

IDACORP INC
 Form 10-Q
 October 30, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q
 (Mark One)

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

For the quarterly period ended September 30, 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 1-14465 1-3198	Exact name of registrants as specified in their charters, address of principal executive offices, zip code and telephone number IDACORP, Inc. Idaho Power Company 1221 W. Idaho Street Boise, Idaho 83702-5627 (208) 388-2200 State of Incorporation: Idaho None	I.R.S. Employer Identification Number 82-0505802 82-0130980
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Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

IDACORP, Inc.: Yes X No ___ Idaho Power Company: Yes X No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

IDACORP, Inc.: Yes X No ___ Idaho Power Company: Yes X No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

IDACORP, Inc.:
 Large accelerated filer X Accelerated filer Non-accelerated filer Smaller reporting company
 Idaho Power Company:
 Large accelerated filer Accelerated filer Non-accelerated filer X Smaller reporting company

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

IDACORP, Inc.: Yes No X Idaho Power Company: Yes No X

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Number of shares of common stock outstanding as of October 24, 2014:

IDACORP, Inc.: 50,268,748

Idaho Power Company: 39,150,812, all held by IDACORP, Inc.

This combined Form 10-Q represents separate filings by IDACORP, Inc. and Idaho Power Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Idaho Power Company makes no representations as to the information relating to IDACORP, Inc.'s other operations.

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

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COMMONLY USED TERMS

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

ADITC	- Accumulated Deferred Investment Tax Credits
AFUDC	- Allowance for Funds Used During Construction
BCC	- Bridger Coal Company, a joint venture of IERCo
BLM	- U.S. Bureau of Land Management
CAA	- Clean Air Act
CO ₂	- Carbon Dioxide
CSPP	- Cogeneration and Small Power Production
CWA	- Clean Water Act
EIS	- Environmental Impact Statement
EPA	- U.S. Environmental Protection Agency
FCA	- Fixed Cost Adjustment
FERC	- Federal Energy Regulatory Commission
HCC	- Hells Canyon Complex
IDACORP	- IDACORP, Inc., an Idaho corporation
Idaho Power	- Idaho Power Company, an Idaho corporation
Idaho ROE	- Idaho-jurisdiction return on year-end equity
Ida-West	- Ida-West Energy, a subsidiary of IDACORP, Inc.
IERCo	- Idaho Energy Resources Co., a subsidiary of Idaho Power Company
IESCO	- IDACORP Energy Services Co., a subsidiary of IDACORP, Inc.
IFS	- IDACORP Financial Services, a subsidiary of IDACORP, Inc.
IPUC	- Idaho Public Utilities Commission
IRP	- Integrated Resource Plan
kW	- Kilowatt
MD&A	- Management's Discussion and Analysis of Financial Condition and Results of Operations
MW	- Megawatt
MWh	- Megawatt-hour
NO _x	- Nitrogen Oxide
O&M	- Operations and Maintenance
OATT	- Open Access Transmission Tariff
OPUC	- Public Utility Commission of Oregon
PCA	- Power Cost Adjustment
PURPA	- Public Utility Regulatory Policies Act of 1978
REC	- Renewable Energy Certificate
SCR	- Selective Catalytic Reduction
SEC	- U.S. Securities and Exchange Commission
SMSP	- Security Plan for Senior Management Employees
SO ₂	- Sulfur Dioxide
SRBA	- Snake River Basin Adjudication
WPSC	- Wyoming Public Service Commission

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to the historical information contained in this report, this report contains (and oral communications made by IDACORP, Inc. and Idaho Power Company may contain) statements that relate to future events and expectations, such as statements regarding projected or future financial performance, cash flows, capital expenditures, dividends, capital structure or ratios, strategic goals, challenges, objectives, and plans for future operations. Such statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, or future events or performance, often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue," "may allow," "continues," or similar expressions, are not statements of historical facts and may be forward-looking. Forward-looking statements are not guarantees of future performance and involve estimates, assumptions, risks, and uncertainties. Actual results, performance, or outcomes may differ materially from the results discussed in the statements. In addition to any assumptions and other factors and matters referred to specifically in connection with such forward-looking statements, factors that could cause actual results or outcomes to differ materially from those contained in forward-looking statements include those factors set forth in this report, IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2013, particularly Part I, Item 1A - "Risk Factors" and Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of that report, subsequent reports filed by IDACORP and Idaho Power with the Securities and Exchange Commission, and the following important factors:

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

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

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the increased costs and operational challenges associated with purchasing and integrating intermittent renewable energy sources into Idaho Power's resource portfolio;

changes in actuarial assumptions, changes in interest rates, and the return on plan assets for pension and other post-retirement plans, which can affect future pension and other postretirement plan funding obligations, costs, and liabilities;

the ability to continue to pay dividends based on financial performance, and in light of contractual covenants and restrictions and regulatory limitations;

changes in tax laws or related regulations or new interpretations of applicable laws by federal, state, or local taxing jurisdictions, the availability of tax credits, and the tax rates payable by IDACORP shareholders on common stock dividends;

employee workforce factors, including the operational and financial costs of unionization or the attempt to unionize all or part of the companies' workforce, the impact of an aging workforce and retirements, the cost and ability to retain skilled workers, and the ability to adjust the labor cost structure when necessary;

failure to comply with state and federal laws, policies, and regulations, including new interpretations and enforcement initiatives by regulatory and oversight bodies, which may result in penalties and fines and increase the cost of compliance, the nature and extent of investigations and audits, and the cost of remediation;

the inability to obtain or cost of obtaining and complying with required governmental permits and approvals, licenses, rights-of-way, and siting for transmission and generation projects and hydroelectric facilities;

the cost and outcome of litigation, dispute resolution, and regulatory proceedings, and the ability to recover those costs or the costs of operational changes through insurance or rates, or from third parties;

the failure of information systems or the failure to secure information system data, failure to comply with privacy laws, security breaches, or the direct or indirect effect on the companies' business or operations resulting from cyber attacks, terrorist incidents or the threat of terrorist incidents, and acts of war;

unusual or unanticipated changes in normal business operations, including unusual maintenance or repairs, or the failure to successfully implement new technology solutions; and

adoption of or changes in accounting policies and principles, changes in accounting estimates, and new Securities and Exchange Commission or New York Stock Exchange requirements, or new interpretations of existing requirements.

Any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. IDACORP and Idaho Power disclaim any obligation to update publicly any forward-looking information, whether in response to new information, future events, or otherwise, except as required by applicable law.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IDACORP, Inc.

Condensed Consolidated Statements of Income

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(thousands of dollars, except for per share amounts)			
Operating Revenues:				
Electric utility:				
General business	\$347,838	\$349,428	\$874,817	\$846,079
Off-system sales	15,449	11,169	56,390	31,597
Other revenues	17,424	19,707	58,479	69,853
Total electric utility revenues	380,711	380,304	989,686	947,529
Other	1,490	803	3,017	2,455
Total operating revenues	382,201	381,107	992,703	949,984
Operating Expenses:				
Electric utility:				
Purchased power	75,058	74,088	181,291	166,097
Fuel expense	67,088	64,858	156,859	155,901
Power cost adjustment	(668)	(6,960)	23,496	(34,969)
Other operations and maintenance	84,236	84,471	252,208	247,409
Energy efficiency programs	5,537	6,077	17,881	30,279
Depreciation	33,476	32,538	99,304	96,680
Taxes other than income taxes	8,340	7,017	24,685	23,243
Total electric utility expenses	273,067	262,089	755,724	684,640
Other	3,412	3,459	10,869	10,945
Total operating expenses	276,479	265,548	766,593	695,585
Operating Income	105,722	115,559	226,110	254,399
Allowance for Equity Funds Used During Construction	4,645	3,734	13,182	10,876
Earnings of Unconsolidated Equity-Method Investments	6,414	6,261	8,908	9,402
Other Income, Net	1,193	1,567	4,733	3,982
Interest Expense:				
Interest on long-term debt	20,141	20,887	60,423	61,349
Other interest	1,908	1,812	5,714	5,296
Allowance for borrowed funds used during construction	(2,178)	(1,904)	(6,287)	(5,711)
Total interest expense, net	19,871	20,795	59,850	60,934
Income Before Income Taxes	98,103	106,326	193,083	217,725
Income Tax Expense	10,869	33,222	33,968	62,941
Net Income	87,234	73,104	159,115	154,784
Adjustment for (income) loss attributable to noncontrolling interests	(345)	15	(283)	31
Net Income Attributable to IDACORP, Inc.	\$86,889	\$73,119	\$158,832	\$154,815
Weighted Average Common Shares Outstanding - Basic (000's)	50,129	50,056	50,131	50,051

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Weighted Average Common Shares Outstanding - Diluted (000's)	50,220	50,153	50,184	50,109
Earnings Per Share of Common Stock:				
Earnings Attributable to IDACORP, Inc. - Basic	\$1.73	\$1.46	\$3.17	\$3.09
Earnings Attributable to IDACORP, Inc. - Diluted	\$1.73	\$1.46	\$3.16	\$3.09
Dividends Declared Per Share of Common Stock	\$0.43	\$0.38	\$1.29	\$1.14

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(thousands of dollars)			
Net Income	\$87,234	\$73,104	\$159,115	\$154,784
Other Comprehensive Income:				
Net unrealized holding gains arising during the period, net of tax of \$0, \$541, \$0 and \$1,466	—	843	—	2,283
Unfunded pension liability adjustment, net of tax of \$277, \$298, \$832 and \$894	432	464	1,296	1,394
Total Comprehensive Income	87,666	74,411	160,411	158,461
Comprehensive (income) loss attributable to noncontrolling interests	(345) 15	(283) 31
Comprehensive Income Attributable to IDACORP, Inc.	\$87,321	\$74,426	\$160,128	\$158,492

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.

Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2014	December 31, 2013
	(thousands of dollars)	
Assets		
Current Assets:		
Cash and cash equivalents	\$111,038	\$78,162
Receivables:		
Customer (net of allowance of \$2,229 and \$2,349, respectively)	93,272	97,873
Other (net of allowance of \$158 and \$153, respectively)	16,808	15,274
Taxes receivable	—	156
Accrued unbilled revenues	55,273	63,507
Materials and supplies (at average cost)	56,023	53,643
Fuel stock (at average cost)	44,733	41,546
Prepayments	12,954	15,338
Deferred income taxes	32,638	46,874
Current regulatory assets	50,995	61,837
Other	1,472	2,401
Total current assets	475,206	476,611
Investments		
Property, Plant and Equipment:		
Utility plant in service	5,194,535	5,080,402
Accumulated provision for depreciation	(1,823,870)	(1,766,680)
Utility plant in service - net	3,370,665	3,313,722
Construction work in progress	383,667	327,000
Utility plant held for future use	7,090	7,090
Other property, net of accumulated depreciation	17,332	17,229
Property, plant and equipment - net	3,778,754	3,665,041
Other Assets:		
American Falls and Milner water rights	13,958	15,803
Company-owned life insurance	23,774	22,037
Regulatory assets	1,003,099	978,234
Long-term receivables (net of allowance of \$885)	6,041	4,811
Other	42,417	42,954
Total other assets	1,089,289	1,063,839
Total	\$5,498,277	\$5,364,563

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.

Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2014	December 31, 2013
	(thousands of dollars)	
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt	\$1,064	\$1,064
Notes payable	31,800	54,750
Accounts payable	82,901	91,519
Taxes accrued	26,232	13,302
Interest accrued	24,885	22,764
Accrued compensation	40,101	38,510
Current regulatory liabilities	7,588	10,684
Other	25,132	17,779
Total current liabilities	239,703	250,372
Other Liabilities:		
Deferred income taxes	1,030,076	969,593
Regulatory liabilities	385,055	375,873
Pension and other postretirement benefits	230,385	244,627
Other	45,292	54,100
Total other liabilities	1,690,808	1,644,193
Long-Term Debt	1,614,377	1,615,258
Commitments and Contingencies		
Equity:		
IDACORP, Inc. shareholders' equity:		
Common stock, no par value (shares authorized 120,000,000; 50,307,512 and 50,233,463 shares issued, respectively)	843,163	839,750
Retained earnings	1,121,390	1,027,461
Accumulated other comprehensive loss	(15,257) (16,553
Treasury stock (38,764 and 718 shares at cost, respectively)	(280) (8
Total IDACORP, Inc. shareholders' equity	1,949,016	1,850,650
Noncontrolling interests	4,373	4,090
Total equity	1,953,389	1,854,740
Total	\$5,498,277	\$5,364,563

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.

Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30,	
	2014	2013
	(thousands of dollars)	
Operating Activities:		
Net income	\$159,115	\$154,784
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	102,366	99,534
Deferred income taxes and investment tax credits	25,355	46,891
Changes in regulatory assets and liabilities	36,	