

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

/x/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED] FOR THE FISCAL YEAR ENDED DECEMBER 31, 1994 OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED] FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-3701

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

Washington

91-0462470

(State or other jurisdiction of incorporation or organization)

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

1411 East Mission Avenue, Spokane, Washington

99202-2600

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 509-489-0500

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Class	Name of Each Exchange on Which Registered
Common Stock, no par value, together with Preferred Share Purchase Rights appurtenant thereto	New York Stock Exchange Pacific Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

Title of Class
Preferred Stock, Cumulative, Without Par Value

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

Yes [X] No []

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

The aggregate market value of the Registrant's outstanding Common Stock, no par value (the only class of voting stock), held by non-affiliates is \$818,412,855.00, based on the last reported sale price thereof on the consolidated tape on February 28, 1995.

At February 28, 1995, 54,560,857 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

Documents Incorporated By Reference

Document	Part of Form 10-K into Which Document is Incorporated
Proxy Statement to be filed in connection with the annual meeting of shareholders to be held May 11, 1995	Part III, Items 10, 11, 12 and 13

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* = Not an applicable item in the 1994 calendar year for the Company

ACRONYMS AND TERMS

(The following acronyms and terms are found in multiple locations within the document)

Acronym/Term - - - - -	Meaning -----
aMW	- Average Megawatt - a measure of electrical energy over time
BPA	- Bonneville Power Administration
Capacity	- a measure of the rate at which a particular generating source produces electricity
Centralia	- the coal fired Centralia Power Plant in western Washington State
Colstrip	- the coal fired Colstrip Generating Project in southeastern Montana
CPUC	- California Public Utilities Commission
CT	- combustion turbine; a natural gas fired unit used primarily for peaking needs
DSM	- Demand Side Management - the process of helping customers manage their use of energy resources
Energy	- a measure of the amount of electricity produced from a particular generating source over time
FERC	- Federal Energy Regulatory Commission
IPUC	- Idaho Public Utilities Commission
IRP	- Integrated Resource Planning
KW, KWH	- Kilowatt, kilowatthour, 1000 watts or 1000 watt hours
MW, MWH	- Megawatt, megawatthour, 1000 kw or 1000 kwh
MPSC	- Montana Public Service Commission
OPUC	- Public Utility Commission of Oregon
Pentzer	- Pentzer Corporation, a wholly-owned subsidiary of the Company which is the parent company to the majority of the Company's non-utility businesses
PSCN	- Public Service Commission of Nevada
Therm	- Unit of measurement for natural gas; a therm is equal to one hundred cubic feet (volume) or 100,000 BTUS (energy)
Watt	- Unit of measurement for electricity; a watt is equal to the rate of work represented by a current of one ampere under a pressure of one volt
WIDCo	- Washington Irrigation & Development Company, a wholly-owned non-utility subsidiary of the company
WPNG	- WP Natural Gas, the operating division for the Company's natural gas business in Oregon and California (the natural gas distribution assets purchased from CP National in 1991)
WUTC	- Washington Utilities and Transportation Commission
WWP	- The Washington Water Power Company, the Company; in the context of the Company's natural gas business, refers to Washington and Idaho natural gas distribution assets

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

The Washington Water Power Company (WWP, the Company), which was incorporated in the State of Washington in 1889, primarily operates in the electric and natural gas utility businesses. As of January 1, 1995, the Company provides electricity and natural gas in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 765,000. The Company's electric service territory now includes Bonner County in northern Idaho as a result of the acquisition of electric properties from PacifiCorp, which was finalized on December 30, 1994. See Note 14 to Financial Statements for additional information. Through a separate operating division called WP Natural Gas (WPNG), the Company also provides natural gas service in northeast and southwest Oregon and in the South Lake Tahoe region of California with a population of approximately 460,000.

The Company's wholesale and retail utility businesses include the generation, purchase, transmission, distribution and sale of electric energy plus the purchase, transportation, distribution and sale of natural gas. In addition to its utility businesses, the Company owns Pentzer Corporation (Pentzer), parent company to the majority of the Company's non-utility businesses.

At December 31, 1994, the Company's employees included 1,420 people in its utility operations and 775 people in its majority-owned non-utility businesses. The Company's corporate headquarters are in Spokane, Washington (Spokane), which serves as the Inland Northwest's center for manufacturing, transportation, health care, education, communication, agricultural and service businesses.

For the twelve months ended December 31, 1994, 1993 and 1992, respectively, the Company derived operating revenues and income from operations in the following proportions:

	Operating Revenues			Income from Operations		
	1994	1993	1992	1994	1993	1992
Electricity	67%	73%	76%	81%	80%	87%
Natural Gas	24%	21%	18%	15%	15%	10%
Non-Utility	9%	6%	6%	4%	5%	3%

MERGER AGREEMENT OVERVIEW

In June 1994, the Company, Sierra Pacific Resources (SPR), Sierra Pacific Power Company (SPPC), a subsidiary of SPR, and Resources West Energy Corporation, a newly formed subsidiary of the Company (Resources West), entered into an Agreement and Plan of Reorganization and Merger, as subsequently amended (Merger Agreement), which provides for the merger of WWP, SPR and SPPC into Resources West. SPR and SPPC are both Nevada corporations with headquarters in Reno, Nevada (Reno). The Merger Agreement provides that after the effective date of the Merger, Resources West's corporate headquarters offices and principal executive offices will be located in Spokane and that the headquarters of its Washington Water Power and Sierra Pacific operating divisions will be in Spokane and Reno, respectively. As a result of the Merger Agreement, holders of WWP Common Stock would receive one share and holders of SPR Common Stock would receive 1.44 shares of Resources West Common Stock, respectively. Each outstanding share of Preferred Stock of WWP and SPPC, respectively, will be converted into the right to receive one share of Resources West Preferred Stock with equal stated value and dividends and like redemption provisions and rights upon liquidation.

WWP, SPR and SPPC believe that the proposed merger offers significant strategic and financial benefits to each of the companies and to their respective stakeholders including an enhanced competitive position, a larger and more diverse service territory, an expanded resource base, improved resource planning and coordination, and cost savings. The cost savings for the new company are estimated to approximate \$450 million, net of merger transaction and transition costs, over the 10 years following the consummation of the merger. The cost savings should be achieved from, among other things, the integration of corporate management and administrative functions, the consolidation of distribution operations, the integration of gas purchasing requirements, the reduction of capacity requirements, the reduction of non-firm transmission expense, the avoidance of expenditures for operating systems, and the streamlining of inventories and purchasing economies.

See Item 4. Submission of Matters to a Vote of Security Holders, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook and Note 15 to Financial Statements for additional information.

UTILITY OPERATIONS OVERVIEW

The Company owns and operates nine hydroelectric projects in addition to a wood-waste fueled generating station. The Company also owns a 15% share in two coal-fired generating facilities, one in western Washington State and one in southeastern Montana. In addition the Company owns one natural gas combustion turbine (CT) peaking unit located near Spokane and completed the construction of two additional natural gas CT peaking units in northern Idaho in early January 1995. The Company contracts with five natural gas pipeline companies for access to domestic and Canadian natural gas supplies. With this diverse energy resource portfolio, the Company remains one of the nation's lowest-cost producers and sellers of energy services.

At December 31, 1994, electric service was supplied to approximately 275,000 customers in eastern Washington and northern Idaho. The Company's average hourly load for 1994 was 886 aMW. The Company's annual peak load, including firm contractual obligations, was 2,233 MW. This peak occurred on February 8, 1994, at which time the maximum capacity available from the Company's generating facilities, in addition to firm and non-firm purchases, was 2,468 MW.

At December 31, 1994, the Company's natural gas operations served approximately 212,000 customers in its natural gas service territory located in parts of four states. The peak load in 1994 occurred on February 7, 1994 when 2.7 million therms were required. During that peak 3.5 million therms were available under firm transportation and storage contracts.

NON-UTILITY OVERVIEW

The Company's principal subsidiary is Pentzer, a wholly-owned private investment company whose current portfolio of investments includes companies involved in consumer product promotion, specialty tool manufacturing, financial services, industrial real estate development and electronic technology.

Pentzer's business strategy is to acquire controlling interest in a broad range of middle-market companies, to help these companies grow through internal development and strategic acquisitions, and to sell the portfolio investments to the public or to strategic buyers. Pentzer's objective is to produce current returns from its portfolio investments that are higher than that of the utility operations and to supplement these current returns by generating transactional gains through the sale of portfolio investments when appropriate.

As of December 31, 1994, Pentzer had approximately \$167 million in total assets or about 8% of the Company's consolidated assets.

ELECTRIC SERVICE

COMPETITION AND BUSINESS RISK

Regulatory, economic and technological changes have brought about the accelerating transformation of the electric utility industry from a vertically integrated monopoly to a business that is much more market driven in each segment of its business. The Company believes that it is well positioned to meet the challenges of increased competition due to its low production costs, close proximity to major transmission lines, active participation in wholesale power markets and its dedication to high levels of customer satisfaction, cost reduction and continuous improvement of work processes.

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

The National Energy Policy Act (NEPA) enacted in 1992 addresses a wide range of issues affecting the wholesale electric business. NEPA gives the FERC expanded authority to order electric utilities (a) to transmit electric power to or for wholesale purchasers and sellers if the result would not unreasonably impair the continuing reliability of the affected electric systems and (b) to increase transmission capacity to provide access for wholesale purchasers and sellers of electric power at prices that permit the recovery by the utility of all costs incurred in connection with the transmission services. NEPA also created a new exception from the provisions of the Holding Company Act for Exempt Wholesale Generators (EWG). Subject to satisfying various regulatory requirements, EWGs may own generating facilities and make wholesale sales. The Company believes NEPA provides future transmission, energy production and sales opportunities to the Company and complements the Company's commitment to the wholesale electric business. The Company has filed for open access transmission tariffs with the FERC and is exploring options as a member of the newly forming Regional Transmission Groups, which are designed to enable the market for electric power to operate in a more competitive and efficient manner.

The Company continues to compete in the wholesale electric market with other western utilities, including the Bonneville Power Administration (BPA) which is forecasting significant price increases in the near future. Business challenges affecting the wholesale electric business include new entrants in the wholesale market, such as power brokers and marketers, competition from low cost generation being developed by independent power producers and declining margins. However, the Company's wholesale electric business remains an important part of the Company's overall business strategy. Since 1987 the Company has entered into a number of long-term firm power sales contracts that have increased its wholesale electric business and the Company intends to continue active pursuit of electric wholesale business opportunities. In 1994, 29% of total KWH sales were to wholesale customers with 53% of these sales under firm contracts.

ELECTRIC SYSTEM

Hydroelectric Resources. Hydroelectric generation is the Company's lowest cost source of electricity and the availability of hydroelectric generation has a significant effect on the Company's total power costs. The Company expects to meet about 49% of its total system requirements with its own hydroelectric generation and long-term hydroelectric contracts in normal water years. The streamflows in the Company's drainage systems were 65%, 86% and 64% of normal in 1994, 1993 and 1992, respectively. For the years 1994, 1993 and 1992, respectively, 38%, 43% and 40% of the Company's total system requirements were met by these hydroelectric resources.

Thermal Resources. The Company has a 15% interest in two coal-fired facilities - - the Centralia Power Plant (Centralia) in western Washington and Units 3 and 4 of the Colstrip Generating Project (Colstrip) in southeastern Montana. In addition, the Company owns a woodwaste-fired facility known as the Kettle Falls Generating Station (Kettle Falls) in northeastern Washington and a natural gas-fired combustion turbine (CT) in Spokane; the Company also completed the construction of two additional natural gas CT units in northern Idaho in early January 1995. The CTs are primarily used for peaking needs. Company-owned thermal facilities provided 32%, 25% and 31% of the Company's total electricity requirements for the years 1994, 1993 and 1992, respectively.

Centralia, which is operated by PacifiCorp, is supplied with coal under both a fuel supply agreement in effect through December 2020 and various spot market purchases. In 1994, 1993 and 1992 Centralia provided approximately 42%, 46% and 40%, respectively, of the Company's thermal generation.

Colstrip is supplied with fuel under coal supply and transportation agreements in effect through December 2019, from adjacent coal reserves owned and controlled by Entech, Inc. (Entech). Entech is a wholly-owned subsidiary of The Montana Power Company, which is the operator of Colstrip. In 1994, 1993 and 1992 Colstrip provided approximately 48%, 43%, and 51% of the Company's thermal generation, respectively.

Kettle Falls' primary fuel is wood-waste generated as a by-product of forest industry operations within one hundred miles of the plant. Natural gas may be used as an alternate fuel. The cost of wood-waste fuel is heavily influenced by operations of the forest products industry as well as transportation costs and, therefore, is subject to significant price variations. Even with the increased competition for wood-waste, a combination of long-term contracts already in place plus spot purchases allow the Company the flexibility to meet all expected future fuel requirements for the plant. In 1994, 1993 and 1992 Kettle Falls provided approximately 10%, 11% and 9% of the Company's thermal generation, respectively.

Purchases, Exchanges and Sales. In addition to the Company-owned hydroelectric projects, long-term hydroelectric contracts and thermal generating resources discussed above, total system requirements are met with other purchases and exchanges of power. Other power purchases and exchanges for the years 1994, 1993 and 1992 provided approximately 30%, 32% and 29%, respectively, of the Company's total system requirements.

The following table summarizes the Company's major long-term wholesale power agreements as of December 31, 1994 (1):

Contracts Expiring between: -----	Purchases (MW) -----	Exchanges (MW) -----	Sales (MW) -----
1995 and 2003	90	146	350
2004 and 2013	167	50	50
2014 and 2023	30	82	150
---	---	---	---
Total	287	278	550
1994 Revenues (Expenses)	(\$14 million)	(\$25 million)	\$57 million

(1) Available capacity may vary pursuant to the provisions of the specific contracts. See Note 13 to Financial Statements for additional information.

Under PURPA, the Company is required to purchase generation from qualifying facilities, including small hydroelectric and cogeneration projects, at avoided cost rates adopted by the Washington Utilities and Transportation Commission (WUTC) and the Idaho Public Utilities Commission (IPUC). The Company purchased approximately 612 million KWH, or about 6% of the Company's total energy requirements, from these sources at a cost of approximately \$25 million in 1994. Current avoided costs range from 2.2 to 5.5 cents per KWH in Washington, depending on the terms and length of the contract in addition to the period in which the project commences delivery of power to the Company. Avoided cost rates ranging from 1.9 to 3.7 cents per KWH in Idaho were proposed in an amended filing made to the IPUC in early March 1995.

The largest such contract is a ten-year power purchase contract between the Company and Potlatch, one of the Company's major industrial customers, which became effective on January 1, 1992. Under the terms of the agreement, the Company purchases 50-55 aMW of Potlatch's electric generation and makes available approximately 95 aMW of firm energy for sale. In addition, the Company makes available 25 aMW of interruptible energy and Potlatch provides an equivalent amount of reserve generation capacity in case of interruption.

ELECTRIC REGULATORY ISSUES

The Company, as a public utility, is currently subject to regulation by state utility commissions with respect to rates, accounting, the issuance of securities and other matters. The electric retail operations are subject to the jurisdiction of the WUTC and IPUC. The Company is also subject to the jurisdiction of the FERC for its accounting procedures and its wholesale transmission rates.

In each regulatory jurisdiction, the price the Company may charge for utility services (other than certain wholesale sales and specially negotiated retail rates for industrial or large commercial customers) is currently determined on a "cost of service" basis and is designed to provide, after recovery of allowable operating expenses, an opportunity to earn a reasonable return on "rate base" or assets employed in the business. "Rate base" is generally determined by reference to the original cost (net of accumulated depreciation) of utility plant in service, subject to various adjustments for deferred taxes and other items.

Over time, rate base is increased by additions to utility plant in service and reduced by depreciation and retirements of utility plant from service.

The Company is a licensee under the Federal Power Act and its licensed projects are subject to the provisions of Part I of that Act. These provisions include payment for headwater benefits, condemnation of licensed projects upon payment of just compensation and take-over of such projects after the expiration of the license upon payment of the lesser of "net investment" or "fair value" of the project, in either case plus severance damages. See Item 2. Properties - Electric Properties for additional information.

General Rate Cases

The Company does not currently plan to file for any general electric rate increases in 1995. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook for additional information regarding rate freezes related to the proposed merger between the Company and SPPC. The following table summarizes information for the Company's most recent general electric rate cases:

Jurisdiction	Approved		Effective Change	
	Effective Date	ROE	Amount (1)	%
			(000's)	
WUTC	3-87	12.90%	\$15,527	8.90%
IPUC (2)	9-86	12.90	3,680	4.30

(1) Anticipated annual revenue effect.

(2) The IPUC has approved an indefinite extension of the power cost adjustment (PCA) mechanism.

Integrated Resource Planning (IRP) IRP is a process required by both the WUTC and IPUC and represents the Company's responsibility to meet customer demand for reliable energy services at the lowest total cost to both the Company and its customers. The process entails (1) the forecasting of future energy needs, (2) the assessment of energy supplies, conservation options, customer costs, and social and environmental impacts and (3) the development of action plans which support a least cost resource strategy. Both the WUTC and IPUC acknowledge the plans as part of a public hearing process but do not approve the resource plans due to concerns about pre-approval outside of actual rate cases. The state commissions place an emphasis on the IRP as an informational tool for long-term planning. As discussed below, the WUTC has issued a Notice of Inquiry to, in part, determine if the IRP rule should be modified in light of the changing electric industry. The Company is required to file an updated IRP every two years and will be filing with both the WUTC and IPUC in April 1995.

Notice of Inquiry (NOI) In December 1994, the WUTC initiated an NOI entitled, "Examining Regulation of Electric Utilities in the Face of Change in the Electric Industry." The NOI seeks comments on the structural change in the electric industry, the implications of industry changes for utility regulation, and recommendations concerning specific rules and regulations currently used by the WUTC. The WUTC states that it will use the information generated by the inquiry to "review and, if necessary, revise regulatory procedures and rules concerning least-cost planning, competitive bidding for utility resources, and review of the prudence of utility expenditures." Comments were submitted in February 1995 with technical workshops planned for later in 1995. To date there has been no similar plan initiated by the IPUC.

Demand Side Management (DSM) Programs The WUTC and IPUC approved as filed, effective January 1, 1995, the Company's proposed electric and natural gas DSM programs for a two year period ending December 31, 1996. The Company's DSM programs focus on both the continuation of selected existing programs available to broad customer classes and the development of specifically structured programs to influence market demand. The Company's programs, while maintaining a residential electric weatherization program and fuel efficiency awareness programs, now places a greater emphasis on commercial and industrial programs.

DSM Riders In a two year experimental program the WUTC approved the Company's requested DSM Tariff Rider as filed, effective January 1, 1995. The tariff rider is a separate revenue source and represents a 1.55% electric revenue increase and a 0.52% natural gas increase. The revenues will be used to fund the Company's 1995 and 1996 DSM program expenditures. Under previous accounting treatment, DSM investments, including the applicable interest charge known as Allowance for Funds Used to Conserve Energy (AFUCE), were recorded as deferred assets until an application was made in a future general rate case. The new treatment will treat 1995 and 1996 DSM expenditures as operating expenses during the two year experimental period. The IPUC approved a similar proposal on March 3, 1995.

Power Cost Adjustment (PCA) In 1989 the IPUC approved the Company's filing for a PCA whereby the Company is allowed to modify electric rates to recover or rebate a portion of the difference between actual and allowed net power supply costs. In July of 1994, the IPUC approved an indefinite extension of the Company's proposed modifications to the PCA. The modified PCA tracks changes in hydroelectric generation, secondary prices, related changes in thermal generation and PURPA contracts but it no longer tracks changes in revenues or costs associated with other wheeling or power contracts. On January 1, 1995, a \$2.2 million, or 2.5%, surcharge was implemented for the next twelve months to recover costs resulting from low streamflow conditions during 1994. Since its implementation the PCA has triggered two surcharges and two rebates. See Note 1 to Financial Statements for additional details.

Northern Idaho Acquisition On December 30, 1994, the IPUC approved the transfer of ownership of all PacifiCorp's electric properties in northern Idaho to the Company for the purchase price of approximately \$33 million, subject to customary closing adjustments. The purchase adds about 9,800 electric customers to the 82,000 electric customers already served by the Company in Idaho. The purchase will not require major changes in the Company's transmission system and the Company has the generating resources to meet the 54 megawatt peak load. The Company has reduced most customers' energy prices to 1% below PacifiCorp's previous rates and has instituted a rate freeze until January 1, 1999. At the end of the four-year rate freeze, energy prices will be adjusted to the levels then in effect in the Company's other service areas in northern Idaho. See Note 14 to Financial Statements for additional details.

ELECTRIC OPERATING STATISTICS (1)

	Years Ended December 31,		
	1994	1993	1992
ENERGY RESOURCES (thousand Mwh):			
Hydro generation (from Company facilities).....	2,904	3,548	2,969
Thermal generation (from Company facilities).....	3,427	2,791	3,310
Purchased power - long-term hydro.....	1,177	1,117	1,276
Purchased power - other.....	3,146	3,492	2,975
Power exchanges.....	(24)	81	72
Total power resources.....	10,630	11,029	10,602
Energy losses and Company use.....	(504)	(598)	(534)
Total energy resources (net of losses).....	10,126	10,431	10,068
ENERGY REQUIREMENTS (thousand Mwh):			
Residential.....	3,035	3,134	3,024
Commercial.....	2,477	2,373	2,299
Industrial.....	1,705	1,644	1,563
Public street and highway lighting.....	22	22	20
Total retail requirements.....	7,239	7,173	6,906
Firm wholesale.....	1,523	1,798	2,020
Non-firm wholesale.....	1,364	1,460	1,142
Total energy requirements.....	10,126	10,431	10,068
RESOURCE AVAILABILITY at time of system peak (MW):			
Total requirements (winter) (2).....	2,233	2,126	2,018
Total resource availability (winter).....	2,468	2,335	2,280
Total requirements (summer) (3).....	1,793	1,682	1,686
Total resource availability (summer).....	2,392	2,206	2,138
ELECTRIC OPERATING REVENUES (Thousands of Dollars):			
Residential.....	\$146,894	\$153,929	\$146,073
Commercial.....	131,254	126,256	121,277
Industrial.....	57,438	57,133	50,934
Public street and highway lighting.....	3,108	3,022	2,891
Total retail revenue.....	338,694	340,340	321,175
Firm wholesale.....	64,890	65,420	66,484
Non-firm wholesale.....	26,496	43,214	25,307
Total energy revenues.....	430,080	448,974	412,966
Miscellaneous revenues.....	21,211	15,201	11,447
Total electric revenues.....	\$451,291	\$464,175	\$424,413
Income from electric operations - After income tax...	\$92,918	\$92,850	\$98,365
NUMBER OF ELECTRIC CUSTOMERS (Average for Period):			
Residential.....	239,733	233,795	227,575
Commercial.....	29,402	28,678	27,781
Industrial.....	999	963	974
Public street and highway lighting.....	325	308	302
Total retail customers.....	270,459	263,744	256,632
Wholesale customers.....	27	28	26
Total electric customers.....	270,486	263,772	256,658
ELECTRIC RESIDENTIAL SERVICE AVERAGES:			
Annual use per customer (kWh).....	12,661	13,406	13,287
Revenue per kWh (in cents).....	4.84	4.91	4.83
Annual revenue per customer.....	\$612.74	\$658.39	\$641.87

- (1) None of the statistics include data from the acquisition of the northern Idaho properties from PacifiCorp as the Company did not begin operations of the properties until January, 1995.
- (2) Includes firm contract obligations of 539 MW, 485 MW and 462 MW and 242 MW, 120 MW and 63 MW of non-firm sales in 1994, 1993 and 1992, respectively.
- (3) Includes firm contract obligations of 509 MW, 610 MW and 468 MW in 1994, 1993 and 1992, respectively, and non-firm sales in 1994 of 1 MW. There were no non-firm sales in 1993 or 1992 during the summer system peak period.

NATURAL GAS SERVICE

COMPETITION AND BUSINESS RISK

Natural gas remains competitively priced compared to other alternative fuel sources for residential, commercial and industrial customers and is projected to remain so well into the future due to increasing supplies and competition. The Company continues to advise electricity customers as to the cost advantages of converting space and water heating needs to natural gas. Significant growth has occurred in the Company's natural gas business in recent years due to these conversions and increased demand for natural gas in new construction. The Company also makes sales or provides transportation service directly to large natural gas customers.

Challenges facing the Company's natural gas business include the continuing potential for customers to by-pass the Company's natural gas system. Since 1988 two of the Company's large industrial customers have built their own pipeline interconnection. However, these customers continue to purchase natural gas services from the Company. To reduce the potential for such by-pass, the Company prices its natural gas services, including transportation contracts, competitively and has varying degrees of flexibility to price its transportation and delivery rates by means of special contracts. The Company has also signed long-term transportation contracts with two of its largest industrial customers which minimize the chances of these customers by-passing the Company's system in the foreseeable future.

Order 636B adopted by FERC in 1992 provides the Company more flexibility in optimizing its natural gas transportation and supply portfolios. While rate design changes have increased the costs of firm transportation to low load-factor pipeline customers such as the Company, flexible receipt and delivery points and capacity releases allow temporarily under-utilized transportation to be released to others when not needed to serve the Company's customers. The Company is also able to optimize its natural gas portfolio by engaging in some off-system sales.

NATURAL GAS SYSTEM

The Company's natural gas operations are operated as separate divisions, with the WWP service territory including the Washington and Idaho properties and the WPNG service territory including Oregon and California properties.

Natural Gas Supply The Company has access to five natural gas pipelines, Northwest Pipeline Company (NWP), Pacific Gas Transmission (PGT), Paiute Pipeline (Paiute), NOVA Pipeline, Ltd. (NOVA) and Alberta Natural Gas Co. Ltd. (ANG), which provide the Company access to both domestic and Canadian natural gas supplies. Due to this resource portfolio, the Company remains one of the nation's lowest-cost local distribution companies.

Both WWP and WPNG contract with NWP for three types of firm service (transportation, liquefied natural gas storage and underground storage) and with PGT, NOVA and ANG for firm transportation only. The Company contracted with NOVA, ANG and PGT for additional transportation capacity to be available by November 1995 for service in its Washington, Idaho and Oregon natural gas properties. WPNG also contracts with Paiute for firm transportation and liquefied natural gas storage to deliver natural gas to its California customers.

Firm natural gas supplies are purchased by the Company through negotiated agreements having terms ranging between one month and ten years with a variety of natural gas suppliers. As a result of FERC Order 636B, WWP has completed the process of converting its NWP natural gas sales to firm transportation and assuming its share of NWP's natural gas supply contracts.

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

The Company has contracted to release some of its Storage Project capacity to two other utilities until mid-1995 and 1996, respectively, with a provision under one of the releases to partially recall the released capacity if the Company determines additional natural gas is required for its own system supply. The Company is currently negotiating the extension of these contracts until 1998 and 2001, respectively.

Natural Gas Transportation Services The Company provides transportation service to customers who obtain their own natural gas supplies. Transportation service continued to be a significant component of the Company's total system deliveries in 1994. The competitive nature of the spot natural gas market results in savings in the cost of purchased natural gas, which encourages large customers with fuel-switching capabilities to continue to utilize natural gas for their energy needs. The total volume transported on behalf of transportation customers was approximately 195.5 million therms in 1994. This total volume represented approximately 39% of the Company's total system deliveries in 1994.

NATURAL GAS REGULATORY ISSUES

The Company, as a public utility, is currently subject to regulation by several state utility commissions with respect to rates, accounting, the issuance of securities and other matters. The natural gas operations are subject to the jurisdiction of the WUTC, IPUC, OPUC and CPUC in addition to the jurisdiction of FERC with respect to natural gas rates charged for the release of capacity from the Storage Project.

General Rate Cases

The Company has no current plans to file for any natural gas general rate cases in 1995. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook for additional information regarding rate freezes related to the proposed merger with SPPC. The following table summarizes information for the Company's most recent general natural gas rate cases (1):

Jurisdiction	Approved		Effective Change	
	Effective Date	ROE	Amount (2)	%
			(000's)	
WUTC	8-90	12.90%	\$1,131	2.58%
IPUC	10-89	12.75	(579)	(3.66)
Reconsideration	2-90	12.75	135	0.86

- (1) In addition, the Company from time to time, upon request, receives regulatory approval from the WUTC, the IPUC, the OPUC and the CPUC to adjust rates to reflect changes in the cost of purchased natural gas between general rate cases.
- (2) Anticipated annual revenue effect.

In September 1991, the Company commenced operations in both California and Oregon upon the acquisition of the natural gas properties of CP National. The conditions of the CPUC order approving the acquisition included an exemption from filing a general rate case until January 1, 1994 and a rate freeze until January 1, 1995. On February 8, 1995, the CPUC granted an additional one year extension to January 1, 1996 before the Company is required to file a general rate case. As a result, the existing rate freeze will continue until at least January 1, 1997. The OPUC also authorized a general rate freeze which extends to December 31, 1995. Purchased natural gas costs will continue to be tracked through to customers in both jurisdictions during the rate freeze period.

Integrated Resource Planning (IRP) See Electric Service - Electric Regulatory Issues for a detailed description of the IRP process. The natural gas IRP is a process required by the WUTC, IPUC and the OPUC. The 1995 natural gas IRP reports were submitted to these commissions in January 1995 with acknowledgments anticipated by the end of 1995. The natural gas IRP is provided to the CPUC for informational purposes only.

Demand Side Management (DSM) See Electric Service - Electric Regulatory Issues regarding the WUTC and IPUC DSM applications. In 1993 the OPUC authorized the Company to defer revenue requirements associated with its WPNG DSM investments, and established an annual rate adjustment mechanism to reflect the deferred costs on a timely basis. Under this authorization, the Company files annually, concurrent with the Company's annual natural gas tracker filing, a rate adjustment to recover DSM program costs and margin losses. On December 1, 1994 the OPUC approved the Company's annual tracker increase which included such a rate adjustment.

Natural Gas Trackers Natural gas trackers are designed to pass through changes in purchased natural gas costs and do not result in any changes in net income to the Company. In mid-July, the Company filed a natural gas tracker with the WUTC primarily to reflect changes in the cost of purchased natural gas during the past year. At the same time a natural gas tracker was filed with the IPUC for a decrease primarily due to a change in cost determination methodology. The trackers in Washington and Idaho were both approved effective September 1, 1994 and authorized a \$5.7 million or 8.75% increase and a \$1.0 million or 3.98% decrease, respectively, in the two jurisdictions. The annual Oregon natural gas tracker became

effective on December 1, 1994, which authorized a \$2.4 million or 5.74% increase. A Purchased Gas Adjustment (PGA) or natural gas tracker filing was approved by the CPUC effective January 5, 1995 which authorized a \$0.8 million or 7.71% increase in California.

NATURAL GAS OPERATING STATISTICS

	Years Ended December 31,		
	1994	1993	1992
SOURCES OF SUPPLY (Thousands of Therms):			
Purchases.....	335,780	300,572	232,726
Storage - injections.....	(20,518)	(26,398)	(5,478)
Storage - withdrawals.....	19,053	20,153	17,229
Natural gas for transportation.....	195,543	197,499	181,145
Distribution system gains (losses).....	1,471	7,416	(2,663)
Total supply.....	531,329	499,242	422,959
THERMS DELIVERED (Thousands of Therms):			
Residential.....	150,106	151,261	117,660
Commercial.....	120,901	114,793	95,624
Industrial - firm.....	15,614	19,035	15,822
Industrial - interruptible.....	12,801	15,747	12,350
Total retail sales.....	299,422	300,836	241,456
Off-system sales.....	36,107	-	-
Transportation.....	195,543	197,499	181,145
Company use.....	257	907	358
Total therms - sales and transportation.....	531,329	499,242	422,959
NET SYSTEM MAXIMUM CAPABILITY (Thousands of Therms):			
Net system maximum demand (winter).....	2,686	2,651	2,277
Net system maximum firm contractual capacity (winter)...	3,523	3,523	3,786
NATURAL GAS OPERATING REVENUES (Thousands of Dollars):			
Residential.....	\$ 76,597	\$ 68,137	\$ 48,395
Commercial.....	50,981	43,542	31,984
Industrial - firm.....	5,642	6,089	4,506
Industrial - interruptible.....	3,570	4,784	3,204
Total retail revenues.....	136,790	122,552	88,089
Off-system sales.....	5,098	-	-
Transportation.....	11,140	10,923	8,663
Miscellaneous revenues.....	3,748	4,072	3,818
Total natural gas revenues.....	\$156,776	\$137,547	\$100,570
Income from natural gas operations - After income tax...	\$ 18,495	\$ 19,406	\$ 12,570
NUMBER OF NATURAL GAS CUSTOMERS (Average for Period):			
Residential.....	179,176	162,400	148,242
Commercial.....	23,466	22,526	21,816
Industrial - firm.....	264	268	266
Industrial - interruptible.....	33	39	29
Total retail customers.....	202,939	185,233	170,353
Off-system sales.....	1	-	-
Transportation.....	60	56	60
Total natural gas customers.....	203,000	185,289	170,413
NATURAL GAS RESIDENTIAL SERVICE AVERAGES:			
WWP			
Annual use per customer (therms).....	899	1,025	864
Revenue per therm (in cents).....	47.46	41.55	37.05
Annual revenue per customer.....	\$426.83	\$425.82	\$319.99
WPNG			
Annual use per customer (therms).....	731	775	679
Revenue per therm (in cents).....	58.62	52.78	49.64
Annual revenue per customer.....	\$428.64	\$409.11	\$337.06
HEATING DEGREE DAYS:			
Spokane, WA			
Actual.....	6,225	7,224	6,134
30 year average.....	6,842	6,882	6,882
% of average.....	91.0	105.0	89.1
Medford, OR			
Actual.....	4,348	4,396	3,653
30 year average.....	4,611	4,798	4,798
% of average.....	94.3	91.6	76.1

ENVIRONMENTAL ISSUES

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

Air Quality. The Company continues to assess both the potential and actual impact of the 1990 Clean Air Act Amendments (CAAA) on the thermal generating plants in which it maintains an ownership interest. Centralia, which is operated by PacifiCorp, is classified as a "Phase II" coal-fired plant under the CAAA and as such, will be required to reduce sulfur dioxide (SO₂) emissions by approximately 40% by the year 2000. Several methods to meet CAAA SO₂ reduction standards are being evaluated and a plan is expected to be completed by the operator by mid-1995. The alternatives most likely to be used in meeting the compliance standards will be some combination of lower sulfur coal, SO₂ reduction through clean coal technology and SO₂ allowances either purchased or pooled, if available, among the Centralia owners. The anticipated share of costs for SO₂ compliance are not expected to have a major economic impact on the Company.

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

The Company's other thermal projects also are subject to various CAAA standards. Every five years each project requires an updated operating permit (known as a Title V permit) which addresses, among other things, the compliance of the plant with the CAAA. Permit applications for the Company's Kettle Falls plant and the Northeast CT are due in June of 1995. The new Rathdrum CT in northern Idaho has an operating permit application currently under consideration. The Company expects to be able to obtain these permits under the CAAA. See Electric Service - Electric System for additional information.

Superfund Sites. The Company was named a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA" or "Superfund") at the Coal Creek site in Chehalis, Washington. The clean-up is now essentially complete, with the exception of some long-term maintenance efforts, at a cost of approximately \$14 million. This cost was shared by approximately 90 utilities and the Company's portion, which has already been paid, was about \$1.1 million.

In 1993 the EPA referred a matter to the U.S. Justice Department requesting the Company and other potentially responsible parties to enter into negotiations for the recovery of costs incurred by EPA and for initiation of action in connection with the clean-up at the Spokane Junk Yard Site located in Spokane, Washington. If an action is commenced, the claim is expected to be for \$2.7 million in initial clean-up and site stabilization costs plus additional costs including attorneys' fees and further site rehabilitation costs. The Company has no records showing that any Company equipment was ever deposited at the Spokane Junk Yard Site or that PCB contaminated equipment was delivered to any company which disposed of materials at the site. In consultations with the EPA, the Company is continuing to evaluate its potential liability, if any, with respect to this site.

Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook and Note 11 to Financial Statements for additional information.

NON-UTILITY BUSINESS

The majority of all of the non-utility businesses are owned by Pentzer, a wholly owned subsidiary of the Company. As of December 31, 1994, the Company had an equity investment of approximately \$114 million in non-utility businesses, of which about \$107 million was invested in Pentzer. The remainder was invested in three other subsidiaries, the largest of which is Washington Irrigation and Development Company (WIDCo), which maintains a small investment portfolio.

As of December 31, 1994, Pentzer had approximately \$167 million in total assets, or about 8% of the Company's consolidated assets. Pentzer's portfolio of investments includes companies involved in consumer product promotion, specialty tool manufacturing, financial services, industrial real estate development and electronic technology.

Pentzer's current investment profile focuses on manufacturers and distributors of industrial and consumer products as well as service businesses. The Company seeks businesses with above average records of earnings growth in industries that are not cyclical or dependent upon high levels of research and development. Emphasis is placed on leading companies with strong market franchises, dominant or proprietary product lines or other significant competitive advantages. Pentzer is particularly

interested in companies serving niche markets. Total investment in any one company is generally limited to \$15 million, and control of the acquired company's board of directors is generally required.

Pentzer's business strategy is to acquire controlling interest in a broad range of middle market companies, to help these companies grow through internal development and strategic acquisitions, and to sell the portfolio investments to the public or to strategic buyers. Pentzer's objective is to produce current returns from its portfolio investments that are higher than that of the utility operations and to supplement these current returns by generating transactional gains through the sale of portfolio investments when appropriate. From time to time, a significant portion of Pentzer's earnings contributions may be the result of transactional gains. Accordingly, although the income stream is expected to be positive, it may be uneven from year to year.

Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Results of Operations: Non-Utility Operations and Notes 1, 10 and 14 to Financial Statements for additional information.

ITEM 2. PROPERTIES

ELECTRIC PROPERTIES

The Company's electric properties, located in the States of Washington, Idaho and Montana, include the following:

Generating Plant

	No. of Units	Nameplate Rating (MW)(1)	Present Capability (MW)(2)	Year of FERC License Expiration
	-----	-----	-----	-----
Hydroelectric Generating Stations (River)				
Washington:				
Long Lake (Spokane)	4	70.0	72.0	2007
Little Falls (Spokane)	4	32.0	36.0	N/A (3)
Nine Mile (Spokane)	4	26.4	29.0	2007
Upper Falls (Spokane)	1	10.0	10.2	2007
Monroe Street (Spokane)	1	14.8	13.0	2007
Meyers Falls (Colville)	2	1.2	1.3	2023
Idaho:				
Cabinet Gorge (Clark Fork)	4	221.9	236.0	2001(4)
Post Falls (Spokane)	6	14.8	18.0	2007
Montana:				
Noxon Rapids (Clark Fork)	5	466.7	554.0	2005(4)
		-----	-----	
Total Hydroelectric		857.8	969.5	
Thermal Generating Stations				
Washington:				
Centralia(5)	2	199.5	201.0	
Kettle Falls	1	50.7	47.0	
Northeast CT(6)	2	61.2	69.0	
Idaho:				
Rathdrum CT(6),(7)	2	166.5	176.0	
Montana:				
Colstrip (Units 3 and 4)(5)	2	233.4	216.0	
		-----	-----	
Total Thermal		711.3	709.0	
		-----	-----	
Total Generation		1,569.1	1,678.5	
		=====	=====	

N/A Not applicable.

- (1) Nameplate Rating, also referred to as "installed capacity", is the manufacturer's assigned power rating under specified conditions.
- (2) Capability is the maximum generation of the plant without exceeding approved limits of temperature, stress and environmental conditions.
- (3) See Note 11 to Financial Statements for additional information.
- (4) The formal relicensing process will begin in mid-1995 for Cabinet Gorge and in 2000 for Noxon Rapids.
- (5) Jointly-owned; data above refers to Company's respective 15% interests.
- (6) Used primarily for peaking needs.
- (7) Construction completed in January 1995; see Note 9 to Financial Statements regarding long-term lease financing.

Distribution and Transmission Plant

The Company operates approximately 11,350 miles of primary and secondary distribution lines in its electric system in addition to a transmission system of approximately 550 miles of 230 KV line and 1,530 miles of 115 KV line. These electric system mileages do not yet include the properties recently acquired from PacifiCorp in Bonner County in northern Idaho. The Company also owns a 10% interest in 495 miles of a 500 KV line from Colstrip, Montana and a 15% interest in 3 miles of a 500 KV line from Centralia, Washington to the nearest BPA interconnections.

The 230 KV lines are used primarily to transmit power from the Company's Noxon Rapids and Cabinet Gorge hydroelectric generating stations to major load centers in the Company's service area. The 230 KV lines also transmit to points of

interconnection with adjoining electric transmission systems for bulk power transfers. These lines interconnect with BPA at five locations and at one location each with PacifiCorp, Montana Power and Idaho Power Company. The BPA interconnections serve as points of delivery for power from the Colstrip and Centralia generating stations as well as for the interchange of power with the Southwest. The interconnection with PacifiCorp is the point of delivery for power purchased by the Company from Mid-Columbia projects' hydroelectric generating stations.

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

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Outlook for additional information regarding the potential transmission interconnections between the Company and SPPC.

NATURAL GAS PROPERTIES

The WWP and WPNG service territories' natural gas properties have natural gas distribution mains of approximately 3,100 miles and 1,500 miles, respectively, as of December 31, 1994.

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

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 11 to Financial Statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

A Special Meeting of Shareholders of the Company was held on November 18, 1994. The only matter voted upon at the meeting was the approval of the Agreement and Plan of Reorganization and Merger dated as of June 27, 1994, as amended October 4, 1994, by and among the Company, SPR, SPPC and Resources West, and the transactions contemplated thereby (Merger Proposal), pursuant to which, among other things, each of the Company, SPR and SPPC will be merged with and into Resources West.

As of September 22, 1994, the record date for determining shareholders entitled to notice of and to vote at the meeting, 54,017,035 shares of Common Stock of the Company and 850,500 shares of Preferred Stock of the Company were issued and outstanding, with 43,088,852 shares of Common Stock and 641,686 shares of Preferred Stock represented at said meeting. Approval of the Merger Proposal required the affirmative vote of (i) not less than two thirds of all votes entitled to be cast by all holders of Company Common Stock and (ii) not less than two-thirds of all votes entitled to be cast by all holders of Company Preferred Stock, in each case voting separately as a class. The Merger Proposal was approved by the requisite shareholder votes. The details of the voting are shown below:

	For -----	Against or Withheld -----	Abstain -----
Common Stock	39,879,477	1,775,872	1,433,503
Preferred Stock	641,686	0	0

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: Future Outlook and Note 15 to Financial Statements for additional details relating to the terms of the proposed merger.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Outstanding shares of Common Stock are listed on the New York and Pacific Stock Exchanges. As of February 28, 1995, there were approximately 34,155 registered shareholders of the Company's no par value Common Stock.

It is the intention of the Board of Directors to continue to pay dividends quarterly on the Common Stock, but the amount of such dividends is dependent on future earnings, the financial position of the Company and other factors.

Refer to Notes 1, 8 and 17 to Financial Statements for additional information.

ITEM 6. SELECTED FINANCIAL DATA

On November 9, 1993, the Company distributed, to shareholders of record on October 25, 1993, shares of its common stock, without par value, under a two-for-one stock split effected in the form of a 100% stock dividend. All references to number of shares and per share information have been adjusted to reflect the common stock split on a retroactive basis.

In 1992, Pentzer's common stock ownership in ITRON was reduced from approximately 60% to approximately 40% as a result of the issuance of common stock by ITRON in an acquisition. Accordingly, beginning in 1992, Pentzer's share of ITRON's earnings was accounted for by the equity method and was included in Other Income-Net and its investment in ITRON was reflected on the balance sheet under Other Property and Investments. ITRON's initial public offering in November 1993 and Pentzer's sales of ITRON stock during 1993 and 1994 resulted in a reduction in Pentzer's ownership interest to approximately 14%. As a result, Pentzer's investment in ITRON, beginning in December 1994, is accounted for by the cost method. Therefore, income from ongoing ITRON operations will no longer be recorded by Pentzer.

The Company purchased natural gas distribution properties in Oregon and California from CP National Corporation on September 30, 1991. The 1991 financial information reflects three months of operations of these properties. Total assets for 1994 include the northern Idaho electric properties purchased by the Company from PacifiCorp on December 30, 1994.

On July 31, 1990, WIDCo sold its 50% interest in its coal mining properties. The consolidated financial statements, notes and selected financial data have been reclassified to reflect the continuing operations of the Company. The revenues, expenses, assets and liabilities of the discontinued operations have been reclassified from those categories and netted into single line items in the income statements and balance sheets.

	Years Ended December 31,				
	1994	1993	1992	1991	1990
	----- ----- (Thousands of Dollars except Per Share Data and Ratios)				
Operating Revenues:					
Utility	\$608,067	\$601,722	\$524,983	\$485,075	\$470,655
Non-Utility	62,698	38,877	32,775	81,732	83,786
	-----	-----	-----	-----	-----
Total	670,765	640,599	557,758	566,807	554,441
AFUDC/AFUCE	4,949	4,964	3,751	1,999	645
Net Income:					
Utility	63,567	69,510	63,975	69,211	71,463
Non-Utility	13,630	13,266	8,292	1,420	684
Discontinued Operations	-	-	2,403	1,553	15,457
	-----	-----	-----	-----	-----
Total	77,197	82,776	74,670	72,184	87,604
Preferred Stock Dividend Requirements.	8,656	8,335	6,817	9,292	8,419
Income Available for Common Stock	68,541	74,441	67,853	62,892	79,185
Outstanding Common Stock (000s):					
Weighted Average	53,538	51,616	49,550	46,916	45,723
Year-End	54,421	52,758	50,888	47,902	46,424
Book Value per Share	\$12.19	\$12.02	\$11.54	\$11.11	\$10.84
Earnings per Share:					
Utility	1.03	1.19	1.15	1.28	1.38
Non-Utility25	.25	.17	.03	.01
Discontinued operations	-	-	.05	.03	.34
	-----	-----	-----	-----	-----
Total	1.28	1.44	1.37	1.34	1.73
Dividends Paid per Common Share	1.24	1.24	1.24	1.24	1.24
Total Assets at Year-End:					
Utility	1,820,671	1,701,652	1,424,812	1,394,800	1,275,122
Non-Utility	173,582	136,186	109,203	126,713	130,889
	-----	-----	-----	-----	-----
Total	1,994,253	1,837,838	1,534,015	1,521,513	1,406,011
Long-term Debt at Year-End.	721,146	647,229	596,897	633,434	561,197
Preferred Stock Subject to Mandatory Redemption at Year-End	85,000	85,000	85,000	50,000	50,000
Ratio of Earnings to Fixed Charges	3.24	3.45	3.08	2.96	2.79
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	2.59	2.77	2.57	2.35	2.31

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

The Company is primarily engaged as a utility in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, transportation, distribution and sale of natural gas. Natural gas operations are affected to a significant degree by weather conditions and customer growth. The Company's electric operations are highly dependent upon hydroelectric generation for its power supply. As a result, the electric operations of the Company are significantly affected by weather and streamflow conditions and, to a lesser degree, by customer growth. Revenues from the sale of surplus energy to other utilities and the cost of power purchases vary from year to year depending on streamflow conditions and the wholesale power market. The wholesale power market in the Northwest region is affected by several factors, including the availability of water for hydroelectric generation, the availability of base load plants in the region and the demand for power in the Southwest region. Other factors affecting the wholesale power market include new entrants in the wholesale market, such as power brokers and marketers, competition from low cost generation being developed by independent power producers and declining margins. Usage by retail customers varies from year to year primarily as a result of weather conditions, the economy in the Company's service area, customer growth, conservation, appliance efficiency and other technology.

The Company intends to continue to emphasize the efficient use of energy by its customers, increase efforts to grow its customer base, especially natural gas, and continue to manage its operating costs, increase revenues and improve margins. The Company also intends to pursue resource opportunities through system upgrades, purchases, demand side management and other options that will result in obtaining electric power and natural gas supplies at the lowest possible cost.

On November 9, 1993, the Company distributed, to shareholders of record on October 25, 1993, shares of its common stock, without par value, under a two-for-one stock split effected in the form of a 100% stock dividend. All references to number of shares and per share information have been adjusted to reflect the common stock split on a retroactive basis.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

Overall earnings per share for 1994 were \$1.28, compared to \$1.44 in 1993 and \$1.37 in 1992. The 1994 results include \$8.0 million of gains recorded by Pentzer Corporation (Pentzer) primarily as a result of the sale of stock in ITRON, Inc. (ITRON). The 1993 results include gains totaling \$12.8 million recorded by Pentzer as a result of the sale of several investments in its portfolio and the sale of stock in the initial public offering by ITRON in November 1993. The 1992 results include gains of \$4.4 million, or \$0.09 per share, due to the issuance of common stock by ITRON in an acquisition and \$1.2 million due to the sale of Pentzer's interest in a company involved in power plant maintenance. Discontinued coal mining operations contributed \$2.4 million to net income, or \$0.05 per share, in 1992.

Utility income available for common stock decreased \$6.3 million, or 10.2%, in 1994 after increasing \$4.0 million, or 7.0%, in 1993. Utility income available for common stock contributed \$1.03 to earnings per share in 1994, compared to \$1.19 in 1993 and \$1.15 in 1992. Non-utility income available for common stock from continuing operations increased \$0.4 million in 1994 and \$5.0 million in 1993 and contributed \$0.25 to earnings per share in both 1994 and 1993 and \$0.17 in 1992.

Weather that was 9% warmer than normal during 1994 reduced residential usage for both electric and natural gas customers. Income from electric operations decreased \$0.6 million in 1994 over 1993 primarily as a result of a \$12.9 million decline in revenues due to decreased kWh sales that was nearly offset by decreased purchased power expense. Income from natural gas operations decreased \$0.2 million in 1994, as compared to 1993, due primarily to increased purchased gas costs that were offset substantially by increased revenues due to customer growth. Slightly colder-than-normal weather during 1993 affected both electric and natural gas operations as compared to 1992. Income from electric operations decreased \$5.4 million in 1993, as compared to 1992, primarily as a result of increases in purchased power costs due to thermal plant outages, a significant short-term sale of wholesale energy, lower hydroelectric generation due to below normal streamflows and increases in other operating and maintenance expenses. Income from natural gas operations increased \$6.7 million in 1993 over 1992 due primarily to increased customer usage from the colder weather and customer growth.

Interest expense increased \$2.9 million in 1994 after a decrease of \$3.4 million in 1993. In 1994, \$88.0 million in long-term debt was issued, while \$7.5 million of long-term debt matured or was redeemed. At December 31, 1994, long-term debt outstanding was \$73.9 million higher than at December 31, 1993. In 1993, \$274.1 million of long-term debt matured or was redeemed, while only \$254.1 million was issued.

Preferred stock dividend requirements increased \$0.3 million in 1994, primarily due to higher dividend rates on the Company's Auction Preferred Stock, and \$1.5 million, or 22.3%, in 1993 due to the issuance of preferred stock in late 1992. A redemption of preferred stock in early 1992, which was not replaced until an issuance later in the year was the primary reason for the reduced preferred dividend requirement in 1992.

UTILITY OPERATIONS

ELECTRIC OPERATIONS

Electric Operating Income Summary

ELECTRIC OPERATIONS (DOLLARS IN THOUSANDS)	1994 VS 1993			1993 VS 1992			
	1994	INCR(DEC)	%	1993	INCR(DEC)	%	1992
Operating Revenues.....	\$451,291	\$(12,884)	(3)	\$464,175	\$39,762	9	\$424,413
Operating Expenses:							
Purchased Power.....	106,277	(12,532)	(11)	118,809	27,100	30	91,709
Fuel for generation.....	39,176	4,943	14	34,233	(2,863)	(8)	37,096
Other Operatng & Maintenance..	61,268	(7,299)	(11)	68,567	10,709	19	57,858
Administrative & General.....	35,190	2,814	9	32,376	1,393	4	30,983
Depreciation & Amortization..	48,233	1,230	3	47,003	4,961	12	42,042
Taxes Other than Income.....	36,022	1,001	3	35,021	587	2	34,434
Total Operating Expenses..	326,166	(9,843)	(3)	336,009	41,887	14	294,122
Income from Operations.....	125,125	(3,041)	(2)	128,166	(2,125)	(2)	130,291
Electric Operations Income							
Taxes.....	32,207	(3,109)	(9)	35,316	3,390	11	31,926
Net Operating Income(1).....	\$ 92,918	\$ 68	-	\$ 92,850	\$(5,515)	(6)	\$ 98,365

(1) Does not include interest expense or other income.

Electric revenues decreased by 3% in 1994, as compared to 1993, due to a combination of decreased residential sales and wholesale sales, partially offset by increased commercial sales and higher wheeling revenues. Residential revenues decreased by \$7.0 million, despite a 3% increase in customers, due to warm weather throughout most of 1994. Residential usage was also affected by new appliance efficiency and other technology which has decreased customers' base load requirements. Commercial revenues increased \$5.0 million, or 4%, in 1994, as compared to 1993, due to 3% customer growth and the slightly warmer-than-normal weather which increased air conditioning load. Commercial customers tend to use air conditioning systems at much cooler temperatures than residential customers, with the result that air conditioning load can be up within the commercial sector and not within the residential sector, as during the fall of 1994. Wholesale revenues decreased \$17.2 million during 1994, compared to 1993, primarily due to a significant short-term sale of wholesale energy in 1993 which increased wholesale revenues in that period, low streamflow conditions during 1994 which led to decreased Kwh sales and lower wholesale prices.

Electric revenues increased in all classes for 1993, as compared to 1992, as a result of customer growth, increased wholesale sales and a slight increase in customer usage due to colder than normal weather. As the Company's Demand Side Management programs have grown, the electric load has become less weather-sensitive as a result of the shifting of a greater portion of the heat load to natural gas. Residential and commercial revenues increased by \$12.8 million, primarily as a result of a 3% growth in customers in 1993. Industrial sales during 1993 increased by \$6.2 million, or 12%, primarily due to increased Kwh sales under a sales agreement with a large customer. Wholesale revenues increased by \$16.8 million, or 18%, due primarily to a significant sale of wholesale energy over a six-week period in the first quarter of 1993.

Electric Revenues, Kwh Sales, and Customers by Service Class

(Revenues in thousands, Kwh sales in millions)	1994 vs 1993				1993 vs 1992		
	1994	Incr(Decr)	%	1993	Incr(Decr)	%	1992
Electric Revenues:							
Residential.....	\$146,894	\$ (7,035)	(5)	\$153,929	\$ 7,856	5	\$146,073
Commercial.....	131,254	4,998	4	126,256	4,979	4	121,277
Industrial.....	57,438	305	1	57,133	6,199	12	50,934
Wholesale.....	91,386	(17,248)	(16)	108,634	16,843	18	91,791
Electric Kwh Sales:							
Residential.....	3,035	(99)	(3)	3,134	110	4	3,024
Commercial.....	2,477	104	4	2,373	74	3	2,299
Industrial.....	1,705	61	4	1,644	81	5	1,563
Wholesale.....	2,887	(371)	(11)	3,258	96	3	3,162
Electric Customers (average):							
Residential.....	239,733	5,938	3	233,795	6,220	3	227,575
Commercial.....	29,402	724	3	28,678	897	3	27,781
Industrial.....	999	36	4	963	(11)	(1)	974
Wholesale.....	27	(1)	(4)	28	2	8	26

Warmer-than-normal weather and below-normal streamflow conditions affected 1994 electric operating results. Hydroelectric generation was 23% below normal, caused by streamflows which were 65% of normal in 1994. Fuel costs increased \$4.9 million over 1993 due to increased thermal generation as a result of the low streamflows in 1994 and shutdowns at thermal plants during 1993 which decreased fuel expense for that year. Purchased power costs in 1994 decreased \$12.5 million, or 11%, over levels incurred during 1993, primarily due to increased purchases during 1993 to complete a significant short-term sale of wholesale energy and to replace lost thermal generation due to plant outages. Transmission and distribution costs, which decreased \$1.0 million and \$2.3 million, respectively, contributed to the \$7.3 million, or 11%, decrease in other operating and maintenance expenses. Transmission expenses decreased in 1994 over 1993 due to decreased wholesale Kwh sales and the associated wheeling costs. Distribution expense was lower in 1994, compared to 1993, due to increased expenses during 1993 for repairs at thermal plants. In October 1989, the Idaho Public Utilities Commission (IPUC) approved the Company's filing for a Power Cost Adjustment (PCA) designed to allow the Company to change rates to recover or rebate a portion of the difference between actual and allowed net power supply costs. Net PCA adjustments, resulting from low hydroelectric conditions, accounted for \$4.1 million of the decrease in other operating and maintenance expenses from 1993. Administrative and general expenses increased by \$2.8 million in 1994, compared to 1993, primarily due to labor-related costs.

Below-normal streamflow conditions and thermal plant outages significantly affected 1993 electric operating results. Hydroelectric generation was 11% below normal, caused by streamflows which were 86% of normal. Purchased power increased by \$27.1 million, or 30%, in 1993 primarily due to reduced hydroelectric generation early in the year, a significant sale of wholesale energy in the first quarter and to replace lost thermal generation due to plant outages. Net PCA adjustments accounted for \$4.6 million of the increase in other operating and maintenance expenses from 1992. Higher levels of purchased power resulted in higher transmission costs which also contributed to the increase in other operating and maintenance expenses in 1993 over 1992. Shutdowns at thermal generation plants and improved streamflows in the latter part of 1993 were the primary reasons for the \$2.9 million decrease in fuel costs, and repairs at the plants resulted in an increase of nearly \$2.0 million in other operating and maintenance expenses.

NATURAL GAS OPERATIONS

Natural Gas Operating Income Summary

Natural Gas Operations (dollars in thousands)	1994 vs. 1993			1993 vs. 1992			
	1994	Incr(Decr)	%	1993	Incr(Decr)	%	1992
Operating Revenues	\$156,776	\$19,229	14	\$137,547	\$36,977	37	\$100,570
Operating Expenses:							
Natural Gas Purchased	91,277	19,410	27	71,867	23,652	49	48,215
Other Operating & Maintenance	14,297	11	-	14,286	594	4	13,692
Administrative & General	10,944	875	9	10,069	434	5	9,635
Depreciation & Amortization	8,199	(271)	(3)	8,470	593	8	7,877
Taxes Other than Income	8,133	220	3	7,913	2,090	36	5,823
Total Operating Expenses	132,850	20,245	18	112,605	27,363	32	85,242
Income from Operations	23,926	(1,016)	(4)	24,942	9,614	63	15,328
Natural Gas Oper. Income Taxes	5,431	(105)	(2)	5,536	2,778	101	2,758
Net Operating Income(1)	\$ 18,495	\$ (911)	(5)	\$ 19,406	\$ 6,836	54	\$12,570

(1) Does not include interest expense or other income.

The Company's natural gas business experienced the effects of weather on operating results in both 1994 and 1993. In 1994, weather in the Washington and Idaho service territory was 9% warmer than normal, compared to 5% colder than normal in 1993. The Oregon service territory experienced temperatures 6% warmer than normal in 1994, compared to 8% warmer in 1993. The 8% growth in customers in 1994 helped offset the impact of the weather. Substantial customer growth of 9% in 1993, along with colder weather, contributed to increased revenues.

Total natural gas revenues increased in all customer classes except industrial in 1994 from 1993. WPNG revenues accounted for an increase of \$4.6 million in overall natural gas operating revenues, as compared to 1993. In 1994, natural gas revenues from WWP residential and commercial customers rose by \$5.2 million and \$5.9 million, respectively. The increased revenues were due to customer growth and higher average prices than in 1993, which were offset in part by lower usage per customer as a result of warm temperatures. Much of the customer growth in the WWP service area during the early part of 1994 was the result of the Company's emphasis on conversions from electric service to natural gas. Recent revisions in the Company's Demand Side Management programs may lessen the pace of conversions in the future. During 1994, the Company sold natural gas on an off-system sales basis. The revenues from these sales were offset by like increases in purchased gas expense. Margins from these transactions will be credited back to customers through rate changes for the cost of gas.

Total natural gas revenues increased \$37.0 million, or 37%, in 1993. WPNG revenues accounted for an increase of \$10.1 million, while WWP revenues increased \$26.9 million. Total therm sales increased by 18% in 1993 due to customer growth in all service classes except transportation and higher customer usage due to colder weather in 1993 as compared to 1992. Approximately 40% of the customer growth in the WWP service area during 1993 was the result of the Company's emphasis on conversion from electric space and water heating to natural gas through Demand Side Management programs.

Natural Gas Revenues, Therm Sales, and Customers by Service Class

(Revenues in thousands, therm sales in thousands)	1994 vs 1993			1993 vs 1992			
	1994	Incr(Decr)	%	1993	Incr(Decr)	%	1992
Natural Gas Revenues:							
Residential.....	\$ 76,597	\$ 8,460	12	\$ 68,137	\$19,742	41	\$ 48,395
Commercial.....	50,981	7,439	17	43,542	11,558	36	31,984
Industrial--firm.....	5,642	(447)	(7)	6,089	1,583	35	4,506
Industrial--interruptible.....	3,570	(1,214)	(25)	4,784	1,580	49	3,204
Off-system sales.....	5,098	5,098	-	-	-	-	-
Transportation.....	11,140	217	2	10,923	2,260	26	8,663
Natural Gas Therm Sales:							
Residential.....	150,106	(1,155)	(1)	151,261	33,601	29	117,660
Commercial.....	120,901	6,108	5	114,793	19,169	20	95,624
Industrial--firm.....	15,614	(3,421)	(18)	19,035	3,213	20	15,822
Industrial--interruptible.....	12,801	(2,946)	(19)	15,747	3,397	28	12,350
Off-system sales.....	36,107	36,107	-	-	-	-	-
Transportation.....	195,543	(1,956)	(1)	197,499	16,354	9	181,145
Natural Gas Customers (average):							
Residential.....	179,176	16,776	10	162,400	14,158	10	148,242
Commercial.....	23,466	940	4	22,526	710	3	21,816
Industrial--firm.....	264	(4)	(1)	268	2	1	266
Industrial--interruptible.....	33	(6)	(15)	39	10	34	29
Off-system sales.....	1	1	-	-	-	-	-
Transportation.....	60	4	7	56	(4)	(7)	60

A large portion of purchased gas expense is variable costs, with the result that increases in revenues are offset by like increases in purchased gas expense. Natural gas purchased expense increased \$19.4 million in 1994 from 1993, primarily due to the increase in therm sales of 32.1 million, or 6%. Administrative and general expenses increased by \$0.9 million in 1994, compared to 1993, primarily due to labor-related costs.

Natural gas purchased expense increased \$23.7 million, or 49%, in 1993 as compared to 1992, primarily as a result of an increase in therm sales of 76.3 million, or 18%, across all customer classes due to customer growth and colder weather. Taxes other than income and income taxes also increased substantially in 1993 due to increased revenues and income.

NON-UTILITY OPERATIONS

Non-Utility Operations Summary

Non-Utility Operations (dollars in thousands)	1994 vs 1993			1993 vs 1992			
	1994	Incr(Decr)	%	1993	Incr(Decr)	%	1992
Operating revenues.....	\$ 62,698	\$ 23,821	61	\$ 38,877	\$6,102	19	\$ 32,775
Operating expenses.....	56,291	25,156	81	31,135	3,366	12	27,769
Operating income.....	6,407	(1,335)	(17)	7,742	2,736	55	5,006
Other income - net.....	14,175	4,740	50	9,435	1,345	17	8,090
Income before income taxes.....	20,582	3,405	20	17,177	4,081	31	13,096
Income tax provision.....	6,952	3,041	78	3,911	(893)	(19)	4,804
Net income.....	\$ 13,630	\$ 364	3	\$ 13,266	\$4,974	60	\$ 8,292

Non-utility operations include the results of Pentzer and three other subsidiary companies. Pentzer's business strategy is to acquire controlling interest in a broad range of middle-market companies, to help these companies grow through internal development and strategic acquisitions, and to sell the portfolio investments to the public or to strategic buyers. Pentzer's objective is to produce current returns from its portfolio investments that are higher than that of the utility operations and to supplement these current returns by generating transactional gains through the sale of portfolio investments when appropriate. From time to time, a significant portion of Pentzer's earnings

contributions may be the result of transactional gains. Accordingly, although the income stream is expected to be positive, it may be uneven from year to year.

Non-utility net income for 1994 was \$13.6 million, which was a 3% increase over 1993. The 1993 net income of \$13.3 million was a 60% increase over 1992. The increase in 1993 over 1992 was primarily due to transactional gains recorded by Pentzer during 1993.

Transactional gains of \$8.0 million in 1994 declined by \$4.8 million as compared to 1993. The 1994 transactional gains were primarily the result of gains of \$7.7 million from the sale of ITRON stock. The 1993 transactional gains included gains of \$7.1 million from the sale of companies involved in telecommunications, technology and energy and a transactional gain of \$5.7 million from the sale of ITRON stock.

Excluding transactional gains, earnings of \$5.7 million in 1994 from Pentzer operations exceeded 1993 earnings by \$5.8 million. For the year ended December 31, 1993, Pentzer had consolidated earnings of \$19.7 million before provision for possible losses. At the end of the year, Pentzer established a \$7.0 million provision for possible write-off of a portion of its investment portfolio. The provision was recorded based on the determination that future cashflows may be lower than expected, impairing the value of certain investments. After deducting this provision, Pentzer reported consolidated earnings of \$12.7 million, which represents a 50% increase over Pentzer's 1992 earnings of \$8.5 million. Transactional gains during 1993 totalled \$12.8 million compared to \$5.6 million in 1992. In addition to the transactional gains from ITRON in 1993, Pentzer also recorded a \$3.0 million increase in net income as a result of improved earnings at ITRON and recognized an income tax benefit of \$2.2 million due to tax loss carryforwards in a subsidiary. Pentzer's return on invested capital increased from 12% in 1992 to 17% in 1993 due, in part, to transactional gains.

Non-utility operating revenues and expenses increased substantially in 1994 as compared to 1993, and to a lesser degree in 1993 as compared to 1992. These increases in both revenues and expenses have been the result of the acquisitions by Pentzer in 1994 and 1993. Pentzer acquired two companies in 1994 and three companies in 1993. Income taxes also increased substantially in 1994 due to increased revenues and income.

LIQUIDITY AND CAPITAL RESOURCES

UTILITY

The Company funds capital expenditures with a combination of internally-generated cash and external financing. The level of cash generated internally and the amount that is available for capital expenditures fluctuates annually. Cash provided by operating activities remains the Company's primary source of funds for operating needs, dividends and construction expenditures.

Operating Activities Cash from operating activities less cash dividends paid provided 66% of utility capital expenditures in 1994 as compared to 67% in 1993 and 82% in 1992. Cash available from operating activities in 1994 declined from 1993 primarily due to both a reduction in operating income related to warmer than normal weather and an increase in various working capital components. The decline was partially offset by the positive effect of the PCA mechanism in 1994. See Note 1 to Financial Statements for additional information.

Investing Activities Cash used in investing activities increased in 1994 over 1993, despite a 14% decrease in construction expenditures, primarily due to the acquisition of the northern Idaho properties of PacifiCorp for \$33 million. See Note 14 to Financial Statements for additional information. Utility capital expenditures, excluding Allowance for Funds Used During Construction (AFUDC) and Allowance for Funds Used to Conserve Energy (AFUCE, a carrying charge similar to AFUDC for conservation-related capital expenditures), were \$356 million for the 1992-1994 period.

Financing Activities During the 1992-1994 period, \$60 million of long-term debt matured and \$352 million of higher-cost debt and preferred stock was redeemed and refinanced at lower cost. In January 1994, the Company received authorization to issue \$250 million in First Mortgage Bonds which are being issued in the form of Secured Medium Term Notes, Series B (Series B Notes). During 1994, \$7.5 million of long-term debt, with an average interest rate of 8.93% and an average maturity of 5 years, were redeemed and \$88 million of secured long-term debt were issued at an average interest rate of 7.99% and an average maturity of 9 years. On March 6, 1995, \$15 million of Series B Notes were issued with an average interest rate of 7.60% and an average maturity of 6 years. As of March 6, 1995, \$157 million of Series B Notes remained to be issued.

Capital expenditures are financed on an interim basis with notes payable (due within one year). The Company has \$160 million in committed lines of credit. In addition, the Company may borrow up to \$60 million through other borrowing arrangements with banks. As of December 31, 1994, \$25 million was outstanding under the committed lines of credit and \$33 million was outstanding under other short-term borrowing arrangements. In the fourth quarter of 1994, the Company eliminated its commercial paper program.

From time to time the Company enters into sale/leaseback arrangements for various long-term assets which provide additional sources of funds. See Note 9 to Financial Statements for additional information.

The Company's total common equity increased by \$29 million during the year to \$663 million at the end of 1994. The 1994 increase was primarily due to the issuance of 1.7 million shares of common stock through both the Dividend Reinvestment Plan and the Investment and Employee Stock Ownership Plan for proceeds of \$26 million. No shares were issued under the Company's Periodic Offering Program in 1994. The utility capital structure at December 31, 1994, was 50% debt, 10% preferred stock and 40% common equity as compared to 49% debt, 10% preferred stock and 41% common equity at year-end 1993.

The Company is restricted under various agreements as to the additional securities it can issue. Under the most restrictive test of the Company's Mortgage, an additional \$464 million of First Mortgage Bonds could be issued as of December 31, 1994. As of December 31, 1994, under its Restated Articles of Incorporation, approximately \$469 million of additional preferred stock could be issued at an assumed dividend rate of 9.00%.

During the 1995-1997 period, utility capital expenditures are expected to be \$228 million, and \$132 million will be required for long-term debt maturities and preferred stock sinking fund requirements. During this three-year period, the Company estimates that internally-generated funds will average 90% of the funds needed for its capital expenditure program. External financing will be required to fund maturing long-term debt, preferred stock sinking fund requirements and the remaining portion of capital expenditures. These projections relate to the Company on a stand-alone basis and do not reflect any adjustment for the effects of the proposed merger of the Company, Sierra Pacific Resources (SPR) and Sierra Pacific Power Company (SPPC) with and into Resources West Energy Corporation (Resources West). See below for details.

See Note 4, 5, 6, 7, 8 and 9 to Financial Statements for additional details related to financing activities.

NON-UTILITY

Capital expenditures for the non-utility operations were \$16 million for the 1992-1994 period. During this period, \$1 million of debt was repaid and capital expenditures were partially financed by the \$9 million in proceeds from new long-term debt.

The non-utility operations have \$43 million in borrowing arrangements (\$22 million outstanding as of December 31, 1994) to fund corporate requirements on an interim basis. At December 31, 1994, the non-utility operations had \$34 million in cash and marketable securities with \$13 million in long-term debt outstanding.

The 1995-1997 non-utility capital expenditures are expected to be \$5 million, and \$7 million in debt maturities will also occur. During the next three years, internally-generated cash and other debt obligations are expected to provide the majority of the funds for the non-utility capital expenditure requirements.

TOTAL COMPANY CASH REQUIREMENTS

(Millions of Dollars)	Actual (1)			Projected (2)		
	1992	1993	1994	1995	1996	1997
Capital Expenditures (3):						
Utility:						
Electric	\$ 48	\$ 60	\$ 57	\$40	\$47	\$42
Natural gas	28	26	27	26	23	22
All other	22	49	39	10	9	9
Total Utility	98	135	123	76	79	73
Non-Utility	4	3	9	2	2	1
Total Company	\$102	\$138	\$132	\$78	\$81	\$74
Debt and Preferred Stock Maturities						
Redemptions & Sinking Fund						
Requirements (Consolidated) (4):	\$130	\$274	\$8	\$48	\$47	\$44

- (1) Excludes \$66 million for the combustion turbine project located in Rathdrum, Idaho for which the Company has obtained separate long-term lease financing; see Note 9 to Financial Statements for additional information. Also excludes \$33 million for the acquisition of the northern Idaho electric properties of Pacific Power and Light, an operating division of PacifiCorp; see Note 14 to Financial Statements for additional information.
- (2) These projections relate to the Company on a stand-alone basis and do not reflect any adjustment for the effects of the proposed merger of the Company, SPR and SPCC with and into Resources West (see below).
- (3) Excludes AFUDC and AFUCE.
- (4) Excludes notes payable (due within one year).

FUTURE OUTLOOK

Merger

In June 1994, the Company, Sierra Pacific Resources (SPR), Sierra Pacific Power Company (SPPC), a subsidiary of SPR, and Resources West Energy Corporation, a newly formed subsidiary of the Company (Resources West), entered into an Agreement and Plan of Reorganization and Merger, as subsequently amended (Merger Agreement), which provides for the merger of WWP, SPR and SPPC into Resources West. SPR and SPPC are both Nevada corporations with headquarters in Reno. The Merger Agreement provides that after the effective date of the merger, Resources West's corporate headquarters offices and principal executive offices will be located in Spokane and that the headquarters of its Washington Water Power and Sierra Pacific operating divisions will be in Spokane and Reno, respectively. As a result of the Merger Agreement, holders of WWP Common Stock would receive one share and holders of SPR Common Stock would receive 1.44 shares of Resources West Common Stock, respectively. Each outstanding share of Preferred Stock of WWP and SPPC, respectively, will be converted into the right to receive one share of Resources West Preferred Stock with equal stated value and dividends and like redemption provisions and rights upon liquidation.

Approval of the proposed merger was obtained from WWP, SPR and SPPC shareholders at meetings held on November 18, 1994. The Merger Agreement is also subject to certain customary closing conditions, including,

without limitation, the receipt of all necessary governmental approvals, including approval of the Federal Energy Regulatory Commission (FERC) and the state utility commissions of California (CPUC), Idaho (IPUC), Montana (MPSC), Nevada (PSCN), Oregon (OPUC) and Washington (WUTC). Applications were filed with each of the state commissions and the FERC in the third quarter of 1994. An order was issued by the MPSC on October 17, 1994, stating that they would not exercise jurisdiction over the proposed merger. Each of the other five states has set a separate calendar for filings and hearings. The FERC has not yet established a procedural schedule for this proposed merger but it is expected to be within the same timeframes as the state commissions. A number of entities have intervened or expressed their intent to intervene either at the Federal level or before the various state commissions. However, the Company anticipates receiving final orders from all jurisdictions and closing the merger transaction by the end of 1995.

WWP, SPR and SPPC believe that the proposed merger offers significant strategic and financial benefits to each of the companies and to their respective stakeholders including an enhanced competitive position, a larger and more diverse service territory, an expanded resource base, improved resource planning and coordination, and cost savings. Specifically, the Board of Directors of the Company believes that the merger would afford the following distinct benefits to the Company and its shareholders over the long term: (i) the potential for higher growth in revenues and earnings due to the higher load growth forecast in SPPC's retail electric service territory in comparison to the load growth forecast for the area now served by the Company, (ii) transmission access to additional western markets which would offer increased opportunities for wholesale power sales, (iii) moderation of future rate increases through estimated cost savings and increased retail and wholesale sales, (iv) a significant increase in the proportion of net income available for common stock represented by core utility cash earnings as opposed to non-utility earnings and non-cash items, and (v) a lower dividend payout ratio than the Company might be able to achieve on a stand-alone basis.

The cost savings are estimated to approximate \$450 million, net of merger transaction and transition costs, over a 10 year period following the consummation of the merger. The cost savings should be achieved from, among other things, the integration of corporate management and administrative functions, the consolidation of distribution operations, the integration of natural gas purchasing requirements, the reduction of capacity requirements, the reduction of non-firm transmission expense, the avoidance of expenditures for operating systems, and the streamlining of inventories and purchasing economies. Since there will be an integration of corporate management and administrative functions, severance options and a voluntary early retirement plan are being offered to employees of the Company.

The analyses employed in order to develop estimates of specific amounts of savings to be achieved as a result of the merger were necessarily based upon various assumptions which involve judgments with respect to, among other things, future national and regional economic and competitive conditions, inflation rates, regulatory treatment, weather conditions, financial market conditions, interest rates, future business decisions, and other uncertainties, all of which are difficult to predict, and many of which are beyond the control of the Company, SPR, SPPC and Resources West. The Company believes that these assumptions are reasonable for the purpose of the development of estimates of cost savings but there is no assurance that such assumptions will approximate actual experience or that all such savings will be realized. Additionally, the treatment of the benefits and cost savings will depend on the terms of the regulatory approvals received in the various jurisdictions in which the Company and SPPC operate their businesses.

The regulatory plan proposed by the Company and SPPC includes a commitment to freeze base rates at their current levels in each jurisdiction until at least December 31, 1999, except for commodity cost increases and a small general increase in Nevada in 1997 for capital additions previously approved for SPPC by the PSCN. Ratemaking and regulation, in general, are anticipated to continue as before the merger with resources, costs and benefits allocated to each jurisdiction according to allocation methodologies agreed upon with each state commission. If the merger were consummated, the Company would avoid having to request retail rate increases effective between now and January 2000. These filings would otherwise be anticipated to request additional annual revenues of approximately \$20 million. Resources West plans to develop, with its respective regulatory commissions, a longer-term regulatory plan for continued merger benefit savings commencing January 2000.

The service territories of WWP and SPPC are not physically connected. The only overlap in service territories is the South Lake Tahoe area in California where the Company provides natural gas service and SPPC provides the electric service. Both companies are jointly pursuing transmission access options and contracts, including Regional Transmission Groups, which will provide for the necessary interconnections to realize a portion of the expected merger-related savings. In February 1995, the Company and SPPC completed negotiations and have entered into letters of intent with the Idaho Power Company and Bonneville Power Administration (BPA) to acquire transmission rights between the two companies. The letters of intent contemplate new firm transmission purchases with Resources West having flexibility to exercise certain options in the future to expand its use of the transmission capabilities. The

actual cost of the transmission rights will not vary significantly from that assumed in the original estimate of merger costs and benefits. Operational transmission interconnections are expected to be in place by the time the proposed merger is effective.

In the event that the merger is not completed due to circumstances beyond the Company's control, the Company would continue to operate as a separate utility and expense the merger costs that were incurred. The Merger Agreement does provide for the payment of a \$25 million termination fee plus expenses to be made in certain circumstances where one party accepts another business combination proposal and, as a result, the Merger Agreement is terminated.

See Note 15 to Financial Statements for additional details.

Competition and Business Risk

The electric and natural gas utility businesses continue to undergo numerous transformations and are becoming increasingly competitive as a result of economic, regulatory and technological changes. The Company believes that it is well positioned to meet future challenges due to its low production costs, close proximity to major transmission lines and natural gas pipelines, active participation in the wholesale electric market and its commitment to high levels of customer satisfaction, cost reduction and continuous improvement of work processes. Additionally the Company continually evaluates merger and acquisition opportunities that will allow it to expand its economies of scale and diversify its risk posed by weather and economic conditions.

The Company continues to compete for new retail electric customers with various rural electric cooperatives and public utility districts in and adjacent to its service territories. Challenges facing the electric retail business include evolving technologies which provide alternate energy supplies, reduced energy consumption and the cost of the energy supplied, self-generation and fuel switching by commercial and industrial customers, the potential for retail wheeling, the costs of increasingly stringent environmental laws and the potential for stranded or nonrecoverable utility assets. If electric utility companies are eventually required to provide retail wheeling service, which is the transmission by an electric utility of electric power from another supplier to a customer located within such utility's service area, the Company believes it will be in a position to benefit since it is committed to remaining one of the country's lowest-cost providers of electric energy. Similarly the Company does not believe it has much risk for stranded generation, transmission or distribution assets due to its low cost structure.

The National Energy Policy Act (NEPA) enacted in 1992 addresses a wide range of issues affecting the wholesale electric business. The Company believes NEPA provides future transmission, energy production and sales opportunities to the Company and complements the Company's commitment to the wholesale electric business.

The Company continues to compete in the wholesale electric market with other western utilities, including the BPA. Business challenges affecting the wholesale electric business include new entrants in the wholesale market, such as power brokers and marketers, competition from low cost generation being developed by independent power producers and declining margins. However, the Company's wholesale electric business remains an important part of the Company's overall business strategy.

Natural gas remains priced competitively compared to other alternative fuel sources for residential, commercial and industrial customers and is projected to remain so well into the future due to increasing supplies and competition. Challenges facing the Company's natural gas business include the potential for customers to by-pass the Company's natural gas system. Since 1988 two of the Company's large industrial customers have built their own pipeline interconnection. However, these customers continue to purchase natural gas services from the Company. To reduce the potential for such by-pass, the Company prices its natural gas services, including transportation contracts, competitively and has varying degrees of flexibility to price its transportation and delivery rates by means of special contracts. The Company has also signed long-term transportation contracts with two of its largest industrial customers which minimizes the risks of these customers by-passing the Company's system in the foreseeable future.

Order 636B adopted by FERC provides the Company more flexibility in optimizing its natural gas transportation and supply portfolios. While rate design changes have increased the costs of firm transportation to low load factor pipeline customers such as the Company, flexible receipt and delivery points and capacity releases allow temporarily under-utilized transportation to be released to others when not needed to serve the Company's customers. The Company is also able to optimize its natural gas supply portfolio by engaging in some off-system sales.

Resource planning for both the electric and natural gas businesses has been integrated so that the Company's customers are provided the most efficient and cost-effective products possible for all their energy requirements. The

Company's need for future electric resources to serve retail loads is expected to remain very minimal. The Company will be filing electric integrated resource plans with both the WUTC and IPUC in April 1995. The switching of electric heating customers to natural gas requires increased efforts on the Company's part in negotiating and securing competitively-priced natural gas supplies for the future. The 1995 natural gas integrated resource plan reports were submitted to the WUTC, IPUC and OPUC in January 1995 with acceptance anticipated by the end of 1995. The natural gas integrated resource plan is provided to the CPUC for informational purposes only.

Economic and Load Growth

The Company expects economic growth to increase in its eastern Washington and northern Idaho service area. The Company, along with others in the service area, continues its efforts to expand existing businesses and attract new businesses to the Inland Northwest. In the past, agriculture, mining and lumber have been the primary industries. However, health care, electronic and other manufacturing, tourism and the service sectors have become increasingly important industries that operate in the Company's service area. In addition, the Company also anticipates strong economic growth to continue in its Oregon and South Lake Tahoe, California service areas.

The Company anticipates electric retail load growth to average approximately 1.0% annually for the next five years primarily due to increases in both population and the number of businesses in its service territory. Although the number of electric customers is expected to increase, the average annual usage by residential customers is expected to continue to decline on a weather-adjusted basis due to newer technologies, construction and appliance efficiency standards and continued conversions to natural gas where available.

The Company anticipates natural gas load growth, including transportation volumes, in its Washington and Idaho service area to average approximately 3.1% annually for the next five years. The Oregon and South Lake Tahoe, California service areas are anticipated to realize 5.1% growth annually during that same period. These growth forecasts have increased from the forecasts issued last year primarily due to fuel switching to natural gas necessitated by more stringent environmental laws that are being enacted.

Environmental Issues

Since December 1991, a number of species of fish in the Northwest, including the Snake River sockeye salmon and chinook salmon, the Kootenai River white sturgeon and the bull trout have either been added to the endangered species list under the Federal Endangered Species Act (ESA), listed as "threatened" under the ESA or been petitioned for listing under the ESA. Thus far, measures which have been adopted and implemented to save both the Snake River sockeye salmon and chinook salmon have not directly impacted generation levels at any of the Company's hydroelectric dams. The Company does, however, purchase power from four projects on the Columbia River that are being directly impacted by these ongoing mitigation measures. The reduction in generation at these projects is relatively minor, resulting in minimal economic impact on the Company at this time. Future actions to save these, and other as yet unidentified fish or wildlife species, could further impact the Company's operations or the operations of some of its major customers. However, it is currently impossible to predict likely economic costs to the Company resulting from these actions.

Electro-magnetic field (EMF) exposure, and its potential health hazards, continues to be an evolving issue facing electrical utilities. Studies are continuing by dozens of governmental and scientific agencies but the results to date are at best conflicting. Public concerns regarding EMF may cause the siting and construction of new power lines and substations to be more expensive. The Company is unable to determine at this time whether its operations may be adversely impacted by EMF issues.

See Note 11 to Financial Statements for additional information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Independent Auditor's Report and Financial Statements begin on the next page.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

The Washington Water Power Company
Spokane, Washington

We have audited the accompanying consolidated balance sheets and statements of capitalization of The Washington Water Power Company and subsidiaries (the Company) as of December 31, 1994 and 1993, and the related consolidated statements of income and retained earnings, cash flows, and the schedules of information by business segments for each of the three years in the period ended December 31, 1994. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, such consolidated financial statements and schedules present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. In addition, the schedules referred to above present fairly in all material respects, the segment information of the Company and its subsidiaries in accordance with generally accepted accounting principles.

As discussed in Notes 2 and 3 to the financial statements, the Company changed its methods of accounting for other post-employment benefits and income taxes effective January 1, 1993, to conform with Statements of Financial Accounting Standards No. 106 and 109.

Deloitte & Touche LLP

Seattle, Washington
January 27, 1995 (February 2, 1995 as to Note 11)

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

The Washington Water Power Company
For the Years Ended December 31
Thousands of Dollars

	1994	1993	1992
	-----	-----	-----
OPERATING REVENUES.....	\$670,765	\$640,599	\$557,758
	-----	-----	-----
OPERATING EXPENSES:			
Operations and maintenance.....	350,703	322,117	262,031
Administrative and general.....	59,645	55,083	50,016
Depreciation and amortization.....	59,479	58,354	53,422
Taxes other than income taxes.....	45,480	44,195	41,664
	-----	-----	-----
Total operating expenses.....	515,307	479,749	407,133
	-----	-----	-----
INCOME FROM OPERATIONS.....	155,458	160,850	150,625
	-----	-----	-----
INTEREST EXPENSE AND (OTHER INCOME):			
Interest expense.....	53,077	50,133	53,541
Interest capitalized and AFUCE (Note 1).....	(3,687)	(3,027)	(2,359)
Net gain on subsidiary transactions (Note 14).....	(11,519)	(9,915)	(6,685)
Other (income) deductions-net (Note 1).....	(4,306)	(1,620)	(7,469)
	-----	-----	-----
Total interest expense and other income-net.....	33,565	35,571	37,028
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	121,893	125,279	113,597
INCOME TAXES (Notes 1 & 3).....	44,696	42,503	41,330
	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS.....	77,197	82,776	72,267
Discontinued coal mining operations-net of income taxes (Note 10)	-	-	2,403
	-----	-----	-----
NET INCOME.....	77,197	82,776	74,670
DEDUCT-Preferred stock dividend requirements.....	8,656	8,335	6,817
	-----	-----	-----
INCOME AVAILABLE FOR COMMON STOCK.....	\$ 68,541	\$ 74,441	\$ 67,853
	=====	=====	=====
Average common shares outstanding (thousands).....	53,538	51,616	49,550
	-----	-----	-----
EARNINGS PER SHARE OF COMMON STOCK:			
From continuing operations (after preferred dividends).....	\$ 1.28	\$ 1.44	\$ 1.32
From discontinued coal mining operations (Note 10).....	-	-	0.05
	-----	-----	-----
EARNINGS PER SHARE OF COMMON STOCK.....	\$ 1.28	\$ 1.44	\$ 1.37
	=====	=====	=====
Dividends paid per common share.....	\$ 1.24	\$ 1.24	\$ 1.24
RETAINED EARNINGS, JANUARY 1.....	\$112,424	\$101,644	\$ 95,047
NET INCOME.....	77,197	82,776	74,670
DIVIDENDS DECLARED:			
Preferred stock (Note 7).....	(8,823)	(8,219)	(6,968)
Common stock.....	(66,378)	(64,209)	(61,525)
ESOP dividend tax savings.....	428	432	420
	-----	-----	-----
RETAINED EARNINGS, DECEMBER 31.....	\$114,848	\$112,424	\$101,644
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED BALANCE SHEETS

The Washington Water Power Company
At December 31
Thousands of Dollars

	1994	1993
	-----	-----
ASSETS:		
UTILITY PLANT-Original Cost (Notes 1 and 16):		
Electric-net.....	\$1,477,998	\$1,409,309
Natural Gas.....	316,974	277,503
Common plant.....	34,624	36,157
	-----	-----
Utility plant.....	1,829,596	1,722,969
Less accumulated depreciation and amortization:		
Electric.....	394,559	375,692
Natural Gas.....	97,217	84,701
Common plant.....	8,775	8,585
	-----	-----
Net utility plant.....	1,329,045	1,253,991
	-----	-----
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net.....	88,615	94,383
Other-net (Note 16).....	114,145	79,376
	-----	-----
Total other property and investments.....	202,760	173,759
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents.....	5,178	11,201
Temporary cash investments.....	27,928	22,517
Accounts and notes receivable-net (Note 6).....	74,524	63,649
Materials and supplies, fuel stock and natural gas stored (average cost).....	21,384	19,548
Prepayments and other.....	7,552	5,832
	-----	-----
Total current assets.....	136,566	122,747
	-----	-----
DEFERRED CHARGES:		
Regulatory assets for deferred income tax (Note 3).....	174,349	177,786
Conservation programs.....	66,511	47,612
Other-net (Note 1).....	85,022	61,943
	-----	-----
Total deferred charges.....	325,882	287,341
	-----	-----
TOTAL.....	\$1,994,253	\$1,837,838
	=====	=====
CAPITALIZATION AND LIABILITIES:		
CAPITALIZATION (See Consolidated Statements of Capitalization).....	\$1,533,640	\$1,416,608
	-----	-----
CURRENT LIABILITIES:		
Accounts payable.....	46,217	33,840
Taxes accrued (Note 3).....	17,977	19,959
Interest accrued.....	10,954	10,046
Other.....	57,369	51,163
	-----	-----
Total current liabilities.....	132,517	115,008
	-----	-----
DEFERRED CREDITS:		
Investment tax credits (Note 1).....	2,358	2,456
Deferred income taxes (Note 3).....	310,167	288,905
Other (Note 1).....	14,399	13,838
	-----	-----
Total deferred credits.....	326,924	305,199
	-----	-----
MINORITY INTEREST.....	1,172	1,023
	-----	-----
COMMITMENTS AND CONTINGENCIES (Notes 11, 14 and 15)		
TOTAL.....	\$1,994,253	\$1,837,838
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

The Washington Water Power Company
At December 31
Thousands of Dollars

	1994	1993
	-----	-----
COMMON EQUITY:		
Common stock, no par value; 200,000,000 shares authorized:		
shares outstanding: 1994-54,420,696; 1993-52,757,545 (Note 8).....	\$ 570,603	\$ 544,609
Note receivable from employee stock ownership plan (Note 8).....	(12,267)	(12,756)
Capital stock expense and other paid in capital.....	(10,031)	(9,898)
Unrealized investment gain-net (Note 1).....	14,341	-
Retained Earnings.....	114,848	112,424
	-----	-----
Total common equity.....	677,494	634,379
	-----	-----
PREFERRED STOCK-CUMULATIVE: (Note 7)		
10,000,000 shares authorized:		
Not subject to mandatory redemption:		
Flexible Auction Series J; 500 shares outstanding (\$100,000 stated value).....	50,000	50,000
	-----	-----
Total not subject to mandatory redemption.....	50,000	50,000
	-----	-----
Subject to mandatory redemption:		
\$8.625 Series I; 500,000 shares outstanding (\$100 stated value).....	50,000	50,000
\$6.95 Series K; 350,000 shares outstanding (\$100 stated value).....	35,000	35,000
	-----	-----
Total subject to mandatory redemption.....	85,000	85,000
	-----	-----
LONG-TERM DEBT: (Note 4)		
First Mortgage Bonds:		
4 5/8% due March 1, 1995.....	10,000	10,000
7 1/8% due December 1, 2013.....	66,700	66,700
7 2/5% due December 1, 2016.....	17,000	17,000
Secured Medium-Term Notes:		
Series A - 4.72% to 8.06% due 1996 through 2023.....	250,000	225,000
Series B - 7.52% to 8.25% due 1997 through 2006.....	63,000	-
	-----	-----
Total first mortgage bonds.....	406,700	318,700
	-----	-----
Pollution Control Bonds:		
6% Series due 2023.....	4,100	4,100
	-----	-----
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.58% due 1995 through 2007.....	92,500	100,000
Series B - 5.50% to 8.55% due 1995 through 2023.....	150,000	150,000
	-----	-----
Total unsecured medium-term notes.....	242,500	250,000
	-----	-----
Notes payable (due within one year) and commercial paper to be refinanced (Note 5).....		
	58,000	68,001
Other (Note 4).....	9,846	6,428
	-----	-----
Total long-term debt.....	721,146	647,229
	-----	-----
TOTAL CAPITALIZATION.....	\$1,533,640	\$1,416,608
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

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

For the Years Ended December 31
Thousands of Dollars

	1994	1993	1992
	-----	-----	-----
OPERATING ACTIVITIES:			
Income from continuing operations.....	\$ 77,197	\$ 82,776	\$ 72,267
NON-CASH REVENUES AND EXPENSES INCLUDED			
IN INCOME FROM CONTINUING OPERATIONS:			
Depreciation and amortization.....	69,895	66,593	59,802
Provision for deferred income taxes.....	15,380	6,962	16,479
Allowance for equity funds used during construction.....	(1,261)	(1,666)	(1,392)
Power and natural gas cost deferrals and amortizations (Note 1).....	6,365	(7,624)	(11,523)
Deferred revenues and other-net.....	(4,445)	(1,271)	(734)
(Increase) decrease in working capital components:			
Receivables and prepaid expense-net.....	(12,458)	1,116	126
Materials & supplies, fuel stock and natural gas stored.....	(1,864)	(2,001)	1,047
Payables and other accrued liabilities.....	4,343	(1,846)	(3,575)
Other-net.....	(8,309)	8,767	2,998
Net cash flows from continuing operations.....	144,843	151,806	135,495
Net cash flows from discontinued operations (Note 10).....	-	-	2,403
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	144,843	151,806	137,898
INVESTING ACTIVITIES:			
Construction expenditures (excluding AFUDC-equity funds).....	(95,815)	(111,118)	(90,344)
Other capital requirements.....	(21,603)	(30,216)	(11,640)
(Increase) decrease in other noncurrent balance sheet items-net.....	(21,686)	(1,063)	9,723
Assets acquired and investments in subsidiaries (Note 14).....	(43,823)	2,725	(17,438)
NET CASH USED IN INVESTING ACTIVITIES.....	(182,927)	(139,672)	(109,699)
FINANCING ACTIVITIES:			
Increase (decrease) in commercial paper, notes payable and bank borrowings-net.....	(10,001)	64,001	(42,000)
Sale of unsecured medium-term notes.....	-	25,000	113,000
Redemption and maturity of unsecured medium-term notes.....	(7,500)	(70,000)	(30,000)
Sale of secured medium-term notes (a series of first mortgage bonds).....	88,000	225,000	-
Redemption of mortgage bonds.....	-	(200,000)	(75,000)
Sale of pollution control bonds.....	-	4,100	-
Redemption of pollution control bonds.....	-	(4,100)	-
Issuance of preferred stock.....	-	-	35,000
Redemption of preferred stock.....	-	-	(25,000)
Redemption premiums.....	-	(9,595)	(2,956)
Sale of common stock (Note 8).....	14,934	25,899	39,233
Miscellaneous-net.....	10,051	(7,819)	12,254
NET FINANCING ACTIVITIES BEFORE CASH DIVIDENDS.....	95,484	52,486	24,531
Less cash dividends paid.....	(63,423)	(61,773)	(57,229)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES.....	32,061	(9,287)	(32,698)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS.....	(6,023)	2,847	(4,499)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	11,201	8,354	12,853
CASH & CASH EQUIVALENTS AT END OF PERIOD.....	\$ 5,178	\$ 11,201	\$ 8,354
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period:			
Interest.....	\$ 46,861	\$ 47,854	\$ 48,516
Income Taxes.....	\$ 34,094	\$ 35,649	\$ 28,317
Noncash financing and investing activities.....	\$ 25,891	\$ 13,327	\$ 12,865

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
The Washington Water Power Company

For the Years Ended December 31
Thousands of Dollars

	1994	1993	1992
	-----	-----	-----
OPERATING REVENUES:			
Electric.....	\$451,291	\$464,175	\$424,413
Natural Gas.....	156,776	137,547	100,570
Non-utility (Note 14).....	62,698	38,877	32,775
	-----	-----	-----
Total operating revenues.....	\$670,765	\$640,599	\$557,758
	=====	=====	=====
OPERATIONS AND MAINTENANCE EXPENSES:			
Electric:			
Power purchased.....	\$106,277	\$118,809	\$91,709
Fuel for generation.....	39,176	34,233	37,096
Other electric.....	61,268	68,567	57,858
Natural Gas:			
Natural gas purchased for resale.....	91,277	71,867	48,215
Other natural gas.....	14,297	14,286	13,692
Non-utility (Note 14).....	38,408	14,355	13,461
	-----	-----	-----
Total operations and maintenance expenses.....	\$350,703	\$322,117	\$262,031
	=====	=====	=====
ADMINISTRATIVE AND GENERAL EXPENSES:			
Electric.....	\$35,190	\$32,376	\$30,983
Natural Gas.....	10,944	10,069	9,635
Non-utility (Note 14).....	13,511	12,638	9,398
	-----	-----	-----
Total administrative and general expenses.....	\$59,645	\$55,083	\$50,016
	=====	=====	=====
DEPRECIATION AND AMORTIZATION EXPENSES:			
Electric.....	\$48,233	\$47,003	\$42,042
Natural Gas.....	8,199	8,470	7,877
Non-utility (Note 14).....	3,047	2,881	3,503
	-----	-----	-----
Total depreciation and amortization expenses.....	\$59,479	\$58,354	\$53,422
	=====	=====	=====
INCOME FROM OPERATIONS:			
Electric.....	\$125,125	\$128,166	\$130,291
Natural Gas.....	23,926	24,942	15,328
Non-utility (Note 14).....	6,407	7,742	5,006
	-----	-----	-----
Total income from operations.....	\$155,458	\$160,850	\$150,625
	=====	=====	=====
INCOME AVAILABLE FOR COMMON STOCK:			
Utility operations.....	\$54,911	\$61,175	\$57,158
Non-utility operations (Note 14).....	13,630	13,266	8,292
Discontinued coal mining operations (Note 10).....	-	-	2,403
	-----	-----	-----
Total income available for common stock	\$68,541	\$74,441	\$67,853
	=====	=====	=====
ASSETS:			
Electric.....	\$1,441,643	\$1,372,128	\$1,157,071
Natural Gas.....	247,060	220,253	176,203
Common plant.....	25,849	27,572	25,231
Other utility assets.....	106,118	81,699	66,307
Non-utility assets (Note 14).....	173,583	136,186	109,203
	-----	-----	-----
Total assets.....	\$1,994,253	\$1,837,838	\$1,534,015
	=====	=====	=====
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):			
Electric.....	\$70,791	\$84,277	\$57,138
Natural Gas.....	32,682	30,774	29,314
Common plant.....	19,262	19,801	11,255
Non-utility.....	8,701	3,452	3,642
	-----	-----	-----
Total capital expenditures.....	\$131,436	\$138,304	\$101,349
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SYSTEM OF ACCOUNTS

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

BASIS OF REPORTING

The financial statements are presented on a consolidated basis and, as such, include the assets, liabilities, revenues and expenses of the Company and its wholly owned subsidiaries, Pentzer Corporation (Pentzer), Washington Irrigation and Development Company (WIDCo), The Limestone Company and WP Finance Company. All material intercompany transactions that are not allowed recovery under regulation have been eliminated in the consolidation. As discussed in Note 14, the 1993 and 1994 operating results for ITRON are no longer consolidated and were accounted for on the equity method, and as of December 31, 1994 are now accounted for on the cost method.

The accompanying financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants (See Note 12).

The financial activity of each of the Company's segments is reported in the "Schedule of Information by Business Segments." Such information is an integral part of these financial statements.

RECLASSIFICATIONS

Certain prior year amounts related to segment information have been reclassified due to a current year change in the allocation method for common plant, plant-related costs and administrative and general expenses.

UTILITY PLANT

The cost of additions to utility plant, including internally developed information systems, an allowance for funds used during construction and replacements of units of property and betterments, is capitalized. Maintenance and repairs of property and replacements determined to be less than units of property are charged to operating expenses. Costs of depreciable units of property retired plus costs of removal less salvage are charged to accumulated depreciation.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

The Allowance for Funds Used During Construction (AFUDC) represents the cost of both the debt (Interest Capitalized) and equity funds used to finance utility plant additions during the construction period. In accordance with the uniform system of accounts prescribed by regulatory authorities, AFUDC is capitalized as a part of the cost of utility plant and is credited currently as a noncash item to Other Income and Interest Capitalized (see Other Income below). The Company generally is permitted, under established regulatory rate practices, to recover the capitalized AFUDC and a fair return thereon through its inclusion in rate base and the provision for depreciation after the related utility plant has been placed in service. Cash inflow related to AFUDC does not occur until the related utility plant is placed in service.

The effective AFUDC rate was 10.67% in 1994, 1993 and 1992. The Company's AFUDC rates do not exceed the maximum allowable rates as determined in accordance with the requirements of regulatory authorities.

ALLOWANCE FOR FUNDS USED TO CONSERVE ENERGY

The Allowance for Funds Used to Conserve Energy (AFUCE) rate recovers carrying costs associated with Demand Side Management (DSM) program expenditures until such investment is included in rate base or amortized into rates. AFUCE is capitalized as a part of the cost of the DSM investment and is credited currently as a noncash item to Other Income and Interest Capitalized. The AFUCE rate in effect is the last authorized, or otherwise stipulated, rate of return from the Company's proceeding for natural gas or electric operations. The rate for Washington is adjusted for the tax effect of interest. Cash inflow related to AFUCE does not occur until the related DSM investment is placed in service.

DEFERRED CHARGES AND CREDITS

The Company prepares its financial statements in accordance with the provisions of FAS No. 71, "Accounting for the Effects of Certain Types of Regulation." FAS No. 71 requires a cost-based, rate-regulated company to reflect the impact of regulatory decisions in its financial statements. In certain circumstances, certain costs and obligations, such as incurred costs not currently recovered through rates but expected to be recovered in the future, must be reflected in a deferred account in the balance sheet and not be reflected in income until matching revenues are recognized.

The primary regulatory assets include Investment in Exchange Power, Demand Side Management costs, the FAS 109 income tax deferral, the provision for FAS 106, and unrecovered purchased gas costs. Included in Deferred Charges, Other are debt issuance and redemption costs, which are amortized over the terms of the respective debt issues. Deferred credits include the gain on the general office building sale/leaseback being amortized over the life of the lease.

DEPRECIATION

For utility operations, depreciation provisions are computed by a method of depreciation accounting utilizing unit rates for hydroelectric plants and composite rates for other properties. Such rates are designed to provide for retirements of properties at the expiration of their service lives. The rates for hydroelectric plants include annuity and interest components, in which the interest component is 6%. For utility operations, the ratio of depreciation provisions to average depreciable property was 2.56% in 1994, 2.68% in 1993 and 2.37% in 1992.

POWER AND NATURAL GAS COST ADJUSTMENT PROVISIONS

In 1989, the Idaho Public Utilities Commission (IPUC) approved the Company's filing for a power cost adjustment mechanism (PCA). The PCA is designed to allow the Company to change electric rates to recover or rebate a portion of the difference between actual and allowed net power supply costs. In 1994 and 1992, the Company deferred \$4.1 million and \$3.3 million, respectively, of net power supply costs, which resulted in like decreases in electric operating expenses. In 1993, the Company deferred \$4.6 million of net power supply cost savings, which resulted in like increases in electric operating expenses. Rate changes are triggered when the deferred balance reaches \$2.2 million. On January 1, 1995, a \$2.2 million surcharge was implemented for the next twelve months to recover costs resulting from low streamflow conditions during 1994. A rate increase was also implemented in November 1992 to pass through accumulated costs. As of December 31, 1994, \$1.4 million of costs not yet subject to a rate increase had accumulated in the PCA deferral account. On July 18, 1994, the IPUC approved an indefinite extension of the PCA.

Under established regulatory practices, the Company is also allowed to adjust its natural gas rates from time to time to reflect increases or decreases in the cost of natural gas purchased. Differences between actual natural gas costs and the natural gas costs allowed in rates are deferred and charged or credited to expense when regulators approve inclusion of the cost changes in rates.

OPERATING REVENUES

The Company accrues estimated unbilled revenues for services provided through month-end.

INCOME TAXES

The Company and its eligible subsidiaries file consolidated federal income tax returns. Subsidiaries are charged or credited with the tax effects of their operations on a stand alone basis. The Company's federal income tax returns have been examined with all issues resolved, and all payments made, through the 1990 return.

EARNINGS PER SHARE

Earnings per share have been computed based on the weighted average number of common shares outstanding during the period. On November 9, 1993, the Company distributed, to shareholders of record on October 25, 1993, shares of its common stock, without par value, under a two-for-one stock split effected in the form of a 100% stock dividend. All references to number of shares and per share information have been adjusted to reflect the common stock split on a retroactive basis.

CASH

For the purposes of the Consolidated Statements of Cash Flows, the Company considers all temporary investments with an initial maturity of three months or less to be cash equivalents.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company's one involvement with derivative financial instruments is an interest rate cap agreement effective January 1995, for a three-year period, that sets a ceiling on the interest rate associated with a lease. Payments made under this agreement are being amortized to rent expense.

OTHER INCOME -- NET

Other income-net is composed of the following items:

	YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	-----	-----	-----
	(Thousands of Dollars)		
Interest income	\$3,535	\$ 4,058	\$ 5,566
Gain (loss) on property dispositions	738	(1,370)	2,405
Minority interest	(289)	(1,273)	36
AFUDC (equity)	1,261	1,666	1,392
Miscellaneous	(939)	(1,461)	(1,930)
	-----	-----	-----
Total	\$4,306	\$ 1,620	\$ 7,469
	=====	=====	=====

NEW ACCOUNTING STANDARDS

Effective January 1, 1994, the Company adopted FAS No. 115, entitled "Accounting for Certain Investments in Debt and Equity Securities." Under FAS No. 115, investments in debt and marketable equity securities are classified as "available for sale" and are recorded at fair value. Investments totalling \$34.1 million and \$27.9 million are included on the Consolidated Balance Sheets as other property and investments and current assets, respectively. Unrealized investment gains, net of taxes, added \$14.3 million to the Consolidated Statements of Capitalization as of December 31, 1994 as a separate component of shareholders' equity.

NOTE 2. RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Effective January 1, 1993, the Company adopted FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." FAS No. 106 requires the Company to accrue the estimated cost of postretirement benefit payments during the years the employee provides services. The Company previously expensed the cost of these benefits, which are principally health care, as claims were incurred. FAS No. 106 allows recognition of the unrecognized transition obligation in the year of adoption or the amortization of such obligation over a period of up to twenty years. The Company elected to amortize this obligation of approximately \$34,500,000 over a period of twenty years.

The Company has received accounting orders from the Washington Utilities and Transportation Commission (WUTC) and the IPUC allowing the current deferral of expense accruals under this Statement as a regulatory asset for future recovery. At such time that rate recovery is requested and allowed, cumulative deferrals will be amortized over the remainder of the twenty-year amortization period. The Company expects to be able to recover the amortized amounts. Therefore, the Company's cash flows and income from operations are not affected by implementation of this Statement.

The Company provides certain health care and life insurance benefits for substantially all of its retired employees. In 1994, 1993 and 1992, the Company recognized \$1,270,000, \$1,250,000 and \$1,290,000, respectively, as an expense for postretirement health care and life insurance benefits. The following table sets forth the health care plan's funded status at December 31, 1994 and 1993.

Accumulated postretirement benefit obligation (thousands of dollars):

	1994	1993
	-----	-----
Retirees	506	509
Fully eligible plan participants	1,340	1,341
Other active plan participants	110	111
	-----	-----
Total participants	1,956	1,961
Fair value of plan assets	\$32	\$636
Accumulated postretirement benefit obligations in excess of plan assets	\$34,468	\$38,964
Unrecognized transition obligation	\$33,548	\$38,413
Accrued postretirement benefit cost	\$2,966	\$3,981

Net postretirement benefit cost for 1994 and 1993 consisted of the following components (thousands of dollars):

	1994	1993
	-----	-----
Service cost - benefits earned during the period	\$475	\$776
Return on the plan assets (if any)	-	-
Interest cost on accumulated postretirement benefit obligation	\$1,539	\$2,018
Amortization of transition obligation	\$952	\$1,187

The currently assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 12% for 1994, decreasing linearly each successive year until it reaches 7% in 1998. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 1994 and net postretirement health care cost by approximately \$1,552,000. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 8.5%.

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

Net pension credit for 1994, 1993 and 1992 is summarized as follows:

	1994	1993	1992
	----	----	----
	(Thousands of Dollars)		
Service cost-benefits earned during the period	\$ 4,323	\$ 3,150	\$ 2,846
Interest cost on projected benefit obligation	8,523	7,771	7,390
Actual return on plan assets	(248)	(15,108)	(12,257)
Net amortization and deferral	(11,553)	3,717	886
	-----	-----	-----
Net periodic pension cost (income)	1,045	(470)	(1,135)
Less amounts charged (credited) to construction and other accounts . .	-	-	(24)
	-----	-----	-----
Net pension cost credited to operating expenses	\$ 1,045	\$ (470)	\$ (1,111)
	=====	=====	=====

The funded status of the Plan and the pension liability at December 31, 1994, 1993 and 1992, are as follows:

	1994	1993	1992
	-----	-----	-----
	(Thousands of dollars)		
Actuarial present value of benefit obligations:			
Accumulated benefit obligations (including vested benefits of \$(88,596,000), \$(84,531,000) and \$(76,226,000), respectively) . . .	\$ (90,341)	\$ (85,368)	\$(76,853)
	=====	=====	=====
Projected benefit obligation for service rendered to date	\$(107,540)	\$(104,025)	\$(95,446)
Plan assets at fair value	119,706	126,879	118,883
	-----	-----	-----
Plan assets in excess of projected benefit obligation	12,166	22,854	23,437
Unrecognized net gain from returns different than assumed	(17,939)	(21,503)	(19,733)
Prior service cost not yet recognized in pension cost	14,803	7,983	8,568
Unrecognized net asset at year-end (being amortized over 11 to 19 years)	(11,359)	(12,445)	(13,531)
Regulatory deferrals (1).	(1,841)	(3,256)	(1,381)
	-----	-----	-----
Pension liability	\$ (4,170)	\$ (6,367)	\$ (2,640)
	=====	=====	=====
Assumptions used in calculations were:			
Discount rate at year-end	8.5%	7.5%	8.5%
Rate of increase in future compensation level	4.0%	4.0%	5.0%
Expected long-term rate of return on assets	9.0%	9.0%	9.0%

(1) The Company has received accounting orders from regulatory authorities requiring the Company to defer the difference between pension cost as determined under FAS 87 and that determined for ratemaking purposes.

NOTE 3. ACCOUNTING FOR INCOME TAXES

The Company adopted Statement of Financial Accounting Standards (FAS) No. 109, "Accounting for Income Taxes," effective January 1, 1993, which supersedes Accounting Principles Board Opinion 11 previously adopted by the Company. FAS No. 109 establishes revised financial accounting and reporting standards for the effects of income taxes.

As of December 31, 1994 and 1993, respectively, the Company had recorded net regulatory assets of \$174,349,000 and \$177,786,000 related to the probable recovery of FAS No. 109 deferred tax liabilities from customers through future rates. Such net regulatory assets will be adjusted by amounts recovered through rates.

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

	1994	1993
	-----	-----
Deferred tax liabilities:		
Differences between book and tax bases of utility plant	\$317,991	\$297,175
Loss on reacquired debt	8,216	9,243
Deferred natural gas credits	1,095	2,679
Other	8,957	5,575
	-----	-----
Total deferred tax liabilities	336,259	314,672
	-----	-----
Deferred tax assets:		
Reserves not currently deductible	14,429	14,486
Contributions in aid of construction	3,710	2,975
Gain on sale of office building	1,555	1,647
Other	6,398	6,659
	-----	-----
Total deferred tax assets	26,092	25,767
	-----	-----
Net deferred tax liability	\$310,167	\$288,905
	=====	=====

A reconciliation of federal income taxes derived from statutory tax rates applied to income from continuing operations and federal income tax as set forth in the accompanying Consolidated Statements of Income and Retained Earnings is as follows (the current and deferred effective tax rates are approximately the same during all periods):

	FOR THE YEARS ENDED DECEMBER 31,		
	1994	1993	1992
	----	----	----
	(Thousands of Dollars)		
Computed federal income taxes at statutory rate	\$41,983	\$43,363	\$38,296
Increase (decrease) in tax resulting from:			
Accelerated tax depreciation	1,725	(2,229)	1,784
Sale of software rights	5,168	-	-
Equity earnings in affiliates	(497)	(560)	509
Other	(6,488)	1,684	(1,628)
Total federal income tax expense*	\$41,891	\$42,258	\$38,961
	=====	=====	=====
INCOME TAX EXPENSE CONSISTS OF THE FOLLOWING:			
Federal taxes currently provided	\$32,334	\$34,749	\$25,708
Deferred income taxes	9,557	7,509	13,253
Total federal income tax expense	41,891	42,258	38,961
State income tax expense	2,805	245	2,369
Federal and state income taxes	\$44,696	\$42,503	\$41,330
	=====	=====	=====
*Federal Income Tax Expense:			
Utility	\$35,513	\$36,385	\$34,372
Non-utility	6,378	5,873	4,589
Total Federal Income Tax Expense	\$41,891	\$42,258	\$38,961
	=====	=====	=====
Federal statutory rate	35%	35%	34%

NOTE 4. LONG-TERM DEBT

The annual sinking fund requirements and maturities for the next five years for First Mortgage Bonds and Medium-Term Notes outstanding at December 31, 1994 are as follows:

YEAR ENDED DECEMBER 31	MATURITIES	SINKING FUND REQUIREMENTS	45
THE WASHINGTON WATER POWER COMPANY			

NOTE 5. BANK BORROWINGS AND COMMERCIAL PAPER

At December 31, 1994, the Company maintained total lines of credit with various banks under two separate credit agreements amounting to \$160,000,000. The Company has a revolving line of credit expiring December 9, 1997, which provides a total credit commitment of \$70,000,000. The second revolving credit agreement is composed of two tranches totaling \$90,000,000. The one-year tranche is renewable each year through 1995 and provides for up to \$50,000,000 of notes to be outstanding at any one time. The three-year tranche expires September 30, 1995, and provides for up to \$40,000,000 of notes to be outstanding at any one time. The Company pays commitment fees of up to 0.1875% per annum on the average daily unused portion of each credit agreement.

In addition, under various agreements with banks, the Company can have up to \$60,000,000 in loans outstanding at any one time, with the loans available at the banks' discretion. These arrangements provide, if funds are made available, for fixed-term loans for up to 180 days at a fixed rate of interest. In December 1994, the Company terminated its commercial paper program.

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

	YEARS ENDED DECEMBER 31,	
	1994	1993
	(Dollars in thousands)	
BALANCE OUTSTANDING AT END OF PERIOD:		
Fixed-term loans.....	\$33,000	\$44,001
Commercial paper.....	-	20,000
Revolving credit agreement.....	25,000	4,000
MAXIMUM BALANCE DURING PERIOD:		
Fixed-term loans.....	\$52,000	\$69,000
Commercial paper.....	20,000	20,000
Revolving credit agreement.....	32,000	28,000
AVERAGE DAILY BALANCE DURING PERIOD:		
Fixed-term loans.....	\$29,373	\$24,499
Commercial paper.....	-	7,791
Revolving credit agreement.....	10,941	5,030
AVERAGE ANNUAL INTEREST RATE DURING PERIOD:		
Fixed-term loans.....	4.64%	3.38%
Commercial paper.....	-	3.46
Revolving credit agreement.....	4.49	3.49
AVERAGE ANNUAL INTEREST RATE AT END OF PERIOD:		
Fixed-term loans.....	6.28%	3.55%
Commercial paper.....	-	3.58
Revolving credit agreement.....	6.28	3.65

Non-utility operations have \$43 million of credit arrangements available. At December 31, 1994 and 1993, \$22.3 million and \$19.7 million, respectively, were outstanding.

NOTE 6. ACCOUNTS RECEIVABLE SALE

The Company has entered into an agreement whereby it can sell, on a revolving basis, up to \$40,000,000 of interests in certain accounts receivable, both billed and unbilled. The Company is obligated to pay fees which approximate the purchaser's cost of issuing commercial paper equal in value to the interests in receivables sold. The amount of such fees is included in operating expenses. At both December 31, 1994 and 1993, \$40,000,000 in receivables had been sold pursuant to the agreement.

NOTE 7. PREFERRED STOCK

CUMULATIVE PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION:

The dividend rate on Flexible Auction Preferred Stock, Series J is reset every 49 days based on an auction. During 1994, the dividend rate varied from 3.000% to 4.950% and at December 31, 1994, was 4.950%. Series J is subject to redemption at the Company's option at a redemption price of 100% per share plus accrued dividends.

CUMULATIVE PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION:

Redemption requirements:

\$8.625, Series I - On June 15, 1996, 1997, 1998, 1999 and 2000, the Company must redeem 100,000 shares at \$100 per share plus accumulated dividends. The Company may, at its option, redeem up to 100,000 shares in addition to the required redemption on any redemption date.

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

There are \$40 million in mandatory redemption requirements during the 1995-1999 period.

In accordance with FAS No. 107 "Disclosures About Fair Value of Financial Instruments," the fair value of the Company's preferred stock at December 31, 1994 and 1993 is estimated to be \$135.1 million, or 100% of the carrying value and \$93.8 million, or 110% of the carrying value, respectively. These estimates are based on available market information and appropriate valuation methodologies.

NOTE 8. COMMON STOCK

On November 9, 1993, the Company distributed, to shareholders of record on October 25, 1993, shares of its common stock, without par value, under a two-for-one stock split effected in the form of a 100% stock dividend. All references to number of shares and per share information have been adjusted to reflect the common stock split on a retroactive basis.

In April 1990, the Company sold 1,000,000 shares of its common stock to the Trustee of the Investment and Employee Stock Ownership Plan for Employees of the Company (Plan) for the benefit of the participants and beneficiaries of the Plan. In payment for the shares of Common Stock, the Trustee issued a promissory note payable to the Company in the amount of \$14,125,000. Dividends paid on the stock held by the Trustee, plus Company contributions to the Plan, if any, are used by the Trustee to make interest and principal payments on the promissory note. The balance of the promissory note receivable from the Trustee (\$12,266,750 at December 31, 1994) is reflected as a reduction to common equity. The shares of Common Stock are allocated to the accounts of participants in the Plan as the note is repaid. During 1994, the cost recorded for the Plan was \$2,724,000. This included the cost for an additional 272,278 shares which were issued for ongoing employee and Company contributions to the Plan. Interest on the note payable, cash and stock contributions to the Plan and dividends on the shares held by the Trustee were \$1,195,000, \$2,264,000 and \$1,224,000, respectively.

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

THE WASHINGTON WATER POWER COMPANY

In November 1991, the Company received authorization to issue from time to time 1,500,000 shares of Common Stock under a Periodic Offering Program (POP). During 1992, the remaining 1,107,600 shares of the first POP were issued under this program for net proceeds of \$18.0 million. In the second half of 1992, the Company received authorization to issue a second 1,500,000 shares of common stock under the POP. Through December 31, 1994, 927,600 shares of the second POP were issued for net proceeds of \$17.3 million.

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

Sales of Common Stock for 1994 and 1993 are summarized below (in thousands of dollars):

	1994		1993	
	Shares	Amount	Shares	Amount
Balance at January 1	52,757,545	\$544,609	50,888,130	\$508,202
Employee Investment Plan (401-K).....	272,278	4,302	165,335	3,216
Dividend Reinvestment Plan.....	1,390,873	21,692	1,127,680	21,779
Periodic Offering.....	-	-	576,400	11,412
Total Issues.....	1,663,151	25,994	1,869,415	36,407
Balance at December 31.....	54,420,696	\$570,603	52,757,545	\$544,609

NOTE 9. LEASES

The Company has entered into several lease arrangements involving various assets, with minimum terms ranging from eleven months to seventeen years and expiration dates from 1995 to 2011. The lease provisions obligate the Company to sell on behalf of the lessor or purchase the associated asset at a specified percentage of the asset's fair value if the lease is not renewed. Rent expense for the years ended December 31, 1994, 1993 and 1992 was \$2.3 million, \$1.9 million and \$1.8 million, respectively. Future minimum lease payments (thousands of dollars) required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1994 are estimated as follows:

Year ending December 31:	
1995	\$ 8,424
1996	7,283
1997	6,872
1998	1,847
1999	2,257
Later years	27,086
Total minimum payments required	\$53,769

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

NOTE 10. DISCONTINUED COAL MINING OPERATIONS

Washington Irrigation & Development Company (WIDCo) owned an undivided one-half interest in coal mining properties near Centralia, Washington, which it operated and which supplied coal to the Centralia Steam Electric Generating Plant owned 15% by the Company. On July 31, 1990, WIDCo sold its 50% interest in the Centralia coal mining properties for \$40.8 million. Net income of \$2.4 million in 1992 resulted from accounting adjustments and a refund of federal income taxes for years prior to the sale. The consolidated financial statements have been reclassified to reflect the continuing operations of the Company. The revenues, expenses, assets and liabilities of the discontinued operations have been reclassified from those categories and netted into single line items for discontinued operations in the Balance Sheets and Income Statements.

NOTE 11. COMMITMENTS AND CONTINGENCIES

SUPPLY SYSTEM PROJECT 3

In 1985, the Company and the Bonneville Power Administration (BPA) reached a settlement surrounding litigation related to the suspension of construction of Washington Public Power Supply System (Supply System) Project 3. Project 3 is a partially constructed 1,240 MW nuclear generating plant in which the Company has a 5% interest. Under the settlement agreement, the Company receives power deliveries from BPA from 1987 to 2017 in proportion to the Company's investment in Project 3.

The only material claim against the Company arising out of the Company's involvement in Project 3, which has been pending since October 1982 in the United States District Court for the Western District of Washington (District Court), is the claim of Chemical Bank, as bond fund trustee for Supply System Projects 4 and 5, against all owners of Projects 1, 2 and 3 for unjust enrichment in the allocation of certain costs of common services and facilities among the Supply System's five nuclear projects. Projects 4 and 5 were being constructed adjacent to Projects 1 and 3, respectively, under a plan to share certain costs. Chemical Bank was seeking a reallocation of \$495 million in costs (plus interest since commencement of construction in 1976) originally allocated to Projects 4 and 5.

On January 24, 1995, the Company executed a Memorandum of Understanding (MOU) which is intended to settle all remaining claims in the "cost sharing" litigation. The other parties to the MOU are expected to include Chemical Bank, as trustee for the holder of Supply System Projects 4 and 5 bonds; the Supply System; BPA; certain public utility participants in those projects; and Puget Sound Power & Light Company (Puget), and Portland General Electric Company (PGE), Puget and PGE being two of the other three investor-owned utilities which held minority ownership interests in Project 3.

The MOU provides for the Company to pay \$500,000 in settlement of all claims, and as part of a total \$55,000,000 payment to Chemical Bank. In the MOU, the Company also agrees to give up any claims relating to the Company's bridge loans made to the Supply System in 1981. In exchange, the Company would be released from all pending cost-sharing litigation claims. The MOU contemplates and provides agreement on consolidation of the Project 5 and Project 3 sites for site restoration purposes, if BPA and the Supply System decide to thus consolidate the site. In the event that occurs, the Company would be completely indemnified from any additional costs by a separate agreement with BPA. Under the MOU, the Company's payment to Chemical Bank is due in July, 1995, and it is expected that a final settlement agreement and dismissal of the litigation will occur before or contemporaneously with that payment.

NEZ PERCE TRIBE

On December 6, 1991, the Nez Perce Tribe filed an action against the Company in U. S. District Court for the District of Idaho alleging, among other things, that two dams formerly operated by the Company, the Lewiston Dam on the Clearwater River and the Grangeville Dam on the South Fork of the Clearwater River, provided inadequate passage to migrating anadromous fish in violation of rights under treaties between the Tribe and the United States made in 1855 and 1863. The Lewiston and Grangeville Dams, which had been owned and operated by other utilities under hydroelectric licenses from the Federal Power Commission (the "FPC", predecessor of the FERC) prior to acquisition by the Company, were acquired by the Company in 1937 with the approval of the FPC, but were dismantled and removed in 1973 and 1963, respectively. The Tribe initially indicated through expert opinion disclosures that they were seeking actual and punitive damages of \$208 million. However, supplemental disclosures reflect allegations of actual loss under different assumptions of between \$425 million and \$650 million.

Discovery had been stayed pending a decision by the Court on a case involving some similar issues brought by the Tribe against Idaho Power Company. The Court has since decided these issues and has dismissed all claims against Idaho Power. The Idaho Power case has now been appealed by the Nez Perce Tribe to the Ninth Circuit Court of Appeals. On November 21, 1994, the Company filed its Motion and Brief in Support of Summary Judgment of Dismissal. The Nez Perce Tribe has filed a reply brief, and has requested oral argument. No hearing on the Company's Motion for Summary Judgment has been scheduled by the Court and the matter is not set for trial. The Company is presently unable to assess the likelihood of an adverse outcome in this litigation, or estimate an amount or range of potential loss in the event of an adverse outcome.

LITTLE FALLS PROJECT

Pending before the U. S. District Court in the Eastern District of Washington is the case of Spokane Tribe of Indians v. WWP, which was filed in 1982. This matter involves a claim of the Spokane Tribe of Indians for damages arising out of the Company's Little Falls Hydroelectric Development that was constructed on the Spokane River pursuant to a 1905 Act of Congress. The Tribe claimed the Company's dam interfered with Indian fishing rights and sought a declaratory judgment and quiet title to part of the property comprising the Little Falls Hydroelectric Development. However, the Company, the Tribe and the Bureau of Indian Affairs signed a settlement agreement on September 9, 1994. The Secretary of the Interior and the Tribe have executed an irrevocable easement and license to WWP to the property comprising the Little Falls Hydroelectric Development. The lawsuit has been dismissed with prejudice. The settlement agreement provides for an initial payment of \$1.0 million to the Tribe plus an additional \$3.2 million to be paid over the next five years for fish and wildlife enhancement projects. An accrual of \$4.2 million was made during June 1994 and is reflected in the Company's financial statements. Annual payments will also be made to the Tribe, which will be tied to generation at the Little Falls Project and escalate at the rate of 4.1 percent per year, with the first installment of \$375,000 expected to be paid by mid-April 1995.

OIL SPILL

The Company recently completed an updated investigation of an oil spill that occurred several years ago in downtown Spokane at the site of the Company's steam heat plant. The Company purchased the plant in 1916 and operated it as a non-regulated plant until it was deactivated in 1986 in a business decision unrelated to the spill. After the Bunker C fuel oil spill, initial studies suggested that the oil was being adequately contained by both geological features and man-made structures. The Washington State Department of Ecology (DOE) concurred with these findings. However, more recent tests confirm that the oil has migrated approximately one city block beyond the steam plant property. On December 6, 1993, the Company asked the DOE to enter into negotiations for a Consent Decree which will provide for additional remedial investigation and a feasibility study. The Consent Decree, entered on November 8, 1994, provided for 22 additional soil borings to be made around the site, which have been completed. In December 1993, the Company established a reserve of \$2.0 million, and in December 1994 increased it to \$3.1 million based on more current estimates.

FIRESTORM

On October 16, 1991, gale-force winds struck a five-county area in eastern Washington and a seven-county area in northern Idaho. These winds were responsible for causing 92 separate wildland fires, resulting in two deaths and the loss of 114 homes and other structures, some of which were located in the Company's service territory. Four separate class action lawsuits were filed against the Company by private individuals in the Superior Court of Spokane County on October 13, 1993. These suits concern fires identified as Midway, Golden Cirrus, Nine Mile and Chattaroy. All of these suits were certified as class actions on September 16, 1994, and bifurcated for trial of liability and damage issues by order of the same date. The Company's Motion for Reconsideration was denied on October 21, 1994, and a Motion for Discretionary Review of the Court's decision on certification of class actions was timely filed with the Washington Court of Appeals (Division III) on November 14, 1994.

The Company was also served with two suits in Spokane County Superior Court filed on April 20, 1994 and on September 15, 1994, both of which sought individual damages from separate fires within the Chattaroy Fire complex. Five additional and separate suits were brought by Grange Insurance Company, and were filed in Spokane County Superior Court on October 10, 1994, for approximately \$2.2 million paid to Grange insureds for the same fire areas. Two additional class action suits were also filed - one in Lincoln County Superior Court, filed on October 14, 1994, for a fire known as "Nine Mile West" (previously included in the Spokane County Nine Mile suit certified as a class action), and the second in Spokane County Superior Court, filed on October 14, 1994, for the Ponderosa Fire area (which had not been the subject of previous suit). Neither of these suits has yet been certified as a class action, although the Lincoln County suit has been transferred to Spokane County pursuant to decision of the Lincoln County Superior Court on February 21, 1995.

Complainants in all cases allege various theories of tortious conduct, including negligence, creation of a public nuisance, strict liability and trespass; in most cases, complainants allege that fires were caused by electric distribution lines downed by the wind. The lawsuits seek recovery for property damage, emotional and mental distress, lost income and punitive damages, but do not specify the amount of damages being sought. Since little discovery has been conducted and the classes are not yet formed, the Company is presently unable to assess the

likelihood of an adverse outcome or estimate an amount or range of potential loss in the event of an adverse outcome. The Company was previously presented with a claim from the Washington State Department of Natural Resources (DNR) for fire suppression costs associated with five of these fires in eastern Washington. The total of the DNR claim was \$1.0 million. On July 22, 1993, the Company entered into a settlement with the DNR whereby the Company agreed to pay \$200,000 to DNR in full settlement of any and all DNR claims; however, there was no admission of liability on the part of the Company.

WILLIAMS LAKE LAWSUIT

On February 2, 1995, a lawsuit was commenced in Spokane County Superior Court against the Company and its subsidiary, Pentzer, by Tondu Energy Systems, Inc. and T.E.S. Williams Lake Partnership alleging contract violations, conspiracy, misrepresentation and breach of fiduciary duties in regard to the 1993 sale of Pentzer Energy Services, Inc. to B.C. Gas, Inc. The suit claims damages in excess of \$10 million, plus exemplary damages, prejudgment interest, costs and attorneys' fees. Also named as defendants are B.C. Gas, Inc., Inland Pacific Energy (Williams Lake) Corp. and the former Pentzer Energy Services, Inc., subsidiaries involved in the sale, WP Energy Company, WP Energy Canada, Ltd. and WP Energy Canada (Williams Lake) Ltd. The claims involve an alleged first right to purchase interests in the Williams Lake, British Columbia wood-fired generating station. Discovery with regard to the lawsuit has not yet commenced. The Company and Pentzer intend to vigorously defend against all of the claims.

OTHER CONTINGENCIES

The Company has long-term contracts related to the purchase of fuel for thermal generation, natural gas and hydroelectric power. Terms of the natural gas purchase contracts range from one month to five years and the majority provide for minimum purchases at the then effective market rate. The Company also has various agreements for the purchase, sale or exchange of power with other utilities, cogenerators, small power producers and government agencies. For information relating to certain long-term purchased power contracts, see Note 13.

NOTE 12. JOINTLY-OWNED ELECTRIC FACILITIES

The Company is involved in several jointly owned generating plants. Financing for the Company's ownership in the projects is provided by the Company. The Company's share of related operating and maintenance expenses for plants in service is included in corresponding accounts in the Consolidated Statements of Income. The following table indicates the Company's percentage ownership and the extent of the Company's investment in such plants at December 31, 1994:

Project	KW of Installed Capacity	Fuel Source	COMPANY'S CURRENT SHARE OF				Construction Work in Progress
			Ownership (%)	Plant in Service	Accumulated Depreciation	Net Plant In Service	
(Thousands of Dollars)							
Centralia	1,330,000	Coal	15%	\$ 55,112	\$31,173	\$ 23,939	\$930
Colstrip 3 & 4	1,556,000	Coal	15	269,460	80,181	189,279	-

NOTE 13. LONG-TERM PURCHASED POWER CONTRACTS WITH REQUIRED MINIMUM PAYMENTS

Under fixed contracts with Public Utility Districts, the Company has agreed to purchase portions of the output of certain generating facilities. Although the Company has no investment in such facilities, these contracts provide that the Company pay certain minimum amounts (which are based at least in part on the debt service requirements of the supplier) whether or not the facility is operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in operations and maintenance expense in the Consolidated Statements of Income. Information as of December 31, 1994, pertaining to these contracts is summarized in the following table:

	COMPANY'S CURRENT SHARE OF					Contract Expira- tion Date
	Output	Kilowatt Capability	Annual Costs(2)	Debt Service Costs(3)	Revenue Bonds Outstanding	
PUBLIC UTILITY DISTRICT						
			(Thousands of Dollars)			
(PUD) CONTRACTS:						
Chelan County PUD:						
Lake Chelan Project	100.0%(1)	58,000	\$3,089	\$ 310	\$ 7,628	1995
Rocky Reach Project	2.9	37,000	1,093	584	4,354	2011
Grant County PUD:						
Priest Rapids Project	6.1	55,000	1,470	1,043	8,001	2005
Wanapum Project	8.2	75,000	2,088	1,575	15,287	2009
Douglas County PUD:						
Wells Project	3.9	30,000	977	609	7,617	2018
		255,000	\$8,717	\$4,121	\$42,887	
		=====	=====	=====	=====	

- (1) The Company purchases 100% of the Lake Chelan Project output and sells back to the PUD about 40% of the output to supply local service area requirements.
- (2) The annual costs will change in proportion to the percentage of output allocated to the Company in a particular year. Amounts represent the operating costs for the year 1994.
- (3) Included in annual costs.

Actual expenses for payments made under the above contracts for the years 1994, 1993 and 1992, were \$8,717,000, \$8,721,000 and \$8,433,000, respectively. The estimated aggregate amounts of required minimum payments (the Company's share of debt service costs) under the above contracts for the next five years are \$3,829,000 in 1995, \$3,750,000 in 1996, \$3,616,000 in 1997, \$5,355,000 in 1998 and \$5,392,000 in 1999 (minimum payments thereafter are dependent on then market conditions). In addition, the Company will be required to pay its proportionate share of the variable operating expenses of these projects.

NOTE 14. ACQUISITIONS AND DISPOSITIONS

During 1994, Pentzer acquired two companies, one involved in bindery services for the advertising, printing, publishing and direct mail industries and the other in the design and manufacture of panel saws, panel routers and accessories. During 1993, Pentzer acquired three companies, two involved in financial services and one in point-of-purchase display manufacturing. Sales of companies involved in telecommunications, technology and energy services resulted in transactional gains of \$7.1 million in 1993. At December 31, 1994, Pentzer had approximately \$167 million in assets compared to \$130 million at the end of 1993.

In 1992, Pentzer's common stock ownership in ITRON was reduced from approximately 60% to approximately 40% as a result of the issuance of common stock by ITRON in an acquisition. Accordingly, beginning in 1992, Pentzer's share of ITRON's earnings was accounted for by the equity method and was included in Other Income-Net and its investment in ITRON was reflected on the balance sheet under Other Property and Investments. ITRON's initial public offering in November 1993 and Pentzer's sales of ITRON stock during 1993 and 1994 resulted in a reduction in Pentzer's ownership interest to approximately 14%. As a result, Pentzer's investment in ITRON, beginning in December 1994, is accounted for by the cost method.

On December 30, 1994, the IPUC approved the transfer of ownership of all PacifiCorp's electric properties in northern Idaho to the Company. The cash purchase price was approximately \$33 million. The Company commenced operations of the properties on January 1, 1995. The purchase adds approximately 9,800 customers. The Company reduced most customers' rates to 1% below PacifiCorp's current rates and instituted a four-year rate freeze. At the end of the rate freeze, rates will be adjusted to the levels then in effect in the Company's other service areas in northern Idaho. The Company believes this acquisition will not have a material impact on its operating revenues or its results of operations.

NOTE 15. PROPOSED MERGER

In June 1994, the Company, Sierra Pacific Resources (SPR), Sierra Pacific Power Company, a subsidiary of SPR (SPPC), and Resources West Energy Corporation, a newly formed subsidiary of the Company (Resources West) entered into an Agreement and Plan of Reorganization and Merger, dated as of June 27, 1994, as amended October 4, 1994 which provides for the merger of the Company, SPR and SPPC with and into Resources West. The merger is designed to qualify as a pooling-of-interests for accounting and financial reporting purposes. Under this method of accounting, the recorded assets and liabilities of WWP, SPR and SPPC will be carried forward to the consolidated financial statements of Resources West at their recorded amounts; income of Resources West will include income of WWP, SPR and SPPC for the entire fiscal year in which the merger occurs; and the reported income of the separate corporations for prior periods will be combined and restated as income of Resources West.

The cost savings from the merger are estimated to approximate \$450 million, net of merger transaction and transition costs, over a 10 year period following the consummation of the merger.

The following pro forma condensed financial information combines the historical consolidated balance sheets and statements of income of WWP and SPR after giving effect to the merger. The unaudited pro forma condensed consolidated balance sheet at December 31, 1994 gives effect to the merger as if it had occurred at December 31, 1994. The unaudited pro forma condensed consolidated statements of income for each of the three years in the period ended December 31, 1994 give effect to the merger as if it had occurred at January 1, 1992. These statements are prepared on the basis of accounting for the merger as a pooling-of-interests and are based on the assumptions set forth in the paragraph below. The pro forma condensed financial information has been prepared from, and should be read in conjunction with the Company's historical consolidated audited financial statements and related notes thereto of which this note is a part and SPR's historical consolidated audited financial statements and related notes thereto included in reports filed by SPR pursuant to the Securities Exchange Act, as amended. The information contained herein with respect to SPR and its subsidiaries has been supplied by SPR. The information is not necessarily indicative of the financial position or operating results that would have occurred had the merger been consummated on the date, or at the beginning of the periods, for which the merger is being given effect, nor is it necessarily indicative of future operating results or financial position.

Intercompany transactions (including purchased and exchanged power transactions) between WWP and SPR during the periods presented were not material and, accordingly, no pro forma adjustments were made to eliminate such transactions. For comparative purposes, certain historical amounts have been reclassified to conform to the pro forma condensed financial statement format. The \$450 million net cost savings estimated to be achieved by the merger are not reflected in the pro forma financial statements. All references to per share information for WWP have been adjusted to reflect the two-for-one common stock split which became effective on November 9, 1993. Pro forma per share data and common shares outstanding for Resources West give effect to the conversion of each share of WWP Common Stock into one share of Resources West Common Stock and the conversion of each share of SPR Common Stock into 1.44 shares of Resources West Common Stock.

Pro Forma Condensed Consolidated Balance Sheet (in thousands of dollars):

At December 31, 1994

	WWP	SPR	PRO FORMA
	-----	-----	-----
			(unaudited)
Assets			

Utility plant in service-net.....	\$1,802,280	\$1,760,941	\$3,563,221
Construction work in progress.....	27,316	74,893	102,209
	-----	-----	-----
Total.....	1,829,596	1,835,834	3,665,430
Accumulated depreciation and amortization.....	500,551	504,356	1,004,907
	-----	-----	-----
Net utility plant.....	1,329,045	1,331,478	2,660,523
Other property and investments.....	202,760	17,006	219,766
Current assets.....	136,566	126,296	262,862
Deferred charges.....	325,882	157,923	483,805
	-----	-----	-----
Total assets.....	\$1,994,253	\$1,632,703	\$3,626,956
	=====	=====	=====
Capitalization and Liabilities			

Common stock and additional paid-in capital.....	\$ 570,603	\$ 450,660	\$1,021,263
Other shareholders equity.....	106,891	58,062	164,953
Preferred stock.....	135,000	93,515	228,515
Long-term debt.....	721,146	561,909	1,283,055
	-----	-----	-----
Total capitalization.....	1,533,640	1,164,146	2,697,786
Current liabilities.....	132,517	145,528	278,045
Deferred income taxes.....	310,167	156,958	467,125
Other deferred credits.....	16,757	166,071	182,828
Minority interest.....	1,172	-	1,172
	-----	-----	-----
Total capitalization and liabilities.....	\$1,994,253	\$1,632,703	\$3,626,956
	=====	=====	=====
Common shares outstanding (thousands).....	54,421	29,405	96,764

Pro Forma Condensed Consolidated Statements of Income (in thousands of dollars, except per share amounts):

1994

	WWP	SPR	PRO FORMA
	-----	-----	-----
			(unaudited)
Operating revenues.....	\$670,765	\$626,312	\$1,297,077
Operating expenses.....	515,307	498,860	1,014,167
Income from operations.....	155,458	127,452	282,910
Income from continuing operations before preferred dividends.....	77,197	60,300	137,497
Income available for common stock.....	68,541	52,366	120,907
Average common shares outstanding.....	53,538	29,219	95,613
Earnings per share.....	\$1.28	\$1.79	\$1.26

1993

	WWP	SPR	PRO FORMA
	-----	-----	-----
			(unaudited)
Operating revenues.....	\$640,599	\$528,075	\$1,168,674
Operating expenses.....	479,749	415,286	895,035
Income from operations.....	160,850	112,789	273,639
Income from continuing operations before preferred dividends.....	82,776	53,151	135,927
Income available for common stock.....	74,441	44,890	119,331
Average common shares outstanding.....	51,616	26,895	90,345
Earnings per share.....	\$1.44	\$1.67	\$1.32

1992

	WWP -----	SPR -----	PRO FORMA ----- (unaudited)
Operating revenues.....	\$557,758	\$481,810	\$1,039,568
Operating expenses.....	407,133	394,568	801,701
Income from operations.....	150,625	87,242	237,867
Income from continuing operations before preferred dividends.....	72,267	33,789	106,056
Income available for common stock.....	65,450	28,149	93,599
Average common shares outstanding.....	49,550	25,709	86,571
Earnings per share.....	\$1.32	\$1.09	\$1.08

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

The year-end balances of the major classifications of property, plant and equipment are detailed in the following table (dollars in thousands):

	At December 31, -----	
	1994 -----	1993 -----
Electric:		
Production	\$ 678,356	\$ 643,437
Transmission	238,912	228,180
Distribution	458,867	433,003
CWIP and other	101,863	104,689
Electric total	1,477,998	1,409,309
Natural Gas:		
Underground storage	14,946	14,686
Transmission	3,090	3,060
Distribution	253,830	226,894
CWIP and other	45,108	32,863
Natural Gas total	316,974	277,503
Common plant (including CWIP)	34,624	36,157
Total utility	1,829,596	1,722,969
Non-utility	56,466	46,387
Total	\$1,886,062	\$1,769,356
	=====	=====

NOTE 17. SELECTED QUARTERLY INFORMATION (UNAUDITED)

The Company's electric and natural gas operations are significantly affected by weather conditions. Consequently, there can be large variances in revenues, expenses and net income between quarters based on seasonal factors such as temperatures and streamflow conditions.

A summary of quarterly operations (in thousands of dollars except for per share amounts) for 1994 and 1993 follows. All references to number of shares and per share information have been adjusted to reflect the common stock split on a retroactive basis.

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
1994				
Operating revenues.....	\$190,871	\$147,173	\$142,334	\$190,552
Operating income.....	51,948	34,015	22,973	46,782
Net income.....	26,691	15,696	8,104	26,705
Income available for common stock.....	24,621	13,547	5,918	24,455
Outstanding common stock (000s):				
Weighted average.....	52,911	53,316	53,751	54,158
Year-end.....	53,140	53,584	54,017	54,421
Earnings per share:				
Continuing utility operations.....	\$0.43	\$0.21	\$0.05	\$0.34
Continuing non-utility operations....	0.03	0.04	0.06	0.12
Total.....	\$0.46	\$0.25	\$0.11	\$0.46
Dividends paid per common share.....	\$0.31	\$0.31	\$0.31	\$0.31
Trading price range per share:				
High.....	\$18 7/8	\$17 7/8	\$16 1/4	\$14 7/8
Low.....	\$16 5/8	\$14 1/4	\$14 1/4	\$13 5/8
1993				
Operating revenues.....	\$212,978	\$126,876	\$123,507	\$177,238
Operating income.....	67,410	30,232	20,403	42,805
Net income.....	36,031	15,765	7,394	23,586
Income available for common stock.....	33,932	13,686	5,312	21,511
Outstanding common stock (000s):				
Weighted average.....	51,071	51,492	51,997	51,892
Year-end.....	51,300	51,768	52,298	52,758
Earnings per share:				
Continuing utility operations.....	\$0.61	\$0.19	\$0.07	\$0.32
Continuing non-utility operations....	0.05	0.08	0.03	0.09
Total.....	\$0.66	\$0.27	\$0.10	\$0.41
Dividends paid per common share.....	\$0.31	\$0.31	\$0.31	\$0.31
Trading price range per share:				
High.....	\$19 3/8	\$20	\$21	\$20 7/16
Low.....	\$17 3/8	\$18 7/8	\$19 3/4	\$18 1/8

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the directors of the Registrant has been omitted pursuant to General Instruction G to Form 10-K. Reference is made to the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Registrant's annual meeting of shareholders to be held on May 11, 1995.

Executive Officers of the Registrant

Name	Age	Business Experience During Past 5 Years
Paul A. Redmond	58	Chairman of the Board, President and Chief Executive Officer since February 1994; Chairman of the Board and Chief Executive Officer May 1988 - February 1994.
W. Lester Bryan	54	Senior Vice President - Rates & Resources since May 1992; Vice President - Power Supply August 1983 - May 1992.
Jon E. Eliassen	47	Vice President - Finance and Chief Financial Officer since February 1986.
Gary G. Ely	47	Vice President - Natural Gas since February 1991; Vice President - Marketing & Gas Supply May 1989 - February 1991; Vice President - Marketing May 1986 - May 1989.
Robert D. Fukai	45	Vice President - Human Resources, Corporate Services & Marketing since January 1993 Vice President - Corporate Services & Human Resources October 1992 - December 1992; Vice President - Operations May 1986 - October 1992.
JoAnn G. Matthiesen	54	Vice President - Organization Effectiveness, Public Relations & Assistant to the Chairman since January 1993; Vice President - Marketing, Public Relations & Assistant to the Chairman February 1991 - January 1993; Manager - Public Relations & Assistant to the Chairman August 1990 - February 1991; prior to employment with the Registrant in August 1990: Chief Operating Officer - Dominican Outreach Services and President - Dominican Outreach Foundation (a non-profit fund raiser for low income women with children) May 1988 - July 1990.
Lawrence J. Pierce	42	Vice President - Business Analysis since August 1994; Director - Business Analysis February 1992 - August 1994; Treasurer February 1986 - February 1992.
Nancy J. Racicot	47	Vice President - Operations since October 1992; Vice President - Corporate Services March 1990 - October 1992; Manager - Administrative Services April 1988 - March 1990.
Ronald R. Peterson	42	Treasurer since February 1992; Manager - Customer Information Services March 1991 - February 1992; Supervisor - Corporate Accounting March 1987 - March 1991.
John W. Buergerl	51	Controller since May 1990; Manager - Operations April 1988 - May 1990.
Terry L. Syms	46	Corporate Secretary & Manager - Shareholder Services since March 1988.

All of the Company's executive officers, with the exception of Messrs. Bryan, Ely, and Buergerl and Ms. Racicot, were officers or directors of one or more of the Company's subsidiaries in 1994.

Executive officers are elected annually by the Board of Directors.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation has been omitted pursuant to General Instruction G to Form 10-K. Reference is made to the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Registrant's annual meeting of shareholders to be held on May 11, 1995.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

- (a) Security ownership of certain beneficial owners (owning 5% or more of Registrant's voting securities):

None.

- (b) Security ownership of management:

Information regarding security ownership of management has been omitted pursuant to General Instruction G to Form 10-K. Reference is made to the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Registrant's annual meeting of shareholders to be held on May 11, 1995.

- (c) Changes in control:

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions has been omitted pursuant to General Instruction G to Form 10-K. Reference is made to the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Registrant's annual meeting of shareholders to be held on May 11, 1995.

PART IV

ITEM 14. FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES, EXHIBITS AND REPORTS ON FORM 8-K

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

Independent Auditors' Report

Consolidated Statements of Income and Retained Earnings for the Years Ended December 31, 1994, 1993 and 1992

Consolidated Balance Sheets, December 31, 1994 and 1993

Consolidated Statements of Capitalization, December 31, 1994 and 1993

Consolidated Statements of Cash Flows for the Years Ended December 31, 1994, 1993 and 1992

Schedule of Information by Business Segments for the Years Ended December 31, 1994, 1993 and 1992

Notes to Financial Statements

(a) 2. Financial Statement Schedules:

None

(a) 3. Exhibits:

Reference is made to the Exhibit Index commencing on page 58. The Exhibits include the management contracts and compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(10)(iii) of Regulation S-K.

(b) Reports on Form 8-K:

Dated June 27, 1994, regarding the Merger Agreement between the Company, Sierra Pacific Resources and Sierra Pacific Power Company.

Dated November 18, 1994 regarding the approval of the Merger Proposal by the shareholders of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

March 7, 1995

By

/s/ PAUL A. REDMOND

Date

Paul A. Redmond
Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature

Title

Date

/s/ PAUL A. REDMOND

Principal Executive
Officer and Director

March 7, 1995

Paul A. Redmond (Chairman of the Board,
President and Chief Executive Officer)

/s/ J. E. ELIASSEN

Principal Financial
and Accounting Officer

March 7, 1995

J. E. Eliassen (Vice President - Finance
and Chief Financial Officer)

/s/ DAVID A. CLACK

Director

March 7, 1995

David A. Clack

/s/ DUANE B. HAGADONE

Director

March 7, 1995

Duane B. Hagadone

/s/ ROBERT S. JEPSON, JR.

Director

March 7, 1995

Robert S. Jepson, Jr.

/s/ EUGENE W. MEYER

Director

March 7, 1995

Eugene W. Meyer

/s/ H. NORMAN SCHWARZKOPF

Director

March 7, 1995

General H. Norman Schwarzkopf

/s/ B. JEAN SILVER

Director

March 7, 1995

B. Jean Silver

/s/ LARRY A. STANLEY

Director

March 7, 1995

Larry A. Stanley

/s/ R. JOHN TAYLOR

Director

March 7, 1995

R. John Taylor

/s/ EUGENE THOMPSON

Director

March 7, 1995

Eugene Thompson

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 2-81697 on Form S-8, in Registration Statement No. 2-94816 on Form S-8, in Registration Statement No. 33-49662 on Form S-3, in Registration Statement No. 33-51669 on Form S-3, in Registration Statement No. 33- 53655 on Form S-3 and in Registration Statement No. 33-54791 on Form S-8 of our report dated January 27, 1995 (February 2, 1995 as to Note 11) appearing in this Annual Report on Form 10-K of The Washington Water Power Company for the year ended December 31, 1994.

Deloitte & Touche LLP

Seattle, Washington
March 7, 1995

EXHIBIT INDEX

Previously Filed*			
Exhibit	With Registration Number	As Exhibit	
2	1-3701 (with Form 8-K dated June 27, 1994)	2(a)	Agreement and Plan of Reorganization and Merger, dated as of June 27, 1994, by and among the Company, Sierra Pacific Resources, Sierra Pacific Power Company, and Resources West Energy Corporation.
3(a)	1-3701 (with 1994 2nd Quarter 10-Q)	4(a)	Restated Articles of Incorporation of the Company as filed August 4, 1994.
3(b)	1-3701 (with 1994 3rd Quarter 10-Q)	4(a)	Bylaws of the Company, as amended, May 12, 1994.
4(a)-1	2-4077	B-3	Mortgage and Deed of Trust, dated as of June 1, 1939.
4(a)-2	2-9812	4(c)	First Supplemental Indenture, dated as of October 1, 1952.
4(a)-3	2-60728	2(b)-2	Second Supplemental Indenture, dated as of May 1, 1953.
4(a)-4	2-13421	4(b)-3	Third Supplemental Indenture, dated as of December 1, 1955.
4(a)-5	2-13421	4(b)-4	Fourth Supplemental Indenture, dated as of March 15, 1967.
4(a)-6	2-60728	2(b)-5	Fifth Supplemental Indenture, dated as of July 1, 1957.
4(a)-7	2-60728	2(b)-6	Sixth Supplemental Indenture, dated as of January 1, 1958.
4(a)-8	2-60728	2(b)-7	Seventh Supplemental Indenture, dated as of August 1, 1958.
4(a)-9	2-60728	2(b)-8	Eighth Supplemental Indenture, dated as of January 1, 1959.
4(a)-10	2-60728	2(b)-9	Ninth Supplemental Indenture, dated as of January 1, 1960.
4(a)-11	2-60728	2(b)-10	Tenth Supplemental Indenture, dated as of April 1, 1964.
4(a)-12	2-60728	2(b)-11	Eleventh Supplemental Indenture, dated as of March 1, 1965.
4(a)-13	2-60728	2(b)-12	Twelfth Supplemental Indenture, dated as of May 1, 1966.
4(a)-14	2-60728	2(b)-13	Thirteenth Supplemental Indenture, dated as of August 1, 1966.
4(a)-15	2-60728	2(b)-14	Fourteenth Supplemental Indenture, dated as of April 1, 1970.
4(a)-16	2-60728	2(b)-15	Fifteenth Supplemental Indenture, dated as of May 1, 1973.
4(a)-17	2-60728	2(b)-16	Sixteenth Supplemental Indenture, dated as of February 1, 1975.
4(a)-18	2-60728	2(b)-17	Seventeenth Supplemental Indenture, dated as of November 1, 1976.

*Incorporated herein by reference.

**Filed herewith.

EXHIBIT INDEX (continued)

Previously Filed*			
Exhibit	With Registration Number	As Exhibit	
4(a)-19	2-69080	2(b)-18	Eighteenth Supplemental Indenture, dated as of June 1, 1980.
4(a)-20	1-3701 (with 1980 Form 10-K)	4(a)-20	Nineteenth Supplemental Indenture, dated as of January 1, 1981.
4(a)-21	2-79571	4(a)-21	Twentieth Supplemental Indenture, dated as of August 1, 1982.
4(a)-22	1-3701 (with Form 8-K dated September 20, 1983)	4(a)-22	Twenty-First Supplemental Indenture, dated as of September 1, 1983.
4(a)-23	2-94816	4(a)-23	Twenty-Second Supplemental Indenture, dated as of March 1, 1984.
4(a)-24	1-3701 (with 1986 Form 10-K)	4(a)-24	Twenty-Third Supplemental Indenture, dated as of December 1, 1986.
4(a)-25	1-3701 (with 1987 Form 10-K)	4(a)-25	Twenty-Fourth Supplemental Indenture, dated as of January 1, 1988.
4(a)-26	1-3701 (with 1989 Form 10-K)	4(a)-26	Twenty-Fifth Supplemental Indenture, dated as of October 1, 1989.
4(a)-27	33-51669	4(a)-27	Twenty-Sixth Supplemental Indenture, dated as of April 1, 1993.
4(a)-28	1-3701 (with 1993 Form 10-K)	4(a)-28	Twenty-Seventh Supplemental Indenture, dated as of January 1, 1994.
4(b)-1	1-3701 (with 1989 Form 10-K)	4(e)-1	Loan Agreement between City of Forsyth, Rosebud County, and the Company, dated as of November 1, 1989 (Series 1989 A and 1989 B). Replaces Exhibit 4(e)-1 (agreement between the Company and City of Forsyth, Rosebud County, Montana, dated as of October 1, 1986) filed with Form 10-K for 1986 and Exhibit 4(g)-1 (agreement between the Company and City of Forsyth, Rosebud County, Montana, dated as of April 1, 1987) filed with Form 10-K for 1987.
4(b)-2	1-3701 (with 1989 Form 10-K)	4(e)-2	Indenture of Trust, Pollution Control Revenue Refunding Bonds (Series 1989 A and 1989 B) between City of Forsyth Rosebud County, Montana and Chemical Bank, dated as of November 1, 1989. Replaces Exhibit 4(e)-2 (Indenture of Trust between City of Forsyth, Rosebud County, Montana and Chemical Bank dated as of October 1, 1986) filed with Form 10-K for 1986 and Exhibit 4(g)-2 (Indenture of Trust between City of Forsyth, Rosebud County, Montana and Chemical Bank, dated as of April 1, 1987) filed with Form 10-K for 1987.

*Incorporated herein by reference.

**Filed herewith.

EXHIBIT INDEX (continued)

Previously Filed*			
Exhibit	With Registration Number	As Exhibit	
4(c)-1	1-3701 (with 1988 Form 10-K)	4(h)-1	Indenture between the Company and Chemical Bank dated as of July 1, 1988 (Series A and B Medium-Term Notes).
4(d)-1	1-3701 (with 1992 Form 10-K)	4(j)-1	Credit Agreements between the Company and the Toronto- Dominion (Texas), Inc., the Toronto-Dominion Bank Houston Agency, The Bank of New York, CIBC, Inc. and and Citicorp USA, Inc. with the Toronto-Dominion (Texas), Inc. as agent, dated as of October 1, 1992.
4(e)-1	1-3701 (with 1992 Form 10-K)	4(k)-1	Credit Agreements between the Company and Seattle-First National Bank, West One Bank Idaho, N.A., First Interstate Bank of Washington, N.A., First Security Bank of Idaho, N.A., U.S. Bank of Washington, N.A., and Washington Trust Bank with Seattle-First National Bank as agent, dated as of December 10, 1992.
4(f)-1	1-3701 (with Form 8-K dated February 16, 1990)	4(n)	Rights Agreement, dated as of February 16, 1990, between the Company and the Bank of New York as successor Rights Agent.
4(f)-2	1-3701 (with 1994 First Quarter Form 10-Q)	4(b)	Amendment No. 1 to Rights Agreement, dated as of May 10, 1994.
4(f)-3	1-3701 (with 1994 Third Quarter Form 10-Q)	4(b)	Amendment No. 2 to Rights Agreement, dated as of June 27, 1994.
10(a)	2-60728	5(b)	Power Sales Contract (Lake Chelan Project) with Public Utility District No. 1 of Chelan County, Washington, dated as of June 21, 1955.
10(b)-1	2-13788	13(e)	Power Sales Contract (Rocky Reach Project) with Public Utility District No. 1 of Chelan County, Washington, dated as of November 14, 1957.
10(b)-2	2-60728	10(b)-1	Amendment to Power Sales Contract (Rocky Reach Project) with Public Utility District No. 1 of Chelan County, Washington, dated as of June 1, 1968.
10(c)-1	2-13421	13(d)	Power Sales Contract (Priest Rapids Project) with Public Utility District No. 2 of Grant County, Washington, dated as of May 22, 1956.
10(c)-2	2-60728	5(d)-1	Second Amendment to Power Sales Contract (Priest Rapids Project) with Public Utility District No. 2 of Grant County, Washington, dated as of December 19, 1977.
10(d)-1	2-60728	5(e)	Power Sales Contract (Wanapum Project) with Public Utility District No. 2 of Grant County, Washington, dated as of June 22, 1959.

*Incorporated herein by reference.

**Filed herewith.

EXHIBIT INDEX (continued)

Previously Filed*

Exhibit -----	With Registration Number -----	As Exhibit -----	
10(d)-2	2-60728	5(e)-1	First Amendment to Power Sales Contract (Wanapum Project) with Public Utility District No. 2 of Grant County, Washington, dated as of December 19, 1977.
10(d)-3	2-60728	5(f)	Reserved Share Power Sales Contract (Priest Rapids and Wanapum Projects) with Public Utility District No. 2 of Grant County, Washington, dated as of June 22, 1956.
10(d)-4	2-60728	5(f)-1	First Amendment to Reserved Share Power Sales Contract (Priest Rapids and Wanapum Projects) with Public Utility District No. 2 of Grant County, Washington, dated as of December 19, 1977.
10(e)-1	2-60728	5(g)	Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of September 18, 1963.
10(e)-2	2-60728	5(g)-1	Amendment to Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of February 9, 1965.
10(e)-3	2-60728	5(h)	Reserved Share Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of September 18, 1963.
10(e)-4	2-60728	5(h)-1	Amendment to Reserved Share Power Sales Contract (Wells Project) with Public Utility District No. 1 of Douglas County, Washington, dated as of February 9, 1965.
10(f)	2-60728	5(i)	Canadian Entitlement Exchange Agreement executed by Bonneville Power Administration Columbia Storage Power Exchange and the Company, dated as of August 13, 1964.
10(g)	2-60728	5(j)	Pacific Northwest Coordination Agreement, dated as of September 15, 1964.
10(h)-1	2-60728	5(k)	Ownership Agreement between the Company, Pacific Power & Light Company, Puget Sound Power & Light Company, Portland General Electric Company, Seattle City Light, Tacoma City Light and Grays Harbor and Snohomish County Public Utility Districts as owners of the Centralia Steam Electric Generating Plant, dated as of May 15, 1969.
10(h)-3	1-3701 (with Form 10-K for 1991)	10(h)-3	Centralia Fuel Supply Agreement between PacifiCorp Electric Operations, as the Seller, and the Company, Puget Sound Power & Light Company, Portland General Electric Company, Seattle City Light, Tacoma City Light and Grays Harbor and Snohomish County Public Utility Districts, as the Buyers of coal for the Centralia Steam Electric Generating Plant, dated as of January 1, 1991.

*Incorporated herein by reference.

**Filed herewith.

EXHIBIT INDEX (continued)

Previously Filed*			
Exhibit	With Registration Number	As Exhibit	
10(i)-1	2-47373	13(y)	Agreement between the Company, Bonneville Power Administration and Washington Public Power Supply System for purchase and exchange of power from the Nuclear Project No. 1 (Hanford), dated as of January 6, 1973.
10(i)-2	2-60728	5(m)-1	Amendment No. 1 to the Agreement between the Company between the Company, Bonneville Power Administration and Washington Public Power Supply System for purchase and exchange of power from the Nuclear Project No. 1 (Hanford), dated as of May 8, 1974.
10(i)-3	1-3701 (with Form 10-K for 1986)	10(i)-3	Agreement between BPA, the Montana Power Company, PP&L, PGE, PSP&L, the Company and the Supply 1986) System for relocation costs of Nuclear Project No. 1 (Hanford) dated as of July 9, 1986.
10(j)-1	2-60728	5(n)	Ownership Agreement of Nuclear Project No. 3, sponsored by Washington Public Power Supply System, dated as of September 17, 1973.
10(j)-2	1-3701 (with Form 10-Q for quarter ended September 30, 1985)	1	Settlement Agreement and Covenant Not to Sue executed by the United States Department of Energy acting by and through the Bonneville Power Administration and the Company, dated as of September 17, 1985, describing the settlement of Project 3 litigation.
10(j)-3	1-3701 (with Form 10-Q for quarter ended September 30, 1985)	2	Agreement to Dismiss Claims and Covenant Not to Sue between the Washington Public Power Supply System and the Company, dated as of September 17, 1985, describing the settlement of Project 3 litigation with the Supply System.
10(j)-4	1-3701 (with Form 10-Q for quarter ended September 30, 1985)	3	Agreement among Puget Sound Power & Light Company, the Company, Portland General Electric Company and PacifiCorp dba Pacific Power & Light Company, agreeing to execute contemporaneously an irrevocable offer, to and for the benefit of the Bonneville Power Administration, dated as of September 17, 1985.
10(k)-2	2-66184	5(r)	Service Agreement (Natural Gas Storage Service), dated as of August 27, 1979, between the Company and Northwest Pipeline Corporation.
10(k)-3	2-60728	5(s)	Service Agreement (Liquefaction-Storage Natural Gas Service), dated as of December 7, 1977, between the Company and Northwest Pipeline Corporation.

*Incorporated herein by reference.

**Filed herewith.

EXHIBIT INDEX (continued)

Previously Filed*

Exhibit	With Registration Number	As Exhibit	
10(k)-4	1-3701 (with 1989 Form 10-K)	10(k)-4	Amendment dated as of January 1, 1990, to Firm Transportation Agreement, dated as of June 25, 1988, between the Company and Northwest Pipeline Corporation.
10(k)-5	1-3701 (with 1989 Form 10-K)	10(k)-5	Service Agreement (ODL-1 Firm Service, dated as of March 29, 1989, between the Company and Northwest Pipeline Corporation
10(k)-6	1-3701 (with 1992 Form 10-K)	10(k)-6	Firm Transportation Service Agreement, dated as of April 25, 1991, between the Company and Pacific Gas Transmission Company.
10(k)-7	1-3701 (with 1992 Form 10-K)	10(k)-7	Service Agreement Applicable to Firm Transportation Service, dated June 12, 1991, between the Company and Alberta Natural Gas Company Ltd.
10(k)-8	1-3701 (with 1992 Form 10-K)	10(k)-8	Natural Gas Sale and Purchase Agreement, dated October 31, 1991, between the Company and AEC Oil and Gas Company.
10(k)-9	1-3701 (with 1992 Form 10-K)	10(k)-9	Natural Gas Purchase Contract, dated December 11, 1991, between the Company and Grand Valley Gas Company and Amerada Hess Canada Ltd.
10(k)-10	1-3701 (with 1992 Form 10-K)	10(k)-10	Natural Gas Purchase Contract, dated December 13, 1991, between the Company and Grand Valley Gas Company and PanCanadian Petroleum Limited.
10(l)-1	1-3701 (with Form 8-K for August 1976)	13(b)	Letter of Intent for the Construction and Ownership of Colstrip Units No. 3 and 4, sponsored by The Montana Power Company, dated as of April 16, 1974.
10(l)-2	1-3701 (with 1981 Form 10-K)	10(s)-7	Ownership and Operation Agreement for Colstrip Units No. 3 and 4, sponsored by The Montana Power Company, dated as of May 6, 1981.
10(l)-3	1-3701 (with 1981 Form 10-K)	10(s)-2	Coal Supply Agreement for Colstrip Units No. 3 and 4 between The Montana Power Company, Puget Sound Power & Light Company, Portland General Electric Company, Pacific Power & Light Company, Western Energy Company and the Company, dated as of July 2, 1980.

*Incorporated herein by reference.

**Filed herewith.

EXHIBIT INDEX (continued)

Previously Filed*			
Exhibit	With Registration Number	As Exhibit	
10(l)-4	1-3701 (with 1981 Form 10-K)	10(s)-3	Amendment No. 1 to Coal Supply Agreement for Colstrip Units No. 3 and 4, dated as of July 10, 1981.
10(l)-5	1-3701 (with 1988 Form 10-K)	10(l)-5	Amendment No. 4 to Coal Supply Agreement for Colstrip Units No. 3 and 4, dated as of January 1, 1988.
10(m)-1	1-3701 (with Form 10-Q for quarter ended June 30, 1982) water properties.	10	Purchase and Sale Agreement between the Company and General Waterworks Corporation, dated as of July 28, 1982, relating to the sale of the Company's
10(m)-2	1-3701 (with 1986 Form 10-K)	10(n)-2	Lease Agreement between the Company and IRE-4 New York, Inc., dated as of December 15, 1986, relating to the Company's central operating facility.
10(n)	1-3701 (with 1983 Form 10-K)	10(v)	Supplemental Agreement No. 2, Skagit/Hanford Project, dated as of December 27, 1983, relating to the termination of the Skagit/Hanford Project.
10(o)	1-3701 (with 1986 Form 10-K)	10(p)-1	Agreement for Purchase and Sale of Firm Capacity and Energy between Puget Sound Power & Light Company and the Company, dated as of August 1, 1986.
10(p)	1-3701 (with 1991 Form 10-K)	10(q)-1	Electric Service and Purchase Agreement between Potlatch Corporation and the Company, dated as of January 3, 1991.
10(q)	1-3701 (with 1992 Form 10-K)	10(r)-1	Power Sale Agreement between the Company and the Northern California Power Agency dated October 11, 1991.
10(r)	1-3701 (with 1992 Form 10-K)	10(s)-1	Agreements for Purchase and Sale of Firm Capacity between the Company and Portland General Electric Company dated March and June 1992.
10(s)-1	**		Employment Agreement between the Company and Paul A. Redmond. (***)
10(s)-2	**		Employment Agreement between the Company and W. Lester Bryan. (***)

* Incorporated herein by reference.

** Filed herewith.

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

EXHIBIT INDEX (continued)

Previously Filed*		
Exhibit	With Registration Number	As Exhibit
10(s)-3	**	Employment Agreement between the Company and Nancy Racicot. (***)
10(s)-4	**	Employment Agreement between the Company and Jon E. Eliassen. (***)
10(s)-5	**	Employment Agreement between the Company and Robert D. Fukai. (***)
10(s)-6	**	Executive Officers' 1994 Incentive Plan. (***)
10(s)-7	**	CEO 1994 Incentive Stock Plan. (***)
10(s)-8	1-3701 (with 1992 Form 10-K)	10(t)-8 Executive Deferral Plan of the Company. (***)
10(s)-9	1-3701 (with 1992 Form 10-K)	10(t)-9 The Company's Unfunded Outside Director Retirement Plan. (***)
10(s)-10	1-3701 (with 1992 Form 10-K)	10(t)-10 The Company's Unfunded Supplemental Executive Retirement Plan. (***)
10(s)-11	1-3701 (with 1992 Form 10-K)	10(t)-11 The Company's Unfunded Supplemental Executive Disability Plan. (***)
10(s)-12	1-3701 (with 1992 Form 10-K)	10(t)-12 Income Continuation Plan of the Company. (***)
10(s)-13	1-3701 (with 1992 Form 10-K)	10(t)-13 Director Compensation Arrangements. (***)
10(t)-1	**	Employment Agreement between Resources West and Paul A. Redmond. (***)
10(t)-2	**	Employment Agreement between Resources West and Walter M. Higgins.
12	**	Statement re computation of ratio of earnings to fixed charges and preferred dividend requirements.
21	**	Subsidiaries of Registrant.
27	**	Financial Data Schedule

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

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT made and entered into as of the 24th day of June, 1994, by and between The Washington Water Power Company, a Washington corporation whose principal place of business is located at 1411 East Mission Avenue, Spokane, Washington (the "Company") and Paul A. Redmond (the "Executive");

WHEREAS, the Executive is currently serving as Chairman, President and Chief Executive Officer of the Company, and the Company desires to secure the continued employment of the Executive in accordance herewith;

WHEREAS, the Company entered into an Employment Agreement with the Executive, dated August 5, 1988 (the "1988 Employment Agreement");

WHEREAS, the parties desire to enter into this Agreement amending and restating the 1988 Employment Agreement, setting forth the terms and conditions for the employment relationship of the Executive with the Company during the Employment Period (as hereinafter defined);

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company, and any successor thereto, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall be for a term of thirty-six (36) months, commencing on the date of this Agreement, subject, however, to termination as provided herein.

2. Duties and Powers of Executive.

(a) Position; Location. During the Employment Period, the Executive shall serve as the Chairman of the Board of Directors of the Company (the "Board") (assuming the Executive has been elected to the Board), President and Chief Executive Officer of the Company. During the Employment Period, the Executive shall have such authority, duties and responsibilities as are set forth in Annex A hereto. Such titles, authority, duties and responsibilities may be changed from time to time only by mutual written agreement of the parties. The Executive's services shall be performed at the location where the Executive is currently employed. During the Employment Period, the Executive shall also continue to serve as Chairman of the Board of each of the Company's subsidiary corporations, and the Executive shall serve as Chairman of the Executive Committee of the Board.

(b) During the Employment Period, the Company shall in connection with any annual meeting of shareholders of the Company at which the Executive's class of Directors is to be elected cause the Executive to be nominated as a director of the Company.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for his services hereunder to the Company:

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than the Executive's base salary as of the date of this Agreement. Such Annual Base Salary shall be reviewed at least annually. The Board may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to

be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. The Executive shall be entitled to receive awards pursuant to the Company's CEO Incentive Plan and/or Executive Incentive Compensation Plan. The terms of such awards shall be determined by the Compensation Committee at the time of grant.

During the Employment Period and so long as the Executive is employed by the Company, he shall be eligible to participate in all incentive, stock option, restricted stock, performance unit, savings, retirement and welfare plans, practices, policies and programs applicable generally to employees and/or other senior executives of the Company, except with respect to any benefits under any plan, practice, policy or program to which the Executive has waived his rights in writing. The Executive shall be entitled to receive pursuant to the Company's Unfunded Supplemental Executive Retirement Plan, or otherwise, benefits in the amount and at the rate of accrual at least as generous as that provided to him at the date hereof.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties hereunder in accordance with policies established from time to time by the Board.

(d) Fringe Benefits. During the Employment Period and so long as the Executive is employed by the Company, he shall be entitled to the following fringe benefits: (A) the Company shall pay the annual dues, assessments and other membership charges of the Executive with respect to the Executive's membership in the clubs and associations of the Executive's choice that are used for business purposes; and (B) the Company shall provide not less than thirty-eight (38) days paid leave for the Executive pursuant to the Company's One-Leave Program; in the case of paragraphs (A) and (B) on a basis substantially equivalent to such fringe benefits provided to the Executive in the past. In addition, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Company.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean the conviction of the Executive for the commission of a felony which, at the time of such commission, has a materially adverse effect on the Company.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the change without his consent of the Executive's title, authority, duties or responsibilities as specified in Section 2(a) of this Agreement;

(iii) the Company requiring the Executive without his consent to be based at any office or location other than the location where the Executive is currently employed; or

(iv) any breach by the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate his employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or his beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within thirty (30) days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death, then (a) the Company shall pay to the Executive an amount in cash equal to three (3) times the Annual Base Salary described in Section 3(a) of this Agreement, at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall pay to or cause to be paid to the Executive, pursuant to the terms of the respective plans, based on the Executive's Annual Base Salary at the time Notice of Termination is given, the value of all benefits to which the Executive would have been entitled had he remained in the employment of the Company until the end of the Employment Period, under the Company's pension plan(s) supplemental executive retirement plan(s), disability plan(s) and such other benefit plans as may be adopted from time to time during the Executive's employment with the Company; (c) the Company shall continue medical and welfare benefits for the life of the Executive and/or for the life of the Executive's spouse at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has

waived his rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as in effect and applicable generally to other senior executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive and/or his spouse, as in effect generally at any time thereafter with respect to other senior executives of the Company and their spouses (but on a prospective basis only unless and then only to the extent such more favorable M&W Plans are by their terms retroactive); provided, however, that if the Executive becomes reemployed (or, in the case of spousal benefits, the spouse is or becomes employed) with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (d) with respect to any incentive or similar plan awards, all options shall vest in full and become immediately exercisable, all restrictions shall lapse with respect to restricted stock, and any other types of awards, including but not limited to stock appreciation rights, performance units and performance shares, shall vest in full and become immediately exercisable or payable; provided, however, that if the Executive's entitlement to any of the stock options, restricted stock or other awards referred to above is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the date hereof with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(c) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Paul A. Redmond
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

If to the Company:

The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive and the Company with respect to the subject matter hereof, and all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, the Company have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER POWER COMPANY

/s/ D. B. Hagadone

Name: D. B. Hagadone

Title: Director/Compensation Committee Chairman

EXECUTIVE

/s/ Paul A. Redmond

DUTIES OF EXECUTIVE

CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors shall be a director, shall preside at all meetings of the Board of Directors and shareholders of the Company, shall, subject to the direction and control of the Board, be their representative and medium of communication, and shall perform such duties as may from time-to-time be assigned to him by the Board of Directors. The Chairman shall direct the long-term strategic planning process of the Company.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and Chief Executive Officer of the Company shall be a director and shall, subject to the authority to the Board, be in charge of the management of the business of the Company. He shall have general and active management direction of the affairs of the Company, shall have supervision of all departments and of all officers of the Company, shall see that the orders and resolutions of the Board of Directors and of the Executive Committee are carried into effect and shall have the general power and duties of supervision and management usually vested in the President and Chief Executive Officer of a company. The President and Chief Executive Officer shall submit a report of the operations of the Company for the fiscal year to the shareholders at their annual meeting and from time-to-time shall report to the Board of Directors all matters within his knowledge which the interests of the Company may require be brought to their notice.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT made and entered into as of the 24th day of June, 1994, by and between The Washington Water Power Company, a Washington corporation whose principal place of business is located at East 1411 Mission Avenue, Spokane, Washington (the "Company"), and W. Lester Bryan (the "Executive");

WHEREAS, the Company entered into an Employment Agreement with the Executive, dated August 5, 1988 (the "Prior Employment Agreement");

WHEREAS, the Company desires to continue the services of the Executive for its business and the Executive is willing to continue such employment; and

WHEREAS, the Company and the Executive desire to enter into this Employment Agreement amending and restating the Prior Employment Agreement and setting forth the terms and conditions of continued employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the sufficiency of such consideration being expressly acknowledged by the parties, the Company hereby continues employment of the Executive and the Executive hereby accepts employment upon the terms and conditions hereinafter set forth:

1. Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company, and any successor thereto, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall be for a term of thirty-six (36) months, commencing on the date of this Agreement, subject, however, to termination as provided herein.

2. Duties and Powers of Executive.

(a) Position; Location. During the Employment Period, the Executive shall serve as an elected executive officer, with

such authority, duties and responsibilities as are determined from time to time by the Company for such position with the Company. The Executive's services shall be performed at the location where the Executive is currently employed; provided, however, that if the Executive is relocated, he shall be entitled to receive all benefits and other amounts described in Section 3(e) hereof.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for his services hereunder to the Company: until a termination of employment, pursuant to Section 4, the Company will continue the Executive's salary, benefits, and incentive award opportunities at levels not less than those in effect on the date this Agreement was executed, subject to such reductions as may be required to maintain qualified plan compliance with applicable federal or state laws.

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than that paid on the date hereof. Such Annual Base Salary shall be reviewed at least annually. The Board of Directors of the Company (the "Board") may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. The Executive shall be entitled to receive awards pursuant to the Company's Executive Incentive Compensation Plan (the "Plan"). The terms of such awards shall be determined by the Compensation Committee at the time of grant. The Executive shall also be entitled to receive benefits pursuant to such supplemental executive programs as are or may be established by the Company.

During the Employment Period and so long as the Executive is employed by the Company, he shall be eligible to participate in all incentive, stock option, restricted stock, performance unit, savings, retirement and welfare plans, practices, policies and programs applicable generally to employees and/or other executives of the Company, except with respect to any benefits under any plan, practice, policy or program to which the Executive has waived his rights in writing.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties hereunder in accordance with policies established from time to time by the Company.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with his position and at least comparable to those received by other executives of the Company.

(e) Relocation Benefits. If during the Employment Period the Executive is relocated, he shall be entitled to reimbursement from the Company for reasonable expenses incurred in connection with the relocation and as preapproved by the Chief Executive Officer or the Chief Operating Officer of the Company.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" for termination by the Company shall include, but is not limited to, acts of theft, embezzlement, fraud, moral turpitude, as well as the following conduct of the Executive:

(i) material breach of any provision of this Agreement, which breach shall not have been cured by the Executive within thirty (30) days of receipt of written notice of said breach;

(ii) misconduct as an Executive of the Company, including but not limited to: misappropriating any funds or property of the Company; attempting to obtain any personal profit from any transaction in which the Executive has an interest which is adverse to the interests of the Company; or any other act or omission which substantially impairs the Company's ability to conduct its ordinary business in its usual manner;

(iii) conviction of a felony; or

(iv) any other acts or omission which subject the Company to public disrespect, scandal, or ridicule.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the Executive not receiving salary increases and incentive awards comparable to those received by other executives in comparable positions with comparable performance evaluations in the current year;

(iii) the diminution without his consent of the Executive's status, working conditions, authority, duties or responsibilities from those in effect on the date of this Agreement;

(iv) the Company requiring the Executive without his consent to be based at any office or location other than the location where the Executive is currently employed; or

(v) any breach by the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate his employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or his beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within thirty (30) days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death or Disability, then (a) the Company shall pay to the Executive an amount in cash equal to (1) the Annual Base Salary described in Section 3(a) of this Agreement through the end of the Employment Period and (2) one month's salary for each full or partial year of service with the Company with a minimum of twelve (12) months' salary payable under this clause (2), in each case at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination, or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall continue medical and welfare benefits for the Executive for eighteen (18) months after Termination at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived his rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as in effect and applicable generally to other executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or as in effect generally at any time thereafter with respect to other executives of the Company; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (c) with respect to any incentive or similar plan awards, awards shall be handled as the plan so provides; provided, however, that if the Executive's entitlement to any plan award is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the date hereof with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(b) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of

such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

c/o The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

If to the Company:

The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive and the Company with respect to the subject matter hereof, and all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, the Company have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER
POWER COMPANY

/s/ Paul A. Redmond

Name: Paul A. Redmond
Title: Chairman of the Board, President and
Chief Executive Officer

EXECUTIVE

/s/ W. L. Bryan

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT made and entered into as of the 24th day of June, 1994, by and between The Washington Water Power Company, a Washington corporation whose principal place of business is located at East 1411 Mission Avenue, Spokane, Washington (the "Company"), and Nancy J. Racicot (the "Executive");

WHEREAS, the Company entered into an Employment Agreement with the Executive, dated May 10, 1991 (the "Prior Employment Agreement");

WHEREAS, the Company desires to continue the services of the Executive for its business and the Executive is willing to continue such employment; and

WHEREAS, the Company and the Executive desire to enter into this Employment Agreement amending and restating the Prior Employment Agreement and setting forth the terms and conditions of continued employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the sufficiency of such consideration being expressly acknowledged by the parties, the Company hereby continues employment of the Executive and the Executive hereby accepts employment upon the terms and conditions hereinafter set forth:

1. Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company, and any successor thereto, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall be for a term of thirty-six (36) months, commencing on the date of this Agreement, subject, however, to termination as provided herein.

2. Duties and Powers of Executive.

(a) Position; Location. During the Employment Period, the Executive shall serve as an elected executive officer, with

such authority, duties and responsibilities as are determined from time to time by the Company for such position with the Company. The Executive's services shall be performed at the location where the Executive is currently employed; provided, however, that if the Executive is relocated, she shall be entitled to receive all benefits and other amounts described in Section 3(e) hereof.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for her services hereunder to the Company: until a termination of employment, pursuant to Section 4, the Company will continue the Executive's salary, benefits, and incentive award opportunities at levels not less than those in effect on the date this Agreement was executed, subject to such reductions as may be required to maintain qualified plan compliance with applicable federal or state laws.

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than that paid on the date hereof. Such Annual Base Salary shall be reviewed at least annually. The Board of Directors of the Company (the "Board") may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. The Executive shall be entitled to receive awards pursuant to the Company's Executive Incentive Compensation Plan (the "Plan"). The terms of such awards shall be determined by the Compensation Committee at the time of grant. The Executive shall also be entitled to receive benefits pursuant to such supplemental executive programs as are or may be established by the Company.

During the Employment Period and so long as the Executive is employed by the Company, she shall be eligible to participate in all incentive, stock option, restricted stock, performance unit, savings, retirement and welfare plans, practices, policies and programs applicable generally to employees and/or other executives of the Company, except with

respect to any benefits under any plan, practice, policy or program to which the Executive has waived her rights in writing.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by her in the performance of her duties hereunder in accordance with policies established from time to time by the Company.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with her position and at least comparable to those received by other executives of the Company.

(e) Relocation Benefits. If during the Employment Period the Executive is relocated, she shall be entitled to reimbursement from the Company for reasonable expenses incurred in connection with the relocation and as preapproved by the Chief Executive Officer or the Chief Operating Officer of the Company.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" for termination by the Company shall include, but is not limited to, acts of theft, embezzlement, fraud, moral turpitude, as well as the following conduct of the Executive:

(i) material breach of any provision of this Agreement, which breach shall not have been cured by the Executive within thirty (30) days of receipt of written notice of said breach;

(ii) misconduct as an Executive of the Company, including but not limited to: misappropriating any funds or property of the Company; attempting to obtain any personal profit from any transaction in which the Executive has an interest which is adverse to the interests of the Company; or any other act or omission

which substantially impairs the Company's ability to conduct its ordinary business in its usual manner;

(iii) conviction of a felony; or

(iv) any other acts or omission which subject the Company to public disrespect, scandal, or ridicule.

(c) By the Executive for Good Reason. The Executive may terminate her employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the Executive not receiving salary increases and incentive awards comparable to those received by other executives in comparable positions with comparable performance evaluations in the current year;

(iii) the diminution without her consent of the Executive's status, working conditions, authority, duties or responsibilities from those in effect on the date of this Agreement;

(iv) the Company requiring the Executive without her consent to be based at any office or location other than the location where the Executive is currently employed; or

(v) any breach by the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate her employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or her beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of

Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within thirty (30) days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death or Disability, then (a) the Company shall pay to the Executive an amount in cash equal to (1) the Annual Base Salary described in Section 3(a) of this Agreement through the end of the Employment Period and (2) one month's salary for each full or partial year of service with the Company with a minimum of twelve (12) months' salary payable under this clause (2), in each case at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination, or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall continue medical and welfare benefits for the Executive for eighteen (18) months after Termination at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived her rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as in effect and applicable generally to other executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or as in effect generally at any time thereafter with respect to other executives of the Company; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (c) with respect to any incentive or similar plan awards, awards shall be handled as the plan so provides; provided, however, that if the Executive's entitlement to any plan award is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived her rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the date hereof with the Company. Amounts which are

vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(b) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

c/o The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

If to the Company:

The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive and the Company with respect to the subject matter hereof, and all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, the Company have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER
POWER COMPANY

/s/ Paul A. Redmond

Name: Paul A. Redmond
Title: Chairman of the Board, President
and Chief Executive Officer

EXECUTIVE

/s/ Nancy J. Racicot

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT made and entered into as of the 24th day of June, 1994, by and between The Washington Water Power Company, a Washington corporation whose principal place of business is located at East 1411 Mission Avenue, Spokane, Washington (the "Company"), and Jon E. Eliassen (the "Executive");

WHEREAS, the Company entered into an Employment Agreement with the Executive, dated August 5, 1988 (the "Prior Employment Agreement");

WHEREAS, the Company desires to continue the services of the Executive for its business and the Executive is willing to continue such employment; and

WHEREAS, the Company and the Executive desire to enter into this Employment Agreement amending and restating the Prior Employment Agreement and setting forth the terms and conditions of continued employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the sufficiency of such consideration being expressly acknowledged by the parties, the Company hereby continues employment of the Executive and the Executive hereby accepts employment upon the terms and conditions hereinafter set forth:

1. Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company, and any successor thereto, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall be for a term of thirty-six (36) months, commencing on the date of this Agreement, subject, however, to termination as provided herein.

2. Duties and Powers of Executive.

(a) Position; Location. During the Employment Period, the Executive shall serve as an elected executive officer, with

such authority, duties and responsibilities as are determined from time to time by the Company for such position with the Company. The Executive's services shall be performed at the location where the Executive is currently employed; provided, however, that if the Executive is relocated, he shall be entitled to receive all benefits and other amounts described in Section 3(e) hereof.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for his services hereunder to the Company: until a termination of employment, pursuant to Section 4, the Company will continue the Executive's salary, benefits, and incentive award opportunities at levels not less than those in effect on the date this Agreement was executed, subject to such reductions as may be required to maintain qualified plan compliance with applicable federal or state laws.

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than that paid on the date hereof. Such Annual Base Salary shall be reviewed at least annually. The Board of Directors of the Company (the "Board") may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. The Executive shall be entitled to receive awards pursuant to the Company's Executive Incentive Compensation Plan (the "Plan"). The terms of such awards shall be determined by the Compensation Committee at the time of grant. The Executive shall also be entitled to receive benefits pursuant to such supplemental executive programs as are or may be established by the Company.

During the Employment Period and so long as the Executive is employed by the Company, he shall be eligible to participate in all incentive, stock option, restricted stock, performance unit, savings, retirement and welfare plans, practices, policies and programs applicable generally to employees and/or other executives of the Company, except with respect to any benefits under any plan, practice, policy or program to which the Executive has waived his rights in writing.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties hereunder in accordance with policies established from time to time by the Company.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with his position and at least comparable to those received by other executives of the Company.

(e) Relocation Benefits. If during the Employment Period the Executive is relocated, he shall be entitled to reimbursement from the Company for reasonable expenses incurred in connection with the relocation and as preapproved by the Chief Executive Officer or the Chief Operating Officer of the Company.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" for termination by the Company shall include, but is not limited to, acts of theft, embezzlement, fraud, moral turpitude, as well as the following conduct of the Executive:

(i) material breach of any provision of this Agreement, which breach shall not have been cured by the Executive within thirty (30) days of receipt of written notice of said breach;

(ii) misconduct as an Executive of the Company, including but not limited to: misappropriating any funds or property of the Company; attempting to obtain any personal profit from any transaction in which the Executive has an interest which is adverse to the interests of the Company; or any other act or omission which substantially impairs the Company's ability to conduct its ordinary business in its usual manner;

(iii) conviction of a felony; or

(iv) any other acts or omission which subject the Company to public disrespect, scandal, or ridicule.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the Executive not receiving salary increases and incentive awards comparable to those received by other executives in comparable positions with comparable performance evaluations in the current year;

(iii) the diminution without his consent of the Executive's status, working conditions, authority, duties or responsibilities from those in effect on the date of this Agreement;

(iv) the Company requiring the Executive without his consent to be based at any office or location other than the location where the Executive is currently employed; or

(v) any breach by the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate his employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or his beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within thirty (30) days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death or Disability, then (a) the Company shall pay to the Executive an amount in cash equal to (1) the Annual Base Salary described in Section 3(a) of this Agreement through the end of the Employment Period and (2) one month's salary for each full or partial year of service with the Company with a minimum of twelve (12) months' salary payable under this clause (2), in each case at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination, or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall continue medical and welfare benefits for the Executive for eighteen (18) months after Termination at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived his rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as in effect and applicable generally to other executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or as in effect generally at any time thereafter with respect to other executives of the Company; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (c) with respect to any incentive or similar plan awards, awards shall be handled as the plan so provides; provided, however, that if the Executive's entitlement to any plan award is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the date hereof with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(b) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of

such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

c/o The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

If to the Company:

The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive and the Company with respect to the subject matter hereof, and all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, the Company have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER
POWER COMPANY

/s/ Paul A. Redmond

Name: Paul A. Redmond
Title: Chairman of the Board,
President and Chief Executive
Officer

EXECUTIVE

/s/ Jon E. Eliassen

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT made and entered into as of the 24th day of June, 1994, by and between The Washington Water Power Company, a Washington corporation whose principal place of business is located at East 1411 Mission Avenue, Spokane, Washington (the "Company"), and Robert D. Fukai (the "Executive");

WHEREAS, the Company entered into an Employment Agreement with the Executive, dated August 5, 1988 (the "Prior Employment Agreement");

WHEREAS, the Company desires to continue the services of the Executive for its business and the Executive is willing to continue such employment; and

WHEREAS, the Company and the Executive desire to enter into this Employment Agreement amending and restating the Prior Employment Agreement and setting forth the terms and conditions of continued employment;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the sufficiency of such consideration being expressly acknowledged by the parties, the Company hereby continues employment of the Executive and the Executive hereby accepts employment upon the terms and conditions hereinafter set forth:

1. Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company, and any successor thereto, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall be for a term of thirty-six (36) months, commencing on the date of this Agreement, subject, however, to termination as provided herein.

2. Duties and Powers of Executive.

(a) Position; Location. During the Employment Period, the Executive shall serve as an elected executive officer, with

such authority, duties and responsibilities as are determined from time to time by the Company for such position with the Company. The Executive's services shall be performed at the location where the Executive is currently employed; provided, however, that if the Executive is relocated, he shall be entitled to receive all benefits and other amounts described in Section 3(e) hereof.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for his services hereunder to the Company: until a termination of employment, pursuant to Section 4, the Company will continue the Executive's salary, benefits, and incentive award opportunities at levels not less than those in effect on the date this Agreement was executed, subject to such reductions as may be required to maintain qualified plan compliance with applicable federal or state laws.

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than that paid on the date hereof. Such Annual Base Salary shall be reviewed at least annually. The Board of Directors of the Company (the "Board") may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. The Executive shall be entitled to receive awards pursuant to the Company's Executive Incentive Compensation Plan (the "Plan"). The terms of such awards shall be determined by the Compensation Committee at the time of grant. The Executive shall also be entitled to receive benefits pursuant to such supplemental executive programs as are or may be established by the Company.

During the Employment Period and so long as the Executive is employed by the Company, he shall be eligible to participate in all incentive, stock option, restricted stock, performance unit, savings, retirement and welfare plans, practices, policies and programs applicable generally to employees and/or other executives of the Company, except with respect to any benefits under any plan, practice, policy or program to which the Executive has waived his rights in writing.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties hereunder in accordance with policies established from time to time by the Company.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with his position and at least comparable to those received by other executives of the Company.

(e) Relocation Benefits. If during the Employment Period the Executive is relocated, he shall be entitled to reimbursement from the Company for reasonable expenses incurred in connection with the relocation and as preapproved by the Chief Executive Officer or the Chief Operating Officer of the Company.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" for termination by the Company shall include, but is not limited to, acts of theft, embezzlement, fraud, moral turpitude, as well as the following conduct of the Executive:

(i) material breach of any provision of this Agreement, which breach shall not have been cured by the Executive within thirty (30) days of receipt of written notice of said breach;

(ii) misconduct as an Executive of the Company, including but not limited to: misappropriating any funds or property of the Company; attempting to obtain any personal profit from any transaction in which the Executive has an interest which is adverse to the interests of the Company; or any other act or omission which substantially impairs the Company's ability to conduct its ordinary business in its usual manner;

(iii) conviction of a felony; or

(iv) any other acts or omission which subject the Company to public disrespect, scandal, or ridicule.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the Executive not receiving salary increases and incentive awards comparable to those received by other executives in comparable positions with comparable performance evaluations in the current year;

(iii) the diminution without his consent of the Executive's status, working conditions, authority, duties or responsibilities from those in effect on the date of this Agreement;

(iv) the Company requiring the Executive without his consent to be based at any office or location other than the location where the Executive is currently employed; or

(v) any breach by the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate his employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or his beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within thirty (30) days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death or Disability, then (a) the Company shall pay to the Executive an amount in cash equal to (1) the Annual Base Salary described in Section 3(a) of this Agreement through the end of the Employment Period and (2) one month's salary for each full or partial year of service with the Company with a minimum of twelve (12) months' salary payable under this clause (2), in each case at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination, or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall continue medical and welfare benefits for the Executive for eighteen (18) months after Termination at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived his rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as in effect and applicable generally to other executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or as in effect generally at any time thereafter with respect to other executives of the Company; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (c) with respect to any incentive or similar plan awards, awards shall be handled as the plan so provides; provided, however, that if the Executive's entitlement to any plan award is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the date hereof with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(b) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of

such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

c/o The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

If to the Company:

The Washington Water Power Company
East 1411 Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive and the Company with respect to the subject matter hereof, and all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, the Company have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER
POWER COMPANY

/s/ Paul A. Redmond

Name: Paul A. Redmond
Title: Chairman of the Board,
President and Chief Executive
Officer

EXECUTIVE

/s/ R. D. Fukai

1994 Executive Officer Incentive Plan

GOAL 1 - EARNINGS PER SHARE (ANNUAL GOAL)

Utility only Earnings per share	ROE	Utility Net Income	Percent of base pay opportunity CFO/SVP	VP's
\$1.15 (threshold)	11.1	\$61,569,000	3.3%	2.9%
\$1.18	11.4	\$63,174,000	6.6%	5.8%
\$1.21	11.6	\$64,779,000	10.0%	8.8%
\$1.24	11.9	\$66,399,000	13.3%	11.7%
\$1.27	12.2	\$67,989,000	16.6%	14.6%
\$1.30	12.4	\$69,595,000	20.0%	17.5%

Goal modifier: individual and team officer performance will determine actual payout percentage. The percent achieved for EPS above will be modified on a scale of 0-150% to reflect officer performance, including financial, customer and employee goals.

GOAL 2 - SHAREHOLDER VALUE GOAL (LONG-TERM GOAL; 3 YEARS ENDING 12/94)

Shareholder Value goal will be achieved if Washington Water Power is within 90-110% of the median company's total return of the approximately 100 investor owned utilities for the three year period ending 12/31/94. The calculation measures the total return percentage and is calculated using cash dividends paid plus market price appreciation over the three year time period for each of the electric or combination utilities.

Goal as Compared to Median of Group	Example with #47 as Median	Percent of Base Pay Opportunity CFO/SVP	VP's
110% of median rank	42 (maximum)	20.0%	17.5%
108% "	43	18.2%	15.9%
106% "	44	16.4%	14.3%
104% "	45	14.5%	12.7%
102% "	46	12.7%	11.1%
100% "	47 (median)	10.9%	9.5%
98% "	48	9.1%	8.0%
96% "	49	7.3%	6.4%
94% "	50	5.5%	4.8%
92% "	51	3.6%	3.2%
90% "	52 (threshold)	1.8%	1.6%

Goal modifier: individual and team officer performance will determine actual payout percentage. The percent achieved for SV above will be modified on a scale of 0-150% to reflect officer performance, including financial, customer and employee goals.

0 to 100% = Performance accountabilities are partially achieved
 100% = Performance accountabilities are achieved
 101 to 150% = Performance accountabilities are exceeded

	CFO/SVP	VP's
Maximum opportunity - Goals 1 and 2	60.0%	52.5%

Incentives are paid out as 50% cash and 50% stock

Exhibit 10(s)-7
1994 CEO Incentive Stock Plan

The CEO of WWP will be granted 2000 shares of WWP stock for each five cents of increased corporate earnings starting at \$1.38 and going up to and including \$1.63 in earnings. When the corporate earnings reach \$1.65, additional 22,000 shares of WWP stock will be granted.

Earnings must be expected to continue (e.g. a one time sale, such as WIDCo, would be excluded). If earnings go up one year, down the next, and up again the next year, additional shares will not be granted. Each 5-cent increment may only be rewarded the first time it is achieved.

This incentive is for the current CEO only and may be modified by Board of Directors as deemed necessary and appropriate.

Corporate Earnings	Shares Granted
Met '93 \$1.38	2,000
Met '93 \$1.43	2,000
\$1.48	2,000
\$1.53	2,000
\$1.58	2,000
\$1.63	2,000
\$1.65	22,000

Stock Split '93

Maximum Opportunity 34,000 shares of stock

Example: If earnings reach \$1.48 in 1994, the reward would be 2,000 shares.

 If earnings reach \$1.65 in 1995, the reward would be 30,000 shares.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT made and entered into as of the 27th day of June, 1994, by and among The Washington Water Power Company, a Washington corporation whose principal place of business is located at 1411 East Mission Avenue, Spokane, Washington ("WWP"), Resources West Energy Corporation, a Nevada corporation whose principal place of business is located at 1411 East Mission Avenue, Spokane, Washington (the "Company"), Sierra Pacific Resources, a Nevada corporation whose principal place of business is located at 6100 Neil Road, Reno, Nevada ("SPR"), Sierra Pacific Power Company, a Nevada corporation whose principal place of business is located at 6100 Neil Road, Reno, Nevada ("SPPC") (WWP, the Company, SPR and SPPC sometimes collectively referred to herein as the "Corporations"), and Paul A. Redmond (the "Executive");

WHEREAS, the Executive is currently serving as Chairman, President and Chief Executive Officer of WWP, and the Corporations desire to secure the continued employment of the Executive in accordance herewith;

WHEREAS, WWP entered into an Amended and Restated Employment Agreement with the Executive, dated June 24, 1994 (the "1994 Employment Agreement");

WHEREAS, pursuant to the Agreement and Plan of Reorganization and Merger, dated as of June 27, 1994, by and among the Corporations (the "Merger Agreement"), WWP, SPR and SPPC have agreed to merge with and into the Company;

WHEREAS, the parties hereto desire to further amend the 1994 Employment Agreement to conform to the terms of the Merger Agreement;

WHEREAS, the Executive is willing to commit himself to remain in the employ of WWP and the Company, as the successor to WWP, on the terms and conditions herein set forth and thus to forego opportunities elsewhere; and

WHEREAS, the parties desire to enter into this Agreement further amending and restating the 1994 Employment Agreement, as of the Effective Date (as hereinafter defined), setting forth the terms and conditions for the employment relationship of the Executive with the Company during the Employment Period (as hereinafter defined);

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. Employment and Term.

(a) The Corporations and any successor thereto, agree, on behalf of the Company, to employ the Executive, and the Executive agrees to remain in the employ of WWP and the Company, as the successor to WWP, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall commence as of the consummation date (the "Effective Date") of the merger (the "Merger") pursuant to the terms of the Merger Agreement and shall continue until the close of business on January 1, 2002 or, if as set forth in Section 2(a) below the Executive elects not to continue to serve as Chairman of the Board from and after January 1, 1999, on January 1, 1999; provided, however, that for purposes of determining any amounts payable to the Executive under Section 5 hereof, the Employment Period shall be deemed to continue until the close of business on January 1, 2002; provided, further, that if the Merger Agreement is terminated, then, at the time of such termination, this Agreement shall be deemed canceled and of no force or effect and the 1994 Employment Agreement shall remain in full force and effect. For all periods prior to, but not including, the Effective Date, the 1994 Employment Agreement shall remain in full force and effect. As of the Effective Date, the 1994 Employment Agreement shall terminate and be of no force and effect. As a condition to the Merger, the parties hereto agree that the Company shall be responsible for all the promises, covenants and agreements set forth in this Agreement.

2. Duties and Powers of Executive.

(a) Position; Location. From the Effective Date until January 1, 1999, the Executive shall serve as the Chairman of the Board of Directors of the Company (the "Board") (assuming the Executive has been elected to the Board by the shareholders) and the Chief Executive Officer of the Company; provided, however, that the Executive shall continue to serve as Chairman of the Board and Chief Executive Officer after January 1, 1999 until January 1, 2002 if Walter M. Higgins, who commencing on the Effective Date will serve as Vice Chairman, President and Chief Operating Officer of the Company and the Chief Executive Officer of the Washington Water Power and Sierra Pacific operating divisions, does not become Chief Executive Officer of the Company on January 1, 1999. Unless the Executive elects not to continue in the employment of the Company, the Executive shall continue to serve as the Chairman of the Board from January 1, 1999 until January 1, 2002 (assuming the Executive has been elected to the Board by the shareholders). During the Employment Period, the Executive shall have such authority, duties and responsibilities as are set forth in Annex A hereto. Such titles, authority, duties and responsibilities may be changed from time to time only by mutual written agreement of the parties. The Executive's services shall be performed at the location where the Executive is currently employed. During the Employment Period, the Executive shall also continue to serve as Chairman of the Board of each of the Company's subsidiary corporations.

(b) Commencing on the Effective Date until January 1, 2002 (or January 1, 1999 if the Executive elects not to continue to serve), the Company shall in connection with any annual meeting of shareholders of the Company at which the Executive's class of Directors is to be elected cause the Executive to be nominated as a director of the Company.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for his services hereunder to the Company:

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than the Executive's base salary as of the Effective Date. Such Annual Base Salary shall be reviewed at least annually. The Board may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. Subject to shareholder approval of the Plan, and after the Effective Date, the Executive shall be entitled to receive awards pursuant to the Company's Executive Long-Term Incentive Plan (the "Plan") (the Sierra Pacific Resources Executive Long-Term Incentive Plan, adopted in 1994, and assumed by the Company pursuant to the merger). The terms of such awards shall be determined by the Compensation Committee at the time of grant.

During the Employment Period and so long as the Executive is employed by the Company, he shall be eligible to participate in all incentive, stock option, restricted stock, performance unit or share, savings, retirement, insurance and welfare plans, practices, policies and programs applicable generally to employees and/or other senior executives of the Company, except with respect to any benefits under any plan, practice, policy or program to which the Executive has waived his rights in writing. The Executive shall be entitled to receive pursuant to a supplemental executive retirement plan to be adopted by the Company, or otherwise, benefits in the amount and at the rate of accrual at least as generous as that provided to him at the date hereof pursuant to The Washington Water Power Company Unfunded Supplemental Executive Retirement Plan.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties hereunder in accordance with policies established from time to time by the Board.

(d) Fringe Benefits. During the Employment Period and so long as the Executive is employed by the Company, he shall be entitled to the following fringe benefits: (A) the Company shall pay the annual dues, assessments and other membership charges of the Executive with respect to the Executive's membership in the clubs and associations of the Executive's choice that are used for business purposes; and (B) the Company shall provide not less than thirty-eight (38) days paid leave for the Executive pursuant to the Company's One-Leave Program (The Washington Water Power One-Leave Program currently in effect and assumed, or replaced by a similar plan, by the Company pursuant to the Merger); in the case of paragraphs (A) and (B) on a basis substantially equivalent to such fringe benefits provided to the Executive in the past. In addition, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Company.

(e) Relocation Benefits. If during the Employment Period the Executive is relocated, he shall be entitled to reimbursement from the Company for reasonable expenses incurred in connection with the relocation.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean the conviction of the Executive for the commission of a felony which, at the time of such commission, has a materially adverse effect on the Company.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the change without his consent of the Executive's title, authority, duties or responsibilities as specified in Section 2(a) of this Agreement;

(iii) the Company requiring the Executive without his consent to be based at any office or location other than the location where the Executive is currently employed; or

(iv) any breach by the Corporations or the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate his employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or his beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within thirty (30) days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death, then (a) the Company shall pay to the Executive an amount in cash equal to three (3) times the Annual Base Salary described in Section 3(a) of this Agreement, at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall pay to or cause to be paid to the Executive, pursuant to the terms of the respective plans, based on the Executive's Annual Base Salary at the time Notice of Termination is given, the value of all benefits to which the Executive would have been entitled had he remained in the employment of the Company until the end of the Employment Period, under the Company's pension plan(s), supplemental executive retirement plan(s), disability plan(s) and such other benefit plans as may be adopted from time to time during the Executive's employment with the Company; (c) the Company shall continue medical and welfare benefits for the life of the Executive and/or for the life of the Executive's spouse at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived his rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as

in effect and applicable generally to other senior executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive and/or his spouse, as in effect generally at any time thereafter with respect to other senior executives of the Company and their spouses (but on a prospective basis only unless and then only to the extent such more favorable M&W Plans are by their terms retroactive); provided, however, that if the Executive becomes reemployed (or, in the case of spousal benefits, the spouse is or becomes employed) with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (d) with respect to any incentive or similar plan awards, all options shall vest in full and become immediately exercisable, all restrictions shall lapse with respect to restricted stock, and any other types of awards, including but not limited to stock appreciation rights, performance units and performance shares, shall vest in full and become immediately exercisable or payable; provided, however, that if the Executive's entitlement to any of the stock options, restricted stock or other awards referred to above is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(c) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company, the Corporations or any of their affiliated companies and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in

violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Corporations or the Company, as the case may be, shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Corporations, the Company and their respective successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Corporations or the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Paul A. Redmond
1411 East Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

If to the Company:

Resources West Energy Corporation
1411 East Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive, the Company and the Corporations with respect to the subject matter hereof, and, subject to the provisions of Section 1(b) hereof, all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from their respective Board of Directors, the Corporations have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER
POWER COMPANY

/s/ JoAnn Matthiesen

Name: JoAnn Matthiesen
Title: Vice President

SIERRA PACIFIC RESOURCES

/s/ William E. Peterson

Name: William E. Peterson
Title: Senior Vice President/
General Counsel

SIERRA PACIFIC POWER COMPANY

/s/ William E. Peterson

Name: William E. Peterson
Title: Senior Vice President/
General Counsel

RESOURCES WEST ENERGY CORPORATION

/s/ Lawrence J. Pierce

Name: Lawrence J. Pierce
Title: Vice President

EXECUTIVE

/s/ Paul A. Redmond

Paul A. Redmond

Annex A
to Employment
Agreement

DUTIES OF EXECUTIVE

CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors shall be a director, shall preside at all meetings of the Board of Directors and shareholders of the Company, shall, subject to the direction and control of the Board, be their representative and medium of communication, and shall perform such duties as may from time-to-time be assigned to him by the Board of Directors. The Chairman shall direct the long-term strategic planning process of the Company and shall also lend his expertise and experience to the President, as may be requested from time-to-time by the President.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Company shall be a director and shall, subject to the authority to the Board, be in charge of the management of the business and affairs of the Company. The President, the Chief Financial Officer and the Internal Auditing Department of the Company and the chief executive officer of Pentzer Corporation will report directly to the Chief Executive Officer. The Chief Executive Officer shall submit a report of the operations of the Company for the fiscal year to the shareholders at their annual meeting and from time-to-time shall report to the Board of Directors all matters within his knowledge which the interests of the Company may require be brought to their notice.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT made and entered into as of the 27th day of June, 1994, by and among The Washington Water Power Company, a Washington corporation whose principal place of business is located at 1411 East Mission Avenue, Spokane, Washington ("WWP"), Resources West Energy Corporation, a Nevada corporation whose principal place of business is located at 1411 East Mission Avenue, Spokane, Washington (the "Company"), Sierra Pacific Resources, a Nevada corporation whose principal place of business is located at 6100 Neil Road, Reno, Nevada ("SPR"), Sierra Pacific Power Company, a Nevada corporation whose principal place of business is located at 6100 Neil Road, Reno, Nevada ("SPPC") (WWP, the Company, SPR and SPPC sometimes collectively referred to herein as the "Corporations"), and Walter M. Higgins (the "Executive");

WHEREAS, the Executive is currently serving as Chairman, President and Chief Executive Officer of SPR and SPPC, and the Corporations desire to secure the continued employment of the Executive in accordance herewith;

WHEREAS, pursuant to the Agreement and Plan of Reorganization and Merger, dated as of June 27, 1994, by and among the Corporations (the "Merger Agreement"), WWP, SPR and SPPC have agreed to merge with and into the Company;

WHEREAS, the Executive is willing to commit himself to remain in the employ of SPR, SPPC and the Company, as the successor to SPR and SPPC, on the terms and conditions herein set forth and thus to forego opportunities elsewhere; and

WHEREAS, the parties desire to enter into this Agreement, as of the Effective Date (as hereinafter defined), setting forth the terms and conditions for the employment relationship of the Executive with the Company during the Employment Period (as hereinafter defined);

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. Employment and Term.

(a) The Corporations and any successor thereto, agree, on behalf of the Company, to employ the Executive, and the Executive agrees to remain in the employ of SPR, SPPC and the Company, as the successor to SPR and SPPC, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period shall commence as of the consummation date (the "Effective Date") of the merger (the "Merger") pursuant to the terms of the Merger Agreement and shall continue until the close of business on December 31, 2002; provided, however, that if the Merger Agreement is terminated, then, at the time of such termination, this Agreement shall be deemed canceled and of no force or effect. As a condition to the Merger, the parties hereto agree that the Company shall be responsible for all the promises, covenants and agreements set forth in this Agreement.

2. Duties and Powers of Executive.

(a) Position; Location. From the Effective Date until January 1, 1999, the Executive shall serve as the Vice Chairman of the Board of Directors of the Company (the "Board") (assuming the Executive has been elected to the Board by the shareholders), President and the Chief Operating Officer of the Company and as Chief Executive Officer of the Washington Water Power and Sierra Pacific

operating divisions. Effective January 1, 1999 (or on such earlier date as Paul Redmond shall no longer continue to serve as Chief Executive Officer of the Company) until January 1, 2002, the Executive shall serve as Vice Chairman of the Board, President and Chief Executive Officer of the Company and as Chief Executive Officer of the Washington Water Power and Sierra Pacific operating divisions. If elected by the Board, effective January 1, 2002 until December 31, 2005, the Executive shall serve as Chairman of the Board and Chief Executive Officer. During the Employment Period, the Executive shall have such authority, duties and responsibilities as are set forth for the positions he then holds in Annex A hereto. Such titles, authority, duties and responsibilities may be changed from time to time only by mutual written agreement of the parties. The Executive's services shall be performed at the location where the Executive is currently employed; provided, however, that if the Executive is relocated to Spokane, he shall be entitled to receive all benefits and other amounts described in Section 3(e) hereof.

(b) Commencing on the Effective Date until the end of the Employment Period, the Company shall in connection with any annual meeting of shareholders of the Company at which the Executive's class of Directors is to be elected cause the Executive to be nominated as a director of the Company.

3. Compensation and Benefits.

The Executive shall receive the following compensation and benefits for his services hereunder to the Company:

(a) Salary. The Executive's annual base salary ("Annual Base Salary"), payable not less often than monthly in equal installments, shall be at the annual rate of not less than the Executive's base salary as of the Effective Date. Such Annual Base Salary shall be reviewed at least annually. The Board may from time to time direct such upward adjustments in Annual Base Salary as the Board deems to be necessary or desirable including without limitation adjustments in order to reflect increases in the cost of living and the planned increases in the Executive's responsibilities. Annual Base Salary shall not be reduced after any increase thereof. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Company under this Agreement.

(b) Incentive, Retirement and Welfare Benefit Plans. During the Employment Period and so long as the Executive is employed by the Company, he shall be eligible to participate in all incentive, stock option, restricted stock, performance unit or share, savings, retirement, insurance and welfare plans, practices, policies and programs applicable generally to employees and/or other senior executives of the Company, except with respect to any benefits under any plan, practice, policy or program to which the Executive has waived his rights in writing.

(c) Business Expenses. The Company agrees to pay or reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties hereunder in accordance with policies established from time to time by the Board.

(d) Fringe Benefits. During the Employment Period and so long as the Executive is employed by the Company, he shall be entitled to the following fringe benefits: (A) the Company shall pay the annual dues, assessments and other membership charges of the Executive with respect to the Executive's membership in the clubs and associations of the Executive's choice that are used for business purposes; and (B) the Company shall provide a one-time credit for 25 days paid leave for the Executive pursuant to the Company's One-Leave Program (The Washington Water Power One-Leave Program currently in effect and assumed, or replaced by a similar plan, by the Company pursuant to the Merger), further annual paid leave to accrue in accordance with the terms of the One-Leave Program; in the case of paragraph (A) on a basis substantially equivalent to such fringe benefits provided to the Executive in the past. In addition, the Executive shall be entitled to receive fringe benefits in accordance with the plans, practices, programs and policies of the Company from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Company.

(e) Relocation Benefits. If during the Employment Period the Executive is relocated to Spokane, he shall be entitled to reimbursement from the Company for reasonable expenses incurred in connection with the relocation.

(f) Other Compensation. If as a result of the performance of his duties hereunder, the Executive loses the right to receive any non-qualified vested pension benefits to which he is entitled on the date of this Agreement, the Company agrees to pay him an amount equal to the difference between what he received from such non-qualified pension plan and what he would have received had he not been penalized under any such plan's covenant not to compete.

4. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" for termination by the Company shall include, but is not limited to, acts of theft, embezzlement, fraud, moral turpitude, as well as the following conduct of the Executive:

(i) material breach of any provision of this Agreement, which breach shall not have been cured by the Executive within thirty (30) days of receipt of written notice of said breach;

(ii) misconduct as an Executive of the Company, including but not limited to: misappropriating any funds or property of the Company; attempting to obtain any personal profit from any transaction in which the Executive has an interest which is adverse to the interests of the Company; or any other act or omission which substantially impairs the Company's ability to conduct its ordinary business in its usual manner;

(iii) conviction of a felony; or

(iv) any other acts or omission which subject the Company to public disrespect, scandal, or ridicule.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the reduction in the Executive's Annual Base Salary as specified in Section 3(a) of this Agreement or any other benefit or payment described in Section 3 of this Agreement;

(ii) the change without his consent of the Executive's title, authority, duties or responsibilities, or the timing thereof, as specified in Section 2(a) of this Agreement;

(iii) the Company requiring the Executive without his consent to be based at any office or location other than the location where the Executive is currently employed or Spokane; or

(iv) any breach by the Corporations or the Company of any other material provision of this Agreement.

(d) By the Company for Disability. The Company may terminate the Executive's employment during the Employment Period in the event of the Executive's Permanent and Total Disability ("Disability") as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Notice of Termination. Any termination by the Company for Cause, by the Company for Disability or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined in Section 4(f)) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not waive any right of the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, by the Company for Disability, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the

Executive's employment is terminated by the Company other than for Cause or for Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death, the Date of Termination shall be the date of death.

5. Obligations of the Company Upon Termination.

(a) Termination Other Than for Cause. During the Employment Period, if the Company shall terminate the Executive's employment (other than in the case of a termination for Cause), or if the Executive shall terminate his employment for Good Reason or if the Executive's employment shall terminate by reason of death (termination in any such case referred to as "Termination");

(i) the Company shall pay to the Executive (or his beneficiary) a lump sum amount in cash equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and (4) any accrued leave pursuant to the One-Leave Program, to the extent not theretofore paid. (The amounts specified in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"). The amounts specified in clauses (1), (2) and (4) of this Section 5(a)(i) shall be paid within 30 days after the Date of Termination; the amount referred to in clause (3), if any, will be paid pursuant to the terms of the Executive Deferred Compensation Plan; and

(ii) in the event of Termination other than by reason of the Executive's death, then (a) the Company shall pay to the Executive an amount in cash equal to three (3) times the Annual Base Salary described in Section 3(a) of this Agreement, at the rate in effect at the time Notice of Termination is given, within thirty (30) days of such Date of Termination or, at the option of the Executive, in installments over a period not to exceed thirty-six (36) months; (b) the Company shall pay to or cause to be paid to the Executive, pursuant to the terms of the respective plans, based on the Executive's Annual Base Salary at the time Notice of Termination is given, the value of all benefits to which the Executive would have been entitled had he remained in the employment of the Company until the end of the Employment Period, under the Company's pension plan(s), supplemental executive retirement plan(s), disability plan(s) and such other benefit plans as may be adopted from time to time during the Executive's employment with the Company; (c) the Company shall continue medical and welfare benefits to the Executive and/or the Executive's family at least equal to those which would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived his rights in writing), such benefits to be in accordance with the most favorable medical and welfare benefit plans, practices, programs or policies (the "M&W Plans") of the Company as in effect and applicable generally to other senior executives of the Company and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other senior executives of the Company (but on a prospective basis only unless and then only to the extent such more favorable M&W Plans are by their terms retroactive); provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the benefits under the M&W Plans shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, however, that these provisions shall not operate to reduce any rights the Executive may have under Section 4980B of the Code, Part 6 of Title I of ERISA or any other state or federal legislation, but shall be in addition to such rights; and (d) with respect to any incentive or similar plan awards, all options shall vest in full and become immediately exercisable, all restrictions shall lapse with respect to restricted stock, and any other types of awards, including but not limited to stock appreciation rights, performance units and performance shares, shall vest in full and become immediately exercisable or payable; provided, however, that if the Executive's entitlement to any of the stock options, restricted stock or other awards referred to above is subject to fulfillment of performance criteria, either corporate or individual, over a performance period, then payment of such awards shall be made, if at all, at the end of the performance period, based upon the achievement of goals for the entire period, prorated from the beginning of the performance period to the Date of Termination.

(b) Termination by the Company for Cause or by the Executive Other than for Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, all incentive or other compensation, if any, awarded but not yet paid with respect to fiscal years ending prior to the fiscal year in which the Date of Termination occurred, the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any accrued leave pursuant to the One-Leave Program, and whatever benefits the Executive may be entitled to under the Company's benefit plans, in each case to the extent theretofore unpaid.

(c) Any payments made pursuant to this Section 5 shall be subject to the limits, to the extent applicable, set forth in Section 10(g) hereof.

6. Non-exclusivity of Rights.

Except as provided in Section 10(g) hereof, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(ii)(c) of this Agreement, such amounts shall not be reduced whether or not the Executive obtains other employment. If the Executive finally prevails with respect to any dispute between the Company, the Executive or others as to the interpretation, terms, validity or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, the Company agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any such dispute.

8. Confidential Information.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company, the Corporations or any of their affiliated companies and that shall not have been or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period, the Executive shall not, without the prior consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Corporations or the Company, as the case may be, shall not be assignable by the Executive otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Corporations, the Company and their respective successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its businesses and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of such amendment, modification, repeal, waiver, extension or discharge is sought. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of the Corporations or the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Walter M. Higgins
6100 Neil Road
Reno, Nevada 89511

If to the Company:

Resources West Energy Corporation
1411 East Mission Avenue, P.O. Box 3727
Spokane, Washington 99220

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c) of this Agreement, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 4(b) of this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This instrument contains the entire agreement of the Executive, the Company and the Corporations with respect to the subject matter hereof, and, subject to the provisions of Section 1(b) hereof, all promises, representations, understandings, arrangements and prior agreements are merged herein and superseded hereby.

(g) Notwithstanding any provision of this Agreement to the contrary, in the event of any payment made to the Executive which is contingent upon a change in the ownership or effective control of the

Company, or in the ownership of a substantial portion of the Company's assets, as described in Section 280G of the Code, or in any regulation promulgated thereunder, the aggregate amount of such payments, whether or not made pursuant to the terms of this Agreement, shall not exceed an amount equal to the Executive's Base Amount (as defined under Code Section 280G(b)(3) and the regulations thereunder) multiplied by three (3), less one dollar (\$1.00).

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from their respective Board of Directors, the Corporations have caused this Agreement to be executed as of the day and year first above written.

THE WASHINGTON WATER
POWER COMPANY

/s/ JoAnn Matthiesen

Name: JoAnn Matthiesen
Title: Vice President

SIERRA PACIFIC RESOURCES

/s/ William E. Peterson

Name: William E. Peterson
Title: Senior Vice President/
General Counsel

SIERRA PACIFIC POWER COMPANY

/s/ William E. Peterson

Name: William E. Peterson
Title: Senior Vice President/
General Counsel

RESOURCES WEST ENERGY CORPORATION

/s/ Lawrence J. Pierce

Name: Lawrence J. Pierce
Title: Vice President

EXECUTIVE

/s/ Walter M. Higgins

Walter M. Higgins

DUTIES OF EXECUTIVE

VICE CHAIRMAN

The Vice Chairman of the Board shall be a director and shall preside at meetings of the Board of Directors in the absence or inability to act of the Chairman of the Board. The Vice Chairman shall perform such duties as may from time-to-time be assigned to him by the Board of Directors.

PRESIDENT AND CHIEF OPERATING OFFICER

The President shall be a director and shall be the Chief Operating Officer of the Company. The President shall have general and active management and direction of the business and affairs of the Company, shall have supervision of all departments and of all officers of the Company except those reporting directly to the Chief Executive Officer, shall see that the orders and resolutions of the Board of Directors are carried into effect, and shall have the general powers and duties of supervision and management usually vested in the office of President of a public utility company. All corporate officers and functions except those reporting to the Chief Executive Officer shall report directly to the President. The President and Chief Operating Officer shall report to the Chief Executive Officer of the Company.

CHIEF EXECUTIVE OFFICER OF UTILITY OPERATING DIVISIONS

The Chief Executive Officer of any utility operating division shall, subject to the authority of the President and Chief Operating Officer of the Company, be in charge of the management of the business and affairs of such utility operating division and shall supervise all officers who are part of such utility operating division. The Chief Executive Officer of any utility operating division shall, with respect to such division and subject to the powers and authority of the President and Chief Operating Officer of the Company, have the duties, powers and authority usually vested in the chief executive officer of a public utility company. The Chief Executive Officer of any utility operating division shall report to the President and Chief Operating Officer of the Company unless those positions are held by the same person, in which event such person shall report directly to the Chief Executive Officer of the Company.

CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors shall be a director and shall preside at all meetings of the Board of Directors and shareholders of the Company, shall, subject to the direction and control of the Board, be their representative and medium of communication, and shall perform such duties as may from time-to-time be assigned to him by the Board of Directors. The Chairman shall direct the long-term strategic planning process of the Company and shall also lend his expertise and experience to the President, as may be requested from time-to-time by the President.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Company shall be a director and shall, subject to the authority to the Board, be in charge of the management of the business and affairs of the Company. The President, the Chief Financial Officer and the Internal Auditing Department of the Company and the chief executive officer of Pentzer Corporation will report directly to the Chief Executive Officer. The Chief Executive Officer shall submit a report of the operations of the Company for the fiscal year to the shareholders at their annual meeting and from time- to-time shall report to the Board of Directors all matters within his knowledge which the interests of the Company may require be brought to their notice.

THE WASHINGTON WATER POWER COMPANY

Computation of Ratio of Earnings to Fixed Charges and Preferred Dividend
Requirements (1)
Consolidated
(Thousands of Dollars)

	Years Ended December 31				
	1994	1993	1992	1991	1990
Fixed charges, as defined:					
Interest on long-term debt	\$ 49,566	\$ 47,129	\$ 51,727	\$ 52,801	\$ 56,202
Amortization of debt expense and premium - net	3,511	3,004	1,814	1,751	1,558
Interest portion of rentals	1,282	924	1,105	1,018	1,012
Total fixed charges	\$ 54,359	\$ 51,057	\$ 54,646	\$ 55,570	\$ 58,772
Earnings, as defined:					
Net income from continuing ops.	\$ 77,197	\$ 82,776	\$ 72,267	\$ 70,631	\$ 72,147
Add (deduct):					
Income tax expense	44,696	42,503	41,330	38,086	33,150
Total fixed charges above	54,359	51,057	54,646	55,570	58,772
Total earnings	\$ 176,252	\$ 176,336	\$ 168,243	\$ 164,287	\$ 164,069
Ratio of earnings to fixed charges	3.24	3.45	3.08	2.96	2.79
Fixed charges and preferred dividend requirements:					
Fixed charges above	\$ 54,359	\$ 51,057	\$ 54,646	\$ 55,570	\$ 58,772
Preferred dividend requirements (2)	13,668	12,615	10,716	14,302	12,287
Total	\$ 68,027	\$ 63,672	\$ 65,362	\$ 69,872	\$ 71,059
Ratio of earnings to fixed charges and preferred dividend requirements	2.59	2.77	2.57	2.35	2.31

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

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

THE WASHINGTON WATER POWER COMPANY

SUBSIDIARIES OF REGISTRANT

----- Subsidiary -----	----- State of Incorporation -----
Pentzer Corporation	Washington
Washington Irrigation & Development Company	Washington
WP Finance Company	Washington
The Limestone Company, Inc.	Washington

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE WASHINGTON WATER POWER COMPANY, INCLUDED IN THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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12-MOS		
	DEC-31-1994	
	DEC-31-1994	
	PER-BOOK	
1,329,045		
202,760		
150,246		
312,202		
	0	
	1,994,253	
	558,336	
4,310		
	114,848	
677,494		
	85,000	
	50,000	
	608,225	
	58,000	
	9,911	
	0	
47,784		
	0	
	9	
		14
457,816		
1,994,253		
	670,765	
	44,696	
	515,307	
	515,307	
	155,458	
	15,825	
171,283		
	49,390	
		77,197
	8,656	
68,541		
	66,378	
	23,261	
	144,843	
		1.28
		1.28

LONG-TERM DEBT-NET DOES NOT MATCH THE AMOUNT REPORTED ON THE COMPANY'S CONSOLIDATED STATEMENT OF CAPITALIZATION AS LONG-TERM DEBT DUE TO THE OTHER CATEGORIES REQUIRED BY THIS SCHEDULE. OTHER ITEMS CAPITAL AND LIABILITIES INCLUDES THE CURRENT LIABILITIES, DEFERRED CREDITS AND MINORITY INTEREST, LESS CERTAIN AMOUNTS INCLUDED UNDER LONG-TERM DEBT-CURRENT PORTION AND LEASES-CURRENT, FROM THE COMPANY'S CONSOLIDATED BALANCE SHEET. THE COMPANY DOES NOT INCLUDE INCOME TAX EXPENSE AS AN OPERATING EXPENSE ITEM. IT IS INCLUDED ON THE COMPANY'S STATEMENTS AS A BELOW-THE-LINE ITEM. INCOME BEFORE INTEREST EXPENSE IS NOT A SPECIFIC LINE ITEM ON THE COMPANY'S INCOME STATEMENTS. THE COMPANY COMBINES TOTAL INTEREST EXPENSE AND OTHER INCOME TO CALCULATE INCOME BEFORE INCOME TAXES.