IDACORP INC
Form 10-Q
August 08, 2006

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 June 30, 2006

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**	82-0130980
	1221 W. Idaho Street	
	Boise, ID 83702-5627	
	(208) 388-2200	
	State of Incorporation: Idaho	
	Websites: www.idacorpinc.com	
	www.idahopower.com	

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, or non-accelerated filers.

IDACORP, Inc.:

	Large accelerated filer	X	Accelerated filer		Non-accelerated filer	
Idaho Power Company:						
	Large accelerated filer		Accelerated filer		Non-accelerated filer	X

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 June 30, 2006:

IDACORP, Inc.: 42,805,106
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

AFDC	-	Allowance for Funds Used During Construction
Cal ISO	-	California Independent System Operator
CalPX	-	California Power Exchange
Energy Act	-	Energy Policy Act of 2005
EPS	-	Earnings per share
ESA	-	Endangered Species Act
FASB	-	Financial Accounting Standards Board
FERC	-	Federal Energy Regulatory Commission
FIN	-	Financial Accounting Standards Board Interpretation
Fitch	-	Fitch, Inc.
FPA	-	Federal Power Act
GAAP	-	Accounting Principles Generally Accepted 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.
IFS	-	IDACORP Financial Services, Inc., a subsidiary of IDACORP, Inc.
IPC	-	Idaho Power Company, a subsidiary of IDACORP, Inc.
IPUC	-	Idaho Public Utilities Commission

IRP	-	Integrated Resource Plan
ITI	-	IDACORP Technologies, Inc., a subsidiary of IDACORP, Inc.
kW	-	Kilowatt
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
OPUC	-	Oregon Public Utility Commission
PCA	-	Power Cost Adjustment
PM&E	-	Protection, Mitigation and Enhancement
PURPA	-	Public Utility Regulatory Policies Act of 1978
RFP	-	Request for Proposal
RTO	-	Regional Transmission Organization
S&P	-	Standard & Poor's Ratings Services
SFAS	-	Statement of Financial Accounting Standards
SO_2	-	Sulfur Dioxide
Valmy	-	North Valmy Steam Electric Generating Plant
VIEs	-	Variable Interest Entities

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FORWARD-LOOKING INFORMATION

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," "projects," "may result," "may continue" and similar expressions.

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

	Three Months Ended June 30, 2006	2005
	(thousands of dollars except for per share amounts)	
Operating Revenues:		
Electric utility:		
General business	$ 159,210	$ 150,583
Off-system sales	75,598	38,872
Other revenues	6,040	10,253
Total electric utility revenues	240,848	199,708
Other	1,787	1,582
Total operating revenues	242,635	201,290
Operating Expenses:		
Electric utility:		
Purchased power	74,808	36,929
Fuel expense	21,954	24,369
Power cost adjustment	4,600	12,415
Other operations and maintenance	69,840	65,717
Gain on sale of emission allowance	(8,126)	-
Depreciation	24,633	25,193
Taxes other than income taxes	6,329	5,302
Total electric utility expenses	194,038	169,925

Other		3,046		3,229
Total operating expenses		197,084		173,154
Operating Income (Loss):				
Electric utility		46,810		29,783
Other		(1,259)		(1,647)
Total operating income		45,551		28,136
Other Income		5,080		3,216
Losses of Unconsolidated Equity-method Investments		(2,208)		(951)
Other Expenses		2,655		1,193
Interest Expense:				
Interest on long-term debt		14,200		14,292
Other interest expense		1,175		810
Total interest expense		15,375		15,102
Income Before Income Taxes		30,393		14,106
Income Tax Expense		7,720		1,513
Income from Continuing Operations		22,673		12,593
Losses from Discontinued Operations (net of tax)		(2,817)		(3,142)
Net Income	$	19,856	$	9,451
Weighted Average Common Shares Outstanding - Basic (000's)		42,557		42,230
Earnings Per Share of Common Stock (basic):				
Income from Continuing Operations	$	0.53	$	0.30
Losses from Discontinued Operations	$	(0.06)	$	(0.08)
Earnings Per Share of Common Stock (basic)	$	0.47	$	0.22
Weighted Average Common Shares Outstanding - Diluted (000's)		42,702		42,292
Earnings Per Share of Common Stock (diluted):				
Income from Continuing Operations	$	0.53	$	0.30
Losses from Discontinued Operations	$	(0.06)	$	(0.08)
Earnings Per Share of Common Stock (diluted)	$	0.47	$	0.22
Dividends Paid Per Share of Common Stock	$	0.30	$	0.30

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,			
		2006		**2005**
	(thousands of dollars except for per share amounts)			
Operating Revenues:				
Electric utility:				
General business	$	321,393	$	296,953
Off-system sales		179,839		71,085
Other revenues		6,890		22,538
Total electric utility revenues		508,122		390,576
Other		2,853		2,240
Total operating revenues		510,975		392,816
Operating Expenses:				
Electric utility:				

Purchased power		130,733		81,007
Fuel expense		48,923		49,465
Power cost adjustment		48,067		7,998
Other operations and maintenance		131,513		120,816
Gain on sale of emission allowance		(8,235)		-
Depreciation		49,182		50,112
Taxes other than income taxes		11,900		10,529
Total electric utility operations		412,083		319,927
Other		6,863		6,255
Total operating expenses		418,946		326,182
Operating Income (Loss):				
Electric utility		96,039		70,649
Other		(4,010)		(4,015)
Total operating income		92,029		66,634
Other Income		9,749		7,368
Losses of Unconsolidated Equity-method Investments		(2,259)		(288)
Other Expenses		4,076		2,296
Interest Expense:				
Interest on long-term debt		28,284		28,366
Other interest expense		2,204		1,282
Total interest expenses		30,488		29,648
Income Before Income Taxes		64,955		41,770
Income Tax Expense		15,327		3,535
Income from Continuing Operations		49,628		38,235
Losses from Discontinued Operations (net of tax)		(4,296)		(5,718)
Net Income	$	45,332	$	32,517
Weighted Average Common Shares Outstanding - Basic (000's)		42,515		42,220
Earnings Per Share of Common Stock (basic):				
Income from Continuing Operations	$	1.17	$	0.91
Losses from Discontinued Operations	$	(0.10)	$	(0.14)
Earnings Per Share of Common Stock (basic)	$	1.07	$	0.77
Weighted Average Common Shares Outstanding - Diluted (000's)		42,642		42,289
Earnings Per Share of Common Stock (diluted):				
Income from Continuing Operations	$	1.16	$	0.91
Losses from Discontinued Operations	$	(0.10)	$	(0.14)
Earnings Per Share of Common Stock (diluted)	$	1.06	$	0.77
Dividends Paid Per Share of Common Stock	$	0.60	$	0.60

The accompanying notes are an integral part of these statements.

IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2006	December 31, 2005
Assets	(thousands of dollars)	

Current Assets:		
Cash and cash equivalents	$ 53,871	$ 52,356
Receivables:		
Customer	60,676	94,469
Allowance for uncollectible accounts	(6,921)	(33,078)
Employee notes	2,681	2,951
Other	7,219	21,377
Energy marketing assets	13,308	23,859
Accrued unbilled revenues	37,291	38,905
Materials and supplies (at average cost)	34,677	30,451
Fuel stock (at average cost)	17,409	11,739
Deferred income taxes	25,557	23,922
Prepayments	14,026	17,876
Regulatory assets	1,984	3,064
Other	4,766	2,956
Assets held for sale	5,085	6,673
Total current assets	271,629	297,520
Investments	195,828	191,593
Property, Plant and Equipment:		
Utility plant in service	3,532,237	3,477,067
Accumulated provision for depreciation	(1,401,453)	(1,364,640)
Utility plant in service - net	2,130,784	2,112,427
Construction work in progress	189,141	149,814
Utility plant held for future use	2,810	2,906
Other property, net of accumulated depreciation	28,948	29,294
Property, plant and equipment - net	2,351,683	2,294,441
Other Assets:		
American Falls and Milner water rights	31,585	31,585
Company-owned life insurance	35,048	35,401
Energy marketing assets - long-term	11,251	22,189
Regulatory assets	376,537	415,177
Long-term receivables (net of allowance of $1,878)	3,832	4,015
Employee notes - long-term	2,563	2,862
Other	42,714	43,377
Assets held for sale	27,066	25,966
Total other assets	530,596	580,572
Total Assets	$ 3,349,736	$ 3,364,126

The accompanying notes are an integral part of these statements.

IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

Liabilities and Shareholders' Equity	**June 30, 2006**	**December 31, 2005**
	(thousands of dollars)	
Current Liabilities:		
Current maturities of long-term debt	$ 15,949	$ 16,307
Notes payable	45,200	60,100
Accounts payable	71,730	80,324
Energy marketing liabilities	13,937	24,093
Taxes accrued	86,971	72,652
Interest accrued	14,770	14,616
Other	32,385	19,577
Liabilities held for sale	3,921	5,916
Total current liabilities	284,863	293,585
Other Liabilities:		
Deferred income taxes	483,018	519,563
Energy marketing liabilities - long-term	11,251	22,189
Regulatory liabilities	372,289	345,109
Other	125,193	124,833
Liabilities held for sale	7,648	10,051
Total other liabilities	999,399	1,021,745
Long-Term Debt	1,016,133	1,023,545
Commitments and Contingencies (Note 5)		
Shareholders' Equity:		
Common stock, no par value (shares authorized 120,000,000; 42,868,718 and 42,656,393 shares issued, respectively)	599,059	598,706
Retained earnings	457,078	437,284
Accumulated other comprehensive income (loss)	(4,811)	(3,425)
Treasury stock (63,612 and 24,063 shares at cost, respectively)	(1,985)	(998)
Unearned compensation	-	(6,316)
Total shareholders' equity	1,049,341	1,025,251

Total	$	3,349,736	$	3,364,126

The accompanying notes are an integral part of these statements.

IDACORP, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30,			
		2006		**2005**
	(thousands of dollars)			
Operating Activities:				
Net income	$	45,332	$	32,517
Adjustments to reconcile net income to net cash provided by				
operating activities:				
Unrealized (gains) losses from energy marketing activities		(234)		359
Depreciation and amortization		60,339		61,635
		(35,056)		(4,380)

Deferred income taxes and investment tax credits		
Changes in regulatory assets and liabilities	61,143	4,826
Undistributed earnings of subsidiaries	(4,607)	(6,255)
Provision for uncollectible accounts	(133)	(157)
Gain on sales of assets	(7,547)	-
Other non-cash adjustments to net income	(1,957)	13
Change in:		
Accounts receivable and prepayments	26,095	(4,102)
Accounts payable and other accrued liabilities	(10,470)	(21,985)
Taxes accrued	14,317	6,161
Other current assets	(8,416)	(14,203)
Other current liabilities	10,003	9,229
Other assets	(1,978)	(2,500)
Other liabilities	(317)	4,839
Net cash provided by operating activities	146,514	65,997
Investing Activities:		
Additions to property, plant and equipment	(102,465)	(90,434)
Investments in affordable housing	-	(4,024)
Sale of emission allowances	10,865	-
Investments in unconsolidated affiliates	(11,520)	-
Purchase of available-for-sale securities	(9,428)	(77,774)
Sale of available-for-sale securities	10,607	110,638
Purchase of held-to-maturity securities	(1,245)	(947)
Maturity of held-to-maturity securities	981	1,553
Other assets	857	(309)
Net cash used in investing activities	(101,348)	(61,297)
Financing Activities:		
Issuance of long-term debt	-	4,992
Retirement of long-term debt	(7,901)	(9,497)
Dividends on common stock	(25,521)	(25,326)
Change in short-term borrowings	(14,900)	12,530
Issuance of common stock	4,816	1,474
Other assets	(8)	(370)
Other liabilities	(137)	-
Net cash used in financing activities	(43,651)	(16,197)
Net increase (decrease) in cash and cash equivalents	1,515	(11,497)
Cash and cash equivalents at beginning of period	52,356	23,403
Cash and cash equivalents at end of period	$ 53,871	$ 11,906
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes	$ 34,623	$ 710
Interest (net of amount capitalized)	$ 29,317	$ 28,351
Non-cash investing activities		
Additions to property, plant and equipment	$ 9,481	$ 4,562

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,	
	2006	**2005**
	(thousands of dollars)	
Net Income	$ 19,856	$ 9,451
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of ($523) and ($315)	(922)	(619)
Reclassification adjustment for gains included in net income, net of tax of ($512) and ($159)	(798)	(247)
Net unrealized gains (losses)	(1,720)	(866)
Total Comprehensive Income	$ 18,136	$ 8,585

	Six Months Ended June 30,	
	2006	**2005**
	(thousands of dollars)	
Net Income	$ 45,332	$ 32,517
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of ($65) and ($589)	(248)	(1,143)
Reclassification adjustment for gains included in net income, net of tax of ($730) and ($393)	(1,138)	(611)
Net unrealized gains (losses)	(1,386)	(1,754)
Total Comprehensive Income	$ 43,946	$ 30,763

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Three Months Ended June 30,	
	2006	2005
	(thousands of dollars)	
Operating Revenues:		
General business	$ 159,210	$ 150,583
Off-system sales	75,598	38,872
Other revenues	6,040	9,433
Total operating revenues	240,848	198,888
Operating Expenses:		
Operation:		
Purchased power	74,808	36,929
Fuel expense	21,954	24,369
Power cost adjustment	4,600	12,415

Other	48,200	45,413
Gain on sale of emission allowance	(8,126)	-
Maintenance	21,640	19,519
Depreciation	24,633	25,193
Taxes other than income taxes	6,329	5,302
Total operating expenses	194,038	169,140
Income from Operations	46,810	29,748
Other Income (Expense):		
Allowance for equity funds used during construction	1,646	1,088
Earnings of unconsolidated equity-method investment	491	1,288
Other income	3,030	2,919
Other expense	(2,580)	(2,053)
Total other income	2,587	3,242
Interest Expense:		
Interest on long-term debt	13,531	13,379
Other interest	1,358	1,029
Allowance for borrowed funds used during construction	(941)	(656)
Total interest expense	13,948	13,752
Income Before Income Taxes	35,449	19,238
Income Tax Expense	13,837	6,362
Net Income	$ 21,612	$ 12,876

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(thousands of dollars)	
Operating Revenues:		
General business	$ 321,393	$ 296,953
Off-system sales	179,839	71,085
Other revenues	6,890	21,310
Total operating revenues	508,122	389,348
Operating Expenses:		
Operation:		
Purchased power	130,733	81,007
Fuel expense	48,923	49,465
Power cost adjustment	48,067	7,998
Other	96,079	86,632
Gain on sale of emission allowances	(8,235)	-
Maintenance	35,434	32,960
Depreciation	49,182	50,112
Taxes other than income taxes	11,900	10,529
Total operating expenses	412,083	318,703
Income from Operations	96,039	70,645
Other Income (Expense):		
Allowance for equity funds used during construction	3,110	2,543
Earnings of unconsolidated equity-method investment	3,804	5,189
Other income	5,916	5,623
Other expense	(4,257)	(3,729)
Total other income	8,573	9,626
Interest Expense:		
Interest on long-term debt	26,931	26,555
Other interest	2,464	1,889
Allowance for borrowed funds used during construction	(1,786)	(1,392)
Total interest expense	27,609	27,052
Income Before Income Taxes	77,003	53,219

Income Tax Expense		30,370		18,834
Net Income	$	46,633	$	34,385

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

Assets		**June 30, 2006**		**December 31, 2005**
		(thousands of dollars)		
Electric Plant:				
In service (at original cost)	$	3,532,237	$	3,477,067
Accumulated provision for depreciation		(1,401,453)		(1,364,640)
In service - net		2,130,784		2,112,427
Construction work in progress		189,141		149,814
Held for future use		2,810		2,906
Electric plant - net		2,322,735		2,265,147
Investments and Other Property		81,992		68,049
Current Assets:				
Cash and cash equivalents		40,101		49,335
Receivables:				
Customer		53,623		49,830
Allowance for uncollectible accounts		(721)		(833)
Notes		3,084		3,273

Employee notes		2,681		2,951
Related parties		303		637
Other		3,163		7,399
Accrued unbilled revenues		37,291		38,905
Materials and supplies (at average cost)		34,677		30,451
Fuel stock (at average cost)		17,409		11,739
Prepayments		13,677		17,532
Regulatory assets		1,984		3,064
Total current assets		207,272		214,283
Deferred Debits:				
American Falls and Milner water rights		31,585		31,585
Company-owned life insurance		35,048		35,401
Regulatory assets		376,537		415,177
Employee notes		2,563		2,862
Other		41,505		42,187
Total deferred debits		487,238		527,212
Total	$	3,099,237	$	3,074,691

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	June 30,	December 31,

Capitalization And Liabilities		2006		2005
		(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		483,707		483,707
Capital stock expense		(2,097)		(2,097)
Retained earnings		382,403		361,256
Accumulated other comprehensive loss		(4,811)		(3,425)
Total common stock equity		957,079		937,318
Long-term debt		982,770		983,720
Total capitalization		1,939,849		1,921,038
Current Liabilities:				
Long-term debt due within one year		1,064		-
Accounts payable		70,575		79,433
Notes and accounts payable to related parties		473		153
Taxes accrued		82,622		72,994
Interest accrued		14,261		14,105
Deferred income taxes		1,355		3,064
Other		32,485		19,182
Total current liabilities		202,835		188,931
Deferred Credits:				
Deferred income taxes		471,024		507,880
Regulatory liabilities		372,289		345,109
Other		113,240		111,733
Total deferred credits		956,553		964,722
Commitments and Contingencies (Note 5)				
Total	$	3,099,237	$	3,074,691

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Capitalization
(unaudited)

	June 30, 2006	%	December 31, 2005	%
	(thousands of dollars)			
Common Stock Equity:				
Common stock	$ 97,877		$ 97,877	
Premium on capital stock	483,707		483,707	
Capital stock expense	(2,097)		(2,097)	
Retained earnings	382,403		361,256	
Accumulated other comprehensive loss	(4,811)		(3,425)	
Total common stock equity	957,079	49	937,318	49
Long-Term Debt:				
First mortgage bonds:				
7.38% Series due 2007	80,000		80,000	
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 % 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	
Total first mortgage bonds	785,000		785,000	
Pollution control revenue bonds:				
Variable Auction Rate Series 2003 due 2024	49,800		49,800	
6.05% Series 1996A due 2026	68,100		68,100	
	24,200		24,200	

Variable Rate Series 1996B due 2026						
Variable Rate Series 1996C due 2026		24,000			24,000	
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		11,700			11,700	
Note guarantee due within one year		(1,064)			-	
Unamortized premium/discount - net		(3,211)			(3,325)	
Total long-term debt		982,770	51		983,720	51
Total Capitalization	$	1,939,849	100	$	1,921,038	100

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,	
	2006	**2005**

	(thousands of dollars)	
Operating Activities:		
Net income	$ 46,633	$ 34,385
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,891	53,824
Deferred income taxes and investment tax credits	(34,564)	(4,987)
Changes in regulatory assets and liabilities	61,143	4,826
Undistributed earnings of subsidiary	(3,804)	(6,254)
Provision for uncollectible accounts	(133)	(157)
Other non-cash adjustments to net income	(3,109)	-
Gain on sale of assets	(7,800)	-
Change in:		
Accounts receivables and prepayments	4,954	2,967
Accounts payable	(9,624)	(21,946)
Taxes accrued	9,628	9,309
Other current assets	(8,402)	(13,466)
Other current liabilities	10,837	9,909
Other assets	(2,082)	(2,263)
Other liabilities	1,412	2,428
Net cash provided by operating activities	115,980	68,575
Investing Activities:		
Additions to utility plant	(101,149)	(86,213)
Purchase of available-for-sale securities	(9,428)	(77,774)
Sale of available-for-sale securities	10,607	110,638
Sale of emission allowances	10,865	-
Investments in unconsolidated affiliate	(11,520)	-
Other assets	873	252
Net cash used in investing activities	(99,752)	(53,097)
Financing Activities:		
Dividends on common stock	(25,487)	(25,326)
Other assets	(8)	(369)
Other liabilities	33	-
Net cash used in financing activities	(25,462)	(25,695)
Net decrease in cash and cash equivalents	(9,234)	(10,217)
Cash and cash equivalents at beginning of period	49,335	17,679
Cash and cash equivalents at end of period	$ 40,101	$ 7,462
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes paid to parent	$ 56,717	$ 15,366
Interest (net of amount capitalized)	$ 26,357	$ 25,803
Non-cash investing activities:		
Additions to utility plant	$ 9,481	$ 4,562

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,	
	2006	**2005**
	(thousands of dollars)	
Net Income	$ 21,612	$ 12,876
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of ($523) and ($315)	(922)	(619)
Reclassification adjustment for gains included in net income, net of tax of ($512) and ($159)	(798)	(247)
Net unrealized gains (losses)	(1,720)	(866)
Total Comprehensive Income	$ 19,892	$ 12,010

	Six Months Ended June 30,	
	2006	**2005**
	(thousands of dollars)	
Net Income	$ 46,633	$ 34,385
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of ($65) and ($589)	(248)	(1,143)
Reclassification adjustment for gains included in net income, net of tax of ($730) and ($393)	(1,138)	(611)
Net unrealized gains (losses)	(1,386)	(1,754)
Total Comprehensive Income	$ 45,247	$ 32,631

The accompanying notes are an integral part of these statements.

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., a joint venturer in Bridger Coal Company, which supplies coal to the Jim Bridger generating plant owned in part by IPC.

At June 30, 2006, IDACORP's other subsidiaries included:

- IDACORP Financial Services, Inc. (IFS) - holder of affordable housing and other real estate investments;
- Ida-West Energy (Ida-West) - operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA);
- IDACORP Energy (IE) - a marketer of electricity and natural gas, which wound down its operations during 2003;
- IdaTech, LLC (IdaTech) - developer of integrated fuel cell systems, over 99 percent owned by IDACORP's wholly-owned subsidiary IDACORP Technologies, Inc. (ITI); and
- IDACOMM, Inc. (IDACOMM) - provider of telecommunications services and commercial Internet services.

In the second quarter of 2006, IDACORP management designated the operations of ITI and IDACOMM as assets held for sale, as defined by Statement of Financial Accounting Standards No. 144. IDACORP's condensed consolidated financial statements reflect the reclassification of the results of these businesses as discontinued operations for all periods presented. Discontinued operations are discussed in more detail in Note 10.

On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of ITI to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited.

Principles of Consolidation
The condensed consolidated financial statements of IDACORP and IPC include the accounts of each company and those variable interest entities (VIEs) for which the companies are the primary beneficiaries. All significant intercompany balances have been eliminated in consolidation. Investments in business 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 from five to 99 percent. These investments were acquired between 1996 and 2005. IFS' maximum exposure to loss in these developments was $94 million at June 30, 2006.

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 June 30, 2006, and consolidated results of operations for the three and six months ended June 30, 2006 and 2005 and consolidated cash

flows for the six months ended June 30, 2006 and 2005. 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 therefore they 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, 2005. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Stock-Based Compensation

Effective January 1, 2006, IDACORP and IPC adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R) using the modified prospective application method. SFAS 123R changes measurement, timing and disclosure rules relating to share-based payments, requiring that the fair value of all share-based payments be expensed. The adoption of SFAS 123R did not have a material impact on IDACORP's or IPC's financial statements for the three and six months ended June 30, 2006.

IDACORP's and IPC's Condensed Consolidated Statements of Income for the three and six months ended June 30, 2005 do not reflect any changes from the adoption of SFAS 123R. The following table illustrates what net income and earnings per share would have been had the fair value recognition provisions of SFAS 123 been applied to stock-based employee compensation in 2005 (in thousands of dollars, except for per share amounts).

	Three months ended June 30, 2005	Six months ended June 30, 2005
IDACORP:		
Net income, as reported	$ 9,451	$ 32,517
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	147	322
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	341	756
Pro forma net income	$ 9,257	$ 32,083
EPS of common stock:		
Basic and diluted - as reported	$ 0.22	$ 0.77
Basic and diluted - pro forma	0.22	0.76
IPC:		
Net income, as reported	$ 12,876	$ 34,385
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	46	144
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	208	509
Pro forma net income	$ 12,714	$ 34,020

For purposes of these 2005 pro forma calculations, the estimated fair value of the options, restricted stock and performance shares is amortized to expense over the vesting period. The fair value of the restricted stock and performance shares was the market price of the stock on the date of grant. The fair value of an option award was estimated at the date of grant using a binomial option-pricing model. Expenses related to forfeited awards were reversed in the period in which the forfeiture occurred.

Earnings Per Share

The computation of diluted earnings per share (EPS) differs from basic EPS only due to the inclusion of potentially dilutive shares related to stock-based compensation awards.

The following table presents the computation of IDACORP's basic and diluted earnings per share for the three and six months ended June 30, 2006 and 2005 (in thousands, except for per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Numerator:				
Income from continuing operations	$ 22,673	$ 12,593	$ 49,628	$ 38,235
Denominator:				
Weighted-average common shares outstanding - basic*	42,557	42,230	42,515	42,220
Effect of dilutive securities:				
Options	90	48	83	54
Restricted Stock	55	14	44	15
Weighted-average common shares outstanding - diluted*	42,702	42,292	42,642	42,289
Basic earnings per share from continuing operations	$ 0.53	$ 0.30	$ 1.17	$ 0.91
Diluted earnings per share from continuing operations	$ 0.53	$ 0.30	$ 1.16	$ 0.91

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

The diluted EPS computation excluded 653,200 common stock options in 2006 and 1,051,114 in 2005 because the options' exercise prices were greater than the average market price of the common stock during those periods. In total, 1,247,665 options were outstanding at June 30, 2006, with expiration dates between 2010 and 2016.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. Net income and shareholders' equity were not affected by these reclassifications.

New Accounting Pronouncements
FIN 48: In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that IDACORP and IPC recognize in their financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. IDACORP and IPC are currently evaluating the impact of adopting FIN 48 on their financial statements.

2. INCOME TAXES:

Income Tax Rate
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 six months ended June 30, 2006, was 23.6 percent, compared to 8.5 percent for the six months ended June 30, 2005. IPC's effective tax rate for the six months ended June 30, 2006, was 39.4 percent, compared to 35.4 percent for the six months ended June 30, 2005. The differences in estimated annual effective tax rates are primarily due to the increase in pre-tax earnings at IDACORP and IPC, the loss of the simplified service cost method tax deduction at IPC, timing and amount of regulatory flow-through tax adjustments at IPC, and slightly lower tax credits from IFS.

Status of Audit Proceedings
In March 2005, the Internal Revenue Service (IRS) began its examination of IDACORP's 2001 through 2003 tax years. In October 2005, the Idaho State Tax Commission (ISTC) also began its examination of the same tax years. Management believes that an adequate provision for income taxes and related interest charges has been made for the open years 2001 and after. The accrued amounts are classified as a current liability in taxes accrued.

As of June 30, 2006, the IRS had substantially completed its issue development and research for the 2001-2003 tax years, with the exception of the capitalized overhead cost method discussed below. However, the examination is not complete and management cannot predict which examined items may be adjusted by the IRS. The ISTC issued its examination report and assessment for the 2001-2003 tax years on March 30, 2006. The adjustments made by the ISTC were minor, as was the assessment of tax and interest.

Capitalized Overhead Costs: On August 2, 2005, the IRS and the Treasury Department issued guidance interpreting the meaning of "routine and repetitive" for purposes of the simplified service cost and simplified production methods of the Internal Revenue Code section 263A uniform capitalization rules. The guidance was issued in the form of a revenue ruling (Rev. Rul. 2005-53) and proposed and temporary regulations. The regulations are effective for tax years ending on or after August 2, 2005, and the revenue ruling applies for all prior open years. Both pieces of guidance take a more restrictive view of the definition of self-constructed assets produced by a taxpayer on a "routine and repetitive" basis than did treasury regulations in effect at the time IPC changed to the simplified service cost method.

Generally, section 263A requires the capitalization of all direct costs and those indirect costs, known as "mixed service costs", which directly benefit or are incurred by reason of the production of property by a taxpayer. The treasury regulations for section 263A provide several "safe-harbor" methods taxpayers may adopt in order to comply with the statute. The simplified service cost method is one of the methods available for the calculation of indirect overhead (mixed service costs) cost capitalization. IPC changed to the simplified service cost method for both the self-construction of utility plant and production of electricity beginning with its 2001 federal income tax return.

For IPC, the simplified service cost method produces a current tax deduction for costs capitalized to electricity production that are capitalized into fixed assets for financial accounting purposes. Deferred income tax expense has not been provided for this deduction because the prescribed regulatory tax accounting treatment does not allow for inclusion of such deferred tax expense in current rates. Rate regulated enterprises are required to recognize such adjustments as regulatory assets if it is probable that such amounts will be recovered from customers in future rates.

For fiscal years 2002 through 2004, the simplified service cost method decreased IPC's income tax expense by $60 million and resulted in cash refunds from federal and state tax authorities of $75 million. For years 2004 and prior open tax years, if IPC cannot satisfy the guidance in Rev. Rul. 2005-35 it would be required to use another method of uniform capitalization, which is expected to be less favorable to IPC than the simplified service cost method. A less favorable method could result in a one time charge to earnings and reduced cash flow that could be partially offset by carryover tax credits, accelerated tax depreciation, changes in tax regulations and state regulatory recovery.

The temporary regulations are effective for IPC's 2005 and future tax years and, as drafted, preclude IPC from using this method for self-constructed assets. In the third quarter of 2005 IPC reversed its previously accrued 2005 tax deduction for capitalized overhead costs for both financial reporting and estimated tax payment purposes, and has not accrued a deduction for 2006. IPC is currently evaluating alternatives for a new uniform capitalization method.

3. COMMON STOCK:

During the six months ended June 30, 2006, IDACORP entered into the following transactions involving its common stock:

- 61,168 original issue shares were granted to participants in the 2000 Long-Term Incentive and Compensation Plan and 12,767 shares were issued pursuant to the exercise of stock options under the same plan.
- A total of 138,390 original issue shares were issued under the Dividend Reinvestment and Stock Purchase Plan and the Employee Savings Plan.

On January 1, 2006, IDACORP adopted SFAS 123R. SFAS 123R requires that any amounts of unearned stock-based compensation be charged against common equity. Prior to January 1, 2006, IDACORP had aggregated its unearned compensation balances with treasury stock on its consolidated balance sheets.

4. FINANCING:

The following table summarizes IDACORP's long-term debt (in thousands of dollars):

		June 30, 2006	December 31, 2005
First mortgage bonds:			
7.38%	Series due 2007	$ 80,000	$ 80,000
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%	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
	Total first mortgage bonds	785,000	785,000
Pollution control revenue bonds:			
Variable Auction Rate Series 2003 due 2024 (a)		49,800	49,800
6.05%	Series 1996A due 2026	68,100	68,100
Variable Rate Series 1996B due 2026		24,200	24,200
Variable Rate Series 1996C due 2026		24,000	24,000
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		11,700	11,700
Unamortized premium (discount) - net		(3,211)	(3,325)
Debt related to investments in affordable housing		40,675	48,481
Other subsidiary debt		7,591	7,686
Less: Liabilities held for sale		(18)	(35)
Total		1,032,082	1,039,852
Current maturities of long-term debt		(15,949)	(16,307)
	Total long-term debt	$ 1,016,133	$ 1,023,545

(a) Humboldt County Pollution Control Revenue bonds are secured by first mortgage bonds, bringing the total first mortgage bonds outstanding at June 30, 2006, to $834.8 million.

Long-Term Financing
IDACORP currently has $679 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. IPC currently has in place a registration statement that can be used for the issuance of an aggregate principal amount of $240 million of first mortgage bonds (including medium-term notes) and unsecured debt.

The amount of first mortgage bonds issuable by IPC is limited to a maximum of $1.1 billion and by property, earnings and other provisions of the mortgage and supplemental indentures thereto. IPC may amend the indenture and increase this amount without consent of the holders of the first mortgage bonds. The indenture requires that IPC's net earnings must be at least twice the annual interest requirements on all outstanding debt of equal or prior rank, including the bonds that IPC may propose to issue. Under certain circumstances, the net earnings test does not apply, including the issuance of refunding bonds to retire outstanding bonds that mature in less than two years or that are of an equal or higher interest rate, or prior lien bonds.

As of June 30, 2006, IPC could issue under the mortgage approximately $452 million of additional first mortgage bonds based on retired first mortgage bonds and $645 million of additional first mortgage bonds based on unfunded property additions. As of June 30, 2006, unfunded property additions were approximately $1.1 billion. Property additions consist of electric or gas property, or property used in connection therewith. Property additions exclude securities, contracts or choses in action, merchandise and equipment for consumption or resale, materials and supplies, property used principally for production or gathering of natural gas and any power sites and uncompleted works under Idaho state permits. In determining net property additions, IPC deducts all retired funded property from gross property additions except to the extent of certain credits for released funded property.

The mortgage requires IPC to spend or appropriate 15 percent of its annual gross operating revenues for maintenance, retirement or amortization of its properties. IPC may, however, anticipate or make up these expenditures or appropriations within the five years that immediately follow or precede a particular year.

The mortgage secures all bonds issued under the indenture equally and ratably, without preference, priority or distinction. IPC may issue additional first mortgage bonds in the future, and those first mortgage bonds will also be secured by the mortgage. The lien of the indenture constitutes a first mortgage on all the properties of IPC, subject only to certain limited exceptions including liens for taxes and assessments that are not delinquent and minor excepted encumbrances. Certain of the properties of IPC are subject to easements, leases, contracts, covenants, workmen's compensation awards and similar encumbrances and minor defects and clouds common to properties. The mortgage does not create a lien on revenues or profits, or notes or accounts receivable, contracts or choses in action, except as permitted by law during a completed default, securities or cash, except when pledged, or merchandise or equipment manufactured or acquired for resale. The mortgage creates a lien on the interest of IPC in property subsequently acquired, other than excepted property, subject to limitations in the case of consolidation, merger or sale of all or substantially all of the assets of IPC.

At June 30, 2006, IFS had $41 million of debt related to investments in affordable housing with interest rates ranging from 3.65 percent to 8.38 percent, due between 2006 and 2010. The investments in affordable housing developments that collateralize this debt had a net book value of $68 million at June 30, 2006. IFS' $13 million Series 2003-1 tax credit note is non-recourse to both IFS and IDACORP. The $7 million Series 2003-2 tax credit note and other outstanding debt are recourse only to IFS.

Credit Facilities

IDACORP has a $150 million five-year credit facility that expires on March 31, 2010. At June 30, 2006, no loans were outstanding on IDACORP's credit facility and $45 million of commercial paper was outstanding.

At June 30, 2006, IPC had regulatory authority to incur up to $250 million of short-term indebtedness. IPC has a $200 million five-year credit facility that expires on March 31, 2010. At June 30, 2006, no loans were outstanding on IPC's credit facility and no commercial paper was outstanding.

5. COMMITMENTS AND CONTINGENCIES:

Off-Balance Sheet Arrangements

The federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes establish operational, reclamation and closure standards that must be met during and upon completion of mining activities. These obligations mandate that mine property be restored consistent with specific standards and the approved reclamation plan. The mining operations at the Bridger Coal Company are subject to these reclamation and closure requirements. IPC has agreed to guarantee the performance of reclamation activities at Bridger Coal Company, of which Idaho Energy Resources Co., a subsidiary of IPC, owns a one-third interest. This guarantee, which is renewed each December, was $60 million at June 30, 2006. Bridger Coal has a reclamation trust fund set aside specifically for the purpose of paying these 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.

As part of the sale of its forward book of electricity trading contracts, IE had entered into an Indemnity Agreement with Sempra Energy Trading guaranteeing the performance of one of the counterparties through 2009. The maximum amount payable by IE under the Indemnity Agreement was $20 million. During the second quarter this guarantee terminated and IE was refunded all outstanding margin deposits.

Regional Transmission Organization

Over the last several years, IPC has spent funds supporting the development of Grid West, a regional transmission organization. Through the second quarter of 2006, IPC had loaned Grid West $1.1 million and had accumulated $2.3 million of costs in a deferred expense account, anticipating future recovery through Grid West tariffs. IPC no longer expects reimbursement of the either amount through Grid West. IPC's accumulation of Grid West development costs in a deferred expense account is consistent with a 2004 accounting order that IPC received from the FERC.

In April 2006, IPC began the first step in an effort to pursue recovery of the Grid West development costs through retail rates. The filings request that the IPUC and OPUC confirm that it is proper for IPC to transfer the costs to a regulatory assets account for possible amortization and recovery in future rates and IPC plans to file additional requests to begin to amortize and collect the development costs through rates. The cases in both states are ongoing. If IPC is unsuccessful with either the IPUC or OPUC or with the FERC, some or all of the $3.4 million will be expensed.

LEGAL PROCEEDINGS

Reference is made to IDACORP's and IPC's Annual Report on Form 10-K for the year ended December 31, 2005, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, 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 that occurred in those proceedings during the period covered by this report and of any new material proceedings instituted during the period covered by this report.

Proceedings Relating to the Western Power Markets
IDACORP, IPC and/or IE are involved in a number of proceedings which relate to the western power markets.

Public Utility District No. 1 of Grays Harbor County, Washington
On July 25, 2006, the case was dismissed with prejudice by the Honorable Robert H. Whaley, sitting by designation in the U.S. District Court for the Southern District of California, pursuant to an agreed resolution of the matter between Grays Harbor and IDACORP, IPC and IE. The settlement did not have a material adverse effect on IDACORP's consolidated financial position, results of operation or cash flows.

Port of Seattle
On March 7, 2006, the U.S. Court of Appeals for the Ninth Circuit heard argument on the Port of Seattle's appeal of the U.S. District Court for the Southern District of California's dismissal of its complaint with prejudice. On March 30, 2006, the Ninth Circuit issued an order denying the Port of Seattle's appeal and affirming the dismissal of the entire case. The dismissal of the case, with prejudice, became final on June 28, 2006, when the Port of Seattle elected not to file a certiorari petition to the U.S. Supreme Court.

Wah Chang
Following the October 18, 2005, consolidation of Wah Chang's appeal of the dismissal order to the U.S. Court of Appeals for the Ninth Circuit with an identical order in Wah Chang v. Duke Energy Trading and Marketing, IDACORP, IPC and IE filed an answering brief on November 30, 2005. Wah Chang filed its reply brief on January 6, 2006. Wah Chang's appeal to the U.S. Court of Appeals for the Ninth Circuit has now been fully briefed; however, no date has yet been set for oral argument. IDACORP, IPC and IE 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.

City of Tacoma
The City of Tacoma's March 10, 2005, appeal to the U.S. Court of Appeals for the Ninth Circuit of the dismissal of the case by Judge Whaley has been fully briefed; however, no date has yet been set for oral argument. IDACORP, IPC and IE 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.

Wholesale Electricity Antitrust Cases I & II
In April 2002, several subsidiaries of Reliant Energy, Inc. (Reliant) and Duke Energy Corporation (Duke) filed cross-complaints against IE and IPC and numerous other participants in the California energy market. The cross-complaints sought indemnification for any liability that may arise from original complaints filed against Reliant and Duke with respect to charges of unlawful and unfair business practices in the California energy markets under California law. On November 9, 2005, both Duke and Reliant submitted to the Court stipulations with IE and IPC to conditionally dismiss, with prejudice, the cross-complaints, subject to reinstatement if proposed settlements between Duke and Reliant and the plaintiffs of the underlying actions were not approved by the Court. Neither IE nor IPC paid

any amount to Duke or to Reliant to obtain these dismissals.

On December 14, 2005, the Court granted final approval of the Duke settlement with the plaintiffs. The Court's order granting final approval of the Duke settlement became final on March 14, 2006, as the Court's docket does not indicate that any appeal was filed. On January 6, 2006, the Court granted preliminary approval of the Reliant settlement with the plaintiffs in these cases. On March 30, 2006, oppositions and objections to the Reliant settlement were filed by certain parties under the *Eggers* case caption, including by the States of Montana and Idaho. Neither IPC nor IE is a party to the *Eggers* case, which seeks to recover damages on behalf of consumers in western states other than California. A hearing on final approval of the Reliant settlement was held on April 28, 2006. At the hearing, the Court ruled that the California class settlement would receive final approval contingent on a satisfactory showing that the notice to those class members was adequate. As for the *Eggers* case, the Court set a briefing schedule to provide evidence and oral argument regarding the State of Montana's treatment by its class representative and Montana's connection to the California energy market.

On May 30, 2006, the Court signed and approved the Judgment, Final Order, and Decree Granting Final Approval to the Reliant settlement. The Court also signed and approved the Order Granting Reliant's Motion for Good Faith Settlement Determination. The order approving the Reliant settlement became final on July 31, 2006. On July 14, 2006, the Court held a separate hearing to consider approval of the settlement of the *Eggers* action, and thereafter signed and approved the Judgment, Final Order and Decree Granting Final Approval to the Class Action Settlement in the *Eggers* case.

IE and IPC will continue to vigorously defend their position in this proceeding until all appeal periods have expired and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

California Refund

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. Non-settling parties had until March 9, 2006, to elect to become an additional settling party. The majority of non-settling parties chose to opt out of the settlement. After consideration of comments, the FERC approved the settlement on May 22, 2006. Under the terms of the settlement, IE and IPC assigned $24.25 million of the rights to accounts receivable from the California Independent System Operator (CalISO) and California Power Exchange (CalPX) to the California Parties to pay into an escrow account for refunds to settling parties. Amounts from that escrow not used for settling parties and $1.5 million of the remaining IE and IPC receivables that are to be retained by the CalPX are available to fund, at least partially, payment of the claims of any non-settling parties if they prevail in the remaining litigation of this matter. Any excess funds remaining at the end of the case are to be returned to IDACORP. Approximately $10.25 million of the remaining IE and IPC receivables was paid to IE and IPC under the Settlement.

On June 21, 2006, the Port of Seattle, Washington filed a request for rehearing of the FERC order approving the Settlement. On July 10, 2006, IDACORP and the California Parties filed a response to Port of Seattle's request for rehearing. On July 21, 2006, the FERC issued a tolling order in response to the Port of Seattle's request for rehearing, giving the FERC additional time to respond to the request. While IDACORP believes that this Settlement resolves all issues it may have related to the California Refund proceedings, it is possible that additional issues that affect IDACORP may arise in the future.

For some time the Ninth Circuit Court of Appeals held in abeyance consolidated petitions for review (in excess of 100) of FERC orders related to the California Refund proceeding. On September 21, 2004, the Ninth Circuit convened case management proceedings on these petitions and on October 22, 2004, severed a subset of issues for briefing related to: (1) which parties are subject to the FERC's refund jurisdiction under section 201(f) of the Federal Power Act; (2) the temporal scope of refunds under section 206 of the Federal Power Act; and (3) which categories of transaction are subject to refunds. Oral argument was held on April 12-13, 2005. On September 6, 2005, the Ninth Circuit issued a decision on the jurisdictional issues concluding that the FERC lacked refund authority over wholesale electric energy sales made by governmental entities and non-public utilities. On August 2, 2006, the Ninth Circuit issued its decision on the appropriate temporal reach and the type of transactions subject to FERC refund orders and concluded, among other things, that all transactions at issue in the case that occurred within or as a result of the CalPX and the Cal ISO were the proper subject of refund proceedings; refused to expand the refund proceedings into the bilateral markets including transactions with the California Department of Water Resources; approved the refund effective date as October 2, 2000, but also required FERC to consider whether refunds, including possibly market-wide refunds, should be required for an earlier time due to claims that some market participants had violated governing tariff obligations (although the decision did not specify when that time would start, the California Parties generally had sought further refunds starting May 1, 2000); and effectively expanded the scope of the refund proceeding to transactions within the CalPX and CalISO markets outside the 24-hour spot market and energy exchange transactions.

IDACORP believes that these decisions should have no material effect on IDACORP under the terms of the IDACORP Settlement with the California Parties approved by the FERC on May 22, 2006.

California Power Exchange Chargeback

Based upon the Offer of Settlement filed with the FERC on February 17, 2006, between the California Parties and IE and IPC and discussed above in "California Refund", the California Parties supported a motion filed by IE and IPC with the FERC seeking an Order Directing Return of Chargeback Amounts currently held by the CalPX totaling $2.27 million. In the May 22, 2006 Order approving the Settlement, the FERC granted the IE and IPC motion for return of chargeback funds held by the CalPX. On June 1, 2006, IE received approximately $2.5 million from the CalPX representing the return of $2.27 million in chargeback funds plus interest.

Market Manipulation

Pursuant to the Offer of Settlement filed with the FERC on February 17, 2006, between the California Parties and IE and IPC and discussed above in "California Refund", the requests for rehearing of the California Parties and other settling parties of the FERC's approval of an earlier settlement with the FERC staff regarding allegations of "gaming" are deemed to be withdrawn. On May 22, 2006, the FERC issued an order approving the February 17, 2006, Offer of Settlement. If the FERC denies the few remaining requests for rehearing filed by non-settling parties of the FERC's approval of the "gaming" case settlement, the effect would be to terminate the FERC investigations as to IPC and IE regarding bidding behavior, physical withholding of power and "gaming" without finding of wrongdoing.

Pacific Northwest Refund

On September 24, 2001, the FERC Administrative Law Judge submitted recommendations and findings to the FERC finding that prices in the Pacific Northwest during the December 25, 2000, through June 20, 2001, time period should be governed by the Mobile-Sierra standard of public interest rather than the just and reasonable standard, that the Pacific Northwest spot markets were competitive and that no refunds should be allowed. The FERC approved these recommendations on June 25, 2003, and multiple parties then appealed to the Ninth Circuit Court of Appeals. IE and

IPC were parties in the FERC proceeding and are participating in the appeal. Briefing on the appeal was completed on May 25, 2005; however, no date has been set for oral argument. The Settlement approved by the FERC on May 22, 2006, resolves all claims the California Parties have against IE and IPC in the Pacific Northwest Refund proceeding. The settlement with Grays Harbor resolves all claims Grays Harbor has against IE and IPC in this proceeding. IE and IPC are unable to predict the outcome as to all other parties in this proceeding.

Other Litigation

Shareholder Lawsuit

On March 29, 2006, the U.S. District Court for the District of Idaho (Judge Edward J. Lodge) issued an Order adopting the Report and Recommendation of Magistrate Judge Williams issued on September 14, 2005, granting the defendants' (IDACORP and certain of its officers and directors) motion to dismiss because plaintiffs failed to satisfy the pleading requirements for loss causation. However, Judge Lodge modified the Report and Recommendation and ruled that plaintiffs had until May 1, 2006, to file an amended complaint only as to the loss causation element. On May 1, 2006, the plaintiffs filed an amended complaint. The defendants filed a motion to dismiss the amended complaint on June 16, 2006. The briefing schedule requires plaintiffs' response to defendants' motion to dismiss to be filed on or before August 14, 2006, and the defendants' response on or before August 28, 2006. IDACORP and the other defendants intend to defend themselves vigorously against the allegations. IDACORP cannot, however, predict the outcome of these matters.

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. Although it is unclear from the complaint, it appears plaintiffs' claims relate primarily to lands within the state of Nevada. Plaintiffs seek a judgment declaring their title to land and other resources, disgorgement of profits from the sale or use of the land and resources, a decree declaring a constructive trust in favor of the plaintiffs of IPC's assets connected to the lands or resources, an accounting of money or things of value received from the sale or use of the lands or resources, monetary damages in an unspecified amount for waste and trespass and a judgment declaring that IPC has no right to possess or use the lands or resources.

On May 1, 2006, IPC filed an Answer to plaintiffs' First Amended Complaint denying all liability to the plaintiffs and asserting certain affirmative defenses including collateral estoppel and res judicata, preemption, impossibility and impracticability, failure to join all real and necessary parties, and various defenses based on untimeliness. On June 19, 2006, IPC filed a motion to dismiss plaintiffs' First Amended Complaint, asserting, among other things, that the Court lacks subject matter jurisdiction and that plaintiffs failed to join an indispensable party (namely, the United States government). Plaintiffs must respond to the motion by August 18, 2006. IPC may then file a reply memorandum by September 29, 2006. IPC intends to vigorously defend its position in this proceeding, but is unable to predict the outcome of this matter.

6. REGULATORY MATTERS:

General Rate Cases

Oregon: On September 21, 2004, IPC filed an application with the OPUC to increase general rates an average of 17.5 percent or approximately $4.4 million annually. A partial settlement resolved most issues in a manner consistent with the Idaho result. The most significant issue in this proceeding was the appropriate quantification of net power supply expenses for purposes of setting rates. The OPUC staff proposed that net power supply expenses for IPC be set at a negative number - meaning that IPC should be able to sell enough surplus energy to pay for all fuel and purchased power expenses and still have revenue left over to offset other costs. The bulk of IPC's rebuttal was directed at this position. A hearing was conducted on May 23, 2005. The OPUC issued its order in July 2005 authorizing an increase of $0.6 million in annual revenues for an average of 2.37 percent. The OPUC adopted the OPUC staff's argument for the negative net power supply costs, thus reducing IPC's initial rate request of $4.4 million by $2.4 million with this one adjustment.

On September 26, 2005, IPC filed a complaint with the Circuit Court of Marion County, Oregon asking the court to reverse the portion of the OPUC's general rate case order related to the determination of net power supply costs. On March 30, 2006, IPC filed its opening brief. Oral argument was held in June 2006. The parties are currently preparing briefs on the subject of market prices.

Deferred (Accrued) Net Power Supply Costs

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

	June 30, 2006	December 31, 2005
Idaho PCA current year:		
Deferral (accrual) for the 2006-2007 rate year	$ -	$ 3,684
Deferral (accrual) for the 2007-2008 rate year *	(47,064)	-
Idaho PCA true-up awaiting recovery (refund):		
Authorized May 2005	-	28,567
Authorized May 2006	(19,265)	-
Oregon deferral:		
2001 costs	7,637	8,411
2005 costs	2,790	2,880

Total deferral (accrual)	$ (55,902)	$ 43,542

* includes a $42.1 million credit for excess SO_2 emission allowance sales allocated to customers

Idaho: IPC has a Power Cost Adjustment (PCA) mechanism that provides for annual adjustments to the rates charged to its Idaho retail customers. These adjustments are based on forecasts of net power supply costs, which are fuel and purchased power less off-system sales, and the true-up of the prior year's forecast. During the year, 90 percent of the difference between the actual and forecasted costs is deferred with interest. The ending balance of this deferral, called the true-up for the current year's portion and the true-up of the true-up for the prior years' unrecovered portion, is then included in the calculation of the next year's PCA.

On May 25, 2006, the IPUC approved IPC's 2006-2007 PCA filing with an effective date of June 1, 2006. The filing reduced the PCA component of customers' rates from the existing level, which was recovering $76.7 million above then-existing base rates, to a level that is $46.8 million below those base rates, a decrease of approximately $123.5 million.

On April 13, 2006, IPC filed testimony requesting review of one component of the PCA referred to as the load growth adjustment rate, as agreed to in the stipulation of the parties settling the 2005 general rate case. The load growth adjustment rate provides a reduction to power supply expenses for PCA purposes when loads grow from levels included in IPC's base rates. IPC maintains that this reduction to expenses should be equal to the relative increase in revenues received as a result of load growth. Other parties to the proceeding are scheduled to file testimony by September 15, 2006. A hearing is scheduled for October 30, 2006. The dollar impact of load growth adjustment rates is significant and increasing, based on continuing growth within IPC's territory. Any increase in the load growth adjustment rate as a result of this proceeding would magnify the impact.

On June 1, 2005, IPC implemented the 2005-2006 PCA, which held the PCA component of customers' rates at the existing level, recovering $71 million above base rates. By IPUC order, the PCA included $12 million in lost revenues and $2 million in related interest resulting from IPC's Irrigation Load Reduction Program that was in place in 2001. The PCA deferred recovery of approximately $28 million of power supply costs, or 4.75 percent, for one year to help mitigate the impacts of other rate increases. The $28 million was included in the 2006-2007 PCA filing, and IPC earned a two percent carrying charge on the balance.

Oregon: 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, in anticipation of higher than "normal" power supply expenses. "Normal" power supply expenses were set at a negative number (meaning that under normal water conditions IPC should be able to sell enough surplus energy to pay for all fuel and purchased power expenses and still have revenue left over to offset other costs) in the 2003 Oregon general rate case, which IPC is contesting. The forecasted system net power supply expenses included in this deferral filing were $64 million, which is $65.9 million higher than the normalized power supply expenses established in the Oregon general rate case. IPC requested authorization to defer an estimated $3.3 million, the Oregon jurisdictional share of the $65.9 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. A settlement conference is scheduled for August 17, 2006.

On March 2, 2005, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period of March 2, 2005 through February 28, 2006, in anticipation of continued low water conditions. The forecasted net power supply costs included in this filing were $169 million, of which $3 million related to the Oregon jurisdiction.

IPC proposed to use the same methodology for this deferral filing that was accepted in 2002 for Oregon's share of IPC's 2001 net power supply expenses. On July 1, 2005, IPC, the OPUC staff, and the Citizen's Utility Board entered into a stipulation requesting that the OPUC accept IPC's proposed methodology. Under this methodology, IPC will earn its Oregon authorized rate of return on the deferred balance and will recover the amount through rates in future years, as approved by the OPUC. The OPUC issued Order 05-870 on July 28, 2005, approving the stipulation. On April 19, 2006, IPC filed a request for review and acknowledgement of its deferred net power supply costs for the period of March 2, 2005, through February 28, 2006. The deferral amount was quantified by IPC to be $2.7 million. On June 14, 2006, a settlement conference was held; however, settlement is pending further staff review.

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 per year. IPC is currently amortizing through rates power supply costs associated with the western energy situation of 2001. Full recovery of the 2001 deferral is not expected until 2009, at which time the rate amortization of the 2005-2006 deferral could begin. A 2006-2007 deferral would have to be amortized sequentially following the full recovery of the authorized 2005-2006 deferral.

Emission Allowances

In June 2005, IPC filed applications with the IPUC and OPUC requesting blanket authorization for the sale of excess SO_2 emission allowances and an accounting order. The IPUC issued Order 29852 on August 22, 2005, authorizing the sale and interim accounting treatment. The OPUC issued Order 05-983 on September 13, 2005, stating that IPC did not need a blanket order to sell emission allowances and approved the interim accounting treatment.

As of June 30, 2006, IPC has sold 78,000 SO_2 emission allowances for approximately $81.6 million (before income taxes and expenses) on the open market. After subtracting transaction fees, the total amount of sales proceeds to be allocated to the Idaho jurisdiction is approximately $76.8 million ($46.8 million net of tax, assuming a tax rate of approximately 39 percent). Through allowance vintage year 2006, IPC has approximately 32,000 excess allowances remaining.

Pursuant to the IPUC order, the IPUC staff held several workshops and settlement discussions. On May 12, 2006, the IPUC approved a stipulation filed in April 2006 by IPC on behalf of several parties. The stipulation allows IPC to retain ten percent, or approximately $4.7 million after tax, of the emission allowance net proceeds as a shareholder benefit. The remaining 90 percent of the sales proceeds ($69.1 million) plus a carrying charge will be recorded as a customer benefit and included as a line-item in the PCA true-up. The carrying charge will be calculated on $42.1 million, the net-of-tax amount allocable to Idaho jurisdiction customers. This customer benefit is included in IPC's PCA calculations as a credit to the PCA true-up balance and will be reflected in PCA rates during the June 1, 2007 through May 31, 2008 PCA rate year.

There is no current OPUC proceeding with respect to SO_2 emission allowances, and IPC cannot predict the outcome of any future OPUC ratemaking proceeding relating to this issue.

7. INDUSTRY SEGMENT INFORMATION:

IDACORP has identified two reportable segments: utility operations and IFS. ITI and IDACOMM, which had previously been identified as reportable segments, are now reported as discontinued operations (see Note 10).

The utility operations segment's primary sources of revenue are the regulated operations of IPC. 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. The IFS segment represents that subsidiary's investments in affordable housing developments and historic rehabilitation projects. Operating segments not included above are below the quantitative thresholds for reportable segments and are included in the "All Other" category. This category is comprised of 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 IFS and the total of all other segments, and reconciles this information to total enterprise amounts (in thousands of dollars):

	Utility Operations	**IFS**	**All Other**	**Eliminations**[1]	**Consolidated Total**
Three months ended June 30, 2006:					
Revenues	$ 240,848	$ 357	$ 1,430	$ -	$ 242,635
Income (loss) from continuing operations	21,612	2,069	(1,008)	-	22,673
Three months ended June 30, 2005:					
Revenues	$ 199,708	$ 354	$ 1,228	$ -	$ 201,290
Income (loss) from continuing operations	12,876	2,594	(2,877)	-	12,593
Total assets at June 30, 2006	3,099,237	$ 135,147	$ 176,959	$ (61,607)	$ 3,349,736
Six months ended June 30, 2006:					
Revenues	$ 508,122	$ 699	$ 2,154	$ -	$ 510,975
Income (loss) from continuing operations	46,633	4,231	(1,236)	-	49,628
Six months ended June 30, 2005:					
Revenues	$ 390,576	$ 689	$ 1,551	$ -	$ 392,816
Income (loss) from continuing operations	34,385	5,089	(1,239)	-	38,235
Total assets at December 31, 2005	$ 3,074,691	$ 139,306	$ 188,891	$ (38,762)	$ 3,364,126

[1] Includes assets of ITI and IDACOMM which are presented as assets held for sale.

8. BENEFIT PLANS:

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

	Pension Plan		Deferred Compensation Plan		Postretirement Benefits	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Service cost	$ 3,619	$ 3,282	$ 368	$ 293	$ 376	$ 338
Interest cost	5,585	5,282	582	537	862	774
Expected return on plan assets	(7,670)	(7,422)	-	-	(630)	(656)
Amortization of net obligation at transition	-	(31)	-	77	510	510
Amortization of prior service cost	166	192	61	57	(134)	(148)
Amortization of net loss	65	-	211	173	219	(3)
Net periodic benefit cost	$ 1,765	$ 1,303	$ 1,222	$ 1,137	$ 1,203	$ 815

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

	Pension Plan		Deferred Compensation Plan		Postretirement Benefits	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Service cost	$ 7,238	$ 6,564	$ 736	$ 585	$ 752	$ 727
Interest cost	11,170	10,563	1,164	1,075	1,724	1,765
Expected return on plan assets	(15,340)	(14,844)	-	-	(1,260)	(1,298)
Amortization of net obligation at transition	-	(63)	-	155	1,020	1,020
Amortization of prior service cost	332	385	122	114	(268)	(279)
Amortization of net loss	130	-	422	345	438	394
Net periodic benefit cost	$ 3,530	$ 2,605	$ 2,444	$ 2,274	$ 2,406	$ 2,329

IDACORP and IPC have not contributed and do not expect to contribute to their pension plan in 2006.

9. STOCK-BASED COMPENSATION:

IDACORP has three share-based compensation plans. IDACORP's employee plans are the 2000 Long-Term Incentive and Compensation Plan (LTICP) and the 1994 Restricted Stock Plan (RSP). These plans are intended to align employee and shareholder objectives related to IDACORP's long-term growth. IDACORP also has one non-employee plan, the Director Stock 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 June 30, 2006, the maximum number of shares available under the LTICP and RSP were 1,674,863 and 97,267, 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 Six months ended June 30,		**IPC Six months ended June 30,**	
	2006	**2005**	**2006**	**2005**
Compensation cost	$ 841	$ 529	$ 477	$ 237
Income tax benefit	$ 329	$ 207	$ 186	$ 93

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 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 charged to compensation expense over the vesting period based on the number of shares expected to vest.

Performance-based restricted stock awards have vesting periods of three years. Performance awards entitle the recipients to voting rights, and unvested shares are restricted 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. For awards granted prior to 2006, dividends were paid currently to recipients. Beginning with the 2006 awards, dividends will be accumulated and paid out only on shares that eventually vest.

The performance goals for the 2006 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.

A summary of the status of nonvested share awards as of June 30, 2006, and changes during the six months ended June 30, 2006, is presented below. IPC share amounts represent the portion of IDACORP amounts related to IPC employees:

	IDACORP		IPC	
	Shares	**Weighted-average Grant date Fair value**	**Shares**	**Weighted-average Grant date Fair value**
Nonvested shares at January 1, 2006	214,851	$ 29.71	183,569	$ 29.75
Shares granted	124,126	25.90	113,121	25.91
Shares forfeited	(107,733)	26.18	(90,386)	26.12
Shares vested	(18,842)	30.38	(18,842)	30.38
Nonvested shares at June 30, 2006	212,402	$ 29.21	187,462	$ 29.12

At June 30, 2006, IDACORP had $2.5 million of total unrecognized compensation cost related to nonvested share-based compensation that was expected to vest. IPC's share of this amount was $1.9 million. These costs are expected to be recognized over a weighted-average period of 2.32 years. IDACORP uses original issue and/or treasury shares for these awards.

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. Upon adoption of SFAS 123R on January 1, 2006, the fair value of each option is amortized into compensation expense using graded-vesting. Beginning in 2006, stock options are not a significant component of share-based compensation awards under the LTICP.

The fair values of all stock option awards have been estimated as of the date of the grant by applying a binomial option pricing model. The application of this model involves assumptions that are judgmental and sensitive in the determination of compensation expense. The key assumptions used in determining the fair value of options granted during the six months ended June 30, 2006, were:

Dividend yield, based on current dividend and stock price on grant date	3.7%
Expected stock price volatility, based on IDACORP historical volatility	18%

Risk-free interest rate based on U.S. Treasury composite rate	4.92%
Expected term based on the SEC "simplified" method	6.50 years

Stock option activity during the six months ended June 30, 2006, was as follows:

	Number of	Weighted-Average Exercise	Weighted Average Remaining Contractual	Aggregate Intrinsic Value

	Shares		Price	Term		(000s)
IDACORP						
Outstanding at January 1, 2006	1,421,914	$	32.24			
Granted	9,905		31.86			
Exercised	(12,767)		24.35			
Forfeited	(159,840)		28.43			
Expired	(11,547)		30.18			
Outstanding at June 30, 2006	1,247,665	$	32.82	6.00	$	4,498
Exercisable at June 30, 2006	902,807	$	34.15	4.42	$	2,626
IPC						
Outstanding at January 1, 2006	1,094,137	$	32.03			
Granted	-		-			
Exercised	(12,767)		24.35			
Forfeited	(139,833)		28.50			
Expired	(2,800)		39.96			
Outstanding at June 30, 2006	938,737	$	32.64	5.87	$	3,576
Exercisable at June 30, 2006	724,680	$	33.77	4.53	$	2,296

The following table presents information about options granted and exercised during the six months ended June 30 (in thousands of dollars, except for weighted-average amounts):

	IDACORP		IPC	
	2006	**2005**	**2006**	**2005**
Weighted-average grant-date fair value	$ 9.96	$ 8.84	$ -	$ 8.81
Fair value of options vested	1,785	1,562	1,275	1,087
Intrinsic value of options exercised	123	-	123	-
Cash received from exercise	311	-	311	-
Tax benefits realized from exercise	48	-	48	-

As of June 30, 2006, there was $0.8 million of total unrecognized compensation cost related to stock options. These costs are expected to be recognized over a weighted average period of 2.35 years. IDACORP uses original issue and/or treasury shares to satisfy exercised options.

10. DISCONTINUED OPERATIONS:

In the second quarter of 2006, IDACORP decided to seek buyers for its fuel cell technology subsidiary ITI and its telecommunications subsidiary IDACOMM. IDACORP had been reviewing strategic alternatives for ITI and IDACOMM in order to focus on its core utility business. The planned disposals of these businesses meets the criteria established for reporting them as assets held for sale as defined by SFAS 144. SFAS 144 requires that a long-lived asset classified as held for sale be measured at the lower of its carrying amount or fair value, less costs to sell, and requires the holder to cease depreciation and amortization. Based on an analysis of the fair value of each subsidiary, no adjustments to the carrying values were required.

On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of ITI to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited. IDACORP expects to record a gain of $0.24 to $0.26 per diluted share from this transaction in the third quarter of 2006.

The operating results of these businesses have been separately classified and reported as discontinued operations on IDACORP's condensed consolidated statements of income. A summary of the components of losses from discontinued operations is as follows (in thousands of dollars):

	Three months ended June 30,		Six months ended June 30,	
	2006	**2005**	**2006**	**2005**
Revenues	$ 3,403	$ 4,181	$ 8,704	$ 8,837
Operating expenses	(7,466)	(8,472)	(15,447)	(16,730)
Other income (expense) and deductions	(25)	134	(67)	272
Pre-tax losses	(4,088)	(4,157)	(6,810)	(7,621)
Income tax benefit	1,271	1,015	2,514	1,903
Losses from discontinued operations	$ (2,817)	$ (3,142)	$ (4,296)	$ (5,718)

The results of operations for the three and six months ended June 30, 2006 do not include depreciation expense of approximately $0.2 million that would be recorded if the related assets were classified as held and used.

The assets and liabilities of IDACOMM and ITI have been classified as held for sale on IDACORP's balance sheets at June 30, 2006, and December 31, 2005. A summary of the components of assets and liabilities held for sale on IDACORP's Consolidated Balance Sheets is as follows (in thousands of dollars):

	June 30, 2006	**December 31, 2005**
Assets		
Current assets	$ 5,085	$ 6,673
Property and investments	19,994	19,848
Other assets	7,072	6,118
Total assets	$ 32,151	$ 32,639
Liabilities		
Current liabilities	$ 3,921	$ 5,916
Other liabilities	7,630	10,016
Long-term debt	18	35
Total liabilities	$ 11,569	$ 15,967

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 June 30, 2006, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2006 and 2005, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2006 and 2005. 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, 2005, 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 March 6, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2005 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
August 7, 2006

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 June 30, 2006, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2006 and 2005, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2006 and 2005. 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, 2005, 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 March 6, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet and statement of capitalization as of December 31, 2005 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
August 7, 2006

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.

At June 30, 2006, IDACORP's other subsidiaries included:

- IDACORP Financial Services, Inc. (IFS) - holder of affordable housing and other real estate investments;
- Ida-West Energy Company (Ida-West) - operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA);
- IDACORP Energy (IE) - marketer of electricity and natural gas, which wound down its operations in 2003;

- IdaTech, LLC (IdaTech) - developer of integrated fuel cell systems, over 99 percent-owned by IDACORP's wholly-owned subsidiary IDACORP Technologies, Inc. (ITI); and
- IDACOMM, Inc. (IDACOMM) - provider of telecommunications services and commercial Internet services.

In the second quarter of 2006, IDACORP management designated the operations of ITI and IDACOMM as assets held for sale, as defined by Statement of Financial Accounting Standards No. 144. IDACORP's consolidated financial statements reflect the reclassification of the results of these businesses as discontinued operations for all periods presented. Discontinued operations are discussed in more detail in Note 10 to IDACORP's and IPC's Condensed Consolidated Financial Statements and later in the MD&A. On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of ITI to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited.

This MD&A should be read in conjunction with the accompanying condensed consolidated financial statements. This discussion updates the MD&A included in the Annual Report on Form 10-K for the year ended December 31, 2005, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, and should be read in conjunction with the discussions in those reports.

FORWARD-LOOKING INFORMATION:

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (Reform Act), IDACORP and IPC are hereby filing cautionary statements identifying important factors that could cause actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made by or on behalf of IDACORP or IPC in this Quarterly Report on Form 10-Q, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue" or similar expressions) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties and are qualified in their entirety by reference to, and are accompanied by, the following important factors, which are difficult to predict, contain uncertainties, are beyond IDACORP's or IPC's control and may cause actual results to differ materially from those contained in forward-looking statements:

- Changes in governmental policies, including new interpretations of existing policies, and regulatory actions and regulatory audits, including those of the Federal Energy Regulatory Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, and the Internal Revenue Service with respect to allowed rates of return, industry and rate structure, day-to-day business operations, acquisition and disposal of assets and facilities, operation and construction of plant facilities, relicensing of hydroelectric projects, recovery of purchased power expenses, recovery of other capital investments, present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs) and other refund proceedings;
- Changes arising from the Energy Policy Act of 2005;
- Litigation and regulatory proceedings, including those resulting from the energy situation in the western United States, and settlements that influence business and profitability;
- Changes in and compliance with environmental, endangered species and safety laws and policies;
- Weather variations affecting hydroelectric generating conditions and customer energy usage;
- Over-appropriation of surface and groundwater in the Snake River Basin resulting in reduced generation at hydroelectric facilities;
- Construction of power generating facilities including inability to obtain required governmental permits and approvals, and risks related to contracting, construction and start-up;
- Operation of power generating facilities including breakdown or failure of equipment, performance below expected levels, competition, fuel supply, including availability, transportation and prices, and transmission;
- Impacts from the potential formation of a regional transmission organization and the dissolution of Grid West;
- Population growth rates and demographic patterns;
- Market demand and prices for energy, including structural market changes;
- Changes in operating expenses and capital expenditures and fluctuations in sources and uses of cash;
- Results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by factors such as credit ratings and general economic conditions;
- Actions by credit rating agencies, including changes in rating criteria and new interpretations of existing criteria;
- Homeland security, natural disasters, acts of war or terrorism;
- Market conditions and technological developments that could affect the operations and prospects of IDACORP's subsidiaries or their competitors;
- Increasing health care costs and the resulting effect on health insurance premiums paid for employees;
- Performance of the stock market and the changing interest rate environment, which affect the amount of required contributions to pension plans, as well as the reported costs of providing pension and other postretirement benefits;
- Increasing costs of insurance, changes in coverage terms and the ability to obtain insurance;
- Changes in tax rates or policies, interest rates or rates of inflation;
- Adoption of or changes in critical accounting policies or estimates; and

- New accounting or Securities and Exchange Commission requirements, or new interpretation or application of existing requirements.

Any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

EXECUTIVE OVERVIEW:

Second Quarter 2006 Financial Results
IDACORP's earnings for the quarter were $20 million, a $10 million increase over the same period in 2005. Diluted earnings per share were $0.47 in the second quarter of 2006 and $0.22 in the same period of 2005. Improved results at IPC were the key driver of IDACORP's increase. IPC's earnings increased from $13 million in 2005 to $22 million in 2006.

IPC's performance is attributable to much improved hydroelectric generating conditions and increased sales. After six years of below normal water conditions, IPC's second quarter 2006 hydroelectric generation was above normal levels and 56 percent higher than second quarter generation in 2005. Hydroelectric generation contributed 71 percent of IPC's total system generation, as compared to 55 percent in 2005. This additional hydroelectric generation reduced net power supply costs, providing a $0.07 per diluted share benefit quarter-over-quarter. Irrigation energy sales increased by 64 percent quarter-over-quarter due to warmer and drier weather. IPC's results also reflect the benefits of growth in general business customers, warmer temperatures and rate increases that went into effect in June 2005. Additionally, IPC recorded a $4.7 million ($0.11 per diluted share) after-tax benefit from the sale of excess emission allowances.

IDACORP's non-regulated subsidiaries and holding company expenses reduced earnings by five cents per diluted share, compared to an eight-cent per share reduction in the second quarter of 2005. In accordance with interim reporting requirements, the estimated annual effective income tax rate is used in determining income tax expense. The results from both periods reflect the effect of intra-period tax allocations recorded at the holding company and in discontinued operations.

Power Cost Adjustment
On June 1, 2006, IPC implemented its annual Power Cost Adjustment (PCA), which will result in a $123.5 million reduction in the rates of Idaho customers. The reduction in rates comes as a direct benefit of the above-average snow pack in the mountains upstream of Brownlee Reservoir and lower-than-forecasted power supply costs in the 2005-2006 PCA year. In years when water is plentiful and IPC can fully utilize its extensive hydroelectric system, power production costs are lower and IPC can pass those benefits to its customers in the form of rate reductions. When water is in short supply as it was in the past six years, the higher costs of supplying power by other means also are shared with IPC's customers.

General rate case settlement
On June 1, 2006, IPC implemented a 3.2 percent ($18 million annual) increase to its Idaho retail base rates. IPC had

filed a general rate case with the IPUC in October 2005, and the IPUC approved a settlement agreement in May 2006. Base rates primarily reflect IPC's cost of providing electrical service to its customers, including equipment, vehicles and infrastructure. IPC's overall allowed rate of return in Idaho increased from 7.85 percent to 8.1 percent.

SO_2 emission allowances settlement

As of June 30, 2006, IPC has sold 78,000 excess SO_2 emission allowances for approximately $81.6 million (before income taxes and expenses) on the open market. After subtracting transaction fees the total amount of sales proceeds to be allocated to the Idaho jurisdiction is approximately $76.8 million ($46.8 million, net of tax, assuming a tax rate of approximately 39 percent). Through allowance vintage year 2006, IPC has approximately 32,000 excess allowances remaining.

On May 12, 2006, the IPUC approved ratemaking treatment of the sales proceeds. The IPUC order allows IPC to retain 10 percent, or approximately $4.7 million net of income taxes, of the Idaho jurisdiction proceeds as a shareholder benefit. The remaining 90 percent of the Idaho jurisdiction proceeds ($69.1 million) plus a carrying charge will be recorded as a customer benefit and included as a line item in the PCA true up for amortization in PCA rates during the June 1, 2007, through May 31, 2008, PCA rate period. The carrying charge will be calculated on $42.1 million, the net-of-tax amount allocable to Idaho jurisdiction customers.

Shareholder Lawsuit

On March 29, 2006, the U.S. District Court for the District of Idaho (Judge Edward J. Lodge) issued an Order adopting the Report and Recommendation of Magistrate Judge Williams issued on September 14, 2005, granting the defendants' (IDACORP and certain of its officers and directors) motion to dismiss because plaintiffs failed to satisfy the pleading requirements for loss causation. However, Judge Lodge modified the Report and Recommendation and ruled that plaintiffs had until May 1, 2006, to file an amended complaint only as to the loss causation element. On May 1, 2006, the plaintiffs filed an amended complaint. The defendants filed a motion to dismiss the amended complaint on June 16, 2006. The briefing schedule requires plaintiffs' response to defendants' motion to dismiss to be filed on or before August 14, 2006, and the defendants' response on or before August 28, 2006. IDACORP and the other defendants intend to defend themselves vigorously against the allegations. IDACORP cannot, however, predict the outcome of these matters.

June and July 2006 High Temperatures

IPC's service territory, along with much of the western United States, experienced above-normal temperatures during the months of June and July 2006. New records were set for cooling degree-days, a measure of temperature impact on customer demand. Due to these above-normal conditions, a new summer peak of 3,050 MW was first set on June 27, 2006, and was subsequently surpassed on July 24, 2006 when a new summer peak of 3,084 MW was recorded. Since June 27, the previous system peak of 2,983 MW, which was set in 2002, has been exceeded 12 times. IPC was able to meet all of its load requirements during these periods of increased demand through its system generation and by increasing the amount of its purchased power. In addition, wildfires are prevalent in the western United States this summer, including in and around IPC's service territory. In late July 2006 wildfires threatened but did not harm two transmission lines near IPC's Hells Canyon complex.

Idaho Water Management Issues

Power generation at the IPC hydroelectric power plants on the Snake River is dependent upon the state water rights held by IPC and the long-term sustainability of the Snake River, tributary spring flows and the Eastern Snake Plain Aquifer that is connected to the River. IPC continues to participate in water management issues in Idaho that may affect those water rights and resources. This includes active participation in the Snake River Basin Adjudication, a judicial action initiated in 1987 to determine the nature and extent of water use in the Snake River Basin, various judicial and administrative proceedings relating to the conjunctive management of ground and surface water rights, and management and planning processes intended to reverse declining trends in river, spring, and aquifer levels and address the long-term water resource needs of the State. While none of the pending water management issues are expected to impact IPC's hydroelectric generation in the near term, IPC's ongoing participation in such issues will help ensure that water remains available over the long-term for use at IPC's hydropower projects on the Snake River.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

IDACORP's and IPC's discussion and analysis of their financial condition and results of operations are based upon their condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires IDACORP and IPC to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, IDACORP and IPC evaluate these estimates including those estimates related to rate regulation, benefit costs, contingencies, litigation, impairment of assets, income taxes, restructuring costs and bad debt. These estimates are based on historical experience and on other assumptions and factors that are believed to be reasonable under the circumstances, and are the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. IDACORP and IPC, based on their ongoing reviews, make adjustments when facts and circumstances dictate.

IDACORP's and IPC's critical accounting policies are reviewed by the Audit Committee of the Board of Directors. These policies are discussed in more detail in the Annual Report on Form 10-K for the year ended December 31, 2005, and have not changed materially from that discussion.

RESULTS OF OPERATIONS:

This section of the MD&A takes a closer look at the significant factors that affected IDACORP's and IPC's earnings during the three and six months ended June 30, 2006. In this analysis, the results for 2006 are compared to the same period in 2005.

The following table presents the earnings (losses) for IDACORP's segments as well as the holding company:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2006	**2005**	**2006**	**2005**
Continuing operations:				
IPC - Utility operations	$ 21,612	$ 12,876	$ 46,633	$ 34,385
IDACORP Financial Services	2,069	2,594	4,231	5,089
Ida-West Energy	1,030	756	1,363	826
IDACORP Energy	90	(215)	(111)	(513)
Holding Company	(2,128)	(3,418)	(2,488)	(1,552)
Income from continuing operations	22,673	12,593	49,628	38,235
Losses from discontinued operations	(2,817)	(3,142)	(4,296)	(5,718)
Net income	$ 19,856	$ 9,451	$ 45,332	$ 32,517

Average common shares outstanding (diluted)	42,702	42,292	42,642	42,289
Diluted earnings (loss) per share:				
Income from continuing operations	$ 0.53	$ 0.30	$ 1.16	$ 0.91
Losses from discontinued operations	$ (0.06)	$ (0.08)	$ (0.10)	$ (0.14)
Diluted earnings per share	$ 0.47	$ 0.22	$ 1.06	$ 0.77

Utility Operations

Operating environment:
IPC is one of the nation's few investor-owned utilities with a predominantly hydroelectric generating base. Because of its reliance on hydroelectric generation, IPC's generation operations can be significantly affected by weather conditions. The availability of hydroelectric power depends on the amount of snow pack in the mountains upstream of IPC's hydroelectric facilities, springtime snow pack run-off, rainfall and other weather and stream flow management considerations. During low water years, when stream flows into IPC's hydroelectric projects are reduced, IPC's hydroelectric generation is reduced. This results in less generation from IPC's resource portfolio (hydroelectric, coal-fired and gas-fired) available for off-system sales and, most likely, an increased use of purchased power to meet load requirements. Both of these situations - a reduction in profitable off-system sales and an increased use of more expensive purchased power - result in increased net power supply costs. During high water years, increased off-system sales and the decreased need for more expensive purchased power reduce net power supply costs.

Operations plans are developed during the year to provide guidance for generation resource utilization and energy market activities (off-system sales and power purchases). The plans incorporate forecasts for generation unit availability, reservoir storage and stream flows, gas and coal prices, customer loads, energy market prices and other pertinent inputs. Consideration is given to when to use IPC's available resources to meet forecast loads and when to transact in the energy market. The allocation of hydroelectric generation between heavy-load and light-load hours or calendar periods is considered in development of the operating plans. This allocation is intended to utilize the flexibility of the hydroelectric system to shift generation to high value periods, while operating within the constraints imposed on the system. IPC's energy risk management policy, unit operating requirements and other obligations provide the framework for the plans.

The following table presents IPC's power supply for the three and six months periods ended June 30:

			MWh		
	Hydroelectric Generation	**Thermal Generation**	**Total system Generation**	**Purchased Power**	**Total**
Three months ended:					
June 30, 2006	3,038	1,215	4,253	1,786	6,039
June 30, 2005	1,942	1,562	3,504	838	4,342
Six months ended:					
June 30, 2006	5,866	2,938	8,804	2,703	11,507
June 30, 2005	3,324	3,339	6,663	1,684	8,347

The observed streamflow data released on August 1, 2006, by the National Weather Service's Northwest River Forecast Center indicates that Brownlee reservoir inflow for April through July 2006 was 8.95 million acre-feet (maf), or 142 percent of average. Storage in selected federal reservoirs upstream of Brownlee as of July 31, 2006, was 116 percent of average. With current and forecasted stream flow conditions, IPC expects to generate between 8.8 and 9.3 million MWh from its hydroelectric facilities, compared to 6.2 million MWh in 2005.

Generation from thermal plants has been lower than 2005 due primarily to an unanticipated outage at the Boardman plant, of which IPC owns a ten percent interest. The unit returned to service in late June. The Bennett Mountain combustion turbine experienced an outage on July 11, 2006, and is expected to return to service in September 2006. IPC expects to generate approximately 6.8 million MWh from its thermal facilities in 2006, compared to 7.3 million MWh in 2005.

IPC's system load peaks in the summer and winter, with the larger peak demand occurring in the summer. IPC's record system peak of 3,084 MW occurred on July 24, 2006. IPC was able to meet system load requirements and off-system sales requirements and had sufficient system reserves in place.

General business revenue: The following table presents IPC's general business revenues, MWh sales and average number of customers and Boise, Idaho weather conditions for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Revenue				
Residential				