WORKPAPERS

PERIOD I

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IDACORP, Inc. (IDA-NYSE)

IDA: Initiating Coverage Of IDACORP With A Market Perform Rating

Long-Term Value In Hydro Assets, Technology Investments

Market Perform
May 23, 2005
Price **$27.76**
52 Wk. Rng. **$33-25**

Initiation of Coverage

EPS CY (Dec.)	2004 A Current	2004 A Prior	2005 E Current	2005 E Prior	2006 E Current	2006 E Prior	REV. 2005	2006
Q1 (Mar.)	$0.51	NC	$0.55 A	NC	$0.53	NE	$196.2 MM	$206.4 MM
Q2 (June)	0.34	NC	0.34	NE	0.35	NE	216.9	228.2
Q3 (Sep.)	0.68	NC	0.50	NE	0.59	NE	252.5	265.8
Q4 (Dec.)	0.37	NC	0.32	NE	0.42	NE	202.4	212.6
Full FY	$1.90		$1.70	NE	$1.90	NE	$868.1 MM	$913.0 MM
FYP/E	14.6x		16.3x		14.6x			
Full CY	$1.90	NC	$1.70	NE	$1.90	NE		
CYP/E	14.6x		16.3x		14.6x			

Source: Company data and WCM, LLC estimates NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Shares Out.: (MM)	42.4	LT Debt: (MM)	$1,109.0
Market Cap.: (MM)	1,177.0	LT Debt/Total Cap.:	52.0%
Avg. Daily Vol.:	222,990	ROE:	7%
S&P 500:	1,189.14	3-5 Yr. Est. Grth. Rate:	3%
Float: (MM)	42.1	CY 2005 Est. P/E-to-Grth.:	5.4x
Div./Yield:	$1.20/4.3%	Last Reporting Date:	5/5/2005 *Before Open*

Key Points

- **IDACORP** is a public utility holding company, formed in 1998 and headquartered in Boise, Idaho. Its principal subsidiary is Idaho Power Company, an integrated electric utility serving most of the state of Idaho and a small portion of Oregon. Non-utility operations include investments in affordable housing that generate tax credits, a developer of integrated fuel cell systems, and a provider of telecommunications and Internet services. Utility operations accounted for 97% of consolidated operating revenue and 90% of consolidated net income in 2004.
- **Electricity Plus** - The company's stated operating strategy is called "Electricity Plus," a back-to-basics strategy that emphasizes IDACORP's utility operations as its core business while retaining the potential future value from its investments in electricity-related technologies.
- **Power Supply** - IDA owns and operates 17 hydroelectric power plants with a combined generating capacity of 1,707 MW. All of these facilities are located along the Snake River, which crosses the southern and western portions of the state. It also owns 1,378 MW of thermal generating capacity, principally coal-fired.
- **Initiating EPS Estimates of $1.70 for 2005 and $1.90 for 2006** - Hydro conditions are below normal for the sixth consecutive year, estimated to be just 35% of normal. Higher prices for fossil fuels and for purchased power will likely offset underlying service area sales growth in 2005.
- **Initiating Coverage of IDA with Market Perform Rating** - In light of the EPS decline for 2005, and that IDA shares are trading at the high end of our valuation range, we expect the stock to trade in line with the industry averages.

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Valuation Range: $25 to $27

Over the next 12 months, we believe that IDA shares warrant a valuation range of $25-27 based on our EPS estimate for 2006, our 3-5 year earnings growth rate estimate of 3%, and a normal P/E multiple for mid-cap electric utilities of 13-14x. Risks to achieving our valuation range include a lack of improvement in future stream flow conditions, adverse regulatory decisions, burdensome conditions placed on hyro license renewals, and higher purchased power prices.

Please see page 12 for rating definitions, important disclosures and required analyst certifications.

Investment Thesis
IDACORP represents a relatively unique investment among utility companies. It is one of the only investor-owned electric utilities which, during normal weather conditions, derives the majority of its electricity from hydroelectric plants. The service area of its principal subsidiary, Idaho Power, is growing faster than the national average and requires the company to invest in new thermal generating capacity. Sales growth and rate base growth should yield above-average earnings growth. Furthermore, as wholesale power markets become increasingly competitive and the cost of fossil fuels continue to rise, the value of the company's hydroelectric plants, a renewable, non-polluting source of power, should increase. IDA shares are currently trading at the high end of our valuation range and therefore offer no better than average relative attraction, in our view.

Company Description
IDACORP is a public utility holding company, formed in 1998 and headquartered in Boise, Idaho. Its principal subsidiary is Idaho Power Company, an integrated electric utility serving most of the state of Idaho and a small portion of Oregon. Non-utility operations include investments in affordable housing that generate tax credits, a developer of integrated fuel cell systems and a provider of telecommunications and Internet services.

Discussion

IDACORP is a public utility holding company, formed in 1998 and headquartered in Boise, Idaho. Its principal subsidiary is Idaho Power Company, an integrated electric utility serving most of the state of Idaho and a small portion of Oregon. Non-utility operations include investments in affordable housing that generate tax credits, a developer of integrated fuel cell systems, and a provider of telecommunications and Internet services. The company had been involved in electricity and natural gas marketing, but wound down its operations in 2003. It continues to manage its investments in several small independent hydroelectric plants, but has discontinued its project development operations. Utility operations accounted for 97% of consolidated operating revenues and 90% of consolidated net income in 2004.

Management Strategy

The company's stated operating strategy is called "Electricity Plus," a back-to-basics strategy that emphasizes IDACORP's utility operations as its core business while retaining the potential future value from its investments in electricity-related technologies.

Although this strategy was formally announced in 2003, the company had been winding down its power marketing activities since the middle of 2002. This was attributed to changing liquidity requirements brought on by the rating agencies, continued uncertainty in the regulatory and political environment, and a reduction in credit-worthy counterparties. In November 2002, IDA announced that it was ending its interest in investing in the mid-stream natural gas market and would shut down its natural gas trading operations, closing offices in Denver and Houston and reducing its work force in Boise. In August 2003, the company announced the sale of its forward book of electricity trading contracts, which closed a month later. Implementing this change in strategy resulted in several charges to earnings in 2002 and 2003.

In 2004, the company moved forward with its strategy, obtaining a base rate increase for its Idaho utility business and selling new shares of common stock through a public offering to improve its balance sheet. Earnings for the year were relatively free from costs related to the shutdown of merchant power activities, with the exception of a $2 million gain from the settlement of legal disputes.

For 2005, IDACORP plans to make significant investments to its utility infrastructure to ensure adequate supplies of power and reliable service. Customer growth continues to exceed the national average, and a sixth consecutive year of below-normal hydro conditions likely will

require an increased reliance on thermal power resources. Idaho Power plans to add 164 megawatts (MW) of generating capacity in mid-2005 with the completion of the gas-fired Bennett Mountain plant. A request for rate relief related to this investment was filed in March 2005. The company also plans to file another general rate case in Idaho in the fall.

Utility Operations

Idaho Power Company is an electric utility serving about 440,000 customers in a 24,000 square mile area in southern Idaho and eastern Oregon, with an estimated population of 895,000. It is a fully integrated electric company, involved in the generation, purchase, transmission, distribution and sale of electricity.

Service Area

The company's service territory covers about two-thirds of the state's population. A little less than one-half of the service area population lives in and around the city of Boise, Idaho. According to the U.S. Census Bureau, Idaho's population growth during the 1990s was the fifth highest among the states, increasing nearly 29%. This compares to a 13% increase for the United States. Population growth has continued at nearly twice the national average since the 2000 census. As of February 2005, the state's unemployment rate was 4.1% compared to a national rate of 5.4%. Principal commercial and industrial customers are involved in food processing, electronics and general manufacturing, forest product production, beet sugar refining and the skiing industry.

Regulation

Idaho Power is under the regulatory jurisdiction of the Idaho Public Utilities Commission (IPUC) and the Oregon Public Utility Commission (OPUC) with regard to its retail rates and other matters. About 96% of the company's general business revenue is derived from Idaho customers. Wholesale power activities, and other matters, are under the jurisdiction of the Federal Energy Regulatory Commission (FERC). Importantly, the company's licensed hydroelectric projects are subject to the provisions of the Federal Power Act, under the jurisdiction of the FERC. In addition, both Idaho and Oregon have their own hydroelectric-license regulations.

Under normal stream flow conditions, Idaho Power is able to generate about 55% of its energy requirements from its hydroelectric plants, which provide power at virtually no marginal cost. The balance of energy requirements come from the company's thermal plants or purchases from other producers. Because stream flow conditions can vary substantially from year to year, the company's annual fuel costs likely will also vary substantially. The IPUC has a Power Cost Adjustment (PCA) mechanism that provides for annual adjustments to the rates charged to Idaho retail customers. These adjustments are based on forecasts of net power supply costs, which are fuel and purchased power net of off-system sales, as well as the "true-up" of the prior year's forecast. During the year, 90% of the difference between the actual and forecasted costs is deferred, with interest, and added or subtracted from the unrecovered portion from prior years to calculate the true-up component of the PCA.

In October 2003, Idaho Power filed for an increase in its base rates (a general rate case) of 17.7%, designed to increase annual revenue by $86 million. The company's last general rate case was filed in 1994. The increase reflected a proposed return on equity of 11.2%. Incorporated in the filing was a request that a portion of the increase ($20 million or 4.2%) be implemented within 30 days on an interim basis until the resolution of the general case. The IPUC denied the request for the interim rate increase.

In its rebuttal testimony in the proceeding, the company modified its request to 14.5%, or $70 million in revenue. The reduced amount reflected changes in test-year expenses, including the resolution of a separate depreciation case, lower payroll-related expenses and a change in the

method of recovering pension costs. In May 2004, the IPUC issued its decision in the general rate case, approving an average increase in base rates of 5.2%, designed to raise annual revenues by $25.3 million, a little over one-third of the modified request. The commission approved a return on equity of 10.25% (request was 11.2%) and an Idaho jurisdictional rate base of $1.52 billion, about $30 million below the company's filing. Test-year operating expenses used by the commission to compute revenue requirements were about $27 million below the level used in the company's filing.

The company filed a request with the IPUC for reconsideration of a number of expense items used in the commission's computation of the allowed increase. In July, the IPUC granted the company another $3 million in additional annual revenue based on computational errors made by the IPUC staff relating to income tax expenses. In September, the IPUC approved settlement agreements related to the income tax and a number of other issues adding another $12 million to the rate increase. As a result, the company was able to secure a total rate increase of $40 million, or 57% of the modified request.

Along with its order in the general rate case, the IPUC approved the full amount of the company's request to recover $71 million in its annual PCA filing. The commission also approved an adjustment to the PCA mechanism that would eliminate any over- or under-collections of revenue due to changes in customer consumption.

In September 2004, Idaho Power filed a general rate case with the Oregon PUC, requesting a 17.5% increase in customer rates, designed to raise annual revenues by $4 million. A decision from the OPUC is expected in late July 2005.

As mentioned in the Business Strategy section of this report, the company has requested a 1.84% increase in rates from the IPUC specifically to reflect the completion and commercial operation of the 164 MW Bennett Mountain generating plant. Idaho Power has invested $58 million in the gas-fired peaking facility and related transmission equipment. The request was filed on March 3, and amended March 23, 2005. The rate increase would raise annual revenue by $9.4 million based on the cost of capital adopted in the last general rate case. The proposed increase would go into effect on June 1. The Staff of the IPUC has recommended that the company's filing qualify for specific consideration in a modified rate proceeding.

Power Supply - Overview

Idaho Power (IPC) is one of the nation's few investor-owned electric utilities with a predominantly hydroelectric generating base. It owns and operates 17 hydroelectric power plants with a combined generating capacity of 1,707 MW. All of these facilities are located along the Snake River, which crosses the southern and western portions of the state. It also owns 1,378 MW of thermal generating capacity, consisting of partial interests in three coal-fired plants (1,110 MW), two gas-fired plants (263 MW) and one diesel unit (5 MW).

The company's generating facilities are interconnected with those of other utilities in the region through an integrated electric transmission system, which is operated on a coordinated basis to maximize its capability and reliability. Idaho Power is a member of the Western Electricity Coordinating Council (WECC), the Western Systems Power Pool, the Northwest Power Pool and the Northwest Regional Transmission Association, all of which operate to optimize the use of the system.

The company meets its load requirements using a combination of its own generating units, mandated purchases from private developers and market-driven purchases from other utilities and independent producers. The primary influences on electric demand are weather, customer growth and economic conditions. The company experiences peak demand on its system in both the summer and winter, largely driven by weather. Peak demand in 2004 was 2,843 MW in the summer (June 24) and 2,196 MW in the winter (January 5). The all-time record peak demand of

2,963 MW was set in July 2002. Consistent with growth in customers and the economy, the company estimates peak demand growth of 2.5% per year over the next three years.

Power Supply - Integrated Resource Plan

In August 2004, the company filed its bi-annual Integrated Resource Plan (IRP) with the utility commissions in Idaho and Oregon. The IRP reviews the expected growth in energy demand and identifies resources available to meet that demand over the next ten years. The report analyzes potential supply-side and demand-side options and identifies short-term and long-term actions. The goals of the IRP process are to balance cost, risk and environmental concerns and involve the public in the resource planning process. Significant external involvement is part of the process before and after the initial filing. The 2004 plan identifies the following additional energy resources to meet demand growth:

- 76-MW demand response programs
- 48-MW energy efficiency programs
- 350-MW wind-powered generation
- 100-MW geothermal-powered generation
- 48-MW combined heat and power (co-generation) at customer facilities
- 88-MW simple-cycle natural gas-fired combustion turbine
- 62-MW combustion turbine, distributed generation or market purchases
- 500-MW coal-fired generation

The company has begun implementing some of the steps outlined in the plan. It has issued a Request For Proposal (RFP) associated with an air conditioning cycling program as well as an RFP for 200 MW of wind-powered generation. It also plans to issue RFPs for the combustion turbine, co-generation and geothermal-powered generation.

Power Supply – Hydroelectric Plants

IPC's portfolio of hydroelectric power resources is a relatively unique feature of the company and a key component of its long-term value. It owns and operates 17 hydroelectric plants, located on the Snake River, which crosses the southern part of the state, then turns and flows north until it combines with the Columbia River in Washington. These projects operate under licenses issued by the FERC, which last for 30-50 years.

The largest concentration of hydroelectric plants is located along the Idaho-Oregon border. Three projects, referred to as the Hell's Canyon Complex, comprise over two-thirds of IPC's hydroelectric capacity with 1,167 MW. The most upstream (and largest) of the three facilities is the Brownlee Dam and Reservoir, whose five generating units have 585.5 MW of generating capacity. The remaining hydroelectric facilities are located in the south-central portion of the state.

The relicensing of IPC's hydroelectric projects is a significant near-term and long-term issue, in our view. In August 2004, the company received new 30-year licenses for five of its middle Snake River projects, covering about 235 MW. An important component of each of these licenses is a settlement agreement between the company and the U.S. Fish and Wildlife Service regarding five snail species that inhabit the middle Snake River, which are listed as threatened or endangered under the Endangered Species Act. The agreement provides for six years of studies and analyses of the impact of project operations on the listed species followed by joint development of a plan for the remaining term of the license. Conservation groups have filed challenges to the new licenses, some of which remain outstanding.

A component of the new licenses (and likely a part of any future license) is a requirement for IPC to develop comprehensive plans for Protection, Migration & Enhancement (PM&E) measures and submit them to the FERC within six months after receiving a new license. IPC is required to consult with external agencies, both governmental and non-governmental, in developing these

plans. The company owns and finances the operation of anadromous fish hatcheries and related facilities to mitigate the effects of its hydroelectric dams on fish populations. At year-end 2004, IPC had invested $11 million in such facilities and incurs $3 million in annual operating costs. The estimated cost to implement new PM&E measures are estimated to be $10 million in capital and $2 million in operating expenses.

The licenses for two plants (22 MW combined capacity) expired in 2004. The projects are to operate under annual licenses until the terms of a new long-term license can be reached. IPC anticipates a new multiyear license will be issued in 2005

The July 2005 expiration of the licenses for its Hell's Canyon Complex is a major issue for the company, in our view. The application for a new license was filed with the FERC in July 2003. It includes the continuation of existing PM&E measures, as well as new measures, estimated to cost $106 million in the first five years of a new license and $218 million over the remaining 25 years. Additional measures to address water quality issues may add another $62 million to the total cost. Various government agencies, environmental groups, Native American Indian Tribes and other private interests have filed comments and suggested PM&E measures, which could add to these costs if adopted. As of year-end 2004, $66 million of relicensing costs for the Hell's Canyon Complex relicensing had been capitalized as construction work in progress.

Because of its low cost, the company seeks to maximize the value of its hydroelectric resources. Under normal stream flow conditions, the hydroelectric plants account for 55% of IPC's annual electric supply, or about 9.2 million megawatt-hours. The amount of electricity that can be produced from these plants depends on a number of factors, primarily snow pack in the mountains upstream from its facilities, reservoir storage and stream flow conditions.

Below-normal stream flow conditions in 2004 limited hydroelectric production to 6.04 million megawatt-hours, equivalent to just 45% of total system generation for the year. It was the fifth consecutive year of below-normal stream flow conditions. The production in 2004 was 1.8% below the 6.15 million megawatt-hours (47%) produced in 2003.

The outlook for stream flow conditions in 2005 are for another below-average year. The United States Weather Service Northwest River Forecast Center (RFC) estimates that water flows into the Brownlee Reservoir will be 2.3 million acre-feet from April through July, which is only 36% of normal and below the 3.2 million acre-feet in 2004. Snow pack accumulation was only 60% of average as of early March. Storage in selected federal reservoirs upstream from Brownlee was only 60% of average.

Thermal Plants

Idaho Power relies on its thermal plants for 45-55% of its annual energy requirements. Thermal generating capacity of 1,378 MW is 81% coal-fired steam and 19% gas-fired combustion turbines (including the Bennett Mountain plant scheduled for June 2005). Thermal generation in 2004 was 7.3 million megawatt-hours, equivalent to 55% of total system generation.

Coal-fired generating capacity of 1,110 MW comes from partial interests in three plants. This ownership structure enables the company to derive the economies of scale inherent in larger generating plants while spreading its operating risk over multiple plant sites. IPC owns a one-third interest (770.5 MW) in the Jim Bridger plant, a four-unit facility located in western Wyoming. The rest of the plant is owned by PacifiCorp, a subsidiary of Scottish Power. The plant consumes over 1,000 tons of coal per hour. Fuel for the plant comes from a dedicated mine and delivered via conveyor belt, rail and truck. IPC owns a 50% interest (283.5 MW) in the Valmy plant located in northern Nevada. The plant is operated by its co-owner, Sierra Pacific Power. The third source is a 10% interest (56 MW) in the Boardman coal plant in northern Oregon, operated by its 65% owner, Portland General Electric.

Non-Regulated Operations

IDA's non-regulated operations consist of:

- IDACORP Financial Services – A holder of affordable housing and other real estate investments
- IdaTech - A developer of integrated fuel cell systems
- IDACOMM – A provider of telecommunications services and commercial and residential Internet services

IDACORP Financial Services

IDACORP Financial Services (IFS) invests primarily in affordable housing developments. At year-end 2004, the gross amount of IFS's portfolio exceeded $165 million. These investments reduce income taxes through tax credits and accelerated tax depreciation. Over 90% of IFS's investments have been made through syndicated transactions in order to limit geographical and operational risk. The underlying investments include over 700 individual properties in 49 states, Puerto Rico and the U.S. Virgin Islands, all but three of which are administered through syndicated funds.

For 2004, 2003 and 2002, these investments produced tax credits of $22 million, $20 million and $21 million, respectively. IFS contributed $0.35 per share in 2004, $0.27 per share in 2003 and $0.23 per share in 2002. In 2004, the company recognized a $5 million gain on the sale of one of its investments.

IdaTech

IdaTech is a global fuel cell provider focused on the commercialization of fuel processor technology and integrated proton exchange membrane (PEM) fuel cell systems. It was originally founded in 1996 as Northwest Power Systems, LLC to develop and bring fuel cell technology to market. IDACORP purchased a majority interest in IdaTech in 1999. Current products under development include:

- Complete systems, such as ElectraGen, its five kilowatt electrical emergency back-up power fuel cell unit that is targeted to replace valve regulated lead acid batteries in applications such as cellular communications towers and portable power systems.
- On-board reforming capability, which provides auxiliary power to high-end consumer applications such as marine and recreational vehicles and premium power for special military operations.
- Components such as multi-fuel fuel processors, fuel cell stack technology and automated fuel cell systems, which target longer-term commercial applications in vehicular auxiliary power units and Combined Heat and Power units.

The company has also integrated its multi-fuel processors with a number of PEM fuel cell stacks into one to ten kilowatt for stationary and portable electric power generation. IdaTech's systems are being field-tested and evaluated with European utilities, the Propane Education and Research Council, the U.S. Army Communications Electronics Command and other customers in North America, Europe and Asia.

IdaTech's research and development program is focused on the adaptation of its fuel processor technology to operate on all commercially important fuels, as well as the development of fully integrated fuel cell systems. In 2004, it spent about $5 million for research and development of fuel cell technology. The company pursues patent protection of its technology in North America, Europe, South America, Asia and Australia. In 2004, it received its first three Japanese patents and its first European patent. It has 35 U.S. patents lasting 20 years (expiration dates are 2016 to 2025) and has about 150 pending domestic and foreign patent applications. These patents should help IdaTech commercialize its technology and provide the potential for its licensing in the future.

With the substantial increase in the cost of fossil fuels, there has been a renewed interest in new energy technologies such as fuel cells. Investments in these technologies fell out of favor in the United States after the collapse of the merchant power sector and the drop in power prices and widespread commercial development stalled. However, European investors continued to support their development and several products are close to commercial development. Although IdaTech does not make a current contribution to IDACORP's operating earnings, we believe it has the potential to add to shareholder value.

IDACOMM

IDACOMM provides a wide range of integrated communication services to business and residential customers in 22 markets in eight western states, Virginia and New York. In August 2004, IDACORP acquired Velocitus, a Boise-based Internet service provider founded in 1992. Ownership of Velocitus was transferred to IDACOMM in 2004 and the two merged in January 2005. IDACOMM's fiber optic networks provide high-speed connectivity in Boise, Idaho, as well as networks acquired in June 2004 in Las Vegas and Reno, Nevada. Its Internet services unit enables high-speed voice, Internet and data communications, including video conferencing, voice-over Internet protocol, off-site training, gigabit Ethernet service, virtual private networks, firewalls and web hosting. The Internet services unit had 20,000 customers at year-end 2004.

Broadband-over-powerline (BPL) is a developing technology that transports data over medium-voltage and low-voltage power lines directly to the end-user's computer. IDACOMM is currently conducting equipment trials and evaluating the potential commercial deployment of BPL in Boise.

Like IdaTech, IDACOMM does not make a contribution to IDACORP's operating earnings, but it has the potential to add to shareholder value in the future. The growth characteristics of both the Idaho and Nevada areas where its fiber optic networks are located may, at some future date, be of value to a larger telecom operator looking to expand.

Capital Spending

IDACORP's capital spending requirements are primarily for its utility operations. Of $200 million in property, plant and equipment additions in 2004, $190 million (95%) were for Idaho Power Company. The company estimates utility construction expenditures of $202 million for 2005 and $470 million total for the following two years. In addition to utility spending, the company anticipates additional investments of $82 million over the three years in IFS.

The prolonged period of below-average hydro conditions has increased the usage of the thermal plants, requiring the upgrade and replacement of some of the equipment at the plants. Other spending increases are related to connecting new customers, adding new peaking capacity and relicensing the hydroelectric plants. As mentioned previously, the 2004 Integrated Resource Plan includes $79 million of construction costs for a 160 MW combustion turbine peaking plant for operation in 2007.

Environmental-related spending is estimated at $18 million for 2005 and $40 million total for the following two years. Construction spending will likely rise after this period if Idaho Power proceeds with plans to construct a 500 MW coal-fired plant to be operational in 2011, at an estimated cost of $532 million.

Credit Profile

IDACORP currently carries a corporate credit rating of BBB+/Baa1 from Standard & Poor's and Moody's, respectively. The senior unsecured debt at the parent company carries a BBB/Baa2 rating from the two agencies as well as a BBB rating from Fitch. The senior secured debt of the utility is rated A-/A3/A-.

In January 2005, Fitch announced that it had lowered its ratings to the above-mentioned levels because of increased earnings volatility and debt burden relative to cash flows, primarily due to the effect of ongoing drought conditions in southern Idaho and the lower than expected rate increase approved by the Idaho PUC in 2004. The outlook for its ratings was stable.

Earnings and Dividends

In 2004, IDACORP reported earnings of $1.90 per share, a 56% increase over the $1.22 per share earned in 2003. The increase was attributable to higher earnings from utility operations, higher tax benefits and a gain on an asset sale at IFS in 2004. Earnings for 2003 included the impact of exiting the energy trading business as well as asset impairment charges.

Earnings at Idaho Power were $1.71 per share, an 18% increase over the prior year's $1.44 per share. The following items were significant factors in the improvement:

- +$12 million – Reversal of 2002 charge due to settlement of the irrigation lost revenue case
- + 2 million – Interest related to the above settlement
- + 7 million – Settlement with IPUC over calculation of IPC's income taxes
- + 10 million – Reduction in unrecovered power costs
- + 15 million – Lower income tax expense due to reversal of a 2002 regulatory liability charge
- - 35 million – Higher payroll costs and write-off of disallowed costs in general rate case

IFS contributed $0.35 per share compared to $0.27 per share for 2003. These results included a $2 million ($0.05 per share) gain on the sale of IFS's investment in the El Cortez Hotel in San Diego.

Earnings from Ida-West were $0.08 per share in 2004, compared to a net loss of $0.13 per share in 2003. The company recorded a $3.5 million gain in 2004 on the purchase of debt from a 50%-owned consolidated joint venture. Results for 2003 also included the write-off of an investment in a power project and the recording of a reserve on a note receivable.

IDACORP Energy earned $0.06 per share in 2004, primarily from gains on settlements of legal disputes. In 2003, the company had a net loss of $0.25 per share due to losses on legal settlements and the costs of winding down its business, partially offset by a gain on the sale of its forward book of electricity trading contracts.

With the exit from the merchant energy businesses complete, we look for earnings from Idaho Power and IFS to comprise IDACORP's earnings for 2005 and 2006. Our projections are detailed in the table attached to this report.

As mentioned previously, the company expects 2005 to be the sixth consecutive year of below-average hydro conditions. Higher prices for coal, natural gas and purchased power will also likely be negative influences on earnings. Offsetting these factors likely will be the full-year's impact of the general rate increase received in 2004, higher PCA revenues, and the benefits of normal weather and an improving economy.

Our EPS estimates are $1.70 for 2005 and $1.90 for 2006.

In September 2003, IDACORP's annual dividend was reduced to $1.20 per share from $1.86. The action was taken to help the company strengthen its financial condition and improve its ability to fund the growing capital spending requirements of the utility. We look for the company to maintain the dividend at its current level over the next few years. The $1.20 dividend represents a 67% payout of our 2005 EPS estimate, which is comparable with other integrated electric utilities.

Risks

The following factors could have a significant impact on the operations and financial results of IDACORP.

Reduced hydro conditions – As mentioned above, because of its significant reliance on hydroelectric generation, the company's earnings are directly influenced by winter weather and its impact on streamflows into the Snake River. During low water years, the company increases its use of more expensive power from its thermal plants and purchases from other producers. The company is unable to recover the full cost of this power through the Power Cost Adjustment mechanism. The region is in its sixth consecutive year of below normal hydro conditions.

State regulatory commission actions – The company's ability to earn an adequate return on its investment in utility assets is dependent on the receipt of timely and adequate rate increases. This is particularly true when the utility's capital spending requirements rise. As mentioned above, Idaho Power has recently completed a new combustion turbine at Bennett Mountain. Capital spending likely will continue to rise to meet environmental regulations, improve reliability and renew the licenses for its hydro plants.

Conditions imposed on hydro license renewals - The company is in the process of renewing its licenses for its Hells Canyon Complex, the largest of its hydroelectric facilities. These licenses expire in July 2005. IPC's application identifies protection, mitigation and enhancement measures (PM&E) that would require an investment of $386 million. Proposals for PM&E measures by other parties to the proceedings could require as much as an estimated $2.5 billion of new investment over the 50-year life of the license.

Litigation – IDACORP Energy's involvement in western power markets during the 2000-2002 time period has made the company a party to a number of federal investigations and lawsuits. Many of these proceedings have been concluded or dismissed but remain under appeal by various parties. Two securities shareholder lawsuits have been filed against IDACORP.

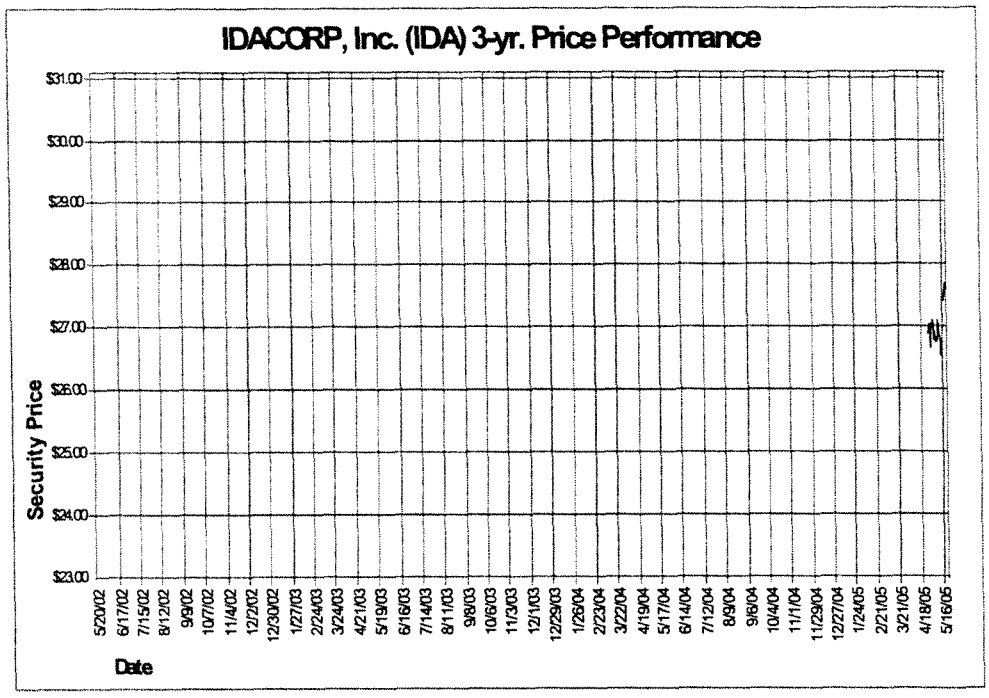
Environmental regulations – As the owner of several thermal electric generating plants, the company is subject to changing standards regarding air and water quality. These changes often require the installation of new emission control equipment. The issue of carbon dioxide emissions (greenhouse gasses) and their impact on global climate conditions has become increasingly public and could result in new regulations that could significantly impact electric power producers.

IDACORP, Inc.
Income Statement
(in $ millions, except per share data)

	2004 FY	2005 Q1	2005E Q2	2005E Q3	2005E Q4	2005E FY	2006E Q1	2006E Q2	2006E Q3	2006E Q4	2006E FY
Operating Revenues:											
Electric Utility - Retail Kwh Sales	13,239.6	3,059.7	3,351.5	3,869.9	3,179.9	13,461.0	3,198.9	3,504.0	4,046.0	3,324.6	14,073.5
Sales Growth %	2.0%	(1.0%)	2.5%	2.5%	2.5%	1.7%	4.6%	4.5%	4.6%	4.5%	4.5%
Electric Off-System Sales	2,885.4	645.2	975.3	790.6	446.0	2,857.0	645.2	975.3	790.6	446.0	2,857.0
Total Sales	16,124.9	3,704.9	4,326.8	4,660.5	3,625.9	16,318.1	3,844.1	4,479.3	4,836.6	3,770.6	16,930.6
Electric Utility - Retail Revenues	635.8	146.4	162.3	191.4	148.3	648.3	156.1	173.0	204.1	158.2	691.3
Off System Sales Revenues	121.1	32.2	37.5	35.7	21.7	127.1	32.7	38.1	36.2	22.0	129.0
Other Utility Revenues	65.6	12.3	12.0	19.9	25.8	70.0	12.3	12.0	19.9	25.8	70.0
Energy Marketing & Other Revenues	21.6	5.3	5.1	5.6	6.6	22.6	5.3	5.1	5.6	6.6	22.6
Total	844.5	196.2	216.9	252.5	202.4	868.1	206.4	228.2	265.8	212.6	913.0
Revenue Growth %	2.6%	4.2%	2.4%	2.4%	2.4%	2.8%	5.2%	5.2%	5.2%	5.0%	5.2%
Fuel Costs:											
Purchased Power	195.6	44.1	88.5	110.6	60.1	303.3	72.3	92.5	115.6	62.9	343.3
Fuel Expense	103.3	25.1				25.1					
Power Cost Adjustment	39.2	(4.4)	0.5	8.0	8.0	12.1	(4.4)	1.5	5.0	5.0	7.1
Total	338.1	64.8	89.0	118.6	68.1	340.5	67.9	94.0	120.6	67.9	350.4
Gross Margin - Electric	418.9	113.8	110.8	108.4	101.8	434.9	120.9	117.1	119.6	112.3	469.9
% of Revenues	55%	64%	55%	48%	60%	56%	64%	55%	50%	62%	57%
Operating Expenses:											
Other Operation & Maintenance	255.9	55.1	63.1	63.3	66.6	248.1	56.5	64.7	64.9	68.2	254.3
Depreciation	100.9	24.9	26.0	26.0	26.0	102.9	26.5	26.7	26.7	26.7	106.5
General Taxes	19.1	5.2	5.5	4.7	3.6	19.0	5.4	5.6	4.8	3.7	19.4
Non-Utility Operating Expenses	37.3	11.3	8.4	7.3	13.3	40.2	11.6	8.6	7.5	13.6	41.2
Total expenses	413.2	96.5	103.0	101.2	109.5	410.2	99.9	105.6	103.8	112.2	421.4
Operating Income:											
Total	93.3	34.9	24.9	32.7	24.8	117.4	38.6	28.6	41.4	32.5	141.2
Margin - % of Net Revenue	11%	18%	11%	13%	12%	14%	19%	13%	16%	15%	15%
Other Income:											
Net Other Income & Expenses	18.1	3.8	4.5	4.5	4.5	17.3	5.0	5.0	5.0	5.0	20.0
EBIT	**111**	**39**	**29**	**37**	**29**	**135**	**44**	**34**	**46**	**38**	**161**
EBITDA	**212**	**64**	**55**	**63**	**55**	**238**	**70**	**60**	**73**	**64**	**268**
Financing Costs:											
Interest & Pfd Dividends	63.1	14.5	14.5	15.0	15.0	59.0	15.5	15.0	15.0	15.0	60.5
Pre-Tax Income	48.2	24.2	14.9	22.2	14.3	75.7	28.1	18.6	31.4	22.5	100.7
Income Taxes	(24.8)	1.1	0.7	1.1	0.7	3.7	5.6	3.7	6.3	4.5	20.1
Income Tax Rate %	(51%)	5%	5%	5%	5%	5%	20%	20%	20%	20%	20%
Earnings Summary:											
Net Income	73.0	23.1	14.2	21.1	13.6	72.0	22.5	14.9	25.1	18.0	80.5
One-time Items included above											
Earnings For Common Shareholders	73.0	23.1	14.2	21.1	13.6	72.0	22.5	14.9	25.1	18.0	80.5
Avg. Common Shares Outstanding Diluted	38.4	42.2	42.3	42.3	42.4	42.3	42.4	42.5	42.5	42.6	42.5
Earnings:											
EPS (Diluted)	**$1.90**	**$0.55**	**$0.34**	**$0.50**	**$0.32**	**$1.70**	**$0.53**	**$0.35**	**$0.59**	**$0.42**	**$1.90**
Growth	**NM**	**6%**	**(3%)**	**(27%)**	**(12%)**	**(11%)**	**(3%)**	**5%**	**18%**	**32%**	**11%**
Dividends Paid	$1.20	$0.30	$0.30	$0.30	$0.30	$1.20	$0.30	$0.30	$0.30	$0.30	$1.20
Payout Ratio	63%	55%	90%	60%	93%	71%	57%	85%	51%	71%	63%

Source: Company Data and Wachovia Capital Markets, LLC Estimates

Required Disclosures



	Date	Close Price ($)	Rating Code	Target Price ($)	Val. Rng. Low	Val. Rng. High

Source: Wachovia Capital Markets, LLC estimates and Bridge data

Beginning 01/04/2003 stock valuation range replaces target price

Symbol Key

- ♦ Rating Scale Conversion
- ● Rating, Target Price and/or Val. Rnge. Chnge.
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ■ Analyst Change
- ⊓ Split Adjustment

Rating Code Key

1	Outperform	SR	Suspended
2	Market Perform	NR	Not Rated
3	Underperform	NE	Not Estimate

Additional Information Available Upon Request

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2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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Risks to achieving our valuation range include a lack of improvement in future stream flow conditions, adverse regulatory decisions, burdensome

conditions placed on hyro license renewals, and higher purchased power prices.

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As of: May 23, 2005

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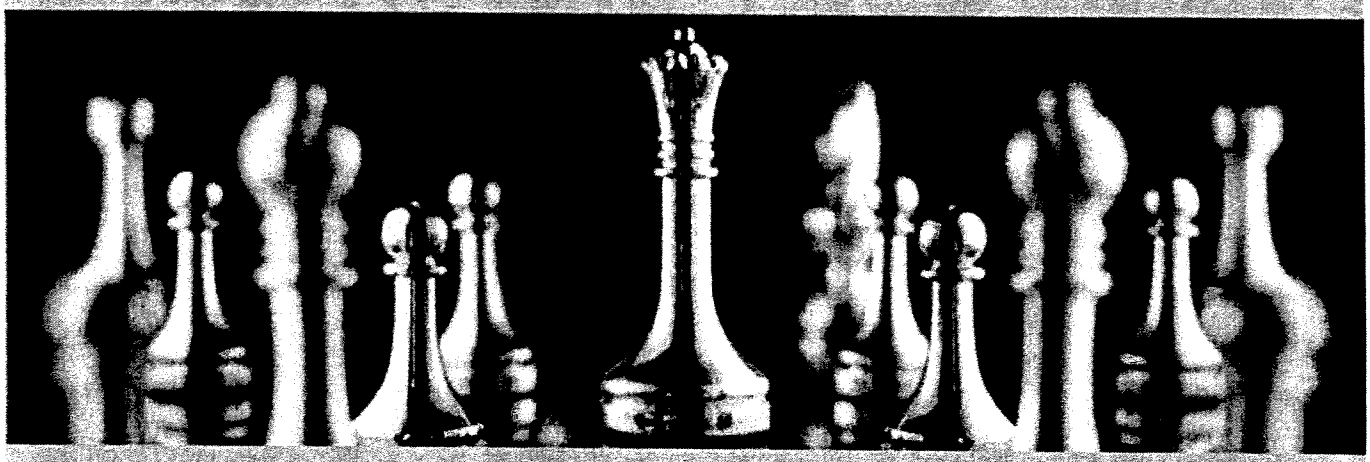

January 6, 2005

IDACORP, Inc.
(IDA-NYSE)

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KeyBanc
Capital Markets

A Division of McDonald Investments Inc.

For important disclosures and certifications,
please refer to page 15 of this document.

KeyBanc
Capital Markets

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Basic Report

IDACORP, Inc.
(IDA-NYSE)

RECENT EQUITY OFFERING STRENGTHENED BALANCE SHEET

MANAGEMENT REFOCUSED ON CORE UTILITY BUSINESS

58% RETAIL STOCK OWNERSHIP OFFERS STABILITY

LARGE HYDROELECTRIC FLEET AND REGULATORY FRAMEWORK MAKE EARNINGS SENSITIVE TO PRECIPITATION

WE ARE INITIATING COVERAGE WITH A *HOLD* RATING

Investors should assume that we are seeking or will seek investment banking or other business relationships with the company described in this report.

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- **Subject to investment risks, including possible loss of the principal amount invested.**

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A Division of McDonald Investments Inc.
Equity Research

IDACORP, Inc. (IDA-NYSE)

January 6, 2005
Initiating Coverage

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IDACORP, INC. AT A GLANCE

Price	$29.36
52 Week Price Range	$25-$33
Rating	HOLD (3)
Fiscal Year Ends	December
Book Value	$23.23
Dividend/Yield	$1.20/4.1%
EV/EBITDA 2004E	NA
EPS 2005E	$1.90
EPS 2004E	$1.90
EPS 2003A	$1.22
P/E 2005E	15.5x
P/E 2004E	15.5x
R.O.E.	8.2%
S&P 500	1,183.74
P/E S&P 500 LTM	20.4x
Headquarters	Boise, Idaho
Business	Electric Utility
Long-Term Debt (mils)	$985.5
Shareholders' Equity (mils)	$887.1
Shares Outstanding (mils)	41.7
Market Cap. (mils)	$1,224.3
Closely Held	1.3%
Shares Traded (dly avg)	198,933

IDACORP, Inc. is a holding company headquartered in Boise, Idaho. Idaho Power Company (IPC), its largest subsidiary, is a regulated utility engaged in the generation, transmission and distribution of electricity. Of IPC's 2,912 megawatts (MW) of generation capacity, 59% is hydroelectric power. IPC has more than $2.8 billion in assets. Other IDA subsidiaries include IDACORP Financial Services, IDACOMM, IdaTech and Ida-West. IdaTech is a developer of fuel cell technology with a number of patents surrounding the fuel reformer component. IDACOMM/Velocitus, the communications subsidiary, services customers with fiber-based voice Internet and data communications needs. The subsidiary has launched trial projects to investigate Broadband over Power Line (BPL), a technology allowing Internet connection through standard wall outlets. IDACORP Financial Services invests in affordable housing and historic restoration projects, creating tax advantages at the holding company level. The Company is winding down the operations of IDACORP Energy, its electric trading and marketing arm, which was a key driver in IDA's earnings growth in recent years. With the collapse of trading, IDA has decided to exit this business and has sold its remaining book to Sempra Energy Trading in a transaction that closed in 3Q03. Ida-West, which focused on independent power projects, has ceased development activities. Management is currently exploring options for the existing assets, which comprise 45 MW of generation capacity.

SUMMARY AND RECOMMENDATION

On January 3, 2005, we initiated coverage of IDA with a HOLD (3) rating at an opening price of $30.58. Based on our 2005 estimate of $1.90 per share, IDA shares sell at an 11% premium to the group average P/E ratio of 14.1x. However, our 2005 estimate assumes that the utility company will be negatively impacted by continuing pressure stemming from long drought conditions. Normalizing for more historical streamflow conditions, which we believe could total $0.10-$0.15 per share, shares would trade at only a

slight premium to the group average. We think this valuation is consistent with the stability offered by a large retail shareholder base (58%) and the potential value of IDA's fuel cell subsidiary. This subsidiary holds a number of patents and has a foothold on the fuel reformer component, an important and technically challenging component. As fuel cells did previously, BPL technology has recently captured investor interest.

KEY INVESTMENT POINTS

- **Our 2004 and 2005 estimates are both $1.90, although we note that our 2004 estimate includes roughly $0.23 of unusual items.** Our improved operational earnings for 2005 include a full year of rate relief and the assumption of normal precipitation for the primarily hydro generation fleet. These are partly offset by a higher share count.

- While our 2005 estimate assumes normal precipitation, a prolonged drought will preclude normal streamflow, which we estimate could negatively impact earnings by $0.10-$0.15 per share relative to normal streamflow.

- Based on our 2005 estimate, IDA shares sell at an 11% premium to the group average P/E ratio. However, assuming more normal hydrology conditions, this premium drops to 3%, which we assume is reasonable and is the basis of our **HOLD (3)** rating.

PRIMARY RISK FACTORS

We consider IDA's primary investment risk to be earnings volatility related to the impact of variable precipitation levels on its sizable (1,700 MW) hydroelectric generation fleet. During periods of reduced streamflow, IDA depends on more costly sources of power to meet its load requirements. IDA absorbs or retains the first 10% of higher power supply costs (or benefit) relative to a benchmark stemming from variations in power supply costs. This risk has been highlighted by five consecutive years of below normal precipitation.

In addition, IDA was active in energy trading during the power crisis in the western United States and, as such, has been named in a number of legal proceedings stemming from this situation. In addition, a decline in power trading has reduced IDA's earnings, which has triggered a shareholder lawsuit alleging IDA management did not offer adequate disclosure regarding the risk associated with energy trading.

An additional source of risk surrounds IDA's ability to renew licenses for its hydro facilities and the potential costs associated with these license renewals. IDA has recently renewed a number of licenses at smaller facilities.

BUSINESS SEGMENTS

IDAHO POWER COMPANY (IPC)

IPC has traditionally been the largest earnings contributor to IDA. IPC's operations cover a 20,000 square-mile area and serve 436,400 residential and business customers in southern Idaho and eastern Oregon. The majority of its general business revenue comes from customers within Idaho (95%). The rates charged to these customers are adjusted annually based on a power cost adjustment (PCA) mechanism. The projected growth rate for new customer additions going forward is 2-3%. IPC owns and operates 17 hydroelectric power plants and shares ownership in three coal-fired generating plants as well as natural gas and diesel-fired capacity. IPC also has access to all major electric systems in the western United States through interconnections with Bonneville Power Administration, Avista Corporation, PacificCorp, The Montana Power Company and Sierra Pacific Power Company. IPC's system is dual-peaking with the winter-peaking northern regions and the summer-peaking southern regions of the western interconnected power system.

This dual-peaking system, along with the interconnections to the west, allow IPC to reach a broader power sales market.

TABLE 1. QUARTERLY SALES DISTRIBUTION

	Electric Sales Volume 2003 (GWh)	% of 2002 Sales	Electric Sales Volume 2002 (GWh)	% Of 2001 Sales	Electric Sales Volume 2001 (GWh)	% of 2000 Sales	3-Year Average % of Sales
1Q	2,813	**21.7%**	3,010	**23.3%**	3,248	**25.0%**	**23.3%**
2Q	3,191	**24.6%**	3,180	**24.7%**	3,207	**24.7%**	**24.7%**
3Q	3,974	**30.6%**	3,738	**29.0%**	3,525	**27.1%**	**28.9%**
4Q	3,002	**23.1%**	2,964	**23.0%**	3,022	**23.2%**	**23.1%**

Source: Company data

IPC indicated that planned capital expenditure for 2004 is on track with the previously forecasted level of $207 million. Utility capital expenditure is expected to be $643 million for the period 2004-2006. This level exceeds IDA's forecast of internally generated funds after the payment of dividends. Management expects that this $643 million will be allocated approximately as follows: thermal generation (21%); hydro generation (17%); transmission (20%); distribution (29%) and general plant (13%).

Principal commercial and industrial customers are involved in elemental phosphorus production, food processing, phosphate fertilizer production, electronics and general manufacturing. Main drivers of the business are the number of customers served, the rates that are charged and weather conditions.

Because of IPC's reliance upon hydroelectric generation to meet its generating needs, earnings can be significantly affected by weather and water availability. In the past, under normal weather conditions, hydroelectric power supplies approximately 56% of generation, thermal generation 33%, and purchased power and other interchanges supply approximately 11%. Table 2 breaks down IPC's total possible regulated generation by source.

TABLE 2. GENERATING CAPACITY

Fuel	Capacity (MW)	% of Total
Hydroelectric	1707	58.6%
Coal	1110	38.1%
Natural Gas and Diesel	95	3.3%
Total	2912	100.0%

Source: Company data

Over the past five years, IDA has experienced well below normal precipitation levels, adversely impacting its low-cost hydro fleet and forcing the Company to fulfill its needs with higher cost fossil-fired plants or purchases. Power pricing volatility has dropped in recent years, mitigating the problem for IPC (and negatively impacting the results of the now shuttered trading unit IDACORP Energy). Table 3 illustrates the variability IDA has experienced in its markets.

TABLE 3. HYDROLOGY VARIATION

	1999	2000	2001	2002	2003	2004E
% Normal Hydro	125%	70%	38%	51%	57%	52%
Hydro Generation GWh	10,652	8,500	5,638	6,069	6,200	6,114
Purchase Costs $/MWh	$34	$92	$125	$31	$44	$45
Off-System Sales $/MWh	$20	$51	$92	$27	$39	$41

Source: Company data and McDonald Investments Inc.

Purchases are generally made during peak demand periods and power is typically sold during off-peak periods, resulting in the spreads between purchase costs and off-system sales pricing.

IPC has identified a need to satisfy demand during peak periods. In February 2003, IPC issued a request for proposals for bids to construct up to 200 MW of capacity. The winning bid calls for construction of Bennett Mountain Power Plant, a 160 MW gas-fired turn-key unit to be developed for $61 million. This unit was not included in IPC's recently concluded general rate case, so it is expected to be subject to regulatory lag. IPC's latest resource plan, filed in August 2004, looks to increasingly utilize conservation and demand side management. With regards to incremental need for physical resources, IDA looks to utilize equally renewable resources and traditional thermal sources.

During the power crisis in the western United States, high purchased power costs due to drought conditions and other issues in California skewed earnings to IDACORP Energy, which thrived on the uncertainty and volatility in the markets. During this period of high pricing and poor hydrological conditions, IPC instituted innovative programs to reduce demand, such as power buyback programs under which IPC essentially paid customers (primarily irrigation customers) not to use power. This program has since expired and would be unlikely to be repeated absent more extreme volatility. Another program instituted in 2001 was the Green Energy Purchase Program. This is a voluntary program available to Idaho customers that allows them to pay a premium for energy that is generated using alternative sources such as wind and solar. This program is viewed as a way to pique customer interest in alternative sources of energy and their development.

IPC contributed $1.44 per share in 2003 vs. $2.24 in 2002. 2003 results included a $0.16 per share benefit from the resolution of tax issues. However, 2002 results reflected a change in accounting methodologies that produced a tax benefit of $0.92 per share and a regulatory charge of $0.19 per share.

IDACORP Energy

IDA is in the final stages of winding down its gas and electric trading operations under IDACORP Energy. During the western U.S. power crisis, IDACORP Energy was able to add substantially to IDA's earnings through geographic arbitrage, as the subsidiary was able to capitalize on transmission rights and move power from lower cost regions into those areas experiencing power shortages. As volatility subsided and credit issues impacted the trading sector, IDA management no longer considered IDACORP Energy strategic and started winding down operations in 2002. The remaining book of business was sold to Sempra Energy Trading in 3Q03. Remaining issues at energy trading include ongoing exposure to the credit risk of one counterparty, with the maximum amount payable by IDA totaling $20 million, and ongoing litigation surrounding the western U.S. energy crisis. IDACORP Energy's earnings were a loss of $0.25 per share in 2003, including a $0.19 loss on a legal settlement offset by a $0.26 gain on the sale of energy contracts.

Ida-West

Ida-West Energy is IDA's independent power subsidiary focused on the development of unregulated electric power projects. Currently, Ida-West owns nine hydroelectric projects with total generating capacity of 45 MW. As part of a strategic refocusing, IDA has ceased further development in merchant generation. IDA management is now contemplating whether to divest the business or continue operation of the existing projects. Ida-West lost $0.13 per share in 2003, including a $0.13 writedown of assets.

IDACORP Financial Services

IDACORP Financial Services invests in affordable housing and historic preservation projects that provide a return by reducing federal income taxes through tax credits and tax depreciation benefits. IDACORP Financial Services contributed $0.27 per share to 2003 earnings. IDA has de-emphasized growing this segment, instead directing capital toward utility infrastructure investment. IDA has targeted 2004 investment of $20 million in this business segment. Investment in this subsidiary totaled $160 million at the end of 2003, including more than 700 properties geographically diversified throughout the United States and its territories.

IDACOMM/VELOCITUS

IDACOMM, originally a business unit of IPC, acquired Internet service provider Rocky Mountain Communications, Inc. (RMCI) in August 2000 to provide telecommunications services using fiber optic technology. IDACOMM focuses on custom fiber networking solutions. Products offered are voice-over-IP, video conferencing, training services and ethernet service. IDACOMM serves various industries, including manufacturing, healthcare, food processing, retail, government and education. Currently, the Company is exploring technical feasibility and marketability of Broadband over Power Line (BPL) technology. The Company is interested in this technology because much of the necessary infrastructure is already in place (existing power lines), allowing access to a large market. The technology could also offer improved customer service by allowing more pinpointed system monitoring.

Velocitus offers high-speed Internet access as well as support and other services in both residential and business markets to approximately 20,000 customers. Velocitus is a managed service provider of IP service, private networks, Internet hosting, firewalls and last mile solutions such as DSL, T1, ISDN, frame relay and DS3. IDACOMM/Velocitus has established markets in 22 medium-sized western U.S. cities and continues to look for expansion opportunities. IDACOMM lost $0.05 per share in 2003.

IDATECH

In March 1999, IDA purchased a majority interest in IdaTech, formerly known as Northwest Power Systems. The Company currently has two main product lines: fuel processors and fuel cell systems. IdaTech's fuel processor allows for the processing of a number of fuels into hydrogen that is then used for the generation of electricity. The fuel processor is a significant development for IdaTech due to its small size, efficiency and the high-quality hydrogen it produces. The fuel processor can produce hydrogen from most common fuels, including methanol, ethanol, natural gas, propane, kerosene and diesel. IdaTech employs a steam reforming process through which it is able to produce hydrogen that is 99.95% pure. This is better than other processes, such as partial oxidation with steam reforming and partial oxidation, which can only produce hydrogen that is 50-60% pure and 40-50% pure, respectively. IdaTech currently has 21 patents in the United States and abroad.

The fuel reformer operates at very high efficiencies, which also contributes to greater fuel cell performance. Since waste gases from the steam reforming process serve as fuel to heat the reformer and raise steam, the efficiency is close to its theoretical limit. The numbers from IdaTech in Table 4 show that there is very little room for improvement on efficiency as the processor is well insulated and heat loss is minimal. IdaTech lost $0.04 per share in 2003 including a $0.06 per share gain related to a contract settlement. IdaTech also sells its fuel processors to other fuel cell companies.

TABLE 4. EFFICIENCY OF FUEL SOURCES

Fuel	Experimental Efficiency	Theoretical Efficiency
Methanol	86-90%	87%
Methane	67%	66%
Biodiesel	55%	61%
Diesel	65%	66%

Source: Company data

The fuel cell system IdaTech developed has experienced successes in recent years. In 2000, testing was completed for its first patented alpha fuel cell system for residential applications. That same year the first of 110 fuel cell systems was delivered to Bonneville Power Administration. The Company recently was awarded a Department of Energy program for the development of a 50 kilowatt (kW) fuel cell system suitable for powering large facilities including multi-family dwellings and office buildings. Three prototype units will be tested. In November 2003, IDA unveiled a 5 kW system capable of operating with natural gas and liquid propane fuels. IdaTech has been awarded two Department of Energy grants for fuel

cell development. In October 2003, IdaTech was awarded $9.6 million to develop a 50 kW system suitable to power large facilities. A second $1.4 million award in November 2004 was to fund exploring fuel cell solutions to power off-road vehicles, which operate in a challenging environment of dirt, varying weather, and shock and vibration. Significant IdaTech partnerships include an agreement with Volkswagen to work on a diesel fuel automotive fuel cell and an agreement between Bosch subsidiary Buderus and German utility RWE subsidiary RWE Fuel Cells to develop a 5 kW combined heat and power system. IdaTech and RWE had a previous agreement to develop multi-unit residential and light commercial systems up to 50 kW.

POWER COST ADJUSTMENT MECHANISM AND REGULATORY ISSUES

The annual variability in precipitation has a significant impact on the amount of IDA's hydroelectric generation output. In years with little precipitation, IDA must rely on more expensive thermal generation and purchased power. When forced to obtain power from the wholesale market, IDA's purchase costs are above the embedded cost of its 1,707 MW hydroelectric fleet.

In its Idaho jurisdiction, IDA is permitted to recover most (90%) of these higher costs from customers through its Power Cost Adjustment (PCA) mechanism. Conversely, in years with high levels of precipitation and streamflow, IDA retains 10% of the benefit of this low-cost power. Customers receive a surcharge or credit on their bills to account for any undercollections or overcollections, respectively. The PCA will adjust customer rates to show the changes of the costs incurred by IPC to supply power. Adjustments to the PCA are generally made annually and take effect on June 1. Adjustments are made of two components; one is based on a prospective forecast for power costs for the coming period that is analyzed throughout the year, and the second is a true-up for the prior year's forecast (with accrued interest). The variance between the actual costs incurred and the forecasted cost is then deferred, with interest and trued-up expenses in the next annual rate adjustment.

Table 5 indicates the 1998-2004 PCA filing outcomes (relative to base rates in 1993, when the PCA program was instituted) and true-up components.

TABLE 5. DETAIL OF ANNUAL PCA OUTCOMES

Rate Period	PCA Level	True-Up Component
1998-1999	$17.3 million	$15.5 million
1999-2000	-$23.3 million	-$0.3 million
2000-2001	$14.8 million	-$5.0 million
2001-2002	$219.9 million	$170.9 million
2002-2003	$255.9 million	$227.4 million
2003-2004	$81.2 million	$38.7 million
2004-2005	$70.1 million	$42.8 million

Source: Company data

The combination of low hydrology and the related run-up in wholesale power prices during 2000 and 2001 caused actual power costs to vary meaningfully from forecasts. In May 2001, the Idaho Public Utilities Commission (IPUC) authorized $168.3 million of IDA's $227.4 million request and deferred the balance until it had the opportunity to more closely examine the request. The IPUC indicated that it wished to look more closely at transactions between IPC (the regulated utility) and IDAHO Energy (the unregulated marketing and trading arm). In late September 2001, the IPUC authorized IDA to collect $47.7 million of the deferred $59.1 million balance (with $1.2 million in accrued interest). The remaining $11.4 million has been written off.

We view this ruling by the IPUC favorably for two reasons. Firstly, we believe that the decision clears the Company of any questions regarding the propriety of its intercompany transactions. Secondly, and more importantly, we believe that the concept of the PCA has been stress-tested under the severe conditions imposed by the unprecedented volatility witnessed in the impacted periods.

At September 30, 2004, IDA's deferred PCA balance was roughly $57 million, comprised of the following:

- Remaining balance from May 1st PCA rate adjustment: $21.5 million
- Costs incurred to be trued up in 2005-2006 rate year: $23.2 million
- Oregon Deferral: $12.5 million

In its Oregon jurisdiction, IDA's ability to collect underrecovery of purchased power costs was limited to annual increases of 6% of gross Oregon revenues, which is roughly $2 million. During 2003, the law was changed to permit 10% annual increases. IDA requested and received this higher increase (approximately $3 million) in 2004, which will allow more rapid recovery of the $12.5 million balance.

On October 16, 2003, IPC filed a general rate case with the IPUC. IPC's last general rate case was filed in 1994. The filing requested a revenue increase of $85.6 million annually. The request was based on a proposed return on equity (ROE) of 11.2% and rate base of $1.547 billion, of which $692 million is comprised of equity. Previously the utility was permitted to earn a ROE of 11%. In the 1994 rate case, the equity component of utility capitalization was determined to be approximately $600 million. IPC subsequently lowered its request for rate relief to an increase of $70.7 million when projections were updated.

On May 25, 2004, the IPUC authorized a $25.3 million rate increase based on a 10.25% ROE and $1.52 billion rate base, of which $698 million is equity financed. The difference between the requested $70.7 million and $25.3 million granted is outlined in Table 6.

TABLE 6. RECONCILIATION OF RATE ORDER

Item	Impact
Rate of Return	$12 million
Update Projections to Actual Results	$4 million
Prepaid Pension and Pension Adjustments	$7 million
Payroll-Related Adjustments	$8 million
Tax Normalization	$12 million
Other	$2 million

Source: Company data and McDonald Investments Inc.

The tax normalization item relates to the 2002 change in IDA's tax accounting methodology that resulted in a $41 million tax refund, which would be reflected in higher future taxes. The IPUC opted to hold IDA accountable for the resulting higher taxes, rather than the ratepayers.

IDA requested rehearing of the IPUC order for the tax issue, clarification of certain calculations and reconsideration of a legal expense disallowance. The IPUC agreed to reconsider the tax issue and granted an additional $2.7 million relating to certain calculations. IPC reached a settlement with parties to the case, allowing $11.5 million of the disputed tax issue to be included in rates.

Under this settlement, these revenues would be deferred from June 1, 2004 until May 31, 2005 for recovery under the PCA mechanism for one year starting in spring 2005, after which the tax amount would be collected in base rates.

A second settlement relates to summer 2003 replacement power costs stemming from an unplanned outage. Under this agreement, which was approved by the IPUC, IPC will issue a $19 million credit to ratepayers through the PCA during the June 2004 to May 2006 period.

On September 21, 2004, IDA filed with the Oregon commission an application to raise rates 17.5%, or roughly $4 million. In late October 2004, the commission suspended the request for no more than nine months to consider the propriety and reasonableness of the requested rate increase.

REGIONAL TRANSMISSION ORGANIZATIONS (RTO)

In December 1999 the Federal Energy Regulatory Commission (FERC) issued order 2000, which is a follow-up to orders 888 and 889 stating that each public utility that owns, operates or controls facilities for the transmission of electric energy in interstate commerce make certain filings with respect to forming and participating in an RTO or state why it cannot. The FERC's goal is to promote efficiency in wholesale electricity markets and ensure that electricity consumers pay the lowest price possible for reliable service. In response to the proposed FERC Order 2000, IPC and other regional providers filed in October 2000 a plan to form RTO West (since renamed Grid West) to operate the grid in the northwest United States and British Columbia. The group has since responded to FERC comments and refined its proposals. Currently the Grid West is preparing for an implementation order by creating bylaws. An executive search is anticipated to identify potential members of the board.

CALIFORNIA ENERGY PROCEEDINGS

IDA is the subject of multiple proceedings related to the western U.S. power crisis. In January 1999, IPC entered into a participation agreement with the California Power Exchange (CalPX). At the time, the CalPX acted as a clearinghouse through which wholesale electricity was bought and sold. Under this agreement IPC was able to sell energy to CalPX under the terms and conditions set forth by the CalPX Tariff. The participation agreement stated that if a participant in the exchange defaults on a payment to the exchange, the other participants would pay their allocated share of the default amount to the exchange. The allocated share was based on the level of trading activity, which includes both power sales and purchases for the preceding three months. The FERC ordered that chargeback actions be rescinded, and a methodology for refunding funds is awaited from the FERC.

California has made efforts to collect refunds for power purchases, claiming prices were not just and reasonable. The FERC issued an order on refund liability and ordered the California Independent System Operator (Cal ISO) to make a filing regarding refund amounts. At December 31, 2003, CalPX and Cal ISO owed IDA $44 million ($14 million and $30 million, respectively). IDA has established a $42 million reserve against this amount. IDA believes that the impact of net receivables or potential refund will not have material financial impact.

Additional proceedings were initiated in the northwest United States based on the argument that dysfunctional market conditions warranted refunds. The FERC rejected this claim and a subsequent request to rehear the matter. The matter is currently under appeal.

In two separate cases, an appeals court has ruled that the FERC permits parties to submit information demonstrating market manipulation. The FERC ordered that parties, including IDA, demonstrate that they did not engage in manipulation. IDA reached a settlement with the FERC on the matter. The FERC dismissed a proceeding related to "anomalous market behavior." These matters are the subject of review petitions, but IDA's settlement does not fall under this request.

The FERC has issued an order to investigate bidding behavior in the western U.S. markets, to which IDA has responded with all requested information. IDA believes that any action by the FERC on this matter is unlikely to have a material financial impact.

ADDITIONAL SECURITY OFFERINGS

IDA currently has two shelf securities registration statements totaling $800 million. These securities may take the form of unsecured debt, preferred stock or common equity. Of a $300 million first mortgage shelf filed in early 2003, $55 million remained at September 30, 2004. IPC plans to file an incremental $300 million first mortgage bond shelf statement in 4Q04. IDA management recently announced that it is considering issuing incremental equity to provide capital for IPC utility investment and to strengthen the balance sheet. At September 30, 2004, IDA's debt-to-capital stood at 56%. Management has indicated that it sought to bring this ratio to a range of 50-56%. On December 15, 2004, IDA issued 3.5 million shares at $30 per share. We expect that with an over allotment exercise, total proceeds will utilize approximately $120 million of the securities registrations.

CREDIT FACILITIES

IDA's credit facilities include a three-year, $150 million facility entered into in March 2004, replacing a $175 million facility expiring March 2004 and a $140 million facility that would have expired in March 2005. The $150 million facility is at the parent level and provides funding for general corporate purposes and backing up commercial paper. At September 30, 2004, the facility was undrawn, IDA had $60 million of commercial paper outstanding, and the Company had approximately $21 million in cash and equivalents on its balance sheet.

IPC entered a three-year, $200 million credit facility in March 2004, replacing an existing $200 million facility. The facility is for general corporate purposes and backing up commercial paper. At September 30, 2004, the facility was undrawn and IPC had $22 million of commercial paper outstanding.

EARNINGS AND DIVIDEND OUTLOOK

GAAP earnings in 2003 were $1.22 per share. Earnings by business segment are shown in Table 7.

TABLE 7. 2003 EARNINGS RECONCILIATION

Segment	GAAP	Operational
Utility	$1.44	$1.28
IDACORP Energy	($0.25)	($0.32)
IDACORP Financial	$0.27	$0.27
Ida-West	($0.13)	$0.00
IdaTech	($0.04)	($0.10)
Other (Holding Company)	($0.07)	($0.07)

Source: Company Data and McDonald Investments Inc.

These results also include a number of unusual items. The utility operations realized the benefit of a $0.16 per share IRS settlement resolving tax years 1998-2000. Ida-West had further writedowns of $0.13 per share. IDACORP Energy realized a $0.26 per share gain on the sale of energy contracts, partly offset by $0.19 of losses stemming from settlements to resolve issues surrounding a power contract. IdaTech realized a gain of approximately $0.06 related to the design production and delivery of fuel cell systems. Absent these items, earnings totaled $1.06 per share. However, included in this are elevated costs related to the winding down of IDACORP Energy trading operations.

IDA management's 2004 earnings guidance is a range of $1.80-$2.00 per share, with utility operations contributing $1.65-$1.75. This guidance includes the impact of several unusual items. In the 2Q, the utility

wrote off $0.15 per share related to the disallowance of certain capitalized compensation and pension spending in IPC's recent rate case, IDACORP Financial realized a $0.05 per share gain on the sale of a property, Ida-West benefited by $0.05 from a debt extinguishment and IDACORP Energy earned $0.02 related to settling outstanding litigation. In the 3Q, the utility recorded a $19.3 million regulatory liability associated with its rate case settlement of purchased power costs stemming from plant outages in summer 2003, recorded a $4.4 million regulatory asset related to the settlement of its tax rate issues raised in the recent rate case, and also reversed a tax liability of roughly $16.5 million, netting an earnings benefit of $0.21 per share. These issues pushed earnings above an incentive compensation threshold, which resulted in $0.06 per share of increased expenses. Results in the 3Q also had an additional $0.04 per share of IDACORP Energy earnings stemming from litigation settlement. IDA's 3Q results also were adversely impacted by a $0.05 per share premium related to retiring preferred stock. Included in the 2004 utility earnings guidance of $1.65-$1.75 is approximately $0.19 (which nets to $0.11 per share after incentive compensation) related to the expected 4Q reversal of a 2002 regulatory disallowance of the recovery of revenues related to a program whereby irrigation customers were compensated to reduce power usage. IDA has indicated that through 3Q04, poor hydro conditions have had an estimated negative impact of $0.18 per share.

Our expectation for 2004 GAAP earnings is $1.90 per share. Adjusted for $0.22 per share of benefit from unusual items discussed above, we look for operating earnings of $1.68 per share vs. $1.06 per share the prior year. Major drivers for the earnings improvement vs. 2003 include the partial year benefit of the IPC general rate case and elimination of expenses related to exiting the energy trading business at IDACORP Energy. We expect that the benefit of rate relief from June 1 will add roughly $0.20 per share. Also at the utility, net power supply costs are expected to be lower as higher volumes and pricing of off-system sales should more than offset higher fuel and purchased power costs. The year has also seen very strong customer growth. As Ida-West is de-emphasized and expenses decline, we look for the segment to be modestly profitable for the year.

Our 2005 estimate is $1.90 per share. Drivers behind the year-over-year improvement include a full year of rate relief stemming from the 2004 resolution of IPC's general rate case. We also assume that precipitation for the year will be normal, after five years of drought. However, we assume that normal precipitation does not translate into normal streamflow conditions, owing to the fact that aquifer recharging will absorb much of the water before it reaches the river. Additionally, we expect IDA to seek rate relief for the $61 million Bennett Mountain Power Plant, and look for a mid-year implementation into rates. We look for these benefits to be partly offset by a higher share count stemming from IDA's recent equity issue.

Given IDA's recent dividend cut, we believe that management's near to mid-term focus will be allocating capital to utility investment. We therefore would not expect to see dividend growth in the next few years.

TABLE 8. INCOME STATEMENT
($ in million, except per share items)

	2001	2002	2003	2004E	2005E
OPERATING REVENUES					
General Business	650.6	772.0	671.0	634.5	651.6
Off-System Sales	220.0	55.0	71.6	119.3	114.7
Other	43.6	42.0	40.2	51.5	34.0
Total Electric Utility Revenues	914.2	869.0	782.8	805.3	800.3
Energy Marketing	348.7	46.4	19.9	-0.1	0.0
Earnings in Unconsolidated Partnerships	0.0	0.0	0.0	0.0	0.0
Other	13.0	13.4	20.4	21.0	13.0
Total Diversified Revenues	361.7	59.8	40.3	20.9	13.0
TOTAL OPERATING REVENUE	1,275.9	928.8	823.0	826.2	813.3
OPERATING EXPENSES					
Fuel	98.3	102.9	99.9	102.9	103.9
Power Purchased	584.2	142.1	151.0	189.0	101.2
Power Cost Adjustment	-176.0	170.5	70.8	35.0	45.0
Operation & Maintenance	211.0	207.4	221.0	236.4	249.5
Depreciation & Amortization	87.0	93.6	97.7	102.0	108.0
Taxes Other than Income Taxes	19.7	20.0	20.8	20.5	20.7
Energy Marketing					
Cost of Commodities and Services	105.9	42.1	1.3	0.0	0.0
Selling, Administrative and General	66.0	30.4	24.4	2.5	1.5
Loss on Legal Disputes	0.0	0.0	12.1	-4.8	0.0
Other	37.0	44.2	40.2	35.0	28.0
TOTAL OPERATING EXPENSES	1,033.1	853.2	738.9	718.6	657.7
OPERATING INCOME					
Electric Utility	90.0	132.7	121.7	119.4	172.1
Energy Marketing	176.7	-26.1	-17.8	-2.6	-1.5
Other	-24.0	-30.9	-19.9	-14.0	-15.0
OPERATING INCOME	242.7	75.6	84.1	107.6	155.6
OTHER INCOME					
AFUDC - Equity	0.0	0.0	0.0	0.0	0.0
Gain on Asset Sale	0.0	0.0	0.0	0.0	0.0
Other - Net	23.0	3.8	6.3	10.0	5.0
TOTAL OTHER INCOME	23.0	3.8	6.3	10.0	5.0
INTEREST AND OTHER CHARGES					
Long-Term Debt	56.0	54.1	58.7	60.3	60.0
Other Interest	14.5	10.2	2.8	3.0	3.0
AFUDC - Debt	0.0	0.0	0.0	0.0	0.0
Preferred Dividends of Subsidiary	5.4	4.6	3.4	4.8	0.0
TOTAL INTEREST AND OTHER CHARGES	75.9	68.9	64.9	68.1	63.0
INCOME BEFORE TAXES	**189.8**	**10.5**	**25.5**	**49.5**	**97.6**
Income Taxes	64.6	-51.1	-21.1	-23.5	17.1
NET INCOME	**125.1**	**61.7**	**46.6**	**73.1**	**80.5**
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
Gain on Sale of Business	0.0	0.0	-10.0	-1.9	0.0
Gain on IdaTech Contract Settlement	0.0	0.0	-2.5	0.0	0.0
Net Result of Rate Case Settlements	0.0	0.0	0.0	6.5	0.0
Rate Case Disallowances	0.0	0.0	0.0	5.7	0.0
Premium for Refinancings	0.0	0.0	0.0	1.9	0.0
Gain on Debt Extinguishment	0.0	0.0	0.0	-1.9	0.0
Tax Reserve Reversal	0.0	0.0	0.0	-16.5	0.0
Idacorp Energy Contract Settlements	0.0	0.0	6.5	-2.3	0.0
ADJUSTED OPERATING EARNINGS	**125.1**	**61.7**	**40.6**	**64.6**	**80.5**
OPERATING EARNINGS PER SHARE	**$3.35**	**$1.63**	**$1.06**	**$1.68**	**$1.90**
EARNINGS PER SHARE	**$3.35**	**$1.63**	**$1.22**	**$1.90**	**$1.90**
COMMON DIVIDENDS PER SHARE (PAID)	$1.86	$1.86	$1.70	$1.20	$1.20
COMMON DIVIDENDS PER SHARE (YEAR-ENDRATE)	$1.86	$1.86	$1.20	$1.20	$1.20
PAYOUT RATIO	55.6%	113.8%	98.3%	63.0%	63.2%
SHARES OUTSTANDING - AVERAGE (MILLIONS)	37.39	37.73	38.19	38.37	42.37
SHARES OUTSTANDING – YEAR-END (MILLIONS)	37.38	38.20	38.16	42.29	42.44
Net Stock Issued	1	16	4	124	4
Stock Price	38	40	23	30	30
Shares	0.016	0.394	0.179	4.133	0.143

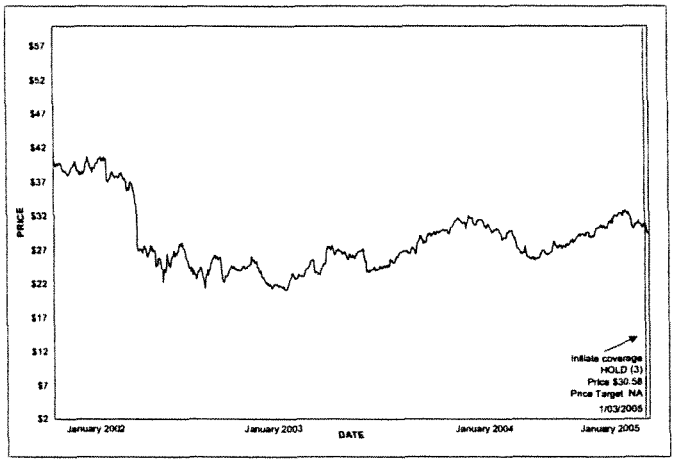
IDACORP, Inc. — IDA — KeyBanc Capital Markets Disclosures and Certifications

We have managed or co-managed a public offering of equity securities for this company within the past 12 months.
This company is an investment banking client of ours.
We have received compensation for investment banking services from this company during the past 12 months.
We expect to receive or intend to seek compensation for investment banking services from this company within the next three months.
During the past 12 months, this company has been a client of the firm or its affiliates for non-securities related services.

Reg A/C Certification

The research analyst responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report.

IDA — Three-Year Rating and Price Target History



Rating Disclosures

48.3% of all equity securities that we cover are rated BUY.*
47.8% of all equity securities that we cover are rated HOLD.
3.9% of all equity securities that we cover are rated SELL.*
33.7% of all equity securities that we rate BUY are investment banking clients from which we have received compensation for investment banking services during the past 12 months.*
17.8% of all equity securities that we rate HOLD are investment banking clients from which we have received compensation for investment banking services during the past 12 months.
6.7% of all equity securities that we rate SELL are investment banking clients from which we have received compensation for investment banking services during the past 12 months.*

Energy Rating Disclosures

38.8% of all Energy Industry equity securities that we cover are rated BUY.*
59.7% of all Energy Industry equity securities that we cover are rated HOLD.
1.5% of all Energy Industry equity securities that we cover are rated SELL.*
53.8% of all Energy Industry equity securities that we rate BUY are investment banking clients from we have received compensation for investment banking services during the past 12 months.*
35.0% of all Energy Industry equity securities that we rate HOLD are investment banking clients from which we have received compensation for investment banking services during the past 12 months.
0.0% of all Energy Industry equity securities that we rate SELL are investment banking clients from which we have received compensation for investment banking services during the past 12 months.*

**** Please Note:*** *"BUY" represents an aggregate of all AGGRESSIVE BUY (1) and BUY (2) rated equity securities.*
"SELL" represents an aggregate of all UNDERWEIGHT (4) and SELL (5) rated equity securities.

Rating System

AGGRESSIVE BUY (1)	*- The security is expected to outperform the market over the short term; investors should consider adding the security to their portfolios, subject to their overall diversification requirements.*
BUY (2)	*- The security is expected to outperform the market over the long term; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.*
HOLD (3)	*- The security is expected to perform in line with general market indices; no buy or sell action is recommended at this time.*
UNDERWEIGHT (4)	*- The security is expected to underperform the market; investors should reduce their holdings opportunistically.*
SELL (5)	*- Absolute downside risk is evident for the security; investors should liquidate their holdings.*

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

For further discussion see Part II, Item 7 - "MD&A - REGULATORY ISSUES - General Rate Case," "MD&A REGULATORY ISSUES - Deferred Power Supply Costs" and Note 13 to IDACORP's Consolidated Financial Statements.

Power Supply

IPC meets its system load requirements using a combination of its own system generation, mandated purchases from private developers (see "CSPP Purchases" below) and purchases from other utilities and power wholesalers. IPC's generating stations and capacities are listed in Item 2 - "Properties."

IPC's system is dual peaking, with the larger peak demand generally occurring in the summer. The all-time system peak demand was 2,963 megawatts (MW), set on July 12, 2002. Peak summer demand in 2004 was 2,843 MW, set on June 24 and peak winter demand for the year was 2,196 MW on January 5. IPC expects total system energy requirements to grow 2.5 percent annually over the next three years.

The following table presents IPC's system generation for the last three years:

	MWh			Percent of total generation		
	2004	2003	2002	2004	2003	2002
	(thousands of MWhs)					
Hydroelectric	6,041	6,149	6,069	45%	47%	45%
Thermal	7,303	6,914	7,286	55%	53%	55%
Total system generation	13,344	13,063	13,355	100%	100%	100%

The amount of electricity IPC is able to generate from its hydroelectric plants depends on a number of factors, primarily snow pack in the mountains upstream of its hydroelectric facilities, reservoir storage and stream flow conditions. When these factors are favorable, IPC can generate more electricity using its hydroelectric plants. When these factors are unfavorable, IPC must increase its reliance on more expensive thermal generation and purchased power.

Continued below normal stream flow conditions in 2004 yielded a system generation mix of 45 percent hydroelectric and 55 percent thermal. Under normal stream flow conditions, IPC's system generation mix is approximately 55 percent hydroelectric and 45 percent thermal.

Below average stream flow conditions are continuing for a sixth consecutive year in 2005. The forecast released on March 8, 2005 by the Northwest River Forecast Center indicates Brownlee inflow for April through July 2005 is expected to total 1.74 million acre-feet, or 28 percent of average. Snow pack accumulation was 60 percent of average on March 8, 2005. Storage in selected federal reservoirs upstream of Brownlee at the end of December 2004 was 60 percent of average. October 1, 2004 storage in these reservoirs, which is considered carryover storage into water year 2005, was only 41 percent of average. The flows in the Snake River at several measurement locations are at or near record lows.

IPC's generating facilities are interconnected through its integrated transmission system and are operated on a coordinated basis to achieve maximum load-carrying capability and reliability. IPC's transmission system is directly interconnected with the transmission systems of the Bonneville Power Administration, Avista Corporation, PacifiCorp, NorthWestern Energy and Sierra Pacific Power Company. Such interconnections, coupled with transmission line capacity made available under agreements with some of the above entities, permit the interchange, purchase and sale of power among all major electric systems in the west. IPC is a member of the Western Electricity Coordinating Council, the Western Systems Power Pool, the Northwest Power Pool and the Northwest Regional Transmission Association. These groups have been formed to more efficiently coordinate transmission reliability and planning throughout the western grid. See "Competition - Wholesale" below.

Integrated Resource Plan: IPC filed its 2004 Integrated Resource Plan (IRP) with the IPUC and the OPUC in August 2004. The 2004 IRP reviews IPC's load and resource situation for the next ten years, analyzes potential supply-side and

minimum flow to benefit aquatic species, ESA snail protection and monitoring, habitat enhancements, fish passage, recreation enhancements and historic properties. IPC is developing project plans, schedules and cost estimates for each article. The FERC's financial impacts analysis in the new license estimates the annual costs of measures and operations-related expenses, as licensed, will be $2 million.

At June 30, 2005, $3 million of Malad project relicensing costs were included in electric plant in service. Relicensing costs and costs related to the new license will be submitted to regulators for recovery through the rate-making process.

Hells Canyon Complex: The most significant ongoing relicensing effort is the Hells Canyon Complex, which provides approximately two-thirds of IPC's hydroelectric generating capacity and 40 percent of its total generating capacity. The current license for the Hells Canyon Complex expired at the end of July 2005. IPC now operates the project under an annual license issued by the FERC until the new multi-year license is issued. IPC developed the license application for the Hells Canyon Complex through a collaborative process involving representatives of state and federal agencies and business, environmental, tribal, customer, local government and local landowner interests. The license application was filed in July 2003 and accepted by the FERC for filing in December of 2003.

The license application includes the continuation of existing, as well as proposed new measures intended to protect, mitigate and enhance fish and wildlife, protect recreational opportunities and preserve other aspects of environmental quality. The estimated costs of these PM&E measures, are approximately $106 million in the first five years of a license and $218 million over the following 25 years, for a total estimated cost of $324 million over a 30-year license. These cost estimates do not include estimated costs of proposed water quality measures included in the license application. These measures are the subject of ongoing state processes under Section 401 of the Clean Water Act. IPC estimates that costs associated with these water quality measures may result in an additional cost of $62 million, for a total estimated cost of $386 million. These estimated costs could increase as a result of the Hells Canyon ESA Consultation/Settlement Process (see discussion below).

In response to the filing of the license application in July 2003, various federal and state agencies, Native American Indian Tribes and other participants in the Hells Canyon Complex relicensing process filed initial comments to the license application, some of which contained additional proposed PM&E measures. IPC's preliminary estimate of the potential cost of these additional proposed measures, assuming all of the proposed measures are included as conditions in a final license, which IPC believes is unlikely, is approximately $2.5 billion over a period up to 50-years. This would result in an approximate 28 percent increase to existing base rates. These cost estimates are preliminary as federal, state, tribal and private parties participating in the relicensing proceeding are not required to file their final comments, recommendations, terms, conditions and prescriptions with the FERC until later in the relicensing process. The FERC will then consider these final comments, recommendations, terms, conditions and prescriptions under the Federal Power Act, the National Environmental Policy Act of 1969, as amended (NEPA) and other applicable federal laws, and include those conditions in the final license that the FERC determines are necessary and required to protect, mitigate and enhance those resources affected by the operation and management of the project. Under the Federal Power Act, some federal agencies have mandatory conditioning authority. Section 18 of the FPA provides the Departments of Commerce and Interior with authority to require fishways, or passage facilities, to allow fish to migrate below and above a project. Section 4(e) allows federal agencies with jurisdiction over a federal reservation, such as a national forest or park, that is occupied by a licensed project to require FERC to include in the license such conditions that the federal agency considers necessary for the adequate protection and utilization of that reservation. The FERC must include in the license those conditions and prescriptions proposed by these agencies, which fall within that agency's conditioning authority, under the FPA. These conditions and prescriptions, however, must be supported by substantial evidence. If they are not, a federal appeals court may set the conditions and prescriptions aside. In other words, the agencies have the authority to require actions to be included in a license to protect resources or address issues under their jurisdiction. As such, the actual costs of the PM&E measures associated with the relicensing of the Hells Canyon Complex will not be known until after the new license is issued by the FERC.

At June 30, 2005, $71 million of Hells Canyon Complex relicensing costs were included in construction work in progress. The relicensing costs are recorded and held in construction work in progress until a new multi-year license is issued by the FERC, at which time the charges are transferred to electric plant in service. Relicensing costs and costs related to a new license, as discussed above, will be submitted to regulators for recovery through the rate-making process.

Global Credit Research
Summary Opinion
11 May 2005

Moody's Investors Service

Summary Opinion: Idaho Power Company

Idaho Power Company

Opinion

Credit Strengths

Credit Strengths for Idaho Power Company (IPC) are:

- Parent's common equity infusion supports capital program
- Parent's 35% lower dividend since September 2003 allows IPC to retain more cash
- Support provided by the power cost adjustment mechanism (PCA)
- Low production costs under normal hydro conditions
- Ongoing cost control efforts

Credit Challenges

Credit Challenges for IPC are:

- Overcoming lower than requested rate increase approved against a backdrop of customer growth, additional capacity needs, and plans to expand the T&D system
- Costs and potential operational changes tied to hydroelectric plant relicensing process
- Coping with effects of drought and unfavorable weather
- Obtaining supportive regulatory outcomes in expected future filings for rate increases

Rating Rationale

IPC's A3 senior secured rating reflects financial and operating challenges as it seeks relicensing of hydro plants and increases capital expenditures to add capacity in 2005. The A3 rating also takes into account that IPC's utility rates remain below national averages, that it has a generally low business risk profile, and that it is pursuing strategies to control operating expenses and conservatively finance utility investments.

Under normal hydro conditions IPC's production costs are among the lowest of any in the U.S., reflecting a large hydroelectric capacity base and shared ownership of reasonably economic coal-fired plants. Also, evidence of some supportive treatment from the Idaho Public Utilities Commission (IPUC) is apparent from the PCA in Idaho, which minimizes negative effects on earnings and cash flow when net power supply costs exceed forecast levels in existing rates.

The IPUC's reconsideration of the $25.3MM rate increase approved in May 2004 was resolved in September 2004 through settlements that brought the total rate increase amount approved to roughly $40MM. Because the approved rate increase was still only a little more than half of management's updated request, we expect that IPC will continue to consider delay of nonessential capital expenditures and look for ways to further tighten its O&M expense budget.

Despite higher earnings in part due to the benefits of colder winter weather compared to 2003, IPC's contribution to IDACORP's consolidated earnings and cash flow in 2004 were still adversely affected by lingering drought conditions. An added future challenge lies in overcoming the lower than requested rate increase approved in 2004, as well as obtaining support in subsequent rate proceedings. IPC's latest rate case was filed in early 2005 and includes a request for recovery of and return on a new generation plant which was tested, ready for operation, and provisionally accepted on March 31, 2005. Meanwhile, IPC has previously issued long-term debt to reduce its overall cost of capital. This activity and a late 2004 common equity infusion by IDACORP has reduced IPC's reliance on short-term debt and helped maintain sound utility capitalization ratios. Moreover, IPC recently amended its bank credit facility to lengthen the term to expiration and obtained less restrictive terms and conditions.

Rating Outlook

IPC's stable rating outlook reflects a continued focus on regulated electric utility operations, which have a relatively low business risk profile and with the help of a PCA mechanism tend to be a stable source of earnings and cash flow. The outlook also assumes that IPC can adequately cope with its remaining challenges, including through prudent management of its large capital program such that state regulators

are likely to be supportive of IPC's future requests for recovery of and return on those investments.

What Could Change the Rating - UP

Near term challenges related to a large capital program make an upgrade unlikely in that time frame. However, IPC's outlook or rating could improve over the intermediate term through a combination of drought abatement, regulatory support in future rate proceedings, and reduced capital spending that fosters positive free cash flow to be used for significant debt reduction.

What Could Change the Rating - DOWN

Continued delay in return to more normal hydro conditions. Significant increases in relicensing costs and/or stringent operational constraints imposed as part of the license renewal process. Lack of IPUC support in future rate proceedings. Any unexpected change that compromises the PCA mechanism. Any shift by IDACORP to pursue significant, debt-financed investment in more risky non-regulated businesses that increases demand on IPC cash flow.

DAVIDSON COMPANIES

D.A. Davidson & Co.

member SIPC

Institutional Equity Research

IDACORP, INC.

April 11, 2005

IDA – NYSE

Rating:
NEUTRAL

Price: (4/8/05) $28.10

Price Targets:
12-18 month: $27 ↓
5-year: $34

Industry:
Utilities

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FY (Dec)	2004A[1]	2005E	Y-O-Y Growth	2006E	Y-O-Y Growth
Revenue ($M)	$844.5	$884.1	5%	$929.4	5%
Previous	-	$894.4		$928.9	
Price/Revenue ratio	1.3x	1.4x		1.3x	
EPS Revised	**$1.90**	**$1.60**	-16%	**$1.76**	10%
Previous	-	$1.82		$1.92	
Price/EPS ratio	14.8x	17.6x		16.0x	
EBITDA ($M)	$256.8	$285.0	11%	$302.1	6%
EV/EBITDA ratio	8.7x	7.8x		7.4x	

Quarterly Data:	EPS	EPS Previous	Revenue ($M)	Revenue Previous	EBITDA ($M)
3/31/05E	**$0.54**	$0.61	$203.1	$210.9	$77.7
6/30/05E	**$0.24**	$0.44	$232.3	$236.4	$63.1
9/30/05E	**$0.54**	$0.50	$252.2	$253.5	$78.4
12/31/05E	**$0.28**	$0.27	$196.5	$193.5	$65.8

[1] *See details of footnote on page 2.*

Valuation Data

Long-term growth rate (E)	5%
Total Debt/Cap (12/31/04)	52.0%
Cash per share (12/31/04)	$1.30
Book value per share (12/31/04)	$23.88
Dividend (yield)	$1.20 (4.3%)
Return on Equity (T-T-M)	8%

Trading Data

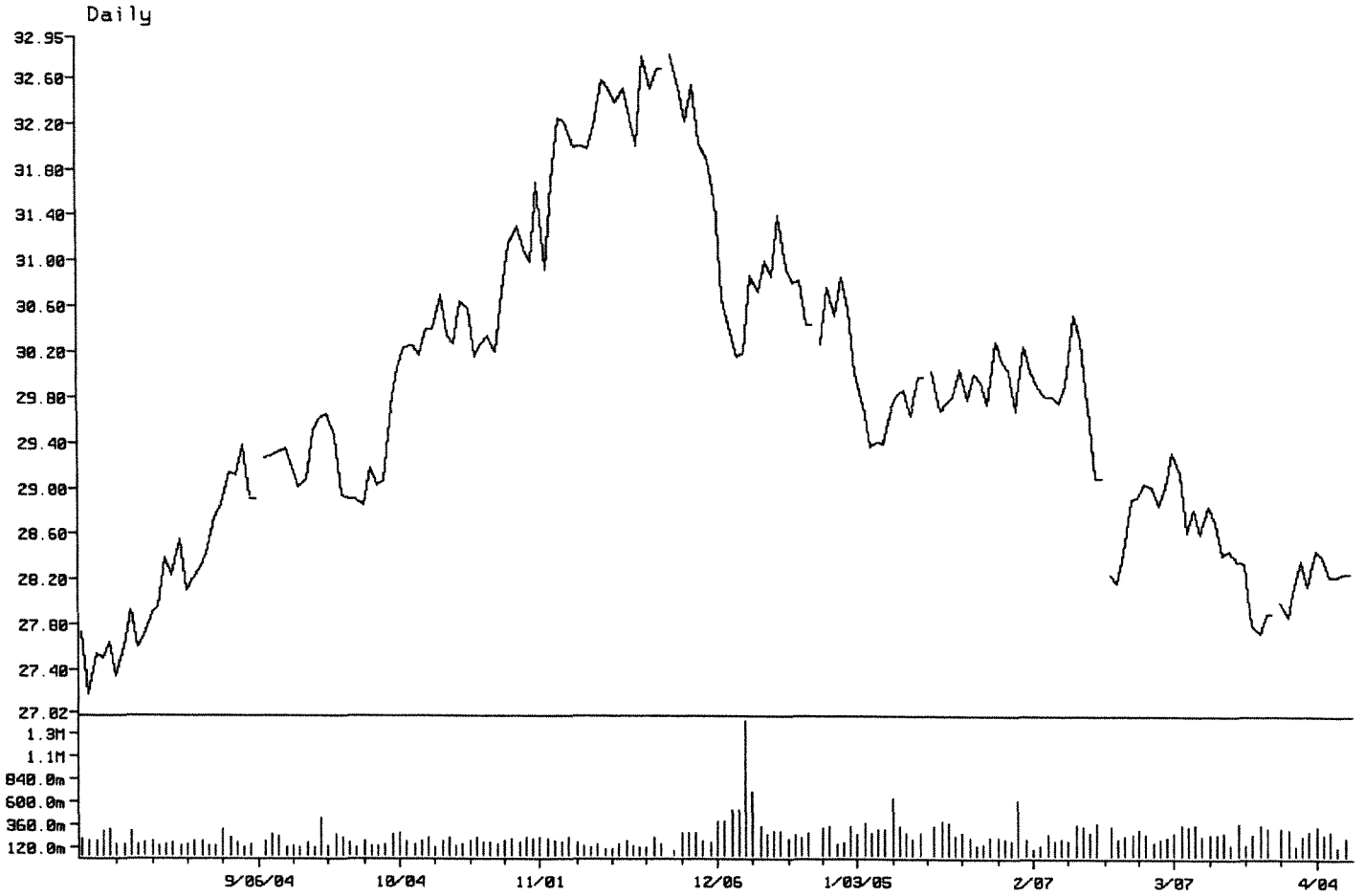
Shares outstanding (M)	42.2
Market Capitalization ($M)	$1,186
52-week range	$25.30 - $32.95
Average daily volume (3 mos.) (K)	239
Float	99%
Index Membership	S&P 400 MidCap

Lowering EPS Projections Again for Drought and Cost Pressures. Reducing Target Price to $27, but Maintaining NEUTRAL Rating.

- We are significantly decreasing our 2005 and 2006 EPS projections for IDACORP. We believe the effects of a 6-year drought are increasingly combining with rising operating expenses to reduce the outlook for utility earnings below our previous forecasts. Our new estimates are shown above.
- We are also reducing our EPS estimates as a cautionary response to the company's decision not to provide earnings guidance. Without such guidance, there are limited means by which to cross-check our forecasts.
- Our new earnings estimates for 2005 and 2006 assume a non-utility EPS contribution of $0.08 and $0.12, respectively. Additionally, we assume a rate increase of 1%-2% for the rate basing of the Bennett Mountain Power Plant, and a $0.02 per share annualized cost of adopting stock-based compensation.
- Low streamflows and mild temperatures should hold back 2005 results. The company's low cost hydrogeneration is now expected to be 5.5 million MWh in 2005, compared to normal generation of 9.2 million MWh and 6.0 million MWh in 2004. Also, 1Q'05 temperatures, as measured by heating-degree days in Boise, were 9% warmer than normal and 5% warmer than a year earlier.
- We are lowering our short-term target price by two points to $27, or 15.3x our revised 2006 EPS estimate. Given that the stock is trading near this target, we are maintaining our rating of **NEUTRAL**. The company reports 1Q'05 results on May 5, 2005 and our EPS projection is $0.54 vs. $0.51.

Company Description:
Boise, ID -- IDACORP, Inc. is the holding company for the 90-year old Idaho Power Company, an electric public utility that serves an approximate 24,000 square mile area in Southern Idaho and Eastern Oregon. Company is wrapping up its exit from IDACORP Energy, a previously important subsidiary engaged in the marketing of energy and energy related products and services, and its wind-down of Ida-West, a power project development company.

Price Chart



Source: ILX

Footnote references from page 1 of this report

[1] Includes 2Q'04 charge of $0.15/sh. for IPUC disallowance of incentive pay and pension costs. Includes 4Q'04 benefit of $0.21/sh. from reversal of 2002 "lost revenue' charge, offset in part by a resulting $0.14/sh. increase in employee incentive costs.

ACORP, Inc. Balance Sheet
thousands -- Fiscal year ends 12/31

	2000	2001	2002	2003	2004
ASSETS:					
Electric Plant:					
In service (at original cost)	$2,799,874	$2,990,000	$3,086,965	$3,220,228	$3,324,816
Accumulated provision for depreciation	(1,142,572)	(1,220,000)	(1,294,961)	(1,239,604)	(1,316,125)
In service - net	1,657,302	1,770,000	1,792,004	1,980,624	2,008,691
Construction work in progress	136,388	96,000	96,209	96,091	152,427
Held for future use	2,167	2,000	2,335	2,438	2,636
Other property, net of accum. Depreciatior	9,179	18,000	15,950	9,166	45,708
Property, plant and equipment - net	1,805,036	1,886,000	1,906,498	2,088,319	2,209,462
Investments And Other Property	157,068	159,000	206,348	204,474	223,061
Current Assets:					
Cash and cash equivalents	106,795	67,000	42,736	75,159	23,403
Receivables:					
Customer	243,647	207,000	176,846	93,599	92,258
Gas operations					
Allowance for uncollectible accounts	(23,079)	(43,000)	(43,311)	(43,210)	(43,108)
Notes					
Employee notes receivable	4,742	6,000	7,646	3,347	3,523
Other	15,611	11,000	11,881	8,209	8,806
Total Receivables					
Energy marketing assets	1,060,128	194,000	85,138	4,176	9,203
Derivative assets					
Taxes receivable		51,000			
Accrued unbilled revenues	44,825	37,000	35,714	30,869	33,832
Materials and supplies (at avg. cost)	29,731	26,000	22,812	21,351	28,008
Fuel stock (at average cost)	5,105	9,000	6,943	6,228	6,539
Prepayments	24,575	32,000	34,872	27,779	30,035
Regulatory assets associated with taxes	8,672	56,000	17,147	4,382	23,407
Regulatory assets -- derivatives				6,269	5,510
Other current assets					
Total current assets	1,520,752	653,000	398,424	238,158	221,416
Total other assets	556,850	944,000	738,224	575,157	580,233
TOTAL ASSETS	$4,039,706	$3,642,000	$3,249,494	$3,106,108	$3,234,172
CAPITALIZATION AND LIABILITIES:					
Common stock equity					
Total common stock equity	820,811	871,000	874,827	864,281	1,008,286
Preferred stock	105,066	104,000	53,393	52,366	
Long-term debt	864,114	843,000	898,676	945,834	979,549
Total capitalization	1,789,991	1,818,000	1,826,896	1,862,481	1,987,835
Current Liabilities:					
Total current liabilities	1,562,322	907,000	573,165	311,705	285,458
Other Liabilities:					
Total other liabilities	687,393	917,000	849,433	931,922	960,879
TOTAL CAPITALIZATION AND LIABILITIES	$4,039,706	$3,642,000	$3,249,494	$3,106,108	$3,234,172
Shares Outstanding (000's)	37,568	37,563	38,018	38,207	42,217
Book Value per Share	$21.85	$23.19	$23.01	$22.62	$23.88

IDACORP, Inc. Consolidated Statements of Income

$ thousands -- Fiscal year ends 12/31	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05E	2Q05E	3Q05E	4Q05E	2005E	2006E
REVENUES:												
Electric Utility:												
General business	**$670,969**	$146,157	$158,305	$186,687	$144,686	**$635,835**	$156,462	$174,905	$199,463	$153,182	**$684,012**	**$709,747**
Off system sales	**71,573**	28,121	36,809	34,969	21,249	**121,148**	26,912	37,608	32,878	23,322	**120,720**	**134,158**
Other revenues	**40,178**	9,325	11,795	19,532	25,301	**65,954**	15,000	15,000	15,000	15,000	**60,000**	**65,000**
Total Electric Utility Revenues	**782,720**	183,603	206,909	241,188	191,236	**822,937**	198,374	227,513	247,342	191,504	**864,732**	**908,905**
Diversified Operations:												
Energy marketing	**19,916**	86	(9)	(152)	(55)	**(131)**	0	0	0	0	**0**	**0**
Other	**20,366**	4,500	4,972	5,641	6,571	**21,684**	4,700	4,800	4,900	5,000	**19,400**	**20,500**
Total Diversified Op. Revenues	**40,282**	4,586	4,963	5,489	6,516	**21,554**	4,700	4,800	4,900	5,000	**19,400**	**20,500**
Equity in Earnings of Partnerships												
Total Revenues	**823,002**	188,189	211,872	246,677	197,752	**844,491**	203,074	232,313	252,242	196,504	**884,132**	**929,405**
EXPENSES:												
Electric Utility:												
Purchased power	**150,980**	18,505	64,766	79,607	32,765	**195,642**	23,840	72,390	80,998	29,845	**207,074**	**211,632**
Fuel expense	**99,898**	27,504	21,569	28,291	25,898	**103,261**	30,748	23,434	29,681	25,853	**109,716**	**112,704**
Power cost adjustment	**70,762**	12,564	(1,746)	19,620	8,746	**39,184**	9,500	3,000	0	10,000	**22,500**	**28,000**
Total Power Supply	**321,640**	58,573	84,589	127,518	67,409	**338,087**	64,088	98,824	110,679	65,698	**339,289**	**352,336**
Other Operations and Maintenance	**220,983**	54,146	63,193	63,243	65,596	**246,111**	59,512	68,254	61,835	64,537	**254,138**	**268,127**
Depreciation	**97,650**	24,890	25,271	25,229	25,395	**100,855**	25,750	26,000	26,250	26,500	**104,500**	**107,000**
Taxes other than income taxes	**20,753**	5,565	5,378	4,593	3,554	**19,090**	5,951	5,915	4,699	3,830	**20,396**	**21,814**
Impairment of assets			9,756			**9,756**						
Total Electric Utility Expenses	**661,026**	143,174	188,187	220,583	161,954	**713,899**	155,301	198,993	203,464	160,565	**718,324**	**749,277**
Energy Marketing:												
Cost of energy commodities & services	**1,250**	(79)	0	(2)	0	**(81)**	0	0	0	0	**0**	**0**
Selling, administrative & general	**36,421**	520	543	558	693	**2,314**	0	0	0	0	**0**	**0**
Net (gain) loss on legal disputes.			(1,648)	(3,150)		**(4,798)**						
Total Energy Marketing	**37,671**	441	(1,105)	(2,594)	693	**(2,565)**	0	0	0	0	**0**	**0**
Other:	**40,243**	8,380	9,383	9,755	12,388	**39,906**	9,000	9,500	10,000	10,000	**38,500**	**40,000**
Total Diversified Op. Expenses	**77,915**	8,821	8,278	7,161	13,081	**37,341**	9,000	9,500	10,000	10,000	**38,500**	**40,000**
Total Operating Expenses	**738,940**	151,995	196,465	227,744	175,035	**751,240**	164,301	208,493	213,464	170,565	**756,824**	**789,277**
OPERATING INCOME												
Electric Utility	**121,694**	40,429	18,722	20,605	29,282	**109,038**	43,073	28,520	43,878	30,938	**146,409**	**159,628**
Energy Marketing	**(17,755)**	(355)	1,096	2,442	(748)	**2,434**	0	0	0	0	**0**	**0**
Other Diversified Operations	**(19,879)**	(3,880)	(4,411)	(4,114)	(5,817)	**(18,221)**	(4,300)	(4,700)	(5,100)	(5,000)	**(19,100)**	**(19,500)**
Equity in Earnings of Partnerships												
Operating Income	**84,062**	36,194	15,407	18,933	22,717	**93,251**	38,773	23,820	38,778	25,938	**127,309**	**140,128**
TOTAL OTHER INCOME:	**24,412**	6,357	17,491	8,102	7,381	**39,329**	6,950	7,100	7,150	7,200	**28,400**	**29,000**
TOTAL OTHER EXPENSES:	**18,082**	3,547	7,632	4,075	5,975	**21,228**	4,125	4,150	4,175	4,200	**16,650**	**17,000**
INTEREST EXPENSE AND OTHER:												
Interest on long-term debt	**58,670**	13,353	13,215	14,061	14,309	**54,937**	14,500	14,525	14,550	14,575	**58,150**	**60,000**
Other interest	**2,833**	453	1,585	602	739	**3,379**	134	173	250	250	**807**	**1,000**
Net interest charges	**61,503**	13,806	14,800	14,663	15,048	**58,317**	14,634	14,698	14,800	14,825	**58,957**	**61,000**
Dividends on preferred stock	**3,430**	854	853	3,116	0	**4,823**	0	0	0	0	**0**	**0**
Total interest expense and other	**64,933**	14,660	15,653	17,779	15,048	**63,140**	14,634	14,698	14,800	14,825	**58,957**	**61,000**
INCOME BEFORE INCOME TAXES:	**25,459**	24,344	9,613	5,181	9,075	**48,213**	26,963	12,072	26,953	14,113	**80,102**	**91,128**
INCOME TAXES:	**(21,119)**	4,685	(3,379)	(20,886)	(5,191)	**(24,770)**	4,045	1,811	4,043	2,117	**12,015**	**15,947**
NET INCOME:	**46,578**	19,659	12,992	26,067	14,266	**72,984**	22,919	10,261	22,910	11,996	**68,086**	**75,181**
Earnings per share (basic and diluted)	**$1.22**	$0.51	$0.34	$0.68	$0.37	**$1.90**	$0.54	$0.24	$0.54	$0.28	**$1.60**	**$1.76**
Dividends paid per share of common stock	**$1.70**	$0.300	$0.300	$0.300	$0.300	**$1.20**	$0.300	$0.300	$0.300	$0.300	**$1.20**	**$1.20**
Avg. common shares outstanding (000)	**38,186**	38,176	38,189	38,191	38,863	**38,361**	42,626	42,651	42,676	42,701	**42,663**	**42,801**
Segment breakdown of EPS												
Idaho Power Company	**$1.44**	$0.51	$0.21	$0.63	$0.37	**$1.71**	$0.52	$0.22	$0.51	$0.26	**$1.52**	**$1.64**
IDACORP Energy	**($0.25)**	($0.00)	$0.02	$0.04	$0.00	**$0.06**	$0.00	$0.00	$0.00	$0.00	**$0.00**	**$0.00**
Ida-West Energy	**($0.13)**	0.00	0.06	0.02	0.00	**$0.08**						
IDACORP Financial	**$0.27**	0.07	0.12	0.07	0.09	**$0.35**						
IdaTech	**($0.04)**	(0.04)	(0.04)	(0.04)	(0.04)	**($0.15)**						
IDACOMM	**($0.05)**	(0.01)	0.00	(0.01)	(0.03)	**($0.05)**						
Holding Company	**($0.02)**	(0.02)	(0.03)	(0.03)	(0.02)	**($0.10)**						
	$1.22	$0.51	$0.34	$0.68	$0.37	**$1.90**	$0.54	$0.24	$0.54	$0.28	**$1.60**	**$1.76**

D.A. Davidson & Co.
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D.A. Davidson & Co. participated as co-manager in a secondary offering of this company's shares in December 2004.

D.A. Davidson & Co. expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.

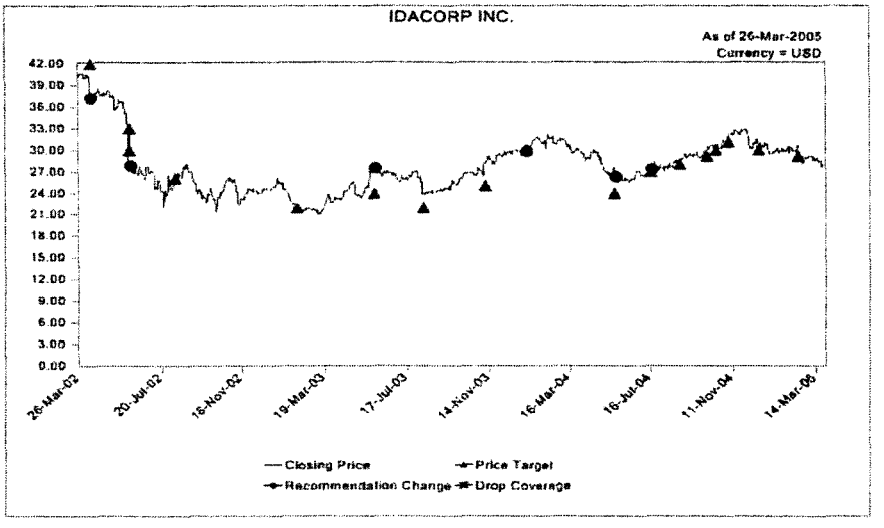
D.A. Davidson & Co. is a full service investment firm that provides both brokerage and investment banking services. James L. Bellessa, Jr., CFA, the research analyst principally responsible for the preparation of this report, will receive compensation that is based upon (among other factors) D.A. Davidson & Co.'s investment banking revenue. However, D.A. Davidson & Co.'s analysts are not directly compensated for involvement in specific investment banking transactions.

I, James L. Bellessa, Jr., CFA, attest that (i) all the views expressed in this research report accurately reflect my personal views about the common stock of the subject company, and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Ratings Information

D.A. Davidson & Co. Ratings	Buy	Neutral	Underperform
Risk adjusted return potential	Over 15% total return expected on a risk adjusted basis over next 12-18 months	>0-15% return potential on a risk adjusted basis over next 12-18 months	Likely to remain flat or lose value on a risk adjusted basis over next 12-18 months

Distribution of Ratings (as of 12/31/04)	Buy	Hold	Sell
Corresponding Institutional Research Rating	Buy	Neutral	Underperform
Distribution of Institutional Research Ratings	42%	45%	13%
Corresponding Retail Research Rating	Buy, Core/Buy	Hold, Core/Hold	Avoid
Distribution of Retail Research Ratings	71%	29%	0%
Distribution of combined ratings	47%	42%	11%
Distribution of companies from whom D.A. Davidson & Co. has received compensation for investment banking services in last 12 mos	9%	8%	5%



IDACORP INC.

Currency = USD

Date	Closing Price	Recommendation Change
16-Jul-2004	27.23	NEUTRAL
26-May-2004	26.21	UNDERPERFORM
07-Jan-2004	29.80	NEUTRAL
30-May-2003	27.48	UNDERPERFORM
05-Jun-2002	27.80	NEUTRAL
12-Apr-2002	37.25	BUY

Date	Closing Price	Price Target
16-Feb-2005	30.31	29.00
20-Dec-2004	30.92	30.00
04-Nov-2004	32.25	31.00
15-Oct-2004	30.64	30.00
04-Oct-2004	30.05	29.00
25-Aug-2004	28.31	28.00
16-Jul-2004	27.23	27.00
26-May-2004	26.21	24.00
07-Jan-2004	29.80	30.00
07-Nov-2003	28.16	25.00
08-Aug-2003	23.87	22.00
30-May-2003	27.48	24.00
04-Feb-2003	22.00	22.00
07-Aug-2002	25.70	26.00
05-Jun-2002	27.80	30.00
05-Jun-2002	27.80	33.00
12-Apr-2002	37.25	42.00

D.A. Davidson & Co. has made one change to its institutional ratings scale within the last three years. The change occurred July 9, 2002 and the corresponding scales are reproduced below.

D.A. Davidson & Co. Institutional Research Rating Scale (beginning 7/9/02)
Buy, Neutral, Underperform

D.A. Davidson & Co. Institutional Research Rating Scale (6/18/01 – 7/9/02)
Strong Buy, Buy, Neutral, Underperform

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ırget prices are our Institutional Research Department's evaluation of price potential over the next 12-18 months and 5 years, based upon our assessment of future earnings and cash flow, comparable company valuations, growth prospects and other financial criteria. Certain risks may impede achievement of these price targets including, but not limited to, broader market and macroeconomic fluctuations and unforeseen changes in the subject company's fundamentals or business trends.

Other Disclosures

Information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield. Investors should also remember that past performance is not necessarily an indicator of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. Investors should note this report was prepared by D.A. Davidson & Co.'s Institutional Research Department for distribution to D.A. Davidson & Co.'s institutional investor clients and assumes a certain level of investment sophistication on the part of the recipient. Readers, who are not institutional investors or other market professionals, should seek the advice of their individual investment advisor for an explanation of this report's contents, and should always seek such advisor's advice before making any investment decisions. Further information and elaboration will be furnished upon request.

IDACORP's and IPC's operating cash flows decreased $24 million and $20 million, respectively, compared to 2004. The decreases were mainly related to the timing of cash disbursements made in 2005 for December 2004 payable balances, including $9 million in employee incentive compensation paid during the first quarter of 2005. There was no similar employee incentive plan payout in 2004.

In 2005, net cash provided by operating activities will be driven by IPC, where general business revenues and the costs to supply power to general business customers have the greatest impact on operating cash flows. As IPC's service territory continues to experience below normal water conditions, IPC expects to continue to rely on higher-cost thermal generation and wholesale power purchases to meet its energy needs for the rest of 2005. While a significant portion of the deferred power supply costs are expected to be recovered through IPC's PCA mechanism, recovery will not take place until the 2006-2007 PCA year.

Working Capital
Changes in working capital are due primarily to timing and normal business activity.

Contractual Obligations
IDACORP's contractual cash obligations have increased from $3.0 billion at December 31, 2004 to $3.3 billion at June 30, 2005. This change is primarily due to an increase in IPC's contractual cash obligations, which increased from $2.9 billion at December 31, 2004 to $3.2 billion at June 30, 2005. The most significant changes from IPC's December 31, 2004 reported amounts are cogeneration and small power production (CSPP), which increased $246 million, and fuel supply agreements, which increased $34 million. The increase in CSPP is primarily due to the addition of six wind energy contracts. The increase in fuel supply agreements is due to new multi-year coal supply agreements for the Valmy generating facility as well as natural gas contracts to supply IPC's Bennett Mountain facility. Of IPC's overall increase in contractual cash obligations from December 31, 2004, to June 30, 2005, $41 million will be due in one year or less, $41 million will be due between one and three years, $27 million will be due between three and five years and $186 million will be due in more than five years.

Capital Requirements
IDACORP's internal cash generation after dividends is expected to provide less than the full amount of total capital requirements for 2005 through 2007. The contribution from internal cash generation is dependent primarily upon IPC's cash flows from operations, which are subject to risks and uncertainties relating to weather and water conditions, and IPC's ability to obtain rate relief to cover its operating costs. IDACORP's internally generated cash, after dividends, is expected to provide approximately 70 percent of 2005 capital requirements, where capital requirements are defined as utility construction expenditures, excluding Allowance for Funds Used During Construction (AFDC), plus other regulated and non-regulated investments. This excludes mandatory or optional principal payments on debt obligations. IDACORP and IPC expect to continue financing the utility construction program and other capital requirements with internally generated funds and with increased reliance on externally financed capital.

The current expectation of approximately 70 percent of 2005 capital requirements is an increase from the 60 percent reported in IDACORP's and IPC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. This increase is due to more favorable precipitation occurring in late spring.

Utility Construction Program: Utility construction expenditures were $86 million for the six months ended June 30, 2005 compared to $83 million for the six months ended June 30, 2004. The increase is due to expenditures related to the Bennett Mountain Power Plant, which was operational and provisionally accepted on March 31, 2005. This plant is discussed in more detail later in "REGULATORY MATTERS - IPUC Rate Proceedings - Bennett Mountain Power Plant."

As reported in IDACORP's and IPC's Annual Report on Form 10-K for the year ended December 31, 2004, IPC's total construction expenditures are expected to be $672 million, excluding AFDC, from 2005 through 2007. At that time, IPC expected to spend approximately $202 million, excluding AFDC, in 2005. IPC currently expects to spend between $190 million and $200 million, excluding AFDC. The decrease is due to the timing of certain construction expenditures; however, the estimate of $672 million over the three-year period has not changed.

IPC's 2004 IRP includes several elements requiring significant capital expenditures in the future. Two of these projects are included in the 2005-2007 utility capital expenditure forecast: (1) $79 million of construction costs for a combustion turbine peaking resource expected to be operational in mid-2007 and (2) $2 million of planning costs for

Credit Ratings

	Standard & Poor's		Moody's		Fitch IBCA	
	IPCo	IDACORP	IPCo	IDACORP	IPCo	IDACORP
Corporate Credit Rating	BBB+	BBB+	Baa1	Baa2	None	None
Senior Secured Debt	A-	None	A3	None	A-	None
Senior Unsecured Debt	BBB	BBB	Baa1	Baa2	BBB+	BBB
Subordinated Debt	None	BBB-	None	None	None	None
Preferred Stock	BBB-	None	Baa3	None	BBB	None
Trust Preferred Stock	None	BBB-	None	Baa3	None	None
Short-Term Tax-Exempt Debt	BBB/A-2	None	Baa1/VMIG-2	None	None	None
Commercial Paper	A-2	A-2	P-2	P-2	F-2	F-2
Credit Facility	None	None	Baa1	Baa2	None	None
Rating Outlook	Stable	Stable	Stable	Stable	Stable	Stable
	November-04		*December-04*		*January-05*	

Questions - Contact Larry Spencer ex-2664.