <sup>1</sup>	\$ 88,265	\$ 88,695	\$ 85,799	\$ 85,097	\$ 85,840
Rental interest factor	1,747	1,541	1,836	1,661	966
Supplemental increment to fixed charges <sup>2</sup>	344	505	631	786	1,064
<b>Total supplemental fixed charges</b>	<b>\$ 90,356</b>	<b>\$ 90,741</b>	<b>\$ 88,266</b>	<b>\$ 87,544</b>	<b>\$ 87,870</b>
Supplemental ratio of earnings to fixed charges	3.25x	3.86x	3.43x	2.33x	2.65x

<sup>1</sup> FIN 48 interest is not included in interest charges.

<sup>2</sup> Explanation of increment - Interest on the guaranty of American Falls Reservoir District bonds and Milner Dam, Inc. notes which are already included in operation expenses.

**Idaho Power Company**  
**Consolidated Financial Information**  
**Ratio of Earnings to Fixed Charges and Supplemental Ratio of Earnings to Fixed Charges**  
**(Thousands of Dollars)**

	Twelve Months Ended				
	December 31,				
	2014	2013	2012	2011	2010
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>					
Earnings, as defined:					
Income from continuing operations before income taxes	\$ 208,903	\$ 253,001	\$ 204,138	\$ 123,351	\$ 151,347
Adjust for distributed income of equity investees	(7,228)	4,659	8,509	(9,018)	(6,526)
Fixed charges, as below	89,751	89,819	87,162	86,249	85,579
<b>Total earnings, as defined</b>	<b>\$ 291,426</b>	<b>\$ 347,479</b>	<b>\$ 299,809</b>	<b>\$ 200,582</b>	<b>\$ 230,400</b>
Fixed charges, as defined:					
Interest charges <sup>1</sup>	\$ 88,034	\$ 88,309	\$ 85,359	\$ 84,626	\$ 84,651
Rental interest factor	1,717	1,510	1,803	1,623	928
<b>Total fixed charges, as defined</b>	<b>\$ 89,751</b>	<b>\$ 89,819</b>	<b>\$ 87,162</b>	<b>\$ 86,249</b>	<b>\$ 85,579</b>
Ratio of earnings to fixed charges	3.25x	3.87x	3.44x	2.33x	2.69x
<b>SUPPLEMENTAL RATIO OF EARNINGS TO FIXED CHARGES</b>					
Earnings, as defined:					
Income from continuing operations before income taxes	\$ 208,903	\$ 253,001	\$ 204,138	\$ 123,351	\$ 151,347
Adjust for distributed income of equity investees	(7,228)	4,659	8,509	(9,018)	(6,526)
Supplemental fixed charges, as below	90,095	90,324	87,793	87,035	86,643
<b>Total earnings, as defined</b>	<b>\$ 291,770</b>	<b>\$ 347,984</b>	<b>\$ 300,440</b>	<b>\$ 201,368</b>	<b>\$ 231,464</b>
Supplemental fixed charges:					
Interest charges <sup>1</sup>	\$ 88,034	\$ 88,309	\$ 85,359	\$ 84,626	\$ 84,651
Rental interest factor	1,717	1,510	1,803	1,623	928
Supplemental increment to fixed charges <sup>2</sup>	344	505	631	786	1,064
<b>Total supplemental fixed charges</b>	<b>\$ 90,095</b>	<b>\$ 90,324</b>	<b>\$ 87,793</b>	<b>\$ 87,035</b>	<b>\$ 86,643</b>
Supplemental ratio of earnings to fixed charges	3.24x	3.85x	3.42x	2.31x	2.67x

<sup>1</sup> FIN 48 interest is not included in interest charges.

<sup>2</sup> Explanation of increment - Interest on the guaranty of American Falls Reservoir District bonds and Milner Dam, Inc. notes which are already included in operation expenses.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-200399 and 333-188768 on Form S-3 and Registration Statement Nos. 333-65406, 333-125259, 333-143404, and 333-159855 on Form S-8 of our reports dated February 19, 2015, relating to the consolidated financial statements and financial statement schedules of IDACORP, Inc., and the effectiveness of IDACORP, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of IDACORP, Inc. for the year ended December 31, 2014.

/s/ DELOITTE & TOUCHE LLP  
Boise, Idaho  
February 19, 2015

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-188768-01 on Form S-3 and Registration Statement No. 333-66496 on Form S-8 of our reports dated February 19, 2015, relating to the consolidated financial statements and financial statement schedule of Idaho Power Company, and the effectiveness of Idaho Power Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Idaho Power Company for the year ended December 31, 2014.

/s/ DELOITTE & TOUCHE LLP  
Boise, Idaho  
February 19, 2015

**CERTIFICATION**

I, Darrel T. Anderson, certify that:

1. I have reviewed this Annual Report on Form 10-K of IDACORP, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2015

By: /s/ Darrel T. Anderson

Darrel T. Anderson  
President and Chief Executive Officer

**CERTIFICATION**

I, Steven R. Keen, certify that:

1. I have reviewed this Annual Report on Form 10-K of IDACORP, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2015

By: /s/ Steven R. Keen  
Steven R. Keen  
Senior Vice President, Chief Financial Officer, and Treasurer

**CERTIFICATION**

I, Darrel T. Anderson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Idaho Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2015

By: /s/ Darrel T. Anderson

Darrel T. Anderson  
President and Chief Executive Officer

**CERTIFICATION**

I, Steven R. Keen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Idaho Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2015

By: /s/ Steven R. Keen

Steven R. Keen

Senior Vice President, Chief Financial Officer, and Treasurer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of IDACORP, Inc. (the "Company") on Form 10-K for the year ended December 31, 2014 (the "Report"), I, Darrel T. Anderson, President and Chief Executive Officer of the Company, certify that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Darrel T. Anderson*

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Darrel T. Anderson  
President and Chief Executive Officer  
February 19, 2015

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of IDACORP, Inc. (the "Company") on Form 10-K for the year ended December 31, 2014 (the "Report"), I, Steven R. Keen, Senior Vice President, Chief Financial Officer, and Treasurer of the Company, certify that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Steven R. Keen*

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Steven R. Keen

Senior Vice President, Chief Financial Officer, and Treasurer

February 19, 2015

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Idaho Power Company (the "Company") on Form 10-K for the year ended December 31, 2014 (the "Report"), I, Darrel T. Anderson, President and Chief Executive Officer of the Company, certify that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Darrel T. Anderson*

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Darrel T. Anderson  
President and Chief Executive Officer  
February 19, 2015

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Idaho Power Company (the "Company") on Form 10-K for the year ended December 31, 2014 (the "Report"), I, Steven R. Keen, Senior Vice President, Chief Financial Officer, and Treasurer of the Company, certify that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Steven R. Keen*

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Steven R. Keen

Senior Vice President, Chief Financial Officer, and Treasurer

February 19, 2015

**Mine Safety Disclosures Required by the Dodd-Frank Wall Street Reform and Consumer Protection Act**

Idaho Power is the parent company of Idaho Energy Resources Co. (IERCo), a joint venturer in Bridger Coal Company (BCC), which mines coal at the Bridger Coal Mine and processing facility (Mine) near Rock Springs, Wyoming. IERCo owns a one-third interest in BCC. The Mine is comprised of the Bridger surface and underground operations. Day-to-day operation and management of coal mining and processing operations at the Mine are conducted through IERCo's joint venture partner. Operation of the Mine is regulated by the Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (Mine Safety Act). MSHA inspects the Mine on a regular basis and may issue citations, notices, orders, or any combination thereof, when it believes a violation has occurred under the Mine Safety Act. Monetary penalties are assessed by MSHA for citations. The severity and assessment of penalties may be reduced or, in some cases dismissed, through the contest and appeal process. Amounts are reported regardless of whether BCC has challenged or appealed the matter.

The table below summarizes the number of citations, notices, and orders issued, and penalties assessed, by MSHA for the Mine under the indicated provisions of the Mine Safety Act, and other data for the Mine, during the year ended December 31, 2014 . Legal actions pending before the Federal Mine Safety and Health Review Commission (FMSHRC) are as of December 31, 2014 .

	<b>Twelve-month period ended December 31, 2014 (unaudited)</b>	
	(surface)	(underground)
Mine Safety Act Citations and Orders:		
Section 104(a) Significant & Substantial Citations <sup>(1)</sup>	3	47
Section 104(b) Orders <sup>(2)</sup>	—	—
Section 104(d) Citations & Orders <sup>(3)</sup>	2	2
Section 107(a) Imminent Danger Orders <sup>(4)</sup>	—	1
Total Value of Proposed MSHA Assessments (in thousands)	\$ 8	\$ 219
Legal Actions Pending <sup>(5)</sup>	3	11
Legal Actions Issued During Period	3	19
Legal Actions Closed During Period	4	19
Number of Fatalities	—	—

<sup>(1)</sup> For alleged violations of a mandatory mining safety standard or regulation where such violation contributed to a discrete safety hazard and there exists a reasonable likelihood that the hazard will result in an injury or illness and there is a reasonable likelihood that such injury will be of a reasonably serious nature.

<sup>(2)</sup> For alleged failure to totally abate the subject matter of a Mine Safety Act Section 104(a) citation within the period specified in the citation or as subsequently extended.

<sup>(3)</sup> For an alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with a mining safety standard or regulation.

<sup>(4)</sup> The existence of any condition or practice in a coal or other mine that could reasonably be expected to cause death or serious physical harm if normal mining operations were permitted to proceed in the area before such condition or practice is eliminated.

<sup>(5)</sup> For the surface mine, two of the pending legal actions as of December 31, 2014 were categorized as contests of citations or orders under Subpart B of the FMSHRC Procedural Rules and one of the pending legal actions was categorized as contests of proposed civil penalties for violations contained in a citation or order under Subpart C of the FMSHRC Procedural Rules. For the underground mine, two of the pending legal actions were categorized as contests of citations or orders under Subpart B of the FMSHRC Procedural Rules and nine of the pending legal actions were categorized as contests of proposed civil penalties for violations contained in a citation or order under Subpart C of the FMSHRC Procedural Rules.

For the year ended December 31, 2014 , the Mine did not receive written notice from MSHA of (i) a flagrant violation under Section 110(b)(2) of the Mine Safety Act; (ii) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under Section 104(e) of the Mine Safety Act; or (iii) the potential to have such a pattern.