

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM S-4

AMENDMENT NO. 1
 TO
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933

THE WASHINGTON WATER POWER COMPANY
 (Exact name of registrant as specified in its charter)

WASHINGTON (State or other jurisdiction of incorporation or organization)	4931 (Primary Standard Industrial Classification Code Number)	91-0462470 (I.R.S. Employer Identification No.)
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1411 EAST MISSION AVENUE
 SPOKANE, WASHINGTON 99202
 (509) 489-0500

(Address, including ZIP Code, and telephone number, including area code, of
 registrant's principal executive offices)

J.E. ELIASSEN, SENIOR VICE PRESIDENT,
 Chief Financial Officer & Treasurer
 The Washington Water Power Company
 1411 East Mission Avenue
 Spokane, Washington 99202
 (509) 489-0500

J. ANTHONY TERRELL
 Thelen Reid & Priest LLP
 40 West 57th Street
 New York, New York 10019
 (212) 603-2000

(Name and address, including ZIP Code, and telephone number, including area
 code, of agents for service)

It is respectfully requested that the Commission send copies of all notices,
 orders and communications to:

LINDA A. SIMPSON
 Davis Polk & Wardwell
 450 Lexington Avenue
 New York, New York 10017
 (212) 450-4000

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Depository Shares, each constituting a one-tenth interest in one share of \$12.40 Preferred Stock, Convertible Series L, no par value.....	20,000,000 Shares	N/A	N/A	N/A(1)
\$12.40 Preferred Stock, Convertible Series L, no par value.....	2,000,000 Shares	\$206.5625(2)	\$413,125,000	\$121,872(3)
Common Stock, no par value.....	20,000,000 Shares(4)	N/A	N/A	N/A(5)
Preferred Share Purchase Rights.....	20,000,000 Rights(6)	N/A	N/A	N/A(7)

(1) Pursuant to Rule 457, no registration fee separate from the registration fee
 for the Preferred Stock is required.

(2) Solely for the purpose of calculating the registration fee pursuant to Rule
 457(c) under the Securities Act of 1933, as amended ("Securities Act"), the
 proposed maximum offering price has been determined by multiplying (1) the
 average of the high and low prices for the Common Stock on August 11, 1998
 as reported in the consolidated reporting system for securities traded on
 the New York Stock Exchange by (2) a factor of ten, representing the number
 of shares of Common Stock which will be received by the Company in exchange
 for each share of Preferred Stock.

(3) The registration fee for the shares of the Preferred Stock registered hereby
 has been calculated pursuant to Rule 457(f)(1) under the Securities Act,
 which requires the registration fee to be based upon the market value of the
 Common Stock of The Washington Water Power Company (the "Company") to be
 received in exchange for the Preferred Stock. This registration fee was paid

at the time of the initial filing of the Registration Statement on August 17, 1998.

- (4) Represents the number of shares of Common Stock issuable upon conversion of the Preferred Stock. Also being registered are such indeterminate number of additional shares of Common Stock as may be issuable upon or in connection with the conversion of the Preferred Stock as a consequence of the payment of any conversion premium or of adjustments to the Common Equivalent Rate (i.e. the rate at which shares of Preferred Stock are converted into shares of Common Stock).
- (5) No additional consideration will be received by the Company upon conversion of the Preferred Stock and, therefore, pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required.
- (6) The Preferred Share Purchase Rights (the "Rights") are appurtenant to and will trade with the Common Stock.
- (7) The value attributable to the Rights, if any, is reflected in the market price of the Common Stock. Because no additional consideration will be received by the Company upon conversion of the Preferred Stock and, therefore, pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required.

INFORMATION CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THE PREFERRED STOCK OR RECONS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. WE MAY NOT EXCHANGE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION DATED OCTOBER , 1998

PROSPECTUS

EXCHANGE OFFER--IMPORTANT

[WPP LOGO]

TO ENSURE TIMELY RECEIPT BY THE EXCHANGE AGENT, DO NOT MAIL OR PRESENT THE LETTER OF TRANSMITTAL AND/OR STOCK CERTIFICATES TO THE COMPANY.

Dear Shareholder:

On August 14, 1998, the Board of Directors approved an initiative that will help position our Company to grow-- a Common Stock dividend restructuring plan. We believe this change will better position us to pursue our growth strategies and provide greater value for your investment in Washington Water Power. To improve financial flexibility and retain a larger share of earnings in order to fund future growth, the Board of Directors announced a plan to lower the annual dividend paid to you, as a shareholder, from \$1.24 to \$0.48 per Common Share. We also announced that we intend to change our corporate name to Avista Corporation effective January 1, 1999. Our common stock will trade under the symbol "AVA."

Recognizing that some of you may rely on current income from the dividend, we have also created an opportunity for you to exchange your Common Shares for a new security called RECONS(EDT) (Return Enhanced Convertible Securities).

A RECONS is a security that:

- will pay an annual dividend of \$1.24 (\$0.31 each quarter);
- will allow you to participate in future appreciation in the value of the Common Shares up to \$[] per share;
- will automatically convert into one Common Share on November 1, 2001, unless we choose to convert it earlier; and
- we may convert, before its automatic conversion, into one or less than one Common Share, having a value up to a maximum of \$[], plus all accrued and unpaid dividends, and on which, if converted before September 15, 2001, we would also pay a premium, either in cash or Common Shares.

For a more complete description of the terms of the RECONS, see "Description of RECONS" beginning on page 26.

Whether you should participate in the exchange offer depends on many factors. FOR A DESCRIPTION OF RISK FACTORS ASSOCIATED WITH THE EXCHANGE OFFER, SEE "RISK FACTORS/INVESTMENT CONSIDERATIONS" BEGINNING ON PAGE 12.

We will accept a maximum of 20,000,000 Common Shares for exchange into RECONS. You may tender all or part of your Common Shares, but if shareholders tender more than 20,000,000 shares, we will accept tendered shares on a pro rata basis. Fractional shares may not be tendered.

This Exchange Offer is also subject to certain other conditions, including a minimum tender of 6,000,000 Common Shares. THIS EXCHANGE OFFER WILL BE OPEN UNTIL 12:00 MIDNIGHT, NEW YORK CITY TIME, ON , 1998, UNLESS WE EXTEND IT. Until that time, you may tender your Common Shares or, if you have tendered them and you change your mind, you may withdraw them by following the procedures described in this document.

To assist you in connection with the Exchange Offer, we have retained

- Morrow & Co., Inc., as Information Agent. If you are an individual or institutional shareholder and desire assistance, please call 1-800-566-9061. Banks or brokerage firms may call 1-800-662-5200.
- J.P. Morgan Securities Inc., as Dealer Manager. If you are an institutional shareholder you may call (212) - .

All shareholders may call the Information Agent to request additional documents and individual shareholders and banks or brokerage firms should contact the Information Agent to ask any questions. Institutional shareholders may call either the Information Agent or the Dealer Manager with any questions.

Our Common Shares are listed and traded on the New York Stock Exchange and the Pacific Exchange, in each case under the symbol WWP.

WWP has a long history of innovation and leadership. We trust you will find this Exchange Offer is consistent with that legacy.

T.M. MATTHEWS
Chairman of the Board, President and Chief Executive Officer
The Washington Water Power Company

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE PREFERRED STOCK OR RECONS TO BE ISSUED IN THE EXCHANGE OFFER OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DEALER MANAGER FOR THIS EXCHANGE OFFER IS:

J.P. MORGAN & CO.

, 1998

THIS PROSPECTUS INCORPORATES BY REFERENCE IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT THE COMPANY THAT IS NOT INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS. SHAREHOLDERS MAY OBTAIN COPIES OF DOCUMENTS CONTAINING SUCH INFORMATION FROM US, WITHOUT CHARGE, BY EITHER CALLING OR WRITING TO US AT:

THE WASHINGTON WATER COMPANY
 POST OFFICE BOX 3647
 SPOKANE, WASHINGTON 99220
 ATTENTION: SHAREHOLDER RELATIONS
 TELEPHONE: 1-800-222-4931

IN ORDER TO OBTAIN TIMELY DELIVERY, A SHAREHOLDER MUST REQUEST DOCUMENTS FROM US NO LATER THAN , 1998, WHICH IS FIVE DAYS BEFORE THE EXPIRATION DATE OF THE EXCHANGE OFFER ON , 1998.

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QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

Q1: WHY ARE WE CHANGING THE DIVIDEND POLICY NOW?

A1: The utility and energy industries are rapidly changing and abundant opportunities are emerging to apply our capabilities to serve new markets and grow the Company for the benefit of shareholders. Reducing the dividend we currently pay on Common Shares will allow us to retain more of our earnings for reinvestment in our Company and to fund our growth plans.

Q2: WHY ARE WE MAKING THE EXCHANGE OFFER?

A2: We recognize that some of you may rely on the income produced by the dividend we currently pay on Common Shares. Once we made the decision to reduce the dividend, we decided to create an opportunity for you to retain for a period of time all or part of the income stream to which you may have been accustomed. The Exchange Offer is structured to also allow you to benefit from a portion of the longer term Common Share price growth potential.

Q3: WHAT DO I GET IF I EXCHANGE ANY OF MY COMMON SHARES FOR RECONS?

A3: For each Common Share exchanged you will receive one RECONS on which quarterly dividends of \$0.31 will be paid. Each RECONS will automatically be converted into one Common Share at the end of three years, unless we choose to convert earlier, in which case there is a substantial likelihood that you would receive less than one Common Share (see Question 16).

Q4: HOW DO RECONS DIFFER FROM PREFERRED STOCK?

A4: Each RECONS is a depositary share that constitutes a one-tenth (1/10) interest in one share of a new series of Preferred Stock of The Washington Water Power Company ("WWP"), to be designated the \$12.40 Preferred Stock, Convertible Series L, no par value ("New Preferred Stock"). WWP will issue up to 2,000,000 shares of New Preferred Stock from its total of 10,000,000 authorized shares of Preferred Stock.

Q5: WHAT IS A DEPOSITARY SHARE?

A5: The Bank of New York, acting as a depositary, holds the New Preferred Stock under a deposit agreement. The depositary shares, which we are calling RECONS, are interests in the New Preferred Stock.

Q6: WILL RECONS BE PUBLICLY TRADED?

A6: There is currently no public market for the RECONS. We will apply to list the RECONS on the New York Stock Exchange ("NYSE"), but if NYSE listing requirements are not met, we expect that the RECONS will trade in the over-the-counter market. You should not assume that there will be an active trading market for the RECONS.

Q7: WILL I BE TAXED ON THE RECONS THAT I RECEIVE IN THE EXCHANGE OFFER?

A7: The Exchange Offer generally should be tax-free to WWP and its shareholders. You should consult your tax advisor as to the particular consequences of the Exchange Offer to you.

Q8: HOW DOES THE EXCHANGE OFFER WORK?

A8: You may tender some or all of your Common Shares, on a one-for-one basis, for RECONS. Only whole shares may be tendered. The specifics of this Exchange Offer are described in this document.

Q9: WHAT MUST I DO IF I WANT TO EXCHANGE MY COMMON SHARES?

A9: If your Common Shares are held by your broker you should follow the instructions from your broker on how to participate in the Exchange Offer, or contact your broker directly. If you hold your Common Shares directly, you should follow the instructions for tendering Common Shares in this document under the caption "The Exchange Offer--Procedure for Tender" beginning on page 20.

Q10: WHAT MUST I DO IF I DO NOT WANT TO EXCHANGE MY COMMON SHARES?

A10: IF YOU WANT TO RETAIN YOUR COMMON SHARES, YOU SHOULD NOT TAKE ANY ACTION. Note, however, that as a holder of Common Shares your interests will be affected by this Exchange Offer whether or not you choose to exchange your Common Shares, as explained in this document.

Q11: DO I NEED TO HAVE HELD MY COMMON SHARES PRIOR TO THE DATE OF THIS PROSPECTUS TO PARTICIPATE IN THE EXCHANGE OFFER?

A11: No. You may tender Common Shares you acquired before or after the date of this Prospectus, provided that you deliver such Common Shares in accordance with the procedures and within the time frame described under the caption "The

Q12: WHAT WILL I GET TO REPRESENT MY OWNERSHIP OF RECONS?

A12: You will NOT receive a stock certificate, but will instead get:

- - if your Common Shares were held by your broker, a statement confirming your exchange of Common Shares and the number of your RECONS; or
- - if you held your Common Shares directly, a depositary receipt evidencing your RECONS.

Q13: WILL PARTICIPANTS IN WWP'S DIVIDEND REINVESTMENT PLAN BE ABLE TO PARTICIPATE IN THE EXCHANGE OFFER?

A13: Yes. Each participant in the Dividend Reinvestment Plan may withdraw and tender some or all of the whole Common Shares held in his or her plan account. However, dividend payments on RECONS will be paid in cash and cannot be automatically reinvested.

Q14: WILL PARTICIPANTS IN THE COMPANY'S 401(K) PLAN BE ABLE TO PARTICIPATE IN THE EXCHANGE OFFER?

A14: Participants in the Company's 401(k) Plan may tender Common Shares held in their 401(k) Company Stock Fund, but not in their 401(k) Company Contribution Account.

Q15: WHAT HAPPENS AT THE END OF THREE YEARS?

A15: On November 1, 2001, each RECONS will be converted into one Common Share, unless we choose to convert earlier, in which case there is a substantial likelihood that you would receive less than one Common Share.

Q16: WHAT HAPPENS IF THE COMPANY CONVERTS EARLY?

A16: If we choose to convert before November 1, 2001, for each RECONS you will receive no more than one Common Share, having a value up to a maximum of \$[]. This means that there is a substantial likelihood that you will receive less than one Common Share for each RECONS, depending upon the value of Common Shares at the time of the conversion. You will also receive accrued and unpaid dividends and a premium payable, if any, in cash or Common Shares.

Q17: HOW DO I LEARN MORE ABOUT THE EXCHANGE OFFER?

A17: This document contains a complete description of the terms of the Exchange Offer and you are strongly encouraged to read the entire document. If you are an individual or institutional Shareholder and after reading this document, have further questions, please contact the Information Agent. If you are an institutional shareholder, you may also contact the Dealer Manager, referred to in the letter of the Chairman of the Board, President and Chief Executive Officer at the beginning of this document.

SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS PROSPECTUS AND DOES NOT CONTAIN ALL THE INFORMATION THAT YOU SHOULD CONSIDER. TO UNDERSTAND THE EXCHANGE OFFER FULLY AND FOR A MORE COMPLETE DESCRIPTION OF THE LEGAL TERMS OF THE EXCHANGE OFFER, YOU SHOULD READ CAREFULLY THIS ENTIRE DOCUMENT AND THE DOCUMENTS TO WHICH WE HAVE REFERRED YOU. SEE "QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER" ON PAGE 1 AND "ADDITIONAL INFORMATION" ON PAGE 40. WE HAVE INCLUDED PAGE REFERENCES IN PARENTHESES TO DIRECT YOU TO A MORE COMPLETE DESCRIPTION OF THE TOPICS PRESENTED IN THIS SUMMARY.

THE COMPANY (SEE PAGE 14)

Washington Water Power is an energy services company with utility and subsidiary operations located throughout the United States. We operate as a regional utility providing electric and natural gas sales and services and as a national entity providing both energy and non-energy products and services. We provide electricity and natural gas in eastern Washington and northern Idaho and natural gas service in northeast and southwest Oregon and the South Lake Tahoe region of California. Washington Water Power also operates Avista Capital ("Avista"), which owns all the Company's non-regulated energy and non-energy businesses. Avista's subsidiaries include Pentzer Corporation ("Pentzer"), Avista Energy, Avista Advantage and Avista Labs.

Changes now underway in the utility and energy industries are creating new opportunities to expand the Company's businesses and serve new markets. In pursuing such opportunities, the Company is shifting to a more growth-oriented strategy in order to achieve its goal of becoming a diversified North American energy company. Our principal offices are at 1411 East Mission Avenue, Spokane, Washington 99202 and the telephone number is (509) 489-0500. Our mailing address is Post Office Box 3727, Spokane, Washington 99220.

RECENT DEVELOPMENTS

On August 17, 1998, we announced a dividend restructuring and broad corporate refocus aimed at strengthening our financial position and providing needed capital to fund our new growth strategy. As part of that initiative, we announced that we are reducing the annual dividend on our Common Shares from \$1.24 to \$.48 per share, effective with the quarterly dividend expected to be paid in December 1998. This reduced dividend will permit us to use more of our operating cash flow for growth initiatives and new investment opportunities in each of our lines of business. We also announced that we intend to change our corporate name to Avista Corporation and align our businesses under this name in order to promote a cohesive brand identity.

BACKGROUND AND PURPOSE OF THE EXCHANGE OFFER

We chose to make the Exchange Offer because we wanted to give those of you whose primary objective may be current income the chance to continue receiving over the next few years the same dividend the Common Shares now pay. We believe that the Exchange Offer will help our investors adjust to the Company's transition to a more growth-oriented strategy. In deciding to pursue the Exchange Offer, we considered, among other things, the advice of our financial advisors, J.P. Morgan Securities Inc.

To review the reasons for the Exchange Offer in greater detail, see page 18.

THE EXCHANGE OFFER GENERALLY

EFFECTS OF THE EXCHANGE OFFER

WWP shareholders will be affected by the Exchange Offer whether or not they tender their Common Shares in the Exchange Offer. If you tender all of your Common Shares and all such shares are accepted for exchange, you will not have a voting common equity interest in WWP until such time as your RECONS are converted. As long as you hold RECONS, you will participate only up to a certain level of appreciation in the value of Common Shares. If you do not tender any of your Common Shares, you will continue to have a voting common equity interest in WWP and your ownership interest in the common equity will have increased on a percentage basis as a result of the Exchange Offer.

THE POSITION OF WWP ON THE EXCHANGE OFFER

Neither WWP nor the J.P. Morgan Securities Inc., nor any of their directors or executive officers, makes any recommendation as to whether you should tender your Common Shares. Among the factors which you should consider when deciding whether to tender your Common Shares are (1) your view of the relative value of a single Common Share and a single RECONS, (2) the relative importance you place on current income versus potential long-term capital appreciation, (3) your expectation of what the price of a Common Share will be during the next three years and (4) your investment strategy, including tax considerations. You must make your own decision as to whether to tender, and, if so, how many of your shares to tender after reading this Prospectus and consulting with your advisors based on your own financial position and requirements. We urge you to read this document very carefully.

The Exchange Offer generally should be tax-free to WWP and its shareholders. You should consult your tax advisor as to the particular consequences of the Exchange Offer to you.

THE EXCHANGE OFFER

TERMS OF THE EXCHANGE OFFER (SEE PAGE 18)

WWP is offering to exchange up to 20,000,000 RECONS for Common Shares at an exchange ratio of one-for-one.

Each Common Share properly tendered and not withdrawn will be exchanged for one RECONS, on the terms and subject to the conditions of the Exchange Offer, including the proration provisions. Promptly after the expiration of the Exchange Offer, the Exchange Agent will return to shareholders any Common Shares not accepted for exchange.

EXPIRATION DATE; EXTENSION; TERMINATION (SEE PAGE 19)

The Exchange Offer will expire at 12:00 midnight, New York City time, on , 1998, unless extended. You must tender your Common Shares prior to such expiration date if you wish to participate in the offer. The Exchange Offer may also terminate or be terminable in certain circumstances.

WITHDRAWAL RIGHTS (SEE PAGE 22)

You may withdraw tenders of Common Shares any time before the expiration of the Exchange Offer. If you change your mind again, you may tender your Common Shares again by following the tender procedures prior to the expiration of the Exchange Offer.

CONDITIONS OF THE EXCHANGE OFFER (SEE PAGES 23)

The Exchange Offer is subject to certain conditions, including that at least 6,000,000 Common Shares are tendered.

PROCEDURE FOR TENDERING (SEE PAGE 20)

If your Common Shares are held by your broker, your broker should have sent you instructions along with the Prospectus on how to participate in the Exchange Offer. If you have not yet received such instructions, please contact your broker directly.

If you hold your shares directly, you should complete and sign the Letter of Transmittal indicating the number of whole Common Shares you wish to tender. Send it, together with your share certificates and any other documents required by the Letter of Transmittal, by registered mail, return receipt requested, so that it is received by the Exchange Agent at one of the addresses set forth on the back cover of this Prospectus before the expiration of the Exchange Offer. You may also comply with the procedures for guaranteed delivery. Do not send or present your certificates to WWP, the Dealer Manager (J.P. Morgan Securities Inc.) or the Information Agent (Morrow & Co.).

PRORATION (SEE PAGE 19)

If more than 20,000,000 Common Shares are tendered, tendered Shares will be accepted for exchange on a pro rata basis. Announcement of any final proration factor should occur approximately five NYSE trading days after the expiration date.

THE EXCHANGE AGENT (SEE PAGE 25)

The Bank of New York is serving as the Exchange Agent in connection with the Exchange Offer.

THE INFORMATION AGENT (SEE PAGE 26)

Morrow & Co., Inc. is serving as the Information Agent in connection with the Exchange Offer. If you are an individual or institutional shareholder you may call Morrow at 1-800-566-9061. Banks or brokerage firms should call 1-800-662-5200.

THE DEALER MANAGER (SEE PAGE 41)

J.P. Morgan Securities Inc. is serving as the Dealer Manager for the

Exchange Offer. If you are an institutional shareholder you may call J.P. Morgan at (212) _____.

COMPARATIVE PER SHARE MARKET PRICE INFORMATION

On August 14, 1998, the last trading day before announcement of the proposed Exchange Offer, the closing sale price per Common Share on the NYSE was \$20 7/8. On _____, 1998, the last trading day before the commencement of the Exchange Offer, the closing sale price per Common Share was \$ _____. We urge you to obtain a current market quotation for the Common Shares.

COMPARISON OF RECONS AND COMMON SHARES

COMPARISON OF RIGHTS OF HOLDERS

The following table presents certain features of the RECONS and the Common Shares. This summary, which is based on the current authorized capitalization of WWP, is not complete, and is subject to the provisions of the Company's Restated Articles of Incorporation (the "Restated Articles") authorizing the issuance of the New Preferred Stock and the Articles of Amendment designating the terms of the New Preferred Stock (the "Articles of Amendment"). You should read this comparison in conjunction with the more detailed descriptions under "Description of RECONS" and "Description of Capital Stock." Each RECONS will constitute a one-tenth interest in a share of New Preferred Stock that we will issue.

RECONS

COMMON SHARES

DIVIDENDS

\$0.31 per RECONS payable quarterly (\$1.24 yearly), beginning December 15, 1998.

\$0.12 per share, payable quarterly (\$0.48 yearly), effective with the December 15, 1998 dividend payment date. The Board of Directors may change the dividend level at its discretion. The December dividend has not yet been declared.

LIQUIDATION RIGHTS

If WWP is liquidated, holders of RECONS will be entitled to a liquidation preference after WWP pays all of its debts and on a parity with all other series of Preferred Stock. The liquidation preference per RECONS will be the average of the high and low sale prices of the Common Shares on the trading date next preceding the date the RECONS are issued plus an amount equal to accrued but unpaid dividends.

If WWP is liquidated, holders of Common Shares will receive a pro rata amount of the proceeds of liquidation of WWP remaining after WWP pays all of its debts and all liquidation preferences on all series of Preferred Stock, including the New Preferred Stock represented by the RECONS.

MANDATORY CONVERSION

On November 1, 2001 (the "Mandatory Conversion Date"), the RECONS will be mandatorily converted into (1) one Common Share per RECONS (subject to certain antidilution adjustments), and (2) the right to receive a cash amount equal to all accrued but unpaid dividends thereon.

Does not apply.

OPTIONAL CONVERSION

We will have the option at any time on or after December 15, 1998 and before November 1, 2001 to convert all of the outstanding RECONS. On such an optional conversion date, a holder will receive for each RECONS (1) the "RECONS Optional Conversion Price" plus (2) a cash amount equal to all accrued and unpaid dividends to the conversion date plus (3) the "RECONS Optional Conversion Premium."

Does not apply.

The RECONS Optional Conversion Price equals the number of Common Shares equal to the lesser of (i) the amount of \$ (which is % of the closing price of a Common Share on the NYSE on 1998) divided by the Current Market Price (as defined herein) as of the close of business on the second trading day immediately preceding the day on which the Company gives notice of such conversion, and (ii) one Common Share (subject to certain antidilution adjustments).

The amount of \$ is sometimes called the "Optional Conversion Price Cap."

RECONS

COMMON SHARES

The RECONS Optional Conversion Premium means an amount, in cash, initially equal to \$2.09 declining by \$.002111 for each day following December 15, 1998 to the optional conversion date (computed on the basis of a 360-day year consisting of twelve 30-day months) and equal to zero on and after September 15, 2001; provided, that the Company may, at its option, deliver a number of shares of Common Stock equal to the quotient of such amount divided by the Current Market Price on the second trading day immediately preceding the day on which the Company gives notice of such conversion.

The initial RECONS Optional Conversion Premium of \$2.09 represents the difference between the annual dividend of \$1.24 on each RECONS and an assumed annual dividend of \$0.48 for each Common Share for the period after December 15, 1998 through September 15, 2001 (i.e. \$0.19 per quarter for eleven quarters). The premium declines to zero on September 15, 2001; no premium will be paid on or after September 15, 2001. Dividends will accrue on the RECONS through the conversion date.

VOTING RIGHTS

Holders of RECONS will not have the right to vote with the holders of Common Shares, but if we fail to pay quarterly dividend payments for 18 months, then holders of RECONS will be entitled, voting together with the holders of other Preferred Stock of WWP, to elect a majority of the Board of Directors of WWP. In that situation, each RECONS would receive one-tenth of the vote allotted to one share of Preferred Stock.

Holders of Common Shares have one vote for each share on all matters submitted generally for a vote of the shareholders of the Company, except that they can vote cumulatively in the election of directors.

TRADING AND LISTING

The RECONS will be newly issued. There is currently no market for RECONS. We will apply to list the RECONS on the NYSE subject to listing requirements, including the requirement that the shares be broadly distributed. We anticipate that the RECONS will be listed and trade under the symbol "[AVAPrL]." If the conditions to listing on the NYSE are not met, we expect that the RECONS will trade in the over-the-counter market. You should not assume that there will be an active trading market for the RECONS.

The Common Shares are listed and trade on the NYSE and the Pacific Exchange, in each case under the symbol "WWP." Effective January 1, 1999, the Company will change its name to Avista Corporation and the Common Shares will trade under the symbol "AVA" on the NYSE and the Pacific Exchange.

COMPARISON OF RETURNS

The center table below illustrates how your investment might change if you elect to exchange 100 Common Shares for 100 RECONS and the Company exercises its option to convert those RECONS on September 15, 2001. The table on the right reflects a continued investment in 100 Common Shares and assumes that there is no change in the new dividend rate on Common Shares of \$0.12 per quarter (\$0.48 per year) and that the dividend on the RECONS of \$0.31 per quarter is paid. Both tables exclude the effect of dividend reinvestment, assume that the investment is held until September 15, 2001, and further assume the following:

Price per Common Share (at commencement of the Exchange Offer).....	\$	18.00
Market value of 100 Common Shares (at commencement of the Exchange Offer).....	\$	1,800
Annual dividend per Common Share.....	\$	0.48
Annual dividend per RECONS.....	\$	1.24
Optional Conversion Price Cap per RECONS.....	\$	22.00

IF WWP'S COMMON STOCK PRICE PER SHARE ON SEPTEMBER 15, 2001 IS...	AND YOU EXCHANGE NOW FOR RECONS, ON SEPTEMBER 15, 2001 YOUR INVESTMENT WOULD REFLECT...	COMMON SHARES YOU WILL RECEIVE	TOTAL MARKET VALUE	TOTAL RECONS DIVIDENDS(1)	TOTAL VALUE	TOTAL RETURN (%)
\$14.00		100.00	\$1,400	\$372	\$1,772	-1.6%
16.00		100.00	1,600	372	1,972	9.6
18.00		100.00	1,800	372	2,172	20.7
20.00		100.00	2,000	372	2,372	31.8
22.00		100.00	2,200	372	2,572	42.9
24.00		91.67	2,200	372	2,572	42.9
26.00		84.62	2,200	372	2,572	42.9
28.00		78.57	2,200	372	2,572	42.9

IF WWP'S COMMON STOCK PRICE PER SHARE ON SEPTEMBER 15, 2001 IS...	OR YOU DO NOT EXCHANGE FOR RECONS, ON SEPTEMBER 15, 2001 YOUR INVESTMENT WOULD REFLECT...	COMMON SHARES YOU KEEP	TOTAL MARKET VALUE	TOTAL COMMON SHARE DIVIDENDS(2)	TOTAL VALUE	TOTAL RETURN (%)
\$14.00		100.00	\$1,400	\$144	\$1,544	-14.2%
16.00		100.00	1,600	144	1,744	-3.1
18.00		100.00	1,800	144	1,944	8.0
20.00		100.00	2,000	144	2,144	19.1
22.00		100.00	2,200	144	2,344	30.2
24.00		100.00	2,400	144	2,544	41.3
26.00		100.00	2,600	144	2,744	52.4
28.00		100.00	2,800	144	2,944	63.6

(1) Twelve (12) quarterly dividends of \$0.31 per RECONS

(2) Twelve (12) quarterly dividends of \$0.12 per common share.

The above tables are presented for illustration only. Total return is calculated as (i) total market value on September 15, 2001 plus total RECONS dividends paid, minus total market value at commencement of the Exchange Offer, divided by (ii) total market value at commencement of the Exchange Offer. Actual investment results may vary depending on a variety of factors including but not limited to market conditions, actual dividends paid on Common Shares, the number of RECONS exchanged for Common Shares, whether the RECONS are converted into Common Shares earlier than September 15, 2001, how long Common Shares are actually held and any gain or loss on reinvestment of dividends by a holder. Shareholders should note that the Optional Conversion Price will never be more than one Common Share for each RECONS and will be a decreasing fraction of one Common Share as the Current Market Price per Common Share increases over the Optional Conversion Price Cap.

RISK FACTORS/INVESTMENT CONSIDERATIONS

You should consider certain risk factors in deciding whether to participate in the Exchange Offer, including: the limited potential of holders of RECONS to benefit from gains in the price of Common Shares; the anticipated relative trading values of the RECONS and the Common Shares; the possible volatility of the price of Common Shares; the uncertainty of whether there will be a public market for the RECONS; the loss of voting power if you exchange Common Shares for RECONS; the reduction in the dividends on Common Shares; the dividend preference of the RECONS; and the dilution of the Common Shares upon conversion of the RECONS. See "Risk Factors/Investment Considerations" on page 12.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table contains certain summary historical consolidated financial data of WWP. These data have been derived from and should be read in conjunction with the audited consolidated financial statements (and the related notes) of WWP for the five years ended December 31, 1997 and the unaudited consolidated financial statements (and the related notes) of WWP for the six-month periods ended June 30, 1998 and 1997 incorporated by reference herein and other information that we have filed with the Securities and Exchange Commission (the "SEC"). See "Additional Information" on page 42.

	AT OR FOR THE FISCAL YEAR ENDED DECEMBER 31					AT OR FOR THE SIX MONTHS ENDED JUNE 30	
	1993	1994	1995	1996	1997	1997	1998
IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA							
INCOME STATEMENT DATA:							
Operating revenues.....	\$ 640,599	\$ 670,765	\$ 755,009	\$ 944,957	\$ 1,302,172	\$ 520,285	\$ 1,204,664
Income from operations.....	160,850	155,458	189,840	186,921	189,464	98,727	98,642
Net income.....	82,776	77,197	87,121	83,453	114,797	78,323	47,875
Preferred stock dividend requirements.....	8,335	8,656	9,123	7,978	5,392	3,590	1,612
Income available for common stock.....	74,441	68,541	77,998	75,475	109,405	74,733	46,263
Earnings per share							
Total, basic and diluted.....	\$ 1.44	\$ 1.28	\$ 1.41	\$ 1.35	\$ 1.96	\$ 1.34	\$ 0.83
Cash dividends paid per common share.....	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.24	\$ 0.62	\$ 0.62
Outstanding common stock							
Weighted average, basic and diluted.....	51,616	53,538	55,173	55,960	55,960	55,960	55,960
Shares outstanding at end of period.....	52,758	54,421	55,948	55,960	55,960	55,960	55,960
Ratio of earnings to fixed charges and preferred dividend requirements.....	2.77	2.59	2.61	2.50	3.12	3.06(a)	2.68(a)
BALANCE SHEET DATA:							
Total assets.....	\$1,837,838	\$1,994,253	\$2,098,902	\$2,177,298	\$2,411,785	\$2,194,731	\$3,069,475
Long term debt.....	647,229	721,146	738,287	764,526	762,185	653,462	788,481
Preferred trust securities.....	--	--	--	--	110,000	110,000	110,000
Preferred stock--cumulative.....	135,000	135,000	135,000	115,000	45,000	95,000	35,000
Common equity.....	634,379	677,494	717,125	710,736	748,812	755,646	759,358
Book value per share.....	\$ 12.02	\$ 12.45	\$ 12.82	\$ 12.70	\$ 13.38	\$ 13.50	\$ 13.57

(a) For purposes of computing the ratios of earnings to fixed charges plus preferred dividend requirements, "earnings" consist of net income before interest charges and cumulative preferred dividend requirements, plus income taxes, plus the estimated interest component of rentals. "Earnings" also include allowance for borrowed and other funds used during construction. Fixed charges consist of interest charges, the estimated interest component of rentals and the pretax dividend requirements on cumulative preferred stock. The ratio shown for the June 30 period is based on information for the twelve months ended June 30.

SUMMARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma information is provided to you to aid in your analysis of the financial aspects of the Exchange Offer. This information was derived from the audited consolidated financial statements of WWP for the fiscal year ended December 31, 1997 and the unaudited consolidated financial statements of WWP for the six-month period ended June 30, 1998. This information is only a summary and you should read it in conjunction with the historical consolidated financial statements of WWP that are incorporated by reference herein and other information that we have filed with the SEC. See "Additional Information" on page 42.

The Unaudited Pro Forma Condensed Consolidated Financial Statements give effect to the following transactions and events: (1) the planned reduction in the annualized Common Stock dividend from \$1.24 per share (\$.31 per share each quarter) to \$.48 per share (\$.12 per share each quarter), (2) the proposed exchange of 20,000,000 Common Shares for 20,000,000 RECONS representing 2,000,000 shares of New Preferred Stock and (3) the planned dividend on New Preferred Stock of \$12.40 per share annually and an assumed stated value of \$180 per share. The Pro Forma Consolidated Statement of Income Data assumes that these transactions occurred on the first day of the respective periods presented and the Pro Forma Consolidated Balance Sheet Data assumes that these transactions occurred on June 30, 1998.

This information is presented to show you what WWP might have looked like if the Exchange Offer had occurred for such amount and at the times outlined above. You should not rely on the pro forma information as being indicative of the historical results that would have been achieved, the future results that WWP will experience after the Exchange Offer or the number of Common Shares that will be exchanged in the Exchange Offer.

	FISCAL YEAR ENDED DECEMBER 31 1997	SIX MONTHS ENDED JUNE 30 1998
	-----	-----
IN THOUSANDS, EXCEPT PER SHARE DATA		
PRO FORMA CONSOLIDATED STATEMENT OF INCOME DATA:		
Operating revenues.....	\$ 1,302,172	\$ 1,204,664
Income from operations.....	189,464	98,642
Net income.....	114,797	47,875
Preferred stock dividend requirements.....	30,192(a)	14,012(a)
Income available for common stock.....	84,605	33,863
Earnings per share		
Basic.....	\$ 2.35(a)	\$ 0.94(a)
Diluted.....	\$ 1.96(b)	\$ 0.83(b)
Dividends paid per common share.....	\$ 0.48	\$ 0.24
Outstanding common stock		
Weighted average basic.....	35,960(a)	35,960(a)
Weighted average diluted.....	55,960(b)	55,960(b)
Shares outstanding at end of period.....	35,960	35,960
Ratio of earnings to fixed charges and preferred dividend requirements.....	2.07	1.84
		AT JUNE 30 1998

PRO FORMA CONSOLIDATED BALANCE SHEET DATA:		
Total assets.....		\$ 3,061,675
Long term debt.....		788,481
Preferred trust securities.....		110,000
Preferred stock--cumulative.....		35,000
Convertible preferred stock.....		360,000
Common equity.....		391,558
Book value per share.....		\$ 10.89

(a) The Series L Preferred Stock is not common stock equivalent for basic earnings per share purposes. The estimated preferred stock dividend of \$24.8 million for 1997 and \$12.4 million for the first half of 1998 have been deducted from net income for purposes of determining basic earnings per common share.

(b) For purposes of determining diluted earnings per share, the Series L Preferred Stock is common stock equivalent (assumed conversion). The estimated preferred stock dividends of \$24.8 million for 1997 and \$12.4 million for the first half of 1998 have been added to income available for common stock for diluted earnings per common share.

HISTORICAL AND PRO FORMA CAPITALIZATION

The following table presents the historical consolidated capitalization of WWP as of June 30, 1998, and the unaudited pro forma capitalization of WWP after giving effect to the Exchange Offer. See "Summary Pro Forma Financial Data" for further discussion of these transactions.

	AT JUNE 30, 1998	
	HISTORICAL	PRO FORMA
DOLLARS IN THOUSANDS		
Long-term debt.....	\$ 788,481	\$ 788,481
Preferred trust securities.....	110,000	110,000
Preferred stock--cumulative: 10,000,000 shares authorized: Subject to mandatory redemption: \$6.95 Series K; 350,000 shares outstanding (\$100 stated value).....	35,000	35,000
Not subject to mandatory redemption: \$12.40 Convertible Series L; 2,000,000 shares outstanding (assumed \$180 stated value).....	--	360,000(a)
Total.....	35,000	395,000
Common equity.....	759,358	391,558(b)
Total capitalization.....	\$ 1,692,839	\$ 1,685,039

(a) Reflects the issuance of \$360 million, or 2,000,000 shares, of Series L Preferred Stock assumed to be exchanged for 20,000,000 shares of Common Stock. Series L Preferred Stock will be issued in exchange for shares of Common Stock on a one-for-ten basis. Each share of Series L Preferred Stock will be recorded at its stated value which will be fixed at the market price of the Common Stock received in exchange therefor (assumed to be \$18 per share).

(b) Common Shares received in exchange for the Series L Preferred Stock will be recorded as a charge against common equity at cost (market value at the time of the exchange) on the Company's Balance Sheet. This will have the effect of reducing common equity by \$360 million (assuming 20,000,000 shares at \$18 per share). An estimate of \$7.8 million of expenses for the Exchange Offer has been included as a charge to equity.

PRICE RANGE OF COMMON SHARES AND DIVIDEND INFORMATION

The Common Shares are listed and principally traded on the NYSE. The high and low closing prices for the Common Shares (as reported on the consolidated reporting system) and the quarterly cash dividend per share declared and paid on all the Common Shares in 1996, 1997 and 1998 are listed below.

	STOCK PRICE		CASH DIVIDEND DECLARED AND PAID
	HIGH	LOW	
1996			
First Quarter.....	\$ 19 1/8	\$ 17 1/4	\$.31
Second Quarter.....	19 7/8	17 3/4	.31
Third Quarter.....	19 3/4	17 7/8	.31
Fourth Quarter.....	19 3/4	18	.31
1997			
First Quarter.....	\$ 19	\$ 17 3/8	\$.31
Second Quarter.....	19 7/8	17 3/8	.31
Third Quarter.....	21 1/4	18 7/8	.31
Fourth Quarter.....	24 13/16	18 15/16	.31
1998			
First Quarter.....	\$ 24 13/16	\$ 21 3/4	\$.31
Second Quarter.....	24 7/8	20 13/16	.31
Third Quarter.....	22 13/16	16 1/8	.31
Fourth Quarter (through).....			

The high and low sales prices per Common Share as reported on the consolidated reporting system on _____, 1998, the last full trading day prior to commencement of the Exchange Offer, were \$[] and \$[], respectively.

On August 17, 1998, the Company announced that it reduced the quarterly dividend paid with respect to the Common Shares from \$.31 to \$.12 per share, effective with the quarterly dividend payable on December 15, 1998.

RISK FACTORS/INVESTMENT CONSIDERATIONS

In considering whether or not to tender Common Shares pursuant to the Exchange Offer, you should consider carefully all of the information set forth or incorporated in this Prospectus and, in particular, the following risk factors and investment considerations. In addition, for a discussion of certain additional uncertainties associated with (1) the business of WWP, as well as (2) forward-looking statements in this Prospectus, please see "Forward-Looking Statements" on page 13.

LIMITED POTENTIAL TO BENEFIT FROM GAINS IN THE COMMON SHARE PRICE

We may convert your RECONS before November 1, 2001, in which case you will receive the number of Common Shares having a value equal to the RECONS Optional Conversion Price, plus cash equal to accrued and unpaid dividends and the RECONS Optional Conversion Premium, if any (payable in cash or, at the Company's option, in Common Shares). If at any time while the RECONS are outstanding the Common Shares are trading in the marketplace at a market value higher than the market value of the RECONS Optional Conversion Price, you may expect that we would convert your RECONS. This would limit your potential to profit from any increase in the price of the Common Shares above the RECONS Optional Conversion Price, since you would receive less than one Common Share for each RECONS required to be exchanged. On the other hand, you are not protected from any decrease in the trading price of the Common Shares. On _____, 1998, the trading day immediately prior to the commencement of the Exchange Offer, Common Shares closed at \$ _____ per share on the NYSE.

TRADING VALUE OF THE SECURITIES

Because the RECONS have a different economic structure than the Common Shares, we do not expect that the two securities will trade at the same price. Depending on the circumstances discussed in the next paragraph, the RECONS may trade at a price higher or lower than the Common Shares.

POSSIBLE VOLATILITY OF COMMON STOCK PRICE

When your RECONS are converted, whether on November 1, 2001, or earlier, you will receive a certain number of Common Shares in return. The price of these Common Shares will be determined in the marketplace and may be influenced by many factors, including how we perform as a company, how other investors in the marketplace perceive us and our prospects, how many people are buying and selling our Common Shares, and generally how the economy and stock markets are performing.

NO PRIOR PUBLIC MARKET FOR RECONS; POSSIBLE WITHDRAWAL OF LISTING ON NYSE

At the time of the Exchange Offer, there will be no public market for the RECONS. We will apply to have the RECONS listed for trading on the NYSE. Rules of the NYSE require that the number, total value and number of holders of RECONS meet certain minimum criteria in order to be listed. If any of these criteria are not satisfied, the NYSE might not accept the RECONS for listing, in which case we would withdraw our listing application. We cannot promise that the RECONS will meet the NYSE's criteria or that, even if they do, the RECONS will be accepted for listing on the NYSE. If the RECONS are not accepted for listing on the NYSE, it might be more difficult for you to buy and sell the RECONS, which could lower their value. In the event that the RECONS cannot be listed on the NYSE, the Company will use its best efforts to cause them to be listed on another securities exchange or included in the National Association of Securities Dealers Automated Quotation System. Again, we cannot promise that we would be successful in these efforts or that an active trading market for the RECONS will develop.

LOSS OF VOTING POWER

Once you exchange your Common Shares for RECONS, you will not have the same rights as a holder of Common Shares. In particular, you will no longer be entitled to vote for directors of the Company, except that if we fail to pay dividends on the New Preferred Stock (and thus your RECONS) for eighteen months the holders of Preferred Stock, as a class, you will have the right to elect a majority of the Board of Directors. The voting power of those holders of Common Shares who do not tender their shares in the Exchange Offer will be increased proportionately.

REDUCTION IN COMMON SHARE DIVIDEND PAYMENT; DIVIDEND PREFERENCE OF THE NEW PREFERRED STOCK AND THE RECONS

On September 15, 1998, we paid a cash dividend of \$0.31 per Common Share to holders of record as of August 25, 1998. However, we expect that thereafter we will pay dividends at an annual rate not exceeding \$0.48 per share (\$0.12 per quarter), a reduction of approximately 61% compared to the \$1.24 annual level paid in the past. We have already announced the dividend reduction for the dividend payable on December 15, 1998. We are reducing the dividend in order to enable us to use a greater portion of our operating cash flow for growth initiatives and new investment opportunities in every area of our business. After the Exchange Offer, we may pay a higher or lower dividend on the Common Shares, depending on our future earnings, our financing needs, our financial condition and other factors, all as determined by the Board of Directors from time to time. Holders of RECONS will receive payment of dividends before holders of Common Shares receive any dividend payments.

DILUTION OF COMMON EQUITY UPON CONVERSION OF THE RECONS

When your RECONS are converted back into a number of Common Shares, whether at the Mandatory Conversion Date or earlier, the total number of Common Shares outstanding will be increased by the number of such Common Shares given in exchange for the RECONS. As a result, each Common Share will represent a smaller percentage of the Company's total equity than it did while the RECONS were outstanding.

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. They appear in a number of places in this Prospectus and in the documents incorporated herein by reference. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Such risks and uncertainties include, among others, the specific risk factors described under the caption "Risk Factors/Investment Considerations" and uncertainties associated with the business of the Company described in the reports incorporated by reference herein, including regulatory uncertainties and risks associated with acquisitions and increasing competition. These forward-looking statements speak only as of the date of this Prospectus. The Company expressly undertakes no obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard to thereto or any change in events, conditions, or circumstances on which any such statement is based.

THE COMPANY

Washington Water Power is an energy services company with operations located throughout the United States. The Company, which was incorporated in the State of Washington in 1889, primarily operates in the electric and natural gas utility businesses. WWP owns Avista, which in turn owns all the Company's non-regulated energy and non-energy businesses. Avista's subsidiaries include Pentzer, Avista Energy, Avista Advantage and Avista Labs. At December 31, 1997, the Company's employees included 1,467 people in its utility operations and approximately 1,751 people in its majority-owned non-regulated businesses (energy and non-energy). The Company's corporate headquarters are located at 1411 East Mission Avenue, in Spokane, Washington 99202.

The Company's operations are organized into four lines of businesses, two of which comprise its utility operations. The Energy Delivery business provides electricity and natural gas in a 26,000 square-mile area in eastern Washington and northern Idaho, with a combined population of approximately 825,000, as of December 31, 1997, as well as natural gas services in a 4,000 square-mile area in northeast and southwest Oregon and South Lake Tahoe region of California, with a combined population of approximately 495,000, as of such date. The Generation and Resources business includes the generation and production of electric energy, and short- and long-term electric and natural gas wholesale sales and wholesale marketing primarily to, and commodity trading with, other utilities and power brokers in the Western Systems Coordinating Council. The National Energy Trading and Marketing business, which is conducted through subsidiaries, focuses on commodity trading, energy marketing and energy related products and services on a national basis. The non-energy business primarily consists of Pentzer, a private investment firm.

Changes underway in the utility and energy industries are creating new opportunities to expand the Company's businesses and serve new markets. In pursuing such opportunities, the Company is shifting its strategic direction to growth in order to achieve its goal of becoming a diversified North American energy company. The Company's strategies are described below.

ENERGY

The Company seeks to strengthen its position of leadership in energy delivery and generation as well as energy trading and marketing on a local, regional and national basis. The Company will seek to increase its asset and customer base through a focus on acquisitions and strategic alliances in all parts of its business. The Company intends to focus on growing its core energy business by seeking to acquire control of physical assets, specifically power generation assets and electric and gas transmission and distribution assets. The Company expects that initial growth will come at a local and regional level, with national growth to follow. Key strengths of the Company today include its position as one of the lowest-cost-producers of power in the nation, expertise in hydroelectric and power system management, plus capabilities in trading and wholesale and retail marketing of gas and electric energy. The Company is also continuing to develop a unique approach to commercialization of fuel cell technology.

LOCALLY

WWP is a long-standing leader in the Northwest region of the United States, providing some of the lowest cost energy to its customers. The Company's strategy is to add selectively to its already strong foundation of state-regulated utility assets to solidify its position as a leading supplier of a low-cost electric and natural gas energy services.

REGIONALLY

The Company intends to add to its regulated and non-regulated assets on a regional basis and participate in industry consolidation to further optimize its assets and create greater economies of scale. In addition to energy delivery and generation, WWP plans to concentrate on growing its energy trading and marketing business. The strong growth in this

business is driven by the Company's significant base of knowledge and experience in the operation of physical systems--for both natural gas and electric energy-- in the region, as well as its relationship-focused approach to the customer.

NATIONALLY

WWP's strong regional energy trading and marketing skills serve as a platform for the Company's growing national presence. The Company will seek to expand its customer base through relationships with other energy providers outside WWP's Northwest stronghold and thereby leverage its existing trading and marketing skills.

NON-ENERGY

WWP conducts the majority of its non-energy business through its wholly owned subsidiary, Pentzer Corporation. Pentzer's business strategy is to acquire controlling interests in a broad range of middle market companies, facilitate improved productivity and growth, and ultimately sell such companies to the public or a strategic buyer.

The Company's growth strategy will expose the Company to risks associated with rapid expansion, challenges in recruiting and retaining qualified personnel, risks associated with acquisitions and joint ventures and increasing competition. In addition, growth in the energy and trading and marketing business will expose the Company to increased financial and credit risks associated with commodity trading activities. The Company believes that its extensive experience in the electric and gas businesses, coupled with its strong management team, will allow WWP to effectively manage its transition to a diversified North American energy company.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1997
AND SIX MONTHS ENDED JUNE 30, 1998

(UNAUDITED)

	DECEMBER 31 1997	ADJUSTMENTS	PRO FORMA	JUNE 30 1998	ADJUSTMENTS	PRO FORMA
	DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA					
Operating revenues.....	\$1,302,172		\$1,302,172	\$1,204,664		\$1,204,664
Operating expenses:						
Resource costs.....	719,905		719,905	885,256		885,256
Operations and maintenance.....	176,354		176,354	97,864		97,864
Administrative and general.....	96,611		96,611	62,418		62,418
Depreciation and amortization....	69,893		69,893	34,602		34,602
Taxes other than income taxes....	49,945		49,945	25,882		25,882
Total operating expense.....	1,112,708		1,112,708	1,106,022		1,106,022
Income from operations.....	189,464		189,464	98,642		98,642
Other income (expense):						
Interest expense.....	(66,275)		(66,275)	(34,060)		(34,060)
Interest on income tax recovery.....	47,338		47,338	--		--
Net gain on subsidiary transactions.....	11,218		11,218	7,611		7,611
Other income (deductions)--net...	(5,873)		(5,873)	4,947		4,947
Total other income (expense)--net.....	(13,592)		(13,592)	(21,502)		(21,502)
Income before income taxes.....	175,872		175,872	77,140		77,140
Income taxes.....	61,075		61,075	29,265		29,265
Net income.....	114,797		114,797	47,875		47,875
Deduct Preferred stock dividend requirements.....	5,392	24,800	30,192	1,612	12,400	14,012
Income available for common stock.....	\$ 109,405		\$ 84,605	\$ 46,263		\$ 33,863
Average common shares outstanding (thousands)						
Basic.....	55,960	(20,000)	35,960	55,960	(20,000)	35,960
Diluted.....	55,960		55,960	55,960		55,960
Earnings per share of common stock Basic and diluted						
Basic.....	\$ 1.96		\$ 2.35	\$ 0.83		\$ 0.94
Diluted.....	\$ 1.96		\$ 1.96	\$ 0.83		\$ 0.83
Dividends paid per common share....	\$ 1.24	\$ (0.76)	\$ 0.48	\$ 0.62	\$ (0.38)	\$ 0.24
Retained earnings, January 1.....	\$ 131,301		\$ 131,301	\$ 199,105		\$ 199,105
Net income.....	\$ 114,797		\$ 114,797	\$ 47,875		\$ 47,875
Dividend declared:						
Preferred stock.....	\$ (5,339)	\$ (24,800)	\$ (30,139)	\$ (1,612)	\$ (12,400)	\$ (14,012)
Common Stock.....	\$ (69,390)	\$ 52,129	\$ (17,261)	\$ (34,695)	\$ 26,065	\$ (8,630)
ESOP dividend tax savings.....	\$ 407		\$ 407	\$ 195		\$ 195
Retained earnings at end of period.....	\$ 171,776	\$ 27,329	\$ 199,105	\$ 210,868	\$ 13,665	\$ 224,533

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AT JUNE 30, 1998

(UNAUDITED)

	JUNE 30, 1998	ADJUSTMENTS	PRO FORMA
DOLLARS IN THOUSANDS			
Total assets:.....	\$ 3,069,475	\$ (7,800)(b)	\$ 3,061,675
Liabilities and capitalization			
Total current and non current liabilities.....	1,376,636		1,376,636
Long term debt.....	788,481		788,481
Company obligated mandatorily redeemable preferred trust securities			
7 7/8%, Series A, due 2037.....	60,000		60,000
Floating Rate, Series B, due 2037.....	50,000		50,000
Total company obligated mandatorily redeemable preferred trust securities.....	110,000		110,000
Preferred stock--cumulative:			
10,000,000 shares authorized:			
Subject to mandatory redemption:			
\$6.95 Series K; 350,000 shares outstanding (\$100 stated value)...	35,000		35,000
Not subject to mandatory redemption:			
\$12.40 Convertible Series L; 2,000,000 shares outstanding (assumed \$180 stated value).....	--	360,000	360,000
Total.....	35,000	360,000	395,000
Common equity:			
Common stock, no par value; 200,000,000 shares authorized; 55,960,360 shares outstanding; 35,960,360 outstanding.....			
Note receivable from employee stock ownership plan.....	594,852	(275,112)(a)	319,740
Capital stock expense and other paid in capital.....	(9,770)		(9,770)
Unrealized investment gain--net.....	(10,173)	(7,800)(b)	(17,973)
Retained earnings.....	946		946
Total common equity.....	183,503	(84,888)(a)	98,615
Total capitalization.....	759,358	(367,800)	391,558
Total liabilities and capitalization.....	\$ 1,692,839	\$ (7,800)	\$ 1,685,039
Total liabilities and capitalization.....	\$ 3,069,475	\$ (7,800)	\$ 3,061,675

(a) The allocation of the assumed \$360 million to common equity was performed on a percentage basis.

(b) The estimated expenses associated with the Exchange Offer.

THE EXCHANGE OFFER

BACKGROUND AND PURPOSE

The Company is making the Exchange Offer to provide those shareholders whose primary objective may be current income with an opportunity, subject to the terms and conditions of the Exchange Offer, to exchange all or a portion of their Common Shares for an equal number of RECONS entitled to receive an annual cash dividend of \$1.24 per share. The Exchange Offer provides holders of Common Shares with the option of exchanging their shares for RECONS and receiving a stated dividend higher than the dividend expected on Common Shares. However, the Company may convert the RECONS at any time at the RECONS Optional Conversion Price (plus the RECONS Optional Conversion Premium, if any, and accrued dividends), which may, at the time of such conversion, be less than the then existing market price of the Common Shares. In the event of an optional conversion, there is a substantial likelihood that a holder of RECONS would receive less than one Common Share for each RECONS. Thus, an investment in the RECONS does not provide the holder with the same opportunity for share price appreciation afforded by an investment in the Common Shares.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions described herein and in the related Letter of Transmittal (which together constitute the Exchange Offer), the Company is offering to exchange RECONS for up to 20,000,000 Common Shares at a rate of one RECONS for each Common Share validly tendered prior to the Expiration Date and not theretofore withdrawn as described under "--Withdrawal of Tendered Common Shares." The Exchange Offer is being made to all shareholders, including officers, directors and affiliates of the Company, on the same terms and conditions, except that participants in the Company's 401(k) Plan (as defined herein) may not tender Common Shares held in the Company Contribution Account on the same terms and conditions. If the Exchange Offer is oversubscribed as described below, only Common Shares validly tendered pursuant to the Exchange Offer and not withdrawn prior to the Expiration Date will be eligible for proration. All Common Shares not acquired pursuant to the Exchange Offer, including Common Shares not purchased because of proration, will be returned to the tendering shareholders at the Company's expense as promptly as practicable following the Expiration Date.

The Company's obligation to accept Common Shares for exchange pursuant to the Exchange Offer is subject to certain conditions set forth under "--Conditions of the Exchange Offer." Among other conditions, the Exchange Offer is conditioned upon a minimum of 6,000,000 Common Shares being validly tendered and not withdrawn prior to the Expiration Date (the "Minimum Condition"). If the Minimum Condition is not satisfied prior to the Expiration Date, the Company reserves the right (but shall not be obligated) to (i) decline to accept for exchange and exchange any of the Common Shares tendered and terminate the Exchange Offer, (ii) waive or reduce the Minimum Condition and, subject to complying with the applicable rules and regulations of the SEC, accept for exchange and exchange all Common Shares validly tendered pursuant to the Exchange Offer, or (iii) extend the Exchange Offer and, subject to the right of shareholders to withdraw Common Shares until the Expiration Date, retain the Common Shares which have been tendered during the period or periods for which the Exchange Offer is extended.

The Company reserves the right at any time or from time to time to amend the Exchange Offer in any respect by making a public announcement of such amendment subject to complying with the applicable rules and regulations of the SEC. If the Company materially changes the terms of the Exchange Offer or the information concerning the Exchange Offer, the Company will extend the duration of the Exchange Offer to the extent required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Certain rules promulgated under the Exchange Act provide that the minimum period during which an offer must remain open following material changes in the terms of the offer or information concerning the offer (other than a change in price or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of such terms or information. The SEC has stated that, as a general rule, it is of the view that an offer should remain open for a minimum of five business days from the date that notice of such material is first published, sent or given, and that if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of ten business days may be required to allow adequate dissemination and investor response.

The tender of any Common Shares pursuant to the Exchange Offer will include the tender of the associated Rights (as defined herein) under the Rights Agreement (as defined herein), as described in "Description of Capital Stock--Preferred Share Purchase Rights." No separate consideration will be paid for such Rights.

EXPIRATION OF THE EXCHANGE OFFER; EXTENSION OF THE EXCHANGE OFFER

The Exchange Offer will expire on the Expiration Date, unless theretofore extended. The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on _____, 1998, unless and until the Company shall have extended the period of time for which the Exchange Offer is open, in which event "Expiration Date" shall mean the latest time and date on which the Exchange Offer, as so extended by the Company, shall expire.

The Company expressly reserves the right, in its sole discretion, at any time or from time to time, to extend the period of time during which the Exchange Offer is open by giving oral or written notice of such extension to the Exchange Agent. There can be no assurance, however, that the Company will exercise its right to extend the Exchange Offer. If the Company decides, in its sole discretion, to increase (except for any increase not in excess of 2% of the outstanding Common Shares) or decrease the number of Common Shares being sought in the Exchange Offer and, at the time that notice of such increase or decrease is first published, sent or given to holders of Common Shares in the manner specified below, the Exchange Offer is scheduled to expire at any time earlier than the tenth business day from the date that such notice is first so published, sent or given, the Exchange Offer will be extended until the expiration of such ten business day period. As used herein, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

PRORATION

Upon the terms and subject to the conditions of the Exchange Offer (including the Minimum Condition), if 20,000,000 or fewer Common Shares have been validly tendered pursuant to the Exchange Offer and not withdrawn prior to the Expiration Date, the Company will accept all such Common Shares for exchange. Upon the terms and subject to the conditions of the Exchange Offer, if more than 20,000,000 Common Shares have been validly tendered pursuant to the Exchange Offer and not withdrawn prior to the Expiration Date, the Company will accept for exchange all Common Shares validly tendered pursuant to the Exchange Offer and not withdrawn prior to the Expiration Date on a pro rata basis (with appropriate adjustments to avoid purchases of fractional Common Shares).

The Company does not expect that it would be able to announce the final proration factor or to commence delivery of RECONS until approximately five NYSE trading days after the Expiration Date if proration of tendered Common Shares is required, because of the difficulty in determining the number of Common Shares validly tendered (including Common Shares tendered pursuant to the guaranteed delivery procedure described below) and not withdrawn prior to the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable after the Expiration Date. Holders of Common Shares may obtain such preliminary information from the Information Agent and may also be able to obtain such information from their brokers.

REGULATORY APPROVALS

Prior to commencing the Exchange Offer, the Company will have received all material federal or state regulatory approvals necessary to consummate the Exchange Offer or any transactions contemplated in connection therewith.

APPRAISAL RIGHTS

The Exchange Offer will not give rise to dissenter's rights of appraisal under Washington law.

ACCOUNTING TREATMENT

Each share of New Preferred Stock will be recorded on the Company's Balance Sheet at its stated value which will be fixed at the market price of the Common Stock received in exchange therefor. Common Stock received in exchange for the New Preferred Stock will be recorded on the Company's Balance Sheet as a charge against common equity at cost (market value at the time of the exchange).

PROCEDURE FOR TENDER

REGISTERED HOLDERS OF COMMON SHARES, AS WELL AS BENEFICIAL OWNERS WHO ARE DIRECT PARTICIPANTS IN DTC OR WHO ARE PARTICIPANTS IN THE COMPANY'S DIVIDEND REINVESTMENT AND STOCK PURCHASE PLANS, WHO DESIRE TO PARTICIPATE IN THE EXCHANGE OFFER SHOULD FOLLOW THE INSTRUCTIONS SET FORTH BELOW AND IN THE LETTER OF TRANSMITTAL.

ALL OTHER BENEFICIAL OWNERS OF COMMON SHARES SHOULD FOLLOW THE INSTRUCTIONS RECEIVED FROM THEIR BROKER OR NOMINEE AND SHOULD CONTACT THEIR BROKER OR NOMINEE DIRECTLY. THE INSTRUCTIONS SET FORTH BELOW AND IN THE LETTER OF TRANSMITTAL DO NOT APPLY TO SUCH BENEFICIAL OWNERS.

To tender Common Shares pursuant to the Exchange Offer, either (a) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantees, or an Agent's Message (as defined below) in the case of a book-entry transfer of shares, and any other documents required by the Letter of Transmittal must be received by the Exchange Agent at one of its addresses set forth on the back cover of this Prospectus and either (i) certificates for the Common Shares to be tendered must be received by the Exchange Agent at one of such addresses or (ii) such Common Shares must be delivered pursuant to the procedures for book-entry transfer described below (and a timely confirmation of such delivery must be received by the Exchange Agent), in each case by the Expiration Date, or (b) the guaranteed delivery procedure described below must be complied with.

The Exchange Agent will establish accounts with respect to the Common Shares at The Depository Trust Company ("DTC"), for purposes of the Exchange Offer within two business days after the date of this Prospectus, and any financial institution that is a participant in DTC's system may make delivery of Common Shares by causing DTC to transfer such Common Shares into the Exchange Agent's account in accordance with DTC's procedures. Although delivery of Common Shares may be effected through book-entry transfer, the Letter of Transmittal (or manually signed facsimile thereof), or an Agent's Message, and any other required documents must, in any case, be received by the Exchange Agent at one of its addresses set forth on the back cover of this Prospectus by the Expiration Date, or the guaranteed delivery procedure described below must be complied with. The term "Agent's Message" means a message transmitted through electronic means by DTC to and received by the Exchange Agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the participant tendering the shares that such participant has received and agrees to be bound by the Letter of Transmittal. DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

Except as otherwise provided below, all signatures on a Letter of Transmittal must be guaranteed by a firm that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange, Inc. Medallion Signature Program or the Stock Exchange Medallion Program (each being an "Eligible Institution"). Signatures on a Letter of Transmittal need not be guaranteed if (a) the Letter of Transmittal is signed by the registered holder of the Common Shares tendered therewith and such holder has not completed the boxes entitled "Special Issue Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (b) such Common Shares are tendered for the account of an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.

If a shareholder desires to tender Common Shares pursuant to the Exchange Offer and cannot deliver such Common Shares and all other required documents to the Exchange Agent by the Expiration Date, such Common Shares may nevertheless be tendered if all of the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Company is received by the Exchange Agent (as provided below) by the Expiration Date; and

(iii) the certificates for such Common Shares (or a confirmation of a book-entry transfer of such Common Shares into the Exchange Agent's account at DTC), together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), or an Agent's Message in connection with a book-entry transfer, and any other documents required by the Letter of Transmittal, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Exchange Agent and must include a Guarantee by an Eligible Institution in the form set forth in such Notice.

Shareholders who are participants in the Company's Dividend Reinvestment and Stock Purchase Plan may tender some or all of the Common Shares held in their plan account. However, dividend payments on RECONS received in exchange for such Common Shares will be paid in cash and cannot be automatically reinvested under the plan. Holders wishing to tender Common Shares should so indicate by checking the appropriate box in the section of the Letter of Transmittal captioned "Description of Common Shares Tendered in the Exchange Offer" and returning the properly completed and duly executed Letter of Transmittal or manually signed facsimile thereof with any required signature guarantees and any other documents required by the Letter of Transmittal to the Exchange Agent.

Participants in the Company's Investment and Employee Stock Ownership Plan (the "401(k) Plan") may tender Common Shares held in their 401(k) Company Stock Fund. Any Common Shares held in the Company Contribution Account in the 401(k) Plan may not be tendered. Dividend payments on RECONS received in exchange for Common Shares which were originally held under the 401(k) Plan will automatically be invested in Common Shares. Shareholders who wish to tender Common Shares held in their 401(k) Company Stock Fund should complete and return the 401(k) Election to Tender Shares of Common Stock to the plan record keeper, Howard Johnson & Company. Any plan account Common Shares tendered but not accepted for exchange will be returned to the shareholder's applicable plan account.

PARTICIPANTS WHO HOLD COMMON SHARES IN THEIR 401(K) COMPANY STOCK FUND UNDER THE 401(K) PLAN MAY NOT USE THE LETTER OF TRANSMITTAL TO DIRECT THE TENDER OF COMMON SHARES, BUT MUST USE THE SEPARATE ELECTION FORM SENT TO THEM.

If any certificate representing Common Shares has been mutilated, destroyed, lost or stolen, the shareholder must (i) furnish to the Exchange Agent evidence, satisfactory to it in its discretion, of the ownership of and destruction, loss or theft of such certificate, (ii) furnish to the Exchange Agent indemnity satisfactory to it in its discretion and (iii) comply with such other reasonable regulations as the Exchange Agent may proscribe.

The tender of Common Shares pursuant to the Exchange Offer in accordance with the procedures described above will constitute an agreement between the tendering shareholder and the Company upon the terms and subject to the conditions of the Exchange Offer, including the tendering shareholder's representation and warranty that (i) such shareholder owns the Common Shares being tendered within the meaning of Rule 14e-4 under the Exchange Act and (ii) the tender of such Common Shares complies with Rule 14e-4.

It is a violation of Rule 14e-4 under the Exchange Act for a person, directly or indirectly, to tender Common Shares for his own account unless the person so tendering (i) has a net long position equal to or greater than the number of (x) Common Shares tendered or (y) other securities immediately convertible into, or exercisable or exchangeable for, the number of Common Shares tendered and will acquire such Common Shares for tender by conversion, exercise or exchange of such other securities and (ii)

will cause such Common Shares to be delivered in accordance with the terms of the Exchange Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. The tender of Common Shares pursuant to the procedures described above will constitute the tendering shareholder's representation and warranty that (i) such shareholder has a net long position in the Common Shares being tendered within the meaning of Rule 14e-4 under the Exchange Act and (ii) the tender of such Common Shares complies with Rule 14e-4.

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for exchange of any tender of Common Shares will be determined by the Company, in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any or all tenders of Common Shares determined by it not to be in proper form or to reject Common Shares the acceptance of exchange or exchange of which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any defect or irregularity in any tender of Common Shares. None of the Company, the Exchange Agent, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in tenders or incur any liability for failure to give any such notification.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING CERTIFICATES FOR COMMON SHARES, IN CONNECTION WITH TENDERING PURSUANT TO THE EXCHANGE OFFER IS AT THE ELECTION AND RISK OF THE TENDERING SHAREHOLDER AND, EXCEPT AS OTHERWISE PROVIDED IN THE LETTER OF TRANSMITTAL, DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, INSURED FOR AT LEAST 2% OF THE MARKET VALUE OF THE COMMON SHARES, IS RECOMMENDED AND SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

WITHDRAWAL OF TENDERED COMMON SHARES

Tenders of Common Shares made pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after _____, 1998 unless theretofore accepted for exchange as provided in this Prospectus. If the Company extends the period of time during which the Exchange Offer is open, is delayed in accepting for exchange or exchanging Common Shares or is unable to accept for exchange or to exchange Common Shares pursuant to the Exchange Offer for any reason, then, without prejudice to the Company's rights under the Exchange Offer, the Exchange Agent may, on behalf of the Company, retain all Common Shares tendered, and such Common Shares may not be withdrawn except as otherwise provided herein, subject to Rule 13e-4(f)(5) under the Exchange Act, which provides that the issuer making the tender offer shall either pay the consideration offered, or return the tendered securities, promptly after the termination or withdrawal of the tender offer.

A Holder whose Common Shares are held through a broker and who has tendered any or all of such shares pursuant to the Exchange Offer may withdraw such tender only by directly contacting the broker and following the broker's withdrawal instructions. Participants in the Company's 401(k) Plan who have tendered Common Shares held in their 401(k) Company Stock Fund may only withdraw such tender by contacting the plan record keeper, Howard Johnson & Company, and following the record keeper's withdrawal instructions. The broker or plan record keeper, as the case may be, should be contacted as promptly as possible and with sufficient time to allow such party to withdraw the applicable tender prior to the Expiration Date.

In order for the withdrawal of a tender of Common Shares held by a registered holder, or of Common Shares held in the Dividend Reinvestment and Stock Purchase Plan, to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent at one of its addresses set forth on the back cover of this Prospectus and must specify the name of the person who tendered the Common Shares to be withdrawn and the number of Common Shares to be withdrawn with respect to the Exchange Offer. If the Common Shares to be withdrawn have been delivered to the Exchange Agent, a signed notice of withdrawal with signatures guaranteed by an Eligible Institution (except in the case of Common Shares tendered by an Eligible Institution) must be submitted prior to the release of such Common Shares. In addition, such notice must specify, in the case of Common Shares tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering shareholder) and the certificate numbers shown on the particular certificates evidencing the Common Shares to be withdrawn or, in the case of Common Shares tendered by book-entry transfer, the name and number of the account at the DTC to be credited with the withdrawn Common Shares. Withdrawals may not be rescinded and Common Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer. However, withdrawn Common

Shares may be tendered again by following one of the procedures described in "--Procedure for Tender" at any time prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Company, in its sole discretion, which determination shall be final and binding. None of the Company, the Exchange Agent, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification.

ACCEPTANCE; DELIVERY OF CONSIDERATION

Upon the terms and subject to the conditions of the Exchange Offer, and as promptly as practicable after the Expiration Date, the Company will (subject to the proration provisions of the Exchange Offer) accept for exchange (and thereby acquire) and exchange for RECONS the Common Shares validly tendered pursuant to the Exchange Offer by the Expiration Date and not withdrawn as permitted under "--Withdrawal of Tendered Common Shares" above. In all cases, delivery of the RECONS to exchanging holders of Common Shares will be made as soon as practicable after the Expiration Date (subject to possible delay in the event of proration) but only after timely receipt by the Exchange Agent of certificates for Common Shares (or of a confirmation of a book-entry transfer of such Common Shares into the Exchange Agent's account at DTC), a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), or an Agent's Message in the case of a book-entry transfer of Common Shares, and any other required documents. In addition, the Company reserves the right, in its sole discretion (subject to Rule 13e-4(f)(5) under the Exchange Act), to delay the acceptance for exchange or to delay exchange of any Common Shares in order to comply in whole or in part with applicable law.

For purposes of the Exchange Offer, the Company will be deemed to have accepted for exchange (and thereby acquired), subject to the proration provisions of the Exchange Offer, Common Shares that are validly tendered pursuant to the Exchange Offer prior to the Expiration Date and not withdrawn as, if and when it gives oral or written notice to the Exchange Agent of its acceptance for exchange of Common Shares tendered pursuant to the Exchange Offer. The Exchange Agent will act as agent for tendering shareholders for the purpose of (i) receiving RECONS from the Company in exchange for Common Shares tendered pursuant to the Exchange Offer and (ii) delivering RECONS to tendering shareholders. Under no circumstances will interest be paid on RECONS to be delivered to tendering shareholders by the Company by reason of any delay in making such delivery.

Certificates for all Common Shares not acquired by the Company pursuant to the Exchange Offer for any reason will be returned (or, in the case of Common Shares tendered by book-entry transfer, such Common Shares will be credited to an account maintained with DTC) as soon as practicable (subject to possible delay in the event of proration) without expense to the tendering shareholder. The Company will pay all stock transfer taxes, if any, payable on the transfer to it of Common Shares purchased pursuant to the Exchange Offer, except as set forth in Instruction 87 of the Letter of Transmittal.

Delivery of RECONS in exchange for Common Shares may be delayed in the event of difficulty in determining the number of Common Shares validly tendered or if proration is required. See "--Proration" above. In addition, if certain conditions are not satisfied, the Company may not be obligated to exchange RECONS pursuant to the Exchange Offer. See "--Conditions of the Exchange Offer" below. As provided in Rules 13e-4(f)(4) and (8)(ii) under the Exchange Act, the Company will deliver the same consideration per Common Share for each Common Share accepted pursuant to the Exchange Offer.

CONDITIONS OF THE EXCHANGE OFFER

It is a condition of the Exchange Offer that a minimum of 6,000,000 Common Shares be validly tendered pursuant to the Exchange Offer by the Expiration Date and not withdrawn.

In addition, notwithstanding any other provision of the Exchange Offer, the Company shall not be required to accept for exchange or to exchange any Common Shares tendered pursuant to the Exchange Offer, and may terminate or amend the Exchange Offer or may postpone (subject to the requirements of the Exchange Act for prompt exchange or return of Common

Shares) the acceptance for exchange and exchange of Common Shares tendered, if at any time on or after _____, 1998 and before acceptance for exchange or exchange of any such Common Shares any of the following shall have occurred:

(a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency or authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal which (i) challenges the making of the Exchange Offer, the issuance of the New Preferred Stock, the acquisition of some or all of the Common Shares pursuant to the Exchange Offer or otherwise relates in any manner to the Exchange Offer, or (ii) in the Company's sole judgment, could materially affect the business, condition (financial or other), income, operations or prospects of the Company and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of the Company or any of its subsidiaries or materially impair the contemplated benefits of the Exchange Offer to the Company;

(b) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the issuance of the New Preferred Stock or the Exchange Offer or the Company or any of its subsidiaries, by any court or any authority, agency or tribunal which, in the Company's sole judgment, would or might directly or indirectly (i) make the issuance of the New Preferred Stock or the acceptance for exchange or exchange of some or all of the Common Shares illegal or otherwise restrict or prohibit consummation of the Exchange Offer; (ii) delay or restrict the ability of the Company, or render the Company unable, to issue the New Preferred Stock or to accept for exchange or to exchange some or all of the Common Shares; (iii) materially impair the contemplated benefits of the Exchange Offer to the Company; or (iv) materially affect the business, condition (financial or other), income, operations or prospects of the Company and its subsidiaries, taken as a whole, or otherwise materially impair in any way the contemplated future conduct of the business of the Company or any of its subsidiaries;

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event which, in the Company's sole judgment, might affect the extension of credit by banks or other lending institutions in the United States, (v) any significant decrease in the market price of the Common Shares or any change in the general political, market, economic or financial conditions in the United States or abroad that could, in the sole judgment of the Company, have a material adverse effect on the Company's business, operations or prospects or the trading in the Common Shares, (vi) in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof or (vii) any decline in either the Dow Jones Industrial Average (_____ at the close of business on _____, 1998) or the Standard and Poor's 500 Index (_____ at the close of business on _____, 1998) by an amount in excess of _____ percent measured from the close of business on _____, 1998;

(d) any tender or exchange offer with respect to some or all of the Common Shares (other than the Exchange Offer), or a merger, acquisition or other business combination proposal for the Company, shall have been proposed, announced or made by any person or entity;

(e) any change shall occur or be threatened in the business, condition (financial or other), income, operations, Common Share ownership or prospects of the Company and its subsidiaries, taken as a whole, which, in the sole judgment of the Company, is or may be material to the Company; or

(f) (i) any person, entity or "group" (as that term is used in Section 13(d)(3) of the Exchange Act) shall have acquired, or proposed to acquire, beneficial ownership of more than 5% of the outstanding Common Shares (other than a person, entity or group which had publicly disclosed such ownership in a Schedule 13D or 13G (or an amendment thereto) on file with the SEC prior to _____, 1998 (date of commencement of the Exchange Offer), (ii) any such person, entity or group which had publicly disclosed such ownership prior to such date shall have acquired, or proposed to acquire, beneficial ownership of additional Common Shares constituting more than 2% of the outstanding Common Shares (options for and other rights to acquire

Common Shares which are so acquired or proposed to be acquired being deemed for this purpose to be immediately exercisable) or (iii) any new group shall have been formed which beneficially owns more than 5% of the outstanding Common Shares; and, in the sole opinion of the Company, in any such case and regardless of the circumstances (including any action or omission to act by the Company) giving rise to such condition, such event makes it inadvisable to proceed with the Exchange Offer or with such acceptance for exchange or such exchange.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances (including any action or inaction by the Company) giving rise to any such condition, and any such condition may be waived by the Company, in whole or in part, at any time and from time to time in its sole discretion, with respect to the Exchange Offer. The Company's failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts or circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Company concerning the events described above will be final and binding on all parties.

COMMISSIONS AND FEES

Tendering shareholders will not be obligated to pay brokerage commissions, solicitation fees, or, subject to Instruction 7 of the Letter of Transmittal, stock transfer taxes on the acquisition of Common Shares by the Company in connection with the Exchange Offer. The Company will pay reasonable and customary compensation to, and all reasonable charges and expenses of, The Bank of New York, as Exchange Agent, and Morrow & Co., Inc., as Information Agent, in connection with the Exchange Offer and each may be indemnified against certain liabilities and expenses in connection therewith. The Company will not pay any commission or other remuneration to any broker, dealer, salesman or other person for soliciting tenders of Common Shares in connection with the Exchange Offer, except as discussed under "Dealer Manager." Officers and regular employees of the Company and its affiliates may solicit tenders of Common Shares in connection with the Exchange Offer by telecopier, telephone or in person. No additional compensation will be paid to any such officers and employees who engage in soliciting tenders.

STATUS OF COMMON SHARES ACQUIRED PURSUANT TO THE EXCHANGE OFFER

Any Common Shares acquired by the Company pursuant to the Exchange Offer will return to the status of authorized but unissued shares. Subject to the receipt of necessary regulatory approvals, such shares would be available for use by the Company, without, in most cases, the need for further shareholder authorization, for general or other corporate purposes, including conversion of RECONS, stock splits or dividends, acquisitions, employee incentive, savings and compensation plans, sales to a third party or parties, or issuance of rights or warrants to purchase Common Shares. Except for use in employee benefit plans and conversion of RECONS, the Company has no present plan to issue any authorized but unissued Common Shares.

EXCHANGE AGENT

The Bank of New York is the Exchange Agent for the Exchange Offer. All Letters of Transmittal and other documents required in connection with tenders of Common Shares pursuant to the Exchange Offer should be transmitted to the Exchange Agent in the manner specified under "--Procedure for Tender" above and in the Letter of Transmittal to its address set forth below:

BY MAIL:

The Bank of New York
P.O. Box 11248
Church Street Station
New York, New York 10286-1248

BY HAND OR OVERNIGHT DELIVERY:

The Bank of New York
Tender & Exchange Department
101 Barclay Street
Receive and Deliver Window
New York, New York 10286

INFORMATION AGENT

Morrow & Co., Inc. is the Information Agent for the Exchange Offer. The Information Agent may contact holders of Common Shares by mail, telephone, facsimile transmission and personal interviews and may request brokers, dealers and other nominee shareholders to forward materials relating to the Exchange Offer to beneficial owners. Questions and requests for assistance or for additional copies of this Prospectus and the Letter of Transmittal and Notice of Guaranteed Delivery may be directed to the Information Agent at the following address and telephone number:

Morrow & Co., Inc.
445 Park Avenue, 5th Floor
New York, NY 10022

Individual and Institutional Shareholders please call:
1-800-566-9061

Banks and Brokerage Firms please call:
1-800-662-5200

You may also contact your broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Exchange Offer.

DESCRIPTION OF RECONS

GENERAL

Each RECONS constitutes a one-tenth (1/10) ownership interest in one share of a New Preferred Stock deposited under the Deposit Agreement (the "Deposit Agreement"), to be entered into between the Company and The Bank of New York, as depositary (the "Preferred Stock Depositary"). Subject to the terms of the Deposit Agreement, each owner of a RECONS is entitled, proportionately, to all the rights, preferences and privileges of the New Preferred Stock (including dividend, voting and liquidation rights), and subject, proportionately, to all of the limitations of the New Preferred Stock, all as set forth in the Articles of Amendment to the Company's Restated Articles of Incorporation, as amended, summarized under "Description of Capital Stock."

The RECONS will be evidenced by depositary receipts issued pursuant to the Deposit Agreement (the "Depositary Receipts"). The following summary of the terms and provisions of the RECONS does not purport to be complete and is subject to, and qualified in its entirety by, the Deposit Agreement (which contains the form of Depositary Receipt). Copies of the Deposit Agreement are available for inspection at the corporate office of the Preferred Stock Depositary located at The Bank of New York, 101 Barclay Street, New York, New York 10286.

ISSUANCE OF DEPOSITARY RECEIPTS

Upon issuance of the New Preferred Stock by the Company, the Company will deposit the New Preferred Stock with the Preferred Stock Depositary, which will execute and deliver the Depositary Receipts to the Company. The Company will, in turn, deliver the Depositary Receipts to the Exchange Agent which will deliver the Depositary Receipts to the owners of RECONS evidenced thereby. Depositary Receipts will be issued evidencing whole RECONS only.

WITHDRAWAL OF NEW PREFERRED STOCK

Upon surrender of Depositary Receipts at the principal office of the Preferred Stock Depositary, upon payment of a sum sufficient for the payment of any tax or other governmental charge with respect thereto, and subject to the terms of the Deposit Agreement, the owner of the RECONS evidenced thereby is entitled to delivery of the number of whole shares of New Preferred Stock represented by such RECONS. Fractional shares of New Preferred Stock will not be issued. If the Depositary Receipts delivered by the holder evidence a number of RECONS in excess of the number of RECONS representing the number of whole shares of New Preferred Stock to be withdrawn, the Preferred Stock Depositary will deliver to such holder at the same time a new Depositary Receipt evidencing such excess number of RECONS. Holders of New Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the Deposit Agreement or to receive Depositary Receipts evidencing RECONS therefor. There is currently no market for New Preferred Stock and it is not expected that an active trading market for New Preferred Stock will develop. All trading is expected to be in RECONS.

CONVERSION OF RECONS

As described under "Description of Capital Stock--Mandatory Conversion" and "--Optional Conversion," the New Preferred Stock is subject (i) to conversion into Common Shares on the Mandatory Conversion Date (or in connection with certain mergers, consolidations or other extraordinary transactions of the Company), and (ii) to the right of the Company, at its option, to convert

the New Preferred Stock into Common Shares at any time prior to the Mandatory Conversion Date. Upon any such conversion, each RECONS will constitute an interest in Common Shares, with the number of such Common Shares being equal to one-tenth of the number of Common Shares into which each share of New Preferred Stock was converted. When the RECONS are converted into Common Shares and all of such Common Shares cannot be distributed to the record holders of Depositary Receipts without creating fractional interests in such shares, the Preferred Stock Depositary may, with the consent of the Company, adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the public or private sale of such shares representing in the aggregate such fractional interests at such places and upon such terms as it may deem proper, and the net proceeds of any such sale shall be distributed or made available for distribution to such record holders that would otherwise have received fractional interests in such shares. The amount distributed in the foregoing cases will be reduced by any amounts required to be withheld by the Company or the Preferred Stock Depositary on account of taxes or otherwise required pursuant to law, regulation or court process.

DIVIDENDS AND OTHER DISTRIBUTIONS

The Preferred Stock Depositary will distribute all cash dividends or other cash distributions in respect of the New Preferred Stock represented by the RECONS to the record holders of Depositary Receipts in proportion to the number of RECONS owned by such holders on the relevant record date, which will be the same date as the corresponding record date fixed by the Company for the New Preferred Stock. In each case where a holder of RECONS would otherwise be entitled to receive a fraction of a cent, the Preferred Stock Depositary will round the amount of the distribution up to the next whole cent.

In the event of a distribution other than in cash, the Preferred Stock Depositary will distribute property to the record holders of Depositary Receipts entitled thereto, in proportion, as nearly as may be practicable, to the number of RECONS owned by such holders on the relevant record date, unless the Company determines that it is not feasible to make such distribution, in which case the Preferred Stock Depositary may adopt any other method for such distribution as it deems appropriate, including the sale of such property and distribution of the net proceeds from such sale to such holders.

The amount distributed in any of the foregoing cases will be reduced by any amount required to be withheld by the Company or the Preferred Stock Depositary on account of taxes.

RECORD DATE

Whenever (i) any cash dividend or other cash distribution shall become payable, any distribution other than cash shall be made, or any rights, preferences or privileges shall be offered with respect to the New Preferred Stock, or (ii) the Depositary shall receive notice of any meeting at which holders of New Preferred Stock are entitled to vote or of which holders of New Preferred Stock are entitled to notice, the Preferred Stock Depositary shall in each such instance fix a record date (which shall be the same date as the corresponding record date for the New Preferred Stock) for the determination of the holders of Depositary Receipts (x) who shall be entitled to receive such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, (y) who shall be entitled to give instructions for the exercise of voting rights at any such meeting or to receive notice of such meeting, or (z) who shall be entitled to receive notice of conversion or other events, subject to the provisions of the Deposit Agreement.

PROCEDURES FOR VOTING

Promptly upon receipt of notice of any meeting at which the holders of New Preferred Stock are entitled to vote, the Preferred Stock Depositary (unless another arrangement for allowing holders of RECONS to exercise the voting rights associated with the New Preferred Stock is agreed to by the Company and the Preferred Stock Depositary) will cause the information contained in such notice of meeting to be mailed to the record holders of Depositary Receipts as of the record date for such meeting. Each such record holder of Depositary Receipts will be entitled to instruct the Preferred Stock Depositary as to the exercise of voting rights with respect to the number of shares of New Preferred Stock represented by such holder's RECONS. The Preferred Stock

Depository, as registered holder of such shares of New Preferred Stock, will endeavor, insofar as practicable, to vote with respect to the number of shares of New Preferred Stock represented by such RECONS in accordance with such instructions, and the Company intends to take all action which may be deemed necessary by the Preferred Stock Depository in order to enable the Preferred Stock Depository to do so. The Preferred Stock Depository will abstain from voting with respect to the New Preferred Stock to the extent that it does not receive specific written instructions from the holders of Depository Receipts.

AMENDMENT AND TERMINATION OF DEPOSIT AGREEMENT

The form of Depository Receipt evidencing the RECONS and any provision of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Preferred Stock Depository. However, any amendment which imposes or increases any fees, taxes or charges upon holders of RECONS (other than taxes and other governmental charges, fees and other expenses payable by such holders as provided for in the Deposit Agreement or Depository Receipt and as stated under "--Charges of Preferred Stock Depository"), or which otherwise prejudices any substantial existing right of holders of RECONS, will not take effect as to outstanding RECONS until the expiration of 30 days after notice of such amendment has been given to the record holders of outstanding RECONS. Every holder of an outstanding RECONS at the time any such amendment becomes effective will be deemed, by continuing to hold such RECONS, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. No such amendment may impair the right, subject to the terms of the Deposit Agreement, of any owner of any RECONS to surrender the Depository Receipt evidencing such RECONS with instructions to the Preferred Stock Depository to deliver to the holder the New Preferred Stock or Common Stock, as applicable, represented thereby, except in order to comply with mandatory provisions of applicable law.

The Deposit Agreement may be terminated by the Company or the Preferred Stock Depository only if (i) the New Preferred Stock has been converted or (ii) there has been a final distribution in respect of the New Preferred Stock (or the Common Stock into which the New Preferred Stock shall have been converted) in connection with any liquidation, dissolution or winding up of the Company and such distribution has been made to all the holders of RECONS. The Company and the Preferred Stock Depository will undertake to terminate the Deposit Agreement upon such conversion or distribution.

CHARGES OF PREFERRED STOCK DEPOSITARY

The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the depository arrangements. The Company will pay charges of the Preferred Stock Depository in connection with the initial deposit of the New Preferred Stock and the initial issuance of the RECONS, the conversion of the New Preferred Stock and all withdrawals of the New Preferred Stock by owners of RECONS. Holders of Depository Receipts will pay transfer, income and other taxes and governmental charges and charges incurred by the Preferred Stock Depository at the election of a holder, as provided in the Deposit Agreement. In certain circumstances, the Preferred Stock Depository and the Company may refuse to transfer RECONS, may withhold dividends and distributions and may sell the RECONS evidenced by such Depository Receipt if such charges are not paid.

MISCELLANEOUS

Application will be made to list the RECONS on the NYSE upon official notice of issuance and subject to adequacy of distribution and other listing requirements. If these conditions are not met, it is expected that the RECONS will trade in the over-the-counter market.

The Company will deliver to the Preferred Stock Depository all reports to shareholders and other communications which the Company is required to furnish to the holders of New Preferred Stock by law, by the rules of the NYSE or any other stock exchange or trading market on which the RECONS are listed or by the Restated Articles of Incorporation of the Company. The Preferred Stock Depository will forward to the holders of RECONS and will make available for inspection by holders of RECONS, at the principal office of the Preferred Stock Depository and at such other places as it may from time to time deem advisable, any such report and communications received from the Company.

Neither the Preferred Stock Depositary nor the Company will be subject to any liability under the Deposit Agreement to holders of Depositary Receipts other than for its negligence, bad faith or willful misconduct. Neither the Preferred Stock Depositary nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Company and the Preferred Stock Depositary under the Deposit Agreement will be limited to performance in good faith of their duties thereunder, and they will not be obligated to prosecute or defend any legal proceeding in respect of any RECONS or shares of New Preferred Stock unless satisfactory indemnity is furnished. The Company and the Preferred Stock Depositary may rely on written advice of counsel or accountants, on information provided by holders of RECONS or other persons believed in good faith to be competent to give such information and on documents believed to be genuine and to have been signed or presented by the proper party or parties.

RESIGNATION AND REMOVAL OF PREFERRED STOCK DEPOSITARY

The Preferred Stock Depositary may resign at any time by delivering to the Company notice of its election to do so. The Company may at any time, by notice, remove the Preferred Stock Depositary or may terminate the engagement of the Preferred Stock Depositary with respect to any or all of its duties and obligations under the Deposit Agreement. Any such resignation, removal or termination will take effect upon the appointment of a successor Preferred Stock Depositary and such successor's acceptance of such appointment with respect to all the predecessor's duties and obligations so terminated. Such successor Preferred Stock Depositary must be appointed within 45 days after delivery of the notice for resignation, removal or termination and, if the predecessor is to acquire title to New Preferred Stock, must be a bank or trust company having its principal office in the United States of America and having a combined capital and surplus of at least \$50,000,000.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The authorized capital stock of the Company consists of 10,000,000 shares of Preferred Stock, cumulative, without par value (the "Preferred Stock"), and 200,000,000 shares of Common Stock without par value (the "Common Stock"). As of September 30, 1998, the Company had 55,960,360 shares of Common Stock issued and outstanding. Shares of the Common Stock are sometimes herein called "Common Shares." For a detailed description of the terms and characteristics of the capital stock of the Company, reference is made to the Company's Restated Articles of Incorporation (the "Restated Articles"), the form of the proposed Articles of Amendment (the "Articles of Amendment") and the Company's Bylaws, as amended (the "Bylaws"), copies of which are exhibits to the Registration Statement, and to the laws of the State of Washington. Following is a brief summary of such terms and characteristics, which does not purport to be complete and is qualified in its entirety by the foregoing references.

The Restated Articles provide that the Preferred Stock may be divided into and issued from time to time in one or more series. All shares of Preferred Stock constitute one and the same class of stock, are of equal rank and will otherwise be identical except as to the designation thereof, the date or dates from which dividends on shares thereof will be cumulative, and except that each series may vary as to (a) the rate or rates of dividend, if any, which may be expressed in terms of a formula or other method by which such rate or rates will be calculated from time to time, and the date or dates on which dividends may be payable, (b) whether shares may be redeemed and, if so, the redemption price and terms and conditions of redemption, (c) the amount payable on voluntary and involuntary liquidation, (d) sinking fund provisions, if any, for the redemption or purchase of shares, and (e) the terms and conditions, if any, on which shares may be converted. When Preferred Stock is initially issued, the number of shares constituting such series, its distinguishing serial designation and its particular characteristics (insofar as there may be variations between series) may be fixed by resolution of the Board of Directors.

DIVIDEND RIGHTS

The New Preferred Stock will be entitled, on a parity with each other series of Preferred Stock and in preference to the Common Stock, to receive, but only when and as declared by the Board of Directors, dividends at the rate of \$12.40 per share per annum; provided, however, that the dividend payable on December 15, 1998 will be \$3.10 per share. Such dividends will be cumulative from the date of issuance of the New Preferred Stock and will be payable on the fifteenth day of March, June, September and December in each year, commencing December 15, 1998.

After full provision for all Preferred Stock dividends declared or in arrears, the holders of Common Stock of the Company are entitled to receive such dividends as may be lawfully declared from time to time by the Board of Directors of the Company.

LIQUIDATION RIGHTS

The New Preferred Stock will be entitled, upon dissolution or liquidation, on a parity with each other series of Preferred Stock and in preference to the Common Stock, to a liquidation preference per share plus an amount equivalent to accrued and unpaid dividends thereon, if any, to the date of such event. The liquidation preference will be an amount equal to ten (10) times the average of the high and low sale prices of the Common Shares on the NYSE as of the end of the regular session on the trading date next preceding the date of issuance of the New Preferred Stock, as reported in the consolidated reporting system.

In the event of any dissolution or liquidation of the Company, after satisfaction of the preferential liquidation rights of the Preferred Stock, the holders of the Common Stock would be entitled to share ratably in all assets of the Company available for distribution to shareholders.

CONVERSION

MANDATORY CONVERSION

On the Mandatory Conversion Date (November 1, 2001), each outstanding share of New Preferred Stock will be mandatorily converted into (i) a number of Common Shares determined by reference to the Common Equivalent Rate and (ii) the right to receive a cash amount equal to all accrued and unpaid dividends on such share of New Preferred Stock to but excluding the Mandatory Conversion Date.

The "Common Equivalent Rate" initially will be ten Common Shares for each share of New Preferred Stock, subject to adjustment in the event that the Company shall (i) pay a dividend or make a distribution with respect to its Common Stock in shares of Common Stock, (ii) subdivide, reclassify or split its outstanding shares of Common Stock into a greater number of shares, (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, (iv) issue by reclassification of its Common Stock any shares of Common Stock other than in an Extraordinary Transaction (as defined below), (v) issue certain rights or warrants to all holders of its Common Stock, (vi) pay a dividend or make a distribution to all holders of its Common Stock of evidences of its indebtedness or other assets (including shares of capital stock of the Company (other than Common Stock) but excluding any distributions and dividends referred to in clause (i) above or any cash dividends) or issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities other than those described in clause (v) above, (vii) make a distribution consisting of cash, excluding any quarterly cash dividend on the Common Stock to the extent that the aggregate cash dividend per Common Share in any quarter does not exceed \$0.16 (as adjusted to reflect any events described in clauses (ii) and (iii)), and excluding any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company or (viii) cause the Rights (as defined below under "--Preferred Share Purchase Rights") to be separated from the Common Shares in accordance with the provisions of the Rights Agreement (as defined below) such that holders of New Preferred Stock would not be entitled to receive any such Rights in respect of the Common Shares issuable upon conversion of such New Preferred Stock. The Company will also be entitled to make additional upward adjustments in the Common Equivalent Rate, as it in its discretion shall determine to be advisable, so that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock (or any transaction which could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal

Revenue Code of 1986, as amended) hereafter made by the Company to its shareholders will not be taxable. See "--Preferred Share Purchase Rights" for additional information on the Rights.

Upon the effectiveness at any time of a merger, consolidation or similar extraordinary transaction involving the Company that results in the conversion or exchange of the Common Shares into, or results in the holders of Common Shares having the right to receive, other securities or other property (an "Extraordinary Transaction"), each share of New Preferred Stock will be automatically converted into, or into the right to receive, as the case may be, securities and other property (including cash) of the same character and in the same respective amounts as the holder of such share would have received if such share had been converted pursuant to the optional conversion provisions described below under "--Optional Conversion" immediately prior to the effectiveness of such Extraordinary Transaction.

The term "Current Market Price" on any date of determination means the average closing price of a Common Share as reported in the composite quotations for securities listed on the NYSE for the five consecutive trading days ending on and including such date of determination; provided, however, that if the closing price of the Common Shares on the NYSE on the trading day next following such five-day period (the "next-day closing price") is less than 95% of such average closing price, then the Current Market Price per Common Share on such date of determination will be the next-day closing price; and provided, further, that, with respect to any conversion of the New Preferred Stock, if any adjustment of the Common Equivalent Rate becomes effective during the period beginning on the first day of such five-day period and ending on the applicable conversion date, the Current Market Price as determined pursuant to the foregoing will be appropriately adjusted to reflect such adjustment.

OPTIONAL CONVERSION

The shares of New Preferred Stock may be converted, at the option of the Company, at any time on or after December 15, 1998 and prior to the Mandatory Conversion Date, in whole but not in part, into, for each share so converted (1) a number of Common Shares equal to the Optional Conversion Price (as defined below) then in effect plus (2) the right to receive an amount, in cash, equal to the accrued and unpaid dividends thereon to but excluding the conversion date plus (3) the right to receive the Optional Conversion Premium (as defined below).

The "Optional Conversion Price" means, for each share of New Preferred Stock converted at the option of the Company, a number of shares of Common Stock equal to the lesser of (a) the amount of \$ divided by the Current Market Price as of the close of business on the second trading day immediately preceding the day on which the Company gives notice of optional conversion and (b) the number of shares of Common Stock determined by reference to the Common Equivalent Rate as discussed under "--Mandatory Conversion."

The "Optional Conversion Premium" means, for each share of New Preferred Stock converted at the option of the Company, an amount, in cash, initially equal to \$20.90, declining by \$0.02111 for each day following December 15, 1998 to the optional conversion date (computed on the basis of a 360-day year consisting of twelve 30-day months) and equal to zero on and after September 15, 2001; provided, however, that in lieu of delivering such amount in cash, the Company may, at its option, deliver a number of Common Shares equal to the quotient of such amount divided by the Current Market Price on the second trading day immediately preceding the day in which the Company gives notice of such conversion.

The initial Optional Conversion Premium of \$20.90 represents the difference between the annual dividend of \$12.40 on each share of New Preferred Stock and an assumed annual dividend of \$4.80 for ten Common Shares for the period after December 15, 1998 through September 15, 2001 (i.e. \$1.90 per quarter for eleven quarters). The premium declines to zero on September 15, 2001; no premium will be paid on or after September 15, 2001. Dividends will accrue on the Preferred Stock through the conversion date.

PROCEDURES FOR CONVERSION

Notice of any conversion will be sent to the holders of the shares of New Preferred Stock to be converted not less than 15 days nor more than 60 days prior to the conversion date; provided, however, that the failure to mail any such notice of conversion

or any defect therein or in the mailing thereof will not prevent the occurrence of such conversion or impair the validity thereof.

Shares of New Preferred Stock to be converted will, on the date fixed for conversion, be deemed to have been converted; from and after such conversion date dividends will cease to accrue on such shares; and all rights of the holders of such shares (except only rights as holders of securities into which such shares have been converted and the right to receive certificates representing such securities and the right to receive an amount, in cash, equal to dividends accrued on such shares to the date fixed for such conversion plus any Optional Conversion Premium not otherwise paid in Common Shares) will terminate.

Because the price of the Common Shares is subject to market fluctuations, the value of the Common Shares received by a holder of shares of New Preferred Stock upon conversion thereof on the Mandatory Conversion Date or upon an Extraordinary Transaction of the Company may be more or less than the value of the Common Shares tendered in exchange therefor. The shares of New Preferred Stock are not convertible into Common Shares or cash at the option of the holders thereof.

VOTING RIGHTS

Except for those purposes for which the right to vote is expressly conferred by law or the Restated Articles, the holders of New Preferred Stock have no power to vote. The holders of the Common Stock have sole voting power, except as indicated below or as otherwise provided by law, and each holder of Common Stock is entitled to vote cumulatively for the election of directors.

Under the Restated Articles, whenever and as often as dividends payable on shares of Preferred Stock (including the New Preferred Stock) shall be in arrears in an amount equal to the aggregate amount of dividends accumulated on such shares over the eighteen (18) month period ended on such date, the holders of Preferred Stock, voting separately and as a single class, shall be entitled to elect a majority of the Board of Directors, and the holders of the Common Stock, voting separately and as a single class, shall be entitled to elect the remaining directors of the Company until such time as all defaults in the payment of dividends on the Preferred Stock of any and all series shall have been cured.

In addition, under the Restated Articles the affirmative vote of the holders of at least a majority of the shares of the Preferred Stock is required:

(a) for the adoption of any amendment of the Restated Articles which would: (i) create or authorize any new class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up; (ii) increase the authorized number of shares of the Preferred Stock; or (iii) change any of the rights or preferences of the Preferred Stock at the time outstanding, provided that if any such change would affect the holders of less than the Preferred Stock of all series then outstanding, only the affirmative vote of the holders of at least a majority of the shares of all series so affected is required; and

(b) for the issuance of Preferred Stock, or of any other class of stock ranking prior to or on a parity with such Preferred Stock as to dividends or upon dissolution, liquidation or winding up, unless the net income of the Company available for the payment of dividends for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance of such shares is at least equal to one and one-half times the annual dividend requirements on shares of Preferred Stock and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued; PROVIDED, HOWEVER, that if the shares of Preferred Stock or any such prior or parity stock shall have a variable dividend rate, the annual dividend requirement of such shares shall be determined by reference to the weighted average dividend rate on such shares during the 12 month period for which the net income of the Company available for the payment of dividends shall have been determined; and provided, further, that if the shares of the series to be issued are to have a variable dividend

rate, the annual dividend requirement on such shares shall be determined by reference to the initial dividend rate upon the issuance of such shares.

Under Washington law, a vote of the holders of a majority of the outstanding shares of Preferred Stock is required in connection with certain changes in the capital structure of the Company or in certain rights and preferences of the Preferred Stock, including certain of the changes described in (a) above. In addition, Washington law requires the approval of certain mergers, share exchanges and other major corporate transactions by the holders of two-thirds of the outstanding Preferred Stock.

For those purposes for which the Preferred Stock has the right to vote, the holders are entitled to one vote for each share held. In such a situation, each RECONS would receive one-tenth of the vote allotted to one share of Preferred Stock. Votes may be cumulated in electing directors.

CLASSIFIED BOARD OF DIRECTORS

Both the Restated Articles and the Bylaws provide for a Board of Directors divided into three classes, each of which will generally serve for a term of three years, with only one class of directors being elected in each year. The Restated Articles and Bylaws also provide that directors may be removed only for cause and only by the affirmative vote of the holders of a least a majority of the Common Stock. The Restated Articles and Bylaws further require an affirmative vote of the holders of at least 80% of the Common Stock to alter, amend or repeal the provisions relating to the classification of the Board of Directors and the removal of members from, and the filling of vacancies on, the Board of Directors.

CHANGE IN CONTROL

The Restated Articles contain a "fair price" provision which requires the affirmative vote of the holders of at least 80% of the Common Stock for the consummation of certain business combinations, including mergers, consolidations, recapitalizations, certain dispositions of assets, certain issuances of securities, liquidations and dissolutions involving the Company and a person or entity who is or, under certain circumstances, was, a beneficial owner of 10% or more of the outstanding shares of Common Stock (an "Interested Shareholder"), unless (a) such business combination shall have been approved by a majority of the directors unaffiliated with the Interested Shareholder or (b) certain minimum price and procedural requirements are met. The Restated Articles provide that the "fair price" provision may be altered, amended or repealed only by the affirmative vote of the holders of at least 80% of the Common Stock.

PREFERRED SHARE PURCHASE RIGHTS

Reference is made to the Rights Agreement, dated as of February 16, 1990 (the "Rights Agreement"), between the Company and The Bank of New York, as successor Rights Agent, filed with the SEC. The following statements are qualified in their entirety by such reference.

The Company has adopted a shareholder rights plan 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. The description and terms of the Rights are set forth in the Rights Agreement. Certain of the capitalized terms used in the following description have the meanings set forth in the Rights Agreement.

Each Right, initially evidenced by and traded with the shares of Common Stock, entitles the registered holder to purchase one one-hundredth of a share of Preferred Stock of the Company, without par value (the "Preferred Shares"), at an exercise price of \$80, 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 outstanding 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.

If any person or group acquires 10% or more of the outstanding Common Stock, each Right will entitle its holder (other than such person or members of such group), subject to regulatory approval and other specified conditions, to purchase that number of shares of Common Stock or Preferred Shares having a market value of twice the Right's exercise price. In addition, in the event that any person or group has acquired 10% or more of the outstanding Common Stock or the Company consolidates or merges with or into, or sells 50% or more of its assets or earning power to, any person or group, or engages in certain "self-dealing" transactions with any person or group owning 10% or more of the outstanding Common Stock, proper provision will be made so that each Right would thereafter entitle its holder to purchase that number of the acquiring company's common shares having a market value at that time of twice the Right's exercise price.

At any time after a person or group acquires more than 10% but less than 50% of the outstanding Common Stock, the Board of Directors of the Company may, subject to any necessary regulatory approval, require each outstanding Right to be exchanged for one share of Common Stock or cash, securities or other assets having a value equal to the market value of one share of Common Stock.

The Rights may be redeemed, at a redemption price of \$.01 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. Under certain circumstances, the decision to redeem the Rights will require the concurrence of a majority of the Continuing Directors. The Rights will expire on February 16, 2000.

The Rights have certain anti-takeover effects. The Rights may cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by the Company's Board of Directors, except pursuant to an offer conditioned on a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors of the Company prior to the time that a person or group has acquired beneficial ownership of 10% or more of the Common Stock since until such time the Rights may be redeemed as described above.

PRE-EMPTIVE RIGHTS

No holder of any stock of the Company has any pre-emptive rights.

MISCELLANEOUS

There is no specific restriction on the repurchase by the Company of the New Preferred Stock or Common Stock while there is any arrearage in the payment of dividends on the New Preferred Stock.

Upon issuance and exchange pursuant to the Exchange Offer as herein described, the New Preferred Stock will be validly issued, fully paid and nonassessable, and the holders thereof will not be subject to liability for further calls or assessment by the Company.

The presently outstanding shares of Common Stock of the Company are fully paid and nonassessable, and the shares of Common Stock to be issued upon conversion of the Preferred Stock, as herein described, will be fully paid and nonassessable.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion describes certain United States federal income tax consequences that may be expected to result from (i) an exchange of Common Shares pursuant to the Exchange Offer, and (ii) the ownership and disposition of RECONS and New Preferred Stock. The discussion contained in this summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury Regulations, judicial decisions and administrative pronouncements, all of which are subject to change. Any such changes may be applied retroactively in a manner that could cause the tax consequences to vary substantially from the consequences described below, with possible adverse effects.

This summary discusses only Common Shares, RECONS and New Preferred Stock held by United States Holders (as defined below) as capital assets within the meaning of Section 1212 of the Code. The tax treatment of a holder may vary depending on such holder's particular situation. This summary does not deal with all tax consequences that may be relevant to all categories of holders such as banks, thrift institutions, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or commodities, tax-exempt investors, certain U.S. expatriates, holders whose "functional currency" is not the U.S. dollar, or persons who hold Common Shares, RECONS or New Preferred Stock as a position in a straddle, as part of a synthetic security or hedge, as part of a conversion transaction or other integrated investment, or as other than a capital asset, or holders who are not United States Holders (as defined below). Moreover, the summary may not be applicable to holders who received their Common Shares pursuant to the exercise of employee stock options or otherwise as compensation or to Common Shares held by the Company's employee benefit plans. Further, the summary does not include any description of any alternative minimum tax consequences or any state, local or foreign tax consequences that may be applicable.

The following discussion is based upon the views of Thelen Reid & Priest LLP. No statutory, administrative or judicial authority directly addresses the tax treatment of RECONS or New Preferred Stock. As a result, significant aspects of the United States federal income tax consequences of an investment in the RECONS are not certain. No ruling is being requested from the Internal Revenue Service ("IRS") with respect to the RECONS, and no assurance can be given that the Internal Revenue Service will agree with the tax consequences described herein. HOLDERS OF COMMON SHARES ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE EXCHANGE OFFER AND THE OWNERSHIP AND DISPOSITION OF THE RECONS OR NEW PREFERRED STOCK IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

As used herein, a "United States Holder" means a beneficial owner of Common Shares, RECONS or New Preferred Stock, as the case may be, that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State thereof or the District of Columbia, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions. An individual may, subject to certain exceptions, be deemed to be a resident (as opposed to a non-resident alien) of the United States by virtue of being present in the United States on at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

CHARACTERIZATION OF THE EXCHANGE OFFER

The Company has received an opinion of Thelen Reid & Priest LLP, as tax counsel, that the exchange of Common Shares for RECONS or New Preferred Stock should be treated as a "recapitalization" pursuant to section 368(a)(1)(E) of the Code. In that event, the transaction will have the tax consequences to shareholders set forth below.

EXCHANGE OF COMMON SHARES PURSUANT TO THE EXCHANGE OFFER

EXCHANGE OF COMMON SHARES FOR RECONS

Based upon the view that the New Preferred Stock is not classified as "nonqualified preferred stock" within the meaning of Code section 351(g)(2), as described below, no gain or loss will be recognized by an exchanging shareholder on the exchange. A United States Holder's tax basis in the RECONS received in the exchange will be equal to such holder's tax basis in the Common Shares exchanged therefor, and the holding period of such RECONS will include the holding period of such Common Shares.

CLASSIFICATION OF NEW PREFERRED STOCK AS "NONQUALIFIED PREFERRED STOCK"

The nonrecognition rule described in the preceding paragraph will not apply, and gain or loss will be recognized upon the exchange of Common Shares for New Preferred Shares, if the New Preferred Shares are classified as "nonqualified preferred stock" within the meaning of Code section 351(g)(2). For these purposes, the term "nonqualified preferred stock" means preferred stock if (i) the holder of such stock has the right to require the issuer or a related person to redeem or purchase the stock, (ii) the issuer or a related person is required to redeem or purchase such stock, (iii) the issuer or a related person has the right to redeem or purchase the stock and, as of the issue date, it is more likely than not that such right will be exercised, or (iv) the dividend rate on such stock varies in whole or in part (directly or indirectly) with reference to interest rates, commodity prices, or other similar indices.

Code section 351(g)(2) was added to the Code pursuant to the Taxpayer Relief Act of 1997 and, to date, little authority has been issued regarding the scope of this provision. It is unclear whether the New Preferred Stock will be treated as preferred stock for purposes of Code section 351(g). For this purpose, "preferred stock" is defined as stock which is limited and preferred as to dividends and does not participate in corporate growth to any significant extent. The New Preferred Stock will participate in future appreciation in the value of Common Shares up to \$[] per share. Assuming that the New Preferred Stock is treated as preferred stock for those purposes, certain terms of the New Preferred Shares raise the concern that such shares would fall within the definition of "nonqualified preferred stock." However, the legislative history underlying the enactment of this provision indicates that the nonrecognition reorganization provisions of the Code are not to apply where a common shareholder exchanges that stock for a more secure equity investment in the issuer. Since, inter alia, the holders of the New Preferred Stock will not be protected from any decrease in the trading price of the Common Shares into which the New Preferred Stock is convertible, the New Preferred Stock should not be classified as "nonqualified preferred stock" within the meaning of Code section 351(g)(2).

OWNERSHIP AND DISPOSITION OF RECONS AND NEW PREFERRED STOCK

RECONS

The tax treatment of United States Holders of RECONS will be the same as the tax treatment of United States Holders of New Preferred Stock as described below. In addition, a United States Holder will recognize no gain or loss on the withdrawal of New Preferred Stock in exchange for RECONS pursuant to the Deposit Agreement; the United States Holder's tax basis in the withdrawn New Preferred Stock will be the same as such Holder's tax basis in the RECONS surrendered therefor; and the United States Holder's holding period for the withdrawn New Preferred Stock will include the period during which such Holder held the surrendered RECONS.

DIVIDENDS

Dividends paid on the New Preferred Stock out of the Company's current or accumulated earnings and profits will be taxable as ordinary income and will qualify for the 70% intercorporate dividends-received deduction, subject to the minimum holding period requirement (generally at least 46 days) and other applicable requirements. The dividends-received deduction will not be allowed for purposes of calculating a corporate United States Holder's adjusted current earnings under the alternative minimum tax rules. To the extent, if any, that the amount of any dividend paid on the New Preferred Stock exceeds the Company's current and

accumulated earnings and profits, it will be treated first as a return of the United States Holder's tax basis in the New Preferred Stock and thereafter as a capital gain.

Under certain circumstances, a corporation that receives an "extraordinary dividend," as defined in Section 1059(c) of the Code, is required to reduce the tax basis of its stock by the non-taxed portion of such dividend. A corporate United States Holder must consider its holding period for, its tax basis in, and the fair market value of, the New Preferred Stock in determining whether dividends paid on the New Preferred Stock will constitute "extraordinary dividends." In addition, under Section 1059(f) of the Code, any dividend with respect to "disqualified preferred stock" is treated as an "extraordinary dividend." While the issue is not free from doubt due to the lack of authority directly on point, the New Preferred Stock should not constitute "disqualified preferred stock."

CONSTRUCTIVE DISTRIBUTION RISKS

Under certain circumstances, Section 305(c) of the Code requires that any excess of the redemption price of preferred stock over its issue price be includible in income, prior to receipt, as a constructive dividend. However, while the issue is not free from doubt due to the lack of authority directly on point, since, inter alia, the New Preferred Stock bears risk with respect to a decline in the value of Common Shares, and therefore its redemption price is not truly fixed, Section 305(c) should not currently apply to stock with terms such as those of the New Preferred Stock.

Certain adjustments to the conversion rate for the New Preferred Stock to reflect the Company's issuance of stock or warrants to holders of Common Shares (or similar transactions) may result in constructive distributions taxable as dividends to the United States Holders of the New Preferred Stock. The antidilution formula for the New Preferred Stock is intended to adjust the conversion ratio to reflect these types of distributions in a manner to qualify under Code section 305(c) and should not result in constructive distributions to holders of New Preferred Stock.

A constructive distribution may result where preferred stock with dividends in arrears is exchanged for other stock and, as a result, a holder of the preferred stock increases his proportionate interest in the assets or earnings and profits of the corporation. This provision is designed to prevent the capitalization of dividends into stock on a tax free basis. Since cash will be paid with respect to accrued unpaid dividends upon a conversion of the New Preferred Stock, this provision should not apply.

Any constructive dividend may constitute, and may cause other dividends to constitute, "extraordinary dividends" to corporate United States Holders. See "Dividends" above.

CONVERSION OF NEW PREFERRED STOCK INTO COMMON SHARES AND CASH

Gain or loss generally will not be recognized by a United States Holder upon the conversion of the New Preferred Stock solely into Common Shares. Gain realized by a United States Holder upon the conversion of the New Preferred Stock into Common Shares and cash will be recognized to the extent of the cash received (including any Option Conversion Premium which is paid in cash and any cash received in payment of accrued unpaid and undeclared dividends, but excluding any cash received in lieu of a fractional share). Such taxable gain will be treated either as capital gain or as a dividend, depending on such Holder's particular circumstances, as described in the following paragraphs. No loss will be recognized upon the conversion of the New Preferred Stock into Common Shares and cash.

In testing whether gain recognized upon the conversion of the New Preferred Stock into Common Shares and cash (other than cash in lieu of fractional Common Shares) will be treated as capital gain or as a dividend, the United States Holder will be treated as if such holder received Common Shares with a value equal to such cash, and then such deemed Common Shares were redeemed by the Company for such cash. Such gain will be treated as capital gain if, inter alia, such deemed redemption would be a "substantially disproportionate" redemption with respect to such Holder or is "not essentially equivalent to a dividend" with respect to the Holder. An exchange of Common Shares for cash will be "not essentially equivalent to a dividend" if it results in a "meaningful reduction" of the United States Holder's equity interest in the Company. An exchange of Common Shares for cash that results in a reduction of the proportionate equity interest in the Company of a United States Holder whose relative equity interest in the Company is minimal (an interest of less than one percent should satisfy this requirement) and who exercises

no control over the Company's corporate affairs should be treated as "not essentially equivalent to a dividend." If the deemed redemption would be treated as a dividend under Code section 302, then the gain recognized will be taxed as a dividend. However, notwithstanding the foregoing, the IRS may take the position that cash paid with respect to accrued unpaid dividends will be treated as dividends in all events. United States Holders should consult their own tax advisors about the application of these rules in their particular circumstances.

Cash received by a United States Holder in lieu of a fractional share will be treated as if such holder received a fractional Common Share with a value equal to such cash, and then such deemed fractional Common Share were redeemed by the Company for such cash. Any resulting gain or loss should be treated as capital gain or loss.

A United States Holder's tax basis in the Common Shares, including any fractional share, received on the conversion of the New Preferred Stock will equal the tax basis of the New Preferred Stock surrendered in exchange therefor, reduced by the amount of cash received and increased by the amount of income or gain recognized. The holding period of such Common Shares will include the holding period of the New Preferred Stock surrendered in exchange therefor.

OTHER DISPOSITIONS OF NEW PREFERRED STOCK

A United States Holder will generally recognize gain or loss on a sale, exchange or other disposition of New Preferred Stock in an amount equal to the difference between the amount realized on the sale, exchange or other disposition and such Holder's tax basis in the New Preferred Stock. Any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period of the New Preferred Stock exceeds one year as of the date of the disposition.

Under certain circumstances, upon the taxable disposition or taxable redemption of "section 306 stock," the holder of such stock is required to recognize as ordinary income, in the case of a disposition, or as dividend income, in the case of a redemption, all or a portion of the proceeds received by such holder, without regard to such holder's tax basis in the "section 306 stock," and cannot recognize any loss. To the extent that a United States Holder that exchanges Common Shares for New Preferred Stock would have been treated, under the rules of Section 302 of the Code, as receiving a dividend distribution from the Company if such Holder had tendered such Common Shares for cash, the New Preferred Stock owned by such United States Holder may be treated as "section 306 stock." United States Holders should consult their tax advisors concerning the consequences of the Exchange Offer under Section 306 of the Code.

NON-PARTICIPATION IN THE EXCHANGE OFFER

RETENTION OF COMMON SHARES

Subject to the discussion in the immediately following paragraphs, United States Holders of Common Stock who do not participate in the Exchange Offer should not incur any tax liability as a result of the consummation of the Exchange Offer.

CONSTRUCTIVE DISTRIBUTION RISKS

Under section 305(c) of the Code, a recapitalization or a redemption (such as exchanges pursuant to the Exchange Offer or any future conversion of RECONS or New Preferred Stock) may, under certain limited circumstances, be deemed to be a taxable distribution of stock with respect to any other shareholder whose proportionate interest in the assets or earnings and profits of the corporation is increased as a result. Exchanges pursuant to the Exchange Offer and any subsequent conversion of any RECONS or New Preferred Stock may have the effect of increasing the proportionate interests in the assets or earnings and profits of the Company of the holders of Common Shares who do not participate in the Exchange Offer. However, neither an exchange pursuant to the Exchange Offer nor a subsequent conversion of RECONS or New Preferred Stock should result in any deemed taxable distribution of stock to the United States Holders of the Common Shares because such exchange or subsequent conversion should be treated as an isolated recapitalization and not as part of a plan periodically to increase the proportionate interest of holders of Common Shares in the Company's assets or earnings and profits and because there is no certainty that the interest of the holders of Common Shares would in fact be increased upon the Exchange Offer or any subsequent conversion of RECONS.

Under section 305(b)(2) of the Code, a distribution which has the result of the receipt of property by some shareholders (such as distributions on the New Preferred Stock) and an increase in the proportionate interests of other shareholders in the assets or earnings and profits of the corporation may, under certain limited circumstances, be deemed to be a taxable distribution of stock with respect to the other shareholders whose interests in the assets or earnings and profits of the corporation are increased. It is believed that distributions on the New Preferred Stock should not have the effect of increasing the proportionate interests of the holders of the Common Shares in the assets or earnings and profits of the Company because such distributions will only result in adjustments to the Optional Conversion Premium which is designed to deliver a specific value to holders of New Preferred Stock in lieu of future dividends and such premium (payable in cash or Common Shares, at the option of the Company) will be payable only if the Company exercises its right to effect an optional conversion. As such, distributions on the New Preferred Stock should not result in any deemed taxable distribution of stock to the holders of the Common Shares pursuant to Code section 305(b)(2).

The failure to adjust fully the conversion rate of the New Preferred Stock to reflect distributions of stock dividends (or rights to acquire stock) with respect to the Common Shares (or transactions having the effect of such distributions) may result in a taxable dividend to the holders of the Common Shares. The antidilution formula for the New Preferred Stock is intended to adjust the conversion ratio to reflect distributions of stock dividends or similar transactions in a manner to qualify under Code section 305(c) and should not result in constructive distributions to holders of Common Shares.

Any constructive dividend may constitute, and may cause other dividends to constitute, "extraordinary dividends" to corporate United States Holders. See "--Dividends" above.

INFORMATION REPORTING AND BACKUP WITHHOLDING

In general, information reporting requirements will apply to payments of dividends and the proceeds of sales of the New Preferred Stock made to United States Holders other than certain exempt recipients (such as corporations). A 31% backup withholding tax will apply to such payments if the United States Holder (i) fails to provide a taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding. In the case of dividends paid after December 31, 1999, a United States Holder generally will be subject to backup withholding at a 31% rate unless certain IRS certification procedures are complied with directly or through an intermediary.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against such United States Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

THE DESCRIPTION OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY. THE COMPANY DOES NOT INTEND TO SEEK A RULING FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES OF THE EXCHANGE OFFER OR THE OWNERSHIP OR DISPOSITION OF THE NEW PREFERRED STOCK AND, UPON EXAMINATION OF THE INCOME TAX RETURN OF THE COMPANY OR A SHAREHOLDER, THE INTERNAL REVENUE SERVICE MAY TAKE POSITIONS CONTRARY TO THOSE SET FORTH HEREIN. ALL SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE EXCHANGE OFFER AND OF THE OWNERSHIP AND SUBSEQUENT DISPOSITION OF THE NEW PREFERRED STOCK, INCLUDING THE APPLICABILITY OF STATE, LOCAL AND FOREIGN TAX LAWS.

DEALER MANAGER

J.P. Morgan Securities Inc., (the "Dealer Manager"), has agreed to act as a financial advisor and dealer manager in connection with the transaction. The Company will pay the Dealer Manager a fee, the amount of which will not be related to the number of shares exchanged.

The Company has agreed to indemnify the Dealer Manager against certain liabilities, including liabilities under the federal securities laws, and contribute to payments that the Dealer Manager may be required to make in respect thereof.

The Dealer Manager may engage in transactions with, and from time to time may perform services for, the Company.

MISCELLANEOUS

Except as set forth in Annex A hereto, neither the Company nor, to its knowledge, any of its subsidiaries, executive officers or directors or any associate of any such officer or director has engaged in any transactions involving the Common Shares during the 40 business days preceding the date hereof. Neither the Company nor, to its knowledge, any of its executive officers or directors is a party to any contract, arrangement, understanding or relationship relating directly or indirectly to the Exchange Offer with any other person with respect to the Common Shares.

LEGAL MATTERS

Paine, Hamblen, Coffin, Brooke & Miller LLP, Spokane, Washington, counsel for the Company, will pass upon certain matters of Washington law including the validity of the New Preferred Stock and the Common Shares to be issued upon the conversion thereof and other Washington corporate law matters. Additionally, Paine, Hamblen, Coffin, Brooke & Miller LLP will pass upon certain matters relating to public utility regulatory approvals under Washington, Idaho, Montana, Oregon and California law in connection with the authorization of the New Preferred Stock and such Common Shares. Thelen Reid & Priest LLP, New York, New York, counsel to the Company, will pass upon certain matters of New York law including the validity of the Depositary Receipts and of federal securities law. Additionally, Thelen Reid & Priest LLP will pass upon certain United States federal income tax matters. Davis Polk & Wardwell, New York, New York, will pass upon the validity of the Depositary Shares for the Dealer Manager. In giving their opinions, Thelen Reid & Priest LLP and Davis Polk & Wardwell may assume the conclusions of Washington, California, Idaho, Montana and Oregon law set forth in the opinion of Paine, Hamblen, Coffin, Brooke & Miller LLP.

EXPERTS

The financial statements and the related financial statement schedules incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K for the year ending December 31, 1997 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information filed by us at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at "http://www.sec.gov."

We have filed a Registration Statement (together with any amendments thereto, the "Registration Statement") on Form S-4 to register with the SEC the RECONS to be issued to WWP shareholders who tender their shares in the Exchange Offer and whose Common Shares are accepted for exchange, the New Preferred Stock and the Common Shares issuable upon conversion of the New Preferred Stock. We will file a Schedule 13E-4 Issuer Tender Offer Statement with the SEC with respect to the Exchange Offer (together with any amendments thereto, the "Schedule 13E-4"). This Prospectus is a part of that Registration Statement. As allowed by SEC rules, this Prospectus does not contain all the information you can find in the Registration Statement, the Schedule 13E-4 or the exhibits to the Registration Statement and the Schedule 13E-4.

The SEC allows us to "incorporate by reference" information into this Prospectus, which means important information may be disclosed to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this Prospectus, except for any information superseded by information in (or incorporated by reference in) this Prospectus. The Prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about WWP, its business and its finances.

SEC FILINGS (FILE NO. 1-8344)	PERIOD
Annual Report on Form 10-K	Year ended December 31, 1997
Quarterly Reports on Form 10-Q	Quarters ended March 31, 1998 and June 30, 1998
Current Reports on Form 8-K	Dated June 2, 1998 and August 14, 1998
Proxy Statement	Dated March 31, 1998

We are also incorporating by reference additional documents that we may file with the SEC between the date of this Prospectus and the Expiration Date.

We may have already sent you some of the documents incorporated by reference, but you can obtain any of them through the SEC or through us, the Dealer Manager or the Information Agent, without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this Prospectus. Shareholders may obtain documents incorporated by reference in this Prospectus by requesting in writing or by telephone from the Information Agent at its address or from us at the following address:

The Washington Water Power Company
Post Office Box 3647
Spokane, Washington 99220
Attention: Shareholder Relations
Telephone: 1-800-222-4931

If you would like to request documents from us, please do so no later than five business days before the Expiration Date, and preferably sooner, to receive them in time.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE EXCHANGE OFFER OR IN THE LETTER OF TRANSMITTAL. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS IS DATED _____, 1998. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN SUCH DATE, AND NEITHER THE MAILING OF THIS PROSPECTUS TO SHAREHOLDERS NOR THE ISSUANCE OF RECONS SHALL CREATE ANY IMPLICATION TO THE CONTRARY.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE RECONS IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. WE ARE NOT AWARE OF ANY JURISDICTION WHERE THE MAKING OF THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH APPLICABLE LAW. IF WE BECOME AWARE OF ANY JURISDICTION WHERE THE MAKING OF THE EXCHANGE OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH ANY VALID APPLICABLE LAW, WE WILL MAKE A GOOD FAITH EFFORT TO COMPLY WITH SUCH LAW. IF, AFTER SUCH GOOD FAITH EFFORT, WE CANNOT COMPLY WITH SUCH LAW, THE EXCHANGE OFFER WILL NOT BE MADE TO, NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF, HOLDERS OF SHARES OF COMMON SHARES IN ANY SUCH JURISDICTION.

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ANNEX B
ARTICLES OF AMENDMENT TO
RESTATED ARTICLES OF INCORPORATION

B-1

A Letter of Transmittal, certificates for Common Shares and any other required documents should be sent or delivered by each holder of Common Shares or his or her broker, dealer, commercial bank, trust company or other nominee to the Exchange Agent at one of the addresses set forth below.

TO ENSURE TIMELY RECEIPT BY THE EXCHANGE AGENT, DO NOT MAIL OR PRESENT THE LETTER OF TRANSMITTAL AND/OR STOCK CERTIFICATES TO THE COMPANY.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:

THE BANK OF NEW YORK

BY MAIL:

The Bank of New York
P.O. Box 11248
Church Street Station
New York, New York 10286-1248

BY HAND OR OVERNIGHT DELIVERY:

The Bank of New York
Tender & Exchange Department
101 Barclay Street
Receive and Deliver Window
New York, New York 10286-1248

BY FACSIMILE:

(Eligible Institutions Only)

(212) 815-6213

CONFIRM RECEIPT OF DOCUMENTS BY TELEPHONE:

(800) 507-9357

Any questions or requests for assistance may be directed to the Information Agent at its address and telephone number set forth below. Requests for additional copies of this Prospectus, the Letter of Transmittal, the Notice of Guaranteed Delivery and other Exchange Offer material may also be directed to the Information Agent. Beneficial owners may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Exchange Offer.

THE INFORMATION AGENT FOR THE EXCHANGE OFFER IS:

MORROW & CO., INC.

445 Park Avenue, 5th Floor

New York, New York 10022

INDIVIDUAL AND INSTITUTIONAL SHAREHOLDERS, PLEASE CALL:

(800) 566-9061

BANKS AND BROKERAGE FIRMS, PLEASE CALL:

(800) 662-5200

THE DEALER MANAGER FOR THE EXCHANGE OFFER IS:

J.P. MORGAN & CO.

60 Wall Street

New York, New York 10260

INSTITUTIONAL SHAREHOLDERS, PLEASE CALL:

(212) -

Dealer Prospectus Delivery Obligation

Until 40 days after date of this Prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus.

PART II

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article Seventh of the Company's Restated Articles of Incorporation ("Articles") provides, in part, as follows:

"The Corporation shall, to the full extent permitted by applicable law, as from time to time in effect, indemnify any person made a party to, or otherwise involved in, any proceeding by reason of the fact that he or she is or was a director of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with any such proceeding. The Corporation shall pay any reasonable expenses incurred by a director in connection with any such proceeding in advance of the final determination thereof upon receipt from such director of such undertakings for repayment as may be required by applicable law and a written affirmation by such director that he or she has met the standard of conduct necessary for indemnification, but without any prior determination, which would otherwise be required by Washington law, that such standard of conduct has been met. The Corporation may enter into agreements with each director obligating the Corporation to make such indemnification and advances of expenses as are contemplated herein. Notwithstanding the foregoing, the Corporation shall not make any indemnification or advance which is prohibited by applicable law. The rights to indemnity and advancement of expenses granted herein shall continue as to any person who has ceased to be a director and shall inure to the benefit of the heirs, executors and administrators of such a person."

The Company has entered into indemnification agreements with each director as contemplated in Article Seventh of the Articles.

Reference is made to Revised Code of Washington 23B.08.510, which sets forth the extent to which indemnification is permitted under the laws of the State of Washington.

Article IX of the Company's Bylaws contains an indemnification provision similar to that contained in the Articles and, in addition, provides in part as follows:

"SECTION 2. LIABILITY INSURANCE. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is, or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the laws of the State of Washington."

Insurance is maintained on a regular basis (and not specifically in connection with this offering) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of the Company out of its foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

ITEM 21. EXHIBITS.

Reference is made to the Exhibit Index on page II-5 hereof.

ITEM 22. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in this registration statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(5) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant have been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted against either of the registrant by such director, officer or controlling person in connection with the securities being registered, such registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Spokane, State of Washington, on the 6th day of October, 1998.

THE WASHINGTON WATER POWER COMPANY

By: /s/ T.M. MATTHEWS

 T.M. Matthews
 CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF
 EXECUTIVE OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATE INDICATED.

SIGNATURE	TITLE	DATE
/s/ T.M. MATTHEWS ----- T.M. Matthews	(Chairman of the Board, President and Chief Executive Officer) Principal Executive Officer and Director	October 6, 1998
/s/ J.E. ELIASSEN ----- J.E. Eliassen	(Senior Vice President, Chief Financial Officer and Treasurer) Principal Financial and Accounting Officer	October 6, 1998
David A. Clack, Sarah M.R. Jewell, John F. Kelly, Eugene W. Meyer, Bobby Schmidt, Larry A. Stanley, R. John Taylor	Director	October 6, 1998

*By: /s/ J.E. ELIASSEN

 J.E. Eliassen
 (ATTORNEY-IN-FACT)

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
1(a)	Form of Dealer Manager Agreement.
4(a)	Restated Articles of Incorporation of the Company.
4(b)	Form of Articles of Amendment to Restated Articles of Incorporation of the Company.
4(c)	Bylaws of the Company, as amended, October 1, 1998.
4(d)	Form of Deposit Agreement between the Company and The Bank of New York, as Depositary.
4(e)*	Rights Agreement, dated as of February 16, 1990, between the Company and The Bank of New York as successor Rights Agent (filed as Exhibit 4(n) to Form 8-K dated February 16, 1990).
5(a)	Opinion and Consent of Paine, Hamblen, Coffin, Brooke & Miller LLP.
5(b)	Opinion and Consent of Thelen Reid & Priest LLP.
8	Opinion and Consent of Thelen Reid & Priest LLP as to tax matters (contained in Exhibit 5(b)).
12(a)*	Statement re computation of ratio of earnings to fixed charges and preferred stock dividends (filed as Exhibit 12 to Form 10-Q for the quarter ended June 30, 1998 in File No. 1-3701).
23(a)	Consent of Deloitte & Touche LLP.
23(b)	Consents of Paine, Hamblen, Coffin, Brooke & Miller LLP and Thelen Reid & Priest LLP are contained in Exhibits 5(a) and 5(b) respectively.
24+	Power of Attorney.
99(a)	Form of Letter of Transmittal
99(b)	Form of Notice of Guaranteed Delivery
99(c)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99(d)	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99(e)	Form of 401(k) Election to Tender Shares of Common Stock

* Incorporated by reference herein.

+ Previously filed.

_____, 1998

J.P. Morgan Securities Inc.
60 Wall Street
New York, New York 10260

Dear Sirs:

1. OFFER TO EXCHANGE. The Washington Water Power Company, a Washington corporation (the "Company"), plans to make an exchange offer to exchange up to 20,000,000 shares of its outstanding Common Stock, no par value (collectively, the "Original Securities") for Depositary Shares (the "Return Enhanced Convertible Shares" or "RECONS"), each constituting a 1/10th interest in one share of new series of Preferred Stock of the Company to be designated the \$12.40 Cumulative Preferred Stock, Convertible Series L (the "New Preferred Stock") (the RECONS and the Preferred Stock are collectively referred to in this Agreement as the "New Securities") on the terms and subject to the conditions to be set forth in the Exchange Offer Prospectus relating to the New Securities and the accompanying letters of transmittal (each, a "Letter of Transmittal"). The RECONS will be evidenced by depositary receipts ("Receipts") to be issued by The Bank of New York, as Depositary (the "Depositary") under a Deposit Agreement, to be dated as of [_____], 1998 (the "Deposit Agreement"), between the Company and the Depositary. The offer to exchange the Original Securities on the terms and subject to the conditions set forth in the Exchange Offer Prospectus and the related Letters of Transmittal (including the solicitation of tenders with respect to the Original Securities) is referred to as the "Exchange Offer".

The New Securities will be convertible into shares of common stock, no par value, of the Company (the "Common Stock"), in accordance with the terms of the Articles of Amendment (the "Articles") to the Company's Restated Articles of Incorporation establishing the New Preferred Stock.

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form S-4, including a prospectus relating to the New Securities. The registration statement as amended at the time when it shall become effective, or, if a post-effective amendment is filed with respect thereto, as amended by such

post-effective amendment at the time of its effectiveness, is referred to in this Agreement as the "Registration Statement", and the prospectus included therein at the time the Registration Statement (or such post-effective amendment) is declared effective is referred to in this Agreement as the "Exchange Offer Prospectus." Any reference in this Agreement to the Registration Statement, any preliminary exchange offer prospectus or the Exchange Offer Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to the relevant provisions of Form S-4 under the Securities Act, as of the effective date of the Registration Statement or the date of such preliminary exchange offer prospectus or the Exchange Offer Prospectus, as the case may be, and any reference to "amend," "amendment" or "supplement" with respect to the Registration Statement, any preliminary exchange offer prospectus or the Exchange Offer Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Exchange Act") that are deemed to be incorporated by reference therein.

The Company has also prepared and filed with the Commission an Issuer Tender Offer Statement on Schedule 13E-4 (as amended, supplemented or modified at any time, and together with the exhibits thereto, the "Schedule 13E-4") pursuant to the Exchange Act.

2. APPOINTMENT OF DEALER MANAGER. The Company hereby appoints you as exclusive Dealer Manager, and authorizes you to act as such, in connection with the Exchange Offer. As Dealer Manager, you agree, in accordance with your customary practice, to perform those services in connection with the Exchange Offer as are customarily performed by investment banking concerns in connection with exchange offers of like nature, including but not limited to assisting the Company in communicating the terms of the Exchange Offer and the mailing of the Exchange Offer Prospectus, the related Letters of Transmittal and other related documents to the holders of the Original Securities (the "Holders") in conjunction with Morrow & Co. Inc. (the "Information Agent") and The Bank of New York (the "Exchange Agent"). You shall act as an independent contractor in connection with the Exchange Offer with duties solely to the Company, and nothing herein contained shall constitute you as an agent of the Company in connection with the solicitation of Original Securities pursuant to and in accordance with the terms and conditions of the Exchange Offer; PROVIDED that the Company hereby authorizes you, and/or one or more registered brokers or dealers chosen by you, to act as the Company's agent in making the Exchange Offer to residents of any jurisdiction in which such agent's designation may be necessary to comply with applicable law. Nothing in this Agreement shall constitute you as a partner of or member of a joint venture with the Company or any of its subsidiaries.

3. COMPENSATION. The Company has previously agreed in an engagement letter with you dated July 20, 1998 (the "Engagement Letter") to pay you certain fees in connection with your providing certain financial advisory services and the Dealer Manager services described herein, and the terms of the Engagement Letter regarding compensation for such services are incorporated by reference herein.

4. NO LIABILITY FOR ACTS OF DEALERS, BANKS AND TRUST COMPANIES. You shall have no liability (in tort, contract or otherwise) to the Company or any other person for any act or omission on the part of any broker or dealer in securities (each, a "Dealer") (other than yourself) or any bank or trust company or any other person. In soliciting or obtaining tenders, no Dealer, bank or trust company is to be deemed to be acting as your agent or the agent of the Company, and you, as Dealer Manager, are not deemed the agent of the Company, any Dealer, bank or trust company or any other person.

5. EXPENSES. In addition to your compensation for your services as Dealer Manager, the Company agrees to pay (i) all fees and expenses relating to the preparation, filing, printing, mailing and publishing of the Exchange Offer Material (as defined in Section 6), (ii) all fees and expenses incident to the preparation, issuance, execution and delivery of the New Securities, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and exchange of the New Securities under state securities laws and all costs and expenses incurred in connection with the registration or qualification of the New Securities under the laws of such jurisdictions as you reasonably may designate, including filing fees and the fees and disbursements of your counsel in connection with such qualification and in connection with the preparation of any Blue Sky or Legal Investment memorandum, (iv) the fees, if any, of the New York Stock Exchange, Inc. or any other stock exchange in connection with the listing of the RECONS, (v) all fees and expenses of the Depository, the Information Agent and the Exchange Agent appointed, or other persons rendering services, in connection with the Exchange Offer, (vi) all advertising charges approved by the Company, (vii) all customary mailing and handling fees and expenses of any Dealers, banks and trust companies in forwarding the Exchange Offer Material to their customers and (viii) all other fees and expenses in connection with the Exchange Offer. The Company also agrees to reimburse you for all reasonable fees and disbursements of your legal counsel as set forth in the Engagement Letter, and the terms of the Engagement Letter regarding reimbursement of expenses are incorporated by reference herein. All payments to be made by the Company pursuant to this Section shall be due as such expenses are incurred. The Company shall perform its obligations set forth in this Section whether or not the Exchange Offer is

commenced or any Original Securities are exchanged for New Securities pursuant to the Exchange Offer.

6. GENERAL AGREEMENTS. The Company authorizes you to use, and agrees to furnish you with as many copies as you may reasonably request of, each of the Exchange Offer Prospectus and the related letter of the Dealer Manager to brokers, dealers and other nominees, the letter to clients, the Letters of Transmittal, the notice of guaranteed delivery, the Registration Statement, the Schedule 13E-4, newspaper announcements, press releases and any other offering documents or materials prepared by the Company for use in connection with the Exchange Offer, and all exhibits, amendments or supplements thereto (collectively, as amended or supplemented from time to time, the "Exchange Offer Material"), without any responsibility for independent verification on your part.

The Exchange Offer Material has been or will be prepared and approved by, and is the sole responsibility of, the Company. The Company shall, to the extent permitted by law, use its best efforts to disseminate the Exchange Offer Material to each registered Holder as soon as practicable after the Commencement Date (as defined in Section 7), pursuant to Rule 13e-4 under the Exchange Act, and shall comply with its obligations thereunder. You shall not have any obligation to cause any Exchange Offer Material to be transmitted generally to the Holders. The Company agrees that any reference to the Dealer Manager in any Exchange Offer Material or in any newspaper announcement or press release or other document or communication is subject to your prior consent.

Prior to and during the period of the Exchange Offer, the Company will inform you promptly after any senior executive officer, senior accounting or legal officer or treasurer of the Company receives notice or becomes aware of the happening of any event, or the discovery of any fact, which such person believes would require the making of any change in any Exchange Offer Material then being used or would affect the truth or completeness of any representation or warranty contained in this Agreement if such representation or warranty were being made immediately after the happening of such event or the discovery of such fact.

The Company will provide you with copies of the Company's records showing the names and addresses of, and the numbers of Original Securities held by, the Holders as of a recent date, and will use its reasonable efforts to advise you from day to day during the period of the Exchange Offer as to any transfers of record of the Original Securities. The Company will advise you during each business day of all Original Securities tendered for exchange or withdrawn during the preceding business day and the names and addresses of, and the number of

Original Securities so tendered for exchange or withdrawn by, each such tendering or withdrawing Holder. The Company will advise you of any defective tenders and of all tenders verified to be in proper form. Not later than the opening of business on the day following the Expiration Time (as defined in the Exchange Offer Prospectus), the Company will advise you of all tendered Original Securities, including the number of Original Securities either tendered in proper form, rejected for tender or being processed.

You are authorized to communicate directly with the Depositary, the Information Agent and the Exchange Agent (and any other information agent or exchange agent designated or retained by the Company) with respect to matters relating to the Exchange Offer.

The Company will arrange for The Bank of New York to serve as Exchange Agent in connection with the Offer and, as such, to advise you at least daily as to such matters relating to the Exchange Offer as you may request.

You and your affiliates may continue at any time to own or trade securities of the Company or its subsidiaries (including the Original Securities) for your or their account or the account of others.

7. REPRESENTATIONS OF ISSUER. The Company represents and warrants to you that at the date on which the Exchange Offer is commenced (the "Commencement Date") and at all times on or prior to the date of acceptance for exchange of Original Securities tendered in response to the Exchange Offer at the completion of the Exchange Offer (the "Exchange Date"):

(a) the Registration Statement and the Exchange Offer Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) comply, or will comply, as the case may be, in all material respects with the Securities Act and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the date of the Exchange Offer Prospectus and any amendment or supplement thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and the Exchange Offer Prospectus, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing representations and warranties shall not apply to statements or omissions in the Registration Statement or the Exchange Offer Prospectus made in reliance

upon and in conformity with information relating to you furnished to the Company in writing by you expressly for use therein (it is being understood and agreed by the Company and you that the only information that you will furnish to the Company in writing expressly for use therein shall be a description of your role as Dealer Manager for the Exchange Offer);

(b) any documents filed under the Exchange Act that are incorporated or deemed to be incorporated by reference in the Exchange Offer Prospectus prior to the Exchange Date or any preliminary exchange offer prospectus, and the Schedule 13E-4 as filed under the Exchange Act, complied when so filed in all material respects with the Exchange Act, and did not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(c) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or, to the knowledge of the Company, threatened by the Commission;

(d) since the respective dates as of which information is given in the Registration Statement, the Exchange Offer Prospectus and the Schedule 13E-4, there has not been any change in the capital stock or long-term debt of the Company or any of its subsidiaries, or any material adverse change in or affecting the general affairs, business, prospects, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Exchange Offer Prospectus; and except as set forth or contemplated in the Exchange Offer Prospectus neither the Company nor any of its subsidiaries has entered into any transaction or agreement (whether or not in the ordinary course of business) material to the Company and its subsidiaries taken as a whole;

(e) the Company and each Significant Subsidiary of the Company (as defined below) have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, with power and authority (corporate and other) to own their properties and conduct their business as described in the Exchange Offer Prospectus, and have been duly qualified as foreign corporations for the transaction of business and are in good standing under the laws of each other jurisdiction in which they own or lease properties, or conduct any business, so as to require such qualification, other than

where the failure to be so qualified or in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole (as used herein, the term "Significant Subsidiary" shall mean each of Avista Corp., Avista Energy, Pentzer Corporation, Avista Laboratories, Inc., Avista Advantage, Inc., WP International, Inc., Washington Irrigation and Development Company, WP Finance Co., WWP Receivables Corp., WWP Fiber, Altus Corporation and any other "significant subsidiary" of the Company as defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act);

(f) the Company has an authorized capitalization as set forth in the Exchange Offer Prospectus and such authorized capital stock conforms as to legal matters to the description thereof set forth in the Exchange Offer Prospectus; all the outstanding shares of capital stock of the Company (including the Original Securities) and each Significant Subsidiary of the Company have been duly authorized and validly issued, are fully-paid and non-assessable; and all the outstanding shares of capital stock of each Significant Subsidiary of the Company (except in the case of foreign subsidiaries, for directors' qualifying shares and except as described in the Exchange Offer Prospectus) are owned by the Company, directly or indirectly, free and clear of all liens, encumbrances, security interests and claims;

(g) each of the Engagement Letter and this Agreement has been duly authorized, executed and delivered by the Company;

(h) the Preferred Stock has been duly authorized and, when issued in exchange for the Original Securities pursuant to the Exchange Offer, will be validly issued and fully paid and non-assessable; the issuance of the Preferred Stock will not be subject to any pre-emptive or similar rights; and the New Securities will conform to the description thereof in the Exchange Offer Prospectus;

(i) upon issuance and delivery of the Preferred Stock in accordance with the terms of Exchange Offer, the Preferred Stock will be convertible into Common Stock in accordance with the Articles; the Common Stock issuable upon conversion of Preferred Stock has been duly authorized and reserved for issuance upon such conversion and such Common Stock, when issued upon such conversion, will be validly issued and will be fully paid and non-assessable; and the issuance of the Common Stock upon conversion of the Preferred Stock is not subject to any preemptive or similar rights;

(j) the Deposit Agreement dated [_____], 1998 between the Company and the Depository has been duly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(k) upon due issuance by the Depository of the Receipts evidencing the RECONS against the deposit of the Original Securities in respect thereof in accordance with the provisions of the Deposit Agreement, such Receipts will be duly and validly issued and persons in whose names such Receipts are registered will be entitled to the rights specified therein and in the Deposit Agreement;

(l) neither the Company nor any of its Significant Subsidiaries is, or with the giving of notice or lapse of time or both would be, in violation of or in default under, its Articles of Incorporation or By-Laws or any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Significant Subsidiaries is a party or by which it or any of them or any of their respective properties is bound, except for violations and defaults which individually and in the aggregate are not material to the Company and its subsidiaries taken as a whole; the issue and exchange of the New Securities and the performance by the Company of all of the provisions of this Agreement and the consummation of the transactions contemplated herein and in the Exchange Offer Prospectus have been authorized by all necessary corporate action and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the imposition of any lien, charge or encumbrance upon any assets of the Company pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject; nor will any such action result in any violation of the provisions of the Articles of Incorporation or the By-Laws of the Company or any of its subsidiaries or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company, its subsidiaries or any of their respective properties;

(m) there are no existing or, to the best knowledge of the Company, threatened lawsuits seeking to enjoin the Exchange Offer; other

than as set forth or contemplated in the Exchange Offer Prospectus, there are no legal or governmental investigations, actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries or any of their respective properties or to which the Company or any of its subsidiaries is or may be a party or to which any property of the Company or any of its subsidiaries is or may be the subject which, if determined adversely to the Company or any of its subsidiaries, could individually or in the aggregate have, or reasonably be expected to have, a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others; and there are no statutes, regulations, contracts or other documents that are required to be filed as an exhibit to the Registration Statement or required to be described in the Registration Statement or the Exchange Offer Prospectus which are not filed or described as required;

(n) the financial statements, and the related notes thereto, included or incorporated by reference in the Registration Statement and the Exchange Offer Prospectus present fairly the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their consolidated cash flows for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis (except as noted therein), and the supporting schedules included or incorporated by reference in the Registration Statement present fairly the information required to be stated therein; and the pro forma financial information, and the related notes thereto, included or incorporated by reference in the Registration Statement and the Exchange Offer Prospectus have been prepared in accordance with the applicable requirements of the Securities Act and the Exchange Act, as applicable, and are based upon good faith estimates and assumptions believed by the Company to be reasonable;

(o) Deloitte & Touche LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Securities Act;

(p) there have been issued appropriate orders of the Washington Utilities and Transportation Commission ("WUTC"), the California Public Utilities Commission ("CPUC"), the Idaho Public Utilities Commission ("IPUC") and the Public Utility Commission of Oregon ("OPUC")

permitting the issuance and exchange of the New Securities on the terms set forth or contemplated herein and in the Exchange Offer Prospectus; other than such orders, no consent, approval, authorization, order, license, registration or qualification of or with any court or governmental agency or body having jurisdiction over the Company, its subsidiaries or any of their respective properties is required for the issue and exchange of the New Securities or the consummation by the Company of the transactions contemplated by this Agreement, except such consents, approvals, authorizations, orders, licenses, registrations or qualifications as have been obtained under the Securities Act, the Exchange Act and as may be required under state securities or Blue Sky Laws in connection with the exchange of the Original Securities for the New Securities by the Company;

(q) the Company is not, and after giving effect to the consummation of the Exchange Offer will not be, an "investment company" or an entity controlled by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended;

(r) the Company and its subsidiaries are in compliance with any and all applicable foreign, federal, state and local laws and regulations applicable to it and them in connection with the Exchange Offer;

(s) the Original Securities have been duly authorized and validly issued and are fully paid and non-assessable, are listed for trading on the New York Stock Exchange, Inc. and are registered under Section 12(b) of the Exchange Act;

(t) other than as disclosed in the Exchange Offer Prospectus, (i) each of the Company and its Significant Subsidiaries owns, possesses or has obtained all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof, except where the failure to possess such authorizations would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole; (ii) neither the Company nor any such Significant Subsidiary has received any actual notice of any proceeding relating to revocation or modification of any such license, permit, certificate, consent, order, approval or other authorization that is material to the Company and its

subsidiaries taken as a whole; and (iii) each of the Company and its Significant Subsidiaries is in compliance with all laws and regulations relating to the conduct of its business as conducted as of the date hereof, except where noncompliance with such laws and regulations would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(u) other than as disclosed in the Exchange Offer Prospectus, the Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(v) in the ordinary course of its business, the Company conducts a periodic review of the effect of Environmental Laws on the business, operations and properties of the Company and its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties); and, on the basis of such review, other than as disclosed in the Exchange Offer Prospectus, the Company has reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole; and

(w) in connection with the Exchange Offer, the Company has complied, and will continue to comply, in all material respects with the Exchange Act and the rules and regulations thereunder, including, without limitation, Sections 10 and 13 of the Exchange Act and Rules 10b-5, 10b-18 and 13e-4 thereunder.

8. COVENANTS OF ISSUER. The Company covenants and agrees with you as follows:

(a) to use reasonable efforts to cause the Registration Statement to become effective at the earliest possible time and remain effective, and, if required, to file the final Exchange Offer Prospectus with the Commission within the time period specified by Rule 424(b) under the Securities Act; to file promptly the Schedule 13E-4; and to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Exchange Offer Prospectus and for so long as the delivery of a prospectus is required in connection with the offering of the New Securities or exchange of the Original Securities for the New Securities;

(b) before filing any amendment or supplement to the Registration Statement or the Exchange Offer Prospectus, whether before or after the time the Registration Statement becomes effective, to furnish to you a copy of the proposed amendment or supplement for review and not to file any such proposed amendment or supplement to which you reasonably object in writing;

(c) to make generally available to its security holders and to you as soon as practicable an earnings statement which will satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the "effective date" (as defined in Rule 158) of the Registration Statement;

(d) to furnish copies of the Exchange Offer Prospectus to you in New York City prior to 10:00 a.m., New York City time, on the business day next succeeding the date of this Agreement in such quantities as you may reasonably request and, during the period of time after the Commencement Date and prior to the Exchange Date, if any event shall occur as a result of which it is necessary to amend or supplement the Exchange Offer Prospectus in order to make the statements therein, in the light of the circumstances when the Exchange Offer Prospectus is delivered to a Holder, not misleading, or if it is necessary to amend or supplement the Exchange Offer Prospectus to comply with law, forthwith to prepare and furnish, at the expense of the Company, to you and the Holders, such amendments or supplements to the Exchange Offer Prospectus as may be necessary so that the statements in the Exchange

Offer Prospectus as so amended or supplemented will not, in the light of the circumstances when the Exchange Offer Prospectus is delivered to the Holders, be misleading or so that the Exchange Offer Prospectus will comply with law;

(e) to deliver, at the expense of the Company, to you, two signed copies of the Registration Statement (as originally filed) and each amendment thereto, in each case including exhibits and documents incorporated by reference therein;

(f) to endeavor to qualify the New Securities for offer and exchange under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request and to continue such qualification in effect so long as reasonably required for distribution of the New Securities; PROVIDED, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction, or to comply with any other requirement under this clause reasonably deemed by the Company to be unduly burdensome;

(g) to use reasonable efforts to list, subject to notice of issuance, the RECONS on the New York Stock Exchange, Inc.;

(h) to advise you promptly of (i) the occurrence of any event which could cause the Company to withdraw or terminate the Exchange Offer or would permit the Company to exercise any right not to exchange Original Securities tendered thereunder, (ii) any proposal or requirement to make, amend, or supplement any Exchange Offer Materials, (iii) the issuance of any comment or order or the taking of any other action by the Commission or any other agency concerning the Exchange Offer (and, in writing, will furnish you a copy thereof), and (iv) any other information relating to the Exchange Offer which you may from time to time reasonably request; and

(i) to reserve and keep available at all times, free of preemptive or similar rights, a sufficient number of shares of Common Stock for purposes of enabling the Company to satisfy its obligations to issue Common Stock upon conversion of the Preferred Stock.

9. CONDITIONS TO DEALER MANAGER'S OBLIGATIONS. Your obligations under this Agreement are subject to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) Thelen Reid & Priest LLP and Paine, Hamblen, Coffin, Brooke & Miller LLP, counsel for the Company, shall have furnished to you their written opinions, dated the Commencement Date and the Exchange Date, addressing the matters set forth in Schedules Ia and Ib attached hereto;

(b) Davis Polk & Wardwell, counsel for you, shall have furnished to you its written opinion dated the Commencement Date and the Exchange Date, addressing the matters set forth in Schedule II attached hereto;

(c) the representations and warranties of Section 7 shall continue to be true and correct at all times up to and including the Exchange Date;

(d) there shall have been issued and there shall be in full force and effect, appropriate orders of WUTC, CPUC, IPUC and OPUC permitting the issuance and exchange of the New Securities on the terms set forth or contemplated herein and in the Exchange Offer Prospectus;

(e) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or, to the knowledge of the Company, threatened by the Commission;

(f) subsequent to the execution and delivery of this Agreement and prior to the Exchange Date, there shall not have occurred any downgrading, nor shall any notice have been given of (i) any downgrading, (ii) any intended or potential downgrading or (iii) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Company by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(g) since the respective dates as of which information is given in the Exchange Offer Prospectus and Schedule 13E-4 there shall not have been any material change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change in or affecting the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Exchange Offer Prospectus and Schedule 13E-4, the effect of which in your judgment makes it impracticable or inadvisable to proceed with the Exchange Offer or the delivery of the New Securities on the Exchange

Date on the terms and in the manner contemplated in the Exchange Offer Prospectus; and neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Exchange Offer Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree which could individually or in the aggregate have, or reasonably be expected to have, a material adverse effect on the general affairs, business, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Exchange Offer Prospectus;

(h) on the effective date of the Registration Statement, the effective date of the most recently filed post-effective amendment to the Registration Statement, if any, and the Exchange Date, Deloitte & Touche LLP shall have furnished to you letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Exchange Offer Prospectus;

(i) on the effective date of the Registration Statement, the effective date of the most recently filed post-effective amendment to the Registration Statement, if any, and the Exchange Date, you shall have received on and as of each such date a certificate of an executive officer of the Company, with specific knowledge about the Company's financial matters, satisfactory to you to the effect (i) set forth in Sections 9(c), (d) and (e), (ii) that there has not occurred any material adverse change in or affecting the general affairs, business, prospects, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries taken as a whole from that set forth or contemplated in the Registration Statement and (iii) that the Company has satisfied all the agreements and conditions required to be satisfied by it on or prior to each such date;

(j) on the effective date of the Registration Statement, the effective date of the most recently file post-effective amendment to the Registration Statement, if any, and the Exchange Date, you shall have received a certificate of _____ of the Company, satisfactory to you certifying (1) that he has specific knowledge relating to matters of environmental compliance and liabilities of the Company and its

subsidiaries, (2) as to the matters set forth in Section 7(u) and (v) hereof and (3) as to such other matters as you may reasonably request pertaining to the Company's compliance with and liabilities under Environmental Laws; and

(k) the Company shall have furnished to you on each of the Commencement Date and the Exchange Date, such additional certificates or other documents as are typically delivered in connection with a transaction of this type and which you may reasonably request.

10. INDEMNIFICATION AND CONTRIBUTION. The Company and you have previously agreed in Schedule I to the Engagement Letter to certain indemnification and contribution provisions in connection with your financial advisory services and Dealer Manager services and the transactions contemplated by this Agreement and the Engagement Letter, and the terms of such Schedule I are incorporated by reference herein.

11. TERMINATION. This Agreement may be terminated (i) by you, upon a withdrawal by you as Dealer Manager pursuant to Section 9 if one or more of the conditions provided for therein are not met and you have given the Company notice thereof, or (ii) by you or the Company, (A) if the Company determines to terminate or withdraw the Exchange Offer prior to consummation thereof or (B) if there is a good faith disagreement between you and the Company with respect to any term or condition of the Exchange Offer. This Agreement will otherwise terminate if the Commencement Date shall not have occurred on or prior to [December 31, 1998], or such later date as may be mutually agreed upon, or upon the consummation of the Exchange Offer.

12. MISCELLANEOUS. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, to the parties hereto as follows:

(a) If to you:

J.P. Morgan Securities Inc.
60 Wall Street
New York, New York 10260
Attention: _____

with a copy to:

J.P. Morgan Securities Inc.
60 Wall Street
New York, New York 10260
Attention: Steve M. Chaiken

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: Linda A. Simpson

(b) If to the Company:
The Washington Water Power Company
1411 East Mission Avenue
Spokane, Washington 99202
Attention: _____

with a copy to:

J. Anthony Terrell
Thelen Reid & Priest LLP
40 West 57th Street
New York, New York 10019

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

The indemnity and contribution agreements incorporated by reference in Section 10, the expense reimbursement agreements contained in Section 5 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect regardless of (i) any failure to commence, or the withdrawal, termination or consummation of, the Exchange Offer or the termination or assignment of this Agreement, (ii) any investigation made by or on behalf of any Indemnified Person (as defined in the Engagement Letter) and (iii) the completion of your services hereunder.

This Agreement, including any right to indemnity or contribution hereunder, shall inure to the benefit of and be binding upon the Company, you and the other Indemnified Parties and their respective successors and assigns. Nothing in this Agreement is intended, or shall be construed, to give to any other person or entity any right hereunder or by virtue hereof.

This Agreement may be executed in one or more separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Please indicate your willingness to act as Dealer Manager on the terms set forth herein and your acceptance of the foregoing provisions by signing in the space provided below for that purpose and returning to us a copy of this Agreement, whereupon this Agreement and your acceptance shall constitute a binding agreement between us.

Very truly yours,

THE WASHINGTON WATER POWER COMPANY

By: _____
Name:
Title:

Accepted as of the date
first set forth above:

J.P. MORGAN SECURITIES INC.

By: _____
Name:
Title:

FORM OF OPINION
of
THELEN REID & PRIEST LLP

—, 1998

J. P. Morgan Securities Inc.
60 Wall Street
New York, New York 10260

Ladies and Gentlemen:

This opinion is being delivered to you at the request of The Washington Water Power Company, a Washington corporation (the "Company"), as contemplated by Section 9(a) of the Dealer Manager Agreement, dated October __, 1998 (the "Dealer Manager Agreement"), between you and the Company relating to the proposed issuance by the Company of up to 2,000,000 shares of a new series of the Company's Preferred Stock, no par value, to be designated Preferred Stock, Convertible Series L (the "New Preferred Stocks"). As contemplated in the Dealer Manager Agreement, (a) the New Preferred Stock is to be issued and delivered to The Bank of New York, as depositary (the "Depositary") under a deposit agreement, to be dated as of _____, 1998 (the "Deposit Agreement"), (b) up to 20,000,000 depositary shares, each constituting a one-tenth interest in one share of New Preferred Stock (the "Depositary Shares"), will be offered to holders of the Company's Common Stock, no par value (the "Common Stock"), in exchange for outstanding shares of Common Stock on a one-for-one basis (the "Exchange Offer"), and depositary receipts ("Depositary Receipts") will be delivered to tendering shareholders to evidence Depositary Shares, and (c) the New Preferred Stock will be convertible into Common Stock, the Common Stock to be issued and delivered upon such conversion being hereinafter called the "New Common Stock". Capitalized terms used herein but

not otherwise defined herein shall have the meaning ascribed to them in the Dealer Manager Agreement.

The Company has filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act"), a registration statement on Form S-4 (Registration No. 333-61599) for the registration under the 1933 Act of (a) the New Preferred Stock, (b) the Depositary Shares and (c) the New Common Stock and the Rights (as hereinafter defined) appurtenant thereto. Such registration statement, as amended at the time it became effective (or at the time of effectiveness of any post-effective amendment), is hereinafter called the "Registration Statement", and the prospectus contained in the Registration Statement is hereinafter called the "Prospectus". As used herein the term "Rights" means the preferred share purchase rights issued and to be issued under the Rights Agreement, dated as of February 16, 1990, between the Company and First Chicago Trust Company of New York, as amended.

We have examined, or are generally familiar with, the following: (a) the Restated Articles of Incorporation, as amended, and the Bylaws, as amended, of the Company; (b) the Engagement Letter and the Dealer Manager Agreement; (c) the Deposit Agreement; (d) the Registration Statement and (e) the documents incorporated by reference into the Registration Statement. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the certificates evidencing shares of the New Preferred Stock, except a specimen thereof.

As to various questions of fact (but not as to the legal conclusions contained therein) material to the opinions set forth below, in rendering such opinions we have relied, with your permission, upon certificates of public officials, certificates of officers or other employees of the Company, representations of the Company in the Dealer Manager Agreement, and other oral or written assurances by officers or other employees of the Company. We do not serve as counsel to direct or indirect subsidiaries or affiliates of the Company, and, as to various questions relating to the activities of such subsidiaries and affiliates, we have further relied upon certificates of officers thereof.

We have assumed, for the purposes of the opinions enumerated below, the legal conclusions set forth in paragraphs (1)(a) and (b), (2), (3), (4), (5), (6) and (7) of the opinion of even date herewith rendered to you by Paine, Hamblen, Coffin, Brooke & Miller LLP. We have not been engaged by the Company with respect to the matters so assumed; however, during the course of such examinations as we have made for the purposes of the opinions enumerated

below, nothing came to our attention which leads us to believe that such assumptions are not correct.

Based upon the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

(1) the Deposit Agreement constitutes a valid and binding instrument, enforceable against the Company in accordance with its terms, except to the extent the enforcement of the Deposit Agreement may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies;

(2) the Depositary Receipts, when duly executed and delivered by the Depositary against the deposit of the New Preferred Stock in accordance with the Deposit Agreement, will be validly issued and the registered holders thereof will be entitled to the rights specified therein and in the Deposit Agreement;

(3) the execution, delivery and performance by the Company of its obligations under the Engagement Letter, the Dealer Manager Agreement and the Deposit Agreement and the consummation by the Company of the transactions contemplated therein and compliance by the Company with its obligations thereunder will not (A) breach or violate the Company's Restated Articles of Incorporation, as amended, or Bylaws, as amended, or (B) breach or violate, or constitute a default under, (i) the Company's Mortgage and Deed of Trust dated as of June 1, 1939, to Citibank, N.A., as trustee, (ii) the Indenture, dated as of July 1, 1988, of the Company to Chemical Bank, (iii) the Indenture, dated as of April 1, 1998, of the Company to The Chase Manhattan Bank, (iv) the Lease Agreement, dated as of December 15, 1986, between the Company and IRE-4 of New York, Inc. and all agreements of the Company associated therewith, (v) the Loan Agreement, dated as of October 1, 1989, between the Company and the City of Forsyth, Rosebud County, Montana, and all agreements of the Company associated therewith, (vi) the Indenture, dated as of January 1, 1997, of the Company to Wilmington Trust Company, (vii) the Agreement for Lease and the Lease Agreement, each dated as of February 26, 1993, between the Company and WP Funding, Limited Partnership, and all agreements of the Company associated therewith, (viii) the Amended and Restated Declaration of Trust of Washington Water Power Capital I, dated as of January 23, 1997, or (ix) the Amended and Restated Declaration of Trust of Washington Water Power Capital II, dated as of June 3, 1997;

(4) no approval, authorization, consent or other order of, or filing with, any governmental agency of the State of New York or of the United States of America is required under the respective laws of such jurisdictions in order for (i) the Engagement Letter, the Dealer Manager Agreement or the Deposit Agreement to constitute valid and binding obligations of the Company, (ii) the New Preferred Stock or the New Common Stock to be validly issued, fully paid and non-assessable, (iii) the Rights appurtenant to the New Common Stock to be validly issued or (iv) the Depositary Receipts to be validly issued or otherwise in order for the transactions contemplated by the Dealer Manager Agreement and the Registration Statement to be consummated by the Company.

(5) the Company is not and, after giving effect to the offering and sale of the New Preferred Stock, will not be, an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended;

(6) the Registration Statement and Prospectus (except the financial statements and other financial and statistical data contained therein, upon which we do not pass) comply as to form in all material respects with the applicable requirements of the 1933 Act and the applicable instructions, rules and regulations promulgated thereunder; and the Registration Statement has become effective under the 1933 Act and, to the best of our knowledge, no proceedings for a stop order with respect thereto are pending or threatened under Section 8(d) of the 1933 Act;

(7) the documents incorporated by reference into the Registration Statement and the Prospectus, as amended or supplemented at the date of this opinion, and the Schedule 13E-4 (except the financial statements and other financial and statistical data contained therein, upon which we do not pass), when they were filed with the SEC, complied as to form in all material respects with the applicable requirements of the Securities Exchange Act of 1934, as amended, and the applicable instructions, rules and regulations promulgated thereunder; and

(8) the statements made in the Registration Statement under the captions "Description of the RECONS", "Description of Capital Stock" and "Certain Federal Income Tax Consequences" fairly presents the information purported to be given.

We have acted as counsel to the Company primarily with respect to general compliance with the federal securities laws and specific financing and other corporate transactions. Our engagement regarding such compliance was limited to advising the Company as to the requirements of such laws and the rules

and regulations of the SEC thereunder, assisting the Company in the assessment of the materiality of particular matters brought to our attention and generally reviewing, with a view toward such compliance, drafts prepared by the Company of the documents incorporated by reference into the Registration Statement and the Prospectus. We have not acted as general counsel to the Company and have not, except for specific purposes, attended meetings of the Board of Directors of the Company, or committees thereof, or of officers of the Company; nor have we otherwise been in a position to become aware of matters not specifically brought to our attention by officers or other employees of, or other counsel to, the Company.

Accordingly, in the course of the preparation by the Company of the Registration Statement and the Prospectus, we participated in conferences with certain officers and other employees of the Company, with other counsel for the Company, with you and your counsel, and with Deloitte & Touche LLP, the independent certified public accountants who examined the financial statements included in the Registration Statement, but we made no independent verification of the accuracy or completeness of the representations and statements made to us by the Company or the information included by the Company in the Registration Statement or the Prospectus, as amended or supplemented at the date of this opinion, and we take no responsibility therefor, except insofar as such information relates to us and as set forth in paragraphs (2) and (8) above. In passing upon the forms of the Registration Statement and Prospectus in paragraph (6) and in rendering the opinion expressed in paragraph (7) above, we have, therefore, assumed the accuracy and completeness of such representations, statements and information, except as aforesaid.

The nature and extent of our engagement by the Company and our participation in the preparation of the Registration Statement and the Prospectus, as so amended or supplemented, as described above, would not necessarily be adequate to bring to our attention all matters which could be deemed material or to enable us to make a valid assessment of the materiality of such matters as were brought to our attention.

However, during the course of our examination of the Registration Statement and the Prospectus, as so amended or supplemented, and our participation in the above-mentioned conferences, nothing came to our attention which gives us reason to believe that (A) when the Registration Statement became effective, the Registration Statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of the date of this opinion, the Prospectus, as so amended or supplemented, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made,

not misleading; provided, however, that we do not express any belief as to any financial statements or other financial or statistical information, data or computations contained in the Registration Statement or the Prospectus, as so amended or supplemented; or (B) there exist any material contracts which are required to be filed as exhibits to the Registration Statement which have not been so filed.

The opinions enumerated above are limited to the laws of the State of New York and the federal law of the United States of America (excluding therefrom principles of conflicts of laws and state securities or blue sky laws). To the extent that such opinions relate to or are dependent upon matters governed by the laws of other States, they are based upon the assumptions set forth above or otherwise upon the legal conclusions set forth in the aforesaid opinions of Paine, Hamblen, Coffin, Brooke & Miller LLP. For purposes of the opinion expressed in paragraph (3) above, we have assumed that any document referred to therein which is not stated to be governed by the law of the State of New York would be enforced as written.

This opinion is not being delivered for the benefit of, nor may it be relied upon by, the holders of the New Preferred Stock, the New Common Stock or the Depositary Receipts or any other party to which it is not specifically addressed or to which reliance is not expressly permitted hereby.

Very truly yours,

THELEN REID & PRIEST LLP

FORM OF OPINION

of

PAINE, HAMBLEN, COFFIN, BROOKE & MILLER LLP

_____, 1998

J.P. Morgan Securities Inc.
60 Wall Street
New York, New York 10260

Dear Ladies and Gentlemen:

This opinion is being delivered to you at the request of the Washington Water Power Company, a Washington corporation (the "Company") pursuant to Section 9(a) of the Dealer Manager Agreement, dated October __, 1998 (the "Dealer Manager Agreement"), between you and the Company relating to the proposed issuance by the Company of up to 2,000,000 shares of a new series of the Company's Preferred Stock, no par value, to be designated Preferred Stock, Convertible Series L (the "New Preferred Stock"). As contemplated in the Dealer Manager Agreement, (a) the New Preferred Stock is to be issued and delivered to The Bank of New York, as depositary (the "Depositary") under a deposit agreement, to be dated as of _____, 1998 (the "Deposit Agreement"), (b) up to 20,000,000 depositary shares, each constituting a one-tenth interest in one share of New Preferred Stock (the "Depositary Shares"), will be offered to holders of the company's Common Stock, no par value (the "Common Stock"), in exchange for outstanding shares of Common Stock on a one-for-one basis (the "Exchange Offer"), and depositary receipts ("Depositary Receipts") will be delivered to tendering shareholders to evidence Depositary Shares, and (c) the New Preferred Stock will be convertible into Common Stock, the Common Stock to be issued and delivered upon such conversion being hereinafter called the "New Common Stock". Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed to them in the Dealer Manager Agreement.

The Company has filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act"), a registration statement on Form S-4 (Registration No. 333-61599) for the registration under the 1933 Act of (a) the New Preferred Stock, (b) the Depositary Shares and (c) the New Common Stock and the Rights (as hereinafter defined)

appurtenant thereto. Such registration statement, as amended at the time it became effective or at the time of effectiveness of any post-effective amendments thereto, is hereinafter called the "Registration Statement", and the prospectus contained in the Registration Statement is hereinafter called the "Prospectus". As used herein the term "Rights" means the preferred share purchase rights issued and to be issued under the Rights Agreement, dated as of February 16, 1990, between the Company and First Chicago Trust Company of New York, as amended.

We have examined, or are generally familiar with, the following: (a) the Restated Articles of Incorporation, as amended, and the Bylaws, as amended, of the Company; (b) the Engagement Letter and the Dealer Manager Agreement; (c) the Deposit Agreement; (d) a Certificate of Existence/Authorization issued by the Secretary of State of the State of Washington, a Certificate of Corporate Status issued by the Secretary of State of the State of Idaho, a Certificate of Authorization issued by the Secretary of State of the State of Montana, a Certificate of Authorization issued by the Secretary of State of the State of Oregon, and a Certificate of Status of Foreign Corporation issued by the Secretary of State of the State of California, (e) the relevant orders of the Washington Utilities and Transportation Commission ("WUTC"), the California Public Utilities Commission (the "CPUC"), the Idaho Public Utilities Commission (the "IPUC") and the Public Utility Commission of Oregon (the "OPUC"); (f) the Registration Statement; and (g) the documents incorporated by reference in the Registration Statement, (the "Incorporated Documents"). We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the certificates evidencing the shares of the New Preferred Stock, except a specimen thereof.

As to various questions of fact (but not as to the legal conclusions contained therein) material to the opinions set forth below, in rendering such opinions we have relied, with your permission, upon certificates of public officials, certificates of officers or other employees of the Company, representations contained in the Dealer Manager Agreement, and other oral or written assurances by officers or other employees of the Company.

We have represented the Company in connection with the matters described herein and we have acted as counsel to the following subsidiaries; Avista Corp., Avista Laboratories, Inc., Avista Advantage, Inc., WP International, Inc., Washington Irrigation and Development Company, and WP Finance Co.; Avista Energy, Inc.; WWP Fiber, Inc.; and WWP Receivables Corp. In such capacity, we represent the Company and such subsidiaries other than Avista Energy, Inc. on various matters referred to us by them. We represent Avista Energy, Inc. on certain specific matters referred to us by it (primarily with respect to energy

purchase and sale transactions), but not on all matters. We do not act as counsel to other direct or indirect subsidiaries and affiliates of the Company.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the due authorization, execution and delivery of all documents by all parties thereto other than the Company.

As used in this opinion, the expression "to the best of our knowledge after reasonable inquiry with respect thereto" means that, after an examination of the documents made available to us by the Company and after inquiries of officers or employees of the Company, we find no reason to believe that the opinions expressed herein are factually inaccurate; beyond that, however, we have not made an independent factual investigation for the purpose of rendering this opinion.

Based upon the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

(1)(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington and the Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect on the Company and its subsidiaries taken as a whole. Each of the Company's following subsidiaries; Avista Corp.; Avista Laboratories, Inc.; Pentzer Corporation; Avista Energy, Inc.; Avista Advantage, Inc.; WP International, Inc.; WP Finance Co.; Washington Irrigation and Development Company; WWP Fiber, Inc.; and WWP Receivables Corp. is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington; these subsidiaries, with the exception of Pentzer Corporation, will be referred to hereinafter as the "Designated Subsidiaries" or as a "Designated Subsidiary."

Each Designated Subsidiary has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, other than where the failure to be so qualified or in good standing would not have a material adverse effect upon such subsidiary.

(b) The outstanding shares of Common Stock of the Company have been duly authorized and validly issued and are fully paid and

non-assessable; provided, however, that in passing upon the valid issuance of and full payment for shares of Common Stock issued pursuant to offerings specifically made to shareholders, directors or officers and other employees of the Company, we have necessarily assumed that the certificates therefor have been duly countersigned and registered by a transfer agent and registrar and that upon, the issuance thereof, the Company received the full consideration therefor authorized by the Board of Directors of the Company.

(c) The Company has adequate corporate powers and has all material required licenses, permits, approvals and authorizations to own, lease and operate its properties and to transact its business in such states as are described in the Registration Statement and the Incorporated Documents and, to the best of our knowledge after reasonable inquiry with respect thereto, is in material compliance with all laws and regulations relating to the conduct of its business in such states as are described in the Registration Statement and the Incorporated Documents. The Company has adequate corporate powers to execute and deliver, and perform its obligations under, the Engagement Letter, the Dealer Manager Agreement and the Deposit Agreement and to consummate the transactions contemplated thereby. The Company's Designated Subsidiaries have all material required licenses, permits, approvals and authorizations to own, lease and operate their properties and to transact their business as described in the Registration Statement and the Incorporated Documents and, to the best of our knowledge after reasonable inquiry with respect thereto, are in material compliance with all laws and regulations relating to the conduct of its business in such states as are described in the Registration Statement and the Incorporated Documents. Except as described in the Registration Statement and the Incorporated Documents, the Designated Subsidiaries have not received any actual notice of any proceeding relating to revocation or modification of any approval or authorization which would have a material adverse impact upon the conduct of each such Designated Subsidiary.

(d) The outstanding shares of the common stock of each of the Company's Significant Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or indirectly, free of any liens, encumbrances or security interests therein.

(2) The WUTC, CPUC, IPUC and OPUC have entered appropriate orders (the "Commission Orders") authorizing (a) the issuance and delivery by the Company of the New Preferred Stock pursuant to the Exchange Offer and (b) the issuance and delivery by the Company of the New Common Stock and the Rights appurtenant thereto upon the conversion of the New Preferred Stock; each of the Commission Orders, to the best of our

knowledge after reasonable inquiry with respect thereto, remains in full force and effect on the date of this opinion; and no further approval, authorization, consent or other order of, or filing with, any governmental agency of the States of Washington, California, Idaho, Montana and Oregon is legally required for the authorization of the execution, delivery or performance by the Company of the Dealer Manager Agreement or the Deposit Agreement or in order for the Dealer Manager Agreement or the Deposit Agreement to constitute valid and binding obligations of the Company, the authorization of the issuance and delivery by the Company of the New Preferred Stock or in order for the New Preferred Stock to be validly issued and delivered fully paid and non-assessable, the authorization of the issuance and delivery of the New Common Stock and the Rights appurtenant thereto upon the conversion of the New Preferred Stock, or in order for the New Common Stock to be validly issued and delivered, or in order for such Rights to be validly issued, or in order for the Depositary Receipts to be validly issued or in order for the transaction contemplated by the Dealer Manager Agreement and the Prospectus to be consummated by the Company.

(3) The Dealer Manager Agreement and the Deposit Agreement have been duly authorized, executed and delivered by the Company.

(4) The issuance and delivery of the New Preferred Stock pursuant to the Exchange Offer, and the issuance and delivery of the New Common Stock and the Rights appurtenant thereto upon the conversion of the New Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company; the shareholders of the Company have no preemptive rights to subscribe for any shares of such stock; and the Company's capital stock and the Rights conform to the descriptions thereof in the Registration Statement.

(5) When (a) the Articles of Amendment have been filed with the Secretary of State of the State of Washington and (b) certificates representing shares of the New Preferred Stock have been (i) countersigned and registered by a transfer agent and registrar, (ii) issued pursuant to the Exchange Offer as contemplated in the Registration Statement and (iii) delivered under the Deposit Agreement, the New Preferred Stock will be validly issued, fully paid and non-assessable.

(6) The New Preferred Stock is convertible into the Common Stock as provided in the Articles of Amendment; 25,000,000 shares of the New Common Stock have been reserved for issuance upon conversion, and, upon such conversion, the New Common Stock will be validly issued, fully

paid and non-assessable and the Rights appurtenant thereto will be validly issued.

(7) The execution, delivery and performance by the Company of its obligations under the Engagement Letter, the Dealer Manager Agreement and the Deposit Agreement, and the issuance and delivery by the Company of the New Preferred Stock pursuant to the Exchange Offer, and the issuance and delivery by the Company of the New Common Stock and the Rights appurtenant thereto upon the conversion of the New Preferred Stock and the consummation by the Company of the transactions contemplated therein and in the Prospectus and compliance by the Company with its obligations thereunder have been authorized by all necessary corporate action and will not (A) breach or violate the Company's Restated Articles of Incorporation, as amended, or Bylaws, as amended, or (B) breach or violate, or constitute a default under, (i) any applicable law or statute or order of any court or governmental agency of such States having jurisdiction over the Company or any of its properties which is material to the Company or (ii) any contract, indenture, mortgage, agreement or other instrument to which the Company or any of the subsidiaries is a party or to which any of its properties is subject and which is listed as an exhibit to any of the Incorporated Documents, except that we express no opinion as to any such contract, indenture, mortgage, agreement or other instrument which is addressed in the separate opinion to you of Thelen Reid & Priest LLP.

(8) To the best of our knowledge after reasonable inquiry with respect thereto, except as described in the Registration Statement, the Prospectus or the Incorporated Documents, there are no legal or governmental investigations, actions, suits or proceedings, either pending or threatened, which arise out of, threaten against or affect the operations of the Company or any Designated Subsidiary in the States of Washington, California, Idaho, Montana or Oregon to which the Company is a party or to which the Company or any Designated Subsidiary or any of its properties are subject and which are material to the Company, other than ordinary, routine legal or governmental proceedings incidental to the kind of business conducted by the Company, which if determined adversely to the Company or any Designated Subsidiary could not individually or in the aggregate have, or reasonably be expected to have, a material adverse effect on the business of the Company and its subsidiaries, taken as a whole. There are no existing or, to the best of our knowledge after reasonable inquiry with respect thereto, threatened lawsuits seeking to enjoin the Exchange offer.

(9) The descriptions of legal or governmental proceedings contained in Item 8 (Note 17) of the Annual Report on Form 10-K for the year ended December 31, 1997 and Note 5 of the Quarterly Report on Form 10-Q

for the quarterly periods ended March 31, 1998 and June 30, 1998 are fair and accurate descriptions thereof in all material respects.

As noted above, and we represent the Company and the subsidiaries named herein on specific matters referred to us. Our involvement in the preparation of the Registration Statement, the Prospectus and the Incorporated Documents was limited to generally reviewing drafts thereof prepared by the Company or other counsel to the Company and to participating in the conferences referred to below. However, we have not been engaged to make the ultimate determination of materiality for purposes of, or to determine the wording and degree of disclosure contained in, the Registration Statement, the Prospectus or the Incorporated Documents; we have not been engaged to advise the Company with respect to compliance with securities laws; and we have not otherwise acted as securities law counsel to the Company.

Accordingly, in such capacity during the course of the preparation by the Company of the Registration Statement, the Prospectus and the Incorporated Documents, we have participated in conferences with certain officers and other employees of the Company, with other counsel for the Company, with you and your counsel, and with Deloitte & Touche LLP, the independent certified public accountants who examined the financial statements included in the Registration Statement, the Prospectus and the Incorporated Documents, but we have made no independent verification of the accuracy or completeness of the representations and statements made to us by the Company or the information included by the Company in the Registration Statement, the Prospectus or the Incorporated Documents, and we take no responsibility therefor, except as specifically set forth herein and insofar as such information relates to us.

The nature and extent of our engagement by the Company and our participation in the above-mentioned conferences, as described above, would not necessarily be adequate to bring to our attention all matters which could be deemed material or to enable us to make a valid assessment of the materiality of such matters as were brought to our attention or of the wording and degree of disclosure contained in the Registration Statement, the Prospectus or the Incorporated Documents.

However, during the course of our examination of the Registration Statement, the Prospectus and the Incorporated Documents and our participation in the above-mentioned conferences, nothing came to our attention which gives us reason to believe that, when the Registration Statement became effective, the Registration Statement, the Prospectus and the Incorporated Documents contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein not misleading, or that, as of the date of this opinion, the Prospectus, as then amended or supplemented, and the Incorporated

Documents contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that we do not express any belief as to any financial statements or other financial or statistical information, data or computations contained in the Registration Statement, the Prospectus or the Incorporated Documents, or as to any specific sections contained within the Registration Statement or the Prospectus other than the sections entitled "The Company" and "Description of Capital Stock" insofar as such descriptions relate to Washington law and Part II of the Registration Statement.

The opinions expressed above are limited to the laws of the States of Washington, California, Idaho, Montana and Oregon (excluding therefrom principles of conflicts of laws, state securities or blue sky laws, laws of political subdivisions of such States and the federal law of the United States of America). For purposes of the opinion expressed in paragraph (7) above, we have assumed that any document referred to therein which is not stated to be governed by the laws of the States of Washington, California, Idaho, Montana and Oregon would be enforced as written.

This opinion is limited to the opinions and confirmations expressed above, and no additional opinions or confirmations are to be implied or inferred. Without limiting the generality of the foregoing, it is specifically understood that we express no opinion or confirmation as to whether the Engagement Letter, the Dealer Manager Agreement, the Deposit Agreement or related documents constitute legal, valid and binding obligations, enforceable in accordance with their terms.

This opinion is being delivered as of this date solely in connection with the Exchange offer for the benefit of the addressee hereof. Davis Polk & Wardwell is hereby also authorized to rely upon this opinion in connection therewith as if it were addressed to them. This opinion is not being delivered, nor may it be relied upon, for any other purpose; this opinion is not being delivered for the benefit of, nor may it be relied upon by, the holders of the New Preferred Stock, the New Common Stock or the Depository Receipts or any other party to which it is not specifically addressed or to which reliance is not expressly permitted hereby; and this opinion is not to be used, delivered, circulated, quoted or otherwise referred to except as expressly permitted hereby.

This opinion is given as of the date hereof, without any obligation upon us to update this opinion or to advise the addressees hereof or any other party of any changes in circumstances or laws that may hereafter be brought to our attention or occur which may affect this opinion.

Very truly yours,

PAINÉ, HAMBLÉN, COFFIN,
BROOKE & MILLER LLP

SCHEDULE II

Capitalized terms used in this Schedule II and not defined herein shall have the meanings ascribed thereto in the Dealer Manager Agreement to which this Schedule II is appended.

OPINION OF COUNSEL TO DEALER MANAGER

(i) the Dealer Manager Agreement has been duly authorized, executed and delivered by the Company;

(ii) the Deposit Agreement has been duly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(iii) upon due issuance by the Depositary of the Receipts evidencing the RECONS against the deposit of the Original Securities in respect thereof in accordance with the provisions of the Deposit Agreement, such Receipts will be duly and validly issued and persons in whose names such Receipts are registered will be entitled to the rights specified therein and in the Deposit Agreement; and

(iv) such counsel believes that the Registration Statement and the Exchange Offer Prospectus and any amendments and supplements thereto (other than the financial statements and related schedules or other financial or statistical information data or computations therein, as to which such counsel need express no belief) comply as to form in all material respects with the requirements of the Securities Act and believes that (other than the financial statements and related schedules or other financial or statistical information data or computations therein, as to which such counsel need express no belief) the Registration Statement and the Prospectus did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that the Exchange Offer Prospectus, as amended or supplemented, if applicable, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

RESTATED

ARTICLES OF INCORPORATION OF
"THE WASHINGTON WATER POWER COMPANY"

Know all men by these presents that we have this day voluntarily associated ourselves together for the purpose of forming, and we do hereby form and agree to become a Corporation, under and by virtue of the laws of the Territory of Washington, and for such purpose we do hereby certify:-

FIRST: That the name of said Corporation is "The Washington Water Power Company."

SECOND: The objects and purposes for which the Corporation is formed are:

To acquire, buy, hold, own, sell, lease, exchange, dispose of, finance, deal in, construct, build, equip, improve, use, operate, maintain and work upon:

- (a) Any and all kinds of plants and systems for the manufacture, production, storage, utilization, purchase, sale, supply, transmission, distribution or disposition of electric energy, natural or artificial gas, water or steam, or power produced thereby, or of ice and refrigeration of any and every kind;
- (b) Any and all kinds of telephone, telegraph, radio, wireless and other systems, facilities and devices for the receipt and transmission of sounds and signals, any and all kinds of interurban, city and street railways and bus lines for the transportation of passengers and/or freight, transmission lines, systems, appliances, equipment and devices and tracks, stations, buildings and other structures and facilities;
- (c) Any and all kinds of works, power plants, manufactories, structures, substations, systems, tracks, machinery, generators, motors, lamps, poles, pipes, wires, cables, conduits, apparatus, devices, equipment, supplies, articles and merchandise of every kind pertaining to or in anywise connected with the construction, operation or maintenance of telephone, telegraph, radio, wireless and other systems, facilities and devices for the receipt and transmission of sounds and signals, or of interurban, city and street railways and bus lines, or in anywise connected with or pertaining to the manufacture, production, purchase, use, sale, supply, transmission, distribution, regulation, control or application of electric energy, natural or artificial gas, water, steam, ice, refrigeration and power or any other purpose;

To acquire, buy, hold, own, sell, lease, exchange, dispose of, transmit, distribute, deal in, use, manufacture, produce, furnish and supply street and interurban railway and bus service, electric energy, natural or artificial gas, light, heat, ice, refrigeration, water and steam in any form and for any purposes whatsoever; and any power or force, or energy in any form and for any purposes whatsoever;

To manufacture, produce, buy or in any other manner acquire, and to sell, furnish, dispose of and distribute steam for heating or other purposes, and to purchase, lease or otherwise acquire, build, construct, erect, hold, own, improve, enlarge, maintain, operate, control, supervise and manage and to sell, lease or otherwise dispose of plants, works and facilities, including distribution systems, mains, pipes, conduits and meters, and all other necessary apparatus and appliances used or useful or convenient for use in the business of manufacturing, producing, selling, furnishing, disposing of and distributing steam for heating or for any other purposes;

To acquire, organize, assemble, develop, build up and operate constructing and operating and other organizations and systems, and to hire, sell, lease, exchange, turn over, deliver and dispose of such organizations and systems in whole or in part and as going organizations and systems and otherwise, and to enter into and perform contracts, agreements and undertakings of any kind in connection with any or all of the foregoing powers;

To do a general contracting business;

To purchase, acquire, develop, mine, explore, drill, hold, own, sell and dispose of lands, interest in and rights with respect to lands and waters and fixed and movable property;

To plan, design, construct, alter, repair, remove or otherwise engage in any work upon bridges, dams, canals, piers, docks, wharfs, buildings, structures, foundations, mines, shafts, tunnels, wells, waterworks and all kinds of structural excavations and subterranean work and generally to carry on the business of contractors and engineers;

To manufacture, improve and work upon and to deal in, purchase, hold, sell and convey minerals, metals, wood, oils and other liquids, gases, chemicals, animal and plant products or any of the products and by-products thereof or any article or thing into the manufacture of which any of the foregoing may enter;

To manufacture, improve, repair and work upon and to deal in, purchase, hold, sell and convey any and all kinds of machines, instruments, tools, implements, mechanical devices, engines, boilers, motors, generators, rails, cars, ships, boats, launches, automobiles, trucks, tractors, airships, aeroplanes, articles used in structural work, building materials, hardware, textiles, clothing, cloth, leather goods, furs and any other goods, wares and merchandise of whatsoever kind;

To construct, erect and sell buildings and structures in and on any lands for any use or purpose; to equip and operate warehouses, office buildings, hotels, apartment houses, apartment hotels and restaurants, or any other buildings and structures of whatsoever kind;

To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by any other corporation or corporations of the state of Washington or of any other state or government, and, while the owner of such stock, to exercise all the rights, powers and privileges of individual ownership with respect thereto, including the right to vote thereon, and to consent and otherwise act with respect thereto;

To aid in any manner any corporation or association, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidence of indebtedness, contracts or obligations of which are held by or for the Corporation or in which or in the welfare of which the Corporation shall have any interest, and to do any acts designed to protect, preserve, improve or enhance the value of any property at any time held or controlled by the Corporation, or in which it may be interested at any time; and to organize or promote or facilitate the organization of subsidiary companies;

To purchase from time to time any of its stock outstanding (so far as may be permitted by law) at such price as may be fixed by its Board of Directors or Executive Committee and accepted by the holders of the stock purchased, and to resell any stock so purchased at such price as may be fixed by its said Board of Directors or Executive Committee;

In any manner to acquire, enjoy, utilize and to sell or otherwise dispose of patents, copyrights and trademarks and any licenses or other rights or interests therein and thereunder;

To purchase, acquire, hold, own and sell or otherwise dispose of franchises, concessions, consents, privileges and licenses;

To borrow money and contract debts, to issue bonds, promissory notes, bills of exchange, debentures and other obligations and evidences of indebtedness payable at a specified time or times or payable upon the happening of a specified event or events, whether secured by mortgage, pledge or otherwise or unsecured, for money borrowed or in payment for property purchased or acquired or any other lawful objects; all as may be determined from time to time by the Board of Directors or Executive Committee of the Corporation, pursuant to the authority hereby conferred;

To create mortgages or deeds of trust which shall cover and create a lien upon all or any part of the property of the Corporation of whatsoever kind and wheresoever situated, then owned or thereafter acquired, and to provide in any such mortgage or deed of trust that the amount of bonds or other

evidences of indebtedness to be issued thereunder and to be secured thereby shall be limited to a definite amount or limited only by the conditions therein specified and to issue or cause to be issued by the Corporation the bonds or other evidences of indebtedness to be secured thereby; all as may be determined from time to time by the Board of Directors or Executive Committee of the Corporation pursuant to the authority hereby conferred;

To do all and everything necessary and proper for the accomplishment of the objects enumerated in these Articles of Incorporation or any amendment thereof or necessary or incidental to the protection and benefit of the Corporation, and in general to carry on any lawful business necessary or incidental to the attainment of the objects of the Corporation whether or not such business is similar in nature to the objects set forth in these Articles of Incorporation or any amendment thereof;

To do any or all things herein set forth, to the same extent and as fully as natural persons might or could do, and in any part of the world, and as principal, agent, contractor or otherwise, and either alone or in conjunction with any other persons, firms, associations or corporations;

To conduct its business in any or all its branches in the state of Washington, other states, the District of Columbia, the territories and colonies of the United States, and any foreign countries, and to have one or more offices out of the state of Washington.

THIRD:

- (a) The amount of capital with which the Corporation will begin to carry on business hereunder shall be FIVE MILLION FIVE HUNDRED DOLLARS (\$5,000,500).
- (b) The aggregate number of shares of capital stock which the Corporation shall have authority to issue is 210,000,000 shares, divided into 10,000,000 shares of Preferred Stock without nominal or par value, issuable in series as hereinafter provided, and 200,000,000 shares of Common Stock without nominal or par value.
- (c) A statement of the preferences, limitations and relative rights of each class of capital stock of the Corporation, namely, the Preferred Stock without nominal or par value and the Common Stock without nominal or par value, of the variations in the relative rights and preferences as between series of the Preferred Stock insofar as the same are fixed by these Articles of Incorporation, and of the authority vested in the Board of Directors of the Corporation to establish series of Preferred Stock and to fix and determine the variations in the relative rights and preferences as between series insofar as the same are not fixed by these Articles of Incorporation and as to which there may be variations between series is as follows.
- (d) The shares of the Preferred Stock may be divided into and issued in series. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series of the Preferred Stock and all other classes of capital stock of the Corporation. To the extent that these Articles of Incorporation shall not have established series of the Preferred Stock and fixed and determined the variations in the relative rights and preferences as between series, the Board of Directors shall have authority, and is hereby expressly vested with authority, to divide the Preferred Stock into series and, within the limitations set forth in these Articles of Incorporation and such limitations as may be provided by law, to fix and determine the relative rights and preferences of any series of the Preferred Stock so established. Such action by the Board of Directors shall be expressed in a resolution or resolutions adopted by it prior to the issuance of shares of each series, which resolution or resolutions shall also set forth the distinguishing designation of the particular series of the Preferred Stock established thereby. Without limiting the generality of the foregoing, authority is hereby expressly vested in the Board of Directors so to fix and determine, with respect to any series of the Preferred Stock:
 - (1) the rate or rates of dividend, if any, which may be expressed in terms of a formula or other method by which such rate or rates shall be calculated from time to time, and the date or dates on which dividends may be payable;

- (2) whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption;
- (3) the amount payable upon shares in event of voluntary and involuntary liquidation;
- (4) sinking fund provisions, if any, for the redemption or purchase of shares; and
- (5) the terms and conditions, if any, on which shares may be converted.

All shares of the Preferred Stock of the same series shall be identical except that shares of the same series issued at different times may vary as to the dates from which dividends thereon shall be cumulative; and all shares of the Preferred Stock, irrespective of series, shall constitute one and the same class of stock, shall be of equal rank, and shall be identical except as to the designation thereof, the date or dates from which dividends on shares thereof shall be cumulative, and the relative rights and preferences set forth above in clauses (1) through (5) of this subdivision (d), as to which there may be variations between different series. Except as may be otherwise provided by law, by subdivision (j) of this Article THIRD, or by the resolutions establishing any series of Preferred Stock in accordance with the foregoing provisions of this subdivision (d), whenever the written consent, affirmative vote, or other action on the part of the holders of the Preferred Stock may be required for any purpose, such consent, vote or other action shall be taken by the holders of the Preferred Stock as a single class irrespective of series and not by different series.

- (e) Out of any funds legally available for the payment of dividends, the holders of the Preferred Stock of each series shall be entitled, in preference to the holders of the Common Stock, to receive, but only when and as declared by the Board of Directors, dividends at the rate or rates fixed and determined with respect to each series in accordance with these Articles of Incorporation, and no more, payable as hereinafter provided. Such dividends shall be cumulative so that if for all past dividend periods and the then current dividend periods dividends shall not have been paid or declared and set apart for payment on all outstanding shares of each series of the Preferred Stock, at the dividend rates fixed and determined for the respective series, the deficiency shall be fully paid or declared and set apart for payment before any dividends on the Common Stock shall be paid or declared and set apart for payment; provided, however, that nothing in this subdivision (e) or elsewhere in these Articles of Incorporation shall prevent the simultaneous declaration and payment of dividends on both the Preferred Stock and the Common Stock if there are sufficient funds legally available to pay all dividends concurrently. Dividends on all shares of the Preferred Stock of each series shall be cumulative from the date of issuance of shares of such series. If more than one series of the Preferred Stock shall be outstanding and if dividends on each series shall not have been paid or declared and set apart for payment, at the dividend rate or rates fixed and determined for such series, the shares of the Preferred Stock of each series shall share ratably in the payment of dividends including accumulations, if any, in accordance with the sums which would be payable on such shares if all dividends were declared and paid in full. As to all series of Preferred Stock, the dividend payment dates for regular dividends shall be the fifteenth day of March, June, September and December in each year, unless other dividend payment dates shall have been fixed and determined for any series in accordance with subdivision (d) of this Article THIRD, and the dividend period in respect of which each regular dividend shall be payable in respect of each series shall be the period commencing on the next preceding dividend payment date for such series and ending on the day next preceding the dividend payment date for such dividend. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears.
- (f) Subject to the limitations set forth in paragraph (e) or elsewhere in these Articles of Incorporation (and subject to the rights of any class of stock hereafter authorized), dividends may be paid on the Common Stock when and as declared by the Board of Directors out of any funds legally available for the payment of dividends, and no holder of shares of any series of the Preferred Stock as such shall be entitled to share therein.

- (g) In the event of any voluntary dissolution, liquidation or winding up of the Corporation, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Preferred Stock of each series then outstanding shall be entitled to receive out of the net assets of the Corporation available for distribution to its shareholders the respective amounts per share fixed and determined in accordance with these Articles of Incorporation to be payable on the shares of such series in the event of voluntary liquidation, and no more, and in the event of any involuntary dissolution, liquidation or winding up of the Corporation, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Preferred Stock of each series then outstanding shall be entitled to receive out of the net assets of the Corporation available for distribution to its shareholders the respective amounts per share fixed and determined in accordance with these Articles of Incorporation to be payable on the shares of such series in the event of involuntary liquidation, and no more. If upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the net assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of all outstanding shares of Preferred Stock of all series the full amounts to which they shall be respectively entitled as aforesaid, the entire net assets of the Corporation available for distribution shall be distributed ratably to the holders of all outstanding shares of Preferred Stock of all series in proportion to the amounts to which they shall be respectively so entitled. For the purposes of this and the next succeeding subdivision, and without limiting the right of the Corporation to distribute its assets or to dissolve, liquidate or wind up in connection with any sale, merger or consolidation, the sale of all or substantially all of the property of the Corporation, or the merger or consolidation of the Corporation into or with any other corporation or corporations, shall not be deemed to be a distribution of assets or a dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary.
- (h) Subject to the limitations set forth in subdivision (g) of this Article THIRD or elsewhere in these Articles of Incorporation (and subject to the rights of any class of stock hereafter authorized) upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, any net assets of the Corporation available for distribution to its shareholders shall be distributed ratably to holders of the Common Stock.
- (i) The Preferred Stock may be redeemed in accordance with the following provisions of this subdivision (i):
- (1) Each series of the Preferred Stock which has been determined to be redeemable as permitted by subdivision (d) of this Article THIRD may be redeemed in whole or in part by the Corporation, at its election expressed by resolution of the Board of Directors, at any time or from time to time, at the then applicable redemption price fixed and determined with respect to each series, subject however, to any terms and conditions specified in respect of any series of the Preferred Stock in accordance with subdivision (d) of this Article THIRD. If less than all of the shares of any series are to be redeemed, the redemption shall be made either pro rata or by lot in such manner as the Board of Directors shall determine.
 - (2) In the event the Corporation shall so elect to redeem shares of the Preferred Stock, notice of the intention of the Corporation to do so and of the date and place fixed for redemption shall be mailed not less than thirty nor more than ninety days before the date fixed for redemption to each holder of shares of the Preferred Stock to be redeemed at his address as it shall appear on the books of the Corporation, and on and after the date fixed for redemption and specified in such notice (unless the Corporation shall default in making payment of the redemption price), such holders shall cease to be shareholders of the Corporation with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares, excepting only the right to receive the redemption price therefor from the Corporation on the date fixed for redemption, without interest, upon endorsement, if required, and surrender of their certificates for such shares.
 - (3) Contemporaneously with the mailing of notice of redemption of any shares of the Preferred Stock as aforesaid or at any time thereafter on or before the date fixed for redemption, the

Corporation may, if it so elects, deposit the aggregate redemption price of the shares to be redeemed with any bank or trust company doing business in the City of New York, New York, or Spokane, Washington, having a capital and surplus of at least \$5,000,000, named in such notice, payable on the date fixed for redemption in the proper amounts to the respective holders of the shares to be redeemed, upon endorsement, if required, and surrender of their certificates for such shares, and on and after the making of such deposit such holders shall cease to be shareholders of the Corporation with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares, excepting only the right to exercise such redemption or exchange rights, if any, on or before the date fixed for redemption as may have been provided with respect to such shares or the right to receive the redemption price of their shares from such bank or trust company on the date fixed for redemption, without interest, upon endorsement, if required, and surrender of their certificates for such shares.

- (4) If the Corporation shall have so elected to deposit the redemption moneys with a bank or trust company, any moneys so deposited which shall remain unclaimed at the end of six years after the redemption date shall be repaid to the Corporation, and upon such repayment holders of Preferred Stock who shall not have made claim against such moneys prior to such repayment shall be deemed to be unsecured creditors of the Corporation for an amount, without interest, equal to the amount they would theretofore have been entitled to receive from such bank or trust company. Any redemption moneys so deposited which shall not be required for such redemption because of the exercise, after the date of such deposit, of any right of conversion or exchange or otherwise, shall be returned to the Corporation forthwith. The Corporation shall be entitled to receive any interest allowed by any bank or trust company on any moneys deposited with such bank or trust company as herein provided, and the holders of any shares called for redemption shall have no claim against any such interest.
- (5) Nothing herein contained shall limit any legal right of the Corporation to purchase or otherwise acquire any shares of the Preferred Stock.
- (j) The holders of the Preferred Stock shall not have any right to vote for the election of Directors or for any other purpose except as otherwise provided by law and as set forth below in this subdivision of this Article THIRD or elsewhere in these Articles of Incorporation. Holders of Preferred Stock shall be entitled to notice of each meeting of shareholders at which they shall have any right to vote but except as may be otherwise provided by law shall not be entitled to notice of any other meeting of shareholders.
- (1) Whenever and as often as, at any date, dividends payable on any shares of the Preferred Stock shall be in arrears in an amount equal to the aggregate amount of dividends accumulated on such shares of the Preferred Stock over the eighteen-month period ended on such date, the holders of the Preferred Stock of all series, voting separately and as a single class, shall be entitled to vote for and to elect a majority of the Board of Directors, and the holders of the Common Stock, voting separately and as a single class, shall be entitled to vote for and to elect the remaining Directors of the Corporation. The right of the holders of the Preferred Stock to elect a majority of the Board of Directors shall, however, cease when all defaults in the payment of dividends on their stock shall have been cured and such dividends shall be declared and paid out of any funds legally available therefor as soon as in the judgment of the Board of Directors is reasonably practicable. The terms of office of all persons who may be Directors of the Corporation at the time the right to elect Directors shall accrue to the holders of the Preferred Stock as herein provided shall terminate upon the election of their successors at a meeting of the shareholders of the Corporation then entitled to vote. Such election shall be held at the next Annual Meeting of Shareholders or may be held at a special meeting of shareholders but shall be held upon notice as provided in the Bylaws of the Corporation for a special meeting of the shareholders. Any vacancy in the Board of Directors occurring during any period when the Preferred Stock shall have elected representatives on the Board shall be filled by a majority vote of the remaining Directors representing the class of stock theretofore represented by

the Director causing the vacancy. At all meetings of the shareholders held for the purpose of electing Directors during such times as the holders of the Preferred Stock shall have the exclusive right to elect a majority of the Board of Directors of the Corporation, the presence in person or by proxy of the holders of a majority of the outstanding shares of Preferred Stock of all series shall be required to substitute a quorum of such class for the election of Directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum of such class for the election of Directors; provided, however, that the absence of a quorum of the holders of stock of either class shall not prevent the election at any such meeting, or adjournment thereof, of Directors by the other class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided further, that, in the absence of a quorum of the holders of stock of either class, a majority of those holders of such stock who are present in person or by proxy shall have the power to adjourn the election of those Directors to be elected by that class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of stock of such class shall be present in person or by proxy.

- (2) So long as any shares of the Preferred Stock shall be outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of the Preferred Stock at the time outstanding, adopt any amendment to these Articles of Incorporation if such amendment would:
 - (i) create or authorize any new class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up;
 - (ii) increase the authorized number of shares of the Preferred Stock; or
 - (iii) change any of the rights or preferences of the Preferred Stock at the time outstanding provided, however, that if any proposed change of any of the rights or preferences of any outstanding shares of the Preferred Stock would affect the holders of shares of one or more, but not all, series of the Preferred Stock then outstanding, only the affirmative vote of the holders of at least a majority of the total number of outstanding shares of all series so affected shall be required; and provided further, that nothing herein shall authorize the adoption of any amendment to these Articles of Incorporation by the vote of the holders of a lesser number of shares of the Preferred Stock, or of any other class of stock, or of all classes of stock, than is required for such an amendment by the laws of the state of Washington at the time applicable thereto.
- (3) So long as any shares of the Preferred Stock shall be outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of the Preferred Stock at the time outstanding, issue any shares of the Preferred Stock, or of any other class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, unless the net income of the Corporation available for the payment of dividends for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance of such shares (including, in any case in which such shares are to be issued in connection with the acquisition of new property, the net income of the property so to be acquired, computed on the same basis as the net income of the Corporation) is at least equal to one and one-half times the annual dividend requirements on all shares of the Preferred Stock, and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued; provided, however, that if the shares of any series of the Preferred Stock or any such prior or parity stock shall have a variable dividend rate, the annual dividend requirement on the shares of such series shall be determined by reference to the weighted average dividend rate on such shares during the twelve-month period for which the net income of the Corporation available for the payment of dividends shall have been determined; and

provided, further, that if the shares of the series to be issued are to have a variable dividend rate, the annual dividend requirement on the shares of such series shall be determined by reference to the initial dividend rate upon the issuance of such shares. In any case where it would be appropriate, under generally accepted accounting principles to combine or consolidate the financial statements of any parent or subsidiary of the Corporation with those of the Corporation, the foregoing computation may be made on the basis of such combined or consolidated financial statements.

- (k) Subject to the limitations set forth in subdivision (j) of this Article THIRD (and subject to the rights of any class of stock hereafter authorized), and except as may be otherwise provided by law, the holders of the Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes. At each meeting of shareholders, each holder of stock entitled to vote thereat shall be entitled to one vote for each share of such stock held by him and recorded in his name on the record date for such meeting, and may vote and otherwise act in person or by proxy; provided, however, that at each election for Directors every shareholder entitled to vote at such election shall have the right to vote the number of shares held by him for as many persons as there are Directors to be elected and for whose election he has the right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such Directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates.
- (l) Subject to the limitations set forth in subdivision (j) of this Article THIRD (and subject to the rights of any class of stock hereafter authorized), and except as may be otherwise provided by law, upon the vote of a majority of all of the Directors of the Corporation and of the holders of record of two-thirds of the total number of shares of the Corporation then issued and outstanding and entitled to vote (or, if the vote of a larger number or different proportion of shares is required by the laws of the state of Washington, notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the vote of the holders of record of the larger number or different proportion of shares so required) the Corporation may from time to time create or authorize one or more other classes of stock with such preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications as may be determined by said vote, which may be the same or different from the preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications of the classes of stock of the Corporation then authorized and/or the Corporation may increase or decrease the number of shares of one or more of the classes of stock then authorized.
- (m) All stock of the Corporation without nominal or par value whether authorized herein or upon subsequent increases of capital stock or pursuant to any amendment hereof may be issued, sold and disposed of by the Corporation from time to time for such consideration in labor, services, money or property as may be fixed from time to time by the Board of Directors and authority to the Board of Directors so to fix such consideration is hereby granted by the shareholders. The consideration received by the Corporation from the issuance and sale of new or additional shares of capital stock without par value shall be entered in the capital stock account.
- (n) No holder of any stock of the Corporation shall be entitled as of right to purchase or subscribe for any part of any stock of the Corporation authorized herein or of any additional stock of any class to be issued by reason of any increase of the authorized capital stock of the Corporation or of any bonds, certificates of indebtedness, debentures or other securities convertible into stock of the Corporation but any stock authorized herein or any such additional authorized issue of any stock or of securities convertible into stock may be issued and disposed of by the Board of Directors to such persons, firms, corporations or associations upon such terms and conditions as the Board of Directors in their discretion may determine without offering any thereof on the same terms or any terms to the shareholders then of record or to any class of shareholders.
- (o) (1) SERIES I. There is hereby established a ninth series of the Preferred Stock of the Corporation which shall have, in addition to the general terms and characteristics of all of the authorized shares of Preferred Stock of the Corporation, the following distinctive terms and characteristics:

- (a) The ninth series of Preferred Stock of the Corporation shall consist of 500,000 shares and be designated as "\$8.625 Preferred Stock, Series I."
- (b) Said ninth series shall have a dividend rate of \$8.625 per share per annum.
- (c) The amount payable upon the shares of said ninth series in the event of dissolution, liquidation or winding up of the Corporation shall be \$100.00 per share plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of such dissolution, liquidation or winding up.
- (d)
 - (i) As and for a sinking fund for the redemption of shares of said ninth series, on June 15, 1996 and each June 15 thereafter until all shares of said ninth series shall have been retired, the Corporation shall redeem 100,000 shares of said ninth series at the price of \$100.00 per share plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption. The Corporation shall be entitled, at its option, on June 15, 1996 and each June 15 thereafter, to redeem up to 100,000 shares of said ninth series, in addition to the shares otherwise required to be redeemed on such date, at \$100.00 per share plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that the option of the Corporation to so redeem up to 100,000 additional shares of the ninth series on each such sinking fund redemption date shall not be cumulative and shall not reduce the sinking fund requirements of this subparagraph (d) in any subsequent year. In the case of any redemption pursuant to this paragraph (d), the shares to be redeemed shall be selected by lot among the holders of the shares of said ninth series then outstanding in such manner as the appropriate Officers of the Corporation shall determine to result in a random selection. The shares of said ninth series shall not be redeemable at the option of the Corporation except as set forth in this subparagraph (d).
 - (ii) The sinking fund requirement of the Corporation to redeem shares of said ninth series pursuant to this subparagraph (d) shall be subject to any applicable restrictions of law and such redemption shall be made only out of funds legally available therefor.
 - (iii) The sinking fund requirement of the Corporation to redeem shares of said ninth series pursuant to this subparagraph (d) shall be cumulative. If at any time the Corporation shall not have satisfied in full the cumulative sinking fund requirement to redeem shares of said ninth series, the Corporation shall not pay or declare and set apart for payment any dividends upon, or make any other distribution with respect to, or redeem, purchase or otherwise acquire any shares of, the Common Stock or any other class of stock ranking as to dividends and distributions of assets junior to the Preferred Stock.
 - (iv) If at any time the Corporation shall not have satisfied in full the cumulative sinking fund requirement to redeem shares of said ninth series pursuant to this subparagraph (d), and if at such time the Corporation shall be required pursuant to a sinking or similar fund to redeem or purchase shares of any other series of the Preferred Stock or any other class of stock ranking as to dividends and distributions of assets on a parity with the Preferred Stock, any funds of the Corporation legally available for the purpose shall be allocated among all such sinking or similar funds for series of the Preferred Stock and such parity stock in proportion to the respective amounts then required for the satisfaction thereof.
- (e) The shares of said ninth series shall not, by their terms, be convertible.

- (2) SERIES K. There is hereby established an eleventh series of the Preferred Stock of the Corporation which shall have, in addition to the general terms and characteristics of all of the authorized shares of Preferred Stock of the Corporation, the following distinctive terms and characteristics:
- (a) The eleventh series of Preferred Stock of the Corporation shall consist of 350,000 shares and be designated as "\$6.95 Preferred Stock, Series K."
 - (b) Said eleventh series shall have a dividend rate of \$6.95 per share per annum.
 - (c) The amount payable upon the shares of said eleventh series in the event of dissolution, liquidation or winding up of the Corporation shall be \$100.00 per share plus an amount equivalent to accumulated and unpaid dividends thereon, if any, to the date of such dissolution, liquidation or winding up.
 - (d)
 - (i) As and for a sinking fund for the redemption of shares of said eleventh series, on September 15, 2002, and on each September 15 thereafter to and including September 15, 2006, the Corporation shall redeem 17,500 shares of said eleventh series, and on September 15, 2007, the Corporation shall redeem all of the shares of said eleventh series then outstanding, in each case at the price of \$100.00 per share plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption. The Corporation shall be entitled, at its option, on September 15, 2002, and on each September 15 thereafter to and including September 15, 2006, to redeem up to 17,500 shares of said eleventh series, in addition to the shares otherwise required to be redeemed on such date, at the price of \$100.00 per share plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date fixed for redemption; provided, however, that the option of the Corporation to so redeem up to 17,500 additional shares of the eleventh series on each such sinking fund redemption date shall not be cumulative and shall not reduce the sinking fund requirements of this subparagraph (d) in any subsequent year. The Corporation shall be entitled, at its option, to credit against any sinking fund redemption requirement any shares of said eleventh series theretofore purchased or otherwise acquired by the Corporation and not theretofore credited against any other sinking fund redemption requirement. In the case of any redemption pursuant to this subparagraph (d), the shares to be redeemed shall be selected by lot among the holders of the shares of said eleventh series then outstanding in such manner as the appropriate Officers of the Corporation shall determine to result in a random selection. The shares of said eleventh series shall not be redeemable at the option of the Corporation except as set forth in this subparagraph (d).
 - (ii) The sinking fund requirement of the Corporation to redeem shares of said eleventh series pursuant to this subparagraph (d) shall be subject to any applicable restrictions of law and such redemption shall be made only out of funds legally available therefor.
 - (iii) The sinking fund requirement of the Corporation to redeem shares of said eleventh series pursuant to this subparagraph (d) shall be cumulative. If at any time the Corporation shall not have satisfied in full the cumulative sinking fund requirement to redeem shares of said eleventh series, the Corporation shall not pay or declare and set apart for payment any dividends upon, or make any other distribution with respect to, or redeem, purchase or otherwise acquire any shares of, the Common Stock or any other class of stock ranking as to dividends and distributions of assets junior to the Preferred Stock.
 - (iv) If at any time the Corporation shall not have satisfied in full the cumulative sinking fund requirement to redeem shares of said eleventh series pursuant to

this subparagraph (d), and if at such time the Corporation shall be required pursuant to a sinking or similar fund to redeem or purchase shares of any other series of the Preferred Stock or any other class of stock ranking as to dividends and distributions of assets on a parity with the Preferred Stock, any funds of the Corporation legally available for the purpose shall be allocated among all such sinking or similar funds for series of the Preferred Stock and such parity stock in proportion to the respective amounts then required for the satisfaction thereof.

(e) The shares of said eleventh series shall not, by their terms, be convertible.

FOURTH: The duration of the Corporation shall be perpetual.

FIFTH: The number of Directors of the Corporation shall be such number, not to exceed eleven (11), as shall be specified from time to time by the Board of Directors in the Bylaws; provided, however, that if the right to elect a majority of the Board of Directors shall have accrued to the holders of the Preferred Stock as provided in paragraph (1) of subdivision (j) of Article THIRD, then, during such period as such holders shall have such right, the number of directors may exceed eleven (11). The Directors shall be divided into three classes, as nearly equal in number as possible. Commencing with the directors elected at the 1987 Annual Meeting of Shareholders, the term of office of the first class shall expire at the 1988 Annual Meeting of Shareholders, the term of office of the second class shall expire at the 1989 Annual Meeting of Shareholders and the term of office of the third class shall expire at the 1990 Annual Meeting of Shareholders. At each Annual Meeting of Shareholders thereafter, Directors elected to succeed those Directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders after their election. Notwithstanding the foregoing, Directors elected by the holders of the Preferred Stock in accordance with paragraph (1) of subdivision (j) of Article THIRD shall be elected for a term which shall expire not later than the next Annual Meeting of Shareholders. All Directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified.

Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD, (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors and any director so elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of Directors may be filled by the Board of Directors for a term of office continuing only until the next election of Directors by the shareholders.

No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD and the provisions of the next preceding paragraph of this Article FIFTH, any Director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of directors (such stock being hereinafter in these Articles of Incorporation called "Voting Stock"), voting together as a single class, at a meeting of shareholders called expressly for that purpose; provided, however, that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the removal of such director would be sufficient to elect such director if then cumulatively voted at an election of the class of Directors of which such director is a part.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the provisions of this Article FIFTH shall not be altered, amended or repealed, and no provision inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the shares of the Voting Stock, voting together as a single class.

SIXTH: That the principal place of business of said Corporation shall be Spokane, Spokane County, Washington.

SEVENTH: The corporate powers shall be exercised by the Board of Directors, except as otherwise provided by statute or by these Articles of Incorporation. The Board of Directors shall have power to authorize the payment of compensation to the Directors for services to the Corporation, including fees for attendance at meetings of the Board of Directors and other meetings, and to determine the amount of such compensation and fees.

The Board of Directors shall have power to adopt, alter, amend and repeal the Bylaws of the Corporation. To the extent provided under the laws of the state of Washington, any Bylaws adopted by the Directors under the powers conferred hereby may be repealed or changed by the shareholders.

An Executive Committee may be appointed by and from the Board of Directors in such manner and subject to such regulations as may be provided in the Bylaws, which committee shall have and may exercise, when the Board is not in session, all the powers of said Board which may be lawfully delegated subject to such limitations as may be provided in the Bylaws or by resolutions of the Board. The fact that the Executive Committee has acted shall be conclusive evidence that the Board was not in session at the time of such action. Additional committees may be appointed by and from the Board of Directors in such manner and subject to such regulations as may be provided in the Bylaws. Any action required or permitted by these Articles of Incorporation to be taken by the Board of Directors of the Corporation may be taken by a duly authorized committee of the Board of Directors, except as otherwise required by law.

No Director shall have any personal liability to the Corporation or its shareholders for monetary damages for his or her conduct as a Director of the Corporation; provided, however, that nothing herein shall eliminate or limit any liability which may not be so eliminated or limited under Washington law, as from time to time in effect. No amendment, modification or repeal of this paragraph shall eliminate or limit the protection afforded by this paragraph with respect to any act or omission occurring prior to the effective date thereof.

The Corporation shall, to the full extent permitted by applicable law, as from time to time in effect, indemnify any person made a party to, or otherwise involved in, any proceeding by reason of the fact that he or she is or was a Director of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with such proceeding. The Corporation shall pay any reasonable expenses incurred by a Director in connection with any such proceeding in advance of the final determination thereof upon receipt from such Director of such undertakings for repayment as may be required by applicable law and a written affirmation by such director that he or she has met the standard of conduct necessary for indemnification, but without any prior determination, which would otherwise be required by Washington law, that such standard of conduct has been met. The Corporation may enter into agreements with each Director obligating the Corporation to make such indemnification and advances of expenses as are contemplated herein. Notwithstanding the foregoing, the Corporation shall not make any indemnification or advance which is prohibited by applicable law. The rights to indemnity and advancement of expenses granted herein shall continue as to any person who has ceased to be a Director and shall inure to the benefit of the heirs, executors and administrators of such a person.

A Director of the Corporation shall not be disqualified by his office from dealing or contracting with this Corporation either as a vendor, purchaser or otherwise, nor shall any transaction or contract of the Corporation be void or voidable by reason of the fact that any Director, or any firm of which any Director is a member, or any corporation of which any Director is a shareholder or Director, is in any way interested in such transaction or contract, provided that such transaction or contract is or shall be authorized, ratified, or approved, either (1) by vote of a majority of a quorum of the Board of Directors or of the Executive Committee without counting in such majority or quorum any Directors so interested, or a member of a firm so interested, or a shareholder or Director of a corporation so interested; or (2) by the written consent or by vote at a shareholders' meeting of the holders of record of a majority in number of all the outstanding shares of capital stock of the Corporation entitled to vote; nor shall any Director be liable to account to the Corporation for any profits realized by and from or through any such transaction or contract of the Corporation authorized, ratified, or approved as aforesaid by reason of the fact that he, or any firm of which he is a member, or any corporation of which he is a shareholder or a Director, was interested in such transaction or contract. Nothing herein contained shall create any liability in the events

above described or prevent the authorization, ratification or approval of such transaction or contract in any other manner approved by law.

Shareholders shall have no rights, except as conferred by statute or by the Bylaws, to inspect any book, paper or account of the Corporation.

Any property of the Corporation not essential to the conduct of its corporate business may be sold, leased, exchanged, or otherwise disposed of, by authority of its Board of Directors and the Corporation may sell, lease, exchange or otherwise dispose of, all of its property and franchises, or any of its property, franchises, corporate rights, or privileges, essential to the conduct of its corporate business and purposes upon the consent of and for such consideration and upon such terms as may be authorized by a majority of all of the Directors and the holders of two-thirds of the issued and outstanding shares of the Corporation having voting power (or, if the consent or vote of a larger number or different proportion of the Directors and/or shares is required by the laws of the state of Washington, notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the consent or vote of the larger number or different proportion of the Directors and/or shares so required) expressed in writing, or by vote at a meeting of holders of the shares of the Corporation having voting power duly held as provided by law, or in the manner provided by the Bylaws of the Corporation, if not inconsistent therewith.

Upon the affirmative vote of the holders of two-thirds of the issued and outstanding shares of the Corporation having voting power given at a meeting of the holders of the shares of the Corporation having voting power duly called for that purpose or when authorized by the written consent of the holders of two-thirds of the issued and outstanding shares of the Corporation having voting power and upon the vote of a majority of the Board of Directors, all of the property, franchises, rights and assets of the Corporation may be sold, conveyed, assigned and transferred as an entirety to a new company to be organized under the laws of the United States, the state of Washington or any other state of the United States, for the purpose of so taking over all the property, franchises, rights and assets of the Corporation, with the same or a different authorized number of shares of stock and with the same preferences, voting powers, restrictions and qualifications thereof as may then attach to the classes of stock of the Corporation then outstanding so far as the same shall be consistent with such laws of the United States or of Washington or of such other state (provided that the whole or any part of such stock or of any class thereof may be stock with or without a nominal or par value), the consideration for such sale and conveyance to be the assumption by such new company of all of the then outstanding liabilities of the Corporation and the issuance and delivery by the new company of shares of stock (any or all thereof either with or without nominal or par value) of such new company of the several classes into which the stock of the Corporation is then divided equal in number to the number of shares of stock of the Corporation of said several classes then outstanding. In the event of such sale, each holder of stock of the Corporation agrees so far as he may be permitted by the laws of Washington forthwith to surrender for cancellation his certificate or certificates for stock of the Corporation and to receive and accept in exchange therefor, as his full and final distributive share of the proceeds of such sale and conveyance and of the assets of the Corporation, a number of shares of the stock of the new company of the class corresponding to the class of the shares surrendered equal in number to the shares of stock of the Corporation so surrendered, and in such event no holder of any of the stock of the Corporation shall have any rights or interests in or against the Corporation, except the right upon surrender of his certificate as aforesaid properly endorsed, to receive from the Corporation certificates for such shares of said new company as herein provided. Such new company may have all or any of the powers of the Corporation and the certificate of incorporation and bylaws of such new company may contain all or any of the provisions contained in the Articles of Incorporation and Bylaws of the Corporation.

Upon the written assent, in person or by proxy, or pursuant to the affirmative vote, in person or by proxy, of the holders of a majority in number of the shares then outstanding and entitled to vote (or, if the assent or vote of a larger number or different proportion of shares is required by the laws of the state of Washington notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the assent or vote of the larger number or different proportion of the shares so required) (1) any or every statute of the state of Washington hereafter enacted, whereby the rights, powers or privileges of the Corporation are or may be increased, diminished, or in any way affected, or whereby the rights, powers or privileges of the shareholders of corporations organized under the law under which the

Corporation is organized are increased, diminished or in any way affected or whereby effect is given to the action taken by any part less than all of the shareholders of any such corporation shall, notwithstanding any provision which may at the time be contained in these Articles of Incorporation or any law, apply to the Corporation, and shall be binding not only upon the Corporation but upon every shareholder thereof, to the same extent as if such statute had been in force at the date of the making and filing of these Articles of Incorporation and/or (2) amendments to said Articles authorized at the time of the making of such amendments by the laws of the state of Washington may be made; provided, however, that (a) the provisions of Article THIRD hereof limiting the preemptive rights of shareholders, requiring cumulative voting in the election of Directors and regarding entry in the capital stock account of consideration received upon the sale of shares of capital stock without nominal or par value and all of the provisions of Article FIFTH hereof shall not be altered, amended, repealed, waived or changed in any way, unless the holders of record of at least two-thirds of the number of shares entitled to vote then outstanding shall consent thereto in writing or affirmatively vote therefor in person or by proxy at a meeting of shareholders at which such change is duly considered.

Special meetings of the shareholders may be called by the President, the Chairman of the Board of Directors, a majority of the Board of Directors, any Executive Committee of the Board of Directors, and shall be called by the President at the request of the holders of at least two-thirds (2/3) of the voting power of all of the shares of the Voting Stock, voting together as a single class. Only those matters that are specified in the call of or request for a special meeting may be considered or voted upon at such meeting.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the paragraph in this Article SEVENTH relating to the adoption, alteration, amendment, change and repeal of the Bylaws of the Corporation, the paragraph in this Article SEVENTH relating to the calling and conduct of special meetings of the shareholders and this paragraph, and the provisions of the Bylaws of the Corporation relating to procedures for the nomination of Directors, shall not be altered, amended or repealed, and no provision inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all the shares of the Voting Stock, voting together as a single class.

EIGHTH:

- (a) In addition to any affirmative vote required by law or these Articles of Incorporation, and except as otherwise expressly provided in subdivision (b) of this Article EIGHTH:
- (1) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or
 - (2) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$10,000,000 or more; or
 - (3) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$10,000,000 or more; or
 - (4) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

- (5) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of all of the shares of the Voting Stock, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required or that the vote of a lower percentage may be specified, by law or in any agreement with any national securities exchange or otherwise. The term "Business Combination" as used in this Article EIGHTH shall mean any transaction which is referred to in any one or more of paragraphs (1) through (5) of this subdivision (a).

- (b) The provisions of subdivision (a) of this Article EIGHTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law and any other provision of these Articles of Incorporation, if all of the conditions specified in either paragraph (1) or paragraph (2) below are met:

(1) The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined); or

(2) All of the following conditions shall have been met:

- (A) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:
- (i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it (x) within the two-year period immediately prior to the date of the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (y) in the transaction in which it became an Interested Shareholder, whichever is higher;
 - (ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (the "Determination Date"), whichever is higher; and
 - (iii) (if applicable) the price per share equal to the Fair Market Value per share of Common Stock determined pursuant to clause (A)(ii) above, multiplied by the ratio of (x) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (y) the Fair Market Value per share of Common Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of Common Stock.
- (B) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of each class of outstanding Voting Stock (other than Common Stock and Institutional Voting Stock [as hereinafter defined]) shall be at least equal to the highest of the following (it being intended that the

requirements of this subparagraph (B) shall be required to be met with respect to every class of outstanding Voting Stock (other than Institutional Voting Stock), whether or not the Interested Shareholder has previously acquired any shares of a particular class of Voting Stock):

- (i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class of Voting Stock acquired by it (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Shareholder, whichever is higher;
 - (ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary dissolution, liquidation or winding up of the Corporation;
 - (iii) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and
 - (iv) (if applicable) the price per share equal to the Fair Market Value per share of such class of Voting Stock determined pursuant to clause (B)(iii) above, multiplied by the ratio of (x) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (y) the Fair Market Value per share of such class of Voting Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of such class of Voting Stock.
- (C) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Shareholder has previously paid for shares of such class of Voting Stock. If the Interested Shareholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it.
- (D) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:
- (i) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor full dividends (whether or not cumulative) on the outstanding shares of stock of all classes ranking prior as to dividends to the Common Stock;
 - (ii) there shall have been (x) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (y) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure to so increase such annual rate is approved by a majority of the Continuing Directors; and
 - (iii) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder.

(E) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(F) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(c) For the purposes of this Article EIGHTH:

The terms "Affiliate" and "Associate" have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1987.

A person shall be deemed to be a "beneficial owner" of any Voting Stock:

- (i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly, or;
- (ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or
- (iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

For the purposes of determining whether a person is an Interested Shareholder the number of shares of Voting Stock deemed to be outstanding shall include all shares of which such person is the beneficial owner in accordance with the foregoing definition but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

The term "Continuing Director" means any member of the Board of Directors of the Corporation who is unaffiliated with the Interested Shareholder and was a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board of Directors.

The term "Fair Market Value" means (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of

such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

The term "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

- (i) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or
- (ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or
- (iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended.

The term "Institutional Voting Stock" shall mean any class of Voting Stock which was issued to and continues to be held solely by one or more insurance companies, pension funds, commercial banks, savings banks or similar financial institutions or institutional investors.

The term "person" shall mean any individual, firm, corporation or other entity.

The term "Subsidiary" shall mean any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the corporation; PROVIDED, HOWEVER, that for the purposes of the definition of Interested Shareholder set forth above, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

The term "Voting Stock" has the meaning ascribed to such term in Article FIFTH.

In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in paragraphs 2(A) and 2(B) of subdivision (b) of this Article EIGHTH shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

- (d) The Directors of the Corporation shall have the power and duty to determine for the purposes of this Article EIGHTH, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Shareholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another person, (D) whether a class of Voting Stock is Institutional Voting Stock, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$10,000,000 or more.

Nothing contained in this Article EIGHTH shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the provisions of this Article EIGHTH shall not be altered, amended or repealed, and no provision

inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the shares of the Voting Stock, voting together as a single class.

IN WITNESS WHEREOF, we have set our hands and seals under these presents,
this 15th day of May 1998.

Paul A. Redmond, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

ATTEST:

Terry L. Syms, VICE PRESIDENT AND CORPORATE SECRETARY

(SEAL)

Certificate

STATE OF WASHINGTON
County of Spokane

ss.

PAUL A. REDMOND and TERRY L. SYMS, being first duly sworn on oath, depose and say:

- (a) That they have been authorized to execute the within Restated Articles of Incorporation by resolution of the Board of Directors adopted on the 15th day of May 1998;
- (b) That these Restated Articles of Incorporation do not include an amendment to the Articles of Incorporation; and
- (c) That these Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto and restatements thereof.

Paul A. Redmond, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Terry L. Syms, VICE PRESIDENT AND CORPORATE SECRETARY

SUBSCRIBED AND SWORN to before me this 15th day of May 1998.

Notary Public in and for the state of
Washington, residing in the County of
Spokane. My commission expires

(SEAL)

ARTICLES OF AMENDMENT
TO
RESTATED ARTICLES OF INCORPORATION
OF
THE WASHINGTON WATER POWER COMPANY

Articles of Amendment to the Restated Articles of Incorporation of The Washington Water Power Company are herein executed by said corporation pursuant to Section 23B.06.020 of the Washington business corporation act as follows:

FIRST: The name of the corporation is The Washington Water Power Company (the "Corporation").

SECOND: The following amendment to the Restated Articles of Incorporation of the Corporation, establishing and designating a series of shares and fixing and determining certain of the relative rights and preferences thereof, was duly adopted by the Board of Directors of the Corporation at a meeting held on August 14, 1998 and by the Board Governance Committee of the Board of Directors at a meeting held on October __, 1998. No approval or consent of shareholders was required.

THIRD: The Restated Articles of Incorporation are hereby amended by the addition of a paragraph (4) to be inserted at the end of subdivision (o) of Article THIRD, which shall be and read as follows:

(4) SERIES L. There is hereby established a twelfth series of the Preferred Stock of the Corporation which shall have, in addition to the general terms and characteristics of all of the authorized shares of Preferred Stock of the Corporation, the following distinctive terms and characteristics:

(a) The twelfth series of Preferred Stock of the Corporation shall consist of _____ shares and be designated as "\$12.40 Preferred Stock, Convertible Series L".

(b) Said twelfth series shall have a dividend rate of \$12.40 per share per annum; provided, however, that the amount of the dividend per share payable on December 15, 1998 shall be \$3.10.

(c) The shares of said twelfth series shall not, by their terms, be redeemable.

(d) The amount payable upon the shares of said twelfth series in the event of dissolution, liquidation or winding up of the Corporation shall be \$_____ per share plus an amount equivalent to accumulated and unpaid dividends thereon, if any, to the date of such dissolution, liquidation or winding up.

(e) There shall be no sinking fund for the redemption or purchase of shares of said twelfth series.

(f)(i)(A) Each share of said twelfth series shall be mandatorily converted on November 1, 2001 (the "Mandatory Conversion Date") into (1) a number of shares of Common Stock determined by reference to the Common Equivalent Rate (as hereinafter defined) then in effect plus (2) the right to receive an amount, in cash, equivalent to the accumulated and unpaid dividends on such share of said twelfth series, if any, to but excluding the Mandatory Conversion Date.

(B) Each share of said twelfth series shall be convertible, at the option of the Company, at any time on or after December 15, 1998 and prior to the Mandatory Conversion Date, into (1) a number of shares of Common Stock equal to the Optional Conversion Price then in effect, (2) the right to receive an amount, in cash, equivalent to the accumulated and unpaid dividends on the share of said twelfth series to be converted to but excluding the date fixed for conversion plus (3) the right to receive the Optional Conversion Premium; it being understood that the Company may not so convert less than all shares of said twelfth series.

(C) Each share of said twelfth series shall be mandatorily converted, at the time of effectiveness of any Extraordinary Transaction, into, or into the right to receive, as the case may be, securities and other property (including cash) of the same character and in the same respective amounts as the holder of such share would have received if such share had been converted pursuant to clause (B) above immediately prior to such time of effectiveness.

(ii)(A) The "Common Equivalent Rate" shall be initially ten shares of Common Stock for each share of said twelfth series; provided, however, that the Common Equivalent Rate shall be subject to adjustment from time to time as provided below. All adjustments to the Common Equivalent Rate shall be calculated to the nearest 1/100th of a share of Common Stock. Such rate, as adjusted and in effect at any time, is herein called the "Common Equivalent Rate."

(B) If the Corporation shall do any of the following (each, an "Adjustment Event"):

(1) pay a dividend or make a distribution with respect to Common Stock in shares of Common Stock,

(2) subdivide, reclassify or split its outstanding shares of Common Stock into a greater number of shares,

(3) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, or

(4) issue by reclassification of its shares of Common Stock any shares of Common Stock other than in an Extraordinary Transaction (as hereinafter defined),

then the Common Equivalent Rate in effect immediately prior to such Adjustment Event shall be adjusted so that on the Mandatory Conversion Date each share of said twelfth series shall be converted into the number of shares of Common Stock that the holder of such share would have owned or been entitled to receive after the happening of the Adjustment Event had such share been mandatorily converted immediately prior to the record date, if any, for such Adjustment Event or, if there is no record date, immediately prior to the effectiveness of such Adjustment Event. In case the Adjustment Event is a dividend or distribution, the adjustment to the Common Equivalent Rate shall become effective as of the close of business on the record date for determination of shareholders entitled to

receive such dividend or distribution and any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under clauses (C) and (D) below; and, in case the Adjustment Event is a subdivision, split, combination or reclassification, the adjustment to the Common Equivalent Rate shall become effective immediately after the effective date of such subdivision, split, combination or reclassification. Such adjustment shall be made successively.

In the event that Rights are separated from the outstanding shares of the Common Stock in accordance with the provisions of the Rights Agreement such that holders of shares of said twelfth series would not be entitled to receive any Rights in respect of the shares of Common Stock issuable upon conversion of the shares of said twelfth series, the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the Distribution Date (as defined in the Rights Agreement) by a fraction (1) the numerator of which shall be the Current Market Price per share of the outstanding shares of Common Stock on the Trading Date next preceding the Distribution Date and (2) the denominator of which shall be such Current Market Price less the fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive, final and binding on the Corporation and all shareholders of the Corporation) as of such Distribution Date of the portion of the Rights allocable to one share of Common Stock. Such adjustment shall become effective on the opening of business on the business day next following the Distribution Date and will remain in effect unless and until (A) the Company (i) amends the Rights Agreement to provide that upon conversion of the shares of said twelfth series the holders thereof will receive, in addition to the shares of Common Stock issuable upon such conversion, the Rights which would have attached to such shares of Common Stock if the Rights had not become separated from the Common Stock pursuant to the Rights Agreement and (ii) converts the Preferred Stock into shares of Common Stock with such Rights or (B) the Rights expire, terminate or are redeemed, in which case appropriate adjustments, if any, shall be made to the Common Equivalent Rate consistent with the provisions of this subparagraph (f)(i). Notwithstanding the foregoing, in the event the aforesaid fair market value of the portion of the Rights allocable to one share of Common Stock is equal to or greater than the Current Market Price per share of Common Stock on the Trading Date mentioned above, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of said twelfth series shall have the right to receive upon conversion the number of shares of Common Stock such holder would have received had such holder converted each such share immediately prior to the Distribution Date.

(C) If the Corporation shall, after the date of the initial issuance of shares of said twelfth series, issue rights or warrants to all holders of the Common Stock entitling them for a period not exceeding 45 days from the date of such issuance to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price of the Common Stock (as hereinafter defined), on the record date for the determination of shareholders entitled to receive such rights or warrants, then in each case the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction (1) the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants and (2) the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of shares of Common Stock which the aggregate offering price of the total number of

shares of Common Stock so offered for subscription or purchase pursuant to such rights or warrants would purchase at such Current Market Price (determined by multiplying such total number of shares by the exercise price of such rights or warrants and dividing the product so obtained by such Current Market Price). Such adjustment shall become effective as of the close of business on the record date for the determination of shareholders entitled to exercise such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Common Equivalent Rate shall be readjusted to the Common Equivalent Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock actually delivered. Such adjustment shall be made successively.

(D) If the Corporation shall pay a dividend or make any other distribution to all holders of its Common Stock of evidences of its indebtedness or other assets (including shares of capital stock of the Corporation (other than Common Stock) but excluding any distributions and dividends referred to in clause (B) above or any cash dividends), or shall issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in clause (C) above), then, in each such case, the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the record date for the determination of shareholders entitled to receive such dividend or distribution mentioned below by a fraction (1) the numerator of which shall be the Current Market Price of the Common Stock on such record date and (2) the denominator of which shall be such Current Market Price per share of Common Stock less the fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive, as final and binding upon the Corporation and all shareholders of the Corporation) as of such record date of the portion of the assets or evidences of indebtedness so distributed, or of such subscription rights or warrants, allocable to one share of Common Stock. Such adjustment shall become effective on the opening of business on the business day next following the record date for the determination of the shareholders entitled to receive such dividend or distribution. Notwithstanding the foregoing, in the event the portion of the assets or other evidences of indebtedness so distributed allocable to one share of Common Stock has a value equal to or greater than the Current Market Price per share of Common Stock on the record date mentioned above, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of said twelfth series shall have the right to receive upon conversion assets or other evidences of indebtedness having a value in the amount such holder would have received had such holder converted each such share immediately prior to the record date for such dividend or distribution.

(E) If the Corporation shall pay a dividend or make any other distribution to all holders of its Common Stock exclusively in cash (excluding any quarterly cash dividend on Common Stock in any quarter to the extent it does not exceed \$.18 per share (as adjusted to reflect subdivisions or combinations of Common Stock)) the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the record date for the determination of the shareholders entitled to receive such dividend or distribution by a fraction (1) the numerator of which shall be such Current Market Price per share of the Common Stock on such record date and (2) the denominator of which shall be such Current Market Price less the amount of cash so distributed (and not excluded as provided above) allocable to one share of Common Stock. Such adjustment shall become effective immediately prior to the opening of business on the business day next following record date. Notwithstanding the foregoing, in the event the portion of the cash so distributed allocable to one share of Common Stock is equal to or greater than the Current Market Price per share of Common Stock on the record date mentioned above, in lieu of the foregoing adjustment, adequate provision shall be

made so that each holder of shares of said twelfth series shall have the right to receive upon conversion the amount of cash such holder would have received had such holder converted each such share immediately prior to the record date for such dividend or distribution. If an adjustment is required to be made pursuant to this clause (E) as a result of a distribution that is a quarterly dividend, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded as provided above; and an adjustment is required to be made pursuant to this clause (E) as a result of a distribution that is not a quarterly dividend, such adjustment shall be based upon the full amount of the distribution.

(F) Anything herein to the contrary notwithstanding, the Corporation may, at its option, make such upward adjustment in the Common Equivalent Rate, in addition to the adjustments specified above, as the Corporation in its sole discretion may determine to be advisable, in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock (or any transaction that could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) hereinafter made by the Corporation to its shareholders shall not be taxable. Any such adjustment shall be made effective as of such date as the Board of Directors of the Corporation shall determine. The determination of the Board of Directors of the Corporation as to whether or not such an adjustment to the Common Equivalent Rate should be made and, if so, as to what adjustment should be made and when, shall be conclusive, final and binding on the Corporation and all shareholders of the Corporation.

(G) As used herein, the "Current Market Price" of a share of Common Stock on any date shall be, except as otherwise specifically provided, the average of the daily Closing Prices (as hereinafter defined) for the five consecutive Trading Dates (as hereinafter defined) ending on and including the date of determination of the Current Market Price; provided, however, that if the Closing Price of the Common Stock on the Trading Date next following such five-day period (the "next-day closing price") is less than 95% of such average Closing Price, then the Current Market Price per share of Common Stock on such date of determination will be the next-day closing price; and provided, further, that with respect to any conversion or antidilution adjustment, if any event that results in an adjustment of the Common Equivalent Rate occurs during the period beginning on the first date of the applicable determination period and ending on the applicable conversion date, the Current Market Price as determined pursuant to the foregoing will be appropriately adjusted to reflect the occurrence of such event.

(H) In any case in which an adjustment as a result of any event is required to become effective as of the close of business on the record date for such event and the Mandatory Conversion Date occurs after such record date but before the occurrence of such event, the Corporation may in its sole discretion elect to defer the following until after the occurrence of such event (but shall be under no obligation to do so): (1) issuing to the holder of any converted shares of said twelfth series the additional shares of Common Stock issuable upon such conversion as a result of such adjustment and (2) paying to such holder any amount in cash in lieu of a fractional share of Common Stock as hereinafter provided.

(iii) Whenever the Common Equivalent Rate is adjusted as herein provided, the Corporation shall:

(A) forthwith compute the adjusted Common Equivalent Rate in accordance herewith and prepare a certificate signed by the President, any Vice President or the Treasurer of the Corporation setting forth the adjusted Common Equivalent Rate, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment, and file such certificate forthwith with the transfer agent or agents for the shares of said twelfth series and for the Common Stock; and

(B) mail a notice stating that the Common Equivalent Rate has been adjusted, the facts requiring such adjustment and upon which such adjustment is based and setting forth the adjusted Common Equivalent Rate to the holders of record of the outstanding shares of said twelfth series at or prior to the time the Corporation mails an interim statement to its shareholders covering the fiscal quarter during which the facts requiring such adjustment occurred, but in any event within 45 days of the end of such fiscal quarter.

(iv) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of any shares of said twelfth series. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion of a share of said twelfth series, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the same fraction of the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the relevant Notice Date. If more than one share of any holder shall be converted at the same time, the number of full shares of Common Stock into which such shares shall be converted shall be computed on the basis of the aggregate number of shares so converted.

(v) DEFINITIONS. As used with respect to the shares of said twelfth series:

(A) the term "business day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of Washington or the State of New York are authorized or obligated by law or executive order to remain closed or are closed because of a banking moratorium or otherwise;

(B) the term "Closing Price" on any day shall mean the reported last sale price regular way (with any relevant due bills attached) on such day, or in case no such sale takes place on such day, the average of the reported last bid and asked prices regular way (with any relevant due bills attached), in each case as reported in the composite quotations for securities listed on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of Common Stock has been traded during the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price), or, if not listed or admitted to trading on any national securities exchange, the average of the reported last bid and asked prices regular way (with any relevant due bills attached) of the Common Stock on the over-the-counter market on the day in question as reported by the National Association of Securities Dealers Automated Quotation System, or a similar generally accepted reporting service, or if no information of such character shall be available, as determined in good faith by the Board of Directors on the basis of such relevant factors as the Board of Directors in good faith considers appropriate, (such determination to be conclusive, final and binding upon the Corporation and all shareholders of the Corporation);

(C) the term "Extraordinary Transaction" shall mean a merger or consolidation of the Corporation, a share exchange, division or conversion of the Corporation's capital stock or an amendment of the Restated Articles of Incorporation of the Corporation that results in the conversion or exchange of Common Stock into, or the right of the holders thereof to receive, in lieu of or in addition to their shares of Common Stock, other securities or other property (whether of the Corporation or any other entity);

(D) the term "Notice Date" with respect to any notice given by the Corporation in connection with a conversion of any of the Shares of said twelfth series shall be the date of the commencement of the mailing of such notice to the holders of such shares as specified herein;

(E) the term "Optional Conversion Premium" shall mean, in respect of each share of said twelfth series converted at the option of the Company, an amount, in cash, initially equal to \$20.90, declining by \$.02111 for each day following December 15, 1998 to and including the optional conversion date (computed on the basis of a 360-day year consisting of twelve 30-day months) and equal to \$0 on and after September 15, 2001; provided, however, that in lieu of delivering such amount in cash, the Company may, at its option, deliver a number of shares of Common Stock equal to the quotient of such amount divided by the Current Market Price as of the close of business on the second Trading Date immediately preceding the date on which the Company gives notice of such conversion;

(F) the term "Optional Conversion Price" shall mean, in respect of each share of said twelfth series converted at the option of the Company, a number of shares of Common Stock equal to the lesser of (1) the amount of \$ _____ divided by the Current Market Price as of the close of business on the second Trading Date immediately preceding the date on which the Company gives notice of such conversion and (2) the number of shares of Common Stock determined by reference to the Common Equivalent Rate;

(G) the term "Rights Agreement" shall mean the Rights Agreement, dated as of February 16, 1990, between the Company and The Bank of New York, successor Rights Agent, as amended; and the term "Rights" shall mean the "Preferred Share Purchase Rights" established under the Rights Agreement; and

(H) the term "Trading Date" shall mean a date on which the New York Stock Exchange (or any successor to such Exchange) is open for the transaction of business.

(vi)(A) Unless otherwise required by applicable law, notice of any conversion shall be sent to the holders of the shares of said twelfth series to be converted at the addresses shown on the books of the Corporation by mailing a copy of such notice not less than fifteen (15) days nor more than sixty (60) days prior to the conversion date. Each such notice shall state (1) the conversion date, (2) the total number of shares of said twelfth series to be converted (being the total number of shares outstanding), (3) the conversion price, (4) the place or places where certificates for such shares are to be surrendered in exchange for certificates and/or cash representing the conversion price and (5) that dividends on the shares to be converted will cease to accrue on such conversion date. Notwithstanding the foregoing, the failure so to mail any such notice of conversion or any defect therein or in the mailing thereof shall not prevent the occurrence of such conversion or impair the validity thereof.

(B) The shares of said twelfth series shall, on the date fixed for conversion, be deemed to have been converted; from and after such conversion date dividends shall cease to accrue on such shares; and all rights of the holders of such shares (except only rights as holders of securities into which such shares shall have been converted and the right to receive certificates representing such securities and the right to receive an amount equal to dividends accrued on such shares to the date fixed for such conversion) shall terminate.

(vii) Upon the surrender by a holder of converted shares of said twelfth series of certificates representing such shares in accordance with the notice of conversion on or after the conversion date, the Corporation shall deliver to or upon the order of such holder:

(A) certificates representing whole units of the securities into which such shares of said twelfth series have been converted, such certificates to be registered in such name or names, and to be issued in such denominations, as such holder shall have specified;

(B) an amount, in cash, in lieu of fractional shares, as hereinbefore provided;

(C) an amount, in cash, equivalent to accumulated and unpaid dividends on such shares of Series A Preferred Stock to the conversion date;

(D) an amount, in cash, securities or other property, representing any other consideration to be delivered upon such conversion; and

(E) a certificate representing any shares of said twelfth series which had been represented by the certificate or certificates delivered to the Corporation in connection with such conversion but which were not converted.

(viii) The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities on the conversion of shares of said twelfth series; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any registration of transfer involved in the issue or delivery of shares of Common Stock or other securities in a name other than that of the registered holder of the shares converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

Dated: _____, 1998

THE WASHINGTON WATER POWER COMPANY

By

JON E. ELIASSEN, Senior Vice President,
Chief Financial Officer and Treasurer

By

TERRY L. SYMS, Vice President and
Corporate Secretary

BYLAWS
OF
THE WASHINGTON WATER POWER COMPANY
* * * * *

ARTICLE I.
OFFICES

The principal office of the Corporation shall be in the City of Spokane, Washington. The Corporation may have such other offices, either within or without the State of Washington, as the Board of Directors may designate from time to time.

ARTICLE II.
SHAREHOLDERS

SECTION 1. ANNUAL MEETING. The Annual Meeting of Shareholders shall be held on such date in the month of May in each year as determined by the Board of Directors for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called by the President, the Chairman of the Board, the majority of the Board of Directors, the Executive Committee of the Board, and shall be called by the President at the request of the holders of not less than two-thirds (2/3) of the voting power of all shares of the voting stock voting together as a single class. Only those matters that are specified in the call of or request for a special meeting may be considered or voted at such meeting.

SECTION 3. PLACE OF MEETING. Meetings of the shareholders, whether they be annual or special, shall be held at the principal office of the Corporation, unless a place, either within or without the state, is otherwise designated by the Board of Directors in the notice provided to shareholders of such meetings.

SECTION 4. NOTICE OF MEETING. Written or printed notice of every meeting of shareholders shall be mailed by the Corporate Secretary or any Assistant Corporate Secretary, not less than ten (10) nor more than fifty (50) days before the date of the meeting, to each holder of record of stock entitled to vote at the meeting. The notice shall be mailed to each shareholder at his last known post office address, provided, however, that if a shareholder is present at a meeting, or waives notice thereof in writing before or after the meeting, the notice of the meeting to such shareholders shall be unnecessary.

SECTION 5. VOTING OF SHARES. At every meeting of shareholders each holder of stock entitled to vote thereat shall be entitled to one vote for each share of such stock held in his name on the books of the Corporation, subject to the provisions of applicable law and the Articles of Incorporation, and may vote and otherwise act in person or by proxy; provided, however, that in elections of directors there shall be cumulative voting as provided by law and by the Articles of Incorporation.

SECTION 6. QUORUM. The holders of a majority of the number of outstanding shares of stock of the Corporation entitled to vote thereat, present in person or by proxy at any meeting, shall constitute a quorum, but less than a quorum shall have power to adjourn any meeting from time to time without notice. No change shall be made in this Section 6 without the affirmative vote of the holders of at least a majority of the outstanding shares of stock entitled to vote.

SECTION 7. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. For the purposes of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

SECTION 8. VOTING RECORD. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of shareholders, a complete record of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

SECTION 9. CONDUCT OF PROCEEDINGS. The Chairman of the Board shall preside at all meetings of the shareholders. In the absence of the Chairman, the President shall preside and in the absence of both, the Executive Vice President shall preside. The members of the Board of Directors present at the meeting may appoint any officer of the Corporation or member of the Board to act as Chairman of any meeting in the absence of the Chairman, the President, or Executive Vice President. The Corporate Secretary of the Corporation, or in his absence, an Assistant Corporate Secretary, shall act as Secretary at all meetings of the shareholders. In the absence of the Corporate Secretary or Assistant Corporate Secretary at any meeting of the shareholders, the presiding officer may appoint any person to act as Secretary of the meeting.

SECTION 10. PROXIES. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Corporate Secretary of the Corporation before or at the time of the meeting.

ARTICLE III.
BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The powers of the Corporation shall be exercised by or under the authority of the Board of Directors, except as otherwise provided by the laws of the State of Washington and the Articles of Incorporation.

SECTION 2. NUMBER AND TENURE. The number of Directors of the Corporation shall be eight (8); provided, however, that if the right to elect a majority of the Board of Directors shall have accrued to the holders of the Preferred Stock as provided in paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, then, during such period as such holders shall have such right, the number of directors may exceed eight (8). Directors shall be divided into three classes, as nearly equal in number as possible. At each Annual Meeting of Shareholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders after their election. Notwithstanding the foregoing, directors elected by the holders of the Preferred Stock in accordance with paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation shall be elected for a term which shall expire not later than the next Annual Meeting of Shareholders. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified.

SECTION 3. REGULAR MEETINGS. The regular annual meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the shareholders or as soon as practicable after said annual meeting of shareholders. But, in any event, said regular annual meeting of the Board of Directors must be held on either the same day as the annual meeting of shareholders or the next business day following said annual meeting of shareholders. At such meeting the Board of Directors, including directors newly elected, shall organize itself for the coming year, shall elect officers of the Corporation for the ensuing year, and shall transact all such further business as may be necessary or appropriate. The Board shall hold regular quarterly meetings, without call or notice, on such dates as determined by the Board of Directors. At such quarterly meetings the Board of Directors shall transact all business properly brought before the Board.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President, the Executive Vice President or any three (3) directors. Notice of any special meeting shall be given to each director at least two (2) days in advance of the meeting.

SECTION 5. EMERGENCY MEETINGS. In the event of a catastrophe or a disaster causing the injury or death to members of the Board of Directors and the principal officers of the Corporation, any director or officer may call an emergency meeting of the Board of Directors. Notice of the time and place of the emergency meeting shall be given not less than two (2) days prior to the meeting and may be given by any available means of communication. The director or directors present at the meeting shall constitute a quorum for the purpose of filling vacancies determined to exist. The directors present at the emergency meeting may appoint such officers as necessary to fill any vacancies determined to exist. All appointments under this section shall be temporary until a special meeting of the shareholders and directors is held as provided in these Bylaws.

SECTION 6. CONFERENCE BY TELEPHONE. The members of the Board of Directors, or of any committee created by the Board, may participate in a meeting of the Board or of the committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in a meeting by such means shall constitute presence in person at a meeting.

SECTION 7. QUORUM. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The action of a majority of the directors present at a meeting at which a quorum is present shall be the action of the Board.

SECTION 8. ACTION WITHOUT A MEETING. Any action required by law to be taken at a meeting of the directors of the Corporation, or any action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

SECTION 9. VACANCIES. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors and any director so elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders.

SECTION 10. RESIGNATION OF DIRECTOR. Any director or member of any committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein. If no time is specified, it shall take effect from the time of its receipt by the Corporate Secretary, who shall record such resignation, noting the day, hour and minute of its reception. The acceptance of a resignation shall not be necessary to make it effective.

SECTION 11. REMOVAL. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, any director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of directors voting together as a single class, at a meeting of shareholders called expressly for that purpose; provided, however, that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the removal of such director would be sufficient to elect such director if then cumulatively voted at an election of the class of directors of which such director is a part. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 12. ORDER OF BUSINESS. The Chairman of the Board shall preside at all meetings of the directors. In the absence of the Chairman, the officer or member of the Board designated by the Board of Directors shall preside. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine. Minutes of all proceedings of the Board of Directors, or committees appointed by it, shall be prepared and maintained by the Corporate Secretary or an Assistant Corporate Secretary and the original shall be maintained in the principal office of the Corporation.

SECTION 13. NOMINATION OF DIRECTORS. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, nominations for the election of directors may be made by the Board of Directors, or a nominating committee appointed by the Board of Directors, or by any holder of shares of the capital stock of the Corporation entitled generally to vote in the election of directors (such stock being hereinafter in this Section called "Voting Stock"). However, any holder of shares of the Voting Stock may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Corporate Secretary not later than (i) with respect to an election to be held at an annual meeting of shareholders, ninety (90) days in advance of such

meeting and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that such shareholder is a holder of record of shares of the Voting Stock of the Corporation and intends to appear in person or by proxy at the meeting to nominate the person or persons identified in the notice; (c) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent revisions replacing such Act, rules or regulations) if the nominee(s) had been nominated, or were intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a Director of the Corporation if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 14. PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of the Board of Directors, or of a committee thereof, at which action on any corporate matter is taken, shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Corporate Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 15. RETIREMENT OF DIRECTORS. Directors who are seventy (70) years of age or more shall retire from the Board effective at the conclusion of the Annual Meeting of Shareholders held in the year in which their term expires, and any such Director shall not be nominated for election at such Annual Meeting. The foregoing shall be effective in 1988 and thereafter as to any Director who is seventy (70) years of age or more during the year in which his or her term expires.

ARTICLE IV.
EXECUTIVE COMMITTEE
AND
ADDITIONAL COMMITTEES

SECTION 1. APPOINTMENT. The Board of Directors, by resolution adopted by a majority of the Board, may designate three or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

SECTION 2. AUTHORITY. The Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors including authority to authorize distributions or the issuance of shares of stock, except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee or by law.

SECTION 3. TENURE. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee.

SECTION 4. MEETINGS. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than two (2) days notice stating the place, date and hour of the meeting, which notice may be written or oral. Any member of the Executive Committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person.

SECTION 5. QUORUM. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof. Actions by the Executive Committee must be authorized by the affirmative vote of a majority of the appointed members of the Executive Committee.

SECTION 6. ACTION WITHOUT A MEETING. Any action required or permitted to be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the Executive Committee.

SECTION 7. PROCEDURE. The Executive Committee shall select a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at a meeting thereof held next after the proceedings shall have been taken.

SECTION 8. COMMITTEES ADDITIONAL TO EXECUTIVE COMMITTEE. The Board of Directors may, by resolution, designate one or more other committees, each such committee to consist of two (2) or more of the directors of the Corporation. A majority of the members of any such committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide.

ARTICLE V. OFFICERS

SECTION 1. NUMBER. The Board of Directors shall elect one of its members Chairman of the Board and shall elect one of its members as President of the Corporation and the offices of Chairman and President may be held by the same person. The Board of Directors shall also elect one or more Vice Presidents, a Corporate Secretary, a Treasurer and may from time to time elect such other officers as the Board deems appropriate. The same person may be appointed to more than one office except the offices of President and Corporate Secretary.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected by the Board of Directors at the annual meeting of the Board. Each officer shall hold office until his successor shall have been duly elected and qualified.

SECTION 3. REMOVAL. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. POWERS AND DUTIES. The officers shall have such powers and duties as usually pertain to their offices, except as modified by the Board of Directors, and shall have such other powers and duties as may from time to time be conferred upon them by the Board of Directors.

ARTICLE VI.
CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS. The Board of Directors may authorize any officer or officers or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 2. CHECKS/DRAFTS/NOTES. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors by resolution may select.

ARTICLE VII.
CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors and shall contain such information as prescribed by law. Such certificates shall be signed by the President or a Vice President and by either the Corporate Secretary or an Assistant Corporate Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 2. TRANSFER OF SHARES. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporate Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes. The Board of Directors shall have power to appoint one or more transfer agents and registrars for transfer and registration of certificates of stock.

ARTICLE VIII.
CORPORATE SEAL

The seal of the Corporation shall be in such form as the Board of Directors shall prescribe.

ARTICLE IX.
INDEMNIFICATION

SECTION 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS. The Corporation shall indemnify and reimburse the expenses of any person who is or was a director, officer, agent or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another enterprise or employee benefit plan to the extent permitted by and in accordance with Article SEVENTH of the Company's Articles of Incorporation and as permitted by law.

SECTION 2. LIABILITY INSURANCE. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the laws of the State of Washington.

SECTION 3. RATIFICATION OF ACTS OF DIRECTOR, OFFICER OR SHAREHOLDER. Any transaction questioned in any shareholders' derivative suit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or shareholder, nondisclosure, miscomputation, or the application of improper principles or practices of accounting may be ratified before or after judgment, by the Board of Directors or by the shareholders in case less than a quorum of directors are qualified; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE X.
AMENDMENTS

Except as to Section 6 of Article II of these Bylaws, the Board of Directors may alter or amend these Bylaws at any meeting duly held, the notice of which includes notice of the proposed amendment. Bylaws adopted by the Board of Directors shall be subject to change or repeal by the shareholders; provided, however, that Section 2 of the Article II, Section 2 (other than the provision thereof specifying the number of Directors of the Corporation), and Sections 9, 11 and 13 of Article III and this proviso shall not be altered, amended or repealed, and no provision inconsistent therewith or herewith shall be included in these Bylaws, without the affirmative votes of the holders of at least eighty percent (80%) of the voting power of all the shares of the Voting Stock voting together as a single class.

THE WASHINGTON WATER POWER COMPANY

and

THE BANK OF NEW YORK

As Depositary

DEPOSIT AGREEMENT

for

\$12.40 PREFERRED STOCK, CONVERTIBLE SERIES L

Dated as of _____, 1998

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DEPOSIT AGREEMENT

DEPOSIT AGREEMENT, dated as of _____, 1998, between THE WASHINGTON WATER POWER COMPANY, a Washington corporation, and The Bank of New York, as Depositary.

W I T N E S S E T H

WHEREAS, it is desired to provide, as hereinafter set forth in this Deposit Agreement, for the deposit of shares of \$12.40 Preferred Stock, Convertible Series L, no par value, of the Company (the "New Preferred Stock") with the Depositary, as agent for the beneficial owners of the New Preferred Stock, for the purposes set forth in this Deposit Agreement, and for the issuance hereunder of the Depositary Receipts evidencing Depositary Shares constituting an interest in the New Preferred Stock so deposited; and

WHEREAS, the Depositary Receipts are to be substantially in the form of the Depositary Receipt annexed as Exhibit A to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided in this Deposit Agreement;

NOW, THEREFORE, in consideration of the premises contained herein, it is agreed by and among the parties hereto as follows:

ARTICLE I.

DEFINITIONS

The following definitions shall apply to the respective terms (in the singular and plural forms of such terms) used in this Deposit Agreement and the Depositary Receipts:

"ARTICLES OF AMENDMENT" shall mean the Articles of Amendment to the Restated Articles of Incorporation of the Company annexed as Exhibit B to this Deposit Agreement establishing and setting forth the rights, preferences, privileges and limitations of the New Preferred Stock.

"COMMON STOCK" shall mean the Company's Common Stock, no par value.

"COMPANY" shall mean The Washington Water Power Company, a Washington corporation, and its successors.

"CORPORATE OFFICE" shall mean the office of the Depositary at which at any particular time its depositary receipt business shall be administered, which at the date of this Deposit Agreement is located at 101 Barclay Street, New York, New York 10286.

"DEPOSIT AGREEMENT" shall mean this agreement, as the same may be amended, modified or supplemented from time to time.

"DEPOSITARY" shall mean The Bank of New York, and any successor as depositary hereunder.

"DEPOSITARY RECEIPT" shall mean a depositary receipt issued hereunder to evidence one or more Depositary Shares, whether in temporary or definitive form.

"DEPOSITARY SHARE" shall mean a one-tenth ownership interest in one share of New Preferred Stock deposited with the Depositary hereunder, as evidenced by the Depositary Receipts issued hereunder. Subject to the terms of this Deposit Agreement, each owner of a Depositary Share is entitled, proportionately, to all the rights and preferences of the New Preferred Stock represented by such Depositary Share, including the dividend, voting and liquidation rights contained in the Articles of Amendment.

"DEPOSITARY SUCCESSOR" means a successor to the Depositary taking title to the New Preferred Stock in accordance with Section 5.04.

"DEPOSITARY'S AGENT" shall mean an agent appointed by the Depositary as provided, and for the purposes specified, in Section 7.05.

"NEW PREFERRED STOCK" shall mean shares of the Company's \$12.40 Preferred Stock, Convertible Series L, no par value.

"OPERATING GUIDELINES" means the operating and administrative procedures relating to the functions of the Depositary pursuant to this Deposit Agreement, as agreed between the Company and the Depositary from time to time.

"PERSON" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, a government or any agency or political subdivision thereof, or any other entity of whatever nature.

"RECORD HOLDER" as applied to a Depositary Receipt shall mean the person in whose name a Depositary Receipt is registered on the books maintained by the Depositary for such purpose.

"REGISTRAR" shall mean any qualified Person appointed by the Company to register ownership of Depositary Receipts as herein provided.

"RESTATED ARTICLES OF INCORPORATION" shall mean the Restated Articles of Incorporation, as amended from time to time, of the Company.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

ARTICLE II.

FORM OF DEPOSITARY RECEIPTS, DEPOSIT OF NEW PREFERRED STOCK,
EXECUTION AND DELIVERY, TRANSFER,
SURRENDER AND CONVERSION OF DEPOSITARY RECEIPTS

SECTION 1.021. FORM AND TRANSFERABILITY OF DEPOSITARY RECEIPTS. Depositary Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. Pending the preparation of definitive Depositary Receipts, the Depositary, upon the written order of the Company, shall execute and deliver temporary Depositary Receipts that are printed, lithographed, typewritten, mimeographed or otherwise substantially of the tenor of the definitive Depositary Receipts in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the persons executing such Depositary Receipts may determine, as evidenced by their execution of such Depositary Receipts. If temporary Depositary Receipts are issued, the Company and the Depositary will cause definitive Depositary Receipts to be prepared without unreasonable delay. After the preparation of definitive Depositary Receipts, the temporary Depositary Receipts shall be exchangeable for definitive Depositary Receipts upon surrender of the temporary Depositary Receipts at an office described in the second to last paragraph of Section 2.02, without charge to the holder. Upon surrender for cancellation of any one or more temporary Depositary Receipts, the Depositary shall execute and deliver in exchange therefor definitive Depositary Receipts representing the same number of Depositary Shares as represented by the surrendered temporary Depositary Receipt or Depositary Receipts. Such exchange shall be made at the Company's expense and without any charge to the holder thereof. Until so exchanged, the temporary Depositary Receipts shall in all respects be entitled to the same benefits under this Agreement, and with respect to the New Preferred Stock deposited hereunder, as definitive Depositary Receipts.

Depositary Receipts shall be executed by the Depositary by the manual signature of a duly authorized signatory of the Depositary; provided, however, that such signature may be a facsimile if a Registrar (other than the Depositary) shall have countersigned the Depositary Receipts by manual signature of a duly authorized signatory of the Registrar. No Depositary Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose unless it shall have been executed as provided in the preceding sentence. The Depositary shall record on its books each Depositary Receipt executed as provided above and delivered as hereinafter provided.

Except as the Depositary may otherwise determine, Depositary Receipts shall be in denominations of any number of whole Depositary Shares. All Depositary Receipts shall be dated the date of their execution.

Depositary Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or regulation or with the rules and regulations of any securities exchange upon which the New Preferred Stock, the Depositary Shares or the Depositary Receipts may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Depositary Receipts are subject by reason of the date of issuance of the New Preferred Stock or otherwise.

Title to any Depositary Receipt (and to the Depositary Shares evidenced by such Depositary Receipt) that is properly endorsed or accompanied by a properly executed instrument of transfer or endorsement shall be transferable by delivery with the same effect as in the case of a negotiable instrument; provided, however, that until a Depositary Receipt shall be transferred on the books of the Depositary as provided in Section 2.04, the Depositary may, notwithstanding any notice to the contrary, treat the record holder thereof at such time as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes.

SECTION 1.022. DEPOSIT OF NEW PREFERRED STOCK; EXECUTION AND DELIVERY OF DEPOSITARY RECEIPTS IN RESPECT THEREOF. On the date the New Preferred Stock is initially issued by the Company, the Depositary, upon receipt of a written order from the Company and a certificate or certificates for the New Preferred Stock to be deposited under this Deposit Agreement in accordance with the provisions of this Section, shall execute and deliver a Depositary Receipt or Depositary Receipts for the number of Depositary Shares representing such deposited New Preferred Stock to the person or persons stated in such order. Deposited New Preferred Stock shall be held by the Depositary in an account to be established by the Depositary at the Corporate Office.

The Company shall deliver to the Depositary from time to time such quantities of Depositary Receipts as the Depositary may reasonably request to enable the Depositary to perform its obligations under this Deposit Agreement.

SECTION 1.023. CONVERSIONS OF NEW PREFERRED STOCK. Whenever the Company shall convert New Preferred Stock into Common Stock in accordance with the Articles of Amendment, it shall (unless otherwise agreed in writing with the Depositary) give the Depositary in its capacity as Depositary not less than [five] business days prior notice of the proposed date of the mailing of the notice of conversion to be effected in connection with a conversion of New Preferred Stock and of the number of such shares of New Preferred Stock held by the Depositary to be converted as hereinafter provided.

The Depositary shall, as directed by the Company, mail, first class postage prepaid, the notice of the conversion of New Preferred Stock not less than 15 and not more than 60 days prior to the date fixed for conversion (the "conversion date") of such New Preferred Stock. Such notice shall be mailed to each holder of record of the Depositary Receipts evidencing the Depositary Shares, at the address of such holder as the same appears on the records of the Depositary; but the failure to mail any such notice of conversion or any defect therein or the mailing thereof shall not prevent the occurrence of such conversion or impair the validity thereof.

With respect to the notices provided in this Section 2.03, the Company shall provide the Depositary with such notice, and each such notice shall, as appropriate and to the extent determinable at the time of such notice, state: the conversion date; in connection with an optional redemption, the Optional Conversion Price, the number of shares of Common Stock deliverable upon conversion of each share of New Preferred Stock, the Current Market Price used to calculate the number of shares of Common Stock (subject to any subsequent adjustments pursuant to paragraph Third of the Articles of Amendment) and the number of shares of Common Stock to be delivered in respect of each Depositary Share, the Optional Conversion Premium and whether the same will be paid in cash or in shares of Common Stock and, if to be paid in shares of Common Stock, the number of shares to be delivered in respect of each share of New Preferred Stock and in receipt of each Depositary Share; in connection with a mandatory conversion, the number of shares of Common Stock deliverable upon conversion of each share of New Preferred Stock and the then effective Common Equivalent Rate used to calculate the number of shares of Common Stock (subject to any subsequent adjustments pursuant to paragraph Third of the Articles of Amendment) and the number of shares of Common Stock to be delivered in respect of each Depositary Share; the place or places where Depositary Receipts evidencing Depositary Shares are to be surrendered for certificates and/or cash representing the conversion price; and that dividends in respect of the New Preferred Stock to be converted will cease to accrue on such conversion date.

Notice having been mailed by the Depositary as aforesaid, from and after the conversion date, the Depositary Shares shall be deemed no longer to be outstanding and all rights of the holders of Depositary Receipts evidencing such Depositary Shares (except the right to receive the shares of Common Stock and any cash upon conversion) shall cease and terminate. Upon surrender in accordance with said notices of the Depositary Receipts evidencing such Depositary Shares (properly endorsed or assigned for transfer, if the Depositary shall so require), such Depositary Shares shall be exchanged for shares of Common Stock at a rate equal to one-tenth of the number of shares of Common Stock delivered in respect of the shares of New Preferred Stock represented by such Depositary Shares; provided, however, that no fractional shares of Common Stock shall be distributed.

SECTION 2.04. TRANSFER OF DEPOSITARY RECEIPTS. Subject to the terms and conditions of this Deposit Agreement, the Depositary shall make transfers on its books from time to time of Depositary Receipts upon any surrender thereof by the holder in person

or by a duly authorized attorney, properly endorsed or accompanied by a properly executed instrument of transfer or endorsement, together with evidence of the payment of any transfer taxes as may be required by law. Upon such surrender, the Depositary shall execute a new Depositary Receipt or Depositary Receipts and deliver the same to or upon the order of the person entitled thereto evidencing the same aggregate number of Depositary Shares evidenced by the Depositary Receipt or Depositary Receipts surrendered.

The Depositary shall not be required to issue, transfer or exchange any Depositary Receipts for a period beginning at the opening of business 15 days next preceding the date of the selection of New Preferred Stock to be converted and ending at the close of business on the day of the mailing of notice of conversion of New Preferred Stock.

SECTION 2.05. COMBINATION AND SPLIT-UPS OF DEPOSITARY RECEIPTS. Upon surrender of a Depositary Receipt or Depositary Receipts at the Corporate Office or such other office as the Depositary may designate for the purpose of effecting a split-up or combination of Depositary Receipts, subject to the terms and conditions of this Deposit Agreement, the Depositary shall execute and deliver a new Depositary Receipt or Depositary Receipts in the authorized denominations requested evidencing the same aggregate number of Depositary Shares evidenced by the Depositary Receipt or Depositary Receipts surrendered; provided, however, that the Depositary shall not issue any Depositary Receipt evidencing fractional Depositary Shares.

SECTION 2.06. SURRENDER OF DEPOSITARY RECEIPTS AND WITHDRAWAL OF NEW PREFERRED STOCK. Any holder of a Depositary Receipt or Depositary Receipts may withdraw any or all of the New Preferred Stock (but only whole shares) represented by the Depositary Shares evidenced by such Depositary Receipts by surrendering such Depositary Receipt or Depositary Receipts at the Corporate Office or at such other office as the Depositary may designate for such withdrawals. After such surrender, without unreasonable delay, the Depositary shall deliver to such holder, or to the person or persons designated by such holder as hereinafter provided, the whole number of shares of New Preferred Stock represented by the Depositary Shares evidenced by the Depositary Receipt or Depositary Receipts so surrendered. Delivery of the New Preferred Stock being withdrawn may be made by the delivery of such certificates, documents of title and other instruments as the Depositary may deem appropriate, which, if required by the Depositary, shall be properly endorsed or accompanied by proper instruments of transfer.

Holders of a Depositary Receipt or Depositary Receipts who withdraw New Preferred Stock will not thereafter be entitled to deposit such shares of New Preferred Stock hereunder or to receive Depositary Shares therefor. If, prior to a conversion, the Depositary Receipt or Depositary Receipts delivered by the holder to the Depositary in connection with such withdrawal shall evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the whole number of shares of New Preferred Stock to be withdrawn, the Depositary shall at the same time, in addition to such whole number of shares of New Preferred Stock, deliver to such holder, or (subject to Section 2.04) upon his order,

a new Depositary Receipt or Depositary Receipts evidencing such excess number of Depositary Shares.

To the extent that Depositary Receipts are surrendered and all shares of New Preferred Stock which would otherwise be distributed cannot be distributed to the record holder of Depositary Receipts without creating fractional interests in such shares of New Preferred Stock or, the Depositary may, with the consent of the Company, adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the sale (at public or private sale) of such shares of New Preferred Stock representing in the aggregate such fractional interests at such place or places and upon such terms as it may deem proper, and the net proceeds of any such sale shall, subject to Section 3.02, be distributed or made available for distribution to such record holders that would otherwise receive fractional interests in such shares of New Preferred Stock.

If the New Preferred Stock being withdrawn is to be delivered to a person or persons other than the registered holder of the Depositary Receipt or Depositary Receipts being surrendered for withdrawal of such New Preferred Stock, such holder shall execute and deliver to the Depositary a written order so directing the Depositary and the Depositary may require that the Depositary Receipt or Depositary Receipts surrendered by such holder for withdrawal of such shares of New Preferred Stock be properly endorsed in blank or accompanied by a properly executed instrument of transfer or endorsement in blank.

The Depositary shall deliver the New Preferred Stock represented by the Depositary Shares evidenced by Depositary Receipts surrendered for withdrawal at the Corporate Office, except that, at the request, risk and expense of the holder surrendering such Depositary Receipt or Depositary Receipts and for the account of the holder thereof, such delivery may be made at such other place as may be designated by such holder.

SECTION 2.07. LIMITATIONS ON EXECUTION AND DELIVERY, TRANSFER, SPLIT-UP, COMBINATION, SURRENDER AND EXCHANGE OF DEPOSITARY RECEIPTS. As a condition precedent to the execution and delivery, transfer, split-up, combination, surrender or exchange of any Depositary Receipt, the Depositary, any of the Depositary's Agents or the Company may require any or all of the following: (i) payment to it of a sum sufficient for the payment (or, in the event that the Depositary or the Company shall have made such payment, the reimbursement to it) of any tax or other governmental charge with respect thereto (including any such tax or charge with respect to the New Preferred Stock being withdrawn or with respect to the Common Stock of the Company being issued upon conversion); (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature; and (iii) compliance with such regulations, if any, as the Depositary or the Company may establish not inconsistent with the provisions of this Deposit Agreement.

The transfer of Depositary Receipts may be refused and the transfer, split-up, combination, surrender or exchange of outstanding Depositary Receipts may be suspended (i) during a period when the register of shareholders of the Company is closed, (ii) if any such

action is deemed necessary or advisable by the Depositary, any of the Depositary's Agents or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit Agreement, or (iii) with the approval of the Company, for any other reason.

SECTION 2.08. LOST DEPOSITARY RECEIPTS, ETC. In case any Depositary Receipt shall be mutilated or destroyed or lost or stolen, the Depositary in its discretion may execute and deliver a Depositary Receipt of like form and tenor in exchange and substitution for such mutilated Depositary Receipt or in lieu of and in substitution for such destroyed, lost or stolen Depositary Receipt; provided, however, that the holder thereof provides the Depositary with (i) evidence satisfactory to the Depositary of such destruction, loss or theft of such Depositary Receipt, of the authenticity thereof and of his ownership thereof, (ii) reasonable indemnification satisfactory to the Depositary and (iii) payment of any expense (including fees, charges and expenses of the Depositary) in connection with such indemnification, execution and delivery.

SECTION 2.09. CANCELLATION AND DESTRUCTION OF SURRENDERED DEPOSITARY RECEIPTS. All Depositary Receipts surrendered to the Depositary or any Depositary's Agent shall be canceled by the Depositary. Except as prohibited by applicable law or regulation, the Depositary is authorized to destroy such Depositary Receipts so canceled.

ARTICLE III.

CERTAIN OBLIGATIONS OF HOLDERS OF DEPOSITARY RECEIPTS AND THE COMPANY

SECTION 3.01. FILING PROOFS, CERTIFICATES AND OTHER INFORMATION. Any holder of a Depositary Receipt may be required from time to time to file such proof of residence or other information, to execute such certificates and to make such representations and warranties as the Depositary or the Company may reasonably deem necessary or proper. The Depositary or the Company may withhold or delay the delivery of any Depositary Receipt, the transfer, conversion or exchange of any Depositary Receipt, the withdrawal of the New Preferred Stock represented by the Depositary Shares evidenced by any Depositary Receipt or the distribution of any dividend or other distribution until such proof or other information is filed, such certificates are executed or such representations and warranties are made.

SECTION 3.02. PAYMENT OF TAXES OR OTHER GOVERNMENTAL CHARGES. If any tax or other governmental charge shall become payable by or on behalf of the Depositary with respect to any Depositary Receipt, the Depositary Shares evidenced by such Depositary Receipt, the New Preferred Stock (or any fractional interest therein) represented by such Depositary Shares or any transaction referred to in Section 4.06, such tax (including transfer, issuance or acquisition taxes, if any) or governmental charge shall be payable by the holder

of such Depositary Receipt. Until such payment is made, transfer of any Depositary Receipt or any withdrawal of the New Preferred Stock represented by the Depositary Shares evidenced by such Depositary Receipt may be refused and any dividend or other distribution may be withheld. Any dividend or other distribution so withheld may be applied to any payment of such tax or other governmental charge, the holder of such Depositary Receipt remaining liable for any deficiency. Unless the Company determines otherwise, the Depositary shall act as the withholding agent for any payments, distributions and exchanges made with respect to the Depositary Shares and Depositary Receipts, and the New Preferred Stock represented thereby (collectively, the "Securities"). The Depositary shall be responsible with respect to the Securities for the timely (i) collection and deposit of any required withholding or backup withholding tax, and (ii) filing of any information returns or other documents with federal (and other applicable) taxing authorities. In the event the Depositary is required to pay any such amounts, the Company shall reimburse the Depositary for payment thereof upon the request of the Depositary and the Depositary shall, upon the Company's request and as instructed by the Company, pursue its rights against such holder at the Company's expense.

SECTION 3.03. REPRESENTATIONS AND WARRANTIES AS TO NEW PREFERRED STOCK.

The Company hereby represents and warrants that the New Preferred Stock has been validly issued and is fully paid and nonassessable and that the Company is duly authorized to deposit the New Preferred Stock. Such representations and warranties shall survive the deposit of the New Preferred Stock and the issuance of Depositary Receipts.

ARTICLE IV.

THE NEW PREFERRED STOCK, NOTICES

SECTION 4.01. CASH DISTRIBUTIONS. Whenever any cash dividend or other cash distribution shall be paid on the New Preferred Stock, the Company, on behalf of the Depositary, (or, if the Company determines otherwise, the Depositary) shall, subject to Sections 3.01 and 3.02, distribute on the payment date to record holders of Depositary Receipts on the record date fixed pursuant to Section 4.04 such amounts of such sum as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Depositary Receipts held by such holders; provided, however, that in case the Company or the Depositary shall be required to withhold and does withhold from any cash dividend or other cash distribution in respect of the New Preferred Stock an amount on account of taxes or as otherwise required pursuant to law, regulation or court process, the amount made available for distribution or distributed in respect of Depositary Shares shall be reduced accordingly. The Company, on behalf of the Depositary, (or, if the Company determines otherwise, the Depositary) shall distribute or make available for distribution, as the case may be, only such amount, however, as can be distributed without attributing to any owner of Depositary Shares a fraction of one cent. In the event that the calculation of any such cash dividend or other cash distribution to be paid to any record holder on the aggregate

number of Depositary Shares held by such holder results in an amount which is a fraction of a cent, the amount the Depositary shall distribute to such record holder shall be rounded to the next highest whole cent; and upon request of the Depositary, the Company shall pay the additional amount to the Depositary for distribution.

SECTION 4.02. DISTRIBUTIONS OTHER THAN CASH. Whenever any distribution other than cash shall be made on the New Preferred Stock, the Company, on behalf of the Depositary (or, if the Company determines otherwise, the Depositary) shall, subject to Sections 3.01 and 3.02, distribute on the payment date to record holders of Depositary Receipts on the record date fixed pursuant to Section 4.04 such amounts of the securities or property received by it as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Depositary Receipts held by such holders, in any manner that the Company may deem equitable and practicable for accomplishing such distribution. If, in the opinion of the Company, such distribution cannot be made proportionately among such record holders, or if for any other reason (including any requirement that the Company or the Depositary withhold an amount on account of taxes or as otherwise required pursuant to law, regulation or court process), the Company deems such distribution not to be feasible, the Company, on behalf of the Depositary (or, if the Company determines otherwise, the Depositary) may adopt such method as it deems equitable and appropriate for the purpose of effecting such distribution, including the sale (at public or private sale) of the securities or property thus received, or any part thereof, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections 3.01 and 3.02, be distributed or made available for distribution, as the case may be, by the Company, on behalf of the Depositary (or, if the Company determines otherwise, the Depositary) to record holders of Depositary Receipts as provided by Section 4.01 in the case of a distribution received in cash.

SECTION 4.03. SUBSCRIPTION RIGHTS, PREFERENCES OR PRIVILEGES. If the Company shall at any time offer or cause to be offered to the persons in whose names New Preferred Stock is registered on the books of the Company any rights, preferences or privileges to subscribe for or to purchase any securities or any rights, preferences or privileges of any other nature, such rights, preferences or privileges shall in each such instance be made available by the Depositary or the Company to the record holders of Depositary Receipts if the Company so directs in such manner as the Company shall instruct (including by the issue to such record holders of warrants representing such rights, preferences or privileges); provided, however, that (a) if at the time of issue or offer of any such rights, preferences or privileges the Company determines that it is not lawful or feasible to make such rights, preferences or privileges available to some or all holders of Depositary Receipts (by the issue of warrants or otherwise) or (b) if and to the extent instructed by holders of Depositary Receipts who do not desire to exercise such rights, preferences or privileges, the Depositary shall then, if so instructed by the Company, and if applicable laws or the terms of such rights, preferences or privileges so permit, sell such rights, preferences or privileges of such holders at public or private sale, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections

3.01 and 3.02, be distributed by the Depositary or the Company, as the case may be, to the record holders of Depositary Receipts entitled thereto as provided by Section 4.01 in the case of a distribution received in cash.

If registration under the Securities Act of the securities to which any rights, preferences or privileges relate is required in order for holders of Depositary Receipts to be offered or sold such securities, the Company shall promptly file a registration statement pursuant to the Securities Act with respect to such rights, preferences or privileges and securities and use its best efforts and take all steps available to it to cause such registration statement to become effective sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges. In no event shall the Depositary make available to the holders of Depositary Receipts any right, preference or privilege to subscribe for or to purchase any securities unless and until the Depositary has been notified by the Company that such registration statement has become effective or that the offering and sale of such securities to such holders are exempt from registration under the provisions of the Securities Act.

If any other action under the law of any jurisdiction or any governmental or administrative authorization, consent or permit is required in order for such rights, preferences or privileges to be made available to holders of Depositary Receipts, the Company will use its best efforts to take such action or obtain such authorization, consent or permit sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges.

SECTION 4.04. NOTICE OF DIVIDENDS, FIXING OF RECORD DATE FOR HOLDERS OF DEPOSITARY RECEIPTS. Whenever (i) any cash dividend or other cash distribution shall become payable, any distribution other than cash shall be made, or any rights, preferences or privileges shall at any time be offered with respect to the New Preferred Stock, or (ii) the Depositary shall receive notice of any meeting at which holders of New Preferred Stock are entitled to vote or of which holders of New Preferred Stock are entitled to notice or any solicitation of consents in respect of the New Preferred Stock, or any event of which holders of New Preferred Stock are entitled to notice in accordance with the Articles of Amendment, the Depositary shall in each such instance fix a record date (which shall be the same date as the record date fixed by the Company with respect to the New Preferred Stock) for the determination of the holders of Depositary Receipts (x) who shall be entitled to receive such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, (y) who shall be entitled to receive notice of, and to give instructions for the exercise of voting rights at, or the delivery of consents with respect to, any such meeting or consent solicitation, as the case may be, or (z) who shall be entitled to receive notice of any conversion or other event.

SECTION 4.05. VOTING RIGHTS. Promptly upon receipt of notice of any meeting at which the holders of New Preferred Stock are entitled to vote, the Depositary (unless another arrangement for allowing holders of Depositary Shares to exercise the voting

rights associated with the Depositary Shares is agreed by the Company and the Depositary), shall mail to the record holders of Depositary Receipts a notice, which shall be provided by the Company and which shall contain (i) such information as is contained in such notice of meeting, (ii) a statement that the holders of Depositary Receipts at the close of business on a specified record date fixed pursuant to Section 4.04 will be entitled, subject to any applicable provision of law, the Restated Articles of Incorporation or the Articles of Amendment, to instruct the Depositary as to the exercise of the voting rights with respect to the number of shares of New Preferred Stock represented by their respective Depositary Shares and (iii) a brief statement as to the manner in which such instructions may be given. Upon the written request of a holder of a Depositary Receipt on such record date, the Depositary shall endeavor insofar as practicable to vote or cause to be voted with respect to the amount of New Preferred Stock represented by the Depositary Shares evidenced by such Depositary Receipt in accordance with the instructions set forth in such request. The Depositary will abstain from voting with respect to the New Preferred Stock to the extent that it does not receive specific instructions from the holders of Depositary Receipts.

SECTION 4.06. CHANGES AFFECTING NEW PREFERRED STOCK AND RECLASSIFICATIONS, RECAPITALIZATIONS, ETC. Upon any conversion, split-up, consolidation or any other reclassification of New Preferred Stock, or upon any recapitalization, reorganization, merger, amalgamation or consolidation affecting the Company or to which it is a party or sale of all or substantially all of the Company's assets, the Depositary shall, upon the instructions of the Company, treat any shares of stock or other securities (including depositary shares) or property (including cash) that shall be received by the Depositary in exchange for or upon conversion of or in respect of the New Preferred Stock as new deposited property under this Deposit Agreement, and Depositary Receipts then outstanding shall thenceforth represent the proportionate interests of holders thereof in the new deposited property so received in exchange for or upon conversion of or in respect of such New Preferred Stock. In any such case the Depositary may, in its discretion, with the approval of the Company, execute and deliver additional Depositary Receipts, or may call for the surrender of all outstanding Depositary Receipts to be exchanged for new Depositary Receipts specifically describing such new deposited property. If upon any conversion, split-up, consolidation or any other reclassification of New Preferred Stock, or upon any recapitalization, reorganization, merger, amalgamation or consolidation affecting the Company or to which it is a party or sale of all or substantially all of the Company's assets the Company delivers to the Depositary shares of stock or other securities (including depositary shares) or property (including cash) a portion of which is to be distributed to record holders of Depositary Receipts in accordance with Sections 4.01, 4.02 and 4.03 and a portion of which is to be received by the Depositary in exchange for or upon conversion of or in respect of the New Preferred Stock as new deposited property under this Section 4.06, the Company shall clearly indicate such division in the instructions to the Depositary provided pursuant to this Section 4.06.

ARTICLE V.

THE DEPOSITARY AND THE COMPANY

SECTION 5.01. MAINTENANCE OF OFFICES, AGENCIES, TRANSFER BOOKS BY THE DEPOSITARY; THE REGISTRAR. Upon execution of this Deposit Agreement in accordance with its terms, the Depositary shall maintain at the Corporate Office facilities for the execution and delivery, transfer, surrender and exchange, split-up and combination of Depositary Receipts and the deposit and withdrawal of New Preferred Stock and Common Stock and at the offices of the Depositary's Agents, if any, facilities for the delivery, transfer, surrender and exchange, split-up, combination and conversion of Depositary Receipts and the deposit and withdrawal of New Preferred Stock and Common Stock, all in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books at the Corporate Office for the registration and transfer of Depositary Receipts, which books at all reasonable times shall be open for inspection by the record holders of Depositary Receipts as and to the extent provided by applicable law. The Depositary shall consult with the Company upon receipt of any request for inspection. The Depositary may close such books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder.

The Depositary shall make available for inspection by holders of Depositary Receipts at the Corporate Office and at such other places as it may from time to time deem advisable during normal business hours any reports and communications received from the Company that are both received by the Depositary as the holder of New Preferred Stock and made generally available to the holders of New Preferred Stock.

Promptly upon request from time to time by the Company and at the Company's sole expense, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of Depositary Shares of all persons in whose names Depositary Receipts are registered on the books of the Depositary.

If the Depositary Receipts or the Depositary Shares evidenced thereby or the New Preferred Stock represented by such Depositary Shares shall be listed on the New York Stock Exchange (the "NYSE"), the Depositary shall, if directed by the Company, appoint a Registrar for registry of such Depositary Receipts or Depositary Shares in accordance with the requirements of the NYSE. Such Registrar (which may be the Depositary if so permitted by the requirements of the NYSE) may be removed and a substitute registrar appointed by the Depositary upon the request or with the approval of the Company. If the Depositary Receipts, the Depositary Shares or the New Preferred Stock are listed on one or more other stock exchanges, the Depositary will, at the request of the Company, arrange such facilities for the delivery, transfer, surrender and exchange of such Depositary Receipts, such Depositary Shares or such New Preferred Stock as may be required by law or applicable stock exchange regulations.

SECTION 5.02. LIABILITY OF THE DEPOSITARY, THE DEPOSITARY'S AGENTS OR THE COMPANY. Neither the Depositary nor any Depositary's Agent nor the Company shall incur any liability to any holder of any Depositary Receipt, if by reason of any provision of any present or future law or regulation thereunder of the United States of America or of any other governmental authority or, in the case of the Depositary or the Depositary's Agent, by reason of any provision, present or future, of the Restated Articles of Incorporation or the Articles of Amendment or, in the case of the Company, the Depositary or the Depositary's Agent, by reason of any act of God or war or other circumstances beyond the control of the relevant party, the Depositary, any Depositary's Agent or the Company shall be prevented or forbidden from doing or performing any act or thing that the terms of this Deposit Agreement provide shall be done or performed; nor shall the Depositary, any Depositary's Agent or the Company incur any liability to any holder of a Depositary Receipt by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing that the terms of this Deposit Agreement provide shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement except, in case of any such exercise or failure to exercise discretion not caused as aforesaid, if caused by the negligence, bad faith or willful misconduct of the party charged with such exercise or failure to exercise.

SECTION 5.03. OBLIGATIONS OF THE DEPOSITARY, THE DEPOSITARY'S AGENTS AND THE COMPANY. Neither the Depositary nor any Depositary's Agent nor the Company nor the Registrar assumes any obligation or shall be subject to any liability under this Deposit Agreement or any Depositary Receipt to holders of Depositary Receipts other than that each of them agrees to use good faith in the performance of such duties as are specifically set forth in this Deposit Agreement and other than for its negligence, bad faith or willful misconduct.

Neither the Depositary nor any Depositary's Agent nor the Company nor the Registrar shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding with respect to New Preferred Stock, Depositary Shares or Depositary Receipts or Common Stock or other securities or property that in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense and liability be furnished as often as may be required.

Neither the Depositary nor any Depositary's Agent nor the Company nor the Registrar shall be liable for any action or any failure to act by it in reliance upon the advice of or information from legal counsel, accountants, any holder of a Depositary Receipt or any other person believed by it in good faith to be competent to give such advice or information. The Depositary, any Depositary's Agent, the Registrar and the Company may each rely and shall each be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Notwithstanding the first paragraph of this Section 5.03, the Depositary shall not be responsible for any failure to carry out any instruction to vote any of the deposited shares of New Preferred Stock or for the manner or effect of any such vote made, as long as any such action or non-action is in good faith or in accordance with this Deposit Agreement. The Depositary undertakes, and any Registrar shall be required to undertake, to perform such duties and only such duties as are specifically set forth in this Deposit Agreement with respect to the Depositary or any Registrar. The Depositary will indemnify the Company against any liability that may arise out of acts performed or omitted by the Depositary or its agents due to its or their negligence, bad faith or willful misconduct. The Depositary, its parent, affiliates or subsidiaries and any Depositary's Agent may own, buy, sell or deal in any class of securities of the Company and its affiliates and in Depositary Receipts or Depositary Shares or become pecuniarily interested in any transaction in which the Company or its affiliates may be interested or contract with or lend money to or otherwise act as fully or as freely as if it were not the Depositary or the Depositary's Agent hereunder. The Depositary may also act as transfer agent or registrar of any of the securities of the Company and its affiliates or act in any other capacity for the Company or its affiliates.

It is intended that neither the Depositary nor any Depositary's Agent shall be deemed to be an "issuer" of the securities under the federal securities laws or applicable state securities laws, it being expressly understood and agreed that the Depositary and any Depositary's Agent are acting only in a ministerial capacity as Depositary for the New Preferred Stock.

The Depositary agrees to comply with all information reporting and withholding requirements applicable to it under law or this Deposit Agreement in its capacity as Depositary.

Each of the Company and the Depositary agree to be bound by, and act in accordance with, the Operating Guidelines current from time to time.

The Depositary shall not lend any securities, cash or other property on deposit under this agreement.

Neither the Depositary (or its officers, directors, employees or agents) nor any Depositary's Agent nor the Registrar makes any representation or has any responsibility as to the validity of the Prospectus pursuant to which the Depositary Shares are offered, the New Preferred Stock, the Depositary Shares or the Depositary Receipts (except its countersignature thereon), or any instruments referred to therein or herein, or as to the correctness of any statement made therein or herein; provided, however, that the Depositary is responsible for its representations in this Deposit Agreement.

The Depositary assumes no responsibility for the correctness of the description that appears in the Depositary Receipts, which can be taken as a statement of the Company summarizing certain provisions of this Deposit Agreement. Notwithstanding any other

provision herein or in the Depositary Receipts, the Depositary makes no warranties or representations as to the validity, genuineness or sufficiency of any New Preferred Stock at any time deposited with the Depositary hereunder or of the Depositary Shares, as to the validity or sufficiency of this Deposit Agreement, as to the value of the Depositary Shares or as to any right, title or interest of the record holders of Depositary Receipts in and to the Depositary Shares, except that the Depositary hereby represents and warrants as follows: (i) the Depositary has been duly organized and is validly existing and in good standing under the laws of the State of New York, with full power, authority and legal right under such law to execute, deliver and carry out the terms of this Deposit Agreement; (ii) this Deposit Agreement has been duly authorized, executed and delivered by the Depositary; and (iii) this Deposit Agreement constitutes a valid and binding obligation of the Depositary, enforceable against the Depositary in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting enforcement of creditors, rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). The Depositary shall not be accountable for the use or application by the Company of the Depositary Shares or the Depositary Receipts or the proceeds thereof.

SECTION 5.04. RESIGNATION AND REMOVAL OF THE DEPOSITARY, APPOINTMENT OF SUCCESSOR DEPOSITARY. The Depositary may at any time resign as Depositary hereunder by notice of its election to do so delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Company may, by notice in writing to the Depositary, terminate the engagement of the Depositary with respect to any or all of the duties or obligations of the Depositary set out in this Deposit Agreement (including such duties as are customarily associated with the role of a transfer agent or paying agent), such termination to take effect upon the appointment of a successor to fulfill those duties or obligations and its acceptance of such appointment as hereinafter provided. In the event that the Company terminates the engagement of the Depositary with respect to some, but not all, of the duties or obligations of the Depositary, the Depositary shall thereafter be deemed only to have such rights and obligations under this Deposit Agreement as are necessary for it to fulfill its remaining duties or obligations. The Depositary agrees to cooperate with the Company or any person appointed by the Company or that person with respect to the performance of any of the duties previously performed by the Depositary.

In case at any time the Depositary acting hereunder shall resign or the Company shall terminate the engagement of the Depositary with respect to any or all of the duties or obligations of the Depositary set out in this Deposit Agreement, the Company shall, within 45 days after the delivery of the notice of resignation or termination, as the case may be, appoint a successor with respect to such duties and obligations so terminated. If such successor is to take title to the New Preferred Stock (a "Depositary Successor"), the Depositary Successor shall be a bank or trust company, or an affiliate of a bank or trust

company, having its principal office in the United States of America and having a combined capital and surplus of at least \$50,000,000. If a successor shall not have been appointed in 45 days, the resigning Depositary may petition a court of competent jurisdiction to appoint a successor.

Every Depositary Successor shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such Depositary Successor, without any further act or deed, shall become fully vested with all the duties and obligations of its predecessor so terminated and all rights and powers with respect thereto and for all purposes shall be the Depositary under this Deposit Agreement with respect to the duties and obligations of the predecessor so terminated, and such predecessor, upon payment of all sums due it and on the written request of the Company, shall promptly execute and deliver an instrument transferring to such Depositary Successor all such rights and powers of such predecessor hereunder, shall, if applicable, duly assign, transfer and deliver all rights, title and interest in the New Preferred Stock and any moneys or property held hereunder to such Depositary Successor and shall, if applicable, deliver to such Depositary Successor a list of the record holders of all outstanding Depositary Receipts. Any Depositary Successor shall promptly mail notice of its appointment to the record holders of Depositary Receipts.

Any corporation into or with which the Depositary may be merged, consolidated or converted shall be the successor of such Depositary without the execution or filing of any document or any further act. Such successor depositary may execute the Depositary Receipts either in the name of the predecessor depositary or in the name of the successor depositary.

SECTION 5.05. CORPORATE NOTICES AND REPORTS. The Company agrees that it will deliver to the Depositary, and the Depositary will, promptly after receipt thereof, transmit to the record holders of Depositary Receipts, in each case at the address recorded in the Depositary's books, copies of all notices and reports (including financial statements) required by law, by the rules of any national securities exchange upon which the New Preferred Stock, the Depositary Shares or the Depositary Receipts are listed or by the Restated Articles of Incorporation and the Articles of Amendment to be furnished by the Company to holders of New Preferred Stock. Such transmission will be at the Company's expense and the Company will provide the Depositary with such number of copies of such documents as the Depositary may reasonably request. In addition, the Depositary will transmit to the record holders of Depositary Receipts at the Company's expense such other documents as may be requested by the Company. The Depositary will make available for inspection by holders of Depositary Receipts at the Corporate Office and at such other places as it may from time to time deem advisable during normal business hours any such notices and reports received from the Company.

SECTION 5.06. TRUST PROPERTY HELD FOR BENEFIT OF HOLDERS OF DEPOSITARY RECEIPTS. The New Preferred Stock, the Common Stock into which the New Preferred Stock

shall be converted and any cash or other property received by the Depositary in respect of the New Preferred Stock and/or such Common Stock shall be held by the Depositary, in accordance with the provisions of this Deposit Agreement, for the benefit of the holders from time to time of the Depositary Receipts, and the Company shall have no right, title or interest therein.

SECTION 5.07. INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify the Depositary, any Depositary's Agent and any Registrar against, and hold each of them harmless from, any liability, costs and expenses (including reasonable attorneys' fees) that may arise out of or in connection with its acting as Depositary, Depositary's Agent or Registrar, respectively, under this Deposit Agreement and the Depositary Receipts, except for any liability arising out of negligence, bad faith or willful misconduct on the part of any such person or persons.

SECTION 5.08. FEES, CHARGES AND EXPENSES. No fees, charges and expenses of the Depositary or any Depositary's Agent hereunder or of any Registrar shall be payable by any person other than the Company, except for any taxes and other governmental charges and except as provided in this Deposit Agreement. If the Depositary incurs fees, charges or expenses for which it is not otherwise liable hereunder at the election of a holder of a Depositary Receipt or other person, such holder or other person will be liable for such fees, charges and expenses. All other fees, charges and expenses of the Depositary and any Depositary's Agent hereunder and of any Registrar (including, in each case, fees and expenses of counsel) incident to the performance of their respective obligations hereunder will be paid from time to time upon consultation and agreement between the Depositary and the Company as to the amount and nature of such fees, charges and expenses.

ARTICLE VI.

AMENDMENT AND TERMINATION

SECTION 6.01. AMENDMENT. The form of the Depositary Receipts and any provision of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect that they may deem necessary or desirable. Any amendment that shall impose or increase any fees, taxes or charges upon holders of Depositary Receipts (other than fees and charges provided for herein or in the Depositary Receipts), or that shall otherwise prejudice any substantial existing right of holders of Depositary Receipts, shall not become effective as to outstanding Depositary Receipts until the expiration of 30 days after notice of such amendment shall have been given to the record holders of outstanding Depositary Receipts. Every holder of an outstanding Depositary Receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such Depositary Receipt, to consent and agree to such amendment and to be bound by this Deposit Agreement as amended thereby. In no event shall any amendment impair the right, subject to the provisions of Sections 2.03, 2.06, 2.07 and Article III, of any

owner of any Depositary Shares to surrender the Depositary Receipt evidencing such Depositary Shares with instructions to the Depositary to deliver to the holder the New Preferred Stock or Common Stock, as applicable, represented thereby, except in order to comply with mandatory provisions of applicable law.

SECTION 6.02. TERMINATION. This Deposit Agreement may be terminated by the Company or the Depositary only after (i) all the outstanding New Preferred Stock has been converted as contemplated in Section 2.03 or (ii) there shall have been made a final distribution in respect of the New Preferred Stock (or the Common Stock into which the New Preferred Stock shall have been converted) in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been made to the holders of Depositary Shares pursuant to Section 4.01 or 4.02 as applicable. The Company and the Depositary shall undertake to terminate this Deposit Agreement as soon as reasonably practicable after any such conversion or distribution.

If any Depositary Receipts shall remain outstanding after the date of termination of this Deposit Agreement, the Depositary thereafter shall discontinue the transfer of Depositary Receipts, the Company or the Depositary, as the case may be, shall suspend the distribution of dividends to the holders thereof, and the Depositary shall not give any further notices (other than notice of such termination) or perform any further acts under this Deposit Agreement, except that the Depositary shall, if applicable, continue to collect dividends and other distributions pertaining to New Preferred Stock, sell rights, preferences or privileges as provided in this Deposit Agreement and shall continue to deliver the New Preferred Stock and any money and other property represented by Depositary Receipts upon surrender thereof by the holders thereof. At any time after the expiration of two years from the date of termination, the Depositary may sell New Preferred Stock then held hereunder at public or private sale, at such places and upon such terms as it deems proper and may thereafter hold the net proceeds of any such sale, together with any money and other property held by it hereunder, without liability for interest, for the benefit, pro rata in accordance with their holdings, of the holders of Depositary Receipts that have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement except to account for such net proceeds and money and other property.

Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary, any Depositary's Agent and any Registrar under Sections 5.07 and 5.08. In the event this Deposit Agreement is terminated, the Company hereby agrees to use its reasonable efforts to list the underlying New Preferred Stock on the NYSE or any other national securities exchange on which the Common Stock is listed.

ARTICLE VII.

MISCELLANEOUS

SECTION 7.01. COUNTERPARTS. This Deposit Agreement may be executed by the Company and the Depository in separate counterparts, each of which counterpart, when so executed and delivered, shall be deemed an original, but all such counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Deposit Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Deposit Agreement. Copies of this Deposit Agreement shall be filed with the Depository and the Depository's Agents and shall be open to inspection at all reasonable times during normal business hours at the Corporate Office and the respective offices of the Depository's Agents, if any, by any holder of a Depository Receipt.

SECTION 7.02. EXCLUSIVE BENEFITS OF PARTIES. This Deposit Agreement is for the exclusive benefit of the parties hereto, and their respective successors hereunder, and the holders of the Depository Receipts, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever.

SECTION 7.03. INVALIDITY OF PROVISIONS. In case any one or more of the provisions contained in this Deposit Agreement or in the Depository Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.04. NOTICES. Any notices to be given to the Company hereunder or under the Depository Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail, or by telegram or telex or telecopier confirmed by letter, addressed to the Company at 1411 East Mission Avenue, Spokane, Washington 99202, (telecopier (509) 482-4361), Attention: Senior Vice President, Chief Financial Officer & Treasurer, or at any other place to which the Company may have transferred its principal executive office.

Any notices to be given to the Depository hereunder or under the Depository Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail, or by telegram or telex or telecopier confirmed by letter, addressed to the Depository at the Corporate Office.

Any notices given to any record holder of a Depository Receipt hereunder or under the Depository Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail, or by telegram or telex or telecopier confirmed by letter, addressed to such record holder at the address of such record holder as it appears on the books of the Depository or, if such holder shall have timely filed with the Depository

a written request that notices intended for such holder be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail, or by telegram or telex or telecopier shall be deemed to be effected at the time when a duly addressed letter containing the same (or a duly addressed letter confirming an earlier notice in the case of a telegram or telex or telecopier message) is deposited, postage prepaid, in a post office letter box. The Depositary or the Company may, however, act upon any telegram or telex or telecopier message received by it from the other or from any holder of a Depositary Receipt, notwithstanding that such telegram or telex or telecopier message shall not subsequently be confirmed by letter as aforesaid.

SECTION 7.05. DEPOSITARY'S AGENTS. The Depositary may from time to time appoint Depositary's Agents (with the Company's prior written consent and on terms and conditions acceptable to the Company) to act in any respect for the Depositary for the purposes of this Deposit Agreement and may at any time appoint additional Depositary's Agents and vary or terminate the appointment of such Depositary's Agents. The Depositary will notify the Company prior to any such action.

SECTION 7.06. HOLDERS OF DEPOSITARY RECEIPTS ARE PARTIES. Notwithstanding that holders of Depositary Receipts have not executed and delivered this Deposit Agreement or any counterpart thereof, the holders of Depositary Receipts from time to time shall be deemed to be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Depositary Receipts by acceptance of delivery of Depositary Receipts.

SECTION 7.07. GOVERNING LAW. This Deposit Agreement and the Depositary Receipts and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, and construed in accordance with, the law of the State of New York without giving effect to principles of conflict of laws.

SECTION 7.08. HEADINGS. The headings of articles and sections in this Deposit Agreement and in the form of the Depositary Receipt set forth in Exhibit A hereto have been inserted for convenience only and are not to be regarded as a part of this Deposit Agreement or to have any bearing upon the meaning or interpretation of any provision contained herein or in the Depositary Receipts.

IN WITNESS WHEREOF, The Washington Water Power Company and The Bank of New York have duly executed this agreement as of the day and year first above set forth and all holders of Depository Receipts shall become parties hereto by and upon acceptance by them of delivery of Depository Receipts issued in accordance with the terms hereof.

THE WASHINGTON WATER POWER COMPANY

Attest:

By: _____ By: _____
Authorized Officer

THE BANK OF NEW YORK

Attest:

By: _____ By: _____
Authorized Signatory

[PAINE, HAMBLÉN, COFFIN, BROOKE & MILLER LETTERHEAD]

October 5, 1998

The Washington Water Power Company
1411 East Mission Avenue
Spokane, Washington 99202

Ladies and Gentlemen:

We are acting as counsel to The Washington Water Power Company (the "Company") in connection with the proposed issuance by the Company of up to 2,000,000 shares of its Preferred Stock, Convertible Series L (the "New Preferred Stock"), and a number of shares of Common Stock (the "New Common Stock") to be delivered upon conversion of the New Preferred Stock, and the related delivery of depositary receipts evidencing depositary shares each constituting a one-tenth interest in one share of the New Preferred Stock deposited with The Bank of New York, as depositary under a Deposit Agreement with the Company (the "Deposit Agreement"), all as contemplated by the registration statement on Form S-4 filed by the Company with the Securities and Exchange Commission on August 17, 1998 under the Securities Act of 1933, as amended (the "Act"), said registration statement, as it may be amended, being hereinafter called the "Registration Statement".

We have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement, (ii) a Certificate of Existence/Authorization issued by the Secretary of State of the State of Washington, (iii) the Company's Restated Articles of Incorporation and (iv) a form of the Articles of Amendment containing the terms and provisions of the New Preferred Stock (the "Articles of Amendment"). We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. As to various facts material to the opinions expressed below, we have relied on certificates of public officials, certificates of officers or employees of the Company, representations contained in the documents and other oral or written assurances by officers or employees of the Company.

Based upon the foregoing and subject to the qualifications hereinafter expressed, we are of the opinion that when:

(a) the Registration Statement shall have become effective under the Act (and assuming that no stop order shall have been issued);

(b) the Articles of Amendment shall have been filed with the Secretary of State of the State of Washington in the form and manner required by law;

(c) The Deposit Agreement shall have been duly executed and delivered by the Company;

(d) the certificates for shares of the New Preferred Stock have been duly countersigned and registered by a transfer agent and registrar; and

(e) the New Preferred Stock shall have been issued and delivered by the Company as contemplated by, and in conformity with, the acts, proceedings and documents referred to above and the Company's Restated Articles of Incorporation, as amended by the Articles of Amendment;

the New Preferred Stock will have been legally issued and will be fully paid and non-assessable, and the Deposit Agreement will have been duly authorized, executed and delivered by the Company, and, thereafter, when the New Preferred Stock shall have been converted as contemplated in the Articles of Amendment and the Rights appurtenant to such shares of Common Stock shall have been issued in accordance with the terms of the Rights Agreement, dated as of February 6, 1990, as amended (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, the New Common Stock issued upon such conversion will have been legally issued and will be fully paid and non-assessable and the Rights appurtenant thereto will have been legally issued; and no further approval, authorization, consent or other order of, or filing with, any governmental agency of the States of Washington, California, Idaho, Montana and Oregon will be legally required for the issuance by the Company of the New Preferred Stock or the New Common Stock (including the appurtenant Rights) as contemplated in the Registration Statement or in order for the New Preferred Stock and the New Common Stock to be fully paid and non-assessable or in order for the Deposit Agreement to be a legal and binding obligation of the Company.

The opinions expressed herein are limited to the laws of the States of Washington, California, Idaho, Montana and Oregon (excluding therefrom principles of conflicts of laws, state securities or blue sky laws and laws of political subdivisions of such States). To the extent the such opinions relate to or are dependent upon matters governed by the Federal Power Act, as amended, the Public Utility Holding Company Act of 1935, as amended, or the Investment Company Act of 1940, as amended, we have assumed the legal conclusions set forth in the opinion of Thelen Reid & Priest LLP which is being filed as Exhibit 5(b) and 8 to the Registration Statement.

We note that we are not aware of any court decisions applying the law of the State of Washington that addresses plans similar to the Rights Agreement, and that, as a consequence, it is difficult to predict how a court applying such law would rule with respect to the due authorization and valid issuance of the Rights. We have concluded that a court applying the law of the State of Washington, when presented with novel questions concerning matters such as the authorization and issuance of the Rights, after giving effect to reported court decisions concerning the "business judgment rule" under Washington law, most likely would look to and apply the corporate law of the State of Delaware. Accordingly, the opinions relating to the Rights expressed in the immediately

preceding paragraph are based upon such conclusion. We do not herein express any opinion as to the enforceability of the Rights or the Rights Agreement under the law of the State of Washington.

This opinion is given as of the date hereof, without any obligation upon us to update this opinion or to advise the addressee hereof or any other party of any changes in circumstances or laws that may hereafter be brought to our attention or occur which may affect this opinion.

We hereby consent to the filing of this opinion as Exhibit 5(a) to the Registration Statement and to the references to our firm under the heading "Legal Matters" in the Prospectus which forms a part of the Registration Statement. In giving the foregoing consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated thereunder. Except as expressly permitted hereby, this opinion may not be used, delivered, circulated, filed, quoted or otherwise referred to.

Very truly yours,

PAINE, HAMBLIN, COFFIN, BROOKE
& MILLER LLP

Lawrence R. Small

[THELEN REID & PRIEST LLP LETTERHEAD]

October 4, 1998

The Washington Water Power Company
1411 East Mission Avenue
Spokane, Washington 99202

Ladies and Gentlemen:

We are acting as counsel to The Washington Water Power Company (the "Company") in connection with the proposed issuance by the Company of up to 2,000,000 shares of its Preferred Stock, Convertible Series L (the "New Preferred Stock"), and a number of shares of Common Stock (the "New Common Stock") to be delivered upon conversion of the New Preferred Stock, and the related delivery of depositary receipts (the "Depositary Receipts") evidencing depositary shares each constituting a one-tenth interest in one share of the New Preferred Stock deposited with The Bank of New York, as depositary (the "Depositary") under a Deposit Agreement with the Company (the "Deposit Agreement"), all as contemplated by the registration statement on Form S-4 filed by the Company with the Securities and Exchange Commission on August 17, 1998 under the Securities Act of 1933, as amended (the "Act"), said registration statement, as it may be amended, being hereinafter called the "Registration Statement".

We have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement and (ii) the Deposit Agreement. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. As to various facts material to the opinions expressed below, we have relied on certificates of public officials, certificates of officers or employees of the Company, representations contained in the documents and other oral or written assurances by officers or employees of the Company.

Based upon the foregoing and subject to the qualifications hereinafter expressed, we are of the opinion that when:

- (a) the Registration Statement shall have become effective under the Act;
- (b) The Deposit Agreement shall have been duly executed and delivered by the Company and the Depositary;

(c) the New Preferred Stock shall have been issued and delivered by the Company as contemplated by, and in conformity with, the Company's Restated Articles of Incorporation, as amended, and the other acts, proceedings and documents referred to in the opinion of Paine, Hamblen, Coffin, Brooke & Miller LLP which is being filed as Exhibit 5(a) to the Registration Statement; and

(d) the Depositary Receipts shall have been duly executed by the Depositary and delivered as contemplated in the Deposit Agreement;

the Depositary Receipts will be legal and binding instruments with respect to the deposit of the New Preferred Stock under the Deposit Agreement.

We further are of the opinion that no approval, authorization consent or other order of, or filing with, the Federal Energy Regulatory Commission under the Federal Power Act, as amended, or the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, or the Investment Company Act of 1940, as amended, is required for the legal issuance by the Company of the New Preferred Stock or the New Common Stock (including the Rights appurtenant thereto) or for the legal issuance of the Depositary Receipts, as contemplated in the Registration Statement, or in order for the New Preferred Stock or the New Common Stock to be fully paid and non-assessable or for the Depositary Receipts to be legal and binding obligations.

We are further of the opinion that the information contained in the Registration Statement under "Certain United States Federal Income Tax Consequences" constitutes an accurate description, in general terms, of the indicated federal income tax consequences to the holders of the Company's Common Stock of the exchange offer contemplated in the Registration Statement.

The opinions expressed herein are limited to the laws of the State of New York and the federal law of the United States (excluding therefrom principles of conflicts of laws, state securities or blue sky laws). To the extent that such opinions relate to or are dependent upon matters governed by the laws of other States, we have assumed the legal conclusions set forth in the opinion of Paine, Hamblen, Coffin, Brooke & Miller LLP, which is being filed as Exhibit 5(a) to the Registration Statement.

We hereby consent to the filing of this opinion as Exhibit 5(b) and 8 to the Registration Statement and to the references to our firm in the Registration Statement. In giving the foregoing consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated thereunder.

Very truly yours,

/s/ Thelen Reid & Priest LLP

THELEN REID & PRIEST LLP

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Amendment No. 1 to the Registration Statement No. 333-61599 of The Washington Water Power Company on Form S-4 of our report dated January 30, 1998, appearing in the Annual Report on Form 10-K of The Washington Water Power Company for the year ended December 31, 1997 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Seattle, Washington

October 6, 1998

LETTER OF TRANSMITTAL
 TO TENDER SHARES OF COMMON STOCK
 OF
 THE WASHINGTON WATER POWER COMPANY
 PURSUANT TO ITS OFFER TO EXCHANGE
 UP TO 20,000,000 SHARES OF ITS
 COMMON STOCK, NO PAR VALUE
 FOR RECONS, EACH CONSTITUTING A ONE-TENTH INTEREST IN ONE SHARE
 OF \$12.40 PREFERRED STOCK, CONVERTIBLE SERIES L, NO PAR VALUE
 ON THE TERMS AND CONDITIONS SET FORTH HEREIN AND IN ITS
 PROSPECTUS DATED _____, 1998

DESCRIPTION OF COMMON SHARES TENDERED IN THE EXCHANGE OFFER

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S)
 (PLEASE FILL IN, IF BLANK)

COMMON SHARES TENDERED
 (ATTACH ADDITIONAL SIGNED LIST IF NECESSARY)

CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)*	WHOLE NUMBER OF SHARES TENDERED**
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TOTAL SHARES

TENDER DIVIDEND REINVESTMENT PLAN SHARES***

/ / Check here if you elect to tender Dividend Reinvestment and Stock Purchase Plan Shares in the Exchange Offer. Please indicate the whole number of Common Shares in the Dividend Reinvestment and Stock Purchase Plan tendered: _____

MUTILATED, LOST, STOLEN OR DESTROYED CERTIFICATES

/ / Check here if your certificates have been mutilated, lost, stolen or destroyed and you require assistance in replacing the same. The Exchange Agent will contact you directly with replacement instructions.

* Need not be completed by shareholders tendering by book-entry transfer only.

** Unless otherwise indicated, the holder will be deemed to have tendered the full number of Common Shares represented by the tendered certificates. See Instruction 4.

*** By checking the box, the holder instructs the Dividend Reinvestment and Stock Purchase Plan Agent to tender on such holder's behalf the whole number of Common Shares indicated. All whole Common Shares held in the holder's Dividend Reinvestment and Stock Purchase Plan account(s) will be tendered if the box is checked and the space is left blank.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON _____, _____, 1998, UNLESS THE OFFER IS EXTENDED.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER (AS DEFINED BELOW) IS:
 THE BANK OF NEW YORK

BY MAIL:
 (REGISTERED MAIL WITH RETURN RECEIPT
 REQUESTED, INSURED FOR AT LEAST 2% OF THE
 MARKET VALUE OF THE COMMON SHARES IS
 RECOMMENDED)
 P.O. Box 11248
 Church Street Station
 New York, New York 10286-1248

BY FACSIMILE TRANSMISSION:
 (FOR ELIGIBLE INSTITUTIONS ONLY)
 (212) 815-6213

BY HAND OR OVERNIGHT DELIVERY:
 Tender & Exchange Department
 101 Barclay Street
 Receive and Deliver Window
 New York, New York 10286

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by holders of outstanding shares of Common Stock of The Washington Water Power Company, no par value (the "Common Shares"), either (i) if Common Shares are to be forwarded herewith to The Bank of New York, as Exchange Agent for the Exchange Offer (the "Exchange Agent") or (ii) unless an Agent's Message is utilized, if tenders of Common Shares are to be made by book-entry transfer into the account maintained by the Exchange Agent at The Depository Trust Company ("DTC") in connection with the Exchange Offer. Tenders of Common Shares by book-entry transfer should be made pursuant to the procedures described in the accompanying Prospectus dated _____, 1998 (the "Prospectus") under "The Exchange Offer--Procedure for Tender." Holders of Common Shares who tender Common Shares by book-entry transfer are referred to herein as "Book-Entry Shareholders."

Shareholders who cannot deliver their Common Shares, this Letter of Transmittal and all other documents required hereby to the Exchange Agent by the Expiration Date (as defined in the Prospectus) must tender their Common Shares pursuant to the guaranteed delivery procedure set forth in the Prospectus under "The Exchange Offer--Procedure for Tender." See Instruction 2.

/ / CHECK HERE IF COMMON SHARES TENDERED PURSUANT TO THE EXCHANGE OFFER ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE EXCHANGE AGENT'S ACCOUNT AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____
DTC Account No. _____
Transaction Code No. _____

/ / CHECK HERE IF COMMON SHARES TENDERED PURSUANT TO THE EXCHANGE OFFER ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Tendering Shareholder(s) _____
Date of Execution of Notice of Guaranteed Delivery _____
Name of Institution which Guaranteed Delivery _____

If delivery is by book-entry transfer:

Name of Tendering Institution _____
DTC Account No. _____
Transaction Code No. _____

REGISTERED HOLDERS OF COMMON SHARES, AS WELL AS BENEFICIAL OWNERS WHO ARE DIRECT PARTICIPANTS IN DTC OR PARTICIPANTS IN THE COMPANY'S DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN, WHO DESIRE TO PARTICIPATE IN THE EXCHANGE OFFER SHOULD COMPLETE AND RETURN THIS LETTER OF TRANSMITTAL. ALL OTHER BENEFICIAL OWNERS OF COMMON SHARES SHOULD FOLLOW THE INSTRUCTIONS RECEIVED FROM THEIR BROKER OR NOMINEE AND SHOULD CONTACT THEIR BROKER OR NOMINEE DIRECTLY. THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL DO NOT APPLY TO SUCH BENEFICIAL OWNERS.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to The Washington Water Power Company, a Washington corporation (the "Company"), the above-described Common Shares pursuant to the offer by the Company to exchange up to 20,000,000 Common Shares for depositary shares each constituting a one-tenth interest in one share of the Company's \$12.40 Preferred Stock, Convertible Series L (each such depositary share being herein called a "RECONS"), upon the terms and subject to the conditions set forth in the Prospectus dated October __, 1998 (the "Prospectus"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which together constitute the "Exchange Offer"). Common Shares not accepted for exchange because of proration will be returned.

Subject to and effective upon acceptance for exchange of the Common Shares tendered herewith, the undersigned hereby sells, assigns and transfers to or upon the order of the Company all right, title and interest in and to all the Common Shares that are being tendered hereby and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned with respect to such Common Shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Common Shares or transfer ownership of such Common Shares on the account books maintained by DTC, together, in any such case, with all accompanying evidences of transfer and authenticity, to the Exchange Agent for the account of the Company, (b) present such Common Shares for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Common Shares, all in accordance with the terms of the Exchange Offer.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, exchange, assign and transfer the Common Shares tendered hereby and to acquire RECONS issuable upon the exchange of such tendered Common Shares and that, when the undersigned's Common Shares are accepted for exchange, the Company will acquire good and unencumbered title to such Common Shares, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned will, upon request, execute and deliver any additional document deemed by the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Common Shares or transfer ownership of such Common Shares.

All authority herein conferred or agreed to be conferred shall survive the death, bankruptcy or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of the undersigned. Except as stated in the Exchange Offer, this tender is irrevocable. Any tender of Common Shares hereunder may be withdrawn only in accordance with the procedures set forth in the Prospectus under "The Exchange Offer--Withdrawal of Tendered Common Shares."

The undersigned understands that tenders of Common Shares pursuant to any one of the procedures described in the Prospectus (see "The Exchange Offer--Procedure for Tender") and in the instructions hereto will constitute an agreement between the undersigned and the Company upon the terms and subject to the conditions of the Exchange Offer, including the tendering holder's representation and warranty that (i) such holder owns the Common Shares being tendered within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended, and (ii) the tender of such Common Shares complies with Rule 14e-4.

The undersigned understands and agrees that (i) the Preferred Stock to be delivered in exchange for Common Shares tendered by the undersigned and accepted for exchange pursuant to the Exchange Offer will be deposited under the Deposit Agreement (the "Deposit Agreement") dated as of October __, 1998 between the Company and The Bank of New York, as Depositary, (ii) the RECONS will be subject to the terms and conditions of the Deposit Agreement, and (iii) the RECONS will be evidenced by receipts ("Depositary Receipts") issued pursuant to the Deposit Agreement.

The undersigned recognizes that, under certain circumstances and subject to certain conditions to the Exchange Offer (any or all of which the Company may waive) set forth in the Prospectus, the Company may not

be required to accept for exchange any of the Common Shares that the undersigned has tendered (including any Common Shares tendered after the Expiration Date). Common Shares delivered to the Exchange Agent and not accepted for exchange will be returned to the undersigned as promptly as practicable following expiration or termination of the Exchange Offer at the address set forth on the cover page of this Letter of Transmittal unless otherwise indicated under "Special Delivery Instructions" below.

Unless otherwise indicated under "Special Issue Instruction" below, please cause Depositary Receipts to be issued, and return any Common Shares not tendered or not accepted for exchange, in the name(s) of the undersigned (or, in the case of Common Shares tendered by book-entry transfer and Depositary Receipts to be issued into DTC, by credit to the account at DTC designated above). Similarly, unless otherwise indicated under "Special Delivery Instruction," please mail any certificates for Common Shares not tendered or not accepted for exchange (and accompanying documents, as appropriate), and any Depositary Receipts issued pursuant to the Exchange Offer, to the undersigned at the address shown below the undersigned's signature(s). If both "Special Issue Instructions" and "Special Delivery Instructions" are completed, please cause Depositary Receipts to be issued, and return any Common Shares not tendered or not accepted for exchange, in the name(s) of, and deliver any certificates for such Common Shares and such Depositary Receipts to, the person(s) so indicated. The undersigned recognizes that the Company has no obligation, pursuant to the "Special Issue Instructions," to transfer any Common Shares from the name of the registered holder(s) thereof if the Company does not accept for exchange any of the Common Shares so tendered.

<p>-----</p> <p style="text-align: center;">SPECIAL ISSUE INSTRUCTIONS (SEE INSTRUCTIONS 1, 5 AND 2)</p> <p>To be completed ONLY if Depositary Receipts are to be issued, or certificates for Common Shares not tendered or not accepted for exchange are to be returned, in the name of someone other than the undersigned.</p> <p>Issue // Depositary Receipts in the name of:</p> <p>Return // certificates for Common Shares in the name of:</p> <p>Name ----- (Please Print)</p> <p>Address ----- ----- (Zip Code)</p> <p>----- (Tax Identification or Social Security Number)</p> <p>-----</p>	<p>-----</p> <p style="text-align: center;">SPECIAL DELIVERY INSTRUCTIONS (SEE INSTRUCTIONS 1, 5, AND 6)</p> <p>To be completed ONLY if certificates for Common Shares not tendered or not accepted for exchange, or Depositary Receipts issued pursuant to the Exchange Offer, are to be mailed to someone other than the undersigned, or to the undersigned at an address other than that shown below the undersigned's signature(s).</p> <p>Mail // certificate for Common Shares to: // Depositary Receipts to:</p> <p>Name ----- (Please Print)</p> <p>Address ----- ----- (Zip Code)</p> <p>-----</p>
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SIGN HERE

SIGNATURE(S) OF OWNER(S)

Dated _____ 1998

Name(s) _____

(PLEASE PRINT)

Capacity (full title) _____

Address _____

(INCLUDE ZIP CODE)

Area Code and Telephone Number _____

(Must be signed by (1) registered holder(s) exactly as name(s) appear(s) on certificate(s) for Common Shares, (2) person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith, (3) beneficial owners which are direct participants in The Depository Trust Company or (4) beneficial owners who are participants in the Company's Dividend Reinvestment and Stock Purchase Plan. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

Authorized Signature _____

Name _____

Title _____

Address _____

Name of Firm _____

Area Code and Telephone Number _____

Dated _____ 1998

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. GUARANTEE OF SIGNATURES. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each being an "Eligible Institution"). Signatures on this Letter of Transmittal need not be guaranteed if (a) this Letter of Transmittal is signed by the registered holder(s) of the Common Shares tendered herewith and such holder(s) have not completed either of the boxes entitled "Special Issue Instructions" or "Special Delivery Instructions" on this Letter of Transmittal or (b) such Common Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND COMMON SHARES; AGENT'S MESSAGE. This Letter of Transmittal is to be completed by holders of Common Shares either (i) if Common Shares are to be tendered herewith or (ii) unless an Agent's Message is utilized, if tenders are to be made pursuant to the procedure for tender by book-entry transfer set forth in the Prospectus under "The Exchange Offer--Procedure for Tender." Certificates for Common Shares, or timely confirmation of a book-entry transfer of such Common Shares into the Exchange Agent's account at DTC, as well as this Letter of Transmittal (or a manually signed facsimile hereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (in the case of a book-entry transfer of shares), and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at one of its addresses set forth in the front page hereof prior to the Expiration Date. An "Agent's Message" is a message transmitted through electronic means by DTC to and received by the Exchange Agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the participant tendering the Common Shares that such participant has received and agrees to be bound by the Letter of Transmittal. Delivery of the Letter of Transmittal and any other required documents to DTC does not constitute delivery to the Exchange Agent.

If a holder of Common Shares desires to participate in the Exchange Offer and time will not permit this Letter of Transmittal or Common Shares to reach the Exchange Agent before the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if the Exchange Agent has received at its office prior to the Expiration Date, from or through an Eligible Institution, a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Company, setting forth the name and address of the tendering holder, the name(s) in which the Common Shares are registered and, if the Common Shares are held in certificated form, the certificate numbers of the Common Shares to be tendered, and stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange, Inc. ("NYSE") trading days after the date of execution of such Notice of Guaranteed Delivery by the Eligible Institution, the Common Shares in proper form for transfer or a confirmation of book-entry transfer of such Common Shares into the Exchange Agent's account at DTC, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), or an Agent's Message in connection with a book-entry transfer, and any other required documents, will be delivered by such Eligible Institution. Unless the Common Shares being tendered by the above-described method are deposited with the Exchange Agent within the time period set forth above or a confirmation of book-entry transfer of such Common Shares into the Exchange Agent's account at DTC is received (accompanied or preceded by a properly completed Letter of Transmittal and any other required documents), the Company may, at its option, reject the tender.

THE METHOD OF DELIVERY OF COMMON SHARES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH DTC, IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER AND ANY DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF CERTIFICATES FOR COMMON SHARES ARE SENT BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted, and no fractional shares of Common Shares will be accepted for exchange. By executing this Letter of Transmittal (or a manually signed facsimile hereof), the tendering holder waives any right to receive any notice of the acceptance of the Common Shares attached hereto.

3. INADEQUATE SPACE. If the space provided herein is inadequate, the certificate numbers and/or the number of Common Shares should be listed on a separate signed schedule attached hereto.

4. PARTIAL TENDERS. (Not applicable to Book-Entry Shareholders). If fewer than all Common Shares represented by any certificate delivered to the Exchange Agent are to be tendered, fill in the number of Common Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such case, a new certificate for the remainder of the Common Shares represented by the old certificate will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the appropriate box on this Letter of Transmittal, as promptly as practicable following the Expiration Date. All Common Shares represented by certificates delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Common Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificates, reinvestment statement of account or on the security position listing of DTC without alteration, enlargement or any change whatsoever.

If any of the Common Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Common Shares tendered hereby are registered in different names on different certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Common Shares tendered hereby, no endorsements of certificates or separate stock powers are required unless Depositary Receipts issued in exchange therefor are to be issued, or Common Shares not tendered or not exchanged are to be returned, in the name of any person other than the registered holder(s). Signatures on any such certificates or stock powers must be guaranteed by an Eligible Institution as set forth above "1. Guarantee of Signatures."

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Common Shares tendered hereby, certificates must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Common Shares. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Company of the authority of such person so to act must be submitted.

6. SPECIAL ISSUE AND DELIVERY INSTRUCTIONS. If Depositary Receipts are to be issued, or any Common Shares not tendered or not accepted for exchange are to be returned, in the name of a person other than the person(s) signing this Letter of Transmittal, or any Depositary Receipts issued, or certificates for Common Shares not tendered or not accepted for exchange, are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than shown above, the appropriate boxes on this Letter of Transmittal should be completed. Common Shares not accepted for exchange

will be returned and Depositary Receipts will be issued to a Book-Entry Shareholder by crediting the account at DTC designated above.

7. PARTICIPANTS IN THE DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN OF THE COMPANY. If a shareholder desires to tender, pursuant to the Exchange Offer, Common Shares credited to such shareholder's account under the Company's Dividend Reinvestment and Stock Purchase Plan, the shareholder should check the appropriate box and specify in the appropriate space on the cover page the number of whole Common Shares to be tendered.

PARTICIPANTS IN THE INVESTMENT AND EMPLOYEE STOCK OWNERSHIP PLAN (THE "401(k) PLAN") OF THE COMPANY MAY NOT USE THIS LETTER OF TRANSMITTAL TO DIRECT THE TENDER OF COMMON SHARES, BUT MUST USE THE SEPARATE ELECTION FORM SENT TO THEM BY HOWARD JOHNSON & COMPANY, THE RECORD KEEPER UNDER SUCH PLAN.

8. STOCK TRANSFER TAXES. The Company will pay all stock transfer taxes, if any, applicable to the exchange of Common Shares pursuant to the Exchange Offer. If, however, RECONS or Depositary Receipts are to be issued pursuant to the Exchange Offer, or Common Shares not tendered or accepted for exchange are to be returned, in the name of, any person other than the registered holder of the Common Shares tendered, or if a transfer tax is imposed for any reason other than the exchange of Common Shares pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other person) will be payable by the tendering holder. If satisfactory evidence of the payment of such taxes, or exemption therefrom, is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

9. WAIVER OF CONDITIONS. The conditions of the Exchange Offer may be waived by the Company from time to time in accordance with, and subject to the limitations described in, the Prospectus.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Requests for assistance or additional copies of the Prospectus and this Letter of Transmittal may be obtained from the Information Agent at its address or telephone number set forth below.

THE INFORMATION AGENT FOR THE OFFER IS:

MORROW & CO., INC.

445 Park Avenue, 5th Floor
New York, New York 10022

Individual and Institutional Investors should call
(800) 566-9061

Banks and Brokerage Firms should call:
(800) 662-5200

TO ENSURE TIMELY RECEIPT BY THE EXCHANGE AGENT, DO NOT MAIL OR PRESENT THE LETTER OF TRANSMITTAL AND/OR STOCK CERTIFICATES TO THE COMPANY.

NOTICE OF GUARANTEED DELIVERY

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

TO TENDER SHARES OF COMMON STOCK
OF
THE WASHINGTON WATER POWER COMPANY
PURSUANT TO THE EXCHANGE OFFER
MADE PURSUANT TO THE PROSPECTUS
DATED _____, 1998
AND RELATED LETTER OF TRANSMITTAL

This form, or a form substantially equivalent to this form, must be used to accept the Exchange Offer (as defined below) if (i) certificates for shares (the "Common Shares") of Common Stock, no par value, of The Washington Water Power Company (the "Company") cannot be delivered to The Bank of New York, as Exchange Agent and Depositary, by the Expiration Date (as defined in the Prospectus of the Company dated _____, 1998 (the "Prospectus")), (ii) the procedure for book-entry transfer of Common Shares (as described in the Prospectus) cannot be completed by the Expiration Date or (iii) the Letter of Transmittal (or a manually signed facsimile thereof) and all other required documents cannot be delivered to the Exchange Agent and Depositary prior to the Expiration Date. This form, properly completed and duly executed, may be delivered by hand or facsimile transmission or mailed to the Exchange Agent and Depositary.

TO: THE BANK OF NEW YORK, EXCHANGE AGENT AND DEPOSITARY

BY HAND OR OVERNIGHT DELIVERY:

Tender & Exchange Department
101 Barclay Street
Receive and Deliver Window
New York, New York 10286

BY MAIL:
(REGISTERED OR CERTIFIED MAIL RECOMMENDED)

P.O. Box 11248
Church Street Station
New York, New York 10286-1248

BY FACSIMILE TRANSMISSION:
(FOR ELIGIBLE INSTITUTIONS ONLY)

(212) 815-6213

CONFIRM RECEIPT OF NOTICE OF GUARANTEED DELIVERY
BY TELEPHONE:

(800) 507-9357

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION HEREOF VIA FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

EXCHANGE OFFER

Ladies and Gentlemen:

The undersigned hereby tenders to The Washington Water Power Company upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which are hereby acknowledged, the Common Shares specified below, pursuant to the guaranteed delivery procedure set forth in the Prospectus under "The Exchange Offer--Procedure for Tender."

SIGN HERE FOR EXCHANGE OFFER

Number of Common Shares tendered pursuant to Exchange Offer: _____

Certificate Nos. (if available)

- _____
- _____
- _____

(Signature(s))

If Common Shares will be tendered pursuant to Exchange Offer by book-entry transfer:

Name of Tendering Institution: _____

- _____

(Name(s)) (Please Print)

(Address)

DTC Account No.

(Zip Code)

(Area Code and Telephone No.)

GUARANTEE
(Not to be used for signature guarantee)

The undersigned, a firm that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program, guarantees (a) that the above named person(s) "own(s)" the Common Shares tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended, (b) that such tender of Common Shares complies with Rule 14e-4 and (c) to deliver to the Exchange Agent and Depositary either the Common Shares so tendered hereby pursuant to the Exchange Offer, in proper form for transfer, or confirmation of the book-entry transfer of the Common Shares tendered hereby into the account of the Exchange Agent and Depositary at The Depositary Trust Company, together with the applicable properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), or an Agent's Message (as defined in the Prospectus) in connection with a book-entry transfer, with any required signature guarantees and any other required documents within three New York Stock Exchange trading days after the date of execution of this Notice.

(Name of Firm)

(Authorized Signature)

(Title)

(Address)

Name: -----

(Zip Code)

(Area Code and Telephone No.)

Dated:

DO NOT SEND CERTIFICATES FOR COMMON SHARES WITH THIS FORM. CERTIFICATES FOR COMMON SHARES MUST BE SENT WITH THE LETTER OF TRANSMITTAL.

THE WASHINGTON WATER POWER COMPANY

OFFER TO EXCHANGE

UP TO 20,000,000 SHARES OF ITS COMMON
STOCK, NO PAR VALUE, FOR RECONS
EACH RECONS CONSTITUTING A ONE-TENTH OWNERSHIP INTEREST IN
ONE SHARE OF \$12.40 PREFERRED STOCK, CONVERTIBLE SERIES L,
NO PAR VALUE

_____, 1998

To Brokers, Dealers, Commercial
Banks, Trust Companies and
Other Nominees

The Washington Water Power Company, a Washington corporation (the "Company"), is offering, upon the terms and subject to the conditions set forth in the Prospectus dated _____, 1998, (the "Prospectus") and the related Letter of Transmittal enclosed herewith (which together with the Prospectus constitutes the "Exchange Offer"), to exchange up to 20,000,000 shares of its Common Stock, no par value (such shares, together with all other outstanding shares of Common Stock of the Company, being the "Common Shares") for depositary shares each constituting a one-tenth ownership interest in one share of \$12.40 Preferred Stock, Convertible Series L, no par value, of the Company (each such depositary share being herein called a "RECONS") on the basis of one RECONS for each Common Share. Your attention is directed to the Prospectus and the Letter of Transmittal, which should be read by you in their entirety.

The Exchange Offer is conditioned upon 6,000,000 Common Shares being validly tendered and not withdrawn. Upon the terms and subject to the conditions of the Exchange Offer, if 20,000,000 or fewer Common Shares have been validly tendered pursuant to the Exchange Offer and not withdrawn prior to the Expiration Date (as defined in the Prospectus), the Company will accept for exchange all such Common Shares, and if more than 20,000,000 Common Shares have been validly tendered pursuant to the Exchange Offer and not withdrawn prior to the Expiration Date, the Company will accept for exchange all Common Shares validly tendered and not withdrawn prior to the Expiration Date on a pro rata basis (with appropriate adjustments to avoid acquisitions of fractional Common Shares). Holders of Common Shares may elect to tender all or a portion of the Common Shares held by them in the Exchange Offer.

For your information and for forwarding to your clients for whom you hold Common Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Prospectus dated _____, 1998;
2. Letter of Transmittal for your use and for the information of your clients in relation to the Exchange Offer;

3. Notice of Guaranteed Delivery to be used to accept the Exchange Offer if the Common Shares cannot be delivered to the Exchange Agent by the Expiration Date or the book-entry transfer of the Common Shares cannot be completed by the Expiration Date, or all required documents cannot be delivered to The Bank of New York (the "Exchange Agent") by the Expiration Date;
4. A form of letter that may be sent to your clients for whose accounts you hold Common Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions; and
5. Return envelope addressed to the Exchange Agent.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

THE OFFER, THE PRORATION PERIOD AND THE WITHDRAWAL RIGHT WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON _____, 1998, UNLESS THE OFFER IS EXTENDED. EXCEPT AS OTHERWISE PROVIDED IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL, TENDERS ARE IRREVOCABLE.

NEITHER THE COMPANY NOR ITS BOARD OF DIRECTORS MAKE ANY RECOMMENDATION THAT SHAREHOLDERS TENDER OR REFRAIN FROM TENDERING THEIR COMMON SHARES PURSUANT TO THE EXCHANGE OFFER, AND NO ONE HAS BEEN AUTHORIZED TO MAKE ANY SUCH RECOMMENDATION ON BEHALF OF THE COMPANY. THIS IS A MATTER FOR EACH SHAREHOLDER TO DETERMINE AFTER CONSULTATION WITH HIS OR HER ADVISORS, INCLUDING TAX COUNSEL, ON THE BASIS OF HIS OR HER OWN FINANCIAL POSITION AND REQUIREMENTS.

The Company will upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding materials to their clients. The Company will pay all stock transfer taxes applicable to the acceptance of Common Shares pursuant to the Exchange Offer, subject to Instruction 8 of the Letter of Transmittal.

To participate in the Exchange Offer, certificate(s) for Common Shares or a confirmation of any book-entry transfer in the Exchange Agent's account at DTC of Common Shares tendered electronically, as well as a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any required signature guarantees, or an Agent's Message in connection with a book-entry transfer of shares, and any other documents required by the Letter of Transmittal must be received by the Exchange Agent as indicated in the Letter of Transmittal and the Prospectus prior to the Expiration Date.

Holders whose stock certificate(s) representing Common Shares are not immediately available or who cannot deliver the certificate(s) and all other required documents to the Exchange Agent prior to the Expiration Date may tender their Common Shares pursuant to the guaranteed delivery procedure set forth in the Prospectus under "The Exchange Offer -- Procedure for Tender."

Any inquiries you may have with respect to the Exchange Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, Morrow & Co., Inc. as Information Agent, at the addresses and telephone numbers set forth on the back cover of the Prospectus.

Very truly yours,

THE WASHINGTON WATER POWER COMPANY

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF THE COMPANY, THE EXCHANGE AGENT, THE INFORMATION AGENT, THE DEALER MANAGER, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE EXCHANGE OFFER, OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS CONTAINED THEREIN.

THE WASHINGTON WATER POWER COMPANY

OFFER TO EXCHANGE
UP TO 20,000,000 SHARES OF ITS COMMON STOCK,
NO PAR VALUE, FOR RECONS,
EACH RECONS CONSTITUTING A ONE-TENTH OWNERSHIP INTEREST IN
One Share of \$12.40 Preferred Stock,
Convertible Series L, No Par Value

To Our Clients:

Enclosed for your consideration is the Prospectus dated _____, 1998 (the "Prospectus") of The Washington Water Power Company, a Washington corporation (the "Company"), and the related Letter of Transmittal (which together with the Prospectus constitutes the "Exchange Offer") in connection with the offer by the Company to exchange up to 20,000,000 shares of its Common Stock, no par value (such shares, together with all other outstanding shares of Common Stock of the Company, the "Common Shares"), for depositary shares each constituting a one-tenth ownership interest in one share of \$12.40 Preferred Stock, Convertible Series L, no par value, of the Company (each such depositary share being herein called a "RECONS").

We are the holder of record of Common Shares held for your account. A tender of such Common Shares pursuant to the Exchange Offer can be made only by us as the holder of record pursuant to your instructions. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED TO TENDER COMMON SHARES HELD BY US FOR YOUR ACCOUNT. TO TENDER THE COMMON SHARES HELD BY US FOR YOUR ACCOUNT, COMPLETE THE ENCLOSED INSTRUCTION FORM AND RETURN IT TO US IN THE ENCLOSED ENVELOPE.

The Exchange Offer will expire on _____, _____, 1998 (the "Expiration Date"), unless the Company chooses to extend it. IN ORDER FOR US TO HAVE SUFFICIENT TIME TO TENDER PURSUANT TO THE EXCHANGE OFFER, WE MUST RECEIVE YOUR INSTRUCTION FORM NO LATER THAN _____, _____, 1998 OR YOUR COMMON SHARES WILL NOT BE EXCHANGED FOR RECONS.

Your attention is drawn to the following:

GENERAL

1. The Company expressly reserves the right to extend, amend or modify the terms of the Exchange Offer, and not to accept any Common Shares tendered, at any time prior to the Expiration Date for any reason.
2. Tendering shareholders will not be obligated to pay any brokerage fees or commissions. Any stock transfer taxes applicable to the exchange of Common Shares pursuant to the Exchange Offer will be paid by the Company, except as otherwise provided in Instruction 7 to the Letter of Transmittal.
3. Holders of Common Shares may elect to tender all or a portion of the Common Shares held by them pursuant to the Exchange Offer.
4. The exchange ratio is one RECONS for each Common Share accepted for exchange.
5. The Exchange Offer is being made for up to 20,000,000 Common Shares. Upon the terms and subject to the conditions of the Exchange Offer, if 20,000,000 or fewer Common Shares are validly tendered and not withdrawn prior to the Expiration Date, the Company will accept for exchange all such Common Shares, and

if more than 20,000,000 Common Shares are validly tendered and not withdrawn prior to the Expiration Date, the Company will accept for exchange all Common Shares validly tendered and not withdrawn prior to the Expiration Date on a pro rata basis (with appropriate adjustments to avoid acquisitions of fractional Common Shares).

6. The Exchange Offer is conditioned upon 6,000,000 Common Shares being validly tendered and not withdrawn to the Expiration Date.

THE WASHINGTON WATER POWER COMPANY

OFFER TO EXCHANGE
UP TO 20,000,000 SHARES OF ITS COMMON STOCK,
No Par Value, for RECONS
Each RECONS Constituting a One-Tenth Ownership Interest in
One Share of \$12.40 Preferred Stock,
Convertible Series L, No Par Value

INSTRUCTION FORM

IF YOU WISH TO HAVE US TENDER ANY OR ALL OF YOUR COMMON SHARES PURSUANT TO THE EXCHANGE OFFER, PLEASE SO INSTRUCT US BY COMPLETING, EXECUTING, DETACHING AND RETURNING TO US THE ATTACHED INSTRUCTION FORM.

An envelope in which to return your instructions to us is also enclosed. If you authorize tender of your Common Shares pursuant to the Exchange Offer, all such Common Shares will be tendered unless otherwise indicated below. Holders of Common Shares may elect to tender all or a portion of the Common Shares held by them pursuant to the Exchange Offer. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf by the Expiration Date.

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF, HOLDERS OF COMMON SHARES IN ANY JURISDICTION IN WHICH THE MAKING OF THE EXCHANGE OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION. THE COMPANY IS NOT AWARE OF ANY JURISDICTION WHERE THE MAKING OF THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH APPLICABLE LAW. IN THOSE JURISDICTIONS THE LAWS OF WHICH REQUIRE THAT THE EXCHANGE OFFER BE MADE BY A LICENSED BROKER OR DEALER, THE EXCHANGE OFFER SHALL BE DEEMED TO BE MADE ON BEHALF OF THE COMPANY BY ONE OR MORE REGISTERED BROKERS OR DEALERS LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

INSTRUCTIONS WITH RESPECT TO THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed Prospectus (the "Prospectus") dated _____, 1998 and the related Letter of Transmittal in connection with the offering by The Washington Water Power Company to exchange up to 20,000,000 shares of its Common Stock, no par value (such shares, together with all other outstanding shares of Common Stock of the Company, the "Common Shares"), for depositary shares (the "RECONS"), each RECONS constituting a one-tenth ownership interest in one share of \$12.40 Preferred Stock, Convertible Series L, no par value, of the Company, at a rate of one RECONS for each Common Share tendered.

EXCHANGE OFFER

This will instruct you to tender pursuant to the Exchange Offer the number of Common Shares indicated below held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal.

/ / By checking this box, all Common Shares held by you for my/our account will be tendered in the Exchange Offer. If fewer than all Common Shares are to be tendered, I/we have checked the box AND indicated below the total number of Common Shares to be tendered by you.

_____ shares

SIGN HERE

Signature(s)

Please print name(s) and
address(es) here

Dated: _____

THE WASHINGTON WATER POWER COMPANY

OFFER TO EXCHANGE
UP TO 20,000,000 SHARES OF ITS COMMON STOCK,
NO PAR VALUE, FOR RECONS,
EACH RECONS CONSTITUTING A ONE-TENTH OWNERSHIP INTEREST IN
ONE SHARE OF \$12.40 PREFERRED STOCK,
CONVERTIBLE SERIES L, NO PAR VALUE

To Participants in The Washington Water Power Company
Investment and Employee Stock Ownership Plan
(the "401(k) Plan"):

Enclosed for your consideration is a Prospectus dated _____, 1998 (the "Prospectus") of The Washington Water Power Company, a Washington corporation (the "Company"), and the related Letter of Transmittal (which together with the Prospectus constitutes the "Exchange Offer"). These documents are being delivered to you in connection with the Company's offer to exchange up to 20,000,000 shares of its Common Stock, no par value (such shares, together with all other outstanding shares of Common Stock of the Company, the "Common Shares"), for depository shares. Each depository share constitutes a one-tenth ownership interest in one share of \$12.40 Preferred Stock, Convertible Series L, no par value, of the Company (each such depository share being herein called a "RECONS").

We are the record keeper of Common Shares held for your account under the 401(k) Plan. You may direct us, and we will in turn instruct Copper Mountain Trust Corporation, as trustee under the 401(k) Plan (the "Trustee"), to tender all or any portion of the Common Shares held by you in your 401(k) Company Stock Fund under the 401(k) Plan. Any Common Shares held in your Company Contribution Account under the 401(k) Plan may not be tendered. Only the Common Shares held in the Company Stock Fund of YOUR Contribution Account are eligible to be tendered.

THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED TO TENDER COMMON SHARES HELD FOR YOUR ACCOUNT. DO NOT COMPLETE THE LETTER OF TRANSMITTAL WITH RESPECT TO THE COMMON SHARES IN YOUR 401(k) COMPANY STOCK FUND. INSTEAD, COMPLETE THE ENCLOSED FORM ENTITLED "401(k) ELECTION TO TENDER SHARES OF COMMON STOCK HELD IN THE COMPANY STOCK FUND" (THE "401(k) ELECTION") AND RETURN IT TO US IN THE ENCLOSED ENVELOPE.

The Exchange Offer will expire on _____, _____, 1998 (the "Expiration Date"), unless the Company chooses to extend it. In order to have sufficient time to instruct the Trustee with respect to the number of Common Shares to tender pursuant to the Exchange Offer, WE MUST RECEIVE YOUR 401(K) ELECTION NO LATER THAN _____, _____, 1998 (THE "401(K) EXPIRATION DATE") OR THE COMMON SHARES IN YOUR 401(K) COMPANY STOCK FUND WILL NOT BE EXCHANGED FOR RECONS.

The 401(k) Election includes a figure indicating an estimated number of Common Shares in your 401(k) Company Stock Fund as of _____, _____, 1998. This number is for estimation purposes only, and may differ from the actual number of Common Shares in your 401(k) Company Stock Fund and available for tender on the 401(k) Expiration Date. You may choose to tender all of the 401(k) Shares in your Company Stock Fund or a specific percentage of such shares. If you choose to tender a specific percentage of shares, the number of Common Shares tendered will equal such percentage times the number of Common Shares in your 401(k) Company Stock Fund on the 401(k) Expiration Date.

You are urged to read the Exchange Offer materials carefully and to consider all factors set forth therein before making your decision with respect to the Exchange Offer. If, after reading the enclosed materials, you have any questions, please contact Mary Trudel, Washington Water Power Employee Benefits, at (509) 432-4730. If you choose not to tender any Common Shares held in your 401(k) Company Stock Fund, you need not complete this form or take any further action.

Very truly yours,

Howard Johnson & Company

THE WASHINGTON WATER POWER COMPANY

401(K) ELECTION TO TENDER SHARES OF COMMON STOCK
HELD IN THE COMPANY STOCK FUND

Account No. _____

Estimated Common Share Balance
as of _____, 1998: _____

The undersigned acknowledges receipt of your letter and the enclosed Prospectus (the "Prospectus") dated October __, 1998 and the related Letter of Transmittal in connection with the offering by The Washington Water Power Company to exchange up to 20,000,000 shares of its Common Stock, no par value (such shares, together with all other outstanding shares of Common Stock of the Company, the "Common Shares"), for depository shares (the "RECONS"), each RECONS constituting a one-tenth ownership interest in one share of \$12.40 Preferred Stock Convertible Series L, no par value, of the Company, at a rate of one RECONS for each Common Share tendered.

This will instruct the trustee under the Investment and Employee Stock Ownership Plan (the "Trustee") to tender pursuant to the Exchange Offer the percentage of Common Shares indicated below held by the Trustee in the 401(k) Company Stock Fund of the undersigned, upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal.

With respect to the Common Shares held in the above-referenced 401(k) Company Stock Fund:

// Please Tender 100% of Common Shares OR // Please Tender Only ____% of
Common Shares
(fill in number 1 - 100)

SIGN HERE

Signature of Participant is required

Dated: _____
Please print name and address here

TO ENSURE TIMELY RECEIPT BY THE EXCHANGE AGENT,
DO NOT MAIL OR DELIVER THIS FORM TO WASHINGTON WATER POWER.
USE THE RETURN ENVELOPE PROVIDED.