

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 14, 1998

THE WASHINGTON WATER POWER COMPANY

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(Exact name of registrant as specified in its charter)

Washington

1-3701

91-0462470

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(State or other jurisdiction of  
incorporation or organization)

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(Commission  
File Number)

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(I.R.S. Employer  
Identification No.)

1411 East Mission Avenue, Spokane, Washington

99202-2600

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(Address of principal executive offices)

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(Zip Code)

Registrant's telephone number, including area code:

509-489-0500

None

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(Former name or former address, if changed since last report)

## ITEM 5. OTHER INFORMATION

On August 17, 1998, the Company announced the details of a dividend restructuring plan and broad corporate refocus, as well as a name change for the Company. A copy of the press release is attached hereto as Exhibit 99 and is incorporated herein by reference.

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 natural 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 natural gas and electric energy. The Company is also continuing to develop a unique approach to commercialization of fuel cell technology.

Locally. The Company 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, the Company 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. The Company'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 the Company's Northwest stronghold and thereby leverage its existing trading and marketing skills.

## NON-ENERGY

The Company 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 natural gas business, coupled with its strong management team, will allow the Company to effectively manage its transition to a diversified North American energy company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WASHINGTON WATER POWER COMPANY  
(Registrant)

Date: August 19, 1998

/s/ JON E. ELIASSEN

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Jon E. Eliassen  
Senior Vice President, Chief  
Financial Officer and Treasurer  
(Principal Accounting and  
Financial Officer)

[WWP LOGO]

Exhibit 99

NEWS RELEASE

FOR IMMEDIATE RELEASE:

August 17, 1998

4:27 a.m. PDT

CONTACT: Media Contact: Patrick Lynch (509) 482-4246; e-mail: plynch@wwpco.com  
Investment Community Contact: Diane Thoren (509) 482-4331; e-mail:  
dthoren@wwpco.com

DIVIDEND RESTRUCTURING WILL HELP FUND AGGRESSIVE GROWTH STRATEGIES;  
WASHINGTON WATER POWER BOARD APPROVES EXCHANGE PLAN, NAME CHANGE  
ANNUAL COMMON STOCK DIVIDEND WILL BE REDUCED FROM \$1.24 TO 48 CENTS PER SHARE.  
BOARD APPROVES NEW-ISSUE EXCHANGE OFFER THAT WOULD PROVIDE DIVIDEND  
OF \$1.24 PER SHARE. BOARD ALSO GIVES GO-AHEAD TO CORPORATE NAME CHANGE TO  
AVISTA CORPORATION, EFFECTIVE JAN. 1, 1999.

SPOKANE, WASH.: Washington Water Power (NYSE: WWP) today announced details of a dividend restructuring plan and broad corporate refocus that will strengthen the company's financial position, provide needed capital to help fund growth initiatives and new investment opportunities, and allow the company to maintain its record of service excellence to its current customers. The restructuring plan was approved by the company's directors at a board meeting held Aug. 14.

In a separate action, the board also approved Avista Corporation as the company's new name, effective Jan. 1, 1999. At that time, all company operations will be unified under the Avista Corporation name, with Washington Water Power becoming a utility division of Avista Corporation. On Monday, Jan. 4, 1999, existing Washington Water Power common stock will be traded for the first time as Avista Corporation common stock under the ticker symbol "AVA."

#### DIVIDEND RESTRUCTURING

The restructuring calls for a 61 percent reduction in the company's annual common stock dividend, from \$1.24 per share to 48 cents per share. The reduction will be effective with the payment of the common stock cash dividend expected on December 15, 1998. The reduction has no effect on any outstanding issues of Washington Water Power preferred stock.

"The decision to change our dividend policy was not an easy one, but it was a decision our board deemed necessary to allow our company to grow and perform at the highest level of competition," said Tom Matthews, Washington Water Power's board chairman and chief executive officer. "This change in our dividend policy immediately improves our cash flows, enhances our ability to acquire needed capital in a cost-effective manner, and establishes a solid foundation for our continued growth and superior financial performance."

Based on last Friday's closing stock price of \$20.875 per share, Washington Water Power's dividend yield would be 2.3 percent, placing it more in line with growth-oriented utility companies and still above the dividend yield of the average Standard & Poor's 500 company.

"By having a dividend level more in line with growth-oriented utilities, our financial position is strengthened and we broaden our ability to make substantial investments in all our businesses -- whether it's our traditional core energy business or our new ventures," Matthews said.

#### NEW-ISSUE EXCHANGE OFFER

Recognizing the impact the dividend reduction could have on shareholders -- particularly those with an income orientation -- the company's board also approved development of an exchange offer to be open to holders of the company's common stock. Subject to regulatory approvals -- which the company hopes to obtain by mid-October -- shareholders will be provided the opportunity to exchange their common shares for an equal number of mandatorily convertible preferred shares, each of which will pay an annual dividend of \$1.24 per share for a period of about three years.

Washington Water Power will offer to exchange up to 20 million common shares -- or about 35 percent of the company's outstanding common shares. If more than 20 million shares are tendered for exchange, the tendered shares will be subject to proration.

After three years, the new-issue shares will automatically convert back to common stock on a one-for-one basis. The company has the option of converting some or all of the new-issue shares to common stock prior to the end of the three-year period. Shareholders who choose not to participate in the exchange plan will retain their ownership in Washington Water Power common stock.

The exchange plan, Matthews said, is intended to allow income-oriented shareholders the opportunity to adapt to Washington Water Power's more aggressive, growth-focused profile.

The exchange offer will be conditioned on obtaining approvals by the four state utility regulatory commissions that monitor and approve changes in Washington Water Power's business activities. The company hopes to initiate the exchange offer in mid-October, with a closing approximately 20 business days later. If all regulatory approvals are not received by Oct. 23, the exchange offer will not be made.

"We are committed to our decision to reduce our common stock dividend. However, the exchange offer requires regulatory commission approval, and the offer will be made only if we receive timely regulatory treatment of our plan," Matthews said.

#### NO ACTION REQUIRED BY SHAREHOLDERS AT THIS TIME

Washington Water Power shareholders ARE NOT REQUIRED TO TAKE ANY ACTION AT THIS TIME. THE EXCHANGE OFFER WILL BE MADE ONLY BY MEANS OF A PROSPECTUS, and details of the offer will be provided to shareholders only when all required regulatory approvals have been received. In the meantime, shareholders with questions should contact the company's information agent, Morrow & Co. Inc., at 1-800-566-9061. Bankers, brokers, commercial banks and trust companies should call 1-800-662-5200.

#### FOCUS IS ON GROWTH OF ASSETS AND CUSTOMERS

Matthews, who joined the company on July 1 after implementing a number of growth initiatives as president of Houston-based Dynegey Inc., said he is already developing similar growth-driven strategies for Washington Water Power. He said the company "has tremendous potential, but we will need to act quickly and purposefully to capture emerging opportunities."

He said the company will seek to grow its asset and customer base, with a renewed focus on acquisitions and a continuing focus on strategic alliances.

"My focus is to take our company and move it to an even higher level of performance," Matthews said. "I am growth-oriented by nature and, with our industry in a state of rapid change, we need to make significant moves within the next year to position our company to succeed."

Matthews added that Washington Water Power "needs to be a bigger and stronger Northwest company in order to continue to offer excellent service to our current customers and to leverage ourselves across the country. Speed of action will be a key factor in the execution of our strategies."

In order to grow its core energy business, Matthews said the company needs access to physical assets, specifically power generation assets and electric and gas transmission and distribution assets. Initial growth will come at a local and regional level, with national growth to follow.

Matthews said that his growth initiative extends to every part of Washington Water Power's business.

"As I've performed my initial analysis on our company, I think every business we operate has growth potential," Matthews said. "We will fully explore the potential of each business unit, allocating capital to those businesses that will deliver the greatest returns. And we will work diligently to meet aggressive targets in all areas of our business."

## NEW COMPANY NAME UNIFIES PORTFOLIO COMPANIES UNDER ONE BRAND

The name change to Avista Corporation (NYSE: AVA) will position the company and its portfolio businesses as a diversified North American energy company operating under one common brand. The Avista name, Matthews said, allows flexibility beyond the current utility identity or the geographic location of current or future portfolio businesses. He said the Avista name is already nationally known through the company's energy trading and marketing and energy services subsidiaries, Avista Energy and Avista Advantage.

"By purposefully promoting and unifying our corporate name and identity, we leverage each impression we make in the marketplace and promote a cohesive identity consistent with our growth strategies," Matthews said. "In addition, we establish a mindset within our company, with our customers, and with all our stakeholders that the Avista brand name stands for consistent and superior products and services."

## REGULAR QUARTERLY DIVIDEND DECLARED

In an action separate from the dividend restructuring, the company's board declared a regular quarterly dividend of 31 cents per share on the company's common stock. A regular quarterly dividend of \$1.73750 per share was declared on all outstanding shares of preferred stock Series K. The common and preferred stock dividends are payable Sept. 15, 1998, to shareholders of record at the close of business on Aug. 25, 1998.

Washington Water Power, with annual revenues of \$2 billion, is an energy services company with utility and subsidiary operations located throughout the United States. Washington Water Power also operates Avista Corp. (expected to be renamed Avista Capital), which owns all the company's non-regulated energy and non-energy businesses. Avista companies include Pentzer Corporation, Avista Energy, Avista Advantage, and Avista Labs. Washington Water Power's Internet address is [WWW.WWPCO.COM](http://WWW.WWPCO.COM) and the company's stock is currently traded under the ticker symbol "WWP."