IDACORP INC
Form 10-Q
November 06, 2008

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, 2008
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	I.R.S. Employer Identification Number
1-14465	IDACORP, Inc.	82-0505802
1-3198	Idaho Power Company 1221 W. Idaho Street Boise, ID 83702-5627 (208) 388-2200 State of Incorporation: Idaho Websites: www.idacorpinc.com www.idahopower.com	82-0130980

None
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. 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). Yes ___ No _X_

Number of shares of Common Stock outstanding as of September 30, 2008:

IDACORP, Inc.:	45,566,370
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 Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

COMMONLY USED TERMS

APCU	-	Annual Power Cost Update
Cal ISO	-	California Independent System Operator
CalPX	-	California Power Exchange
CAMP	-	Comprehensive Aquifer Management Plan
DSM	-	Demand Side Management
EIS	-	Environmental impact statement
EPS	-	Earnings per share
ESA	-	Endangered Species Act
ESPA	-	Eastern Snake Plain Aquifer
FASB	-	Financial Accounting Standards Board
FERC	-	Federal Energy Regulatory Commission
FIN	-	Financial Accounting Standards Board Interpretation
Fitch	-	Fitch Ratings, Inc.
GAAP	-	Generally Accepted Accounting Principles in the United States of America
Ida-West	-	Ida-West Energy, a subsidiary of IDACORP, Inc.
IDWR	-	Idaho Department of Water Resources
IE	-	IDACORP Energy, a subsidiary of IDACORP, Inc.
IERCO	-	Idaho Energy Resources Co., a subsidiary of Idaho Power Company
IFS	-	IDACORP Financial Services, a subsidiary of IDACORP, Inc.
IPC	-	Idaho Power Company, a subsidiary of IDACORP, Inc.
IPUC	-	Idaho Public Utilities Commission
IRP	-	Integrated Resource Plan
IWRB	-	Idaho Water Resource Board
LGAR	-	Load growth adjustment rate
maf	-	Million acre feet
MD&A	-	Management s Discussion and Analysis of Financial Condition and Results of Operations
Moody s	-	Moody s Investors Service
MW	-	Megawatt
MWh	-	Megawatt-hour
NEPA	-	National Environmental Policy Act of 1996

O&M	-	Operations and Maintenance
OPUC	-	Oregon Public Utility Commission
PCA	-	Power Cost Adjustment
PCAM	-	Power Cost Adjustment Mechanism
PURPA	-	Public Utility Regulatory Policies Act of 1978
RFP	-	Request for Proposal
S&P	-	Standard & Poor s Ratings Services
SFAS	-	Statement of Financial Accounting Standards
SO_2	-	Sulfur Dioxide
SRBA	-	Snake River Basin Adjudication
Valmy	-	North Valmy Steam Electric Generating Plant
VIEs	-	Variable Interest Entities

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SAFE HARBOR STATEMENT

This Form 10-Q contains forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Part I, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information. Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words anticipates, believes, estimates, expects, intends, plans, predicts, projec result, may continue and similar expressions.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
IDACORP, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	Three months ended September 30, 2008	2007
	(thousands of dollars except for per share amounts)	
Operating Revenues:		
Electric utility:		
General business	$ 246,639	$ 211,873
Off-system sales	34,637	34,843
Other revenues	16,831	13,800
Total electric utility revenues	298,107	260,516
Other	1,609	947
Total operating revenues	299,716	261,463
Operating Expenses:		
Electric utility:		
Purchased power	79,513	110,108
Fuel expense	46,467	43,291
Power cost adjustment	(20,105)	(43,749)
Other operations and maintenance	74,778	69,154
Demand-side management	5,956	4,307
Gain on sale of emission allowances	(158)	(1,872)
Depreciation	25,717	25,967
Taxes other than income taxes	4,827	4,714
Total electric utility expenses	216,995	211,920
Other expense	1,144	1,613
Total operating expenses	218,139	213,533
Operating Income (Loss):		
Electric utility	81,112	48,596
Other	465	(666)
Total operating income	81,577	47,930
Other Income	4,629	4,616
Earnings (Losses) of Unconsolidated Equity-Method Investments	2,642	(380)
Other Expense	2,764	2,055
Interest Expense:		
Interest on long-term debt	17,226	15,862

Other interest	1,310		763	
Total interest expense	18,536		16,625	
Income Before Income Taxes	67,548		33,486	
Income Tax Expense	15,809		4,555	
Net Income	$	51,739	$	28,931
Weighted Average Common Shares Outstanding - Basic (000 s)	44,998		44,417	
Weighted Average Common Shares Outstanding - Diluted (000 s)	45,194		44,543	
Earnings Per Share of Common Stock:				
Earnings per share-Basic	$	1.15	$	0.65
Earnings per share-Diluted	$	1.14	$	0.65
Dividends Paid Per Share of Common Stock	$	0.30	$	0.30

The accompanying notes are an integral part of these statements.

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

	Nine months ended September 30,	
	2008	2007
Operating Revenues:	(thousands of dollars except for per share amounts)	
Electric utility:		
General business	$ 602,700	$ 511,337
Off-system sales	93,640	129,859
Other revenues	43,508	37,776
Total electric utility revenues	739,848	678,972
Other	3,534	2,976
Total operating revenues	743,382	681,948
Operating Expenses:		
Electric utility:		
Purchased power	174,900	241,393
Fuel expense	112,385	101,724
Power cost adjustment	(38,678)	(107,457)
Other operations and maintenance	219,321	215,870
Demand-side management	13,249	8,970
Gain on sale of emission allowances	(504)	(2,754)
Depreciation	78,084	76,870
Taxes other than income taxes	14,431	14,267
Total electric utility expenses	573,188	548,883
Other expense	3,331	4,782
Total operating expenses	576,519	553,665
Operating Income (Loss):		
Electric utility	166,660	130,089
Other	203	(1,806)
Total operating income	166,863	128,283
Other Income	15,128	13,867
Losses of Unconsolidated Equity-Method Investments	(4,672)	(3,257)
Other Expense	4,949	6,838
Interest Expense:		
Interest on long-term debt	49,847	43,306
Other interest	3,219	3,881
Total interest expense	53,066	47,187
Income Before Income Taxes	119,304	84,868
Income Tax Expense	28,335	12,891
Income from Continuing Operations	90,969	71,977
	-	67

Income from Discontinued Operations, net of tax				
Net Income	$	90,969	$	72,044
Weighted Average Common Shares Outstanding - Basic (000 s)	44,923		43,947	
Weighted Average Common Shares Outstanding - Diluted (000 s)	45,098		44,080	
Earnings Per Share of Common Stock:				
Earnings per share from Continuing Operations-Basic	$	2.02	$	1.64
Earnings per share from Discontinued Operations-Basic	-		-	
Earnings Per Share of Common Stock-Basic	$	2.02	$	1.64
Earnings per share from Continuing Operations-Diluted	$	2.02	$	1.63
Earnings per share from Discontinued Operations-Diluted	-		-	
Earnings Per Share of Common Stock-Diluted	$	2.02	$	1.63
Dividends Paid Per Share of Common Stock	$	0.90	$	0.90

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

Assets	**September 30, 2008**	**December 31, 2007**
	(thousands of dollars)	
Current Assets:		
Cash and cash equivalents	$ 57,726	$ 7,966
Receivables:		
Customer	78,192	69,160
Allowance for uncollectible accounts	(1,359)	(7,505)
Employee notes	203	2,128
Other	6,617	10,957
Accrued unbilled revenues	39,065	36,314
Materials and supplies (at average cost)	51,324	43,270
Fuel stock (at average cost)	24,402	17,268
Prepayments	10,299	9,371
Deferred income taxes	14,375	25,672
Refundable income tax deposit	24,903	46,083
Other	8,904	6,023
Total current assets	314,651	266,707
Investments	201,807	201,085
Property, Plant and Equipment:		
Utility plant in service	3,957,199	3,796,339
Accumulated provision for depreciation	(1,499,947)	(1,468,832)
Utility plant in service - net	2,457,252	2,327,507
Construction work in progress	225,965	257,590
Utility plant held for future use	6,318	3,366
Other property, net of accumulated depreciation	27,615	28,089
Property, plant and equipment - net	2,717,150	2,616,552
Other Assets:		
American Falls and Milner water rights	26,592	29,501
Company-owned life insurance	29,535	30,842
Regulatory assets	502,565	449,668
Long-term receivables (net of allowance of $2,478 and $1,878, respectively)	4,262	3,583
Employee notes	89	2,325
Other	54,612	53,045
Total other assets	617,655	568,964

Total	$	3,851,263	$	3,653,308

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

Liabilities and Shareholders Equity	September 30, 2008	December 31, 2007
	(thousands of dollars)	
Current Liabilities:		
Current maturities of long-term debt	$ 7,817	$ 11,456
Notes payable	203,915	186,445
Accounts payable	66,195	85,116
Taxes accrued	14,736	8,492
Interest accrued	29,624	18,913
Uncertain tax positions	27,297	26,764
Other	36,883	38,129
Total current liabilities	386,467	375,315
Other Liabilities:		
Deferred income taxes	473,845	466,182
Regulatory liabilities	276,469	274,204
Other	170,794	173,412
Total other liabilities	921,108	913,798
Long-Term Debt	1,273,028	1,156,880
Commitments and Contingencies (Note 6)		
Shareholders Equity:		
Common stock, no par value (shares authorized 120,000,000; 45,575,907 and 45,063,107 shares issued, respectively)	691,162	675,774
Retained earnings	587,998	537,699
Accumulated other comprehensive loss	(8,461)	(6,156)
Treasury stock (9,537 and 380 shares at cost, respectively)	(39)	(2)
Total shareholders equity	1,270,660	1,207,315
Total	$ 3,851,263	$ 3,653,308

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, 2008	2007
	(thousands of dollars)	
Operating Activities:		
Net income	$ 90,969	$ 72,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,192	91,286
Deferred income taxes and investment tax credits	16,075	29,224
Changes in regulatory assets and liabilities	(50,081)	(110,813)
Non-cash pension expense	3,009	7,968
Undistributed earnings of subsidiaries	(3,772)	(4,648)
Gain on sale of assets	(3,369)	(4,437)
Other non-cash adjustments to net income	1,770	(2,289)
Change in:		
Accounts receivable and prepayments	(11,819)	(9,703)
Accounts payable and other accrued liabilities	(16,782)	(19,981)
Taxes accrued	6,244	(15,079)
Other current assets	(17,940)	(9,685)
Other current liabilities	8,971	16,582
Other assets	1,126	758
Other liabilities	(2,188)	5,973
Net cash provided by operating activities	115,405	47,200
Investing Activities:		
Additions to property, plant and equipment	(176,475)	(203,067)
Proceeds from the sale of IDACOMM	-	7,283
Proceeds from the sale of non-utility assets	5,753	-
Investments in affordable housing	(8,486)	300
Proceeds from the sale of emission allowances	2,959	19,846
Investments in unconsolidated affiliates	(3,065)	(4,925)
Purchase of available-for-sale securities	-	(24,349)
Proceeds from the sale of available-for-sale securities	-	26,110
Purchase of held-to-maturity securities	(2,885)	(3,116)
Maturity of held-to-maturity securities	4,610	3,267
Withdrawal of refundable deposit for tax related liabilities	20,000	-
Other	(7,932)	(187)
Net cash used in investing activities	(165,521)	(178,838)
Financing Activities:		
Increase in term loans	170,000	-

Issuance of long-term debt	120,000	140,000
Retirement of long-term debt	(7,630)	(9,978)
Purchase of pollution control bonds	(166,100)	-
Dividends on common stock	(40,516)	(39,629)
Net change in short-term borrowings	13,570	15,813
Issuance of common stock	12,550	34,893
Acquisition of treasury stock	(304)	(346)
Other	(1,694)	(2,355)
Net cash provided by financing activities	99,876	138,398
Net increase in cash and cash equivalents	49,760	6,760
Cash and cash equivalents at beginning of the period	7,966	9,892
Cash and cash equivalents at end of the period	$ 57,726	$ 16,652
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes	$ 8,762	$ 3,815
Interest (net of amount capitalized)	$ 40,933	$ 36,080
Non-cash investing activities		
Additions to property, plant and equipment in accounts payable	$ 10,527	$ 6,374

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,	
	2008	**2007**

	(thousands of dollars)	
Net Income	$ 51,739	$ 28,931
Other Comprehensive Income (Loss):		
Unrealized (losses) gains on securities:		
Unrealized holding (losses) gains arising during the period, net of tax of ($791) and $148	(1,232)	231
Reclassification adjustment for gains included in net income, net of tax of $0 and ($31)	-	(48)
Net unrealized (losses) gains	(1,232)	183
Unfunded pension liability adjustment, net of tax of $67 and $72	104	113
Total Comprehensive Income	$ 50,611	$ 29,227

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30, 2008	2007
	(thousands of dollars)	
Net Income	$ 90,969	$ 72,044
Other Comprehensive Income (Loss):		
Unrealized (losses) gains on securities:		
Unrealized holding (losses) gains arising during the period, net of tax of ($1,679) and $452	(2,616)	704
Reclassification adjustment for gains included in net income, net of tax of $0 and ($592)	-	(922)
Net unrealized losses	(2,616)	(218)
Unfunded pension liability adjustment, net of tax of $200 and $217	311	338
Total Comprehensive Income	$ 88,664	$ 72,164

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Three Months Ended September 30, 2008	2007
	(thousands of dollars)	
Operating Revenues:		
General business	$ 246,639	$ 211,873
Off-system sales	34,637	34,843
Other revenues	16,831	13,800
Total operating revenues	298,107	260,516
Operating Expenses:		
Operation:		
Purchased power	79,513	110,108
Fuel expense	46,467	43,291
Power cost adjustment	(20,105)	(43,749)
Other	58,544	54,625
Demand-side management	5,956	4,307
Gain on sale of emission allowances	(158)	(1,872)
Maintenance	16,234	14,529
Depreciation	25,717	25,967
Taxes other than income taxes	4,827	4,714
Total operating expenses	216,995	211,920
Income from Operations	81,112	48,596
Other Income (Expense):		
Allowance for equity funds used during construction	1,265	1,909
Earnings of unconsolidated equity-method investments	4,487	1,296
Other income	3,428	2,475
Other expense	(2,603)	(2,205)
Total other income	6,577	3,475
Interest Charges:		
Interest on long-term debt	16,916	15,386

Other interest	2,290		2,361	
Allowance for borrowed funds used during construction	(1,549)		(2,063)	
Total interest charges	17,657		15,684	
Income Before Income Taxes	70,032		36,387	
Income Tax Expense	22,627		12,279	
Net Income	$	47,405	$	24,108

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Nine months ended September 30, 2008	2007
	(thousands of dollars)	
Operating Revenues:		
General business	$ 602,700	$ 511,337
Off-system sales	93,640	129,859
Other revenues	43,508	37,776
Total operating revenues	739,848	678,972
Operating Expenses:		
Operation:		
Purchased power	174,900	241,393
Fuel expense	112,385	101,724
Power cost adjustment	(38,678)	(107,457)
Other	168,675	162,073
Demand-side management	13,249	8,970
Gain on sale of emission allowances	(504)	(2,754)
Maintenance	50,646	53,797
Depreciation	78,084	76,870
Taxes other than income taxes	14,431	14,267
Total operating expenses	573,188	548,883
Income from Operations	166,660	130,089
Other Income (Expense):		
Allowance for equity funds used during construction	2,394	4,687
Earnings of unconsolidated equity-method investments	2,621	3,376
Other income	12,502	8,332
Other expense	(5,077)	(6,637)
Total other income	12,440	9,758
Interest Charges:		
Interest on long-term debt	48,868	41,857

Other interest	6,437	7,019
Allowance for borrowed funds used during construction	(4,966)	(5,517)
Total interest charges	50,339	43,359
Income Before Income Taxes	128,761	96,488
Income Tax Expense	42,357	32,885
Net Income	$ 86,404	$ 63,603

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

Assets	September 30, 2008	December 31, 2007
	(thousands of dollars)	
Electric Plant:		
In service (at original cost)	$ 3,957,199	$ 3,796,339
Accumulated provision for depreciation	(1,499,947)	(1,468,832)
In service - net	2,457,252	2,327,507
Construction work in progress	225,965	257,590
Held for future use	6,318	3,366
Electric plant - net	2,689,535	2,588,463
Investments and Other Property	106,702	105,074
Current Assets:		
Cash and cash equivalents	36,189	5,347
Receivables:		
Customer	78,192	62,122
Allowance for uncollectible accounts	(1,359)	(1,305)
Employee notes	203	2,128
Other	3,733	8,122
Accrued unbilled revenues	39,065	36,314
Materials and supplies (at average cost)	51,324	43,270
Fuel stock (at average cost)	24,402	17,268
Prepayments	10,028	9,120
Deferred income taxes	3,865	4,074
Refundable income tax deposit	23,927	44,316
Other	6,152	1,067
Total current assets	275,721	231,843
Deferred Debits:		
American Falls and Milner water rights	26,592	29,501
Company-owned life insurance	29,535	30,842
Regulatory assets	502,565	449,668
Employee notes	89	2,325
Other	53,348	51,800

Total deferred debits	612,129	564,136
Total	$ 3,684,087	$ 3,489,516

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

Capitalization and Liabilities	**September 30, 2008**	**December 31, 2007**
	(thousands of dollars)	
Capitalization:		
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	581,758	581,758
Capital stock expense	(2,097)	(2,097)
Retained earnings	488,027	442,300
Accumulated other comprehensive loss	(8,461)	(6,156)
Total common stock equity	1,157,104	1,113,682
Long-term debt	1,260,629	1,141,508
Total capitalization	2,417,733	2,255,190
Current Liabilities:		
Long-term debt due within one year	1,064	1,064
Notes payable	135,263	136,585
Accounts payable	65,614	84,457
Notes and accounts payable to related parties	1,106	724
Taxes accrued	24,039	2,403
Interest accrued	29,447	18,761
Uncertain tax positions	27,297	26,764
Other	35,991	36,907
Total current liabilities	319,821	307,665
Deferred Credits:		
Deferred income taxes	506,617	488,768
Regulatory liabilities	276,469	274,204
Other	163,447	163,689
Total deferred credits	946,533	926,661

Commitments and Contingencies (Note 6)

Total	$	3,684,087	$	3,489,516

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Capitalization
(unaudited)

	September 30, 2008	%	December 31, 2007	%
	(thousands of dollars)			
Common Stock Equity:				
Common stock	$ 97,877		$ 97,877	
Premium on capital stock	581,758		581,758	
Capital stock expense	(2,097)		(2,097)	
Retained earnings	488,027		442,300	
Accumulated other comprehensive loss	(8,461)		(6,156)	
Total common stock equity	1,157,104	48	1,113,682	49
Long-Term Debt:				
First mortgage bonds:				
7.20% Series due 2009	80,000		80,000	
6.60% Series due 2011	120,000		120,000	
4.75% Series due 2012	100,000		100,000	
4.25% Series due 2013	70,000		70,000	
6.025% Series due 2018	120,000		-	
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	
Total first mortgage bonds	1,065,000		945,000	
Amount due within one year	-		-	
Net first mortgage bonds	1,065,000		945,000	
Pollution control revenue bonds:				
Variable Rate Series 2003 due 2024	49,800		49,800	
Variable Rate Series 2006 due 2026	116,300		116,300	
Variable Rate Series 2000 due 2027	4,360		4,360	
Total pollution control revenue bonds	170,460		170,460	
American Falls bond guarantee	19,885		19,885	

Milner Dam note guarantee	9,573		10,636	
Note guarantee due within one year	(1,064)		(1,064)	
Unamortized premium/discount - net	(3,225)		(3,409)	
Term Loan Credit Facility	166,100		-	
Purchase of pollution control revenue bonds	(166,100)		-	
Total long-term debt	1,260,629	52	1,141,508	51
Total Capitalization	$ 2,417,733	100	$ 2,255,190	100

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2008	**2007**
Operating Activities:	**(thousands of dollars)**	
Net income	$ 86,404	$ 63,603
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,285	82,244
Deferred income taxes and investment tax credits	15,173	26,926
Changes in regulatory assets and liabilities	(50,081)	(110,813)
Non-cash pension expense	3,009	7,968
Undistributed earnings of subsidiary	(2,621)	(3,376)
Gain on sale of assets	(3,383)	(4,268)
Other non-cash adjustments to net income	(1,346)	(4,388)
Change in:		
Accounts receivables and prepayments	(12,162)	(13,249)
Accounts payable	(16,175)	(18,565)
Taxes accrued	21,636	2,098
Other current assets	(17,939)	(9,760)
Other current liabilities	8,945	16,580
Other assets	1,121	710
Other liabilities	(1,888)	6,706
Net cash provided by operating activities	113,978	42,416
Investing Activities:		
Additions to utility plant	(176,475)	(202,555)
Proceeds from the sale of non-utility assets	5,690	-
Purchase of available-for-sale securities	-	(24,349)
Proceeds from the sale of available-for-sale securities	-	26,110
Proceeds from sale of emission allowances	2,959	19,846
Investments in unconsolidated affiliate	(3,065)	(4,925)
Withdrawal (refundable deposit) for tax related liabilities	20,000	(43,927)
Other	(7,550)	(186)
Net cash used in investing activities	(158,441)	(229,986)
Financing Activities:		
Increase in term loans	170,000	-

Issuance of long-term debt	120,000	140,000
Retirement of long-term debt	(1,064)	(1,064)
Purchase of pollution control bonds	(166,100)	-
Dividends on common stock	(40,678)	(39,791)
Net change in short term borrowings	(5,222)	92,613
Other	(1,631)	(1,657)
Net cash provided by financing activities	75,305	190,101
Net increase in cash and cash equivalents	30,842	2,531
Cash and cash equivalents at beginning of the period	5,347	2,404
Cash and cash equivalents at end of the period	$ 36,189	$ 4,935
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes paid to parent	$ 8,331	$ 8,978
Interest (net of amount capitalized)	$ 38,300	$ 32,270
Non-cash investing activities:		
Additions to utility plant in accounts payable	$ 10,527	$ 6,374

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended September 30, 2008		2007	
	(thousands of dollars)			
Net Income	$	47,405	$	24,108
Other Comprehensive Income (Loss):				
Unrealized (losses) gains on securities:				
Unrealized holding (losses) gains arising during the period, net of tax of ($791) and $148	(1,232)		231	
Reclassification adjustment for gains included in net income, net of tax of $0 and ($31)	-		(48)	
Net unrealized (losses) gains	(1,232)		183	
Unfunded pension liability adjustment, net of tax of $67 and $72	104		113	
Total Comprehensive Income	$	46,277	$	24,404

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Nine Months Ended September 30, 2008	2007
	(thousands of dollars)	
Net Income	$ 86,404	$ 63,603
Other Comprehensive Income (Loss):		
Unrealized (losses) gains on securities:		
Unrealized holding (losses) gains arising during the period, net of tax of ($1,679) and $452	(2,616)	704
Reclassification adjustment for gains included in net income, net of tax of $0 and ($592)	-	(922)
Net unrealized losses	(2,616)	(218)
Unfunded pension liability adjustment, net of tax of $200 and $217	311	338
Total Comprehensive Income	$ 84,099	$ 63,723

The accompanying notes are an integral part of these statements.

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IDACORP, INC. AND IDAHO POWER COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This Quarterly Report on Form 10-Q is a combined report of IDACORP, Inc. (IDACORP) and Idaho Power Company (IPC). These Notes to the Condensed Consolidated Financial Statements apply to both IDACORP and IPC. However, IPC 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 IPC. IDACORP is subject to the provisions of the Public Utility Holding Company Act of 2005, which provides certain access to books and records to the Federal Energy Regulatory Commission (FERC) and state utility regulatory commissions and imposes certain record retention and reporting requirements on IDACORP.

IPC is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. IPC is regulated by the FERC and the state regulatory commissions of Idaho and Oregon. IPC is the parent of Idaho Energy Resources Co. (IERCO), a joint venturer in Bridger Coal Company, which supplies coal to the Jim Bridger generating plant owned in part by IPC.

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 (IE), a marketer of energy commodities, which wound down operations in 2003.

On February 23, 2007, IDACORP sold all of the outstanding common stock of IDACOMM, Inc. to American Fiber Systems, Inc. The results of operations and the sale of IDACOMM, Inc. are reported as discontinued operations.

Principles of Consolidation

IDACORP s and IPC s condensed consolidated financial statements include the accounts of each company and their consolidated subsidiaries. IDACORP also consolidates two variable interest entities (VIEs) for which it is the primary beneficiary. All significant intercompany balances have been eliminated in consolidation. Investments in entities in which IDACORP and IPC 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.

Through IFS, IDACORP also holds significant variable interests in VIEs for which it is not the primary beneficiary. These VIEs are historic rehabilitation and affordable housing developments in which IFS holds limited partnership interests ranging up to 99 percent. These investments were acquired between 1996 and 2008. IFS maximum exposure to loss in these developments was $77 million at September 30, 2008.

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Financial Statements

In the opinion of IDACORP and IPC, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly their consolidated financial positions as of September 30, 2008, and consolidated results of operations for the three and nine months ended September 30, 2008, and 2007, and consolidated cash flows for the nine months ended September 30, 2008, and 2007. These adjustments are of a normal and recurring nature. These financial statements do not contain the complete detail or footnote disclosure concerning accounting policies and other matters that would be included in full-year financial statements and should be read in conjunction with the audited consolidated financial statements included in IDACORP s and IPC s Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications that were made to prior year amounts are as follows: Non-cash pension expense was broken out separately from other non-cash adjustments to net income in the operating sections of IDACORP s and IPC s condensed consolidated statements of cash flows; other assets was combined with other in the financing section of IPC s condensed consolidated statements of cash flows; and notes receivable was combined with other receivables in the current assets section of IPC s condensed consolidated balance sheets. Net income and shareholders equity were not affected by these reclassifications.

Earnings Per Share

The following table presents the computation of IDACORP s basic and diluted earnings per share from continuing operations for the three and nine months ended September 30, 2008 and 2007 (in thousands, except for per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Numerator:				
Income from continuing operations	$ 51,739	$ 28,931	$ 90,969	$ 71,977
Denominator:				
Weighted-average common shares outstanding - basic*	44,998	44,417	44,923	43,947

Effect of dilutive securities:								
Options		32		34		43		41
Restricted Stock		164		92		132		92
Weighted-average common shares outstanding diluted		45,194		44,543		45,098		44,080
Basic earnings per share from continuing operations	$	1.15	$	0.65	$	2.02	$	1.64
Diluted earnings per share from continuing operations	$	1.14	$	0.65	$	2.02	$	1.63

*Weighted average shares outstanding - basic excludes non-vested shares issued under stock compensation plans.

The diluted EPS computation excluded 577,585 and 513,862 options for the three and nine months ended September 30, 2008, because the options   exercise prices were greater than the average market price of the common stock during those periods. For the same periods in 2007, there were 486,800 and 487,200 options excluded from the diluted EPS computation for the same reason. In total, 814,285 options were outstanding at September 30, 2008, with expiration dates between 2010 and 2015.

New Accounting Pronouncements

SFAS 141(R): In December 2007, the FASB issued SFAS 141(R), *Business Combinations (Revised December 2007).* SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination: (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. IDACORP and IPC do not expect the adoption of SFAS 141(R) to have a material impact on their consolidated financial statements.

SFAS 160: In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements.* Among other things, SFAS 160 establishes a standard for the way noncontrolling interests (also called minority interests) are presented in consolidated financial statements and standards for accounting for changes in ownership interests. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. An entity may not apply it before that date. IDACORP and IPC do not expect the adoption of SFAS 160 to have a material impact on their consolidated financial statements.

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SFAS 161: In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133.* SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (3) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. IDACORP and IPC do not expect the adoption of SFAS 161 to have a material impact on their consolidated financial statements.

SFAS 162: In May 2008, the FASB issued SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles,* which identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States (GAAP) (the GAAP hierarchy). SFAS 162 is effective November 15, 2008. IDACORP and IPC do not expect the adoption of SFAS 162 to have a material impact on their consolidated financial statements.

SFAS 163: In May 2008, the FASB issued SFAS 163, *Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60.* SFAS 163 is generally effective for financial statements issued for fiscal years beginning after December 15, 2008. IDACORP and IPC do not expect SFAS 163 to impact their consolidated financial statements.

FSP EITF 03-6-1: In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, *Earnings per Share.* FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. All prior-period earnings per share data presented shall be adjusted retrospectively. Early application is not permitted. IDACORP and IPC do not expect EITF 03-6-1 to have a material impact on their consolidated financial statements.

FSP FAS 142-3: In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets.* FSP FAS 142-3 removes the requirement of SFAS 142, *Goodwill and Other Intangible Assets* for an entity to consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions associated with the intangible asset. FSP FAS 142-3 replaces the previous useful-life assessment criteria with a requirement that an entity consider its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. IDACORP and IPC do not expect FSP FAS 142-3 to have a material impact on their consolidated financial statements.

2. INCOME TAXES:

In accordance with interim reporting requirements, IDACORP and IPC use an estimated annual effective tax rate for computing their provisions for income taxes. IDACORP s effective rate on continuing operations for the nine months ended September 30, 2008, was 23.8 percent, compared to 15.2 percent for the nine months ended September 30, 2007. IPC s effective tax rate for the nine months ended September 30, 2008, was 32.9 percent, compared to 34.1 percent for the nine months ended September 30, 2007. The differences in estimated annual effective tax rates are primarily due to the amount of pre-tax earnings at IDACORP and IPC, timing and amount of IPC s regulatory flow-through tax adjustments, and lower tax credits from IFS.

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3. COMMON STOCK AND STOCK-BASED COMPENSATION:

During the nine months ended September 30, 2008, IDACORP entered into the following transactions involving its common stock:

85,430 original issue shares were used for awards granted under the 2000 Long-Term Incentive and Compensation Plan.

16,149 original issue shares and 26,359 treasury shares were used for awards granted under the Restricted Stock Plan.

15,100 treasury shares were used for the annual stock grant to directors under the Non-Employee Directors Stock Compensation Plan.

208,221 original issue shares were issued under the Dividend Reinvestment and Stock Purchase Plan and the Employee Savings Plan.

203,000 original issue shares were issued in at-the-market offerings at an average price of $30.53 per share under the Continuous Equity Program. An additional 56,900 shares were issued in October 2008 at an average price of $30.32 per share.

IDACORP has three share-based compensation plans. IDACORP s employee plans are the 2000 Long-Term Incentive and Compensation Plan (LTICP) and the Restricted Stock Plan (RSP). These plans are intended to align employee and shareholder objectives related to IDACORP s long-term growth. IDACORP also has one non-employee plan, the Non-Employee Directors Stock Compensation Plan (DSP). The purpose of the DSP is to increase directors stock ownership through stock-based compensation.

The LTICP for officers, key employees and directors permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other awards. The RSP permits only the grant of restricted stock or performance-based restricted stock. At September 30, 2008, the maximum number of shares available under the LTICP and RSP were 1,568,551 and 68,027, respectively. 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 IPC for those costs associated with IPC s employees (in thousands of dollars):

	IDACORP Nine months ended September 30, 2008	IDACORP 2007	IPC Nine months ended September 30, 2008	IPC 2007
Compensation cost	$ 3,106	$ 2,099	$ 2,933	$ 1,461
Income tax benefit	$ 1,214	$ 821	$ 1,147	$ 571

No equity compensation costs have been capitalized.

Stock awards: Restricted stock awards have vesting periods of up to four years. Restricted stock awards entitle the recipients to dividends and voting rights, and unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The fair value of restricted stock awards is measured based on the market price of the underlying common stock on the date of grant and is charged to compensation expense over the vesting period based on the number of shares expected to vest. The weighted average fair value at date of grant for restricted stock awards granted during the first nine months of 2008 was $30.54.

Performance-based restricted stock awards have vesting periods of three years. Performance awards entitle the recipients to voting rights, and unvested shares are restricted as to disposition, subject to forfeiture under certain circumstances, and subject to meeting specific performance conditions. Based on the attainment of the performance conditions, the ultimate award can range from zero to 150 percent of the target award. Dividends are accrued during the vesting period and will be paid out only on shares that eventually vest.

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The performance goals for these awards are independent of each other and equally weighted, and are based on two metrics, cumulative earnings per share (CEPS) and total shareholder return (TSR) relative to a peer group. The fair value of the CEPS portion is based on the market value at the date of grant, reduced by the loss in time-value of the estimated future dividend payments, using an expected quarterly dividend of $0.30. The fair value of the TSR portion is estimated using a statistical model that incorporates the probability of meeting performance targets based on historical returns relative to the peer group. Both performance goals are measured over the three-year vesting period and are charged to compensation expense over the vesting period based on the number of shares expected to vest. The weighted average fair value at date of grant for CEPS and TSR awards granted during the first nine months of 2008 was $22.76.

Stock options: Stock option awards are granted with exercise prices equal to the market value of the stock on the date of grant. The options have a term of 10 years from the grant date and vest over a five-year period. The fair value of each option is amortized into compensation expense using graded-vesting. Stock options are not a significant component of share-based compensation awards under the LTICP.

Rights Agreement

On September 10, 2008, the Rights Agreement between IDACORP and Wells Fargo Bank, N. A., as successor to The Bank of New York, as rights agent, dated as of September 10, 1998, as amended (Rights Agreement), and the preferred share purchase rights (rights) issued thereunder expired in accordance with their terms. As a result, shares of IDACORP common stock are no longer accompanied by a right to purchase, under certain circumstances, one one-hundredth of a share of IDACORP s A Series Preferred Stock. IDACORP common shareholders were not entitled to any payment as a result of the expiration of the Rights Agreement and the rights issued thereunder.

4. FINANCING:

Credit Facilities

IDACORP has a $100 million credit facility and IPC has a $300 million credit facility, both of which expire on April 25, 2012. Commercial paper may be issued up to the amounts supported by the bank credit facilities. Under these facilities the companies pay a facility fee on the commitment, quarterly in arrears, based on its rating for senior unsecured long-term debt securities without third-party credit enhancement as provided by Moody s and S&P.

IPC entered into a $170 million Term Loan Credit Agreement, dated as of April 1, 2008, with JPMorgan Chase Bank, N.A., as administrative agent and lender, and Bank of America, N.A., Union Bank of California, N.A. and Wachovia Bank, National Association, as lenders. The Term Loan Credit Agreement provided for the issuance of term loans

(Loans) by the lenders to IPC on April 1, 2008, in an aggregate principal amount of $170 million. The Loans are due on March 31, 2009. IPC used $166.1 million of the proceeds from the Loans to effect the mandatory purchase on April 3, 2008, of the Pollution Control Bonds (as discussed below under Pollution Control Revenue Refunding Bonds) and $3.9 million to pay interest, fees and expenses incurred in connection with the Pollution Control Bonds and the Term Loan Credit Agreement. The Loans may be prepaid, but may not be reborrowed. The Term Loan Credit Agreement is a short-term arrangement; however, $166.1 million was classified as long-term debt as allowed by SFAS No. 6 *Classification of Short-Term Obligations Expected to Be Refinanced*. IPC has the ability to refinance the Loans on a long-term basis by utilizing its credit facility, provided that the aggregate of the commitments utilizing the credit facility and commercial paper outstanding does not exceed $300 million. The remaining $3.9 million of the Loans is classified as short-term debt. At September 30, 2008, IPC had regulatory authority to incur up to $450 million of short-term indebtedness. Balances and interest rates of short-term borrowings were as follows at September 30, 2008, and December 31, 2007 (in thousands of dollars):

	September 30, 2008			**December 31, 2007**		
	IPC	**IDACORP**	**Total**	**IPC**	**IDACORP**	**Total**
Commercial paper outstanding	$ 131,363	$ 68,652	$ 200,015	$ 136,585	$ 49,860	$ 186,445
Other short-term borrowings	3,900	-	3,900	-	-	-
Total	$ 135,263	$ 68,652	$ 203,915	$ 136,585	$ 49,860	$ 186,445
Weighted-avg. interest rate	3.28%	3.04%	3.19%	5.56%	5.45%	5.53%

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On October 7, 2008, IPC utilized the swingline loan feature on its credit facility to draw a $30 million loan to pay some of its commercial paper at maturity. The swingline loan was repaid on October 21, 2008, with proceeds from the issuance of commercial paper. On October 14, 2008, IDACORP drew a $35 million floating rate advance on its credit facility to pay some of its commercial paper at maturity.

Long-Term Financing

As of November 5, 2008, IDACORP has $621 million remaining on two shelf registration statements that can be used for the issuance of unsecured debt (including medium-term notes) and preferred or common stock.

On April 3, 2008, IPC entered into a Selling Agency Agreement with each of Banc of America Securities LLC, BNY Capital Markets, Inc., J.P. Morgan Securities Inc., KeyBanc Capital Markets Inc., Lazard Capital Markets LLC, Piper Jaffray & Co., RBC Capital Markets Corporation, SunTrust Robinson Humphrey, Inc., Wachovia Capital Markets, LLC, Wedbush Morgan Securities Inc. and Wells Fargo Securities, LLC in connection with the issuance and sale by IPC from time to time of up to $350 million aggregate principal amount of First Mortgage Bonds, Secured Medium-Term Notes, Series H. On July 10, 2008, IPC issued $120 million of its 6.025% First Mortgage Bonds, Secured Medium-Term Notes, Series H, due July 15, 2018. IPC used the net proceeds to pay down short-term debt. As of November 5, 2008, IPC has $230 million remaining on a shelf registration statement that can be used for the issuance of first mortgage bonds (including medium-term notes) and unsecured debt.

Pollution Control Revenue Refunding Bonds

On April 3, 2008, IPC made a mandatory purchase of the $49.8 million Humboldt County, Nevada Pollution Control Revenue Refunding Bonds (Idaho Power Company Project) Series 2003 and the $116.3 million Sweetwater County, Wyoming Pollution Control Revenue Refunding Bonds (Idaho Power Company Project) Series 2006 (together, the Pollution Control Bonds). IPC initiated this transaction in order to adjust the interest rate period of the Pollution Control Bonds from an auction interest rate period to a weekly interest rate period, effective April 3, 2008. The Pollution Control Bonds remain outstanding and have not been retired or cancelled.

5. REGULATORY MATTERS:

Idaho 2007 General Rate Case

On February 28, 2008, the IPUC approved a settlement of IPC s general rate case filed June 8, 2007. The IPUC s order approved an average increase in base rates of 5.2 percent, or approximately $32.1 million in revenues, effective March 1, 2008. The order also reset the load growth adjustment rate (LGAR) from $29.41 per MWh to $62.79 per MWh, but applied the new rate to only 50 percent of the load growth beginning in March 2008. The LGAR subtracts the cost of serving additional Idaho retail load from the net power supply costs IPC is allowed to include in its power cost adjustment (PCA). In the 2007 general rate case, IPC filed normalized firm base load of 15.6 million MWh as compared with 14.8 million MWh in the 2005 general rate case.

Danskin CT1 Power Plant Rate Case

On March 7, 2008, IPC filed an application with the IPUC requesting recovery of construction costs associated with the gas-fired Danskin CT1 plant located near Mountain Home, Idaho. Danskin CT1 began commercial operations on March 11, 2008. IPC requested adding to rate base approximately $65 million attributable to the cost of constructing the generating facility and the related transmission and interconnection facilities, which would have resulted in a base rate increase of 1.39 percent, or approximately $9 million in annual revenues.

On May 30, 2008, the IPUC authorized IPC to add to its rate base $64.2 million for the Danskin CT1 plant and related facilities, effective June 1, 2008, resulting in a base rate increase of 1.37 percent, or $8.9 million in annual revenues. Costs not approved in this order will be included in future filings.

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Deferred Net Power Supply Costs

IPC s deferred net power supply costs consisted of the following (in thousands of dollars):

	September 30, 2008		December 31, 2007	
Idaho PCA current year				
Deferral for the 2008-2009 rate year*	$	-	$	85,732
Deferral for the 2009-2010 rate year		61,053		-
Idaho PCA true-up awaiting recovery:				
Authorized in May 2007		-		6,591
Authorized in May 2008		70,345		-
Oregon deferral:				
2001 Costs		2,170		2,993
2006 Costs		1,183		2,107
2008 Power cost adjustment mechanism		3,809		-
Total deferral	$	138,560	$	97,423

*The 2008-2009 PCA deferral balance is reduced by $16.5 million of emission allowance sales in 2007.

Idaho: IPC has a PCA mechanism that provides for annual adjustments to the rates charged to its Idaho retail customers. The PCA tracks IPC s actual net power supply costs (fuel and purchased power less off-system sales) and compares these amounts to net power supply costs currently being recovered in retail rates.

The annual adjustments are based on two components:

A forecast component, based on a forecast of net power supply costs in the coming year as compared to net power supply costs in base rates; and

A true-up component, based on the difference between the previous year s actual net power supply costs and the previous year s forecast. This 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 true-up component is calculated monthly, and interest is applied to the balance.

The PCA mechanism provides that 90 percent of deviations in power supply costs are to be reflected in IPC s rates for both the forecast and the true-up components.

2008-2009 PCA: On April 15, 2008, IPC filed its 2008-2009 PCA application with the IPUC with a requested effective date of June 1, 2008. The filing requested an increase to existing revenues of approximately $87.2 million. Subsequently, the IPUC issued an order directing IPC to apply $16.5 million of gains from the sale of excess SO_2 emission allowances, including interest, against the PCA. This order reduced IPC s request to approximately $70.7 million.

IPC and the IPUC Staff each proposed deviations from standard IPUC-approved PCA methodology. IPC proposed to flow through to customers 100 percent of the deviation in net power supply costs and PURPA project expenses for the 2008-2009 PCA year instead of a 90/10 sharing between customers and shareholders. This was denied by the IPUC.

The IPUC Staff proposed to use a normal forecast for power supply costs and to change the distribution of base net power supply expenses. The IPUC adopted the IPUC Staff s proposals on May 30, 2008, and approved an increase to existing revenues of $73.3 million, effective June 1, 2008, which resulted in an average rate increase to IPC s customers of 10.7 percent.

The adopted distribution methodology spreads base net power supply costs equally across all months as compared to a more seasonal approach that would have allocated significantly more base net power supply costs to the third quarter and less to the first and second quarters. The change in allocation methodology is not expected to have a material impact on annual financial results.

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2007-2008 PCA: On May 31, 2007, the IPUC approved IPC s 2007-2008 PCA filing. The filing increased the PCA component of customers rates from the then-existing level, which was $46.8 million below base rates, to a level that is $30.7 million above those base rates. This $77.5 million increase was net of $69.1 million of proceeds from sales of excess SO_2 emission allowances. The new rates became effective June 1, 2007.

Emission Allowances: During 2007, IPC sold 35,000 SO_2 emission allowances for a total of $19.6 million. The sales proceeds allocated to the Idaho jurisdiction were approximately $18.5 million. On April 14, 2008, the IPUC ordered that $16.4 million of these proceeds, including interest, be used to help offset the PCA true-up balances from the 2007-2008 PCA. The order also provided that $0.5 million may be used to fund an energy education program.

In 2005 and early 2006, IPC sold 78,000 SO_2 emission allowances for a total of $81.6 million. The sales proceeds allocated to the Idaho jurisdiction were approximately $76.8 million. On May 12, 2006, the IPUC approved a stipulation that allowed IPC to retain ten percent as a shareholder benefit with the remaining 90 percent plus a carrying charge recorded as a customer benefit. This customer benefit was used to partially offset the PCA true-up balance and was reflected in PCA rates in effect from June 1, 2007, to May 31, 2008.

Oregon: On April 30, 2007, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period from May 1, 2007, through April 30, 2008, in anticipation of higher than normal (higher than base) power supply expenses. In the filing, IPC estimated Oregon s jurisdictional share of excess power supply costs to be $5.7 million. This amount is currently estimated to be $7.7 million. IPC also requested that it earn its Oregon authorized rate of return on the deferred balance and recover the amount through rates in future years, as approved by the OPUC. IPC is awaiting an order from the OPUC.

On April 28, 2006, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period of May 1, 2006, through April 30, 2007. IPC requested authorization to defer an estimated $3.3 million, which is Oregon s jurisdictional share of the excess power supply costs. IPC also requested that it earn its Oregon authorized rate of return on the deferred balance and recover the amount through rates in future years, as approved by the OPUC. A settlement agreement was reached with the OPUC Staff and the Citizens Utility Board in the amount of $2 million. The parties also agreed that IPC would file an application for an Oregon PCA mechanism. The settlement stipulation was approved by the OPUC on December 13, 2007.

The timing of future recovery of Oregon power supply cost deferrals is subject to an Oregon statute that specifically limits rate amortizations of deferred costs to six percent of gross Oregon revenue per year. IPC is currently amortizing through rates power supply costs associated with the western energy situation of 2000 and 2001, which is discussed further in Note 6 under Western Energy Proceedings at the FERC. Full recovery of the 2001 deferral is not expected until 2009. The 2006-2007 and the 2007-2008 deferrals would have to be amortized sequentially following the full recovery of the 2001 deferral.

Oregon Power Cost Recovery Mechanism: On August 17, 2007, IPC filed an application with the OPUC requesting the approval of a power cost recovery mechanism similar to the Idaho PCA. A joint stipulation was filed with the OPUC on March 14, 2008, and the OPUC approved the stipulation on April 28, 2008.

The new mechanism allows IPC to recover excess net power supply costs in a more timely fashion than through the previous deferral process. The mechanism differs from the Idaho PCA in that it reestablishes the base net power supply costs annually. In Idaho, the base net power supply costs are set by a general rate case.

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The new regulatory mechanism has two parts: an annual power cost update (APCU) and a power cost adjustment mechanism (PCAM). The APCU has two components: the October Update, where each October IPC will calculate its estimated normalized net power supply expenses for the following April through March test period, and the March Forecast, where each March IPC will file a forecast of its normalized net power supply expenses for the same test period, updated for a number of variables including the most recent stream flow data and future wholesale electric prices. On June 1 of each year, rates will be adjusted to reflect costs calculated in the APCU.

The PCAM is a true-up to be filed annually in February beginning in 2009. The filing will calculate 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, IPC is subject to a portion of the business risk or benefit associated with this deviation through application of an asymmetrical deadband within which IPC 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 IPC. However, a collection will occur only to the extent that it results in IPC s actual return on equity (ROE) for the year being no greater than 100 basis points below IPC s last authorized ROE. A refund will occur only to the extent that it results in IPC s actual ROE for that year being no less than 100 basis points above IPC s last authorized ROE. The PCAM rate is then added to or subtracted from the APCU rate, with new combined rates effective each June 1.

On October 6, 2008, the OPUC provided an order clarifying that the PCAM is a deferral under the Oregon statute. IPC expects that deferrals under the PCAM component will be subject to the six percent limitation on annual amortization discussed above. IPC had $3.8 million deferred under the PCAM at September 30, 2008.

On October 29, 2007, IPC filed the October Update portion of its 2008 APCU with the OPUC reflecting the estimated net power supply expenses for the April 2008 through March 2009 test period. On March 24, 2008, IPC submitted testimony to the OPUC revising its calculation of the October Update to conform to the methodology agreed to by the parties in the stipulation. IPC also submitted the March Forecast, reflecting expected hydroelectric generating conditions and forward prices for the April 2008 through March 2009 test period. The expected power supply costs of $150 million represented an increase of approximately $23 million over the October Update.

On May 20, 2008, the OPUC approved IPC s 2008 APCU (comprising both the October Update and the March Forecast) with the new rates effective June 1, 2008. The approved APCU results in a $4.8 million, or 15.69 percent, increase in Oregon revenues.

On October 23, 2008, IPC filed the October Update portion of its 2009 APCU with the OPUC. The filing reflects that revenues associated with IPC s base net power supply costs would be increased by $0.8 million over the previous October Update, an average 2.4 percent increase. The October Update will be combined with the March Forecast portion of the 2009 APCU, with final rates expected to become effective on June 1, 2009.

Fixed Cost Adjustment Mechanism (FCA)

On March 12, 2007, the IPUC approved the implementation of a FCA mechanism pilot program for IPC s residential and small general service customers. The FCA is a rate mechanism designed to remove IPC s 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. In the FCA, for each customer class, the number of customers is multiplied by a fixed cost per customer. The cost per customer is based on IPC s revenue requirement as established in a general rate case. This authorized fixed cost recovery amount is compared to the amount of fixed costs actually recovered by IPC. The amount of over or under-recovery is then returned to or collected from customers in a subsequent rate adjustment. The pilot program began on January 1, 2007, and runs through 2009, with the first rate adjustment occurring on June 1, 2008, and subsequent rate adjustments occurring on June 1 of each year during its term.

On March 14, 2008, IPC filed an application requesting a $2.4 million rate reduction under the FCA pilot program for the net over-recovery of fixed costs during 2007. On May 30, 2008, the IPUC approved the rate reduction of $2.4 million to be distributed to residential and small general service customer classes equally on an energy used basis during the June 1, 2008 through May 31, 2009, FCA year. IPC deferred $1.7 million of FCA net under-recovery of fixed costs during the nine months ended September 30, 2008.

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Change in Estimate for Depreciation

On September 12, 2008, the IPUC approved a revision to IPC s depreciation rates, retroactive to August 1, 2008. The new rates are based on a settlement reached by IPC and the IPUC staff, and result in an annual reduction of depreciation expense of $8.5 million ($7.9 million allocated to Idaho) based upon December 31, 2006, depreciable electric plant in service.

Open Access Transmission Tariff (OATT)

On March 24, 2006, IPC submitted a revised OATT filing with the FERC requesting an increase in transmission rates. In the filing, IPC proposed to move from a fixed rate to a formula rate, which allows for transmission rates to be updated each year based on FERC Form 1 data. The formula rate request included a rate of return on equity of 11.25 percent. Effective June 1, 2006, the FERC accepted rates for IPC amounting to an annual revenue increase of $11 million based upon 2004 test year data. The rates were accepted subject to refund pending the outcome of the hearing and settlement process.

On August 8, 2007, the FERC approved a settlement agreement by the parties on all issues except the treatment of contracts for transmission service that contain their own terms, conditions and rates that were in existence before the implementation of OATT in 1996 (Legacy Agreements). This settlement reduced the estimated annual revenue increase to approximately $8.2 million based on 2004 test year data. Approximately $1.7 million collected in excess of these new rates between June 1, 2006, and July 31, 2007, was refunded with interest to customers in August 2007.

On August 31, 2007, the FERC Presiding Administrative Law Judge (ALJ) issued an initial decision (Initial Decision) with respect to the treatment of the Legacy Agreements. IPC has appealed the Initial Decision to the FERC and is awaiting a final FERC order. If implemented, the Initial Decision would reduce the estimated annual revenue increase (based on 2004 test year data) to approximately $6.8 million and IPC would make additional refunds, including interest, of approximately $5 million for the June 1, 2006, through September 30, 2008, period. IPC has reserved this entire amount. IPC expects to pursue recovery of amounts not received pursuant to a final order in this proceeding through additional proceedings at the FERC or through the state ratemaking process.

On August 28, 2008, IPC filed an informational filing with the FERC that contains the annual update of the formula rate based on the 2007 test year. The new rate included in the filing is $18.88 per kW-year, a decrease of $0.85 per kW-year, or 4.3 percent. The impact of this rate decrease on IPC s revenues will depend on transmission volume sold, which can be highly variable. In 2007, IPC had $16 million of revenues from sales of transmission to others. New rates were effective October 1, 2008.

Idaho Pension Expense Order

In the 2003 Idaho general rate case, the IPUC disallowed recovery of pension expense because there were no current cash contributions being made to the pension plan. On March 20, 2007, IPC requested that the IPUC clarify that IPC can consider future cash contributions made to the pension plan a recoverable cost of service. On June 1, 2007, the IPUC issued an order authorizing IPC to account for its defined benefit pension expense on a cash basis, and to defer and account for pension expense under SFAS 87, *Employers Accounting for Pensions*, as a regulatory asset. The IPUC acknowledged that it is appropriate for IPC to seek recovery in its revenue requirement of reasonable and prudently incurred pension expense based on actual cash contributions. The regulatory asset created by this order is expected to be amortized to expense to match the revenues received when future pension contributions are recovered through rates. The deferral of pension expense did not begin until $4.1 million of past contributions still recorded on the balance sheet at December 31, 2006, were expensed. For 2007, approximately $2.8 million was deferred to a regulatory asset beginning in the third quarter. During the nine months ended September 30, 2008, $5.9 million of pension expense was deferred. IPC did not request a carrying charge on the deferral balance.

6. COMMITMENTS AND CONTINGENCIES:

Guarantees

IPC has agreed to guarantee the performance of one-third of the reclamation activities at Bridger Coal Company, of which IERCO owns a one-third interest. This guarantee, which is renewed each December, was $60 million at September 30, 2008. Bridger Coal has a reclamation trust fund set aside specifically for the purpose of paying the reclamation costs and expects that the fund will be sufficient to cover all such costs. Because of the existence of the fund, the estimated fair value of this guarantee is minimal.

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Legal Proceedings

From time to time IDACORP and IPC are parties to legal claims, actions and complaints in addition to those discussed below. Although they will vigorously defend against them, IDACORP and IPC are unable to predict with certainty whether or not they will ultimately be successful. However, based on the companies evaluation, they believe that the resolution of these matters, taking into account existing reserves, will not have a material adverse effect on IDACORP s or IPC s consolidated financial positions, results of operations or cash flows.

Reference is made to IDACORP s and IPC s Annual Report on Form 10-K for the year ended December 31, 2007, and Quarterly Report on Form 10-Q for the quarters ended March 31, 2008, and June 30, 2008, for a discussion of all material pending legal proceedings to which IDACORP and IPC and their subsidiaries are parties. The following discussion provides a summary of material developments in those proceedings during the period covered by this report and of any new material proceedings instituted during the period covered by this report.

Western Energy Proceedings at the FERC: Throughout this report, the term western energy situation is used to refer to the California energy crisis that occurred during 2000 and 2001, which resulted in energy shortages and blackouts in the western United States. High prices for electricity in California and in western wholesale markets during 2000 and 2001 caused numerous purchasers of electricity in those markets to initiate proceedings seeking refunds. Some of these proceedings (the western energy proceedings) remain pending before the FERC or on appeal to the United States Court of Appeals for the Ninth Circuit (Ninth Circuit).

There are pending in the Ninth Circuit approximately 200 petitions for review of numerous FERC orders regarding the western energy situation, including the California refund proceeding, the structure and content of the FERC s market-based rate regime, show cause orders with respect to contentions of market manipulation, and the Pacific Northwest proceedings. Decisions in any one of these appeals may have implications with respect to other pending cases, including those to which IDACORP, IPC, or IE are parties. IDACORP, IPC and IE intend to vigorously defend their positions in these proceedings, but are unable to predict the outcome of these matters or estimate the impact they may have on their consolidated financial positions, results of operations or cash flows.

California Refund: In April 2001, the FERC issued an order stating that it was establishing a price mitigation plan for sales in the California wholesale electricity market. That plan included the potential for orders directing electricity sellers into California from October 2, 2000, through June 20, 2001, to refund the portions of their spot market sales prices if the FERC determined that those prices were not just and reasonable. On July 25, 2001, the FERC issued an order initiating the California Refund proceeding including evidentiary hearings to determine the scope and methodology for determining refunds. On February 17, 2006, IE and IPC jointly filed with the California Parties (Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison, the California Public Utilities Commission, the California Electricity Oversight Board, the California Department of Water

Resources and the California Attorney General) an Offer of Settlement at the FERC. A number of other parties, representing substantially less than the majority of potential refund claims, chose to opt out of the settlement. After consideration of comments, the FERC approved the Offer of Settlement on May 22, 2006.

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On February 3, 2004, the FERC directed the California Independent System Operator (Cal ISO) to provide status reports with respect to its progress in calculating refunds, fuel and emissions allowance offsets to refunds, and interest. The process of performing the calculations has engaged the Cal ISO for more than four years. On May 16, 2008, the Cal ISO published its Forty-First Status Report and on September 3, 2008, the Cal ISO published its Forty-Second Status Report. The Forty-First and Forty-Second Status Reports are essentially similar. In the Forty-Second Status Report, the Cal ISO stated its intention not to issue another status report until the FERC had provided guidance on a series of unresolved questions, which the Cal ISO considered to be necessary before it completes its calculations. Included among these unresolved questions are three pending alternative dispute resolution matters, several allocation questions and several questions regarding FERC treatment of non-jurisdictional entities exempted from refund obligations, including questions about the relationship of FERC-approved settlements to the allocation to net refund recipients of refund shortfalls otherwise associated with non-jurisdictional entities. The Cal ISO intends to complete work on its calculations after the FERC provides the requested guidance.
On June 21, 2006, the Port of Seattle, Washington filed a request for rehearing of the FERC order approving the IE and IPC/California Parties settlement. On October 5, 2006, the FERC denied the Port of Seattle s request for rehearing and on October 24, 2006, the Port of Seattle petitioned the Ninth Circuit for review of the FERC orders approving the settlement. On October 25, 2007, the Ninth Circuit lifted the stay as to the Port of Seattle s appeal along with two other cases with which the Port of Seattle s petition remains consolidated and severed the three cases from the remainder of the consolidated cases. Briefs by all participants have now been filed. Oral argument is scheduled for December 16, 2008. IE and IPC intend to vigorously defend their positions in this proceeding, but are unable to predict the outcome of this matter or estimate the impact it may have on their consolidated financial positions, results of operations or cash flows.

Market Manipulation: As part of the California and Pacific Northwest Refund proceedings the FERC issued an order permitting discovery and the submission of evidence regarding market manipulation by sellers during the western energy situation. On June 25, 2003, the FERC ordered 50 entities that participated in the western wholesale power markets between January 1, 2000, and June 20, 2001, including IPC, to show cause why certain trading practices did not constitute gaming or anomalous market behavior (partnership) in violation of the Cal ISO and CalPX Tariffs. On October 16, 2003, IE and IPC reached agreement with the FERC Staff on two orders commonly referred to as the gaming and partnership show cause orders. The FERC staff submitted a motion to the FERC to dismiss the partnership proceeding, which was approved by the FERC in an order issued on January 23, 2004. The gaming settlement was approved by the FERC on March 4, 2004.

Some parties have sought review of what they claim are the excessively narrow or excessively broad scope of the show cause orders, and the Ninth Circuit has consolidated those claims with the other matters and is holding them in abeyance. The Port of Seattle is the only party to appeal the orders of the FERC approving the gaming settlement. IPC intends to vigorously defend its position in this proceeding, but is unable to predict the outcome of this matter or estimate the impact it may have on its consolidated financial positions, results of operations or cash flows.

Pacific Northwest Refund: On July 25, 2001, the FERC issued an order establishing another proceeding to determine whether there may have been unjust and unreasonable charges for spot market sales in the Pacific Northwest during the period December 25, 2000, through June 20, 2001. A FERC Administrative Law Judge submitted recommendations and findings to the FERC on September 24, 2001, concluding that prices should be governed by the Mobile-Sierra standard of the public interest rather than the just and reasonable standard, that the Pacific Northwest spot markets were competitive and that refunds should not be allowed. On December 19, 2002, the FERC reopened the proceeding to allow the submission of additional evidence related to alleged manipulation of the power market by market participants. Parties alleging market manipulation were to submit their claims to the FERC and responses were due on March 20, 2003. On June 25, 2003, the FERC terminated the proceeding and declined to order refunds. Multiple parties filed petitions for review in the Ninth Circuit. On August 24, 2007, the Ninth Circuit issued an opinion in the appeal, remanding to the FERC the orders that declined to require refunds. The Ninth Circuit s opinion instructed the FERC to consider whether evidence of market manipulation submitted by the petitioners for the period January 1, 2000, to June 21, 2001, would have altered the agency s conclusions about refunds and directed the FERC to include sales to the California Department of Water Resources in the proceeding. A number of parties have sought rehearing of the Ninth Circuit s decision. Grays Harbor terminated its participation in the case when Grays Harbor and IPC reached a settlement. IE and IPC intend to vigorously defend their positions in this proceeding, but are unable to predict the outcome of this matter or estimate the impact it may have on their consolidated financial positions, results of operations or cash flows.

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In separate western energy proceedings, the Ninth Circuit issued two decisions on December 19, 2006, regarding the FERC s decision not to require repricing of certain long-term contracts. Those cases originated with individual complaints against specified sellers which did not include IE or IPC. The Ninth Circuit remanded to the FERC for additional consideration the agency s use of restrictive standards of contract review. In its decisions, the Ninth Circuit also questioned the validity of the FERC s administration of its market-based rate regime. On June 26, 2008, the U.S. Supreme Court issued a decision in one of these cases, Morgan Stanley Capital Group Inc. v. Public Utility District No. 1 of Snohomish County (No. 06-1457) (Snohomish), and revisited and clarified the Mobile-Sierra doctrine in the context of fixed-rate, forward power contracts. At issue was whether, and under what circumstances, the FERC could modify the rates in such contracts on the grounds that there was a dysfunctional market at the time the contracts were executed. In its decision, the Supreme Court disagreed with many of the conclusions reached by the Ninth Circuit and upheld the application of the Mobile-Sierra doctrine even in cases in which it is alleged that the markets were dysfunctional. The Supreme Court nonetheless directed the return of the case to the FERC to (i) consider whether the challenged rates in the case constituted an excessive burden on consumers either at the time the contracts were formed or during the term of the contracts relative to the rates that could have been obtained after elimination of the dysfunctional market and (ii) clarify whether it found the evidence inadequate to support a claim that one of the parties to a contract under consideration engaged in unlawful market manipulation that altered the playing field for the particular contract negotiations - that is, whether there was a causal connection between allegedly unlawful activity and the contract rate.

This decision is expected to have general implications for contracts in the wholesale electric markets regulated by the FERC, and particular implications for forward power contracts in such markets. The Snohomish decision upholds the application of the Mobile-Sierra doctrine to fixed-rate, forward power contracts even in allegedly dysfunctional markets. IPC and IE have asserted the Mobile-Sierra doctrine as a defense to the claims asserted in the Pacific Northwest proceeding, involving spot market contracts in an allegedly dysfunctional market. IDACORP, IPC and IE are unable to predict how the FERC will rule on Snohomish on remand or how this decision will affect the outcome of the Pacific Northwest proceeding.

Western Shoshone National Council: On April 10, 2006, the Western Shoshone National Council (which purports to be the governing body of the Western Shoshone Nation) and certain of its individual tribal members filed a First Amended Complaint and Demand for Jury Trial in the U.S. District Court for the District of Nevada, naming IPC and other unrelated entities as defendants. Plaintiffs allege that IPC s ownership interest in certain land, minerals, water or other resources was converted and fraudulently conveyed from lands in which the plaintiffs had historical ownership rights and Indian title dating back to the 1860 s or before.

On May 31, 2007, the U.S. District Court granted the defendants motion to dismiss stating that the plaintiffs claims are barred by the finality provision of the Indian Claims Commission Act. Plaintiffs filed a motion for reconsideration which the District Court denied. On January 25, 2008, the District Court entered judgment in favor of IPC. Plaintiffs filed a Notice of Appeal to the Ninth Circuit. The parties have filed briefs on appeal. Oral argument on the appeal has not yet been scheduled. IPC intends to vigorously defend its position in this proceeding, but is unable to predict the outcome of this matter or estimate the impact it may have on IPC s consolidated financial position, results of operations or cash flows.

Sierra Club Lawsuit-Bridger: In February 2007, the Sierra Club and the Wyoming Outdoor Council filed a complaint against PacifiCorp in the U.S. District Court for the District of Wyoming alleging violations of air quality opacity standards at the Jim Bridger coal-fired plant (Plant) in Sweetwater County, Wyoming. Opacity is an indication of the amount of light obscured in the flue gas of a power plant. A formal answer to the complaint was filed by PacifiCorp on April 2, 2007, in which PacifiCorp denied almost all of the allegations and asserted a number of affirmative defenses. IPC is not a party to this proceeding but has a one-third ownership interest in the Plant. PacifiCorp owns a two-thirds interest and is the operator of the Plant. The complaint alleges thousands of opacity permit limit violations by PacifiCorp and seeks a declaration that PacifiCorp has violated opacity limits, a permanent injunction ordering PacifiCorp to comply with such limits, civil penalties of up to $32,500 per day per violation and the plaintiff s costs of litigation, including reasonable attorney fees.

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Discovery in the matter was completed on October 15, 2007. Also in October 2007, the plaintiffs and defendant filed cross-motions for summary judgment on the alleged opacity compliance status of the Plant. The court has not yet ruled on these motions. On March 13, 2008, the District Court canceled the original trial date of April 21, 2008, but did not schedule a new trial date. On July 7, 2008, the plaintiffs filed a motion requesting the court to schedule a date for oral argument on the pending motions for summary judgment. On July 17, 2008, PacifiCorp filed an opposition to plaintiffs motion based on the court s order on Initial Pretrial Conference, which stated that dispositive motions will be decided on the briefs without oral argument. The court has yet to rule on plaintiffs motion. IPC continues to monitor the status of this matter but is unable to predict the outcome of this matter or estimate the impact it may have on its consolidated financial position, results of operations or cash flows.

Sierra Club Lawsuit Boardman: On September 30, 2008, Sierra Club filed a complaint against Portland General Electric Company (PGE) in the U.S. District Court for the District of Oregon alleging opacity permit limit violations at the Boardman coal-fired power plant located in Morrow County, Oregon. The complaint also alleges violations of the Clean Air Act, related federal regulations and the Oregon State Implementation Plan relating to PGE s construction and operation of the plant. The complaint seeks a declaration that PGE has violated opacity limits, a permanent injunction ordering PGE to comply with such limits, injunctive relief requiring PGE to remediate alleged environmental damage and ongoing impacts, civil penalties of up to $32,500 per day per violation and the plaintiffs cost of litigation, including reasonable attorney fees. IPC is not a party to this proceeding but has a 10 percent ownership interest in the Boardman plant. PGE owns 65 percent and is the operator of the plant.

PGE has not answered or otherwise responded to the complaint. IPC intends to monitor the status of this matter but is unable to predict its outcome or what effect this matter may have on its consolidated financial position, results of operations or cash flows.

Snake River Basin Adjudication: IPC is engaged in the Snake River Basin Adjudication (SRBA), a general stream adjudication, commenced in 1987, to define the nature and extent of water rights in the Snake River basin in Idaho, including the water rights of IPC. The initiation of the SRBA resulted from the Swan Falls Agreement, an agreement entered into by IPC and the Governor and Attorney General of Idaho in October 1984 to resolve litigation relating to IPC s water rights at its Swan Falls project. IPC has filed claims to its water rights for hydropower and other uses in the SRBA. Other water users in the basin have also filed claims to water rights. Parties to the SRBA may file objections to water right claims that adversely affect or injure their claimed water rights and the Idaho District Court for the Fifth Judicial District, which has jurisdiction over SRBA matters, then adjudicates the claims and objections and enters a decree defining a party s water rights. IPC has filed claims for all of its hydropower water rights in the SRBA, is actively protecting those water rights, and is objecting to claims that may potentially injure or affect those water rights. One such claim involves a notice of claim of ownership filed on December 22, 2006, by the State of Idaho, for a portion of the water rights held by IPC that are subject to the Swan Falls Agreement.

On May 10, 2007, in order to protect its claims and the availability of water for power purposes at its facilities, and in response to the claim of ownership filed by the State of Idaho, IPC filed a complaint and petition for declaratory and injunctive relief regarding the status and nature of IPC s water rights and the respective rights and responsibilities of the parties under the Swan Falls Agreement. The complaint was filed in the Idaho District Court for the Fifth Judicial District, the court with jurisdiction over the SRBA, against the State of Idaho, the Governor, the Attorney General, the Idaho Department of Water Resources (IDWR) and the Director of the IDWR.

In conjunction with the filing of the complaint and petition, IPC filed motions with the court to stay all pending proceedings involving the water rights of IPC and to consolidate those proceedings into a single action where all issues relating to the Swan Falls Agreement can be determined.

IPC alleged in the complaint, among other things, that contrary to the parties belief at the time the Swan Falls Agreement was entered into in 1984, the Snake River basin above Swan Falls was over-appropriated and as a consequence there was not in 1984, and there currently is not, water available for new upstream uses over and above the minimum flows established by the Swan Falls Agreement; that because of this mutual mistake of fact relating to the over-appropriation of the basin, the Swan Falls Agreement should be reformed; that the state s December 22, 2006, claim of ownership to IPC s water rights should be denied; and that the Swan Falls Agreement did not subordinate IPC s water rights to aquifer recharge.

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On April 18, 2008, the court issued a Memorandum Decision and Order on Cross-Motions for Summary Judgment upholding the Swan Falls Agreement. Under the Swan Falls Agreement, water rights in excess of the minimum flows established by the agreement are held in trust by the State of Idaho for the use and benefit of IPC and the people of the State of Idaho. Water above these minimum flows is available for subsequent consumptive beneficial uses that are approved in accordance with state law. The court further held that to the extent that the state is not meeting the minimum flows or it is anticipated that the minimum flows will not be met, IPC s water rights that are held in trust are not available for subsequent appropriations and that any appropriations already in place may be subject to curtailment in order to meet the minimum flows. The court found that it was not necessary to address the issue of mutual mistake of fact relating to the over-appropriation of the basin because it found that it was water rights that were the subject of the trust arrangement and not the water itself. The court also stated that issues relating to water availability relate to the administration of water rights and should be addressed, as necessary, in an administrative action before the IDWR.

The court did not decide the issue of whether the Swan Falls Agreement subordinated IPC s water rights to groundwater recharge. The State of Idaho and IPC are now in the process of completing discovery, and have submitted summary judgment motions on the recharge issue. The court has scheduled a hearing for December 4, 2008 for arguments on the summary judgment motions. IPC is unable to predict how the court will rule on the issue of whether the Swan Falls Agreement subordinated IPC s water rights to groundwater recharge. Based upon recent developments, however, resolution of that issue is not expected to have a significant effect on the availability of water to IPC s hydropower facilities. IPC is cooperating with the State of Idaho and other water users through an advisory committee in the development of a Comprehensive Aquifer Management Plan (CAMP) to protect and enhance water levels in the Eastern Snake Plain Aquifer (ESPA) and the connected Snake River. Many CAMP committee members had early expectations that groundwater recharge would be a significant component of the plan. However, further study and review has revealed that significant groundwater recharge is not feasible due to the complex hydrology of the ESPA, the lack of infrastructure, and the requirement of compliance with water quality and other environmental standards.

IPC has also filed two actions in federal court against the United States Bureau of Reclamation to enforce a contract right for delivery of water to its hydropower projects on the Snake River. In 1923, IPC and the United States entered into a contract that facilitated the development of the American Falls Reservoir by the United States on the Snake River in southeast Idaho. This 1923 contract entitles IPC to 45,000 acre-feet of primary storage capacity in the reservoir and 255,000 acre-feet of secondary storage that was to be available to IPC between October 1 of any year and June 10 of the following year as necessary to maintain specified flows at IPC s Twin Falls power plant below Milner Dam. IPC believes that the United States has failed to deliver this secondary storage, at the specified flows, since 2001. As a result, IPC filed an action in the U.S. District Court of Federal Claims in Washington, D.C. on October 15, 2007 to recover damages from the United States for the lost generation resulting from the reduced flows. On September 30, 2008, IPC filed an amended complaint in which IPC seeks, in addition to damages for breach of the 1923 contract, a prospective declaration of contractual rights so as to prevent the United States from continued failure to fulfill its contractual and fiduciary duties to IPC. On October 2, 2008, the court set a discovery schedule requiring that discovery be completed and pre-trial motions filed by October 1, 2009. The court will then set the matter for trial. IPC is unable to predict the outcome of this action or what effect this matter may have on its consolidated financial position, results of operations or cash flows.

The second action was filed by IPC on October 16, 2007, in the U.S. District Court for the District of Idaho in Boise, Idaho for a declaration of the parties   respective rights and obligations under the 1923 contract and to compel the United States to manage American Falls Reservoir and the Snake River federal reservoir system to ensure that IPC   s contract right to secondary storage is fulfilled in the future. Subsequently, IPC and the United States agreed that the issues in this action could be addressed in the action filed in the U.S. District Court of Federal Claims. As a result, the complaint in the Federal Claims Court action was amended and on October 7, 2008, U.S. District Court in Idaho approved a Stipulation of Dismissal filed by IPC and the United States dismissing, without prejudice, the action filed in the District Court of Idaho.

Renfro Dairy: On September 28, 2007, the principals of Renfro Dairy near Wilder, Idaho filed a lawsuit in the District Court of the Third Judicial District of the State of Idaho (Canyon County) against IDACORP and IPC. On March 28, 2008, the plaintiffs filed a First Amended Complaint and Demand for Jury Trial. On July 23, 2008, the plaintiffs were permitted to file a Second Amended Complaint and Demand for Jury Trial. The plaintiffs assert claims for negligence, negligence per se, nuisance, breach of contract, and fraud. The claims are based on allegations that from 1972 until May 25, 2005, IPC discharged   stray voltage   from its electrical facilities that caused physical harm and injury to the plaintiffs   dairy herd. Plaintiffs seek compensatory damages in excess of $10,000 to be proven at trial.

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On June 9, 2008, IDACORP and IPC filed a motion to dismiss the complaint, contending that the court lacks jurisdiction over the matter because plaintiffs have failed to exhaust administrative remedies before the IPUC. On October 30, 2008, the District Court issued a Decision on Motion to Dismiss, holding that because the plaintiffs failed to pursue an administrative claim before the IPUC the District Court lacks subject matter jurisdiction over the matter and that the case be dismissed. To date the plaintiffs have neither appealed the District Court s decision nor pursued an administrative claim before the IPUC. Should the plaintiffs pursue the matter, the companies intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

Oregon Trail Heights Fire: On August 25, 2008, a fire ignited beneath an IPC distribution line in Boise, Idaho. It was fanned by high winds and spread rapidly, resulting in one death, the destruction of 10 homes and damage or alleged fire related losses to approximately 30 others. Following the investigation, the Boise Fire Department determined that the fire was linked to a piece of line hardware on one of IPC s distribution poles and was accidental and caused by high winds.

IPC has received claims from a number of the homeowners and their insurers and is continuing its investigation of these claims. IPC is insured up to policy limits against liability for claims in excess of its self-insured retention. IPC has accrued a reserve for any loss that is probable and reasonably estimable and believes this matter will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

7. BENEFIT PLANS:

The following table shows the components of net periodic benefit costs for the three months ended September 30 (in thousands of dollars):

	Pension Plan		Deferred Compensation Plan		Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Service cost	$ 3,730	$ 3,803	$ 320	$ 352	$ 314	$ 268
Interest cost	6,599	6,114	667	593	946	844
Expected return on plan assets	(8,528)	(8,347)	-	-	(751)	(702)
Amortization of transition obligation	-	-	-	-	510	510
Amortization of prior service cost	162	163	48	43	(134)	(133)
Amortization of net loss	-	-	122	142	-	38
Net periodic benefit cost	1,963	1,733	1,157	1,130	885	825
Costs not recognized due to the effects of regulation	(1,963)	(1,064)	-	-	-	-

Net periodic benefit cost recognized for financial reporting	$ -	$ 669	$ 1,157	$ 1,130	$ 885	$ 825

The following table shows the components of net periodic benefit costs for the nine months ended September 30 (in thousands of dollars):

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	Pension Plan		Deferred Compensation Plan		Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Service cost	$ 11,190	$ 11,409	$ 959	$ 1,056	$ 865	$ 1,026
Interest cost	19,795	18,343	2,002	1,779	2,623	2,634
Expected return on plan assets	(25,584)	(25,040)	-	-	(2,174)	(2,082)
Amortization of transition obligation	-	-	-	-	1,530	1,530
Amortization of prior service cost	487	488	144	130	(401)	(401)
Amortization of net loss	-	-	366	425	-	302
Net periodic benefit cost	5,888	5,200	3,471	3,390	2,443	3,009
Costs not recognized due to the effects of regulation	(5,888)	(1,064)	-	-	-	-
Net periodic benefit cost recognized for financial reporting	$ -	$ 4,136	$ 3,471	$ 3,390	$ 2,443	$ 3,009

As discussed in Note 5 - Regulatory Matters , the IPUC issued an order authorizing IPC to account for its defined benefit pension expense on a cash basis, and to defer and account for pension expense as a regulatory asset.

IDACORP and IPC have not contributed and do not expect to contribute to their pension plan in 2008.

8. SEGMENT INFORMATION:

IDACORP s only reportable segment at September 30, 2008, is utility operations, for which the primary source of revenue is the regulated operations of IPC. IFS, which had previously been identified as a reportable segment, is now included in the All Other column. IDACOMM, which had previously been identified as a reportable segment, is now reported as discontinued operations.

IPC s regulated operations include the generation, transmission, distribution, purchase and sale of electricity. This segment also includes income from Bridger Coal Company, an unconsolidated joint venture also subject to regulation. Other operating segments are below the quantitative thresholds for reportable segments and are included in the All Other category. This category is comprised of IFS s investments in affordable housing developments and other tax-advantaged investments, Ida-West s joint venture investments in small hydroelectric generation projects, the remaining activities of energy marketer IE, which wound down its operations in 2003, and IDACORP s holding company expenses.

The following table 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
Three months ended September 30, 2008:				
Revenues	$ 298,107	$ 1,609	$ -	$ 299,716
Income from continuing operations	47,405	4,334	-	51,739
Three months ended September 30, 2007:				
Revenues	$ 260,516	$ 947	$ -	$ 261,463
Income from continuing operations	24,108	4,823	-	28,931
Total assets at September 30, 2008	$ 3,684,087	$ 219,180	$ (52,004)	$ 3,851,263
Nine months ended September 30, 2008:				
Revenues	$ 739,848	$ 3,534	$ -	$ 743,382
Income from continuing operations	86,404	4,565	-	90,969
Nine months ended September 30, 2007:				
Revenues	$ 678,972	$ 2,976	$ -	$ 681,948
Income from continuing operations	63,603	8,374	-	71,977

9. FAIR VALUE MEASUREMENTS:

IDACORP and IPC partially adopted the provisions of SFAS 157 *Fair Value Measurements* (SFAS 157) on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

FASB Staff Position FAS 157-2 (FSP FAS 157-2) delayed the implementation of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow additional time to consider the effect of implementation issues that have arisen, or that may arise, from the application of SFAS 157. In accordance with FSP FAS 157-2, IPC did not apply the provisions of SFAS 157 to asset retirement obligations.

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In accordance with SFAS 157, IDACORP and IPC have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 Condensed Consolidated Balance Sheets are categorized 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 IPC have 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; or

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 s and IPC s Level 2 inputs are based on exchange traded products 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.

The following table presents information about IDACORP s and IPC s assets and liabilities measured at fair value on a recurring basis as of September 30, 2008 (in thousands of dollars). IDACORP s and IPC s assessment of the significance of a particular input 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.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
IDACORP				
Assets:				
Derivatives	$ 228	$ -	$ -	$ 228
Money market funds	5,398	-	-	5,398
Trading securities	6,809	-	-	6,809
Available-for-sale securities	18,529	-	-	18,529
Liabilities:				
Derivatives	$ -	$ (404)	$ -	$ (404)
IPC				
Assets:				
Derivatives	$ 228	$ -	$ -	$ 228
Money market funds	5,045	-	-	5,045
Trading securities	5,458	-	-	5,458
Available-for-sale securities	18,529	-	-	18,529
Liabilities:				
Derivatives	$ -	$ (404)	$ -	$ (404)

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IDACORP and IPC adopted the provisions of SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement 115* (SFAS 159) on January 1, 2008. SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment to SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. IDACORP and IPC did not elect the fair value option for any existing eligible items. However, IDACORP and IPC will continue to evaluate new items on a case-by-case basis for consideration of the fair value option.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of IDACORP, Inc. and subsidiaries (the Company) as of September 30, 2008, and the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2008 and 2007, and of cash flows for the nine-month periods ended September 30, 2008 and 2007. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of IDACORP, Inc. and subsidiaries as of December 31, 2007, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2008, we expressed an unqualified opinion on those consolidated financial statements, which included an explanatory paragraph related to the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, and Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and*

132(R). In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Boise, Idaho
November 5, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet and statement of capitalization of Idaho Power Company and subsidiary (the Company) as of September 30, 2008, and the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2008 and 2007, and of cash flows for the nine-month periods ended September 30, 2008 and 2007. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet and statement of capitalization of Idaho Power Company and subsidiary as of December 31, 2007, and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2008, we expressed an unqualified opinion on those consolidated financial statements, which included an explanatory paragraph related to the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, and Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an* *amendment of FASB Statements No. 87, 88, 106, and 132(R)*. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet and statement of capitalization as of December 31, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet and statement of capitalization from which it has been derived.

DELOITTE & TOUCHE LLP

Boise, Idaho
November 5, 2008

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts and megawatt-hours (MWh) are in thousands unless otherwise indicated.)

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, IPC) are discussed.

IDACORP is a holding company formed in 1998 whose principal operating subsidiary is IPC. IDACORP is subject to the provisions of the Public Utility Holding Company Act of 2005, which provides certain access to books and records to the Federal Energy Regulatory Commission (FERC) and state utility regulatory commissions and imposes certain record retention and reporting requirements on IDACORP.

IPC is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. IPC is regulated by the FERC and the state regulatory commissions of Idaho and Oregon. IPC is the parent of Idaho Energy Resources Co., a joint venturer in Bridger Coal Company, which supplies coal to the Jim Bridger generating plant owned in part by IPC.

IDACORP s other subsidiaries include: