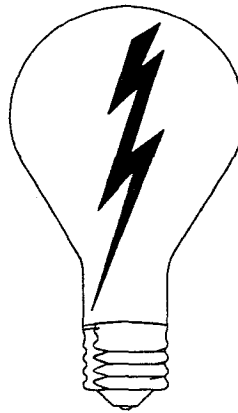


YEAR 1996

**ANNUAL REPORT**  
**OF**  
**Washington Water Power Co.**  
**ELECTRIC UTILITY**



PUBLIC SERVICE  
COMMISSION

1997 MAY 22 AM 11:03

RECEIVED BY

TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MONTANA 59620-2601

Check No. 645570

Sch. 1

## IDENTIFICATION

Legal Name of Respondent: The Washington Water Power Company

Name Under Which Respondent Does Business: The Washington Water Power Company

Date Utility Service First Offered in Montana: July, 1960

Person Responsible for Report: Ronald R. Peterson, Controller

Telephone Number for Report Inquiries: (509) 482-4171

Address for Correspondence Concerning Report: 1411 East Mission Avenue  
P. O. Box 3727  
Spokane, WA 99220

If direct control over respondent is held by another entity, provide below the name,  
address, means by which control is held and percent ownership of controlling entity:

Sch. 2

## BOARD OF DIRECTORS

Director Name & Address (City, State)Remuneration

1 Paul A. Redmond (1)	1411 E. Mission Avenue, Spokane, WA 99202	905,767
2 W. Lester Bryan (2)	1411 E. Mission Avenue, Spokane, WA 99202	321,253
3 David A. Clack	325 E. Sprague Avenue, Spokane, WA 99202	28,419
4 Duane B. Hagadone	P. O. Box 6200, Coeur d'Alene, ID 83816	24,504
5 Robert S. Jepson, Jr. (3)	1 Skidaway Village Square, Suite 201, Savannah, GA 31411	7,582
6 Eugene W. Meyer	3 Plumbridge Lane, Hilton Head Island, SC 29928	65,097
7 General H. Norman Schwarzkopf	400 N. Ashley Street, Suite 3050, Tampa, FL 33602	32,967
8 B. Jean Silver	7102 N. Audubon Drive, Spokane, WA 99208	41,208
9 Larry A. Stanley	311 W. 32nd Avenue, Spokane, WA 99203	45,208
10 R. John Taylor	P. O. Box 538, Lewiston, ID 83501	43,030

11

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13

14 (1) Mr. Redmond is Chairman of the Board and Chief Executive Officer

15 (2) Mr. Bryan is President and Chief Operating Officer

16 (3) Mr. Jepson resigned in May 1996

17

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Sch. 3		OFFICERS	
	<u>Title</u>	<u>Department Supervised</u>	<u>Name</u>
1			
2	Chairman of the Board and Chief	-	Paul A. Redmond
3	Executive Officer		
4			
5	President and Chief Operating Officer	-	W. Lester Bryan
6			
7	Senior Vice President and Chief	Finance Department	Jon E. Eliassen
8	Financial Officer		
9			
10	Senior Vice President and General Manager	Energy Trading and Market Services	Gary G. Ely
11			
12	Senior Vice President and General Manager	Energy Delivery	Nancy J. Racicot
13			
14	Vice President	External Relations	Robert D. Fukai
15			
16	Vice President	Human Resources	JoAnn G. Matthiesen
17			
18	Vice President and Treasurer	Treasury and Trust Management,	Lawrence J. Pierce
19		Payroll and Accounts Payable,	
20		Remittance Processing	
21			
22	Controller	General Accounting, Retail	Ronald R. Peterson
23		Accounting, Financial Reporting	
24		Services, Information Services	
25			
26	Corporate Secretary	Shareholder Relations	Terry L. Syms
27			
28			
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## Sch. 4

## CORPORATE STRUCTURE

	<u>Subsidiary/Company Name</u>	<u>Line of Business</u>	<u>Earnings</u>	<u>Percent of Total</u>
1				
2	Pentzer Corporation	Parent company of all the	22,823,192	107.25%
3		Company's subsidiaries,		
4		except the ones listed below.		
5				
6				
7	Washington Irrigation and	Non-operating	(34,139)	-0.16%
8	Development Company			
9				
10	WP Finance Company	Non-operating	(41,951)	-0.20%
11				
12	WWP Energy Solutions	Performs various energy	(746,867)	-3.51%
13	(changed to Avista Advantage	advisory services		
14	in 1997)			
15				
16	WWP Resource Services	Wholesale power marketing	(414,018)	-1.95%
17	(changed to Avista Energy			
18	in 1997)			
19				
20	WP Laboratories	Development of alternative	(171,710)	-0.81%
21	(changed to Avista Labs	energy products and related		
22	in 1997)	research and development		
23				
24	WWP Fiber	Laying of fiber optic cables	-	-
25				
26	WP International	Non-operating	(134,710)	-0.63%
27				
28	Altus Corporation	Non-operating	-	-
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41	TOTAL		21,279,797	100.00%

Sch. 5

## CORPORATE ALLOCATIONS

	<u>Items Allocated</u>	<u>Classification</u>	<u>Allocation Method</u>	<u>\$ to MT Utility</u>	<u>MT %</u>	<u>\$ to Other</u>
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34	TOTAL					

Sch. 6

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY**

	(a) <u>Affiliate Name</u>	(b) <u>Products &amp; Services</u>	(c) <u>Method to Determine Price</u>	(d) <u>Charges to Utility</u>	(e) <u>% Total Affil. Revs.</u>	(f) <u>Charges to MT Utility</u>
1						
2						
3	Not Applicable					
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32	TOTAL					

Sch. 7

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY**

	(a) <u>Affiliate Name</u>	(b) <u>Products &amp; Services</u>	(c) <u>Method to Determine Price</u>	(d) <u>Charges to Affiliate</u>	(e) <u>% Total Affil. Exp.</u>	(f) <u>Revenues to MT Utility</u>
1						
2						
3	Not Applicable					
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32	TOTAL					

Sch. 8		MONTANA UTILITY INCOME STATEMENT		
	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	2,165,471	2,106,037	-2.82%
2				
3	Operating Expenses			
4	401 Operation Expenses	21,698,284	19,869,306	-9.21%
5	402 Maintenance Expenses	4,742,466	4,123,717	-15.00%
6	403 Depreciation Expenses	8,599,078	8,686,133	1.00%
7	404-405 Amortization of Electric Plant	None or not allocated	-	-
8	406 Amort. of Plant Acquisition Adjustments	None or not allocated	-	-
9	407 Amort. of Property Losses, Unrecovered Plant			
10	& Regulatory Study Costs	None or not allocated	-	-
11	408.1 Taxes Other Than Income Taxes	8,725,301	9,020,679	3.27%
12	409.1 Income Taxes - Federal	None or not allocated	-	-
13	- Other	1,514,145	673,928	-124.67%
14	410.1 Provision for Deferred Income Taxes	None or not allocated	-	-
15	411.1 (Less) Provision for Def. Inc. Taxes - Cr.	None or not allocated	-	-
16	411.4 Investment Tax Credit Adjustment	None or not allocated	-	-
17	411.6 (Less) Gains from Disposition of Utility Plant	None or not allocated	-	-
18	411.7 Losses from Disposition of Utility Plant	None or not allocated	-	-
19				
20	TOTAL Utility Operating Expenses	45,279,274	42,373,763	-6.86%
21	NET UTILITY OPERATING INCOME	(43,113,803)	(40,267,726)	-7.07%

Sch. 9		MONTANA REVENUES		
	Account Number & Title	Last Year	This Year	% Change
1	Sales of Electricity			
2	440 Residential	9,233	9,302	0.74%
3	442 Commercial & Industrial - Small	1,592	1,885	15.54%
4	Commercial & Industrial - Large	-	-	-
5	444 Public Street & Highway Lighting	-	-	-
6	445 Other Sales to Public Authorities	-	-	-
7	446 Sales to Railroads & Railways	-	-	-
8	448 Interdepartmental Sales	5,788	5,304	-9.13%
9				
10	TOTAL Sales to Ultimate Consumers	16,613	16,491	-0.74%
11	447 Sales for Resale	747,035	1,261,842	40.80%
12				
13	TOTAL Sales of Electricity	763,648	1,278,333	40.26%
14	449.1 (Less) Provision for Rate Refunds	-	-	-
15				
16	TOTAL Revenue Net of Provision for Refunds	763,648	1,278,333	40.26%
17	Other Operating Revenues			
18	450 Forfeited Discounts & Late Payment Revenues	-	-	-
19	451 Miscellaneous Service Revenues	-	-	-
20	453 Sales of Water & Water Power	13,651	14,196	3.84%
21	454 Rent From Electric Property	138,626	139,234	0.44%
22	455 Interdepartmental Rents	-	-	-
23	456 Other Electric Revenues	1,249,546	674,274	-85.32%
24				
25	TOTAL Other Operating Revenues	1,401,823	827,704	-69.36%
26	Total Electric Operating Revenues	2,165,471	2,106,037	-2.82%



Sch. 10	MONTANA OPERATION & MAINTENANCE EXPENSES			P. 1 of 4
	Account Number & Title	Last Year	This Year	% Change
1	<b>Power Production Expenses</b>			
2				
3	<b><u>Steam Power Generation</u></b>			
4	Operation			
5	500 Operation Supervision & Engineering	405,733	365,913	-9.81%
6	501 Fuel	10,443,964	9,076,711	-13.09%
7	502 Steam Expenses	1,275,245	941,155	-26.20%
8	503 Steam from Other Sources	(2,790)	5,913	-311.94%
9	504 (Less) Steam Transferred - Cr.	-	-	-
10	505 Electric Expenses	495,752	375,660	-24.22%
11	506 Miscellaneous Steam Power Expenses	1,458,419	560,226	-61.59%
12	507 Rents	2,475	2,224	-10.14%
13				
14	TOTAL Operation - Steam	14,078,798	11,327,802	-19.54%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	444,205	379,399	-14.59%
18	511 Maintenance of Structures	393,769	411,403	4.48%
19	512 Maintenance of Boiler Plant	1,870,256	1,338,568	-28.43%
20	513 Maintenance of Electric Plant	107,720	780,018	624.12%
21	514 Maintenance of Miscellaneous Steam Plant	333,408	515,894	54.73%
22				
23	TOTAL Maintenance - Steam	3,149,358	3,425,282	8.76%
24				
25	TOTAL Steam Power Production Expenses	17,228,156	14,753,084	-14.37%
26				
27	<b><u>Nuclear Power Generation</u></b>			
28	Operation			
29	517 Operation Supervision & Engineering	-	-	-
30	518 Nuclear Fuel Expense	-	-	-
31	519 Coolants & Water	-	-	-
32	520 Steam Expenses	-	-	-
33	521 Steam from Other Sources	-	-	-
34	522 (Less) Steam Transferred - Cr.	-	-	-
35	523 Electric Expenses	-	-	-
36	524 Miscellaneous Nuclear Power Expenses	-	-	-
37	525 Rents	-	-	-
38				
39	TOTAL Operation - Nuclear	-	-	-
40				
41	Maintenance			
42	528 Maintenance Supervision & Engineering	-	-	-
43	529 Maintenance of Structures	-	-	-
44	530 Maintenance of Reactor Plant Equipment	-	-	-
45	531 Maintenance of Electric Plant	-	-	-
46	532 Maintenance of Miscellaneous Nuclear Plant	-	-	-
47				
48	TOTAL Maintenance - Nuclear	-	-	-
49				
50	TOTAL Nuclear Power Production Expenses	-	-	-

	Account Number & Title	Last Year	This Year	% Change
1	<b>Power Production Expenses -continued</b>			
2	<b><u>Hydraulic Power Generation</u></b>			
3	Operation			
4	535 Operation Supervision & Engineering	36,252	32,942	-9.13%
5	536 Water for Power	-	-	-
6	537 Hydraulic Expenses	111,903	84,805	-24.22%
7	538 Electric Expenses	508,920	552,175	8.50%
8	539 Miscellaneous Hydraulic Power Generation Expenses	102,654	94,862	-7.59%
9	540 Rents	51	102	100.00%
10				
11	TOTAL Operation - Hydraulic	759,780	764,886	0.67%
12				
13	Maintenance			
14	541 Maintenance Supervision & Engineering	1,953	803	-58.88%
15	542 Maintenance of Structures	59,157	46,019	-22.21%
16	543 Maint. of Reservoirs, Dams & Waterways	28,543	24,891	-12.79%
17	544 Maintenance of Electric Plant	360,214	423,181	17.48%
18	545 Maintenance of Miscellaneous Hydro Plant	9,112	9,599	5.34%
19				
20	TOTAL Maintenance - Hydraulic	458,979	504,493	9.92%
21				
22	TOTAL Hydraulic Power Production Expenses	1,218,759	1,269,379	4.15%
23				
24	<b><u>Other Power Generation</u></b>			
25	Operation			
26	546 Operation Supervision & Engineering	-	-	-
27	547 Fuel	-	-	-
28	548 Generation Expenses	-	-	-
29	549 Miscellaneous Other Power Gen. Expenses	-	-	-
30	550 Rents	-	-	-
31				
32	TOTAL Operation - Other	-	-	-
33				
34	Maintenance			
35	551 Maintenance Supervision & Engineering	-	-	-
36	552 Maintenance of Structures	-	14	-
37	553 Maintenance of Generating & Electric Plant	44	-	-100.00%
38	554 Maintenance of Misc. Other Power Gen. Plant	-	-	-
39				
40	TOTAL Maintenance - Other	44	14	-68.18%
41				
42	TOTAL Other Power Production Expenses	44	14	-68.18%
43				
44	<b><u>Other Power Supply Expenses</u></b>			
45	555 Purchased Power	5,793,801	7,454,717	28.67%
46	556 System Control & Load Dispatching	-	-	-
47	557 Other Expenses	-	-	-
48				
49	TOTAL Other Power Supply Expenses	5,793,801	7,454,717	28.67%
50				
51	TOTAL Power Production Expenses	24,240,760	23,477,194	-3.15%

## MONTANA OPERATION &amp; MAINTENANCE EXPENSES

	Account Number & Title	Last Year	This Year	% Change
1	<b>Transmission Expenses</b>			
2	Operation			
3	560 Operation Supervision & Engineering	23,621	18,622	-21.16%
4	561 Load Dispatching	27,959	34,408	23.07%
5	562 Station Expenses	96,764	85,625	-11.51%
6	563 Overhead Line Expenses	55,805	10,571	-81.06%
7	564 Underground Line Expenses	-	-	-
8	565 Transmission of Electricity by Others	(200,018)	81,577	-140.78%
9	566 Miscellaneous Transmission Expenses	-	-	-
10	567 Rents	95,029	87,008	-8.44%
11				
12	TOTAL Operation - Transmission	99,160	317,811	220.50%
13	Maintenance			
14	568 Maintenance Supervision & Engineering	8,703	9,085	4.39%
15	569 Maintenance of Structures	-	-	-
16	570 Maintenance of Station Equipment	58,225	43,321	-25.60%
17	571 Maintenance of Overhead Lines	57,764	95,592	65.49%
18	572 Maintenance of Underground Lines	-	-	-
19	573 Maintenance of Misc. Transmission Plant	-	-	-
20				
21	TOTAL Maintenance - Transmission	124,692	147,998	18.69%
22				
23	TOTAL Transmission Expenses	223,852	465,809	108.09%
24				
25	<b>Distribution Expenses</b>			
26	Operation			
27	580 Operation Supervision & Engineering	-	-	-
28	581 Load Dispatching	-	-	-
29	582 Station Expenses	2,688	2,298	-14.51%
30	583 Overhead Line Expenses	-	148	-
31	584 Underground Line Expenses	-	644	-
32	585 Street Lighting & Signal System Expenses	-	-	-
33	586 Meter Expenses	-	482	-
34	587 Customer Installations Expenses	253	114	-54.94%
35	588 Miscellaneous Distribution Expenses	-	-	-
36	589 Rents	40	-	-100.00%
37				
38	TOTAL Operation - Distribution	2,981	3,686	23.65%
39	Maintenance			
40	590 Maintenance Supervision & Engineering	-	892	-
41	591 Maintenance of Structures	-	-	-
42	592 Maintenance of Station Equipment	-	(227)	-
43	593 Maintenance of Overhead Lines	2,508	1,546	-38.36%
44	594 Maintenance of Underground Lines	425	-	-100.00%
45	595 Maintenance of Line Transformers	-	-	-
46	596 Maintenance of Street Lighting, Signal Systems	-	-	-
47	597 Maintenance of Meters	-	-	-
48	598 Maintenance of Miscellaneous Dist. Plant	-	-	-
49				
50	TOTAL Maintenance - Distribution	2,933	2,211	-24.62%
51				
52	TOTAL Distribution Expenses	5,914	5,897	-0.29%

	Account Number & Title	Last Year	This Year	% Change
1	<b>Customer Accounts Expenses</b>			
2	Operation			
3	901 Supervision	-	-	-
4	902 Meter Reading Expenses	-	-	-
5	903 Customer Records & Collection Expenses	-	404	-
6	904 Uncollectible Accounts Expenses	-	-	-
7	905 Miscellaneous Customer Accounts Expenses	-	-	-
8				
9	<b>TOTAL Customer Accounts Expenses</b>	-	404	-
10				
11	<b>Customer Service &amp; Information Expenses</b>			
12	Operation			
13	907 Supervision	-	-	-
14	908 Customer Assistance Expenses	-	-	-
15	909 Informational & Instructional Adv. Expenses	-	-	-
16	910 Miscellaneous Customer Service & Info. Exp.	-	-	-
17				
18	<b>TOTAL Customer Service &amp; Info Expenses</b>	-	-	-
19				
20	<b>Sales Expenses</b>			
21	Operation			
22	911 Supervision	-	-	-
23	912 Demonstrating & Selling Expenses	-	-	-
24	913 Advertising Expenses	-	-	-
25	916 Miscellaneous Sales Expenses	-	-	-
26				
27	<b>TOTAL Sales Expenses</b>	-	-	-
28				
29	<b>Administrative &amp; General Expenses</b>			
30	Operation			
31	920 Administrative & General Salaries	300	-	-100.00%
32	921 Office Supplies & Expenses	731	-	-100.00%
33	922 (Less) Administrative Expenses Transferred - Cr.	-	-	-
34	923 Outside Services Employed	-	-	-
35	924 Property Insurance	119,798	-	-100.00%
36	925 Injuries & Damages	21,070	-	-100.00%
37	926 Employee Pensions & Benefits	3,561	-	-100.00%
38	927 Franchise Requirements	-	-	-
39	928 Regulatory Commission Expenses	818,082	-	-100.00%
40	929 (Less) Duplicate Charges - Cr.	-	-	-
41	930.1 General Advertising Expenses	-	-	-
42	930.2 Miscellaneous General Expenses	340	-	-100.00%
43	931 Rents	963,882		
44				
45	<b>TOTAL Operation - Admin. &amp; General</b>	1,927,764	-	-100.00%
46	Maintenance			
47	935 Maintenance of General Plant	1,006,460	43,719	-95.66%
48				
49	<b>TOTAL Administrative &amp; General Expenses</b>	2,934,224	43,719	-98.51%
50				
51	<b>TOTAL Operation &amp; Maintenance Expenses</b>	27,404,750	23,993,023	-12.45%

Sch. 11

## MONTANA TAXES OTHER THAN INCOME

	Description of Tax	Last Year	This Year	% Change
1				
2	Real and Personal Property Tax	8,109,378	8,313,821	2.52%
3				
4	Kilowatt Hour Tax	606,208	699,221	15.34%
5				
6	Unemployment Tax	6,157	4,337	-29.56%
7				
8	Motor Vehicle Tax	2,700	2,554	-5.41%
9				
10	Consumer Council Tax	833	726	-12.85%
11				
12	Public Commission Tax	25	20	-20.00%
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47	TOTAL MT Taxes other than Income	8,725,301	9,020,679	3.39%

Sch. 12 **PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES**

	<u>Name of Recipient</u>	<u>Nature of Service</u>	<u>Total Company</u>	<u>Montana</u>	<u>% Montana</u>
1					
2					
3	See Schedule Pages 13A-13H Following				
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47	TOTAL Payments for Services				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
The Washington Water Power Company	<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	April 30, 1997	Dec. 31, 1996

### CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4 Expenditures for Certain Civic, Political and Related Activities.

(a) Name and address of person or organization rendering services.

(b) description of services received during year and project of case to which services relate,

(c) basis of charges,

(d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

1	(a) ADP Proxy Solicitation	(c)	Operating	\$51,815
2			Capital	
3	PO Box 12298		Other	\$13,907
4	Newark, NJ 07101-5298		Total	<u>\$65,722</u>
5	(b) Proxy Solicitation			
6				
7	(a) Alliance Pacific, Inc.	(c)	Operating	\$11,832
8			Capital	
9	621 Mallon Ave #608		Other	\$39,936
10	Spokane, WA 99201		Total	<u>\$51,768</u>
11	(b) Public Relations Consulting			
12				
13	(a) Anderson-Mraz-Design	(c)	Operating	\$92,393
14	Corbin Mansion Maycliff Cntr		Capital	
15	W. 815 7th Avenue		Other	
16	Spokane, WA 99204		Total	<u>\$92,393</u>
17	(b) Graphic Design Services & Consulting			
18				
19	(a) Bartlit, Beck, Herman, Palenchar & Scott	(c)	Operating	\$126,197
20	Courthouse PL		Capital	
21	54 W. Hubbard Street		Other	
22	Chicago, IL 60610		Total	<u>\$126,197</u>
23	(b) Legal			
24				
25	(a) Beacon Hill Partners	(c)	Operating	\$41,161
26			Capital	
27	90 Broad Street		Other	
28	New York, NY 10004		Total	<u>\$41,161</u>
29	(b) Proxy Solicitation			
30				
31	(a) Belles Consulting	(c)	Operating	\$18,434
32			Capital	\$23,763
33	8020 W. Rutter Parkway		Other	\$2,990
34	Spokane, WA 99208		Total	<u>\$45,187</u>
35	(b) Computer Services & Consulting			
36				
37	(a) Bovay Northwest Inc	(c)	Operating	\$2,075
38			Capital	\$35,080
39	E. 808 Sprague Avenue		Other	\$9,967
40	Spokane, WA 99202		Total	<u>\$47,122</u>
41	(b) Consulting Engineers			
42				
43				
44				
45				

Name of Respondent		This Report Is:		Date of Report (Mo, Da, Yr)	Year of Report
The Washington Water Power Company		<input checked="checked" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission		April 30, 1997	Dec. 31, 1996
CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)					
46	(a) CJ Design	(c)	Operating	\$80,662	
47	Cindy J. Rother		Capital		
48	1020 Nez Perce St.		Other	\$1,618	
49	Moscow, ID 83843		Total	<u>\$82,280</u>	
50	(b) Computer Services & Consulting				
51					
52	(a) David Evans & Associates	(c)	Operating		
53			Capital	\$55,177	
54	North 920 Washington, Suite 17		Other		
55	Spokane, WA 99201-2235		Total	<u>\$55,177</u>	
56	(b) Consulting Engineers				
57					
58	(a) Defelice Business Consulting	(c)	Operating	\$67,654	
59			Capital		
60	E. 7919 Shannon Avenue		Other	\$3,051	
61	Spokane, WA 99212		Total	<u>\$70,705</u>	
62	(b) Business Consulting				
63					
64	(a) Deloitte & Touche	(c)	Operating	\$94,999	
65			Capital		
66	111 Third Avenue		Other	\$437,505	
67	Seattle, WA 98101		Total	<u>\$532,504</u>	
68	(b) Independent Accountants				
69					
70	(a) Donelan, Cleary, Wood & Maser PC	(c)	Operating	\$145,728	
71			Capital		
72	1275 K St. NW, Ste. 850		Other		
73	Washington, DC 20005-4006		Total	<u>\$145,728</u>	
74	(b) Legal				
75					
76	(a) Energard Corporation	(c)	Operating		
77			Capital		
78	8525 154th Ave NE		Other	\$40,249	
79	Redmond, WA 98052		Total	<u>\$40,249</u>	
80	(b) Energy Services Consulting				
81					
82	(a) Enstruct Inc.	(c)	Operating		
83			Capital	\$900	
84	3415 S. Marshall Rd.		Other	\$34,478	
85	Spokane, WA 99204		Total	<u>\$35,378</u>	
86	(b) Consulting Engineers				
87					
88	(a) Environmental Consultants Inc.	(c)	Operating	\$56,052	
89			Capital		
90	301 Lakeside Drive		Other		
91	South Hampton, PA 18966-4050		Total	<u>\$56,052</u>	
92	(b) Environmental Consultants				
93					
94					



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The Washington Water Power Company	<input checked="checked" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	April 30, 1997	Dec. 31, 1996

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)**

95	(a) Gard, Strang, Edwards & Aldridge		
96		(c) Operating	\$31,426
97	1200 NW Front Ave, Ste. 220	Capital	
98	Portland, OR 97209	Other	\$36,685
99	(b) Advertising Consultants	Total	<u>\$68,111</u>
100			
101	(a) General Electric Canada Services Inc		
102		(c) Operating	
103	PO Box 7777W-9875	Capital	\$55,000
104	Philadelphia, PA 19175-9875	Other	
105	(b) Engineering Consultants	Total	<u>\$55,000</u>
106			
107	(a) B. Mark Hausman		
108	Attorney at Law	(c) Operating	\$44,467
109	1605 Harbor Landing	Capital	\$442
110	Roswell, GA 30076	Other	\$4,594
111	(b) Legal	Total	<u>\$49,503</u>
112			
113	(a) Henwood Energy Services Inc.		
114		(c) Operating	\$39,427
115	2710 N. Gateway Oaks Dr., Ste. 300	Capital	\$10,000
116	Sacramento, CA 95833	Other	
117	(b) Energy Services Consulting	Total	<u>\$49,427</u>
118			
119	(a) Herring Newman, Inc.		
120		(c) Operating	\$2,508
121	414 Olive Wy	Capital	
122	Seattle, WA 98101	Other	\$102,148
123	(b) Advertising Consultants	Total	<u>\$104,656</u>
124			
125	(a) Howard Johnson & Company		
126		(c) Operating	\$159,012
127	1111 Third Avenue, Suite 1700	Capital	
128	Seattle, WA 98101	Other	
129	(b) Actuarial & Investment Consulting	Total	<u>\$159,012</u>
130			
131	(a) IGI Resources, Inc.		
132	Lakepointe Centre #1	(c) Operating	\$12,285
133	300 Mallard Dr. #350	Capital	
134	Boise, ID 83706	Other	\$9,208,152
135	(b) Consulting Engineers	Total	<u>\$9,220,437</u>
136			
137	(a) Hugh Imhof Professional Services		
138		(c) Operating	\$9,248
139	E. 3104 Tara Dr.	Capital	
140	Spokane, WA 99223	Other	\$27,296
141	(b) Public Relations Consulting	Total	<u>\$36,544</u>
142			
143			

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The Washington Water Power Company		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission		April 30, 1997	Dec. 31, 1996

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)					
144	(a) Jerry Jackson and Associates	(c)	Operating	\$28,958	
145			Capital		
146	PO Box 2466		Other		
147	Chapel Hill, NC 27515		Total	<u>\$28,958</u>	
148	(b) Energy Services Consulting				
149					
150	(a) Kattner/FVB District Energy	(c)	Operating	\$22,165	
151			Capital		
152	333 S. Seventh St, Suite 2240		Other	\$13,821	
153	Minneapolis, MN 55402		Total	<u>\$35,986</u>	
154	(b) Engineering Consultants				
155					
156	(a) Landau Assoc.	(c)	Operating	\$91,398	
157			Capital		
158	N. 908 Howard, Suite 206		Other	\$469,578	
159	Spokane, WA 99201		Total	<u>\$560,976</u>	
160	(b) Environmental & Engineering Consulting				
161					
162	(a) LeMaster & Daniels, PLLC	(c)	Operating	\$13,431	
163			Capital		
164	800 Seafirst Financial Center		Other	\$41,761	
165	Spokane, WA 99201-0614		Total	<u>\$55,192</u>	
166	(b) Independent Accountants				
167					
168	(a) Litchfield Consulting Group	(c)	Operating	\$26,138	
169	One Main Place, Suite 900		Capital		
170	101 SW Main Street		Other		
171	Portland, OR 97204		Total	<u>\$26,138</u>	
172	(b) Electric Utility Consulting				
173					
174	(a) Long View Assoc	(c)	Operating	\$2,529	
175			Capital	\$414,899	
176	2705 NE 163rd St.		Other		
177	Ridgefield, WA 98642		Total	<u>\$417,428</u>	
178	(b) FERC Related Consulting				
179					
180	(a) M Group Environmental Services	(c)	Operating	\$123,953	
181			Capital		
182	PO Box 3646		Other		
183	Spokane, WA 99220		Total	<u>\$123,953</u>	
184	(b) Environmental & Engineering Consulting				
185					
186	(a) McDermott Will & Emery	(c)	Operating	\$31,133	
187			Capital		
188	1850 K Street NW		Other		
189	Washington, DC 20006-2296		Total	<u>\$31,133</u>	
190	(b) Legal				
191					

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The Washington Water Power Company	<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	April 30, 1997	Dec. 31, 1996

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)**

194	(a) McKenna & Cuneo			
195		(c) Operating	\$52,403	
196	1900 K Street NW	Capital		
197	Washington, DC 20006	Other		
198	(b) Legal	Total	<u>\$52,403</u>	
199				
200	(a) Miner and Miner, Consulting Engineers, Inc.			
201		(c) Operating		
202	PO Box 548	Capital	\$25,548	
203	Greeley, CO 80632-0548	Other		
204	(b) Engineering Consultants	Total	<u>\$25,548</u>	
205				
206	(a) Monigle, Glen & Assoc, Inc			
207		(c) Operating	\$26,339	
208	150 Adams	Capital		
209	Denver, CO 80206	Other	\$11,545	
210	(b) Graphic Design Services & Consulting	Total	<u>\$37,884</u>	
211				
212	(a) Morgan, Lewis & Bockius LLP			
213		(c) Operating	\$86,740	
214	PO Box 8500 S-6050	Capital		
215	Philadelphia, PA 19178-6050	Other	\$170,022	
216	(b) Legal	Total	<u>\$256,762</u>	
217				
218	(a) MSC Life Ins. Co.			
219		(c) Operating		
220	PO Box 3048	Capital		
221	Spokane, WA 99220-3048	Other	\$47,516	
222	(b) 3rd Party Medical Administrator	Total	<u>\$47,516</u>	
223				
224	(a) MW Consulting Engineers			
225		(c) Operating	\$1,881	
226	W. 222 Wall Street, Suite 200	Capital	\$52,306	
227	Spokane, WA 99201	Other	\$17,921	
228	(b) Consulting Engineers	Total	<u>\$72,108</u>	
229				
230	(a) Nies Mapping			
231		(c) Operating	\$10,725	
232	1950 112th Avenue NE	Capital		
233	Bellevue, WA 98004	Other	\$58,846	
234	(b) Consulting Engineers	Total	<u>\$69,571</u>	
235				
236	(a) North Creek Analytical			
237		(c) Operating	\$26,002	
238	18939 120th Ave NE #101	Capital	\$378	
239	Bothell, WA 98011-2569	Other	\$92,525	
240	(b) Environmental & Engineering Consulting	Total	<u>\$118,905</u>	
241				
242				
243				

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The Washington Water Power Company	<input checked="checked" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	April 30, 1997	Dec. 31, 1996

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)**

244	(a) Northrop Devine & Tarbell, Inc.			
245		(c) Operating	\$20,941	
246	500 Washington Avenue	Capital	\$56,061	
247	Portland, ME 04103	Other		
248	(b) Engineering Consultants	Total	<u>\$77,002</u>	
249				
250	(a) Norwest Field Resources			
251		(c) Operating		
252	PO Box 8741	Capital	\$45,655	
253	Spokane, WA 99203	Other		
254	(b) Engineering Consultants	Total	<u>\$45,655</u>	
255				
256	(a) Olympus Environmental, Inc.			
257		(c) Operating	\$10,733	
258	Box 1064	Capital		
259	Kent, WA 98035-1064	Other	\$389,344	
260	(b) Environmental & Engineering Consulting	Total	<u>\$400,077</u>	
261				
262	(a) Online Data Processing, Inc.			
263		(c) Operating	\$15,101	
264	3501 N. Haven	Capital		
265	Spokane, WA 99207-5741	Other	\$46,301	
266	(b) Computer Services & Consulting	Total	<u>\$61,402</u>	
267				
268	(a) Paine, Hamblen, Coffin, Brooke & Miller			
269		(c) Operating	\$1,342,930	
270	717 W. Sprague, Suite 1200	Capital	\$40,687	
271	Spokane, WA 99204	Other	\$875,759	
272	(b) Legal	Total	<u>\$2,259,376</u>	
273				
274	(a) Patricia A. Newman			
275		(c) Operating	\$50,742	
276	75 Skyline Terrace	Capital	\$375	
277	Mill Valley, CA 94941	Other	\$4,519	
278	(b) Leadership Consulting	Total	<u>\$55,636</u>	
279				
280	(a) Pillsbury Madison & Sutro			
281		(c) Operating		
282	PO Box 60000	Capital		
283	San Francisco, CA 94160-2391	Other	\$249,557	
284	(b) Environmental & Engineering Consulting	Total	<u>\$249,557</u>	
285				
286	(a) Planmetricks, Inc.			
287		(c) Operating		
288	135 S. Lasalle, Dept 1013	Capital		
289	Chicago, IL 60674-1013	Other	\$326,828	
290	(b) Business Consulting	Total	<u>\$326,828</u>	
291				

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The Washington Water Power Company	<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	April 30, 1997	Dec. 31, 1996

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)**

294	(a) Quality Resource & Services, Inc.	(c)	Operating	
295			Capital	\$32,343
296	PO Box 14781		Other	
297	Spokane, WA 99214		Total	<u>\$32,343</u>
298	(b) Payrolling service			
299				
300	(a) Raytheon Engineers & Constructors	(c)	Operating	\$2,970
301			Capital	\$45,571
302	PO Box 8500, S. 5450		Other	
303	Philadelphia, PA 19178		Total	<u>\$48,541</u>
304	(b) Consulting Engineers			
305				
306	(a) Reid & Priest	(c)	Operating	\$407,986
307			Capital	
308	40 West 57th Street		Other	\$565,583
309	New York, NY 10019		Total	<u>\$973,569</u>
310	(b) Legal			
311				
312	(a) SSR Inc. Engineers	(c)	Operating	\$15,864
313			Capital	\$42,164
314	E. 1817 Springfield, Suite G		Other	
315	Spokane, WA 99202		Total	<u>\$58,028</u>
316	(b) Consulting Engineers			
317				
318	(a) Standard & Poor Corp	(c)	Operating	\$30,763
319			Capital	
320	25 Broadway, 14th Fl		Other	
321	New York, NY 10003		Total	<u>\$30,763</u>
322	(b) Business Consulting			
323				
324	(a) Sullivan & Cromwell	(c)	Operating	
325			Capital	
326	125 Broad Street		Other	\$85,169
327	New York, NY 10004		Total	<u>\$85,169</u>
328	(b) Legal			
329				
330	(a) Technical Assistance Service	(c)	Operating	
331	222 W. Mission Ave.		Capital	
332	Garden Court Bldg Rm. 235		Other	\$45,000
333	Spokane, WA 99201		Total	<u>\$45,000</u>
334	(b) Business Consulting			
335				
336	(a) The Alexander Group	(c)	Operating	
337			Capital	
338	PO Box 4346, Dept 430		Other	\$37,380
339	Houston, TX 77210		Total	<u>\$37,380</u>
340	(b) Business Consulting			
341				

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The Washington Water Power Company	<input checked="checked" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	April 30, 1997	Dec. 31, 1996
CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)			
344 (a) The Pace Group	(c)	Operating	\$43,447
345 140 W. 29th St., Suite 329		Capital	
347 Pueblo, CO 81008		Other	
348 (b) Economic Consultants		Total	<u>\$43,447</u>
349			
350 (a) The Wyatt Company	(c)	Operating	
351 PO Box 80149		Capital	
352 Baltimore, MD 21280-0149		Other	\$91,770
354 (b) Benefit Consultants		Total	<u>\$91,770</u>
355			
356 (a) Thomas Dean & Hoskins Inc.	(c)	Operating	
357 303 E. 2nd Avenue		Capital	\$78,399
359 Spokane, WA 99202		Other	
360 (b) Engineering Consultants		Total	<u>\$78,399</u>
361			
362 (a) Tuscon Economic Consulting	(c)	Operating	\$52,816
363 7630 North Sultan Place		Capital	
365 Tucson, AZ 85704		Other	
366 (b) Economic Consultants		Total	<u>\$52,816</u>
367			
368 (a) Utilities International Inc.	(c)	Operating	\$999,558
369 Management Consultants		Capital	
370 161 N. Clark St., Ste. 3400		Other	\$56,660
371 Chicago, IL 60601		Total	<u>\$1,056,218</u>
372 (b) Management Consultants			
373			
374 (a) Van Ness Feldman	(c)	Operating	\$66,750
375 1050 Thomas Jefferson St. NW		Capital	
377 Washington, DC 20007		Other	
378 (b) Business Consulting		Total	<u>\$66,750</u>
379			
380 (a) Watson Wyatt & Company	(c)	Operating	\$6,704
381 Dept CH 10612		Capital	
383 Palatine, IL 60055-0612		Other	\$29,392
384 (b) Actuarial & Benefits Consulting		Total	<u>\$36,096</u>
385			
386			
387			
388			
389			
390			
391			
392			
393			

Sch. 13		POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS		
	<u>Description</u>	<u>Total Company</u>	<u>Montana</u>	<u>% Montana</u>
1				
2	Associations, Businesses & Other Montanans	10,000.00	10,000.00	100.00%
3	Against I-125			
4				
5	Montanans for Rehberg	500.00	500.00	100.00%
6	(Water Power Federal PAC)			
7				
8	Mesaros for Senate	100.00	100.00	100.00%
9	(Energy Assoc. PAC)			
10				
11	Harp for Senate	100.00	100.00	100.00%
12	(Energy Assoc. PAC)			
13				
14	Grinde for House	100.00	100.00	100.00%
15	(Energy Assoc. PAC)			
16				
17	The Committee to Re-Elect Governor Racicot	400.00	400.00	100.00%
18	(Energy Assoc. PAC)			
19				
20	The Committee to Elect Barry Stang	100.00	100.00	100.00%
21	(Energy Assoc. PAC)			
22				
23	The Committee to Elect Chuck Swysgood	50.00	50.00	100.00%
24	(Energy Assoc. PAC)			
25				
26	The Committee to Elect Debbie Shea	50.00	50.00	100.00%
27	(Energy Assoc. PAC)			
28				
29	The Committee to Elect Bea McCarthy	50.00	50.00	100.00%
30	(Energy Assoc. PAC)			
31				
32	The Committee to Elect Vicki Cocchiarella	50.00	50.00	100.00%
33	(Energy Assoc. PAC)			
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	TOTAL	11,500.00	11,500.00	100.00%

## PENSION COSTS

	Description	Last Year	This Year	% Change
1				
2	Plan Name <u>The Retirement Plan for The Washington</u>			
3	<u>Water Power Company</u>			
4	Defined Benefit Plan <u>Yes</u>			
5				
6	Defined Contribution Plan <u>No</u>			
7				
8	Is the Plan overfunded? <u>Yes</u>			
9				
10	Actuarial Cost Method <u>Yes</u>			
11				
12	IRS Code <u>001</u>			
13				
14	Annual Contribution by Employer \$ <u>-0-</u>			
15				
16				
17	Accumulated Benefit Obligation	116,877,000	125,658,000	7.51%
18	Projected Benefit Obligation	133,233,000	143,242,000	7.51%
19	Fair Value of Plan Assets	140,528,000	149,846,000	6.63%
20				
21	Discount Rate for Benefit Obligations	7.50%	7.50%	-
22	Expected Long-Term Return on Assets	9.00%	9.00%	-
23				
24	<u>Net Periodic Pension Cost:</u>			
25	Service Cost	3,464,000	4,629,000	33.63%
26	Interest Cost	9,142,000	9,954,000	8.88%
27	Return on Plan Assets	(27,910,000)	(16,897,000)	-39.46%
28	Amortization of Transition Amount	17,272,000	4,682,000	-72.89%
29	Amortization of Gains or Losses	-	-	
30	Total Net Periodic Pension Cost	1,968,000	2,368,000	20.33%
31				
32	Minimum Required Contribution	-	-	-
33	Actual Contribution	-	-	-
34	Maximum Amount Deductible	-	-	-
35	Benefit Payments	7,087,772	7,579,134	6.93%
36				
37	<u>Montana Intrastate Costs:</u>			
38	Pension Costs	Not available by state		
39	Pension Costs Capitalized			
40	Accumulated Pension Asset (Liability) at Year End			
41				
42	<u>Number of Company Employees:</u>			
43	Covered by the Plan	2,296	2,281	-0.65%
44	Not Covered by the Plan	-	-	-
45	Active	1,345	1,272	-5.43%
46	Retired	703	738	4.98%
47	Deferred Vested Terminated	248	271	9.27%



	Description	Last Year	This Year	% Change
1	<u>General Information</u>			
2				
3	<u>Assumptions:</u>			
4	Discount Rate for Benefit Obligations	7.50%	7.50%	-
5	Expected Long-Term Return on Assets	-	-	-
6	Medical Cost Inflation Rate	8.00%	5.00%	-37.50%
7	Actuarial Cost Method	Proj Unit Credit	Proj Unit Credit	
8				
9	List each method used to fund OPEBs (ie: VEBA, 401(h)):			
10	Method - Tax Advantaged (Yes or No)			
11				
12	VEBA - Yes			
13				
14				
15				
16	Describe Changes to the Benefit Plan:			
17				
18				
19				
20	<u>Total Company</u>			
21				
22	Accumulated Post Retirement Benefit Obligation (APBO)	28,718,000	25,589,000	-10.90%
23	Fair Value of Plan Assets	4,772,184	5,388,407	12.91%
24	List the amount funded through each funding method:			
25	VEBA	4,772,184	5,388,107	12.91%
26	401(h)	-	-	-
27	Other _____	-	-	-
28	Total amount funded	4,772,184	5,388,107	12.91%
29				
30	List amount that was tax deductible for each type of funding:			
31	VEBA	-	-	-
32	401(h)	-	-	-
33	Other _____	-	-	-
34	Total amount that was tax deductible	-	-	-
35				
36	<u>Net Periodic Post Retirement Benefit Cost:</u>			
37	Service Cost	573,000	634,000	10.65%
38	Interest Cost	2,452,000	2,234,000	-8.89%
39	Return on Plan Assets	(226,000)	(568,000)	151.33%
40	Amortization of Transition Obligation	1,414,000	1,375,000	-2.76%
41	Amortization of Gains or Losses	-	-	-
42	Total Net Periodic Post Retirement Benefit Cost	4,213,000	3,675,000	-12.77%
43				
44	Benefit Cost Expensed	-	-	-
45	Benefit Cost Capitalized	-	-	-
46	Benefit Payments	-	-	-
47				
48	Number of Company Employees:			
49	Covered by the Plan	1,945	1,919	-1.34%
50	Not Covered by the Plan	-	-	-
51	Active	1,328	1,345	1.28%
52	Retired	617	574	-6.97%
53	Spouse/Dependants covered by the Plan	-	-	-

	Description	Last Year	This Year	% Change
1				
2	<u>Montana</u>			
3				
4	Accumulated Post Retirement Benefit Obligation (APBO)			
5	Fair Value of Plan Assets			
6	List the amount funded through each funding method:			
7	VEBA			
8	401(h)			
9	Other _____			
10	Total amount funded			
11				
12	List amount that was tax deductible for each type of funding:			
13	VEBA			
14	401(h)			
15	Other _____			
16	Total amount that was tax deductible			
17				
18	<u>Net Periodic Post Retirement Benefit Cost:</u>			
19	Service Cost			
20	Interest Cost			
21	Return on Plan Assets			
22	Amortization of Transition Obligation			
23	Amortization of Gains or Losses			
24	Total Net Periodic Post Retirement Benefit Cost			
25				
26	Benefit Cost Expensed			
27	Benefit Cost Capitalized			
28	Benefit Payments			
29				
30	Number of Company Employees:			
31	Covered by the Plan			
32	Not Covered by the Plan			
33	Active			
34	Retired			
35	Spouse/Dependants covered by the Plan			
36				
37	Regulatory Treatment			
38				
39	Commission authorized - most recent			
40	Docket number:			
41	Order number:			
42				
43	Amount recovered through rates			

Sch. 16 TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)							
	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	P. A. Kelly Chief Operator - Noxon	51,070	-	5,960	57,030	55,418	2.91%
2	P. J. Aktepy Stations Mechanic - Noxon	49,032	-	7,155	56,187	51,728	8.62%
3	J. G. Hanna Station Electrician - Noxon	45,695	-	9,446	55,141	51,835	6.38%
4	D. W. Thomason Journeyman Operator - Noxon	44,821	-	7,107	51,928	49,150	5.65%
5	T. J. Swant License Environmental Coordinator	45,755	-	6,070	51,825	51,829	-0.01%
6	R. Robbins Journeyman Operator - Noxon	42,520	-	8,987	51,507	49,372	4.32%
7	M. Bonney Journeyman Operator - Noxon	44,161	-	6,755	50,916	50,995	-0.15%
8	L. L. Wiltse Journeyman Operator - Noxon	44,919	-	5,934	50,853	48,956	3.87%
9	C. F. Webley Journeyman Operator - Noxon	44,441	-	5,654	50,095	49,343	1.52%
10	T. Lampshire Journeyman Operator - Noxon	43,567	-	5,718	49,285	48,768	1.06%

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***System of Accounts***

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

***Basis of Reporting***

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

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

***Regulation***

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

***Operating Revenues***

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

***Earnings Per Share***

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

***Utility Plant***

The cost of additions to utility plant, including an allowance for funds used during construction and replacements of units of property and betterments, is capitalized. 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 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 (see Other Income above). 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 investment is placed in service.

The effective AFUDC rate was 10.67% in 1996, 1995 and 1994. The Company's AFUDC rates do not exceed the maximum allowable rates as determined in accordance with the requirements of regulatory authorities.

***Depreciation***

For utility operations, depreciation provisions are estimated 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 energy operations, the ratio of depreciation provisions to average depreciable property was 2.58% in 1996, 2.57% in 1995 and 2.56% in 1994.

## ***THE WASHINGTON WATER POWER COMPANY***

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### ***Cash and Cash Equivalents***

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 has used derivative instruments, primarily commodity price swaps, to a limited extent as a means of hedging its costs and preserving margins in the wholesale power business. The differential to be paid or received on a commodity price swap agreement is recognized over the life of the agreement as an adjustment to operating costs. The market and credit risk were determined to be immaterial to the financial statements as of December 31, 1996, and over the term of the agreements in effect at year-end. The Company will continue to use derivative instruments for hedging and risk mitigation purposes, but has adopted a policy not to trade in derivatives for speculative reasons. The Company's policy established procedures for monitoring open positions and requires review and approval of derivative instrument transactions.

### ***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." A regulated enterprise can prepare its financial statements in accordance with FAS No. 71 only if (i) the enterprise's rates for regulated services are established by or subject to approval by an independent third-party regulator, (ii) the regulated rates are designed to recover the enterprise's cost of providing the regulated services and (iii) in view of demand for the regulated services and the level of competition, it is reasonable to assume that rates set at levels that will recover the enterprise's costs can be charged to and collected from customers. FAS No. 71 requires a cost-based, rate-regulated enterprise to reflect the impact of regulatory decisions in its financial statements. In certain circumstances, FAS No. 71 requires that certain costs and/or obligations (such as incurred costs not currently recovered through rates, but expected to be so recovered in the future) be reflected in a deferral account in the balance sheet and not be reflected in the statement of income or loss until matching revenues are recognized. If at some point in the future the Company determines that it no longer meets the criteria for continued application of FAS No. 71 to all or a portion of the Company's regulated operations, the Company would be required to write off its regulatory assets and would be precluded from the future deferral in the Consolidated Balance Sheet of costs not recovered through rates at the time such costs were incurred, even if such costs were expected to be recovered in the future.

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

### ***Power and Natural Gas Cost Adjustment Provisions***

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

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

### ***Income Taxes***

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

### ***New Accounting Standards***

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

## THE WASHINGTON WATER POWER COMPANY

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

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

### Reclassifications

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

## NOTE 2. PROPERTY, PLANT AND EQUIPMENT

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

	At December 31,	
	1996	1995
Energy Delivery:		
Electric distribution.....	\$ 539,467	\$ 510,489
Electric transmission.....	251,559	248,587
Natural gas underground storage.....	18,275	16,385
Natural gas distribution.....	302,853	276,295
Natural gas transmission.....	3,059	3,060
Construction work in progress (CWIP) and other.....	156,012	139,745
Energy Delivery total.....	<u>1,271,225</u>	<u>1,194,561</u>
Energy Trading:		
Electric production.....	695,273	691,192
CWIP and other.....	23,802	17,913
Energy Trading total.....	<u>719,075</u>	<u>709,105</u>
Total energy.....	<u>\$1,990,300</u>	<u>\$1,903,666</u>

## NOTE 3. JOINTLY OWNED ELECTRIC FACILITIES

The Company has invested 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, 1996:

Project	KW of Installed Capacity	Fuel Source	Company's Current Share of				Construction Work in Progress
			Ownership (%)	Plant in Service	Accumulated Depreciation (Thousands of Dollars)	Net Plant In Service	
Centralia.....	1,330,000	Coal	15%	\$ 55,508	\$34,833	\$ 20,675	\$1,501
Colstrip 3 & 4.....	1,556,000	Coal	15	273,575	97,575	176,000	-

## THE WASHINGTON WATER POWER COMPANY

### NOTE 4. ACCOUNTS RECEIVABLE SALE

The Company has entered into an agreement whereby it can sell without recourse, 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, 1996 and 1995, \$40,000,000 in receivables had been sold pursuant to the agreement. The agreement qualifies as a sale of assets under FAS No. 125 (see Note 1 to Financial Statements for additional information).

### NOTE 5. COMMON STOCK

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 (\$11,009,000 at December 31, 1996) 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 1996, the cost recorded for the Plan was \$3,139,000. Interest on the note payable to the Company, cash and stock contributions to the Plan and dividends on the shares held by the Trustee were \$1,087,000, \$2,569,000 and \$1,198,000, 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 February 16, 2000.

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

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

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

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

### NOTE 6. PREFERRED STOCK

#### Cumulative Preferred Stock Not Subject to Mandatory Redemption:

The dividend rate on Flexible Auction Preferred Stock, Series J is reset every 49 days based on an auction. During 1996, the dividend rate varied from 4.03% to 4.24% and at December 31, 1996, was 4.20%. Series J is subject to redemption at the Company's option at a redemption price of 100% per share plus accrued dividends.

## **THE WASHINGTON WATER POWER COMPANY**

### **Cumulative Preferred Stock Subject to Mandatory Redemption:**

#### **Redemption requirements:**

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

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

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

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

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

### **NOTE 7. LONG-TERM DEBT**

The annual sinking fund requirements and maturities for the next five years for long-term debt outstanding at December 31, 1996 are as follows:

<u>Year Ended December 31</u>	<u>Maturities</u>	<u>Sinking Fund Requirements</u> (Thousands of Dollars)	<u>Total</u>
1997 .....	31,000	4,517	35,517
1998 .....	10,000	4,407	14,407
1999 .....	47,500	4,407	51,907
2000 .....	35,000	4,197	39,197
2001 .....	44,000	3,847	47,847

The sinking fund requirements may be met by certification of property additions at the rate of 167% of requirements. All of the utility plant is subject to the lien of the Mortgage and Deed of Trust securing outstanding First Mortgage Bonds.

In 1995 and 1994, \$78.0 million and \$88.0 million, respectively, of First Mortgage Bonds in the form of Secured Medium-Term Notes were issued. As of December 31, 1996, the Company had remaining authorization to issue up to \$109.0 million.

At December 31, 1996, the Company had \$85.0 million outstanding under borrowing arrangements which will be refinanced in 1997. See Note 8 for details of credit agreements.

The fair value of the Company's long-term debt at December 31, 1996 and 1995 is estimated to be \$658.7 million, or 102% of the carrying value and \$733.2 million, or 107% of the carrying value, respectively. These estimates are based on available market information.

### **NOTE 8. BANK BORROWINGS**

At December 31, 1996, the Company maintained total lines of credit with various banks under two separate credit agreements amounting to \$160,000,000. The Company has one revolving line of credit, expiring December 10, 1999, which provides a total credit commitment of \$70,000,000. The second revolving credit agreement is composed of two tranches totaling \$90,000,000. One tranche provides for up to \$50,000,000 of notes to be outstanding at any one time, while the other provides for up to \$40,000,000 of notes to be outstanding at any one time. Both tranches of this agreement expire on July 23, 1997. The Company pays commitment fees of up to 0.10% per annum on the average daily unused portion of each credit agreement.



**THE WASHINGTON WATER POWER COMPANY**

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.

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

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

**NOTE 9. LEASES**

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

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

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.

## THE WASHINGTON WATER POWER COMPANY

### NOTE 10. PENSION PLANS

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

Net pension cost (income) for 1996, 1995 and 1994 is summarized as follows:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Thousands of Dollars)		
Service cost-benefits earned during the period.....	\$ 4,629	\$ 3,464	\$ 4,323
Interest cost on projected benefit obligation.....	9,954	9,142	8,523
Actual return on plan assets.....	(16,897)	(27,910)	(248)
Net amortization and deferral.....	<u>4,682</u>	<u>17,272</u>	<u>(11,553)</u>
Net periodic pension cost (income).....	<u>\$ 2,368</u>	<u>\$ 1,968</u>	<u>\$ 1,045</u>

The funded status of the Plans and the pension liability at December 31, 1996, 1995 and 1994, are as follows:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Thousands of dollars)		
Actuarial present value of benefit obligation:			
Accumulated benefit obligation (including vested benefits of \$(123,601,000), \$(114,964,000) and \$(88,596,000), respectively).....	\$(125,658)	\$(116,877)	\$( 90,341)
Projected benefit obligation for service rendered to date .....	\$(143,242)	\$(133,233)	\$(107,540)
Plan assets at fair value.....	<u>149,846</u>	<u>140,528</u>	<u>119,706</u>
Plan assets in excess of projected benefit obligation.....	6,604	7,295	12,166
Unrecognized net gain from returns different than assumed.....	(21,101)	(19,704)	(17,939)
Prior service costs not yet recognized .....	17,020	18,385	14,803
Unrecognized net transition asset at year-end (being amortized over 19 years).....	(9,187)	(10,273)	(11,359)
Regulatory deferrals .....	-	-	(1,841)
Pension liability .....	<u>\$ (6,664)</u>	<u>\$ (4,297)</u>	<u>\$ (4,170)</u>

Assumptions used in calculations were:

Discount rate at year-end.....	7.5%	7.5%	8.5%
Rate of increase in future compensation level.....	4.0%	4.0%	4.0%
Expected long-term rate of return on assets .....	9.0%	9.0%	9.0%

### NOTE 11. OTHER POSTRETIREMENT BENEFITS

FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires the Company to accrue the estimated cost of postretirement benefit payments during the years that employees provide services and 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, beginning in 1993.

The Company received accounting orders from the Washington Utilities and Transportation Commission (WUTC) and the IPUC allowing the deferral of expense accruals under this Statement as a regulatory asset for future recovery. The Company discontinued deferring expenses, began amortizing prior deferrals already recorded and began recognition of current expenses in 1996.

The Company provides certain health care and life insurance benefits for substantially all of its retired employees. In 1996, 1995 and 1994, the Company recognized \$1,330,000, \$1,800,000 and \$1,270,000, 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, 1996, 1995 and 1994.

**THE WASHINGTON WATER POWER COMPANY**

Accumulated postretirement benefit obligation (thousands of dollars):

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Retirees	574	617	642
Active plan participants	<u>1,345</u>	<u>1,328</u>	<u>1,319</u>
Total participants	1,919	1,945	1,961
Unfunded accumulated postretirement benefit obligation	\$(25,589)	\$(28,718)	\$(31,072)
Unrecognized (gain)/loss	(6,621)	(3,396)	(4,897)
Unrecognized transition obligation	<u>25,683</u>	<u>27,288</u>	<u>28,894</u>
Accrued postretirement benefit cost	<u>\$ (6,527)</u>	<u>\$ (4,826)</u>	<u>\$ (7,075)</u>

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

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

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

**NOTE 12. ACCOUNTING FOR INCOME TAXES**

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

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

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

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):

**THE WASHINGTON WATER POWER COMPANY**

	For the Years Ended December 31,		
	1996	1995	1994
	(Thousands of Dollars)		
Computed federal income taxes at statutory rate .....	\$46,103	\$47,875	\$41,983
Increase (decrease) in tax resulting from:			
Accelerated tax depreciation .....	23	(909)	1,725
Equity earnings in affiliates .....	-	-	(497)
Other .....	464	1,297	(1,320)
Total federal income tax expense* .....	<u>\$46,590</u>	<u>\$48,263</u>	<u>\$41,891</u>
<b>Income Tax Expense Consists of the Following:</b>			
Federal taxes currently provided .....	\$37,456	\$48,318	\$32,334
Deferred income taxes .....	9,134	(55)	9,557
Total federal income tax expense .....	<u>46,590</u>	<u>48,263</u>	<u>41,891</u>
State income tax expense .....	2,919	4,153	2,805
Federal and state income taxes .....	<u>\$49,509</u>	<u>\$52,416</u>	<u>\$44,696</u>
<b>*Federal Income Tax Expense:</b>			
Energy .....	\$34,241	\$41,203	\$35,513
Non-energy .....	12,349	7,060	6,378
Total Federal Income Tax Expense .....	<u>\$46,590</u>	<u>\$48,263</u>	<u>\$41,891</u>
Federal statutory rate .....	35%	35%	35%

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

Under fixed contracts with Public Utility Districts (PUD), 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, 1996, pertaining to these contracts is summarized in the following table:

	Company's Current Share of					Contract Expira- tion Date
<u>Output</u>	<u>Kilowatt Capability</u>	<u>Annual Costs (1)</u>	<u>Debt Service Costs (2)</u>	<u>Revenue Bonds Outstanding</u>		
(Thousands of Dollars)						
<b>PUD Contracts:</b>						
Chelan County PUD:						
Lake Chelan Project (3).....	-	-	\$ (491)	\$ -	1995	
Rocky Reach Project .....	2.9%	37,000	1,282	666	2011	
Grant County PUD:						
Priest Rapids Project.....	6.1	55,000	1,620	1,203	2005	
Wanapum Project .....	8.2	75,000	2,205	1,501	2009	
Douglas County PUD:						
Wells Project.....	3.9	30,000	819	607	2018	
Totals		197,000	\$5,435	\$3,977		

- (1) 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 1996.
- (2) Included in annual costs.
- (3) The Lake Chelan Project contract expired in 1995. The negative costs in 1996 represent final adjustments.

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

## **THE WASHINGTON WATER POWER COMPANY**

### **NOTE 14. COMMITMENTS AND CONTINGENCIES**

#### ***Nez Perce Tribe***

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

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

#### ***Oil Spill***

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

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

#### ***Firestorm***

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

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 and for alleged wrongful death of two persons. 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.

## **THE WASHINGTON WATER POWER COMPANY**

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 and/or transmission lines downed by wind-downed trees. 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. All cases are in a discovery phase. Plaintiffs' motion for consolidation of all liability trials was denied without prejudice. Plaintiffs also filed a Motion to Decertify all cases on damage issues, which motion was denied following a hearing held on January 27, 1997. Still pending is a WWP Motion for Discretionary Review before the Washington Court of Appeals (Div. III) on class certification issues, which was heard by the Court on February 4, 1997. Trial date(s) are anticipated in late 1997 or early 1998. The Company has received a settlement demand for settlement of class action litigation which is within the Company's insurance coverage limits. 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.

At this time, management believes that the ultimate outcome of all the claims and actions discussed in this note should not have a material adverse effect on the Company's consolidated operations or financial position.

### ***Other Contingencies***

The Company routinely assesses, based on in-depth studies, expert analyses and legal reviews, its contingencies, obligations and commitments for remediation of contaminated sites, including assessments of ranges and probabilities of recoveries from other responsible parties who have and have not agreed to a settlement and recoveries from insurance carriers. The Company's policy is to immediately accrue and charge to current expense identified exposures related to environmental remediation sites based on estimates of investigation, cleanup and monitoring costs to be incurred.

The Company must be in compliance with requirements under the Clean Air Act Amendments (CAAA) by the year 2000 at both the Centralia and Colstrip thermal generating plants, in which the Company maintains an ownership interest. The Company is presently unable to determine the financial impact of these requirements.

The Company has potential liabilities under the Federal Endangered Species Act (ESA) for species of fish that have either already been added to the endangered species list, been listed as "threatened" or been petitioned for listing. Thus far, measures which have been adopted and implemented have had minimal impact of the Company. Future actions to save these, and other as yet unidentified fish or wildlife species, particularly as the Company is relicensing several of its hydroelectric facilities, could impact the Company's operations. It is currently not possible to determine the likely financial impact of any further actions.

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 electric energy with other utilities, cogenerators, small power producers and government agencies.

As of December 31, 1996, the Company's collective bargaining agreement with the International Brotherhood of Electrical Workers represented approximately 48% of employees. The current agreement with the union local representing the majority of the bargaining unit employees expires on March 25, 1997. Negotiations are taking place between bargaining unit employees and Company management. A local agreement in the South Lake Tahoe area, which represents 7 employees, expires on March 25, 1999.

### **NOTE 16. MERGER TERMINATION**

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

### **NOTE 17. COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES**

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

## COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

	<u>Name/Title</u>	<u>Base Salary</u>	<u>Bonuses</u>	<u>Other</u>	<u>Total Compensation</u>	<u>Total Compensation Last Year</u>	<u>% Increase Total Compensation</u>
1	P. A. Redmond Chairman of the Board and Chief Executive Officer				905,767	511,942	76.93%
2	W. L. Bryan President and Chief Operating Officer				321,253	181,659	76.84%
3	J. E. Eliassen Senior Vice President and Chief Financial Officer				303,258	208,844	45.21%
4	R. D. Fukai Vice President				270,856	171,520	57.92%
5	N. J. Racicot Senior Vice President and General Manager				267,838	171,520	56.16%

	Account Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits</b>			
2	<b>Utility Plant</b>			
3	101 Electric Plant in Service	1,847,159,678	1,918,143,409	3.84%
4	101.1 Property Under Capital Leases	-	-	-
5	102 Electric Plant Purchased or Sold	-	-	-
6	104 Electric Plant Leased to Others	-	-	-
7	105 Electric Plant Held for Future Use	-	-	-
8	106 Completed Constr. Not Classified - Electric	-	-	-
9	107 Construction Work in Progress - Electric	23,045,612	38,695,999	67.91%
10	108 (Less) Accumulated Depreciation	(532,758,263)	(574,360,845)	7.81%
11	111 (Less) Accumulated Amortization	(6,033,574)	(7,563,374)	25.35%
12	114 Electric Plant Acquisition Adjustments	33,460,579	33,460,579	0.00%
13	115 (Less) Accum. Amort. Elec. Acq. Adj.	(7,456,427)	(10,499,971)	40.82%
14	120 Nuclear Fuel (Net)	-	-	-
15	<b>TOTAL Utility Plant</b>	<b>1,357,417,605</b>	<b>1,397,875,797</b>	<b>2.98%</b>
16				
17	<b>Other Property &amp; Investments</b>			
18	121 Nonutility Property	3,257,253	3,220,318	-1.13%
19	122 (Less) Accum. Depr. & Amort. for Nonutil. Prop.	(46,469)	(24,573)	-47.12%
20	123 Investments in Associated Companies	-	-	-
21	123.1 Investments in Subsidiary Companies	111,133,036	133,639,618	20.25%
22	124 Other Investments	96,249,278	88,839,178	-7.70%
23	125 Special Funds	7,291,107	20,205,540	177.13%
24	<b>TOTAL Other Property &amp; Investments</b>	<b>217,884,205</b>	<b>245,880,081</b>	<b>12.85%</b>
25				
26	<b>Current &amp; Accrued Assets</b>			
27	131 Cash	(6,624,308)	(916,628)	-86.16%
28	132-134 Special Deposits	13,423	10,200	-24.01%
29	135 Working Funds	168,794	249,517	47.82%
30	136 Temporary Cash Investments	174,604	373,426	113.87%
31	141 Notes Receivable	-	-	-
32	142 Customer Accounts Receivable	52,001,169	68,337,759	31.42%
33	143 Other Accounts Receivable	1,834,662	2,739,443	49.32%
34	144 (Less) Accum. Provision for Uncollectible Accts.	(809,585)	(1,194,854)	47.59%
35	145 Notes Receivable - Associated Companies	-	-	-
36	146 Accounts Receivable - Associated Companies	14,860	(103,840)	-798.79%
37	151 Fuel Stock	12,057,886	6,353,371	-47.31%
38	152 Fuel Stock Expenses Undistributed	-	-	-
39	153 Residuals	-	-	-
40	154 Plant Materials and Operating Supplies	11,758,880	11,852,026	0.79%
41	155 Merchandise	-	-	-
42	156 Other Material & Supplies	18,998	14,607	-23.11%
43	157 Nuclear Materials Held for Sale	-	-	-
44	163 Stores Expense Undistributed	111,037	(131,175)	-218.14%
45	165 Prepayments	42,476,120	46,195,918	8.76%
46	171 Interest & Dividends Receivable	47,658	40,254	-15.54%
47	172 Rents Receivable	1,080,965	726,963	-32.75%
48	173 Accrued Utility Revenues	-	-	-
49	174 Miscellaneous Current & Accrued Assets	1,434,665	10,284,794	616.88%
50	<b>TOTAL Current &amp; Accrued Assets</b>	<b>115,759,828</b>	<b>144,831,781</b>	<b>25.11%</b>



	<u>Account Title</u>	<u>Last Year</u>	<u>This Year</u>	<u>% Change</u>
1				
2	<b>Assets and Other Debits (cont.)</b>			
3				
4	<b>Deferred Debits</b>			
5				
6	181 Unamortized Debt Expense	4,951,981	4,700,866	-5.07%
7	182.1 Extraordinary Property Losses	-	-	-
8	182.2 Unrecovered Plant & Regulatory Study Costs	1,643,360	1,217,198	-25.93%
9	182.3 Other Regulatory Assets	179,243,068	174,033,334	-2.91%
10	183 Prelim. Survey & Investigation Charges	5,930,342	4,311,882	-27.29%
11	184 Clearing Accounts	358,084	246,740	-31.09%
12	185 Temporary Facilities	-	-	-
13	186 Miscellaneous Deferred Debits	86,263,006	64,315,829	-25.44%
14	187 Deferred Losses from Disposition of Util. Plant	-	-	-
15	188 Research, Devel. & Demonstration Expend.	28,553	42,451	48.67%
16	189 Unamortized Loss on Reacquired Debt	20,731,542	18,446,765	-11.02%
17	190 Accumulated Deferred Income Taxes	14,636,618	15,948,019	8.96%
18	<b>TOTAL Deferred Debits</b>	<b>313,786,554</b>	<b>283,263,084</b>	<b>-9.73%</b>
19				
20	<b>TOTAL Assets &amp; Other Debits</b>	<b>2,004,848,192</b>	<b>2,071,850,743</b>	<b>3.34%</b>
21				
22	<b>Liabilities and Other Credits</b>			
23				
24	<b>Proprietary Capital</b>			
25				
26	201 Common Stock Issued	594,636,442	594,852,562	0.04%
27	202 Common Stock Subscribed	-	-	-
28	204 Preferred Stock Issued	135,000,000	115,000,000	-14.81%
29	205 Preferred Stock Subscribed	-	-	-
30	207 Premium on Capital Stock	-	-	-
31	211 Miscellaneous Paid-In Capital	-	-	-
32	213 (Less) Discount on Capital Stock	-	-	-
33	214 (Less) Capital Stock Expense	(10,072,202)	(10,112,017)	0.40%
34	215 Appropriated Retained Earnings	37,544,065	25,664,183	-31.64%
35	216 Unappropriated Retained Earnings	87,487,469	105,636,589	20.74%
36	217 (Less) Reacquired Capital Stock	-	-	-
37	<b>TOTAL Proprietary Capital</b>	<b>844,595,774</b>	<b>831,041,317</b>	<b>-1.60%</b>
38				
39	<b>Long Term Debt</b>			
40				
41	221 Bonds	478,800,000	455,800,000	-4.80%
42	222 (Less) Reacquired Bonds	-	-	-
43	223 Advances from Associated Companies	-	-	-
44	224 Other Long Term Debt	237,072,763	277,554,682	17.08%
45	225 Unamortized Premium on Long Term Debt	-	-	-
46	226 (Less) Unamort. Discount on L-Term Debt-Dr.	(1,309,602)	(1,239,474)	-5.35%
47	<b>TOTAL Long Term Debt</b>	<b>714,563,161</b>	<b>732,115,208</b>	<b>2.46%</b>

	<u>Account Title</u>	<u>Last Year</u>	<u>This Year</u>	<u>% Change</u>
1				
2	<b>Total Liabilities and Other Credits (cont.)</b>			
3				
4	<b>Other Noncurrent Liabilities</b>			
5				
6	227 Obligations Under Cap. Leases - Noncurrent	-	-	-
7	228.1 Accumulated Provision for Property Insurance	-	-	-
8	228.2 Accumulated Provision for Injuries & Damages	1,614,037	1,522,222	-5.69%
9	228.3 Accumulated Provision for Pensions & Benefits	4,849,771	13,919,295	187.01%
10	228.4 Accumulated Misc. Operating Provisions	-	-	-
11	229 Accumulated Provision for Rate Refunds	-	-	-
12	<b>TOTAL Other Noncurrent Liabilities</b>	<b>6,463,808</b>	<b>15,441,517</b>	<b>138.89%</b>
13				
14	<b>Current &amp; Accrued Liabilities</b>			
15				
16	231 Notes Payable	-	-	-
17	232 Accounts Payable	39,381,209	76,650,940	94.64%
18	233 Notes Payable to Associated Companies	-	-	-
19	234 Accounts Payable to Associated Companies	-	873,006	-
20	235 Customer Deposits	665,512	936,353	40.70%
21	236 Taxes Accrued	25,597,248	20,077,942	-21.56%
22	237 Interest Accrued	13,578,897	15,130,459	11.43%
23	238 Dividends Declared	-	285,835	-
24	239 Matured Long Term Debt	-	-	-
25	240 Matured Interest	-	-	-
26	241 Tax Collections Payable	927,602	75,373	-91.87%
27	242 Miscellaneous Current & Accrued Liabilities	16,942,790	15,861,331	-6.38%
28	243 Obligations Under Capital Leases - Current	-	-	-
29	<b>TOTAL Current &amp; Accrued Liabilities</b>	<b>97,093,258</b>	<b>129,891,239</b>	<b>33.78%</b>
30				
31	<b>Deferred Credits</b>			
32				
33	252 Customer Advances for Construction	3,140,435	2,554,282	-18.66%
34	253 Other Deferred Credits	10,636,674	21,134,581	98.70%
35	254 Other Regulatory Liabilities	1,738,206	1,937,030	11.44%
36	255 Accumulated Deferred Investment Tax Credit	2,260,569	2,162,721	-4.33%
37	256 Deferred Gains from Disposition Of Util. Plant	-	-	-
38	257 Unamortized Gain on Reacquired Debt	-	-	-
39	281-283 Accumulated Deferred Income Taxes	324,356,308	335,569,135	3.46%
40	<b>TOTAL Deferred Credits</b>	<b>342,132,192</b>	<b>363,357,749</b>	<b>6.20%</b>
41				
42	<b>TOTAL Liabilities &amp; Other Credits</b>	<b>2,004,848,193</b>	<b>2,071,847,030</b>	<b>3.34%</b>

Sch. 19	MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)			P. 1 of 3
	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Intangible Plant</b>			
3				
4	301 Organization	-	-	-
5	302 Franchises & Consents	193,078	193,078	0.00%
6	303 Miscellaneous Intangible Plant	23,437	4,225	-81.97%
7				
8	<b>TOTAL Intangible Plant</b>	216,515	197,303	-8.87%
9				
10	<b>Production Plant</b>			
11				
12	<b>Steam Production</b>			
13				
14	310 Land & Land Rights	1,306,668	1,305,462	-0.09%
15	311 Structures & Improvements	99,085,491	99,084,454	0.00%
16	312 Boiler Plant Equipment	114,245,432	114,475,207	0.20%
17	313 Engines & Engine Driven Generators	-	-	-
18	314 Turbogenerator Units	28,181,865	29,150,387	3.44%
19	315 Accessory Electric Equipment	13,423,939	13,430,018	0.05%
20	316 Miscellaneous Power Plant Equipment	12,233,182	12,280,184	0.38%
21				
22	<b>TOTAL Steam Production Plant</b>	268,476,577	269,725,712	0.47%
23				
24	<b>Nuclear Production</b>			
25				
26	320 Land & Land Rights	-	-	-
27	321 Structures & Improvements	-	-	-
28	322 Reactor Plant Equipment	-	-	-
29	323 Turbogenerator Units	-	-	-
30	324 Accessory Electric Equipment	-	-	-
31	325 Miscellaneous Power Plant Equipment	-	-	-
32				
33	<b>TOTAL Nuclear Production Plant</b>	-	-	-
34				
35	<b>Hydraulic Production</b>			
36				
37	330 Land & Land Rights	37,917,515	37,917,515	0.00%
38	331 Structures & Improvements	10,427,235	10,404,267	-0.22%
39	332 Reservoirs, Dams & Waterways	30,816,217	30,816,217	0.00%
40	333 Water Wheels, Turbines & Generators	30,085,726	30,093,039	0.02%
41	334 Accessory Electric Equipment	3,180,787	3,369,813	5.94%
42	335 Miscellaneous Power Plant Equipment	1,654,246	1,654,246	0.00%
43	336 Roads, Railroads & Bridges	88,694	88,694	0.00%
44				
45	<b>TOTAL Hydraulic Production Plant</b>	114,170,420	114,343,791	0.15%
46				
47				
48				
49				

	<u>Account Number &amp; Title</u>	<u>Last Year</u>	<u>This Year</u>	<u>% Change</u>
1				
2	<b>Production Plant (cont.)</b>			
3				
4	<b>Other Production</b>			
5				
6	340 Land & Land Rights	-	-	-
7	341 Structures & Improvements	-	-	-
8	342 Fuel Holders, Producers & Accessories	-	-	-
9	343 Prime Movers	-	-	-
10	344 Generators	-	-	-
11	345 Accessory Electric Equipment	-	-	-
12	346 Miscellaneous Power Plant Equipment	-	-	-
13				
14	TOTAL Other Production Plant	-	-	-
15				
16	<b>TOTAL Production Plant</b>	382,646,997	384,069,503	0.37%
17				
18	<b>Transmission Plant</b>			
19				
20	350 Land & Land Rights	883,384	883,384	0.00%
21	352 Structures & Improvements	130,527	130,527	0.00%
22	353 Station Equipment	14,113,678	14,117,932	0.03%
23	354 Towers & Fixtures	15,996,667	16,003,523	0.04%
24	355 Poles & Fixtures	6,740,844	6,756,823	0.24%
25	356 Overhead Conductors & Devices	15,700,732	15,714,327	0.09%
26	357 Underground Conduit	-	-	-
27	358 Underground Conductors & Devices	-	-	-
28	359 Roads & Trails	367,476	367,476	0.00%
29				
30	<b>TOTAL Transmission Plant</b>	53,933,308	53,973,992	0.08%
31				
32	<b>Distribution Plant</b>			
33				
34	360 Land & Land Rights	-	-	-
35	361 Structures & Improvements	15,880	15,880	0.00%
36	362 Station Equipment	133,567	151,641	13.53%
37	363 Storage Battery Equipment	-	-	-
38	364 Poles, Towers & Fixtures	8,955	8,955	0.00%
39	365 Overhead Conductors & Devices	6,676	6,676	0.00%
40	366 Underground Conduit	46	46	0.00%
41	367 Underground Conductors & Devices	638	638	0.00%
42	368 Line Transformers	897	897	0.00%
43	369 Services	127	127	0.00%
44	370 Meters	29	29	0.00%
45	371 Installations on Customers' Premises	-	-	-
46	372 Leased Property on Customers' Premises	-	-	-
47	373 Street Lighting & Signal Systems	-	-	-
48				
49	<b>TOTAL Distribution Plant</b>	166,815	184,889	10.83%
50				

	<u>Account Number &amp; Title</u>	<u>Last Year</u>	<u>This Year</u>	<u>% Change</u>
1				
2	<b>General Plant</b>			
3				
4	389 Land & Land Rights	-	-	-
5	390 Structures & Improvements	-	-	-
6	391 Office Furniture & Equipment	-	-	-
7	392 Transportation Equipment	-	-	-
8	393 Stores Equipment	-	-	-
9	394 Tools, Shop & Garage Equipment	-	-	-
10	395 Laboratory Equipment	-	-	-
11	396 Power Operated Equipment	-	-	-
12	397 Communication Equipment	-	-	-
13	398 Miscellaneous Equipment	-	-	-
14	399 Other Tangible Property	-	-	-
15				
16	<b>TOTAL General Plant</b>	-	-	-
17				
18	<b>TOTAL Electric Plant in Service</b>	436,963,635	438,425,687	0.33%

Sch. 20		MONTANA DEPRECIATION SUMMARY			
	<u>Functional Plant Classification</u>	<u>Plant Cost</u>	<u>Accumulated Depreciation</u>		<u>Current Avg. Rate</u>
			<u>Last Year Bal.</u>	<u>This Year Bal.</u>	
1					
2	Steam Production	268,420,250	88,196,231	96,351,863	8.38%
3	Nuclear Production				
4	Hydraulic Production	104,573,929	7,798,073	8,376,661	0.58%
5	Other Production				
6	Transmission				
7	Distribution				
8	General				
9	<b>TOTAL</b>	372,994,179	95,994,304	104,728,524	

Sch. 21		MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)		
	<u>Account</u>	<u>Last Year Bal.</u>	<u>This Year Bal.</u>	<u>%Change</u>
1				
2	151 Fuel Stock	382,975	417,240	8.95%
3	152 Fuel Stock Expenses Undistributed			
4	153 Residuals			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)	2,512,558	2,150,454	-14.41%
9	Transmission Plant (Estimated)			
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	157 Nuclear Materials Held for Sale			
15	163 Stores Expense Undistributed			
16				
17	<b>TOTAL Materials &amp; Supplies</b>	2,895,533	2,567,694	-11.32%

Sch. 22		MONTANA REGULATORY CAPITAL STRUCTURE & COSTS			
	<u>Commission Accepted - Most Recent</u>	<u>% Cap. Str.</u>	<u>% Cost Rate</u>	<u>Weighted Cost</u>	
1	Docket Number	<u>Reference is made to Schedule 27</u>			
2	Order Number				
3					
4	Common Equity				
5	Preferred Stock				
6	Long Term Debt				
7	Other				
8	<b>TOTAL</b>				
9					
10	<u>Actual at Year End</u>				
11					
12	Common Equity				
13	Preferred Stock				
14	Long Term Debt				
15	Other				
16	<b>TOTAL</b>				

## STATEMENT OF CASH FLOWS

	Description	This year	Last Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	<b>Cash Flows from Operating Activities:</b>			
5	Net Income	83,453,847	87,121,176	
6	Depreciation	47,649,475	45,845,759	
7	Amortization	25,180,581	25,114,734	
8	Deferred Income Taxes - Net	6,593,273	(3,858,675)	
9	Investment Tax Credit Adjustments - Net	(97,848)	(97,847)	
10	Change in Operating Receivables - Net	(16,953,482)	(15,840,748)	
11	Change in Materials, Supplies & Inventories - Net	6,805,332	(6,274,214)	
12	Change in Operating Payables & Accrued Liabilities - Net	33,879,441	12,195,194	
13	Allowance for Funds Used During Construction (AFUDC)	(1,071,712)	(589,017)	
14	Change in Other Assets & Liabilities - Net	(21,278,796)	(14,989,177)	
15	Other Operating Activities (explained on attached page)	(736,378)	(13,012,865)	
16	Net Cash Provided by/(Used in) Operating Activities	163,423,733	115,614,320	
17				
18	<b>Cash Inflows/Outflows From Investment Activities:</b>			
19	Construction/Acquisition of Property, Plant and Equipment	(89,895,561)	(77,788,557)	
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets	-	-	
22	Proceeds from Disposal of Noncurrent Assets	-	-	
23	Investments In and Advances to Affiliates	-	-	
24	Contributions and Advances from Affiliates	(4,058,786)	-	
25	Disposition of Investments in and Advances to Affiliates	-	-	
26	Other Investing Activities (explained on attached page)	15,881,901	8,297,519	
27	Net Cash Provided by/(Used in) Investing Activities	(78,072,446)	(69,491,038)	
28				
29	<b>Cash Flows from Financing Activities:</b>			
30	Proceeds from Issuance of:			
31	Long-Term Debt	-	78,000,000	
32	Preferred Stock	-	-	
33	Common Stock	216,120	24,033,243	
34	Other:	681,250	576,500	
35	Net Increase in Short-Term Debt	-	-	
36	Other:	(432,125)	(635,453)	
37	Payment for Retirement of:			
38	Long-Term Debt	(38,000,000)	(45,000,000)	
39	Preferred Stock	(20,000,000)	-	
40	Common Stock	-	-	
41	Other:	(14,372)	(43,809)	
42	Net Decrease in Short-Term Debt	55,500,000	(28,500,000)	
43	Dividends on Preferred Stock	(7,927,310)	(9,307,525)	
44	Dividends on Common Stock	(69,390,846)	(68,282,794)	
45	Other Financing Activities (explained on attached page)	-	-	
46	Net Cash Provided by (Used in) Financing Activities	(79,367,283)	(49,159,838)	
47				
48	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>5,984,004</b>	<b>(3,036,556)</b>	
49	<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>(6,267,488)</b>	<b>(3,230,930)</b>	
50	<b>Cash and Cash Equivalents at End of Year</b>	<b>(283,484)</b>	<b>(6,267,486)</b>	

## STATEMENT OF CASH FLOWS

	<u>Description</u>	<u>This year</u>	<u>Last Year</u>	<u>% Change</u>
1				
2	<b>Detail of Lines 15 and 26</b>			
3				
4	<b>Line 15: Other Operating Activities</b>			
5	Net Increase in Other Regulatory Liabilities	665,598	-	-
6	Idaho Accretion Income	(259,916)	(305,868)	-15.02%
7	Change in Dividends Declared	(285,835)	227,764	-225.50%
8	Non-Monetary Power Transactions	(8,708,710)	16,155,885	-153.90%
9	Other	7,852,485	(29,090,646)	-126.99%
10	Total Line 15	(736,378)	(13,012,865)	-94.34%
11				
12	<b>Line 26: Other Investing Activities</b>			
13	Dividends from Subsidiary Companies	2,900,000	3,600,000	-19.44%
14	Changes in Other Non-Current Balance Sheet Accts	26,089,034	(495,241)	-5367.95%
15	Other Special Funds	(13,107,133)	5,192,760	-352.41%
16	Net Cash Provided by/(Used in) Investing Activities	15,881,901	8,297,519	91.41%



## LONG TERM DEBT

	<u>Description</u>	<u>Issue Date Mo./Yr.</u>	<u>Maturity Date Mo./Yr.</u>	<u>Principal Amount</u>	<u>Net Proceeds</u>	<u>Outstanding Per Balance Sheet</u>	<u>Yield to Maturity</u>	<u>Annual Net Cost Inc. Prem/Disc.</u>	<u>Total Cost %</u>
1									
2									
3	<u>First Mortgage Bonds</u>								
4									
5	7 1/8% Series	12/1/89	12/1/13	66,700,000	63,614,202	66,700,000	7.54%	5,031,631	7.54%
6	7 2.5% Series	12/1/89	12/1/16	17,000,000	16,418,069	17,000,000	7.70%	1,309,320	7.70%
7									
8	<u>Secured Medium-Term Notes</u>								
9	Series A	various	various	250,000,000	248,374,625	227,000,000	7.02%	15,934,505	7.02%
10	Series B	various	various	141,000,000	140,211,500	141,000,000	7.60%	10,718,718	7.60%
11									
12	<u>Unsecured Medium-Term Notes</u>								
13	Series A	various	various	200,000,000	not available	72,500,000	9.16%	6,637,412	9.16%
14	Series B	various	various	150,000,000	not available	120,000,000	7.78%	9,334,856	7.78%
15									
16									
17	6% Pollution Control Bonds	7/1/93	12/1/23	4,100,000	3,913,000	4,100,000	6.34%	259,924	6.34%
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32	TOTAL			828,800,000	472,531,396	648,300,000		49,226,366	

## PREFERRED STOCK

	<u>Series</u>	<u>Issue Date Mo./Yr.</u>	<u>Shares Issued</u>	<u>Par Value</u>	<u>Call Price</u>	<u>Net Proceeds</u>	<u>Cost of Money</u>	<u>Principal Outstanding</u>	<u>Annual Cost</u>	<u>Embed. Cost %</u>
1										
2										
3	Not subject to mandatory									
4	redemption:									
5	Series "J" (Flexible Auction)	11/15/90	500	\$ 100,000	-	46,989,682	4.20%	50,000,000	2,235,000	4.47%
6										
7										
8	Subject to mandatory redemption:									
9	Series "I"	4/26/90	500,000	\$ 100	-	46,505,987	\$ 8.625	30,000,000	2,587,500	9.27%
10	Series "K"	9/15/92	350,000	\$ 100	-	32,910,609	\$ 6.950	35,000,000	2,432,500	7.39%
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	TOTAL					126,406,278		115,000,000	7,255,000	

## COMMON STOCK

		Avg. Number of Shares <u>Outstanding</u>	Book Value <u>Per Share</u>	Earnings Per <u>Share</u>	Dividends Per <u>Share</u>	Retention <u>Ratio</u>	Market Price		Price/ Earnings <u>Ratio</u>
							<u>High</u>	<u>Low</u>	
1									
2									
3									
4	January	55,960,360					18.250	17.375	
5									
6	February	55,960,360					19.000	17.750	
7									
8	March	55,960,360	\$13.16	\$0.71	\$0.31		19.125	17.750	11.59
9									
10	April	55,960,360					19.375	17.750	
11									
12	May	55,960,360					19.876	17.875	
13									
14	June	55,960,360	\$12.97	\$0.12	\$0.31		18.750	17.875	12.17
15									
16	July	55,960,360					19.375	18.125	
17									
18	August	55,960,360					19.750	18.500	
19									
20	September	55,960,360	\$12.86	\$0.30	\$0.31		19.000	17.875	11.30
21									
22	October	55,960,360					19.375	18.375	
23									
24	November	55,960,360					19.750	18.625	
25									
26	December	55,960,360	\$12.70	\$0.22	\$0.31		19.125	18.000	13.81
27									
28									
29									
30									
31									
32	TOTAL Year End	55,960,360	\$12.70	\$1.35	\$1.24	8.06%	18.625		13.81

## MONTANA EARNED RATE OF RETURN

	<u>Description</u> <u>Rate Base</u>	<u>Last Year</u>	<u>This Year</u>	<u>% Change</u>
1				
2	101 Plant in Service			
3	108 (Less) Accumulated Depreciation			
4	<b>NET Plant in Service</b>	0	0	
5				
6	Additions			
7	154, 15 Materials & Supplies			
8	165 Prepayments			
9	Other Additions			
10	<b>TOTAL Additions</b>	0	0	
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	<b>TOTAL Deductions</b>	0	0	
18	<b>TOTAL Rate Base</b>	0	0	
19				
20	<b>Net Earnings</b>			
21				
22	<b>Rate of Return on Average Rate Base</b>			
23				
24	<b>Rate of Return on Average Equity</b>			
25				
26	Major Normalizing Adjustments & Commission			
27	<u>Ratemaking adjustments to Utility Operations</u>			
28		<p>The Washington Water Power Company has 17 customers with 1996 revenues of \$2,106,037 in the State of Montana. Rates charged were based on the Company's last rate order from the Idaho Public Utilities Commission and accepted by the Montana Commission. The Company does not calculate separate rate of return for the Montana jurisdiction.</p>		
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44	<b>Adjusted Rate of Return on Average Rate Base</b>			
45				
46	<b>Adjusted Rate of Return on Average Equity</b>			

## MONTANA COMPOSITE STATISTICS

	<u>Description</u>	<u>Amount</u>
1		
2	<u>Plant (Intrastate Only) (000 Omitted)</u>	
3		
4	101 Plant in Service	438,426
5	107 Construction Work in Progress	-
6	114 Plant Acquisition Adjustments	-
7	105 Plant Held for Future Use	-
8	154, 156 Materials & Supplies	2,568
9	(Less):	
10	108, 111 Depreciation & Amortization Reserves	(104,729)
11	252 Contributions in Aid of Construction	
12		
13	NET BOOK COSTS	336,265
14		
15	<u>Revenues &amp; Expenses (000 Omitted)</u>	
16		
17	400 Operating Revenues	2,106
18		
19	403 - 407 Depreciation & Amortization Expenses	8,686
20	Federal & State Income Taxes	674
21	Other Taxes	9,021
22	Other Operating Expenses	23,993
23	TOTAL Operating Expenses	42,374
24		
25	Net Operating Income	(40,268)
26		
27	415-421.1 Other Income	-
28	421.2-426.5 Other Deductions	-
29		
30	NET INCOME	(40,268)
31		
32	<u>Customers (Intrastate Only)</u>	
33		
34	Year End Average:	
35	Residential	10
36	Commercial	1
37	Industrial	5
38	Other	1
39		
40	TOTAL NUMBER OF CUSTOMERS	17
41		
42	<u>Other Statistics (Intrastate Only)</u>	
43		
44	Average Annual Residential Use (Kwh)	19,800
45	Average Annual Residential Cost per (Kwh) (Cents) *	4.698
46	* Avg annual cost = [(cost per Kwh x annual use) + (mo. svc chrg x 12)]/annual use	
47	Average Residential Monthly Bill	\$77.52
48	Gross Plant per Customer	\$43,843

Sch. 29

## MONTANA CUSTOMER INFORMATION

	<u>City/Town</u>	<u>Population (Include Rural)</u>	<u>Residential Customers</u>	<u>Commercial Customers</u>	<u>Industrial &amp; Other Customers</u>	<u>Total Customers</u>
1						
2	Noxon, Montana		10	1	5	16
3						
4	Montana Power Company				1	1
5						
6						
7						
8						
9						
10						
11						
12						
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20						
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25						
26						
27						
28						
29						
30						
31						
32	TOTAL Montana Customers		10	1	6	17

## MONTANA EMPLOYEE COUNTS

	<u>Department</u>	<u>Year Beginning</u>	<u>Year End</u>	<u>Average</u>
1				
2	Noxon Generating Station	21	14	18
3				
4				
5				
6				
7				
8				
9				
10				
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44				
45				
46				
47				
48				
49	TOTAL Montana Employees	21	14	18

Sch. 31

**MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)**

	<u>Project Description</u>	<u>Total Company</u>	<u>Total Montana</u>
1			
2	Noxon Pine Creek #2 230 kv Transmission Construct	357,793	357,793
3			
4	Hydro Relicensing Costs -- Noxon Rapids	2,166,033	2,166,033
5			
6	Minor Projects (8) Under \$100,000	157,350	157,350
7			
8			
9			
10			
11			
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42			
43			
44			
45			
46			
47	TOTAL	2,681,176	2,681,176



Sch. 32 TOTAL SYSTEM & MONTANA PEAK AND ENERGY						
		System				
		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
1	Jan.	31	800	1,739	1,509,661	672,177
2	Feb.	1	800	1,796	1,360,668	597,323
3	Mar.	5	1900	1,342	1,414,766	687,516
4	Apr.	18	1000	1,242	1,405,516	762,200
5	May	2	900	1,177	1,433,590	819,199
6	Jun.	26	1400	1,127	1,648,857	1,012,687
7	Jul.	23	1500	1,401	1,977,825	1,258,664
8	Aug.	26	2100	1,298	1,666,837	967,418
9	Sep.	11	1700	1,148	1,618,333	1,017,603
10	Oct.	21	800	1,300	1,666,665	966,148
11	Nov.	25	1800	1,341	1,830,990	1,097,037
12	Dec.	17	1900	1,530	2,188,206	1,316,687
13	TOTAL				19,721,914	11,174,659
Montana						
		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
14	Jan.					2,345
15	Feb.					765
16	Mar.					6,335
17	Apr.					3,980
18	May					12,260
19	Jun.					20,210
20	Jul.					3,687
21	Aug.					13,075
22	Sep.					9,475
23	Oct.					11,720
24	Nov.					10,045
25	Dec.					3,630
26	TOTAL					97,527

Sch. 33 TOTAL SYSTEM Sources & Disposition of Energy				
	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	2,478,249	Sales to Ultimate Consumers (Include Interdepartmental)	7,741,976
3	Nuclear	-		
4	Hydro - Conventional	5,044,706		
5	Hydro - Pumped Storage	-	Requirements Sales for Resale	-
6	Other	286,161		
7	(Less) Energy for Pumping	-		
8	NET Generation	7,809,116	Non-Requirements Sales for Resale	11,174,659
9	Purchases	11,807,002		
10	Power Exchanges			
11	Received	1,119,068	Energy Furnished Without Charge	-
12	Delivered	1,065,594		
13	NET Exchanges	53,474		
14	Transmission Wheeling for Others		Energy Used Within Electric Utility	-
15	Received	4,224,918		
16	Delivered	4,224,918		
17	NET Transmission Wheeling	-	Total Energy Losses	752,957
18	Transmission by Others Losses	-		
19	TOTAL	19,669,592	TOTAL	19,669,592

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## SOURCES OF ELECTRIC SUPPLY

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1					
2	Washington:				
3	Thermal	Centralia	Centralia, WA	203	1,267,152
4	Thermal	Kettle Falls	Kettle Falls, WA	53	284,098
5	Hydro	Little Falls	Ford, WA	37	215,645
6	Hydro	Long Lake	Ford, WA	84	509,094
7	Hydro	Meyers Falls	Colville, WA	5	6,822
8	Hydro	Monroe Street	Spokane, WA	17	91,786
9	Hydro	Nine Mile	Spokane, WA	25	120,401
10	Hydro	Upper Falls	Spokane, WA	16	77,261
11	Combustion -				
12	Turbine	Northeast	Spokane, WA	43	153
13					
14					
15					
16	Idaho:				
17	Hydro	Cabinet Gorge	Clark Fork, ID	234	1,387,381
18	Hydro	Post Falls	Post Falls, ID	18	89,405
19	Combustion -				
20	Turbine	Rathdrum	Rathdrum, ID	170	286,008
21					
22					
23					
24	Montana:				
25	Thermal	Colstrip #3 and #4	Colstrip, MT	229	926,999
26	Hydro	Noxon	Thompson Falls, MT	546	2,566,103
27					
28					
29					
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44					
45					
46	Total			1,680	7,828,308

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**MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS**

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (MW & MWH)	Achieved Savings (MW & MWH)	Difference (MW & MWH)
1	Not Applicable						
2							
3							
4							
5							
6							
7							
8							
9							
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29							
30							
31							
32	TOTAL						

Sch. 36		MONTANA CONSUMPTION AND REVENUES					
	<u>Sales of Electricity</u>	Operating Revenues		MegaWatt Hours Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Residential	9,302	9,233	198	197	10	11
2	Commercial - Small	1,885	1,592	29	24	1	1
3	Commercial - Large	-	-	-	-	-	-
4	Industrial - Small	-	-	-	-	-	-
5	Industrial - Large	-	-	-	-	-	-
6	Interruptible Industrial	-	-	-	-	-	-
7	Public Street & Highway Lighting	-	-	-	-	-	-
8	Other Sales to Public Authorities	-	-	-	-	-	-
9	Sales to Cooperatives	-	-	-	-	-	-
10	Sales to Other Utilities	1,261,842	747,035	97,527	122,752	1	1
11	Interdepartmental	5,304	5,788	79	87	5	6
12							
13	TOTAL	1,278,333	763,648	97,833	123,060	17	19