



December 13, 2011

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, N.W.
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

The Public Company Accounting Oversight Board (PCAOB) recently issued a concept release on auditor independence and firm rotation including a request for comments. IDACORP, Inc. (IDACORP) offers this letter in response to that request. IDACORP is a publically traded electric utility listed on the NYSE. Our service territory covers approximately 24,000 square miles in southern Idaho and eastern Oregon. We provide electric service to approximately 494,000 customers.

IDACORP strongly supports the PCAOB's desire to ensure audit quality in order to prevent future instances of corporate frauds and failures such as happened with Enron, WorldCom, HealthSouth, and others. However, it is our opinion that the proposal for mandatory auditor rotation will not aid in achieving this goal; and in certain regards, we believe it would reduce overall quality of financial statement audits as well as increase costs. We are concerned the perception of enhanced independence may come at the cost of reducing actual audit quality.

The PCAOB provided a series of 21 questions for contemplation and comment. In order to keep this response brief, we have consolidated our comment letter into the following three areas: 1) the focus on auditor independence, objectivity, and professional skepticism as it relates to audit quality; 2) the advantages and disadvantages of audit firm rotation; and 3) the role of the board of directors and shareholders in auditor selection.

Focus on Auditor Independence, Objectivity, and Professional Skepticism:

The quality of independent audits of publically traded companies' financial statements is paramount to maintaining faith in capital markets. We contend that the aspect of quality involves more than preserving independence. Audit quality also requires auditors to have knowledgeable staff, industry experience, and technical competence. Maintaining a consistent presence at a company and a homogeneous audit team on an engagement allows for retaining knowledge and experience that would be lost during the transition to a new firm. The PCAOB itself acknowledges this point when it cites the Cohen Commission's finding regarding the negative impact to audit quality in (at least) the first and second years of new auditors on an engagement.

There is a possibility that required rotation would reduce audit quality in the waning years of an auditor's engagement since regardless of quality of work performed, the auditor will lose the

client. With the knowledge that the audit firm will need to rotate off the engagement, there is little incentive for the auditor to provide exemplary service. The audit firms would focus their most competent resources on new clients and industries in order to gain market share in lieu of having them work on expiring engagements.

Additionally, we do not agree that the audit firm rotation guarantees an increase in independence, objectivity, and skepticism. The only evidence provided to support this thesis is anecdotal. If the PCAOB specifically desires to increase professional skepticism of auditors, there are better alternatives to firm rotation that can achieve this goal: 1) discuss skepticism as part of required communications to audit committees; 2) include specific continuing professional education requirements on objectivity for Certified Public Accountants (similar to today's ethics requirements); and 3) an annual PCAOB inspection element focusing specifically on firm independence, objectivity, and skepticism.

IDACORP supports the goal to increase audit quality, but we are significantly concerned that a narrow focus on independence, objectivity, and skepticism through mandatory firm rotation would result in an overall reduction of audit quality.

Advantages and Disadvantages of Audit Firm Rotation:

In our opinion, the potential advantages of audit firm rotation are:

- Potential increase in independence, objectivity, and skepticism.
- New audit teams may look at existing matters with a new eye and question complex accounting treatments that the current auditor is at risk of passing without additional scrutiny.
- The engagement bidding process may assist companies to view their own financial reporting process in a new light, revisiting old treatments with new insights.

However, in our opinion, the potential disadvantages of audit firm rotation outweigh these benefits and include:

- Reduced overall quality of the audit due to lack of industry knowledge and familiarity with each client's complex accounting matters and accounting systems. In 2002, during the Congressional hearings leading up to the Sarbanes-Oxley Act, one party argued that rotation "would increase the likelihood of undetected fraud by management."
- We expect audit costs would increase and audit quality would be impacted for companies that are located in geographic locations served by a small number of public accounting firms. The two primary reasons for this are: 1) the bidding process will be affected as firms not located nearby will need to factor in housing and travel costs, if they bid at all; and 2) when the audit becomes a simple rotation between two regionally located firms over time, there is very little incentive for those rotating firms to either keep costs down or to keep quality up. From the company's perspective, there could be a lack of viable alternatives for world-class audit firms, including the use of these firms for critical consulting projects.
- Internal costs to companies are likely to increase. New audit firms will be spending more time with company employees in order to understand the processes and unique complexities of the company—processes that the old audit firms have already spent substantial time documenting and evaluating. Increased auditor time with company

personnel will reduce company productivity, thereby, increasing company costs. We have already seen this result under the current practice of audit partner rotation. Even though the new partner has an audit team with direct experience with the company, the first couple of years with a new partner require additional company resources to fully educate the partner on the unique aspects of the company.

- Mandatory rotation creates fixed periods of audit cycles, potentially decreasing a client's willingness to make auditor changes at any other time, even if audit quality or cost is at issue. Clients will be inclined to wait for the cycle to complete, and auditors may be inclined to deliver less than top-level service or value.
- Currently, auditing firms specialize in particular industries. In the case of utilities, Deloitte services approximately 80 percent of that market within the United States. Companies tend to leverage the firm with the best industry knowledge—as they provide the best resources available. This advantage may be diminished if mandatory audit firm rotation were implemented.

The Role of the Audit Committee and Shareholders in Auditor Selection:

While the Securities Exchange Act of 1934 vests power over the appointment of the independent auditor in the audit committee of the board of directors, it is common practice for public company boards of directors, including IDACORP's, to submit the selection of the independent auditor to ratification by the company's shareholders at the company's annual meeting of shareholders. Through that mechanism, the shareholders are given an opportunity to assess whether they believe the listed independent auditor is appropriate. In an era where say-on-pay and other regulations seeking to provide shareholders with a greater public voice are becoming more prominent, it seems inconsistent for the PCAOB to seek to preempt the ability of shareholders to provide for continuation or recommend against continuation of an incumbent independent auditor. We do not believe the PCAOB should make this decision on behalf of the audit committee and shareholders.

Conclusion:

All users of financial statements desire them to be of the best quality possible. Professional auditing assists in achieving that goal. The proposal to focus on audit firm rotation in order to increase independence, objectivity, and skepticism, does not address the overall goal of audit (and financial statement) quality; nor does it take into account reduction in quality related to transitions in auditor knowledge, experience, and competence. If the PCAOB specifically desires to increase professional skepticism of auditors, more targeted alternatives exist than firm rotation to address the goal of increased skepticism without negatively impacting the overall quality and cost of audits.

Thank you for your time and consideration,

/s/ Richard J Dahl

Richard J Dahl

Chairman of the Audit Committee of the Board of Directors
IDACORP, Inc.

/s/ Darrel T. Anderson

IDACORP letter page 4

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/s/ Kenneth W. Petersen
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IDACORP, Inc.