

April 7, 2006

VIA EMAIL AND US MAIL

Filing Center  
Oregon Public Utility Commission  
550 Capitol Street NE #215  
PO Box 2148  
Salem, OR 97308-2148

Re: Idaho Power's Application for an Order Approving Sale of Property

Dear Sir or Madam:

Enclosed for filing is the original and three copies of Idaho Power Company's Application for an Order Approving the Sale of a Portion of the Stoddard Substation Property. Please contact me with any questions.

Very truly yours,



Jessica A. Gorham

Enclosure

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **UP \_\_\_\_\_**

4 IN THE MATTER OF THE APPLICATION  
5 OF IDAHO POWER COMPANY FOR AN  
6 ORDER APPROVING THE SALE OF A  
7 PORTION OF THE STODDARD  
8 SUBSTATION PROPERTY

**APPLICATION**

9 Pursuant to ORS 757.480 and in accordance with OAR 860-27-0025, Idaho Power  
10 Company (“Applicant” or “IPC”) hereby applies to the Public Utility Commission of Oregon  
11 (“Commission”) for an order authorizing the sale of certain properties as set forth below.

12 In support of the Application, Idaho Power Company respectfully alleges:

13 (a) The exact name of Applicant and the address of its principal business office are:  
14 Idaho Power Company, 1221 W. Idaho Street, P.O. Box 70, Boise, Idaho 83707-0070.

15 (b) The Applicant was incorporated under the laws of the State of Maine on May 6,  
16 1915, and migrated its state of incorporation from the State of Maine to the State of Idaho  
17 effective June 30, 1989. It is qualified as a foreign corporation to do business in the states of  
18 Oregon, Nevada, Montana and Wyoming in connection with its utility business.

19 (c) The name and address of the person authorized on behalf of Applicant to receive  
20 notices and communications in respect to this Application is:

21 Monica Moen – Attorney  
22 Betsy Galtney – Regulatory Affairs Representative  
23 Idaho Power Company  
24 P.O. Box 70  
25 Boise, ID 83707

26 (d) The names, titles, and addresses of the principal officers of the Applicant are as  
follows:

Jan B. Packwood	Chief Executive Officer
J. LaMont Keen	President & Chief Operating Officer
Darrel T. Anderson	Senior Vice President – Administrative Services and Chief Financial Officer
James C. Miller	Senior Vice President – Power Supply

1	Dan B. Minor	Senior Vice President – Delivery
2	Thomas R. Saldin	Sr. Vice President, General Counsel, and Secretary
3	John R. Gale	Vice President – Regulatory Affairs
4	Dennis C. Gribble	Vice President and Treasurer
5	A. Bryan Kearney	Vice President & Chief Information Officer
6	Luci K. McDonald	Vice President – Human Resources
7	Greg W. Panter	Vice President – Public Affairs
8	Lori D. Smith	Vice President – Finance and Chief Risk Officer
9	Warren Kline	Vice President – Customer Service and Regional Operations
10	Lisa Grow	Vice President – Delivery, Engineering and Operations

11 The address of all of the above officers is:

12 1221 W. Idaho Street  
13 P. O. Box 70  
14 Boise, ID 83707-0070

15 (e) The Applicant is an electric public utility engaged principally in the generation,  
16 purchase, transmission, distribution, and sale of electric energy in an approximately 24,000  
17 square mile area in southern Idaho and in the counties of Baker, Harney, and Malheur in eastern  
18 Oregon. A map showing Applicant's service territory is on file with the Commission as  
19 Exhibit H to Applicant's application in Docket No. UF 4063.

20 (f) The following statement as to each class of the capital stock of Applicant is as of  
21 December 31, 2005, the date of the balance sheet submitted with this application:

22 Common Stock

- 23 (1) Description - Common Stock, \$2.50 par value; 1 vote per share
- 24 (2) Amount authorized - 50,000,000 shares (\$125,000,000 par value)
- 25 (3) Amount outstanding - 39,150,812 shares
- 26 (4) Amount held as reacquired securities - None
- (5) Amount pledged by applicant - None
- (6) Amount owned by affiliated corporations – All
- (7) Amount held in any fund - None

Applicant's Common Stock is held by IDACORP, Inc., the holding company of Idaho  
Power Company. IDACORP, Inc.'s Common Stock is registered (pursuant to Section 12(b) of  
the Securities Exchange Act of 1934) and is listed on the New York and Pacific stock exchanges.

1 Preferred Stock

2 On September 20, 2004, IPC redeemed all of its outstanding preferred stock for  
3 \$54 million using proceeds from the issuance of first mortgage bonds. This amount includes  
4 \$2 million of premium that was recorded as preferred dividends on the Consolidated Statements  
5 of Income. The redemption price was \$104 per share for the 122,989 shares of 4% preferred  
6 stock, \$102.97 per share for the 150,000 shares of 7.68% preferred stock and \$103.18 per share  
7 for the 250,000 shares of 7.07% preferred stock, plus accumulated and unpaid dividends. During  
8 2003, Applicant reacquired and retired 10,263 shares of 4% preferred stock.

9 (g) The following statement as to funded debt of Applicant is as of December 31,  
10 2005, the date of the balance sheet submitted with this application.

11 First Mortgage Bonds

12 (1)	13 <u>Description</u>	14 (3) Amount Outstanding
15	FIRST MORTGAGE BONDS:	
16	7.38 % Series due 2007, dated as of Dec 1, 2000, due Dec 1, 2007	80,000,000
17	7.20 % Series due 2009, dated as of Nov 23, 1999, due Dec 1, 2009	80,000,000
18	6.60 % Series due 2011, dated as of Mar 2, 2001, due Mar 2, 2011	120,000,000
19	4.75 % Series due 2012, dated as of Nov 15, 2002, due Nov 15, 2012	100,000,000
20	4.25 % Series due 2013, dated as of May 13, 2003, due October 1, 2013	70,000,000
21	6 % Series due 2032, dated as of Nov 15, 2002, due Nov 15, 2032	100,000,000
22	5.50 % Series due 2033, dated as of May 13, 2003, due April 1, 2033	70,000,000
23	5.50 % Series due 2034, dated as of April 26, 2004, due April 15, 2034	50,000,000
24	5.875% Series due 2034, dated as of August 16, 2004, due August 15, 2034	55,000,000
25	5.30 % Series due 2035, dated as of August 26, 2005, due August 15, 2035	60,000,000
26		<u>785,000,000</u>
	(2) Amount authorized - Limited within the maximum of \$1,100,000,000 (or such other maximum amount as may be fixed by supplemental indenture) and by property, earnings, and other provisions of the Mortgage.	
	(4) Amount held as reacquired securities - None	
	(5) Amount pledged - None	
	(6) Amount owned by affiliated corporations - None	

1 (7) Amount of sinking or other funds - None

2 For a full statement of the terms and provisions relating to the respective Series and  
3 amounts of Applicant's outstanding First Mortgage Bonds above referred to, reference is made to  
4 the Mortgage and Deed of Trust dated as of October 1, 1937, and the First through Fortieth  
5 Indentures thereto, by Idaho Power Company to Deutsche Bank Trust Company Americas  
6 (formerly known as Bankers Trust Company) and R. G. Page (Stanley Burg, successor  
7 individual trustee), Trustees, presently on file with the Commission, under which said bonds  
8 were issued.

9 Pollution Control Revenue Bonds

10 (A) Variable Rate Series 2000 due 2027:

- 11 (1) Description - Pollution Control Revenue Bonds, Variable Rate Series due  
12 2027, Port of Morrow, Oregon, dated as of May 17, 2000, due February 1,  
13 2027.  
14 (2) Amount authorized - \$4,360,000  
15 (3) Amount outstanding - \$4,360,000  
16 (4) Amount held as reacquired securities - None  
17 (5) Amount pledged - None  
18 (6) Amount owned by affiliated corporations - None  
19 (7) Amount in sinking or other funds - None

20 (B) Variable Auction Rate Series 2003 due 2024:

- 21 (1) Description - Pollution Control Revenue Refunding Bonds, Variable Auction  
22 Rate Series 2003 due 2024, County of Humboldt, Nevada, dated as of October  
23 22, 2003 due December 1, 2024 (secured by First Mortgage Bonds)  
24 (2) Amount authorized - \$49,800,000  
25 (3) Amount outstanding - \$49,800,000  
26 (4) Amount held as reacquired securities - None  
(5) Amount pledged - None  
(6) Amount owned by affiliated corporations - None  
(7) Amount in sinking or other funds - None

(C) 6.05% Series 1996A due 2026:

- (1) Description - Pollution Control Revenue Bonds, 6.05% Series 1996A  
due 2026, County of Sweetwater, Wyoming,  
dated as of July 15, 1996, due July 15, 2026  
(2) Amount authorized - \$68,100,000  
(3) Amount outstanding - \$68,100,000  
(4) Amount held as reacquired securities - None  
(5) Amount pledged - None  
(6) Amount owned by affiliated corporations - None  
(7) Amount in sinking or other funds - None

(D) Variable Rate Series 1996B due 2026:

- 1 (1) Description - Pollution Control Revenue Bonds, Variable Rate 1996B  
2 Series due 2026, County of Sweetwater, Wyoming, dated  
as of July 15, 1996, due July 15, 2026.
- 3 (2) Amount authorized - \$24,200,000
- 4 (3) Amount outstanding - \$24,200,000
- 5 (4) Amount held as reacquired securities - None
- 6 (5) Amount pledged - None
- 7 (6) Amount owned by affiliated corporations - None
- 8 (7) Amount in sinking or other funds - None

9 (E) Variable Rate Series 1996C due 2026:

- 10 (1) Description - Pollution Control Revenue Bonds, Variable Rate 1996C  
11 Series due 2026, County of Sweetwater, Wyoming, dated  
as of July 15, 1996, due July 15, 2026.
- 12 (2) Amount authorized - \$24,000,000
- 13 (3) Amount outstanding - \$24,000,000
- 14 (4) Amount held as reacquired securities - None
- 15 (5) Amount pledged - None
- 16 (6) Amount owned by affiliated corporations - None
- 17 (7) Amount in sinking or other funds - None

18 Full statements of the terms and provisions relating to the outstanding Pollution Control  
19 Revenue Bonds referenced above are contained in the following agreements and are available  
20 upon request: (A) copies of Trust Indenture by Port of Morrow, Oregon, to the Bank One Trust  
21 Company, N. A., Trustee, and Loan Agreement between Port of Morrow, Oregon and Idaho  
22 Power Company, both dated May 17, 2000, under which the Variable Rate Series 2000 bonds  
23 were issued, (B) copies of Loan Agreement between Idaho Power Company and Humboldt  
24 County, Nevada dated October 1, 2003; Trust Indenture between Humboldt County, Nevada and  
25 Union Bank of California dated October 1, 2003; Escrow Agreement between Humboldt County,  
26 Nevada and Bank One Trust Company and Idaho Power Company dated October 1, 2003;  
Purchase Contract dated October 21, 2003 among Humboldt County, Nevada and Bankers Trust  
Company; Auction Agreement, dated as of October 22, 2003 among Idaho Power Company,  
Union Bank of California and Deutsche Bank Trust Company; Insurance Agreement, dated as of  
October 1, 2003 between AMBAC and Idaho Power Company; Broker-Dealer agreements dated  
October 22, 2003 among the Auction Agent, Banc One Capital Markets, Banc of America  
Securities and Idaho Power Company, under which the Auction Rate Series 2003 bonds were

1 issued; and (C) (D) (E) copies of Indentures of Trust by Sweetwater County, Wyoming, to the  
2 First National Bank of Chicago, Trustee, and Loan Agreements between Idaho Power Company  
3 and Sweetwater County, Wyoming, all dated July 15, 1996, under which the 6.05% Series  
4 1996A bonds, Variable Rate Series 1996B bonds and Variable Rate Series 1996C bonds were  
5 issued.

6 (h) Applicant is requesting approval from the Commission for the prior sale of a  
7 portion of Applicant's Stoddard Substation property (the "Property"). Applicant sold the  
8 Property on September 27, 2004.

9 (i) The Property sale involved the sale of a portion of the parcel commonly known as  
10 the Stoddard Substation property, located in Section 24, T3N, R1W, Ada County, Idaho. The  
11 Property did not include substation improvements, and Applicant determined that it could sell  
12 the Property without affecting operations at the substation site. Applicant purchased the  
13 property for \$415,885.17 in 2001 and sold it for \$685,000.00 on September 27, 2004.

14 (j) Applicant's journal entries for the sale of the Property are attached hereto as  
15 Exhibit J.

16 (k) No other applications or notifications are required with any other state or federal  
17 regulatory body.

18 (l) Applicant believes that the sale of the Property is consistent with the public  
19 interest because the Property was no longer necessary or useful in the performance of  
20 Applicant's service to its customers, and no longer required in Applicant's rate base.

21 (m) As indicated above, Applicant determined that the Property was not necessary for  
22 Applicant's ongoing operations at the Stoddard Substation site and, therefore, was available for  
23 disposal.

24 (n) Not applicable.

25 (o) Applicant is incorporated under the laws of the State of Idaho and is qualified to  
26 do business as a foreign corporation in the states of Oregon, Nevada, Montana, and Wyoming in

1 connection with its utility operations. Applicant holds municipal franchises in approximately 80  
2 incorporated cities in which it distributes electrical energy in the states of Idaho and Oregon, and  
3 such franchises or permits in or from the counties in which Applicant operates, and certificates  
4 of public convenience and necessity from state regulatory authorities as required.

5 PRAYER

6 WHEREFORE, Applicant respectfully requests that the Public Utility Commission of  
7 Oregon issue its Order herein approving Applicant's sale of the Property that is identified with  
8 specificity in paragraph (i).

9 Respectfully submitted this 7<sup>th</sup> day of April, 2006.

10 ATER WYNNE, LLP

11  
12 By: /s/ Lisa F. Rackner  
13 Lisa Rackner OSB #87384  
14 Amie Jamieson OSB #05439  
15 Ater Wynne, LLP  
16 222 SW Columbia, Suite 1800  
17 Portland, OR 97201  
18 Telephone: (503) 226-8693  
19 FAX: (503) 226-0079  
20 E-mail: lfr@aterwynne.com  
21 E-mail: alj@aterwynne.com

22 IDAHO POWER COMPANY

23 Monica Moen – Attorney  
24 Betsy Galtney – Regulatory Affairs  
25 Representative  
26 Idaho Power Company  
P.O. Box 70  
Boise, ID 83707-0070  
Telephone: (208) 388-2878  
FAX: (208) 388-6936  
E-mail: pharrington@idahopower.com  
E-mail: bgaltney@idahopower.com



**EXHIBITS**

1  
2       **Exhibit A:** Applicant's Articles of Incorporation previously filed with the  
3 Commission in Docket No. UF 4214.

4       **Exhibit B:** A certified copy of Applicant's By-laws, as amended January 20, 2005,  
5 previously filed with the Commission in Docket No. UF 4214.

6       **Exhibit C:** A certified copy of the resolution of Applicant's Board of Directors on  
7 July 13, 1995 authorizing the transaction with respect to which this Application is made  
8 (attached hereto).

9       **Exhibit D-1:** Copies of Mortgage and Deed of Trust, including First Supplemental  
10 Indenture, are on file with the Commission in Docket UF 795; Second Supplemental Indenture in  
11 Docket UF 1102; Third Supplemental Indenture in Docket UF 1247; Fourth Supplemental  
12 Indenture in Docket UF 1351; Fifth Supplemental Indenture in Docket UF 1467; Sixth  
13 Supplemental Indenture in Docket UF 1608; Seventh Supplemental Indenture in Docket  
14 UF 2000; Eighth and Ninth Supplemental Indentures in Docket UF 2068; Tenth Supplemental  
15 Indenture in Docket UF 2146; Eleventh Supplemental Indenture in Docket UF 2159; Twelfth  
16 Supplemental Indenture in Docket UF 2188; Thirteenth Supplemental Indenture in Docket  
17 UF 2253; Fourteenth Supplemental Indenture in Docket UF 2304; Fifteenth Supplemental  
18 Indenture in Docket UF 2466; Sixteenth Supplemental Indenture in Docket UF 2545;  
19 Seventeenth Supplemental Indenture in Docket UF-2596; Eighteenth Supplemental Indenture in  
20 Docket UF 2944; Nineteenth Supplemental Indenture in Docket UF 3063; Twentieth  
21 Supplemental Indenture and Twenty-first Supplemental Indentures in Docket UF 3110; Twenty-  
22 second Supplemental Indenture in Docket UF 3274; Twenty-third Supplemental Indenture in  
23 Docket UF 3457; Twenty-fourth Supplemental Indenture in Docket UF 3614; Twenty-fifth  
24 Supplemental Indenture in Docket UF 3758; Twenty-sixth Supplemental Indenture in Docket  
25 UF 3782; Twenty-seventh Supplemental Indenture in Docket UF 3947; Twenty-eighth  
26 Supplemental Indenture in Docket UF 4022; Twenty-ninth Supplemental Indenture in Docket

1 UF4014; Thirtieth Supplemental Indenture in Docket UF 4033; Thirty-first Supplemental  
2 Indenture in Docket UF 4033; Thirty-second Supplemental Indenture in Docket UF 4053;  
3 Thirty-third Supplemental Indenture in Docket No. UF 4088; Thirty-fourth Supplemental  
4 Indenture in Docket No. UF 4111; Thirty-fifth Supplemental Indenture in Docket UF 4175;  
5 Thirty-sixth Supplemental Indenture in Docket UF 4181; Thirty-seventh Supplemental Indenture  
6 in Docket UF 4196; Thirty-eighth Supplemental Indenture in Docket UF 4211; Thirty-ninth  
7 Supplemental Indenture in Docket UF 4200; and Fortieth Supplemental Indenture in Docket UF  
8 4211.

9 **Exhibit D-2:** A copy of Guaranty Agreement between Idaho Power Company and Bank  
10 One Trust Company, N.A., as Trustee, dated April 1, 2000, for \$19,885,000 of Bonds under and  
11 pursuant to the Indenture relating to the \$19,885,000 American Falls Replacement Dam  
12 Refunding Bonds, Series 2000, of the American Falls Reservoir District, Idaho (previously filed  
13 with the Commission in Docket UF 4169).

14 **Exhibit D-3:** A copy of the Equipment Lease and Sublease Agreement between Idaho  
15 Power Company and Sweetwater County, Wyoming, dated September 1, 1973 (previously filed  
16 with the Commission in Docket No. UF 3013).

17 **Exhibit D-4:** A copy of the Applicant's Guaranty Agreement representing a one-third  
18 contingent liability for lease charges for certain equipment leased to the Bridger Coal Company,  
19 in connection with the operation of the Company's Jim Bridger Plant, along with an order dated  
20 July 30, 1974, from the Federal Power Commission waiving jurisdiction over this transaction  
21 (previously filed with the Commission in Docket No. UF 2977).

22 **Exhibit D-5:** A copy of Applicant's Contract of Purchase regarding Applicant's  
23 payments to Sweetwater County, Wyoming, as Issuer of the \$116,300,000 Pollution Control  
24 Revenue Refunding Bonds, Series 1996A-C, dated July 25, 1996, with respect to the Jim Bridger  
25 coal-fired steam electric generating plant (previously filed with the Commission in Docket No.  
26 UF 4144).

1           **Exhibit D-6:** A copy of Applicant's Loan Agreement, dated May 17, 2000, regarding  
2 payment of the principal and interest on \$4,360,000 of Pollution Control Revenue bonds issued  
3 by the Port of Morrow Oregon, for certain pollution control facilities installed on the Boardman  
4 coal-fired steam electric generating plant (previously filed with the Commission in Docket  
5 UF 4169).

6           **Exhibit D-7:** A copy of the Participation Agreement which includes as exhibits the  
7 Facilities Agreement and the Assumption and Option Agreement along with copies of the  
8 Bargain and Sale Deed, Bill of Sale and Assignment, and the Amendment to the Agreement for  
9 Construction, Ownership and Operation of the Number One Boardman Station on Carty  
10 Reservoir, as supplemented, with respect to the sale and leaseback of the Coal Handling  
11 Facilities at the Number One Boardman Station (previously filed with the Commission in Docket  
12 UF 3520).

13           **Exhibit D-8:** A copy of Applicant's Loan Agreement, dated October 1, 2003, providing  
14 for payment of the principal and interest on \$49,800,000 of Pollution Control Revenue Bonds  
15 issued by Humboldt County, Nevada (Humboldt County Refunding Bonds). The Humboldt  
16 County Refunding Bonds were issued for the refunding of the \$49,800,000 Pollution Control  
17 Revenue Bonds (Idaho Power Company Project), Series 1984, which were originally issued by  
18 Humboldt County, Nevada, for the funding of certain pollution control facilities installed on the  
19 Valmy Coal-Fired Steam Electric Generating Plant (previously filed with the Commission in  
20 Docket UF 4196).

21           **Exhibit D-9:** A copy of Applicant's Guaranty Agreement, dated February 10, 1992,  
22 guaranteeing payment of the principal and interest on \$11,700,000 of Notes issued by Milner  
23 Dam, Inc., for construction of the Milner Dam in Twin Falls County, Idaho (previously filed  
24 with the Commission in Docket No. UF 4063).

25           **Exhibit E:** Balance Sheet of Applicant with supporting fixed capital or plant  
26 schedules as of December 31, 2005 (attached hereto).

1           **Exhibit F:**   Statement of Applicant’s Commitments and Contingent Liabilities as  
2 March 31, 2005 (attached hereto).

3           **Exhibit G:**   Income Statement of Applicant for the 12 months ended December 31,  
4 2005 (attached hereto).

5           **Exhibit H:**   Statement of Retained Earnings of Applicant for the 12 months ended  
6 December 31, 2005 (attached hereto).

7           **Exhibit I:**   A copy of the warranty deed transferring the Property and a copy of the  
8 seller’s escrow closing statement (attached hereto).

9           **Exhibit J:**   A copy of each proposed journal entry to be used to record the transaction  
10 in the Applicant’s books (attached hereto).

11          **Exhibit K:**   Not applicable.

STATE OF IDAHO )  
 COUNTY OF ADA ) ss.  
 CITY OF BOISE )

I, THOMAS R. SALDIN, the undersigned, Secretary of Idaho Power Company, do hereby certify that the following constitutes a full, true and correct copy of the resolution adopted at the Regular Meeting of the Board of Directors held July 13, 1995, relating to purchases, disposals and exchanges of real and personal property, and that said resolutions have not been amended or rescinded and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of March, 2006.



/s/ Thomas R. Saldin

Secretary

(CORPORATE SEAL)

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RESOLVED, That the Chairman of the Board, or the Chief Executive Officer, or the President or any Vice President, and the Secretary or any Assistant Secretary of Idaho Power Company, or such other employees of the Company as may be so designated by them in writing, are authorized on behalf of the Company to purchase or otherwise acquire by bequest, gift, devise, or other means, and to sell, convey, exchange, option or otherwise dispose of real and personal property of every class and description and any estate or interest therein, as may be necessary or convenient for the proper conduct of the affairs of the Company without limitation as to amount or value, in any and all states, subject to the laws of any such state; provided, however, that the Chairman of the Board, or the Chief Executive Officer, or the President or any Vice President, and the Secretary or any Assistant Secretary of Idaho Power Company, or such other employees of the Company as may be so designated by them in writing, are authorized on behalf of the Company to acquire from others or to grant to others easements, permits and licenses as may be necessary or convenient for the proper conduct of the affairs of the Company without limitation as to the extent or cost, in any and all states, subject to the laws of any such state; and be it

FURTHER RESOLVED, That the Chairman of the Board, or the Chief Executive Officer, or the President or any Vice President, and the Secretary or any Assistant Secretary of Idaho Power Company, or such other employees of the Company as may be so designated by them in writing, are authorized on behalf of the Company to lease real and personal property of the Company to or from others, as may be necessary or convenient for the proper conduct of the affairs of the Company without limitation as to the extent or cost, in any and all states, subject to the laws of any such state; and be it

FURTHER RESOLVED, That the Chairman of the Board, or the Chief Executive Officer, or the President or any Vice President, and the Secretary or any Assistant Secretary of Idaho Power Company, or such other employees of the Company as may be so designated by them in writing, are hereby authorized on behalf of the Company to file for all permits, licenses or other authorizations with state, federal or other entities owning or controlling lands as may be necessary or convenient for the proper conduct of the affairs of the Company without limitation with respect to the construction of power lines, structures, buildings or other facilities.

Idaho Power Company  
Consolidated Balance Sheets

Assets

	December 31,	
	2005	2004
	(thousands of dollars)	
<b>Electric Plant:</b>		
In service (at original cost)	\$ 3,477,067	\$ 3,324,816
Accumulated provision for depreciation	(1,364,640)	(1,316,125)
In service - net	2,112,427	2,008,691
Construction work in progress	149,814	151,652
Held for future use	2,906	2,636
Electric plant - net	2,265,147	2,162,979
<b>Investments and Other Property</b>	68,049	86,086
<b>Current Assets:</b>		
Cash and cash equivalents	49,335	17,679
Receivables:		
Customer	49,830	45,441
Allowance for uncollectible accounts	(833)	(1,363)
Notes	3,273	3,129
Employee notes	2,951	3,523
Related parties	637	1,298
Other	7,399	5,253
Accrued unbilled revenues	38,905	33,832
Materials and supplies (at average cost)	30,451	26,065
Fuel stock (at average cost)	11,739	6,539
Prepayments	17,532	28,449
Regulatory assets	3,064	5,510
Total current assets	214,283	175,355
<b>Deferred Debits:</b>		
American Falls and Milner water rights	31,585	31,585
Company-owned life insurance	35,401	35,765
Regulatory assets	415,177	433,271
Employee notes	2,862	3,746
Other	42,187	40,425
Total deferred debits	527,212	544,792
<b>Total</b>	<b>\$ 3,074,691</b>	<b>\$ 2,969,212</b>

The accompanying notes are an integral part of these statements.

**Idaho Power Company  
Consolidated Balance Sheets**

**Capitalization and Liabilities**

	December 31,	
	2005	2004
	(thousands of dollars)	
<b>Capitalization:</b>		
Common stock equity:		
Common stock, \$2.50 par value (50,000,000 shares authorized; 39,150,812 shares outstanding)	\$ 97,877	\$ 97,877
Premium on capital stock	483,707	483,707
Capital stock expense	(2,097)	(2,097)
Retained earnings	361,256	340,107
Accumulated other comprehensive loss	(3,425)	(888)
Total common stock equity	937,318	918,706
Long-term debt	983,720	923,910
Total capitalization	1,921,038	1,842,616
<b>Current Liabilities:</b>		
Long-term debt due within one year	-	60,000
Accounts payable	79,433	74,642
Notes and accounts payable to related parties	153	278
Taxes accrued	72,994	42,228
Interest accrued	14,105	13,743
Deferred income taxes	3,064	5,510
Other	19,182	18,103
Total current liabilities	188,931	214,504
<b>Deferred Credits:</b>		
Deferred income taxes	507,880	542,829
Regulatory liabilities	345,109	275,854
Other	111,733	93,409
Total deferred credits	964,722	912,092
<b>Commitments and Contingencies (Note 8)</b>		
<b>Total</b>	<b>\$ 3,074,691</b>	<b>\$ 2,969,212</b>

The accompanying notes are an integral part of these statements.



**8. COMMITMENTS AND CONTINGENCIES:**

As of December 31, 2005, IPC had agreements to purchase energy from 87 cogeneration and small power production (CSPP) facilities with contracts ranging from one to 30 years. Under these contracts IPC is required to purchase all of the output from the facilities inside the IPC service territory. For projects outside the IPC service territory, IPC is required to purchase the output that it has the ability to receive at the facility's requested point of delivery on the IPC system. IPC purchased 715,209 megawatt-hours (MWh) at a cost of \$43 million in 2005, 677,868 MWh at a cost of \$40 million in 2004 and 654,131 MWh at a cost of \$38 million in 2003.

At December 31, 2005, IPC had the following long-term commitments relating to purchases of energy, capacity, transmission rights and fuel:

	2006	2007	2008	2009	2010	Thereafter
Cogeneration and small power production	\$ 59,719	\$70,283	\$70,283	\$73,753	\$73,753	\$1,039,377
Power and transmission rights	148,818	14,362	8,762	6,193	3,714	13,001
Fuel	43,370	40,496	26,997	18,013	12,010	10,118

In addition, IDACORP has the following long-term commitments for lease guarantees, maintenance and services, and industry related fees.

	2006	2007	2008	2009	2010	Thereafter
Operating leases	\$ 3,994	\$3,994	\$2,700	\$ 771	\$ 771	\$3,716
Maintenance and service agreements	37,436	7,513	7,421	2,798	540	114
FERC and other industry related fees	10,219	5,278	5,262	5,094	5,094	24,367

IDACORP's expense for operating leases was approximately \$4 million, \$5 million and \$4 million in 2005, 2004 and 2003, respectively.

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 December 31, 2005. Bridger Coal Company has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs. Bridger Coal Company and IPC expect 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.

In August 2003, IE sold its forward book of electricity trading contracts to Sempra Energy Trading. As part of the sale, IE 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 is \$20 million. The indemnity agreement has been accounted for in accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and did not have a significant effect on IDACORP's financial statements.

From time to time IDACORP and IPC are a party to legal claims, actions and complaints in addition to those discussed below. IDACORP and IPC believe that they have meritorious defenses to all lawsuits and legal proceedings. Although they will vigorously defend against them, they are unable to predict with certainty whether or not they will ultimately be successful. However, based on the companies' evaluation, they believe

that the resolution of these matters, taking into account existing reserves, will not have a material adverse effect on IDACORP's or IPC's consolidated financial positions, results of operations or cash flows.

### **Legal Proceedings**

**Public Utility District No. 1 of Grays Harbor County, Washington:** On October 15, 2002, Public Utility District No. 1 of Grays Harbor County, Washington (Grays Harbor) filed a lawsuit in the Superior Court of the State of Washington, for the County of Grays Harbor, against IDACORP, IPC and IE. On March 9, 2001, Grays Harbor entered into a 20-megawatt (MW) purchase transaction with IPC for the purchase of electric power from October 1, 2001 through March 31, 2002, at a rate of \$249 per MWh. In June 2001, with the consent of Grays Harbor, IPC assigned all of its rights and obligations under the contract to IE. In its lawsuit, Grays Harbor alleged that the assignment was void and unenforceable, and sought restitution from IE and IDACORP, or in the alternative, Grays Harbor alleged that the contract should be rescinded or reformed. Grays Harbor sought as damages an amount equal to the difference between \$249 per MWh and the "fair value" of electric power delivered by IE during the period October 1, 2001 through March 31, 2002.

IDACORP, IPC and IE removed this action from the state court to the U.S. District Court for the Western District of Washington at Tacoma. On November 12, 2002, the companies filed a motion to dismiss Grays Harbor's complaint, asserting that the U.S. District Court lacked jurisdiction because the FERC has exclusive jurisdiction over wholesale power transactions and thus the matter is preempted under the Federal Power Act and barred by the filed-rate doctrine. The court ruled in favor of the companies' motion to dismiss and dismissed the case with prejudice on January 28, 2003. On February 25, 2003, Grays Harbor filed a Notice of Appeal, appealing the final judgment of dismissal to the U.S. Court of Appeals for the Ninth Circuit. On August 10, 2004, the Ninth Circuit affirmed the dismissal of Grays Harbor's complaint, finding that Grays Harbor's claims were preempted by federal law and were barred by the filed-rate doctrine. The court also remanded the case to allow Grays Harbor leave to amend its complaint to seek declaratory relief only as to contract formation, and held that Grays Harbor could seek monetary relief, if at all, only from the FERC, and not from the courts. IDACORP, IPC and IE sought rehearing from the Ninth Circuit arguing that the court erred in granting leave to amend the complaint as such a declaratory relief claim would be preempted and would be barred by the filed-rate doctrine. The Ninth Circuit denied the rehearing request on October 25, 2004, and the decision became final on November 12, 2004.

On that same date, the companies took steps to have the case transferred and consolidated with other similar cases arising out of the California energy crisis currently pending before the Honorable Robert H. Whaley, sitting by designation in the Southern District of California and presiding over Multidistrict Litigation Docket No. 1405, regarding California Wholesale Electricity Antitrust Litigation. On November 18, 2004, Grays Harbor filed an amended complaint alleging that the contract was formed under circumstances of "mistake" as to an "artificial . . . power shortage." Grays Harbor asked that the contract therefore be declared "unenforceable" and found "unconscionable." On December 23, 2004, the Judicial Panel on Multidistrict Litigation conditionally transferred the case to Judge Whaley. Grays Harbor sought to vacate the transfer; however, on April 18, 2005, the Judicial Panel on Multidistrict Litigation ordered the case transferred. On May 18, 2005, IDACORP, IPC and IE filed a motion to dismiss the amended complaint. The motion was heard on September 29, 2005.

On December 16, 2005, Judge Whaley issued an Order Setting Status Conference wherein, rather than expressly ruling on the companies' motion to dismiss Grays Harbor's amended complaint, he ruled that either Grays Harbor or the companies may, within 45 days of the date of the order, petition the FERC to weigh in on this case in light of "the extensive hearings . . . already undertaken by FERC in the Northwest refund proceeding" which may be relevant to this case. On January 27, 2006 Grays Harbor and the companies jointly filed a stipulation requesting that the court stay the action and extend the time in which the parties may petition the FERC by sixty days to March 31, 2006 stating that the parties felt the case was appropriate for mediation prior to further proceedings. On January 31, 2006 the court approved the stipulation staying the case until March 31, 2006 and setting a status conference for April 14, 2006. The companies intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

**Port of Seattle:** On May 21, 2003, the Port of Seattle, a Washington municipal corporation, filed a lawsuit against 20 energy firms, including IPC and IDACORP, in the U.S. District Court for the Western District of

Washington at Seattle. The Port of Seattle's complaint alleges fraud and violations of state and federal antitrust laws and the Racketeer Influenced and Corrupt Organizations Act. On December 4, 2003, the Judicial Panel on Multidistrict Litigation transferred the case to the Southern District of California for inclusion with several similar multidistrict actions currently pending before the Honorable Robert H. Whaley.

All defendants, including IPC and IDACORP, moved to dismiss the complaint in lieu of answering it. The motions were based on the ground that the complaint seeks to set alternative electrical rates, which are exclusively within the jurisdiction of the FERC and are barred by the filed-rate doctrine. A hearing on the motion to dismiss was heard on March 26, 2004. On May 28, 2004, the court granted IPC's and IDACORP's motion to dismiss. In June 2004, the Port of Seattle appealed the court's decision to the U.S. Court of Appeals for the Ninth Circuit. On July 19, 2005 the companies filed a motion for summary affirmance of the district court's order dismissing the Port of Seattle's complaint. The Ninth Circuit issued an order denying this motion on October 17, 2005. The appeal has been fully briefed; and oral argument has been scheduled for March 7, 2006. The companies intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

**Wah Chang:** On May 5, 2004, Wah Chang, a division of TDY Industries, Inc., filed two lawsuits in the U.S. District Court for the District of Oregon against numerous defendants. IDACORP, IE and IPC are named as defendants in one of the lawsuits. The complaints allege violations of federal antitrust laws, violations of the Racketeer Influenced and Corrupt Organizations Act, violations of Oregon antitrust laws and wrongful interference with contracts. Wah Chang's complaint is based on allegations relating to the western energy situation. These allegations include bid rigging, falsely creating congestion and misrepresenting the source and destination of energy. The plaintiff seeks compensatory damages of \$30 million and treble damages.

On September 8, 2004, this case was transferred and consolidated with other similar cases currently pending before the Honorable Robert H. Whaley. The companies' motion to dismiss the complaint was granted on February 11, 2005. Wah Chang appealed to the Ninth Circuit on March 10, 2005. The Ninth Circuit set a briefing schedule on the appeal, requiring Wah Chang's opening brief to be filed by July 6, 2005. On May 18, 2005, Wah Chang filed a motion to stay the appeal or in the alternative to voluntarily dismiss the appeal without prejudice to reinstatement. The companies opposed the motion and filed a cross-motion asking the Court to summarily affirm the district court's order of dismissal. On July 8, 2005, the Ninth Circuit denied Wah Chang's motion and also denied the companies' motion for summary affirmance without prejudice to renewal following the filing of Wah Chang's opening brief. Wah Chang's opening brief was filed on September 21, 2005. On October 11, 2005 the companies, along with the other defendants, filed a motion to consolidate this appeal with Wah Chang v. Duke Energy Trading and Marketing currently pending before the Ninth Circuit. On October 18, 2005 the Ninth Circuit granted the motion to consolidate and established a revised briefing schedule. The companies filed an answering brief on November 30, 2005. Wah Chang's reply brief was filed on January 6, 2006. The appeal has been fully briefed; however, no date has yet been set for oral argument. The companies intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

**City of Tacoma:** On June 7, 2004, the City of Tacoma, Washington filed a lawsuit in the U.S. District Court for the Western District of Washington at Tacoma against numerous defendants including IDACORP, IE and IPC. The City of Tacoma's complaint alleges violations of the Sherman Antitrust Act. The claimed antitrust violations are based on allegations of energy market manipulation, false load scheduling and bid rigging and misrepresentation or withholding of energy supply. The plaintiff seeks compensatory damages of not less than \$175 million.

On September 8, 2004, this case was transferred and consolidated with other similar cases currently pending before the Honorable Robert H. Whaley. The companies' motion to dismiss the complaint was granted on February 11, 2005. The City of Tacoma appealed to the Ninth Circuit on March 10, 2005.

On August 9, 2005, the companies moved for summary affirmance of the district court's order dismissing the City of Tacoma's complaint. The City of Tacoma filed a response to the companies' motion for summary affirmance on August 24, 2005. The Ninth Circuit denied the companies' motion for summary affirmance on November 3, 2005. The appeal has been fully briefed; however, no date has yet been set for oral argument.

The companies intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

**Wholesale Electricity Antitrust Cases I & II:** These cross-actions against IE and IPC emerged from multiple California state court proceedings first initiated in late 2000 against various power generators/marketers by various California municipalities and citizens. Suit was filed against entities including Reliant Energy Services, Inc., Reliant Ormond Beach, L.L.C., Reliant Energy Etiwanda, L.L.C., Reliant Energy Ellwood, L.L.C., Reliant Energy Mandalay, L.L.C. and Reliant Energy Coolwater, L.L.C. (collectively, Reliant); and Duke Energy Trading and Marketing, L.L.C., Duke Energy Morro Bay, L.L.C., Duke Energy Moss Landing, L.L.C., Duke Energy South Bay, L.L.C. and Duke Energy Oakland, L.L.C. (collectively, Duke). While varying in some particulars, these cases made a common claim that Reliant, Duke and certain others (not including IE or IPC) colluded to influence the price of electricity in the California wholesale electricity market. The plaintiffs asserted various claims that the defendants violated the California Antitrust Law (the Cartwright Act), Business and Professions Code Section 16720 and California's Unfair Competition Law, Business and Professions Code Section 17200. Among the acts complained of are bid rigging, information exchanges, withholding of power and other wrongful acts. These actions were subsequently consolidated, resulting in the filing of Plaintiffs' Master Complaint in San Diego Superior Court on March 8, 2002.

On April 22, 2002, more than a year after the initial complaints were filed, two of the original defendants, Duke and Reliant, filed separate cross-complaints against IPC and IE, and approximately 30 other cross-defendants. Duke and Reliant's cross-complaints sought indemnity from IPC, IE and the other cross-defendants for an unspecified share of any amounts they must pay in the underlying suits because, they allege, other market participants like IPC and IE engaged in the same conduct at issue in the Plaintiffs' Master Complaint. Duke and Reliant also sought declaratory relief as to the respective liability and conduct of each of the cross-defendants in the actions alleged in the Plaintiffs' Master Complaint. Reliant also asserted a claim against IPC for alleged violations of the California Unfair Competition Law, Business and Professions Code Section 17200. As a buyer of electricity in California, Reliant requested the same relief from the cross-defendants, including IPC, as that sought by plaintiffs in the Plaintiffs' Master Complaint as to any power Reliant purchased through the California markets.

Some of the newly added defendants (foreign citizens and federal agencies) removed that litigation to federal court. IPC and IE, together with numerous other defendants added by the cross-complaints, moved to dismiss these claims, and those motions were heard in September 2002, together with motions to remand the case back to state court filed by the original plaintiffs. On December 13, 2002, the U.S. District Court granted Plaintiffs' Motion to Remand to state court, but did not issue a ruling on IPC and IE's motion to dismiss. The U.S. Court of Appeals for the Ninth Circuit granted certain Defendants and Cross-Defendants' Motions to Stay the Remand Order while they appeal the order. The briefing on the appeal was completed in December 2003. On December 8, 2004, the Ninth Circuit issued its opinion in *People of California v. NRG Energy, Inc., et al.*, which affirmed the district court's remand of these cases to state court and dismissed certain federal government defendants due to their sovereign immunity from suit.

On June 3, 2005, the cross-defendants, including IPC and IE, filed a demurrer in state court seeking to dismiss the cross-complaints filed by Duke and Reliant. On August 8, 2005, before that demurrer was to be heard, the Clerk of the Court entered Duke's voluntary dismissal, with prejudice, of the cross-complaint against IE and IPC. Further briefing and hearing on IE and IPC's demurrer to the Reliant cross-complaint was stayed pending the outcome of the demurrer filed by Reliant on the Master Complaint. On September 22, 2005, the Court took Reliant's demurrer off calendar pending approval of a proposed settlement as to the plaintiff's Master Complaint. On October 3, 2005 the court sustained the defendants' (other than Reliant's) joint demurrer to the Master Complaint and scheduled a status conference to discuss the status of the cross-complaints. On October 13, 2005 the court set IE and IPC's demurrer on the cross-complaint for hearing on December 23, 2005.

However, on November 14, 2005, Judge Joan M. Lewis approved a stipulation between the cross-defendants, including IE and IPC, and Reliant. This stipulation provided for dismissal of IE and IPC by Reliant with prejudice subject to reinstatement in the event that approval and finalization of a settlement agreement between Reliant and the underlying plaintiffs in these cases does not occur. The December 23, 2005 hearing on IE and IPC's demurrer to the cross-complaint was taken off the calendar. A hearing regarding approval of the Reliant

settlement was held on Friday January 6, 2006 before Judge Lewis.

Reliant has filed a request for dismissal of IE and IPC with prejudice, which was entered by the clerk of the court on December 19, 2005. Pursuant to IE and IPC's stipulation with Reliant, the dismissal will become final once any judgment and order from the Court approving the Reliant settlement with the plaintiffs becomes final (i.e., once the time for any appeal on the order approving the settlements runs or, if review is sought, the trial court's approval order is affirmed after resolution of all appeals). The time for an appeal from an order approving the settlements would range from 30 to 90 days after entry of the Court's judgments and orders.

If the Court does not grant final approval for the Reliant settlement, Reliant may elect to reactivate its cross-complaint. Similarly, should the Court for any reason fail to approve the Reliant settlement by May 31, 2006, IE and IPC may withdraw from the stipulation agreement by giving ten days' advance written notice. The companies intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

### **Western Energy Proceedings at the FERC:**

#### California Power Exchange Chargeback:

As a component of IPC's non-utility energy trading in the State of California, IPC, in January 1999, entered into a participation agreement with the California Power Exchange (CalPX), a California non-profit public benefit corporation. The CalPX, at that time, operated a wholesale electricity market in California by acting as a clearinghouse through which electricity was bought and sold. Pursuant to the participation agreement, IPC could sell power to the CalPX under the terms and conditions of the CalPX Tariff. Under the participation agreement, if a participant in the CalPX defaulted on a payment, the other participants were required to pay their allocated share of the default amount to the CalPX. The allocated shares were based upon the level of trading activity, which included both power sales and purchases, of each participant during the preceding three-month period.

On January 18, 2001, the CalPX sent IPC an invoice for \$2 million - a "default share invoice" - as a result of an alleged Southern California Edison payment default of \$215 million for power purchases. IPC made this payment. On January 24, 2001, IPC terminated its participation agreement with the CalPX. On February 8, 2001, the CalPX sent a further invoice for \$5 million, due on February 20, 2001, as a result of alleged payment defaults by Southern California Edison, Pacific Gas and Electric Company and others. However, because the CalPX owed IPC \$11 million for power sold to the CalPX in November and December 2000, IPC did not pay the February 8 invoice. The CalPX later reversed IPC's payment of the January 18, 2001 invoice, but on June 20, 2001 invoiced IPC for an additional \$2 million which the CalPX has not reversed. The CalPX owes IPC \$14 million for power sold in November and December including \$2 million associated with the default share invoice dated June 20, 2001. IPC essentially discontinued energy trading with the CalPX and the California Independent System Operator (Cal ISO) in December 2000.

IPC believes that the default invoices were not proper and that IPC owes no further amounts to the CalPX. IPC has pursued all available remedies in its efforts to collect amounts owed to it by the CalPX. On February 20, 2001, IPC filed a petition with the FERC to intervene in a proceeding that requested the FERC to suspend the use of the CalPX chargeback methodology and provide for further oversight in the CalPX's implementation of its default mitigation procedures.

A preliminary injunction was granted by a federal judge in the U.S. District Court for the Central District of California enjoining the CalPX from declaring any CalPX participant in default under the terms of the CalPX Tariff. On March 9, 2001, the CalPX filed for Chapter 11 protection with the U.S. Bankruptcy Court, Central District of California.

In April 2001, Pacific Gas and Electric Company filed for bankruptcy. The CalPX and the Cal ISO were among the creditors of Pacific Gas and Electric Company. To the extent that Pacific Gas and Electric Company's bankruptcy filing affects the collectibility of the receivables from the CalPX and the Cal ISO, the receivables from these entities are at greater risk.

The FERC issued an order on April 6, 2001 requiring the CalPX to rescind all chargeback actions related to Pacific Gas and Electric Company's and Southern California Edison's liabilities. Shortly after the issuance of

that order, the CalPX segregated the CalPX chargeback amounts it had collected in a separate account. The CalPX claimed it was awaiting further orders from the FERC and the bankruptcy court before distributing the funds that it collected under its chargeback tariff mechanism. On October 7, 2004, the FERC issued an order determining that it would not require the disbursement of chargeback funds until the completion of the California refund proceedings. On November 8, 2004, IE, along with a number of other parties, sought rehearing of that order. On March 15, 2005, the FERC issued an order on rehearing confirming that the CalPX is to continue to hold the chargeback funds, but solely to offset seller-specific shortfalls in the seller's CalPX account at the conclusion of the California refund proceeding. Balances are to be returned to the respective sellers at the conclusion of a seller's participation in the refund proceeding. Powerex Corp. filed a petition for review of the Commission's order on March 24, 2005 in the D.C. Circuit. Neither a briefing schedule nor a date for oral argument has been set.

Based upon the settlement agreement filed with the FERC on February 17, 2006 between the California Parties and IE and IPC discussed below in "California Refund," the California Parties have agreed to support a request that the FERC authorize the CalPX to release \$2.27 million related to the chargeback proceeding to IE and IPC.

#### California Refund:

In April 2001, the FERC issued an order stating that it was establishing price mitigation for sales in the California wholesale electricity market. Subsequently, in a June 19, 2001 order, the FERC expanded that price mitigation plan to the entire western United States electrically interconnected system. That plan included the potential for orders directing electricity sellers into California since October 2, 2000 to refund portions of their spot market sales prices if the FERC determined that those prices were not just and reasonable, and therefore not in compliance with the Federal Power Act. The June 19 order also required all buyers and sellers in the Cal ISO market during the subject time frame to participate in settlement discussions to explore the potential for resolution of these issues without further FERC action. The settlement discussions failed to bring resolution of the refund issue and as a result, the FERC's Chief Administrative Law Judge submitted a Report and Recommendation to the FERC recommending that the FERC adopt the methodology set forth in the report and set for evidentiary hearing an analysis of the Cal ISO's and the CalPX's spot markets to determine what refunds may be due upon application of that methodology.

On July 25, 2001, the FERC issued an order establishing evidentiary hearing procedures related to the scope and methodology for calculating refunds related to transactions in the spot markets operated by the Cal ISO and the CalPX during the period October 2, 2000 through June 20, 2001 (Refund Period).

The Administrative Law Judge issued a Certification of Proposed Findings on California Refund Liability on December 12, 2002.

The FERC issued its Order on Proposed Findings on Refund Liability on March 26, 2003. In large part, the FERC affirmed the recommendations of its Administrative Law Judge. However, the FERC changed a component of the formula the Administrative Law Judge was to apply when it adopted findings of its staff that published California spot market prices for gas did not reliably reflect the prices a gas market, that had not been manipulated, would have produced, despite the fact that many gas buyers paid those amounts. The findings of the Administrative Law Judge, as adjusted by the FERC's March 26, 2003 order, are expected to increase the offsets to amounts still owed by the Cal ISO and the CalPX to the companies. Calculations remain uncertain because (1) the FERC has required the Cal ISO to correct a number of defects in its calculations, (2) it is unclear what, if any, effect the ruling of the Ninth Circuit in *Bonneville Power Administration v. FERC*, described below, might have on the ISO's calculations, and (3) the FERC has stated that if refunds will prevent a seller from recovering its California portfolio costs during the Refund Period, it will provide an opportunity for a cost showing by such a respondent. On August 8, 2005, the FERC issued an Order establishing the framework for filings by sellers who elected to make such a cost showing. On September 14, 2005 IE and IPC made a joint cost filing, as did approximately thirty other sellers. On October 11, 2005, the California entities filed comments on the companies' cost filing and those made by other parties. IPC and IE submitted reply comments on October 19, 2005. The California entities filed supplemental comments on October 24, 2005 and IPC and IE filed supplemental reply comments on October 27, 2005. IPC and IE are unsure of the impact the FERC's rulings will have on the refunds due from California. However, as to potential refunds, if any, IPC

and IE believe their exposure is likely to be offset by amounts due from California entities.

In December of 2005, IE and IPC reached a tentative agreement with the California Parties settling matters encompassed by the California Refund proceeding including IE and IPC's cost filing and refund obligation. On January 20, 2006, the Parties filed a request with the FERC asking that the FERC defer ruling on IE and IPC's cost filing for thirty days so the parties could complete and file the settlement agreement with the FERC. On January 26, 2006, the FERC granted the requested deferral and required that the settlement be filed by February 17, 2006. 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. Final comments on the settlement are due to be filed by March 20, 2006, after which the FERC will determine whether to approve the settlement. If the settlement is approved by the FERC, IE and IPC will assign \$24.25 million of the rights to accounts receivable from the Cal ISO and 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 which 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. Approximately \$10.25 million of the remaining IE and IPC receivables are to be released to IE and IPC. In the fourth quarter of 2005 IE reduced by \$9.5 million to \$32 million its reserve against these receivables.

IE, along with a number of other parties, filed an application with the FERC on April 25, 2003 seeking rehearing of the March 26, 2003 order. On October 16, 2003, the FERC issued two orders denying rehearing of most contentions that had been advanced and directing the Cal ISO to prepare its compliance filing calculating revised Mitigated Market Clearing Prices and refund amounts within five months. The Cal ISO has since, on a number of occasions, requested additional time to complete its compliance filings. This Cal ISO compliance filing has been delayed until at least March 2006. The Cal ISO is required to update the FERC on its progress monthly.

On December 2, 2003, IE petitioned the U.S. Court of Appeals for the Ninth Circuit for review of the FERC's orders, and since that time, dozens of other petitions for review have been filed. The Ninth Circuit consolidated IE's and the other parties' petitions with the petitions for review arising from earlier FERC orders in this proceeding, bringing the total number of consolidated petitions to more than 100. The Ninth Circuit held the appeals in abeyance pending the disposition of the market manipulation claims discussed below and the development of a comprehensive plan to brief this complicated case. Certain parties also sought further rehearing and clarification before the FERC. On September 21, 2004, the Ninth Circuit convened case management proceedings, a procedure reserved to help organize complex cases. On October 22, 2004, the Ninth Circuit severed a subset of the stayed appeals in order that briefing could commence regarding cases 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 transactions are subject to refunds. Oral argument was held on April 12-13, 2005. On September 6, 2005 the Ninth Circuit issued its decision in one of the severed cases, *Bonneville Power Administration v. FERC*. In that decision, the Ninth Circuit concluded that the FERC lacked refund authority over wholesale electric energy sales made by governmental entities and non-public utilities. The time for requests for rehearing was to expire on October 21, 2005, but has been extended until 45 days after the Ninth Circuit issues its decision in the other severed cases. The companies cannot predict whether rehearing will be sought and, if sought, whether it will be granted or what action the FERC might take if the matter is remanded.

On May 12, 2004, the FERC issued an order clarifying portions of its earlier refund orders and, among other things, denying a proposal made by Duke Energy North America and Duke Energy Trading and Marketing (and supported by IE) to lodge as evidence a contested settlement in a separate complaint proceeding, *California Public Utilities Commission (CPUC) v. El Paso, et al.* The CPUC's complaint alleged that the El Paso companies manipulated California energy markets by withholding pipeline transportation capacity into California in order to drive up natural gas prices immediately before and during the California energy crisis in 2000-2001. The settlement will result in the payment by El Paso of approximately \$1.69 billion. Duke claimed that the relief afforded by the settlement was duplicative of the remedies imposed by the FERC in its March 26, 2003 order changing the gas cost component of its refund calculation methodology. IE, along with other parties, has sought rehearing of the May 12, 2004 order. On November 23, 2004, the FERC denied rehearing

and within the statutory time allowed for petitions, a number of parties, including IE, filed petitions for review of the FERC's order with the Ninth Circuit. These petitions have since been consolidated with the larger number of review petitions in connection with the California refund proceeding.

In June 2001, IPC transferred its non-utility wholesale electricity marketing operations to IE. Effective with this transfer, the outstanding receivables and payables with the CalPX and the Cal ISO were assigned from IPC to IE. At December 31, 2005, with respect to the CalPX chargeback and the California refund proceedings discussed above, the CalPX and the Cal ISO owed \$14 million and \$30 million, respectively, for energy sales made to them by IPC in November and December 2000. IE has accrued a reserve of \$32 million against these receivables. This reserve was calculated taking into account the uncertainty of collection given the California energy situation. Based on the reserve recorded as of December 31, 2005, IDACORP believes that the future collectibility of these receivables or any potential refunds ordered by the FERC would not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On March 20, 2002, the California Attorney General filed a complaint with the FERC against various sellers in the wholesale power market, including IE and IPC, alleging that the FERC's market-based rate requirements violate the Federal Power Act, and, even if the market-based rate requirements are valid, that the quarterly transaction reports filed by sellers do not contain the transaction-specific information mandated by the Federal Power Act and the FERC. The complaint stated that refunds for amounts charged between market-based rates and cost-based rates should be ordered. The FERC denied the challenge to market-based rates and refused to order refunds, but did require sellers, including IE and IPC, to refile their quarterly reports to include transaction-specific data. The Attorney General appealed the FERC's decision to the U.S. Court of Appeals for the Ninth Circuit. The Attorney General contends that the failure of all market-based rate authority sellers of power to have rates on file with the FERC in advance of sales is impermissible. The Ninth Circuit issued its decision on September 9, 2004, concluding that market-based tariffs are permissible under the Federal Power Act, but remanded the matter to the FERC to consider whether the FERC should exercise remedial power (including some form of refunds) when a market participant failed to submit reports that the FERC relies on to confirm the justness and reasonableness of rates charged. Certain parties to the litigation have sought rehearing. The companies cannot predict whether rehearing will be granted or what action the FERC might take if the matter is remanded.

On May 26, 2005 the California Parties filed a motion to lodge additional evidence, primarily audiotapes produced by Enron employees, in the California Refund Proceedings in Docket No. EL00-95. A number of parties, including IDACORP, answered in opposition to that motion.

#### Market Manipulation:

In a November 20, 2002 order, the FERC permitted discovery and the submission of evidence respecting market manipulation by various sellers during the western power crises of 2000 and 2001.

On March 3, 2003, the California Parties (certain investor owned utilities, the California Attorney General, the California Electricity Oversight Board and the CPUC) filed voluminous documentation asserting that a number of wholesale power suppliers, including IE and IPC, had engaged in a variety of forms of conduct that the California Parties contended were impermissible. Although the contentions of the California Parties were contained in more than 11 compact discs of data and testimony, approximately 12,000 pages, IE and IPC were mentioned only in limited contexts with the overwhelming majority of the claims of the California Parties relating to the conduct of other parties.

The California Parties urged the FERC to apply the precepts of its earlier decision, to replace actual prices charged in every hour starting May 1, 2000 through the beginning of the existing Refund Period with a Mitigated Market Clearing Price, seeking approximately \$8 billion in refunds to the Cal ISO and the CalPX. On March 20, 2003, numerous parties, including IE and IPC, submitted briefs and responsive testimony.

In its March 26, 2003 order, discussed above in "California Refund," the FERC declined to generically apply its refund determinations to sales by all market participants, although it stated that it reserved the right to provide remedies for the market against parties shown to have engaged in proscribed conduct.

On June 25, 2003, the FERC ordered over 50 entities that participated in the western wholesale power markets



between January 1, 2000 and June 20, 2001, including IPC, to show cause why certain trading practices did not constitute gaming or anomalous market behavior in violation of the Cal ISO and the CalPX Tariffs. The Cal ISO was ordered to provide data on each entity's trading practices within 21 days of the order, and each entity was to respond explaining their trading practices within 45 days of receipt of the Cal ISO data. IPC submitted its responses to the show cause orders on September 2 and 4, 2003. On October 16, 2003, IPC reached agreement with the FERC Staff on the two orders commonly referred to as the "gaming" and "partnership" show cause orders. Regarding the gaming order, the FERC Staff determined it had no basis to proceed with allegations of false imports and paper trading and IPC agreed to pay \$83,373 to settle allegations of circular scheduling. IPC believed that it had defenses to the circular scheduling allegation but determined that the cost of settlement was less than the cost of litigation. In the settlement, IPC did not admit any wrongdoing or violation of any law. With respect to the "partnership" order, the FERC Staff submitted a motion to the FERC to dismiss the proceeding because materials submitted by IPC demonstrated that IPC did not use its "parking" and "lending" arrangement with Public Service Company of New Mexico to engage in "gaming" or anomalous market behavior ("partnership"). The "gaming" settlement was approved by the FERC on March 3, 2004. Eight parties have requested rehearing of the FERC's March 3, 2004 order, but the FERC has not yet acted on those requests. The motion to dismiss the "partnership" proceeding was approved by the FERC in an order issued on January 23, 2004 and rehearing of that order was not sought within the time allowed by statute. Some of the California Parties and other parties have petitioned the U.S. Court of Appeals for the Ninth Circuit and the District of Columbia Circuit for review of the FERC's orders initiating the show cause proceedings. Some of the parties contend that the scope of the proceedings initiated by the FERC was too narrow. Other parties contend that the orders initiating the show cause proceedings were impermissible. Under the rules for multidistrict litigation, a lottery was held and although these cases were to be considered in the District of Columbia Circuit by order of February 10, 2005, the District of Columbia Circuit transferred the proceedings to the Ninth Circuit. The FERC had moved the District of Columbia Circuit to dismiss these petitions on the grounds of prematurity and lack of ripeness and finality. The transfer order was issued before a ruling from the District of Columbia Circuit and the motions, if renewed, will be considered by the Ninth Circuit. IPC is not able to predict the outcome of the judicial determination of these issues.

On June 25, 2003, the FERC also issued an order instituting an investigation of anomalous bidding behavior and practices in the western wholesale power markets. In this investigation, the FERC was to review evidence of alleged economic withholding of generation. The FERC determined that all bids into the CalPX and the Cal ISO markets for more than \$250 per MWh for the time period May 1, 2000 through October 1, 2000 would be considered prima facie evidence of economic withholding. The FERC Staff issued data requests in this investigation to over 60 market participants including IPC. IPC responded to the FERC's data requests. In a letter dated May 12, 2004, the FERC's Office of Market Oversight and Investigations advised that it was terminating the investigation as to IPC. In March 2005, the California Attorney General, the CPUC, the California Electricity Oversight Board and Pacific Gas and Electric Company sought judicial review in the Ninth Circuit of the FERC's termination of this investigation as to IPC and approximately 30 other market participants. IPC has moved to intervene in these proceedings. On April 25, 2005, Pacific Gas and Electric Company sought review in the Ninth Circuit of another FERC order in the same docketed proceeding confirming the agency's earlier decision not to allow the participation of the California Parties in what the FERC characterized as its non-public investigative proceeding.

The February 17, 2006 Offer of Settlement, if approved by the FERC, would terminate the investigations the FERC initiated without finding of wrongdoing by IE or IPC, and would provide for the disposition of the "gaming" settlement.

#### Pacific Northwest Refund:

On July 25, 2001, the FERC issued an order establishing another proceeding to explore whether there may have been unjust and unreasonable charges for spot market sales in the Pacific Northwest during the period December 25, 2000 through June 20, 2001. The FERC Administrative Law Judge submitted recommendations and findings to the FERC on September 24, 2001. The Administrative Law Judge found that prices should be governed by the Mobile-Sierra standard of the public interest rather than the just and reasonable standard, that the Pacific Northwest spot markets were competitive and that no refunds should be allowed. Procedurally, the Administrative Law Judge's decision is a recommendation to the commissioners of the FERC. Multiple parties submitted comments to the FERC with respect to the Administrative Law Judge's recommendations. The Administrative Law Judge's recommended findings had been pending before the FERC, when at the request of

the City of Tacoma and the Port of Seattle on December 19, 2002, the FERC reopened the proceedings to allow the submission of additional evidence related to alleged manipulation of the power market by Enron and others. As was the case in the California refund proceeding, at the conclusion of the discovery period, parties alleging market manipulation were to submit their claims to the FERC and responses were due on March 20, 2003. Grays Harbor, whose civil litigation claims were dismissed, as noted above, intervened in this FERC proceeding, asserting on March 3, 2003 that its six-month forward contract, for which performance had been completed, should be treated as a spot market contract for purposes of the FERC's consideration of refunds and is requesting refunds from IPC of \$5 million. Grays Harbor did not suggest that there was any misconduct by IPC or IE. The companies submitted responsive testimony defending vigorously against Grays Harbor's refund claims.

In addition, the Port of Seattle, the City of Tacoma and the City of Seattle made filings with the FERC on March 3, 2003 claiming that because some market participants drove prices up throughout the west through acts of manipulation, prices for contracts throughout the Pacific Northwest market should be re-set starting in May 2000 using the same factors the FERC would use for California markets. Although the majority of these claims are generic, they named a number of power market suppliers, including IPC and IE, as having used parking services provided by other parties under FERC-approved tariffs and thus as being candidates for claims of improperly having received congestion revenues from the Cal ISO. On June 25, 2003, after having considered oral argument held earlier in the month, the FERC issued its Order Granting Rehearing, Denying Request to Withdraw Complaint and Terminating Proceeding, in which it terminated the proceeding and denied claims that refunds should be paid. The FERC denied rehearing on November 10, 2003, triggering the right to file for review. The Port of Seattle, the City of Tacoma, the City of Seattle, the California Attorney General, the CPUC and Puget Sound Energy, Inc. filed petitions for review in the Ninth Circuit. These petitions have been consolidated. Grays Harbor did not file a petition for review, although it has sought to intervene in the proceedings initiated by the petitions of others. On July 21, 2004, the City of Seattle submitted to the Ninth Circuit in the Pacific Northwest refund petition for review a motion requesting leave to offer additional evidence before the FERC in order to try to secure another opportunity for reconsideration by the FERC of its earlier rulings. The evidence that the City of Seattle seeks to introduce before the FERC consisted of audio tapes of what purports to be Enron trader conversations containing inflammatory language that have been the subject of coverage in the press. Under Section 313(b) of the Federal Power Act, a court is empowered to direct the introduction of additional evidence if it is material and could not have been introduced during the underlying proceeding. On September 29, 2004, the Ninth Circuit denied the City of Seattle's motion for leave to adduce evidence, without prejudice to renewing the request for remand in the briefing in the Pacific Northwest refund case. Briefing was completed on May 25, 2005; however, no date has been set for oral argument.

The companies are unable to predict the outcome of these matters.

**Shareholder Lawsuits:** On May 26, 2004 and June 22, 2004, respectively, two shareholder lawsuits were filed against IDACORP and certain of its directors and officers. The lawsuits, captioned Powell, et al. v. IDACORP, Inc., et al. and Shorthouse, et al. v. IDACORP, Inc., et al., raise largely similar allegations. The lawsuits are putative class actions brought on behalf of purchasers of IDACORP stock between February 1, 2002 and June 4, 2002, and were filed in the U.S. District Court for the District of Idaho. The named defendants in each suit, in addition to IDACORP, are Jon H. Miller, Jan B. Packwood, J. LaMont Keen and Darrel T. Anderson.

The complaints alleged that, during the purported class period, IDACORP and/or certain of its officers and/or directors made materially false and misleading statements or omissions about the company's financial outlook in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5, thereby causing investors to purchase IDACORP's common stock at artificially inflated prices. More specifically, the complaints alleged that IDACORP failed to disclose and misrepresented the following material adverse facts which were known to defendants or recklessly disregarded by them: (1) IDACORP failed to appreciate the negative impact that lower volatility and reduced pricing spreads in the western wholesale energy market would have on its marketing subsidiary, IE; (2) IDACORP would be forced to limit its origination activities to shorter-term transactions due to increasing regulatory uncertainty and continued deterioration of creditworthy counterparties; (3) IDACORP failed to account for the fact that IPC may not recover from the lingering effects of the prior year's regional drought and (4) as a result of the foregoing, defendants lacked a

reasonable basis for their positive statements about IDACORP and their earnings projections. The Powell complaint also alleged that the defendants' conduct artificially inflated the price of IDACORP's common stock. The actions seek an unspecified amount of damages, as well as other forms of relief. By order dated August 31, 2004, the court consolidated the Powell and Shorthouse cases for pretrial purposes, and ordered the plaintiffs to file a consolidated complaint within 60 days. On November 1, 2004, IDACORP and the directors and officers named above were served with a purported consolidated complaint captioned Powell, et al. v. IDACORP, Inc., et al., which was filed in the U.S. District Court for the District of Idaho.

The new complaint alleged that during the class period IDACORP and/or certain of its officers and/or directors made materially false and misleading statements or omissions about its business operations, and specifically the IE financial outlook, in violation of Rule 10b-5, thereby causing investors to purchase IDACORP's common stock at artificially inflated prices. The new complaint alleged that IDACORP failed to disclose and misrepresented the following material adverse facts which were known to it or recklessly disregarded by it: (1) IDACORP falsely inflated the value of energy contracts held by IE in order to report higher revenues and profits; (2) IDACORP permitted IPC to inappropriately grant native load priority for certain energy transactions to IE; (3) IDACORP failed to file 13 ancillary service agreements involving the sale of power for resale in interstate commerce that it was required to file under Section 205 of the Federal Power Act; (4) IDACORP failed to file 1,182 contracts that IPC assigned to IE for the sale of power for resale in interstate commerce that IPC was required to file under Section 203 of the Federal Power Act; (5) IDACORP failed to ensure that IE provided appropriate compensation from IE to IPC for certain affiliated energy transactions; and (6) IDACORP permitted inappropriate sharing of certain energy pricing and transmission information between IPC and IE. These activities allegedly allowed IE to maintain a false perception of continued growth that inflated its earnings. In addition, the new complaint alleges that those earnings press releases, earnings release conference calls, analyst reports and revised earnings guidance releases issued during the class period were false and misleading. The action seeks an unspecified amount of damages, as well as other forms of relief. IDACORP and the other defendants filed a consolidated motion to dismiss on February 9, 2005, and the plaintiffs filed their opposition to the consolidated motion to dismiss on March 28, 2005. IDACORP and the other defendants filed their response to the plaintiff's opposition on April 29, 2005 and oral argument on the motion was held on May 19, 2005.

On September 14, 2005, Magistrate Judge Mikel H. Williams of the U.S. District Court for the District of Idaho issued a Report and Recommendation that the defendants' motion to dismiss be granted and that the case be dismissed. The Magistrate Judge determined that the plaintiffs did not satisfactorily plead loss causation (i.e., a causal connection between the alleged material misrepresentation and the loss) in conformance with the standards set forth in the recent United States Supreme Court decision of *Dura Pharmaceuticals, Inc. v. Broudo*, 544 U.S.\_\_\_\_\_, 125 S. Ct. 1627 (2005). The Magistrate Judge also concluded that it would be futile to afford the plaintiffs an opportunity to file an amended complaint because it did not appear that they could cure the deficiencies in their pleadings. The parties have each filed objections to different parts of the Magistrate Judge's Report and Recommendation, and the matter is now before the District Judge.

IDACORP and the other defendants intend to defend themselves vigorously against the allegations. IDACORP cannot, however, predict the outcome of these matters.

**Powerex:** On August 31, 2004, Powerex Corp., the wholly-owned power marketing subsidiary of BC Hydro, a Crown Corporation of the province of British Columbia, Canada, filed a lawsuit against IE and IDACORP in the U.S. District Court for the District of Idaho. Powerex Corp. alleges that IE breached an oral and written contract regarding the assignment of transmission capacity for electric power by IE to Powerex Corp. for a 14 month period and for intentional interference with Powerex Corp.'s alleged contract with IE. Powerex Corp. seeks damages in the amount of \$14,254,811. On November 29, 2004, the companies filed an answer to Powerex Corp.'s complaint, denying all liability to the plaintiffs, and asserting certain affirmative defenses. The parties have completed factual (non-expert) discovery, and the companies filed a motion for summary judgment on February 28, 2006. The parties will participate in a court ordered mediation scheduled for March 23, 2006. If necessary, a trial date for the matter has been set for May 16, 2006. The companies intend to vigorously defend their position in this proceeding but cannot predict the outcome of this matter.

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

	Year Ended December 31,		
	2005	2004	2003
	(thousands of dollars)		
<b>Operating Revenues:</b>			
General business	\$ 667,270	\$ 635,835	\$ 670,969
Off-system sales	142,794	121,148	71,573
Other revenues	27,619	62,526	37,840
Total operating revenues	837,683	819,509	780,382
<b>Operating Expenses:</b>			
Operation:			
Purchased power	222,310	195,642	150,980
Fuel expense	103,164	103,261	99,898
Power cost adjustment	(2,995)	39,184	70,762
Other	181,670	194,073	156,030
Maintenance	59,539	58,405	62,799
Depreciation	101,485	100,855	97,650
Taxes other than income taxes	20,856	19,090	20,753
Total operating expenses	686,029	710,510	658,872
<b>Income from Operations</b>	151,654	108,999	121,510
<b>Other Income (Expense):</b>			
Allowance for equity funds used during construction	4,950	3,904	3,385
Earnings of unconsolidated equity-method investments	10,369	12,313	11,336
Other income	11,476	12,138	8,467
Other expense	(8,610)	(9,074)	(8,326)
Total other income	18,185	19,281	14,862
<b>Interest Charges:</b>			
Interest on long-term debt	53,339	50,317	54,645
Other interest	3,527	3,980	4,718
Allowance for borrowed funds used during construction	(2,791)	(2,953)	(3,310)
Total interest charges	54,075	51,344	56,053
<b>Income Before Income Taxes</b>	115,764	76,936	80,319
<b>Income Tax Expense</b>	43,925	6,328	21,728
<b>Net Income</b>	71,839	70,608	58,591
Dividends on preferred stock	-	4,823	3,430
<b>Earnings on Common Stock</b>	\$ 71,839	\$ 65,785	\$ 55,161

The accompanying notes are an integral part of these statements.

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

	<b>Year Ended December 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
	(thousands of dollars)		
<b>Retained Earnings, Beginning of Year</b>	\$ 340,107	\$ 320,735	\$ 330,300
<b>Net Income</b>	71,839	70,608	58,591
<b>Dividends:</b>			
Common stock	(50,690)	(46,413)	(64,726)
Preferred stock	-	(4,823)	(3,430)
<b>Retained Earnings, End of Year</b>	<b>\$ 361,256</b>	<b>\$ 340,107</b>	<b>\$ 320,735</b>

The accompanying notes are an integral part of these statements.

000169D1NB

ADA COUNTY RECORDER J. DAVID NAVARRO  
 BOISE IDAHO 09/29/04 04:49 PM  
 DEPUTY Neava Haney  
 RECORDED - REQUEST OF  
 Transaction Title

AMOUNT 15.00 5



104125212

**WARRANTY DEED**  
**WITH RESERVATION OF EASEMENT**

THIS INDENTURE, Made this 27<sup>th</sup> day of September, 2004, between IDAHO POWER COMPANY, an Idaho Corporation having its principal place of business at 1221 W. Idaho Street, Boise, Idaho 83702, its successors and assigns, hereinafter referred to as Grantor, and LYONS DEVELOPMENT LLC, an Idaho limited liability company, having its principal place of business at 15205 W. McFarland Creek Rd., Boise ID 83714, its successors and assigns hereinafter referred to as Grantee:

WITNESSETH:

That the said Grantor for and in consideration of the sum of Ten Dollars (\$10.00) lawful money of the United States of America, and other good and valuable considerations, to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold, and by these presents does grant, bargain, sell, convey and confirm unto the said Grantee, and to Grantee's heirs, successors and assigns forever, all the following described real estate situated in the County of Ada, State of Idaho to-wit (the "Property"):

**SEE EXHIBIT "A" ATTACHED**  
**(Continued)**

TOGETHER with all and singular the tenements, hereditament and appurtenances thereunto belonging or in anywise appertaining, and the version and reversions, remainder and remainders, rents, issues and profits thereof, and all estate, right, title and interest in and to the said Property, as well in law as in equity, of the said Grantor, subject to the following Reservation of Easement:

**RESERVATION OF POWER LINES AND EASEMENT**

The Grantor does hereby reserve and retain for its own use and benefit:

(1) Ownership of all existing power lines and appurtenant facilities located upon the reserved premises described as follows:

A parcel of land lying in the NE $\frac{1}{4}$  of the NW $\frac{1}{4}$  of Section 24, T.3N., R.1W., B.M., Ada County, Idaho more particularly described as follows:

**The North twenty-five (25) feet and the West seventy-five feet of the parcel described on the attached Exhibit "A".**

**(Continued)**

(2) A right-of-way and easement for the erection and continued operation, maintenance, repair, alteration (including, but not limited to, voltage or capacity

upgrades and additional structures, and/or new structure locations), inspection, and replacement of overhead and/or underground electric transmission, distribution and telephone lines and circuits of the Grantor, attached to towers, poles, props, guys or other supports, together with guys, crossarms and other attachments and incidental equipment thereon, and appurtenances, with the right to permit the attachment of the wires and fixtures of other companies or parties, over, under, on and across the above described reserved premises.

Together with all rights of ingress and egress necessary for the full and complete use, occupation and enjoyment of the Reserved Easements, and all rights and privileges incident thereto, including the right from time to time to cut, trim and remove trees, brush, overhanging branches and other obstructions which may injure or interfere with the Grantor's use, occupation or enjoyment of the Reserved Easements and the operation, maintenance and repair of Grantor's electrical system.

At no time shall any building, structure or flammable material of any kind be placed or erected within the boundaries of the Reserved Easements by Grantee or by Grantee's heirs, successors or assigns, nor shall they bring or permit to be brought any equipment or vehicles or material of any kind or nature within twenty five (25) feet of any of Grantor's electric power lines at any time, even if the wires sag or sway as a result of increased temperatures, wind, electrical loading on the wires, or other conditions.

Subject to the foregoing limitations, the Reserved Easements may be used by Grantee for roads, agricultural crops and other purposes not inconsistent with said easements, upon the condition that such acts do not interfere with any existing or future electrical lines of the Grantor, or result in the violation of any state, local or federal law or regulation or the National Electrical Safety Code as the same now exist or may hereafter be amended.

Grantee shall indemnify and hold Grantor, its officers, directors and employees, harmless from any and all liability or claim of liability for injury or death of persons or damage to property arising out of any use of the Reserved Easements by any person or persons whomsoever, including, but not limited to, Grantee's agents, employees, permittees or invitees, provided such liability or alleged liability is not due to the sole negligence of the Grantor, its agents, employees or contractors.

TO HAVE AND TO HOLD, all and singular, the above mentioned and described premises, together with the appurtenances, unto the Grantee, and to Grantee's heirs, successors and assigns forever. And the said Grantor, and its successors, shall and will warrant and by these presents forever defend the Property in the quiet and peaceable possession of Grantee, his heirs, successors and assigns, against all and every person and persons whomsoever, lawfully claiming the same.

GRANTEE, by recording this instrument and/or exercising the rights herein granted, agrees to the terms of Grantor's Reservation of Power Lines and Easements.

IN WITNESS WHEREOF, the parties have caused their corporate names or individual names to be hereunto subscribed, the day and year first above written.

GRANTOR: IDAHO POWER COMPANY

By 

GRANTEE: Lyons Development, LLC

By: 





LEGAL DESCRIPTION (continued)

EXHIBIT "A"

A parcel of land lying in the Northeast Quarter of the Northwest Quarter of Section 24, Township 3 North, Range 1 West of the Boise Meridian, Ada County, Idaho, more particularly described as follows:

Commencing at the quarter section corner common to Sections 13 and 24 of said Township 3 North, Range 1 West; thence  
North 89°06'56" West, 677.82 feet on the section line common to said Sections 13 and 24 (from which point the section corner common to Section 13, 14, 23 and 24 of said Township 3 North, Range 1 West bears North 89°06'56" West, 1,977.75 feet distant); thence  
South 0°41'54" West, 25.00 feet to a point on the Southerly right-of-way line of Overland Road, said point being the REAL POINT OF BEGINNING; thence  
South 89°06'56" East on said Southerly right-of-way line, 644.75 feet to a point on the Westerly right-of-way line of Stoddard Road; thence  
South 0°51'53" West, 1,139.75 feet on the Westerly right-of-way line of Stoddard Road, said line being parallel to and 33.00 feet Westerly of the North-South mid-section line of said Section 24, to a point on the centerline extended of the Hardin Drain; thence  
North 46°39'41" West, 347.48 feet on the extended centerline and the centerline of the Hardin Drain; thence  
North 40°42'05" West, 265.61 feet on the centerline of the Hardin Drain; thence  
North 45°00'56" West, 161.99 feet on said centerline; thence  
North 60°18'32" West, 107.71 feet on said centerline; thence leaving the centerline of the Hardin Drain, North 0°41'54" East, 541.91 feet on a line which is parallel to and 1,977.75 feet Easterly of the West boundary of the Northwest Quarter of said Section 24, to the REAL POINT OF BEGINNING.

BASIS OF BEARING  
S 00°51'53" W 2634.95'

S. STODDARD ROAD  
1317.47 (1139.75)

S 00°51'53" W 1282.57  
(1164.51')

PROPERTY SOLD TO  
LYONS DEVELOPMENT Co. LLC  
15205 W. McFARLAND CREEK RD.  
BOISE, ID

OVERLAND ROAD 667.82'  
N89°06'56"W 2655.57'

1977.75'

25.00'

25.00'

1977.75'

13'  
23'

13'  
24'

25.00'  
POWERLINE  
EASEMENT

25.00'  
POWERLINE  
EASEMENT

1/8  
CORNER

75.00'  
POWER LINE  
EASEMENT

RPOB

513.33'





541.91'

N00°41'54"E 1075.93'  
(N0°15'E 1080.7')

S 00°15' W 1324.24'

LINDER ROAD  
S 00°41'54" W 2650.60'

**LEGEND**

-  OPERATING PROPERTY
-  SOLD PROPERTY
-  DEED OVERLAP AREA
-  EASEMENT RETAINED

## SELLER'S ESCROW CLOSING STATEMENT

File Number: 0400016901-NB1

Settlement Date: 09/29/04

Pro-ration Date: 09/29/04

Purchasers: Lyons Development, LLC

Sellers: Idaho Power Company

Lender:

Property: 1635 S Stoddard Rd  
Meridian ID 83642

	Debit	Credit
Selling Price.....		685,000.00
BROKER'S FEE (based on \$685,000.00).....	41,100.00	
3.0% fee (\$20,550.00) to Arthur Berry & Company		
3.0% fee (\$20,550.00) to Mark Bottles R E Services		
PRORATIONS:		
County taxes prorated at \$7,227.67 per year		
from 01/01/04 to 09/29/04.....		5,386.10
Irrigation prorated at \$787.09 per year		
from 01/01/04 to 09/29/04.....		586.54
TITLE & ESCROW FEES:		
Title Insurance Premium to Transnation Title.....		2,071.25
Settlement or closing fee Transnation Title.....		200.00
LOAN FEES:		
OTHER CHARGES/CREDITS:		

Stoddard Substation  
 Sale of excess property  
 Purchased 2001, original cost \$415,885.17  
 Sold September 27, 2004, \$685,000.00  
 Work Order 27136432

421190	Gain on disposition of property – retire land	415,885.17	
101000	Electric plant in service – retire land		415,885.17
	To record retirement of land due to sale of excess land adjacent to Stoddard Substation.		
107000	Construction work in progress – easement retained	36,067.34	
421190	Gain on disposition of property – easement retained		36,067.34
101000	Electric plant in service – close easement to plant	36,067.34	
107000	Construction work in progress – close easement to plant		36,067.34
	To record easement retained over property sold.		
131201	Cash – sale proceeds	685,000.00	
131201	Cash – earnest money forfeiture	5,000.00	
421190	Gain on disposition of property – cash received		685,000.00
421190	Gain on disposition of property – earnest money forfeiture		5,000.00
	To record proceeds from sale of excess land adjacent to Stoddard Substation.		
421190	Gain on disposition of property – closing costs	49,343.89	
131201	Cash – closing costs		49,343.89
	To record closing costs from sale of excess land adjacent to Stoddard Substation.		
421190	Gain on disposition of property – selling costs	5,732.97	
131201	Cash – selling costs		5,732.97
	To record selling costs associated with sale of excess land adjacent to Stoddard Substation.		