CONFORMED

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED **DECEMBER 31, 1996** OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _______

Commission file number 1-3701

THE WASHINGTON WATER POWER COMPANY

(Exact name of Registrant as specified in its charter)

Washington	91-0462470
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1411 East Mission Avenue, Spokane, Washington	99202-2600
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 509-489-0500
Web site: http://www.wwpco.com

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock, no par value, together with Preferred Share Purchase Rights appurtenant thereto	New York Stock Exchange Pacific Stock Exchange
7 7/8% Trust Originated Preferred Securities, Series A	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
Preferred Stock, Cumulative, Without Par Value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Registrant's outstanding Common Stock, no par value (the only class of voting stock), held by non-affiliates is $1,028,271,615.00, based on the last reported sale price thereof on the consolidated tape on February 28, 1997.

At February 28, 1997, 55,960,360 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

Documents Incorporated By Reference

Document	Part of Form 10-K into Which Document is Incorporated
Proxy Statement to be filed in connection with the annual meeting of shareholders to be held May 20, 1997	Part III, Items 10, 11, 12 and 13

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* = not an applicable item in the 1996 calendar year for the Company

PART I

This Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-K at Item 7 - - "Management's Discussion and Analysis of Financial Condition and Results of Operations - - Safe Harbor Forward-Looking Statements." Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "estimates," "expects," "intends," "plans," "predicts," and similar expressions.

Item 1. Business

Company Overview

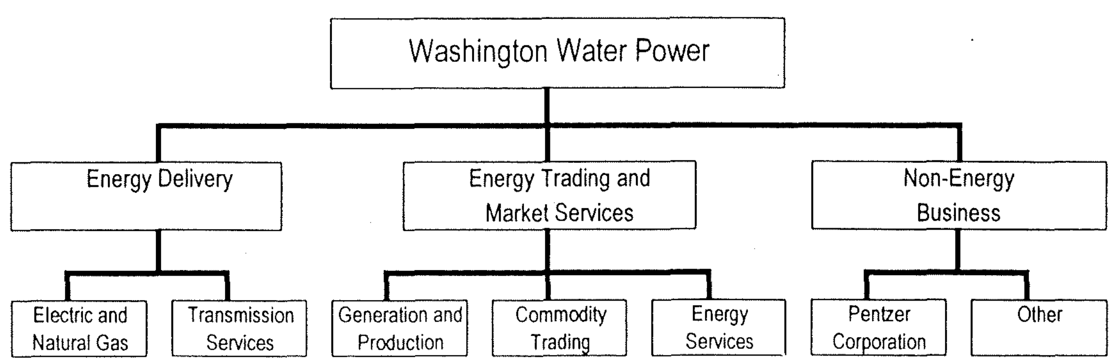
The Washington Water Power Company (Company), which was incorporated in the State of Washington in 1889, primarily operates in the electric and natural gas utility businesses. At December 31, 1996, the Company's employees included 1,453 people in its energy operations and approximately 1,850 people in its majority-owned non-energy businesses. The Company's corporate headquarters are in Spokane, Washington (Spokane), which serves as the Inland Northwest's center for manufacturing, transportation, health care, education, communication, agricultural and service businesses.

In August 1996, the Company reorganized its energy operations to take advantage of the changes in the Company's business environment and to proactively respond to regulatory and structural changes in the industry. The restructuring reinforces the Company's commitment to and advocacy of utility industry deregulation. The Company organized its energy operations into two lines of business. The Energy Delivery business includes retail electric and natural gas distribution and transmission services. The Energy Trading and Market Services (Energy Trading) business includes generation and production, electric and natural gas commodity trading and energy services.

Both the Energy Delivery and Energy Trading lines of business are currently conducted by separate business divisions within the Company. The Company intends eventually to conduct some or all of the Energy Trading line of business through one or more of the subsidiaries as discussed below.

In addition to its energy businesses, the Company owns Pentzer Corporation (Pentzer), parent company to the majority of the Company's non-energy businesses.

1996 Organizational Structure



For the twelve months ended December 31, 1996, 1995 and 1994, respectively, the Company derived operating revenues and income from operations in the following proportions:

	Operating Revenues			Income from Operations (pre-tax)		
	1996	1995	1994	1996	1995	1994
Energy Delivery	40%	50%	52%	47%	57%	73%
Energy Trading	45%	38%	39%	45%	36%	23%
Non-Energy	15%	12%	9%	8%	7%	4%

Energy Delivery

General Business Matters

Energy Delivery provides electricity and natural gas distribution and transmission services in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 825,000. Energy Delivery also provides natural gas service in a 4,000 square mile area in northeast and southwest Oregon and in the South Lake Tahoe region of California, with the population in these areas approximating 495,000.

At the end of 1996, retail electric service was supplied to approximately 297,000 customers in eastern Washington and northern Idaho; retail natural gas service was supplied to approximately 238,000 customers in parts of Washington, Idaho, Oregon and California.

Electric Operations

Regulatory, economic and technological changes have brought about the accelerating transformation of the electric utility industry from a vertically integrated monopoly to a market driven business. The Company is well-positioned to meet the challenges of increased competition due to its low production costs and close proximity to major transmission lines. To assess impacts of competition and customer choice, the Company has proposed and/or implemented experimental programs which include a Direct Access and Delivery Service Tariff (DADS) and a More Options for Power Services (MOPS) tariff. See Regulatory Issues below for additional information.

Challenges facing the retail electric business include reduced energy consumption and the cost of the energy supplied, self-generation and fuel switching by commercial and industrial customers, the costs of increasingly stringent environmental laws and the potential for stranded or non-recoverable utility assets. In April 1996, the Federal Energy Regulatory Commission (FERC) issued Orders No. 888 and No. 889 which require electric utility companies to provide third-party access to their transmission systems and to establish an Open Access Same-time Information System (OASIS) to provide transmission customers with information about available transmission capacity, prices and other information, by electronic means. See Energy Trading - Regulatory Issues for additional information.

Bills have recently been introduced in the Washington State Legislature to move toward retail competition in the electric business. The major features of the proposed bills would allow consumers to choose a market-based rate alternative, allow for recovery of some stranded costs, and require electric utility companies to unbundle their services and rates; prices for local distribution and ancillary services would continue to be regulated. The Company cannot predict the timing or ultimate impact of these proposals if passed. However, the Company believes it is clear that competition will ultimately be introduced into the retail electric business.

<u>IndeGO (Northwest Grid Operator)</u> The Company signed a Memorandum of Understanding (MOU) on July 11, 1996 with various Northwest utilities for the purposes of jointly investigating the feasibility of transferring certain operating responsibilities associated with a regional transmission grid to an independent grid operator. It is conceivable that operation of the regional transmission grid by an independent grid operator may facilitate evolution to a competitive electric power market and potentially increase the efficiency of the Northwest transmission system, as well as provide non-discriminatory open access to the regional transmission grid consistent with FERC requirements. The Company is participating in various IndeGO committees addressing a number of issues (system operations, transmission pricing, regional planning, etc.) associated with the development of an independent grid operator. IndeGO parties are working cooperatively with all anticipated stakeholders during this initial development stage. The MOU is essentially non-binding in that any party to the MOU may withdraw at any time by providing written notice to each other party to the MOU. At such time as IndeGO may be formally proposed, the Company, pursuant to its ongoing internal evaluation of IndeGO, will determine whether it will participate in the formation of the Northwest independent grid operator.

Natural Gas Operations

Natural gas remains competitively priced compared to alternative fuel sources for residential, commercial and industrial customers. Because of abundant supplies and competitive markets, natural gas should sustain its market advantage. The Company continues to advise electric customers as to the cost advantages of converting space and water heating needs to natural gas. Significant growth has occurred in the Company's natural gas business in recent years due to increased demand for natural gas in new construction. The Company also makes sales or provides transportation service directly to large natural gas customers and non-retail sales to marketers and producers where points of delivery are outside the Company's retail distribution area.

The Company provides transportation service to customers who obtain their own natural gas supplies. Transportation service continued to be a significant component of the Company's total system deliveries in 1996. The competitive nature of the spot natural gas market results in savings in the cost of purchased natural gas, which encourages large customers with fuel-switching capabilities to continue to utilize natural gas for their energy needs. The total volume transported on behalf of transportation customers was approximately 237.9 million therms in 1996. This volume represented approximately 40% of the Company's total system deliveries in 1996.

loads served on the DADS tariff and the losses incurred are not having a material impact on the Company's financial condition or results of operation.

More Options for Power Services (MOPS) A MOPS experimental tariff was filed on February 10, 1997 with the WUTC and IPUC to help the Company assess the potential benefits of direct access for its electric residential and commercial customers and to collect information that will assist in the transition to customer choice. The MOPS filing proposes a two-year pilot program that would allow approximately 2,500 residential and 300 commercial customers direct access to alternative energy providers. This pilot is proposed to begin in mid-1997 and end in mid-1999, assuming regulatory approval. The Company has proposed to recover one-half of the lost margins associated with the pilot through the energy delivery rate and absorb one-half of the margin losses. The program costs and margin losses are not expected to have a material impact on the Company's financial condition or results of operation.

Demand Side Management (DSM) The WUTC and IPUC approved as filed, effective January 1, 1997, the Company's proposed electric DSM programs and tariff rider for a three-year extension ending December 31, 1999. The Company's DSM programs focus on both the continuation of selected existing programs available to broad customer classes and the participation in the Northwest Energy Efficiency Alliance, a partnership of regional utilities offering specifically structured programs to influence market demand. The Company's programs, while maintaining a residential electric weatherization program and fuel efficiency awareness programs, now place a greater emphasis on commercial and industrial programs. The tariff rider is a separate revenue source and represents a 1.54% electric revenue surcharge. The revenues will be used to fund the Company's 1997 through 1999 DSM program surcharge expenditures.

The avoided cost of natural gas has decreased to a level which significantly reduces the cost-effectiveness of natural gas DSM programs. The WUTC and IPUC each approved the Company's reduction of the natural gas DSM tariff rider from a surcharge of 0.52% to zero effective January 1, 1997. The Company will continue to monitor the cost of natural gas to determine if there are any substantive changes in the natural gas commodity that would improve the cost-effectiveness of natural gas DSM programs.

In 1993, the OPUC authorized the Company to defer revenue requirements associated with its Oregon DSM investments and established an annual rate adjustment mechanism to reflect the deferred costs on a timely basis. Under this authorization, the Company files annually, concurrent with the Company's annual natural gas "tracker" filing, a rate adjustment to recover DSM program costs and margin losses.

Power Cost Adjustment (PCA) The Company has a PCA in Idaho which tracks changes in hydroelectric generation, surplus energy prices, related changes in thermal generation and PURPA contracts, but not changes in revenues or costs associated with other wheeling or power contracts. Rate changes are triggered when the deferred balance reaches $2.2 million. See Note 1 to Financial Statements for additional details.

Purchased Gas Adjustment (Natural Gas Trackers) Natural gas trackers are designed to pass through changes in purchased natural gas costs and do not normally result in any changes in net income to the Company. In September 1996, the Company filed a natural gas tracker with the IPUC requesting a $2.34 million, or 8.5%, decrease which was approved, effective November 1, 1996. In October 1996, the Company filed a natural gas tracker with the OPUC requesting a $3.67 million, or 8.59%, decrease which was approved, effective December 1, 1996. The Oregon gas tracker includes a provision that specifies a sharing of benefits and risks associated with changes in gas prices. In November 1996, the Company filed a natural gas tracker with the WUTC requesting a $3.39 million, or 4.4%, decrease which was approved, effective January 1, 1997.

ENERGY DELIVERY OPERATING STATISTICS

	Years Ended December 31,		
	1996	1995	1994
SOURCES OF NATURAL GAS SUPPLY (Thousands of Therms):			
Purchases	422,194	429,903	335,780
Storage - injections	(26,260)	(31,248)	(20,518)
Storage - withdrawals	24,572	32,332	19,053
Natural gas for transportation	237,894	221,261	195,543
Distribution system gains (losses)	2,967	4,923	1,471
Total supply	661,367	657,171	531,329
NET SYSTEM MAXIMUM CAPABILITY (Thousands of Therms):			
Net system maximum demand (winter)	3,273	2,758	2,605
Net system maximum firm contractual capacity (winter)	3,523	3,523	3,523
NUMBER OF NATURAL GAS CUSTOMERS (Average for Period):			
Residential	203,245	192,252	179,176
Commercial	25,747	24,606	23,466
Industrial - firm	300	281	264
Industrial - interruptible	28	31	33
Total retail customers	229,320	217,170	202,939
Non-retail sales	7	5	1
Transportation	93	75	60
Total natural gas customers	229,420	217,250	203,000
NATURAL GAS RESIDENTIAL SERVICE AVERAGES:			
Washington and Idaho			
Annual use per customer (therms)	1,007	919	899
Revenue per therm (in cents)	41.90	48.98	47.46
Annual revenue per customer	$421.91	$450.07	$426.83
Oregon and California			
Annual use per customer (therms)	724	678	731
Revenue per therm (in cents)	58.55	61.78	58.62
Annual revenue per customer	$424.00	$418.88	$428.64
HEATING DEGREE DAYS: (1)			
Spokane, WA			
Actual	7,477	6,363	6,225
30 year average	6,842	6,842	6,842
% of average	109.3	93.0	91.0
Medford, OR			
Actual	4,088	3,751	4,348
30 year average	4,611	4,611	4,611
% of average	88.7	81.3	94.3
INCOME FROM ENERGY DELIVERY OPERATIONS (After income tax).	$63,205	$75,623	$82,728

(1) Heating degree days are the measure of the coldness of weather experienced, based on the extent to which the average of high and low temperatures for a day falls below 65 degrees Fahrenheit (annual degree days below historic average indicate warmer than average temperatures).

the tariff. The FERC issued its initial order on the non-rate terms and conditions of the tariff on November 13, 1996, accepting the tariff for filing subject to the Company submitting three minor changes to the tariff.

In the FERC's Order No. 889, the companion rule to Order No. 888, the FERC required public utilities to establish an OASIS to provide transmission customers with information about available transmission capacity, prices and other information, by electronic means. This would enable such customers to obtain non-discriminatory transmission service. The final rule requires each public utility subject to the rule to functionally separate its transmission and wholesale power merchant functions and prescribed standards or conduct pursuant to which it is assured a utility's wholesale power merchant function obtains information about its transmission system in the same manner competitors do. The Company filed its "Procedures for Implementing Standards of Conduct under FERC Order No. 889" with the FERC on December 31, 1996 and adopted these Procedures effective January 3, 1997.

FERC Orders NO. 888 and No. 889 have not had a significant material effect on the operating results of the Company.

All but one of the Company's hydroelectric plants are regulated by the FERC through project licenses issued for a 30-50 year period. The Cabinet Gorge and Noxon Rapids plants are currently in the process of relicensing with an expiration date of February 2001. The Company filed a Notice of Intent to relicense in 1996 and has undertaken consultation with resource agencies, Native American tribes, special interest groups and the general public. The Company's goal in consultation is to develop settlement agreements with all parties, which will form the basis for the license application in February 1999. Natural resource and engineering studies as defined by the consultation process will be the focus in 1997 with the objective to obtain information necessary for decisions regarding future protection, mitigation and enhancement measures. An Environmental Impact Statement (EIS) will be written in the period between application filing and issuance of a new license.

The Company's approach to relicensing is unique because it departs from the conventional FERC process. Early FERC involvement and EIS scoping has occurred prior to application and the consultation process has been expanded to include all stakeholders. The Company signed an agreement inviting Trout Unlimited to become a partner at the onset of the process. See Item 2. Properties - Energy Trading for additional information. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook for additional information.

Natural Gas Resources

Natural Gas Supply A diverse portfolio of resources allows the Company to capture market opportunities that benefit the Company's natural gas customers. Natural gas supplies are available from both domestic and Canadian sources through both firm and short-term, or spot market, purchases. The Company has access to five pipelines and a natural gas storage facility which allows the Company to optimize its available resources.

Firm natural gas supplies are purchased by the Company through negotiated agreements having terms ranging between one month and eight years. During 1996, approximately one-third of the Company's purchases were in the short-term market, with contracts on a month-to-month basis. Approximately 30% of the natural gas supply was obtained from domestic sources, with the remaining 70% from Canadian sources.

The Company has access to five natural gas pipelines, Northwest Pipeline Company (NWP), Pacific Gas Transmission (PGT), Paiute Pipeline (Paiute), NOVA Pipeline, Ltd. (NOVA) and Alberta Natural Gas Co. Ltd. (ANG), which provide the Company access to both domestic and Canadian natural gas supplies. In 1996, the Company obtained gas from over 15 different suppliers.

The Company contracts with NWP for three types of firm service (transportation, liquefied natural gas storage and underground storage) and with PGT, NOVA and ANG for firm transportation only. The Company contracts with Paiute for firm transportation and liquefied natural gas storage to deliver natural gas to its California customers.

Jackson Prairie Natural Gas Storage Project (Storage Project) The Company owns a one-third interest in the Storage Project, which is an underground natural gas storage field located near Chehalis, Washington. The role of the Storage Project in providing flexible natural gas supplies is increasingly important to the Company's natural gas operations as it enables the Company to place natural gas into storage when prices are low or to meet minimum natural gas purchasing requirements, as well as to withdraw natural gas from storage when spot prices are high or as needed to meet high demand periods. The Company, together with the other owners, is pursuing alternatives to increase the potential for both capacity and deliverability at the Storage Project.

The Company has contracted to release some of its Storage Project capacity to two other utilities until 1998 and 2000, respectively, with a provision under one of the releases to partially recall the released capacity if the Company determines additional natural gas is required for its own system supply.

Environmental Issues

The Company is subject to environmental regulation by federal, state and local authorities. The generation, transmission, distribution, service and storage facilities in which the Company has an ownership interest have been designed to comply with all environmental laws presently applicable. Furthermore, the Company conducts periodic reviews of all its facilities and operations to anticipate emerging environmental issues. The Company's Board of Directors has an Environmental Committee to deal specifically with these issues.

Air Quality. The Company continues to assess both the potential and actual impact of the 1990 Clean Air Act Amendments (CAAA) on the thermal generating plants in which it maintains an ownership interest. Centralia, which is operated by PacifiCorp, is classified as a "Phase II" coal-fired plant under the CAAA and, as such, will be required to reduce sulfur dioxide (SO2) emissions. Centralia is also impacted by "visibility impairment" issues related to Mt. Rainier National Park in southwestern Washington, which requires additional reductions in emissions. A RACT (Reasonably Available Control Technology) order is expected to be issued by SWAPCA (Southwest Washington Air Pollution Control Agency) which may require a reduction in SO2 emissions of approximately 90% by the year 2000. The standards in the RACT order were established by a collaborative decision-making group consisting of representatives from federal and state agencies and the plant owners. The Company is currently evaluating its options with regard to Centralia.

Colstrip, which is also a "Phase II" coal-fired plant and is operated by Montana Power, is not expected to be required to implement any additional SO2 mitigation in the foreseeable future in order to continue operations. Reduction in nitrogen oxides (NOX) will be required at both Centralia and Colstrip prior to the year 2000. The anticipated share of costs for NOX compliance are not expected to have a major economic impact on the Company.

The Company's other thermal projects also are subject to various CAAA standards. Every five years each project requires an updated operating permit (known as a Title V permit) which addresses, among other things, the compliance of the plant with the CAAA. The permit for the Spokane CT was received in 1995. The permit for the Company's Kettle Falls plant was issued in August 1996. The operating permit application for the Rathdrum CTs in northern Idaho received approval, but will not be issued until later in 1997.

Superfund Sites. Since 1993, the Company and other responsible parties have been involved with remediation efforts at the Spokane Junkyard Site located in Spokane, Washington. Cleanup actions were completed during 1996. Ongoing monitoring of the site is required, but the costs associated with the monitoring are minimal. Refer to Item 3. Legal Proceedings for additional information.

Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook and Note 14 to Financial Statements for additional information.

Item 2. Properties

Energy Delivery

Electric Distribution and Transmission Plant

The Company operates approximately 12,110 miles of primary and secondary distribution lines in its electric system in addition to a transmission system of approximately 550 miles of 230 kV line and 1,550 miles of 115 kV line. The Company also owns a 10% interest in 495 miles of a 500 kV line from Colstrip, Montana and a 15% interest in 3 miles of a 500 kV line from Centralia, Washington to the nearest Bonneville Power Administration (BPA) interconnections.

The 230 kV lines are used to transmit power from the Company's Noxon Rapids and Cabinet Gorge hydroelectric generating stations to major load centers in the Company's service area. The 230 kV lines also transmit to points of interconnection with adjoining electric transmission systems for bulk power transfers. These lines interconnect with BPA at five locations and at one location each with PacifiCorp, Montana Power and Idaho Power Company. The BPA interconnections serve as points of delivery for power from the Colstrip and Centralia generating stations as well as for the interchange of power with the Southwest. The interconnection with PacifiCorp is the point of delivery for power purchased by the Company from Mid-Columbia projects' hydroelectric generating stations.

The 115 kV lines provide for transmission of energy as well as providing for the integration of the Spokane River hydroelectric and Kettle Falls wood-waste generating stations with service area load centers. These lines interconnect with the BPA at nine locations, Grant County Public Utility District (PUD), Seattle City Light and Tacoma City Light at two locations and one interconnect location each with Chelan County PUD, PacifiCorp and Montana Power.

Natural Gas Plant

The Company has natural gas distribution mains of approximately 3,420 miles in Washington and Idaho and 1,630 miles in Oregon and California, as of December 31, 1996.

The Company, NWP and Puget Sound Energy each own a one-third undivided interest in the Storage Project, which has a total peak day deliverability of 4.6 million therms, with a total working natural gas inventory of 155.2 million therms.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Outstanding shares of Common Stock are listed on the New York and Pacific Stock Exchanges. As of February 28, 1997, there were approximately 31,566 registered shareholders of the Company's no par value Common Stock.

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook for additional information about common stock dividends.

Refer to Notes 1, 5 and 17 to Financial Statements for additional information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company is primarily engaged as a utility providing electric and natural gas sales and services. The Energy Delivery business includes retail electric and natural gas distribution and transmission services. Usage by retail customers varies from year to year primarily as a result of weather conditions, the economy in the Company's service area, customer growth, conservation, appliance efficiency and other technology. The Energy Trading and Market Services (Energy Trading) business includes generation and production, electric and natural gas commodity trading and energy services. Revenues from the sale of energy to other utilities and the cost of electric power purchases vary from year to year depending on the electric wholesale power market, which is affected by several factors, including the availability of water for hydroelectric generation, the availability of base load plants in the region and the demand for power in other areas of the country. Other factors affecting the wholesale power market include an increasing number of power brokers and marketers and competition from low cost generation being developed by independent power producers.

RESULTS OF OPERATIONS

Overall Operations

Overall earnings per share for 1996 were $1.35, compared to $1.41 in 1995 and $1.28 in 1994. The 1996 results reflect $11.1 million in after-tax operating expenses related to storm damage on the electric distribution system and the expensing of $10.3 million in after-tax non-operating costs related to the terminated proposed merger between the Company and Sierra Pacific Resources (see Note 16 to the Financial Statements for additional information about the merger termination). The 1996 results also reflect improved energy earnings, primarily from wholesale electric activities, and transactional gains totaling $15.1 million recorded by Pentzer Corporation (Pentzer) primarily as a result of the sale of property by one of its subsidiary companies and the sale of stock in ITRON, Inc. (ITRON). The 1995 results include improved earnings from the Company's electric operations and $6.1 million in transactional gains from Pentzer, primarily due to the sale of ITRON stock. The 1994 earnings include $8.0 million of transactional gains recorded by Pentzer primarily as a result of the sale of ITRON stock.

Energy operating income available for common stock decreased $8.8 million, or 14%, in 1996 after increasing $8.3 million, or 15%, in 1995. Energy operating income contributed $0.97 to earnings per share in 1996, compared to $1.14 in 1995 and $1.03 in 1994. The ice storm (see below) and merger-related expenses resulted in decreases of $0.20 and $0.18, respectively, in earnings per share for 1996. Non-energy operating income available for common stock increased $6.2 million, or 42%, in 1996 and $1.2 million in 1995 and contributed $0.38 to earnings per share in 1996, compared to $0.27 in 1995 and $0.25 in 1994.

On November 19, 1996, the eastern Washington and northern Idaho region experienced an ice storm that resulted in damage to the Company's electric transmission and distribution system. The Company's service area was affected by continuing snow and rain, which hampered the Company's efforts to restore electric service to some customers until December 1, 1996. Initially, over one-third, or 100,000, of the Company's retail electric customers were without electric service. However, the Company estimates that approximately 75% of those customers had their electric service fully restored within 72 hours of the first storm. Repairing the damage to the Company's system cost approximately $21.8 million, of which $17.1 million (pre-tax) was attributable to operations and maintenance expenses, including labor and materials, for the repair of damaged lines, transformers and other equipment. The remainder of the cost represents capital expenditures to replace poles and other equipment damaged beyond repair. No increase in rates will occur as a result of these costs.

Income from Energy Delivery operations decreased $19.1 million, or 18%, in 1996 from 1995, primarily due to $17.1 million in pre-tax expenses associated with the storm damage on the electric distribution system. Income from Energy Delivery operations decreased $5.4 million, or 5%, in 1995 from 1994, primarily due to increased operating expenses. Income from Energy Trading operations increased $14.6 million, or 21%, in 1996 over 1995, and $32.7 million, or 90%, in 1995 over 1994, primarily due to increased wholesale electric revenues, resulting from both new power contracts and improved streamflow conditions. In 1995, purchased power and fuel expense decreased from 1994, both a result of the improved streamflows.

Interest expense increased $4.2 million in 1996, as compared to 1995, and $6.0 million in 1995, as compared to 1994, with both increases primarily due to higher levels of outstanding debt. In 1996, $20 million in preferred stock was redeemed, which increased short-term borrowings. During 1996 and 1995, $38.0 million and $45.0 million, respectively, of long-term debt matured or was redeemed, while $78.0 million in long-term debt was issued in 1995. At December 31, 1996, long-term debt outstanding was $26.2 million higher than at December 31, 1995, due to increased borrowings from banks. Long-term debt outstanding at December 31, 1995, was $17.1 million higher than at the end of 1994.

Preferred stock dividend requirements decreased $1.1 million, or 13%, in 1996 from 1995 due to the redemption of $20 million of Preferred Stock, Series I in June 1996. Preferred stock dividend requirements increased $0.5 million in 1995 over 1994 due to higher interest rates in 1995.

Cost Adjustment (PCA), which allows the Company to change rates to recover or rebate a portion of the difference between actual and allowed net power supply costs, also increased during 1996. Net PCA adjustments, resulting from improved streamflow conditions, accounted for $1.9 million of the increase in other operating and maintenance expenses for 1996 over 1995. Increased amortization of conservation programs and a higher accrual for uncollectible accounts were also partially responsible for the increase in other operating and maintenance expenses during 1996 over 1995. Other operating and maintenance expenses increased $20.9 million in 1995 over 1994 due to net PCA adjustments, resulting from improved streamflow conditions, which accounted for $5.8 million of the increase, as well as lease payments and operating expenses related to the Rathdrum combustion turbine, which went into service in 1995, increased amortization of conservation programs, a higher accrual for uncollectible accounts and environmental remediation reserves (see Note 14 to Financial Statements for additional information).

Administrative and general expenses increased by $13.4 million in 1996, compared to 1995, primarily due to $4.2 million in accruals related to postretirement and pension benefits, a $1.6 million write-off of regulatory deferrals of pension expenses, development of a financial information system, increased FERC fees due to higher levels of generation and increases in labor and benefits costs. Administrative and general expenses increased by $5.3 million in 1995, compared to 1994, primarily due to lease payments for computer software systems, labor expenses resulting from merger activities and other labor-related costs.

Income taxes decreased $3.3 million, or 7%, in 1996 over 1995 primarily due to the effects of the expenses associated with the storm damage on the Company's electric distribution system and the merger-related expenses written off during the year, partially offset by increased income from operations. Income taxes increased by $9.9 million, or 26%, in 1995 over 1994, as a result of increased income from operations.

Non-Energy Operations

Non-energy operations primarily include the results of Pentzer. Pentzer's business strategy is to acquire controlling interests in a broad range of middle-market companies, to help these companies grow through internal development and strategic acquisitions and to sell the portfolio investments either to the public or to strategic buyers when it becomes most advantageous in meeting Pentzer's return on invested capital objectives. Pentzer's goal is to produce financial returns for the Company's shareholders that, over the long-term, should be higher than those of the energy operations. From time to time, a significant portion of Pentzer's earnings contributions may be the result of transactional gains. Accordingly, although the income stream is expected to be positive, it may be uneven from year to year.

Non-energy operating revenues and expenses increased by $52.0 million and $50.5 million, respectively, in 1996 as compared to 1995 primarily as a result of acquisitions. Non-energy net income for 1996 was $21.0 million, which represents a $6.2 million, or 42%, increase over 1995 earnings. The increase in 1996 earnings primarily resulted from transactional gains totaling $10.8 million, net of taxes and other adjustments, recorded by Pentzer as a result of the sale of property by one of its subsidiary companies. Transactional gains in 1996 also included $4.7 million from the sale of stock in ITRON, a decrease of $1.3 million from the amount recorded in 1995 from the sale of ITRON stock.

Non-energy operating revenues and expenses increased by $31.1 million and $24.0 million, respectively, in 1995 as compared to 1994, also primarily as a result of acquisitions. Non-energy net income for 1995 was $14.8 million, which represents a $1.2 million, or 9%, increase over 1994 earnings. The increase in 1995 earnings primarily resulted from a $2.2 million increase in non-transactional earnings over 1994 as a result of improved earnings from companies in Pentzer's investment portfolio, including earnings from two companies newly acquired in 1995, partially offset by a decline in transactional gains of $1.1 million as compared to 1994. The 1995 and 1994 transactional gains were primarily the result of gains recorded from the sale of ITRON stock.

Non-Energy Operations

Capital expenditures for the non-energy operations were $16 million for the 1994-1996 period. During this period, $18.9 million of debt was repaid and capital expenditures were partially financed by the $28.2 million in proceeds from new long-term debt.

The non-energy operations have $45.0 million in short-term borrowing arrangements ($29.6 million outstanding as of December 31, 1996) to fund corporate requirements on an interim basis. At December 31, 1996, the non-energy operations had $28.2 million in cash and marketable securities with $44.0 million in long-term debt outstanding.

The 1997-1999 non-energy capital expenditures are expected to be $11.6 million, and $29.6 million in debt maturities will also occur. During the next three years, internally-generated cash and other debt obligations are expected to provide the majority of the funds for the non-energy capital expenditure requirements.

Total Company Cash Requirements

(Millions of Dollars)	Actual (1)			Projected		
	1994	1995	1996	1997	1998	1999
Capital Expenditures (2):						
Energy:						
Energy Delivery	$100	$61	$80	$62	$65	$66
Energy Trading	23	19	9	16	20	10
Total Energy	123	80	89	78	85	76
Non-Energy	9	5	2	5	3	4
Total Company	$132	$85	$91	$83	$88	$80
Debt and Preferred Stock Maturities, Redemptions & Sinking Fund Requirements (Consolidated) (3):	$8	$45	$73	$57	$35	$70

(1) Excludes $62 million in 1994 for the combustion turbine project located in Rathdrum, Idaho for which the Company obtained separate long-term lease financing; see Note 9 to Financial Statements for additional information.
Also excludes $33 million in 1994 for the acquisition of the northern Idaho electric properties of PacifiCorp.
(2) Excludes AFUDC and AFUCE.
(3) Excludes notes payable (due within one year).

The Company's total common equity decreased by $6.4 million to $710.7 million at the end of 1996. The 1996 decrease was primarily due to a $13.5 million decrease in unrealized investment gains, due to sales of investments and decreased prices from the prior year, partially offset by a $6.3 million increase in retained earnings. The Company's consolidated capital structure at December 31, 1996, was 48% debt, 7% preferred stock and 45% common equity as compared to 46% debt, 9% preferred stock and 45% common equity at year-end 1995.

FUTURE OUTLOOK

Competition and Business Risk

The electric and natural gas businesses continue to undergo transformation and have become increasingly competitive as a result of economic, regulatory and technological changes. The Company believes that it is well positioned to meet future challenges due to its low production costs, close proximity to major transmission lines and natural gas pipelines, active participation in the wholesale electric market and its commitment to customer satisfaction, customer choice, cost reduction and continuous improvement of work processes. In addition, the Company evaluates business opportunities that will allow it to expand its economies of scale and diversify its risk posed by weather and economic conditions.

The Company continues to compete for new retail electric customers with various rural electric cooperatives and public utility districts in and adjacent to its service territories. Challenges facing the retail electric business include evolving technologies which provide alternate energy supplies, reduced energy consumption, the cost of the energy supplied, the potential for retail wheeling, self-generation and fuel switching by commercial and industrial customers, increasingly stringent environmental laws and the potential for stranded or nonrecoverable utility assets. When electric utility companies are required to provide retail wheeling service, which is the transmission of electric power from another supplier to a customer located within such utility's service area, the Company believes it will be in a position to benefit since it is committed to remaining one of the country's lowest-cost providers of electric energy. Consequently, the Company believes it faces minimal risk for stranded generation, transmission or distribution assets due to its low cost structure.

River sockeye salmon and chinook salmon have not directly impacted generation levels at any of the Company's hydroelectric dams. The Company does, however, purchase power from four projects on the Columbia River that are being directly impacted by these ongoing mitigation measures. The reduction in generation at these projects is relatively minor, resulting in minimal economic impact on the Company at this time. Future actions to save these, and other as yet unidentified fish or wildlife species, could further impact the Company's operations or the operations of some of its major customers. It is currently not possible to predict the likely economic costs to the Company resulting from these actions.

The Company is currently in the process of relicensing the Cabinet Gorge and Noxon Rapids hydroelectric projects on the Clark Fork River in northern Idaho and western Montana. Bull trout are native to this area and are again being considered for listing under the ESA following a recent court decision. The relicensing process includes a cooperative program for recovery with the two states. It is currently not possible to predict the likely economic costs to the Company resulting from bull trout recovery whether or not a listing occurs.

See Note 14 to Financial Statements for additional information.

Other

The Board of Directors considers the level of dividends on the Company's common stock on a continuing basis, taking into account numerous factors including, without limitation, the Company's results of operations and financial condition, as well as general economic and competitive conditions. The Company's net income available for dividends are derived from its retail electric and natural gas energy operations and, increasingly, from its growing wholesale electric operations and Pentzer's non-energy investment operations.

In February 1997, the Company's Board of Directors approved creation of a new subsidiary, Avista Corp. (Avista), which will own all of the Company's non-regulated energy and non-energy businesses. The non-regulated energy businesses include Avista Advantage, Inc. (formerly WWP Energy Solutions, Inc.) and Avista Energy, Inc. (formerly WWP Resource Services, Inc.). The non-energy business primarily consists of Pentzer which is the parent company to the majority of the Company's non-energy businesses. Avista was formed to segregate the Company's non-regulated businesses from regulated businesses and support financing of the non-regulated businesses as they develop and expand. The Company will operate under this corporate structure prospectively.

Safe Harbor for Forward-Looking Statements

The Company is including the following cautionary statement in this Form 10-K to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and other statements which are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are also expressly qualified by these cautionary statements.

Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that the Company's expectations, beliefs or projections will be achieved or accomplished. Furthermore, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the Company's business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Energy Operations –

In addition to other factors and matters discussed elsewhere herein, some important factors that could cause actual results or outcomes for the Company and its energy operations to differ materially from those discussed in forward-looking statements include prevailing governmental policies and regulatory actions with respect to allowed rates of return, financings, or industry and rate structures, weather conditions, wholesale and retail competition (including but not limited to electric retail wheeling and transmission cost), availability of economic supplies of natural gas, present or prospective natural gas distribution or transmission competition (including but not limited to prices of alternative fuels and system deliverability costs), recovery of purchased power and purchased gas costs, present or prospective generation, operations and construction of plant facilities, and acquisition and disposal of assets or facilities.

INDEPENDENT AUDITORS' REPORT

The Washington Water Power Company
Spokane, Washington

We have audited the accompanying consolidated balance sheets and statements of capitalization of The Washington Water Power Company and subsidiaries (the Company) as of December 31, 1996 and 1995, and the related consolidated statements of income and retained earnings, cash flows, and the schedules of information by business segments for each of the three years in the period ended December 31, 1996. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements and schedules present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. In addition, the schedules referred to above present fairly, in all material respects, the segment information of the Company and its subsidiaries in accordance with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1996 the Company changed its method of grouping products and services into new industry segments to conform to a restructuring of the Company's business operations. The Company retroactively restated the 1995 and 1994 financial statements for the change.

Deloitte & Touche LLP

Seattle, Washington
January 31, 1997

CONSOLIDATED BALANCE SHEETS

The Washington Water Power Company

At December 31

Thousands of Dollars

	1996	1995
ASSETS:		
PROPERTY:		
Utility plant in service-net	$1,951,604	$1,880,620
Construction work in progress	38,696	23,046
Total	1,990,300	1,903,666
Less: Accumulated depreciation and amortization	592,424	546,248
Net utility plant	1,397,876	1,357,418
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	75,312	82,252
Non-energy properties and investments-net	149,747	135,612
Other-net	22,670	9,593
Total other property and investments	247,729	227,457
CURRENT ASSETS:		
Cash and cash equivalents	8,211	5,164
Temporary cash investments	19,709	27,395
Accounts and notes receivable-net	148,742	102,389
Materials and supplies, fuel stock and natural gas stored	31,729	38,004
Prepayments and other	19,998	11,020
Total current assets	228,389	183,972
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	164,753	169,432
Conservation programs	57,703	62,793
Prepaid power purchases	30,935	32,605
Unamortized debt expense	23,148	25,684
Other-net	26,765	39,541
Total deferred charges	303,304	330,055
TOTAL	$2,177,298	$2,098,902
CAPITALIZATION AND LIABILITIES:		
CAPITALIZATION (See Consolidated Statements of Capitalization)	$1,590,262	$1,590,412
CURRENT LIABILITIES:		
Accounts payable	95,268	64,841
Taxes and interest accrued	37,344	39,415
Other	70,873	64,152
Total current liabilities	203,485	168,408
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	27,855	9,787
Deferred income taxes	312,529	307,529
Other	43,167	22,766
Total deferred credits	383,551	340,082
COMMITMENTS AND CONTINGENCIES (Notes 9, 13 and 14)		
TOTAL	$2,177,298	$2,098,902

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
The Washington Water Power Company

For the Years Ended December 31
Thousands of Dollars

	1996	1995	1994
OPERATING ACTIVITIES:			
Net income	$ 83,453	$ 87,121	$ 77,197
NON-CASH ITEMS INCLUDED IN NET INCOME:			
Depreciation and amortization	72,097	67,572	59,479
Provision for deferred income taxes	12,505	(5,487)	15,380
Allowance for equity funds used during construction	(1,072)	(589)	(1,261)
Power and natural gas cost deferrals and amortizations	666	16,156	6,365
Deferred revenues and other-net	(215)	9,600	5,971
(Increase) decrease in working capital components:			
Receivables and prepaid expense	(26,333)	(22,279)	(12,458)
Materials & supplies, fuel stock and natural gas stored	7,741	(11,733)	(1,864)
Payables and other accrued liabilities	21,618	21,532	4,343
Other	7,103	(29,661)	(8,309)
NET CASH PROVIDED BY OPERATING ACTIVITIES	177,563	132,232	144,843
INVESTING ACTIVITIES:			
Construction expenditures (excluding AFUDC-equity funds)	(91,279)	(83,494)	(95,815)
Other capital requirements	(1,399)	550	(21,603)
(Increase) decrease in other noncurrent balance sheet items-net	18,565	8,893	(21,686)
Assets acquired and investments in subsidiaries	(29,225)	(13,864)	(43,823)
NET CASH USED IN INVESTING ACTIVITIES	(103,338)	(87,915)	(182,927)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	55,500	(28,500)	(10,001)
Proceeds from issuance of long-term debt	-	78,000	88,000
Redemption and maturity of long-term debt	(38,000)	(45,000)	(7,500)
Redemption of preferred stock	(20,000)	-	-
Sale of common stock	897	12,518	14,934
Other-net	7,743	4,150	10,051
NET FINANCING ACTIVITIES BEFORE CASH DIVIDENDS	6,140	21,168	95,484
Less cash dividends paid	(77,318)	(65,499)	(63,423)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(71,178)	(44,331)	32,061
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	3,047	(14)	(6,023)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,164	5,178	11,201
CASH & CASH EQUIVALENTS AT END OF PERIOD	$ 8,211	$ 5,164	$ 5,178
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period:			
Interest	$ 56,893	$ 53,415	$ 46,861
Income taxes	$ 49,447	$ 50,004	$ 34,094
Noncash financing and investing activities	$ 46,403	$ 87,763	$ 25,891

The Accompanying Notes are an Integral Part of These Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company was incorporated in the State of Washington in 1889, and is primarily engaged as a utility providing electric and natural gas sales and services. The Energy Delivery business includes retail electric and natural gas distribution and transmission services. Usage by retail customers varies from year to year primarily as a result of weather conditions, the economy in the Company's service area, customer growth, conservation, appliance efficiency and other technology. The Energy Trading and Market Services (Energy Trading) business includes generation and production, electric and natural gas commodity trading and energy services. Revenues from the sale of energy to other utilities and the cost of electric power purchases vary from year to year depending on the electric wholesale power market, which is affected by several factors, including the availability of water for hydroelectric generation, the availability of base load plants in the region and the demand for power in other areas of the country. Other factors affecting the wholesale power market include an increasing number of power brokers and marketers and competition from low cost generation being developed by independent power producers.

Basis of Reporting

The financial statements are presented on a consolidated basis and, as such, include the assets, liabilities, revenues and expenses of The Washington Water Power Company (Company) and its wholly owned subsidiaries. All material intercompany transactions have been eliminated in the consolidation. The accompanying financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants (See Note 3). The financial activity of each of the Company's lines of business is reported in the "Schedule of Information by Business Segments." Such information is an integral part of these financial statements. In 1996, the Company changed its method of grouping products and services into new industry segments. Information that was previously reported as electric, natural gas and non-utility operations is now being reported by the new business lines of Energy Delivery, Energy Trading and Non-Energy operations. The Company retroactively restated the 1995 and 1994 financial statements for the change.

The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that directly affect the reported amounts of assets, liabilities, revenues and expenses.

System of Accounts

The accounting records of the Company's utility operations are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the appropriate state regulatory commissions.

Regulation

The Company is subject to state regulation in Washington, Idaho and Montana for its electric operations. Natural gas operations are regulated in Washington, Idaho, Oregon and California. The Company is subject to regulation by the FERC with respect to its wholesale electric transmission rates and the natural gas rates charged for the release of capacity from the Jackson Prairie Storage Project.

Operating Revenues

The Company accrues estimated unbilled revenues for electric and natural gas services provided through month-end.

Other Income (Deductions)—net

Other income (deductions)-net is composed of the following items:

	Years Ended December 31,		
	1996	1995	1994
	(Thousands of Dollars)		
Interest income	$ 5,760	$ 3,645	$ 3,535
Capitalized interest (debt)	1,290	1,042	3,687
Gain (loss) on property dispositions	(152)	1,272	738
Equity earnings in subsidiary companies	-	-	1,774
Minority interest	(1,193)	(314)	(289)
Capitalized interest (equity)	1,072	589	1,261
Other	(5,586)	(6,843)	(2,713)
Total	$ 1,191	$ (609)	$ 7,993

Earnings Per Share

Earnings per share have been computed based on the weighted average number of common shares outstanding during the period.

The Company's primary regulatory assets include Investment in Exchange Power, conservation programs, deferred income taxes, the provision for postretirement benefits, unrecovered purchased gas costs and debt issuance and redemption costs. Deferred credits include natural gas deferrals and the gain on the general office building sale/leaseback being amortized over the life of the lease.

Power and Natural Gas Cost Adjustment Provisions
The Company has a power cost adjustment mechanism (PCA) in Idaho which allows the Company to modify electric rates to recover or rebate a portion of the difference between actual and allowed net power supply costs. The PCA tracks changes in hydroelectric generation, secondary prices, related changes in thermal generation and PURPA contracts. Rate changes are triggered when the deferred balance reaches $2.2 million. The following surcharges were in effect during the past three years: a $2.5 million (2.3%) rebate effective September 1, 1996, which will expire August 31, 1997; $2.3 million (2.4%) surcharge effective September 1, 1995, which expired August 31, 1996; and a $2.2 million (2.5%) surcharge effective January 1, 1995, which expired December 31, 1995.

Under established regulatory practices, the Company is also allowed to adjust its natural gas rates from time to time to reflect increases or decreases in the cost of natural gas purchased. Differences between actual natural gas costs and the natural gas costs allowed in rates are deferred and charged or credited to expense when regulators approve inclusion of the cost changes in rates. In Oregon, regulatory provisions include a sharing of benefits and risks associated with changes in natural gas prices.

Income Taxes
The Company and its eligible subsidiaries file consolidated federal income tax returns. Subsidiaries are charged or credited with the tax effects of their operations on a stand-alone basis. The Company's federal income tax returns have been examined with all issues resolved, and all payments made, through the 1992 return.

New Accounting Standards
FAS No. 121, entitled "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," was issued by the Financial Accounting Standards Board (FASB), and is effective for fiscal years beginning after December 15, 1995. FAS No. 121 requires the review of certain assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is determined to be impaired, a loss is recognized. The Company will continue to periodically review its assets to determine whether any assets meet the requirements for impairment recognition under this standard. The Company adopted the standard on January 1, 1996, but does not expect any material impact on the Company's financial position or results of operations.

FAS No. 125, entitled "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which is effective after December 31, 1996, provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities which focuses on control of the assets. The statement provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Company has determined that its accounts receivable sale meets the qualifications to be accounted for as a sale of assets under this standard (see Note 4 to Financial Statements for additional information).

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 96-1, entitled "Environmental Remediation Liabilities," which provides authoritative guidance for the recognition, measurement, display and disclosure of environmental remediation liabilities in financial statements. The Company's policy is to immediately accrue and charge to current expense identified exposure related to environmental remediation sites based on estimates of investigations, cleanup and monitoring costs to be incurred. These accruals are then adjusted as further information develops or circumstances change. Cost of future expenditures for environmental remediation obligations are not discounted to their present value. The Company adopted SOP 96-1 on January 1, 1997, but it is not expected to have a material effect on the Company's financial position or results of operations.

Reclassifications
Certain prior year amounts have been reclassified to conform to current statement format. These reclassifications were made for comparative purposes and have not affected previously reported total net income or common shareholders' equity.

In February 1990, the Company adopted a shareholder rights plan, which was subsequently amended, pursuant to which holders of Common Stock outstanding on March 2, 1990, or issued thereafter, have been granted one preferred share purchase right (Right) on each outstanding share of Common Stock. Each Right, initially evidenced by and traded with the shares of Common Stock, entitles the registered holder to purchase one two-hundredth of a share of Preferred Stock of the Company, without par value, at an exercise price of $40, subject to certain adjustments, regulatory approval and other specified conditions. The Rights will be exercisable only if a person or group acquires 10% or more of the Common Stock or announces a tender offer, the consummation of which would result in the beneficial ownership by a person or group of 10% or more of the Common Stock. The Rights may be redeemed, at a redemption price of $0.005 per Right, by the Board of Directors of the Company at any time until any person or group has acquired 10% or more of the Common Stock. The Rights will expire on February 16, 2000.

During 1992, the Company received authorization to issue 1.5 million shares of Common Stock under a second Periodic Offering Program (POP). No shares were issued under the POP during 1994, 1995 or 1996. At December 31, 1996, 572,400 shares remained authorized but unissued.

The Company has a Dividend Reinvestment and Stock Purchase Plan under which the Company's stockholders may automatically reinvest their dividends and make optional cash payments for the purchase of the Company's Common Stock at current market value.

Beginning in 1996, shares were purchased on the open market to fulfill obligations of the 401(K) and Dividend Reinvestment Plans. Sales of Common Stock for 1996, 1995 and 1994 are summarized below (thousands of dollars):

	1996		1995		1994	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at January 1	55,947,967	$594,636	54,420,696	$570,603	52,757,545	$544,609
Employee Investment Plan (401-K)	-	-	304,353	4,718	272,278	4,302
Dividend Reinvestment Plan	12,393	216	1,222,918	19,315	1,390,873	21,692
Total Issues	12,393	216	1,527,271	24,033	1,663,151	25,994
Balance at December 31	55,960,360	$594,852	55,947,967	$594,636	54,420,696	$570,603

NOTE 6. PREFERRED STOCK

Cumulative Preferred Stock Not Subject to Mandatory Redemption:
The dividend rate on Flexible Auction Preferred Stock, Series J is reset every 49 days based on an auction. During 1996, the dividend rate varied from 4.03% to 4.24% and at December 31, 1996, was 4.20%. Series J is subject to redemption at the Company's option at a redemption price of 100% per share plus accrued dividends.

Cumulative Preferred Stock Subject to Mandatory Redemption:

Redemption requirements:

$8.625, Series I - On June 15, 1997, 1998 and 1999, the Company must redeem 100,000 shares at $100 per share plus accumulated dividends. The Company may, at its option, redeem up to 100,000 shares in addition to the required redemption on any redemption date.

$6.95, Series K - On September 15, 2002, 2003, 2004, 2005 and 2006, the Company must redeem 17,500 shares at $100 per share plus accumulated dividends through a mandatory sinking fund. Remaining shares must be redeemed on September 15, 2007. The Company has the right to redeem an additional 17,500 shares on each September 15 redemption date.

There are $30 million in mandatory redemption requirements during the 1997-2001 period.

In June 1996, the Company had a mandatory redemption of $10 million, or 100,000 shares, and also completed an optional redemption of an additional 100,000 shares, or $10 million, of its $8.625 Series I.

The fair value of the Company's preferred stock at December 31, 1996 and 1995 is estimated to be $118.3 million, or 103% of the carrying value and $139.8 million, or 104% of the carrying value, respectively. These estimates are based on available market information.

Balances and interest rates of bank borrowings under these arrangements were as follows:

	Years Ended December 31, 1996	1995
	(Thousands of Dollars)	
Balance outstanding at end of period:		
Fixed-term loans	$ 50,000	$ 10,000
Revolving credit agreement	35,000	19,500
Maximum balance during period:		
Fixed-term loans	$ 50,000	$ 10,000
Revolving credit agreement	35,500	28,500
Average daily balance during period:		
Fixed-term loans	$ 15,482	$ 5,484
Revolving credit agreement	12,280	13,886
Average annual interest rate during period:		
Fixed-term loans	5.67%	6.15%
Revolving credit agreement	5.34	6.11
Average annual interest rate at end of period:		
Fixed-term loans	5.88%	6.06%
Revolving credit agreement	6.02	6.08

Non-energy operations have $45.0 million in short-term borrowing arrangements available. At December 31, 1996 and 1995, $29.6 million and $26.6 million, respectively, were outstanding.

NOTE 9. LEASES

The Company has entered into several lease arrangements involving various assets, with minimum terms ranging from one to fifteen years and expiration dates from 1998 to 2011. Certain of the lease arrangements require the Company, upon the occurrence of specified events, to purchase the leased assets for varying amounts over the term of the lease. The Company's management believes that the likelihood of the occurrence of the specified events under which the Company could be required to purchase the property is remote. Rent expense for the years ended December 31, 1996, 1995 and 1994 was $11.8 million, $10.7 million and $2.3 million, respectively. Future minimum lease payments (in thousands of dollars) required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1996 are estimated as follows:

Year ending December 31:	
1997	$ 7,635
1998	1,847
1999	2,257
2000	2,257
2001	2,257
Later years	22,572
Total minimum payments required	$ 38,825

The Company also has various other operating leases, which are charged to operating expense, consisting of a large number of small, relatively short-term, renewable agreements for various items, such as office equipment and office space.

NOTE 10. PENSION PLANS

The Company has a pension plan covering substantially all of its regular full-time employees. Certain of the Company's subsidiaries also participate in this plan. Individual benefits under this plan are based upon years of service and the employee's average compensation as specified in the Plan. The Company's funding policy is to contribute annually an amount equal to the net periodic pension cost, provided that such contributions are not less than the minimum amounts required to be funded under the Employee Retirement Income Security Act, nor more than the maximum amounts which are currently deductible for tax purposes. Pension fund assets are invested primarily in marketable debt and equity securities. The Company also has another plan which covers the executive officers.

Accumulated postretirement benefit obligation (thousands of dollars):

	1996	1995	1994
Retirees	574	617	642
Active plan participants	1,345	1,328	1,319
Total participants	1,919	1,945	1,961

	1996	1995	1994
Unfunded accumulated postretirement benefit obligation	$(25,589)	$(28,718)	$(31,072)
Unrecognized (gain)/loss	(6,621)	(3,396)	(4,897)
Unrecognized transition obligation	25,683	27,288	28,894
Accrued postretirement benefit cost	$ (6,527)	$ (4,826)	$ (7,075)

Net postretirement benefit cost for 1996, 1995 and 1994 (thousands of dollars):

	1996	1995	1994
Service cost - benefits earned during the period	$ 634	$ 573	$ 802
Return on the plan assets (if any)	(568)	(226)	-
Interest cost on accumulated postretirement benefit obligation	2,234	2,452	2,596
Amortization of transition obligation	1,375	1,414	1,606
Total net periodic cost	$3,675	$4,213	$5,004

The currently assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 5% for 1996. The assumed rate of future medical cost increases has been gradually decreased since the adoption of FAS 106 in response to the actual leveling off of cost increases in the plan. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 1996 and net postretirement health care cost by approximately $211,000. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 7.5%.

NOTE 12. ACCOUNTING FOR INCOME TAXES

As of December 31, 1996 and 1995, the Company had recorded net regulatory assets of $164,753,000 and $169,432,000, respectively, related to the probable recovery of FAS No. 109, "Accounting for Income Taxes," deferred tax liabilities from customers through future rates. Such net regulatory assets will be adjusted by amounts recovered through rates.

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) tax credit carryforwards. The net deferred federal income tax liability consists of the following (thousands of dollars):

	1996	1995	1994
Deferred tax liabilities:			
Differences between book and tax bases of utility plant	$333,017	$320,502	$317,991
Loss on reacquired debt	6,283	7,173	8,216
Deferred natural gas credits	-	-	1,095
Other	8,271	10,013	8,957
Total deferred tax liabilities	347,571	337,688	336,259
Deferred tax assets:			
Reserves not currently deductible	14,942	15,742	14,429
Contributions in aid of construction	5,425	4,634	3,830
Deferred natural gas credits	4,157	3,894	-
Centralia Trust	2,185	-	-
Gain on sale of office building	1,371	1,463	1,555
Other	6,962	4,426	6,278
Total deferred tax assets	35,042	30,159	26,092
Net deferred tax liability	$312,529	$307,529	$310,167

Actual expenses for payments made under the above contracts for the years 1996, 1995 and 1994, were $5,435,000, $8,080,000 and $8,717,000, respectively. The estimated aggregate amounts of required minimum payments (the Company's share of debt service costs) under the above contracts for the next five years are $4,041,000 in 1997, $5,605,000 in 1998, $5,574,000 in 1999, $6,814,000 in 2000 and $6,677,000 in 2001 (minimum payments thereafter are dependent on then market conditions). In addition, the Company will be required to pay its proportionate share of the variable operating expenses of these projects.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Nez Perce Tribe

On December 6, 1991, the Nez Perce Tribe filed an action against the Company in U. S. District Court for the District of Idaho alleging, among other things, that two dams formerly operated by the Company, the Lewiston Dam on the Clearwater River and the Grangeville Dam on the South Fork of the Clearwater River, provided inadequate passage to migrating anadromous fish in violation of rights under treaties between the Tribe and the United States made in 1855 and 1863. The Lewiston and Grangeville Dams, which had been owned and operated by other utilities under hydroelectric licenses from the Federal Power Commission (the "FPC", predecessor of the Federal Energy Regulatory Commission (FERC)) prior to acquisition by the Company, were acquired by the Company in 1937 with the approval of the FPC, but were dismantled and removed in 1973 and 1963, respectively. Allegations of actual loss under different assumptions range between $425 million and $650 million, together with $100 million in punitive damages.

On November 21, 1994, the Company filed a Motion for Summary Judgment of Dismissal. On March 28, 1996, a U.S. District judge entered a summary judgment in favor of the Company dismissing the complaint. The Tribe filed a notice of appeal to the Ninth Circuit Court of Appeals on April 24, 1996. A mediation conference was held on October 11, 1996. Following the conclusion of that conference, briefing schedules were vacated indefinitely to accommodate a mediation process. The parties are in the process of selection of a mediator and a further status conference with the Ninth Circuit Mediator will be held on May 13, 1997. The Company is presently unable to assess the likelihood of an adverse outcome in this litigation, or estimate an amount or range of potential loss in the event of an adverse outcome.

Oil Spill

The Company completed an updated investigation of an oil spill from an underground storage tank that occurred several years ago in downtown Spokane at the site of the Company's steam heat plant. Underground soil testing conducted in 1993 showed that the oil had migrated approximately one city block beyond the steam plant property. On December 6, 1993, the Company asked the Department of Ecology (DOE) to enter into negotiations for a Consent Decree. The Consent Decree, entered on November 8, 1994, provided for an extensive Remedial Investigation (RI) and Feasibility Study (FS) to determine the appropriate cleanup action. The RI and FS were completed in 1995 and an RI/FS report was approved by the DOE in 1996. A Cleanup Action Plan (CAP) was determined by DOE in 1996. The 1994 Consent Decree was amended to include the CAP with court approval on December 2, 1996. The Company is now implementing the CAP. The Company presently estimates that the total cleanup cost, including costs incurred to-date, will approximate $10 million. As of December 31, 1996, an accrual of $3.1 million is reflected on the Company's financial statements, which represents the Company's best estimate of its uninsured liability.

On August 17, 1995, a lawsuit was filed against the Company in Superior Court of the State of Washington for Spokane County by Davenport Sun International Hotels and Properties, Inc., the owner of a hotel property in downtown Spokane, Washington. The Complaint alleges that the oil released from the Company's Central Steamplant trespassed on property owned by the plaintiff. In addition, the plaintiff claims that the Steamplant has caused a diminution of value of plaintiff's land. After mediation, the matter was resolved by settlement and compromise, subject to certain conditions. If the settlement agreement fails or is terminated, the Company is presently unable to assess the likelihood of an adverse outcome in this litigation, or estimate an amount or range of potential loss in the event of an adverse outcome.

Firestorm

On October 16, 1991, gale-force winds struck a five-county area in eastern Washington and a seven-county area in northern Idaho. These winds were responsible for causing 92 separate wildland fires, resulting in two deaths and the loss of 114 homes and other structures, some of which were located in the Company's service territory. Five separate class action lawsuits have been filed against the Company by private individuals in the Superior Court for Spokane County. All of these suits were certified as class actions on September 16, 1994, and bifurcated for trial of liability and damage issues by order of the same date.

NOTE 15. ACQUISITIONS AND DISPOSITIONS

In 1996, Pentzer Development Corporation, a subsidiary of Pentzer, sold the Spokane Industrial Park, resulting in a gain of approximately $10.8 million, net of taxes and other adjustments. During 1996, Pentzer acquired a company that provides point-of-purchase and in-store merchandising services. In 1995 and 1994, Pentzer acquired two companies in each year.

NOTE 16. MERGER TERMINATION

On June 28, 1996, the Board of Directors of the Company terminated the Agreement and Plan of Reorganization and Merger, dated as of June 27, 1994 by and among the Company, Sierra Pacific Resources (SPR), Sierra Pacific Power Company, a subsidiary of SPR (SPPC), and Altus Corporation, a wholly owned subsidiary of the Company (Altus, formerly named Resources West Energy Corporation), which would have provided for the merger of the Company, SPR and SPPC with and into Altus. The Company had approximately $15.8 million, or $10.3 million after-tax, in merger-related transaction and transition costs that were expensed in 1996. No increase in rates will occur as a result of these costs being expensed.

NOTE 17. COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES

In November 1996, the Company and three newly formed Trusts filed a Registration Statement with the SEC for up to and including $150 million of Subordinated Debt Securities of the Company and Preferred Trust Securities of the Trusts (guaranteed by the Company). In January 1997, Subordinated Debt Securities of the Company were issued to one of the Trusts, and that Trust, in turn, issued to the public $60 million of Preferred Securities having a distribution rate of 7 7/8%. On the Company's consolidated balance sheet, this will appear as $60 million of new preferred trust securities.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding the directors of the Registrant has been omitted pursuant to General Instruction G to Form 10-K. Reference is made to the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Registrant's annual meeting of shareholders to be held on May 20, 1997.

Executive Officers of the Registrant

Name	Age	Business Experience During Past 5 Years
Paul A. Redmond	60	Chairman of the Board and Chief Executive Officer since August 1996; Chairman of the Board, President and Chief Executive Officer February 1994 - August 1996; Chairman of the Board and Chief Executive Officer May 1988 - February 1994.
W. Lester Bryan	56	President & Chief Operating Officer since August 1996; Senior Vice President - Rates & Resources May 1992 - August 1996; Vice President - Power Supply August 1983 - May 1992.
Jon E. Eliassen	49	Senior Vice President & Chief Financial Officer since August 1996. Vice President - Finance & Chief Financial Officer February 1986 - August 1996.
Gary G. Ely	49	Senior Vice President & General Manager since August 1996; Vice President - Natural Gas February 1991- August 1996.
Robert D. Fukai	47	Vice President - External Affairs since August 1996; Vice President - Human Resources, Corporate Services & Marketing January 1993 - August 1996; Vice President - Corporate Services & Human Resources October 1992 - December 1992; Vice President - Operations May 1986 - October 1992.
JoAnn G. Matthiesen	56	Vice President - Human Resources since August 1996; Vice President - Organization Effectiveness, Public Relations & Assistant to the Chairman January 1993 - August 1996; Vice President - Marketing, Public Relations & Assistant to the Chairman February 1991 - January 1993.
Lawrence J. Pierce	44	Vice President & Treasurer since August 1996; Vice President - Business Analysis August 1994 - August 1996; Director - Business Analysis February 1992 - August 1994; Treasurer February 1986 - February 1992.
Nancy J. Racicot	49	Senior Vice President & General Manager since August 1996; Vice President - Operations October 1992 - August 1996; Vice President - Corporate Services March 1990 - October 1992.
Ronald R. Peterson	44	Controller since August 1996; Treasurer February 1992 - August 1996; Manager - Customer Information Services March 1991 - February 1992.
Terry L. Syms	48	Corporate Secretary since March 1988.

All of the Company's executive officers, with the exception of Messr. Fukai, were officers or directors of one or more of the Company's subsidiaries in 1996.

Executive officers are elected annually by the Board of Directors.

PART IV

Item 14. Financial Statements, Financial Statement Schedules, Exhibits and Reports on Form 8-K

(a) 1. Financial Statements (Included in Part II of this report):

Independent Auditors' Report

Consolidated Statements of Income and Retained Earnings for the Years Ended December 31, 1996, 1995 and 1994

Consolidated Balance Sheets, December 31, 1996 and 1995

Consolidated Statements of Capitalization, December 31, 1996 and 1995

Consolidated Statements of Cash Flows for the Years Ended December 31, 1996, 1995 and 1994

Schedule of Information by Business Segments for the Years Ended December 31, 1996, 1995 and 1994

Notes to Financial Statements

(a) 2. Financial Statement Schedules:

None

(a) 3. Exhibits:

Reference is made to the Exhibit Index commencing on page 52. The Exhibits include the management contracts and compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(10)(iii) of Regulation S-K.

(b) Reports on Form 8-K:

Dated June 28, 1996, regarding the termination of the Merger Agreement between the Company, Sierra Pacific Resources, Sierra Pacific Power Company and Altus Corporation.

Dated December 1, 1996, regarding the storm damage to the Company's electric transmission and distribution system resulting from an ice storm.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 2-81697 on Form S-8, in Registration Statement No. 2-94816 on Form S-8, in Registration Statement No. 33-49662 on Form S-3, in Registration Statement No. 33-51669 on Form S-3, in Registration Statement No. 33-53655 on Form S-3, in Registration Statement No. 33-54791 on Form S-8, in Registration Statement No. 333-16353, in Registration Statement No. 333-16353-01, in Registration Statement No. 333-16353-02, and in Registration Statement No. 333-16353-03 of our report dated January 31, 1997, appearing in this Annual Report on Form 10-K of The Washington Water Power Company for the year ended December 31, 1996.

Deloitte & Touche LLP

Seattle, Washington
March 20, 1997

EXHIBIT INDEX (continued)

Exhibit	Previously Filed* With Registration Number	Previously Filed* As Exhibit	
4(a)-24	1-3701 (with 1986 Form 10-K)	4(a)-24	Twenty-Third Supplemental Indenture, dated as of December 1, 1986.
4(a)-25	1-3701 (with 1987 Form 10-K)	4(a)-25	Twenty-Fourth Supplemental Indenture, dated as of January 1, 1988.
4(a)-26	1-3701 (with 1989 Form 10-K)	4(a)-26	Twenty-Fifth Supplemental Indenture, dated as of October 1, 1989.
4(a)-27	33-51669	4(a)-27	Twenty-Sixth Supplemental Indenture, dated as of April 1, 1993.
4(a)-28	1-3701 (with 1993 Form 10-K)	4(a)-28	Twenty-Seventh Supplemental Indenture, dated as of January 1, 1994.
4(b)-1	1-3701 (with 1989 Form 10-K)	4(e)-1	Loan Agreement between City of Forsyth, Rosebud County, and the Company, dated as of November 1, 1989 (Series 1989 A and 1989 B). Replaces Exhibit 4(e)-1 (agreement between the Company and City of Forsyth, Rosebud County, Montana, dated as of October 1, 1986) filed with Form 10-K for 1986 and Exhibit 4(g)-1 (agreement between the Company and City of Forsyth, Rosebud County, Montana, dated as of April 1, 1987) filed with Form 10-K for 1987.
4(b)-2	1-3701 (with 1989 Form 10-K)	4(e)-2	Indenture of Trust, Pollution Control Revenue Refunding Bonds (Series 1989 A and 1989 B) between City of Forsyth, Rosebud County, Montana and Chemical Bank, dated as of November 1, 1989. Replaces Exhibit 4(e)-2 (Indenture of Trust between City of Forsyth, Rosebud County, Montana and Chemical Bank dated as of October 1, 1986) filed with Form 10-K for 1986 and Exhibit 4(g)-2 (Indenture of Trust between City of Forsyth, Rosebud County, Montana and Chemical Bank, dated as of April 1, 1987) filed with Form 10-K for 1987.
4(c)-1	1-3701 (with 1988 Form 10-K)	4(h)-1	Indenture between the Company and Chemical Bank dated as of July 1, 1988 (Series A and B Medium-Term Notes).
4(d)-1	1-3701 (with 1992 Form 10-K)	4(j)-1	Credit Agreements between the Company and Toronto-Dominion (Texas), Inc., The Toronto-Dominion Bank Houston Agency, The Bank of New York, CIBC, Inc. and Citicorp USA, Inc. with Toronto-Dominion (Texas), Inc. as agent, dated as of October 1, 1992.
4(d)-2	1-3701 (with 1995 Form 10-K)	4(j)-2	First Amendment to Credit Agreements between the Company and Toronto-Dominion (Texas), Inc., The Toronto-Dominion Bank Houston Agency, The Bank of New York, CIBC, Inc. and Citicorp USA, Inc. with Toronto-Dominion (Texas), Inc. as agent, dated as of July 26, 1995.
4(d)-3	1-3701 (with 1995 Form 10-K)	4(j)-3	Second Amendment to Credit Agreements between the Company and Toronto-Dominion (Texas), Inc., The Toronto-Dominion Bank Houston Agency, The Bank of New York, CIBC, Inc. and Citicorp USA, Inc. with Toronto-Dominion (Texas), Inc. as agent, dated as of July 26, 1995.

*Incorporated herein by reference.
**Filed herewith.

EXHIBIT INDEX (continued)

	Previously Filed*		
Exhibit	With Registration Number	As Exhibit	
10(d)-3	2-60728	5(h)	Reserved Share Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of September 18, 1963.
10(d)-4	2-60728	5(h)-1	Amendment to Reserved Share Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of February 9, 1965.
10(e)	2-60728	5(i)	Canadian Entitlement Exchange Agreement executed by Bonneville Power Administration Columbia Storage Power Exchange and the Company, dated as of August 13, 1964.
10(f)	2-60728	5(j)	Pacific Northwest Coordination Agreement, dated as of September 15, 1964.
10(g)-1	2-60728	5(k)	Ownership Agreement between the Company, Pacific Power & Light Company, Puget Sound Power & Light Company, Portland General Electric Company, Seattle City Light, Tacoma City Light and Grays Harbor and Snohomish County Public Utility Districts as owners of the Centralia Steam Electric Generating Plant, dated as of May 15, 1969.
10(g)-3	1-3701 (with Form 10-K for 1991)	10(h)-3	Centralia Fuel Supply Agreement between PacifiCorp Electric Operations, as the Seller, and the Company, Puget Sound Power & Light Company, Portland General Electric Company, Seattle City Light, Tacoma City Light and Grays Harbor and Snohomish County Public Utility Districts, as the Buyers of coal for the Centralia Steam Electric Generating Plant, dated as of January 1, 1991.
10(h)-1	2-47373	13(y)	Agreement between the Company, Bonneville Power Administration and Washington Public Power Supply System for purchase and exchange of power from the Nuclear Project No. 1 (Hanford), dated as of January 6, 1973.
10(h)-2	2-60728	5(m)-1	Amendment No. 1 to the Agreement between the Company between the Company, Bonneville Power Administration and Washington Public Power Supply System for purchase and exchange of power from the Nuclear Project No. 1 (Hanford), dated as of May 8, 1974.
10(h)-3	1-3701 (with Form 10-K for 1986)	10(i)-3	Agreement between Bonneville Power Administration, the Montana Power Company, Pacific Power & Light, Portland General Electric, Puget Sound Power & Light, the Company and the Supply System for relocation costs of Nuclear Project No. 1 (Hanford) dated as of July 9, 1986.
10(i)-1	2-60728	5(n)	Ownership Agreement of Nuclear Project No. 3, sponsored by Washington Public Power Supply System, dated as of September 17, 1973.
10(i)-2	1-3701 (with Form 10-Q for quarter ended September 30, 1985)	1	Settlement Agreement and Covenant Not to Sue executed by the United States Department of Energy acting by and through the Bonneville Power Administration and the Company, dated as of September 17, 1985, describing the settlement of Project 3 litigation.

*Incorporated herein by reference.
**Filed herewith.

EXHIBIT INDEX (continued)

Exhibit	Previously Filed* With Registration Number	As Exhibit	
10(k)-3	1-3701 (with 1981 Form 10-K)	10(s)-2	Coal Supply Agreement for Colstrip Units No. 3 and 4 between The Montana Power Company, Puget Sound Power & Light Company, Portland General Electric Company, Pacific Power & Light Company, Western Energy Company and the Company, dated as of July 2, 1980.
10(k)-4	1-3701 (with 1981 Form 10-K)	10(s)-3	Amendment No. 1 to Coal Supply Agreement for Colstrip Units No. 3 and 4, dated as of July 10, 1981.
10(k)-5	1-3701 (with 1988 Form 10-K)	10(l)-5	Amendment No. 4 to Coal Supply Agreement for Colstrip Units No. 3 and 4, dated as of January 1, 1988.
10(l)-1	1-3701 (with 1986 Form 10-K)	10(n)-2	Lease Agreement between the Company and IRE-4 New York, Inc., dated as of December 15, 1986, relating to the Company's central operating facility.
10(m)	1-3701 (with 1983 Form 10-K)	10(v)	Supplemental Agreement No. 2, Skagit/Hanford Project, dated as of December 27, 1983, relating to the termination of the Skagit/Hanford Project.
10(n)	1-3701 (with 1986 Form 10-K)	10(p)-1	Agreement for Purchase and Sale of Firm Capacity and Energy between Puget Sound Power & Light Company and the Company, dated as of August 1, 1986.
10(o)	1-3701 (with 1991 Form 10-K)	10(q)-1	Electric Service and Purchase Agreement between Potlatch Corporation and the Company, dated as of January 3, 1991.
10(p)	1-3701 (with 1992 Form 10-K)	10(r)-1	Power Sale Agreement between the Company and the Northern California Power Agency dated October 11, 1991.
10(q)	1-3701 (with 1992 Form 10-K)	10(s)-1	Agreements for Purchase and Sale of Firm Capacity between the Company and Portland General Electric Company dated March and June 1992.
10(r)-1	1-3701 (with 1994 Form 10-K)	10(s)-1	Employment Agreement between the Company and Paul A. Redmond. (***)
10(r)-2	1-3701 (with 1994 Form 10-K)	10(s)-2	Employment Agreement between the Company and W. Lester Bryan. (***)
10(r)-3	1-3701 (with 1994 Form 10-K)	10(s)-3	Employment Agreement between the Company and Nancy Racicot. (***)
10(r)-4	1-3701 (with 1994 Form 10-K)	10(s)-4	Employment Agreement between the Company and Jon E. Eliassen. (***)
10(r)-5	1-3701 (with 1994 Form 10-K)	10(s)-5	Employment Agreement between the Company and Robert D. Fukai. (***)
10(r)-7	1-3701 (with 1992 Form 10-K)	10(t)-7	Executive Deferral Plan of the Company. (***)

* Incorporated herein by reference.
** Filed herewith.
*** Management contracts or compensatory plans filed as exhibits by reference per Item 601(10)(iii) of Regulation S-K.

EXHIBIT 12

THE WASHINGTON WATER POWER COMPANY

Computation of Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements
Consolidated
(Thousands of Dollars)

	Years Ended December 31				
	1996	1995	1994	1993	1992 (1)
Fixed charges, as defined:					
Interest on long-term debt	$ 60,256	$ 55,580	$ 49,566	$ 47,129	$ 51,727
Amortization of debt expense and premium - net	2,998	3,441	3,511	3,004	1,814
Interest portion of rentals	4,311	3,962	1,282	924	1,105
Total fixed charges	$ 67,565	$ 62,983	$ 54,359	$ 51,057	$ 54,646
Earnings, as defined:					
Net income from continuing ops.	$ 83,453	$ 87,121	$ 77,197	$ 82,776	$ 72,267
Add (deduct):					
Income tax expense	49,509	52,416	44,696	42,503	41,330
Total fixed charges above	67,565	62,983	54,359	51,057	54,646
Total earnings	$ 200,527	$ 202,520	$ 176,252	$ 176,336	$ 168,243
Ratio of earnings to fixed charges	2.97	3.22	3.24	3.45	3.08
Fixed charges and preferred dividend requirements:					
Fixed charges above	$ 67,565	$ 62,983	$ 54,359	$ 51,057	$ 54,646
Preferred dividend requirements (2)	12,711	14,612	13,668	12,615	10,716
Total	$ 80,276	$ 77,595	$ 68,027	$ 63,672	$ 65,362
Ratio of earnings to fixed charges and preferred dividend requirements	2.50	2.61	2.59	2.77	2.57

(1) Calculations have been restated to reflect the results from continuing operations (ie. excluding discontinued coal mining operations).

(2) Preferred dividend requirements have been grossed up to their pre-tax level.

EXHIBIT 27

THE WASHINGTON WATER POWER COMPANY

FINANCIAL DATA SCHEDULE UT

1996 10-K

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE WASHINGTON WATER POWER COMPANY, INCLUDED IN THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

ARTICLE	UT
MULTIPLIER	1,000
PERIOD-TYPE	12-MOS
FISCAL-YEAR-END	DEC-31-1996
PERIOD-END	DEC-31-1996
BOOK-VALUE	PER-BOOK
TOTAL-NET-UTILITY-PLANT	1,397,876
OTHER-PROPERTY-AND-INVEST	247,729
TOTAL-CURRENT-ASSETS	228,389
TOTAL-DEFERRED-CHARGES	303,304
OTHER-ASSETS	0
TOTAL-ASSETS	2,177,298
COMMON	583,844
CAPITAL-SURPLUS-PAID-IN	(4,409)
RETAINED-EARNINGS	131,301
TOTAL-COMMON-STOCKHOLDERS-EQ	710,736
PREFERRED-MANDATORY	65,000
PREFERRED	50,000
LONG-TERM-DEBT-NET (1)	617,972
SHORT-TERM-NOTES	85,000
LONG-TERM-NOTES-PAYABLE	25,239
COMMERCIAL-PAPER-OBLIGATIONS	0
LONG-TERM-DEBT-CURRENT-PORT	42,670
PREFERRED-STOCK-CURRENT	0
CAPITAL-LEASE-OBLIGATIONS	5,315
LEASES-CURRENT	1,698