UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ---------- to ----------

Commission file number 1-3701

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

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

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

Web site: http://www.wwpco.com

None
(Former name, former address and former fiscal year, if changed since last report)

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

Yes X No

At July 31, 1997, 55,960,360 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

THE WASHINGTON WATER POWER COMPANY

Index

CONSOLIDATED STATEMENTS OF INCOME
The Washington Water Power Company

For the Three Months Ended June 30
Thousands of Dollars

	1997	1996
OPERATING REVENUES	$ 236,274	$ 195,900
OPERATING EXPENSES:		
Operations and maintenance	147,288	101,774
Administrative and general	25,832	18,747
Depreciation and amortization	17,458	18,000
Taxes other than income taxes	11,027	13,023
Total operating expenses	201,605	151,544
INCOME FROM OPERATIONS	34,669	44,356
OTHER INCOME (EXPENSE):		
Interest expense	(16,200)	(15,261)
Interest on income tax recovery	47,337	-
Net gain on subsidiary transactions	3,339	-
Merger-related expenses	-	(14,013)
Other income (deductions)-net	(6,340)	433
Total other income (expense)-net	28,136	(28,841)
INCOME BEFORE INCOME TAXES	62,805	15,515
INCOME TAXES	14,330	6,547
NET INCOME	48,475	8,968
DEDUCT-Preferred stock dividend requirements	1,812	2,141
INCOME AVAILABLE FOR COMMON STOCK	$ 46,663	$ 6,827
Average common shares outstanding (thousands)	55,960	55,960
EARNINGS PER SHARE OF COMMON STOCK	$ 0.83	$ 0.12
Dividends paid per common share	$ 0.31	$ 0.31

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME
The Washington Water Power Company

For the Six Months Ended June 30
Thousands of Dollars

	1997	1996
OPERATING REVENUES	$ 520,285	$ 443,903
OPERATING EXPENSES:		
Operations and maintenance	314,627	231,634
Administrative and general	46,014	37,977
Depreciation and amortization	34,920	35,275
Taxes other than income taxes	25,997	26,715
Total operating expenses	421,558	331,601
INCOME FROM OPERATIONS	98,727	112,302
OTHER INCOME (EXPENSE):		
Interest expense	(32,516)	(30,566)
Interest on income tax recovery	47,337	-
Net gain on subsidiary transactions	3,454	17,064
Merger-related expenses	-	(15,513)
Other income (deductions)-net	360	121
Total other income (expense)-net	18,635	(28,894)
INCOME BEFORE INCOME TAXES	117,362	83,408
INCOME TAXES	39,039	32,531
NET INCOME	78,323	50,877
DEDUCT-Preferred stock dividend requirements	3,590	4,407
INCOME AVAILABLE FOR COMMON STOCK	$ 74,733	$ 46,470
Average common shares outstanding (thousands)	55,960	55,959
EARNINGS PER SHARE OF COMMON STOCK	$ 1.34	$ 0.83
Dividends paid per common share	$ 0.62	$ 0.62

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED BALANCE SHEETS
The Washington Water Power Company

Thousands of Dollars

	June 30, 1997	December 31, 1996
ASSETS:		
PROPERTY:		
Utility plant in service-net	$1,991,740	$1,951,604
Construction work in progress	35,091	38,696
Total	2,026,831	1,990,300
Less: Accumulated depreciation and amortization	617,696	592,424
Net utility plant	1,409,135	1,397,876
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	72,137	75,312
Non-utility properties and investments-net	153,802	149,747
Other-net	23,975	22,670
Total other property and investments	249,914	247,729
CURRENT ASSETS:		
Cash and cash equivalents	29,921	8,211
Temporary cash investments	25,704	19,709
Accounts and notes receivable-net	117,277	148,742
Materials and supplies, fuel stock and natural gas stored	34,633	31,729
Prepayments and other	19,900	19,998
Total current assets	227,435	228,389
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	170,954	164,753
Conservation programs	55,570	57,703
Prepaid power purchases	25,652	30,935
Unamortized debt expense	24,936	23,148
Other-net	31,135	26,765
Total deferred charges	308,247	303,304
TOTAL	$2,194,731	$2,177,298
CAPITALIZATION AND LIABILITIES:		
CAPITALIZATION (See Consolidated Statements of Capitalization)	$1,614,108	$1,590,262
CURRENT LIABILITIES:		
Accounts payable	88,797	95,268
Taxes and interest accrued	38,171	37,344
Other	57,414	70,873
Total current liabilities	184,382	203,485
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	30,897	27,855
Deferred income taxes	348,029	312,529
Other	17,315	43,167
Total non-current liabilities and deferred credits	396,241	383,551
COMMITMENTS AND CONTINGENCIES (Note 3)		
TOTAL	$2,194,731	$2,177,298

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF CAPITALIZATION
The Washington Water Power Company

Thousands of Dollars

	June 30, 1997	December 31, 1996
COMMON EQUITY:		
Common stock, no par value: 200,000,000 shares authorized; 55,960,360 shares outstanding	$ 594,853	$ 594,853
Note receivable from employee stock ownership plan	(10,662)	(11,009)
Capital stock expense and other paid in capital	(10,120)	(10,112)
Unrealized investment gain-net	9,820	5,703
Retained earnings	171,755	131,301
Total common equity	755,646	710,736
PREFERRED STOCK-CUMULATIVE:		
10,000,000 shares authorized:		
Not subject to mandatory redemption:		
Flexible Auction Series J; 500 shares outstanding ($100,000 stated value)	50,000	50,000
Total not subject to mandatory redemption	50,000	50,000
Subject to mandatory redemption:		
$8.625, Series I; 100,000 and 300,000 shares outstanding ($100 stated value)	10,000	30,000
$6.95, Series K; 350,000 shares outstanding ($100 stated value)	35,000	35,000
Total subject to mandatory redemption	45,000	65,000
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES:		
7 7/8%, Series A, due 2037	60,000	-
Floating Rate, Series B, due 2037	50,000	-
Total company-obligated mandatorily redeemable preferred trust securities	110,000	-
LONG-TERM DEBT:		
First Mortgage Bonds:		
7 1/8% due December 1, 2013	66,700	66,700
7 2/5% due December 1, 2016	17,000	17,000
Secured Medium-Term Notes:		
Series A - 5.95% to 8.06% due 2000 through 2023	212,000	227,000
Series B - 6.50% to 8.25% due 1997 through 2010	141,000	141,000
Total first mortgage bonds	436,700	451,700
Pollution Control Bonds:		
6% Series due 2023	4,100	4,100
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.58% due 1997 through 2007	72,500	72,500
Series B - 6.75% to 8.23% due 1999 through 2023	115,000	120,000
Total unsecured medium-term notes	187,500	192,500
Notes payable (due within one year) to be refinanced	-	85,000
Other	25,162	31,226
Total long-term debt	653,462	764,526
TOTAL CAPITALIZATION	$ 1,614,108	$ 1,590,262

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

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

For the Six Months Ended June 30
Thousands of Dollars

	1997	1996
OPERATING ACTIVITIES:		
Net income	$ 78,323	$ 50,877
NON-CASH REVENUES AND EXPENSES INCLUDED IN NET INCOME:		
Depreciation and amortization	34,920	35,275
Provision for deferred income taxes	34,983	2,256
Allowance for equity funds used during construction	(599)	(355)
Power and natural gas cost deferrals and amortization	(12,850)	6,539
Deferred revenues and other-net	(15,685)	6,140
(Increase) decrease in working capital components:		
Receivables and prepaid expenses-net	11,793	8,599
Materials & supplies, fuel stock and natural gas stored	(3,556)	1,494
Payables and other accrued liabilities	(1,583)	(9,454)
Other-net	12,710	5,245
NET CASH PROVIDED BY OPERATING ACTIVITIES	138,456	106,616
INVESTING ACTIVITIES:		
Construction expenditures (excluding AFUDC-equity funds)	(37,625)	(36,826)
Other capital requirements	(4,079)	(349)
(Increase) decrease in other noncurrent balance sheet items-net	8,255	8,024
Assets acquired and investments in subsidiaries	(1,689)	(27,488)
NET CASH USED IN INVESTING ACTIVITIES	(35,138)	(56,639)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	(85,000)	1,500
Proceeds from issuance of preferred trust securities	110,000	-
Repurchase and maturity of long-term debt	(20,000)	(15,000)
Redemption of preferred stock	(20,000)	(20,000)
Sale of common stock-net	347	(6,201)
Other-net	(28,595)	19,976
NET FINANCING ACTIVITIES BEFORE CASH DIVIDENDS	(43,248)	(19,725)
Less cash dividends paid	(38,360)	(32,231)
NET CASH USED IN FINANCING ACTIVITIES	(81,608)	(51,956)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,710	(1,979)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,211	5,164
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 29,921	$ 3,185
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period:		
Interest	$ 36,913	$ 28,088
Income taxes	$ 33,955	$ 26,039
Non-cash financing and investing activities	$ 1,290	$ 36,150

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
The Washington Water Power Company

For the Three Months Ended June 30
Thousands of Dollars

	1997	1996
OPERATING REVENUES:		
Energy Delivery	$ 77,665	$ 73,493
Energy Trading	122,781	86,905
Non-energy	35,828	35,502
Total operating revenues	$ 236,274	$ 195,900
OPERATIONS AND MAINTENANCE EXPENSES:		
Energy Delivery:		
Natural gas purchased for resale	$ 17,594	$ 15,313
Other	14,957	14,648
Energy Trading:		
Power and natural gas purchased	66,497	27,586
Fuel for generation	5,981	6,394
Other	15,972	11,196
Non-energy	26,287	26,637
Total operations and maintenance expenses	$ 147,288	$ 101,774
ADMINISTRATIVE AND GENERAL EXPENSES:		
Energy Delivery	$ 14,172	$ 11,646
Energy Trading	7,651	4,372
Non-energy	4,009	2,729
Total administrative and general expenses	$ 25,832	$ 18,747
DEPRECIATION AND AMORTIZATION EXPENSES:		
Energy Delivery	$ 8,094	$ 8,426
Energy Trading	6,448	7,004
Non-energy	2,916	2,570
Total depreciation and amortization expenses	$ 17,458	$ 18,000
INCOME FROM OPERATIONS:		
Energy Delivery	$ 14,780	$ 13,761
Energy Trading	17,901	27,159
Non-energy	1,988	3,436
Total income from operations	$ 34,669	$ 44,356
INCOME AVAILABLE FOR COMMON STOCK:		
Energy operations	$ 43,531	$ 5,406
Non-energy operations	3,132	1,421
Total income available for common stock	$ 46,663	$ 6,827
ASSETS: (1996 amounts at December 31)		
Energy Delivery	$ 1,034,853	$ 1,014,451
Energy Trading	655,431	683,599
Other energy	254,305	223,379
Non-energy	250,142	255,869
Total assets	$ 2,194,731	$ 2,177,298
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Energy Delivery	$ 18,940	$ 18,327
Energy Trading	(1,837)	1,726
Non-energy	3,320	782
Total capital expenditures	$ 20,423	$ 20,835

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
The Washington Water Power Company

For the Six Months Ended June 30
Thousands of Dollars

	1997	1996
OPERATING REVENUES:		
Energy Delivery	$ 196,545	$ 194,684
Energy Trading	248,856	183,743
Non-energy	74,884	65,476
Total operating revenues	$ 520,285	$ 443,903
OPERATIONS AND MAINTENANCE EXPENSES:		
Energy Delivery:		
Natural gas purchased for resale	$ 49,933	$ 50,069
Other	28,701	29,565
Energy Trading:		
Power and natural gas purchased	138,404	66,097
Fuel for generation	15,643	13,708
Other	27,027	23,516
Non-energy	54,919	48,679
Total operations and maintenance expenses	$ 314,627	$ 231,634
ADMINISTRATIVE AND GENERAL EXPENSES:		
Energy Delivery	$ 25,683	$ 23,804
Energy Trading	12,566	8,119
Non-energy	7,765	6,054
Total administrative and general expenses	$ 46,014	$ 37,977
DEPRECIATION AND AMORTIZATION EXPENSES:		
Energy Delivery	$ 16,217	$ 16,933
Energy Trading	13,061	13,917
Non-energy	5,642	4,425
Total depreciation and amortization expenses	$ 34,920	$ 35,275
INCOME FROM OPERATIONS:		
Energy Delivery	$ 56,456	$ 54,046
Energy Trading	36,970	52,392
Non-energy	5,301	5,864
Total income from operations	$ 98,727	$ 112,302
INCOME AVAILABLE FOR COMMON STOCK:		
Energy operations	$ 70,261	$ 33,318
Non-energy operations	4,472	13,152
Total income available for common stock	$ 74,733	$ 46,470
ASSETS: (1996 amounts at December 31)		
Energy Delivery	$1,034,853	$1,014,451
Energy Trading	655,431	683,599
Other energy	254,305	223,379
Non-energy	250,142	255,869
Total assets	$2,194,731	$2,177,298
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Energy Delivery	$ 32,190	$ 32,611
Energy Trading	483	2,810
Non-energy	4,464	1,149
Total capital expenditures	$ 37,137	$ 36,570

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

THE WASHINGTON WATER POWER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of The Washington Water Power Company (Company) for the interim periods ended June 30, 1997 and 1996 are unaudited but, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations for those interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters which would be included in full fiscal year financial statements; therefore, they should be read in conjunction with the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (1996 Form 10-K).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) issued FAS No. 130, entitled "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997 and FAS No. 131, entitled "Disclosure about Segments of an Enterprise and Related Information," which is effective for financial statements for periods beginning after December 15, 1997. FAS 130 requires companies to (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The Company is currently evaluating the impact of this standard on the Company's financial position and results of operations. FAS 131 requires public enterprises to report financial and descriptive information on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Company does not expect that this statement will have a material effect on the Company's financial statements or disclosures.

NOTE 2. FINANCINGS

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

On January 23, 1997, Washington Water Power Capital I, a business trust, issued to the public $60,000,000 of Preferred Trust Securities having a distribution rate of 7 7/8%. Concurrent with the issuance of the Preferred Trust Securities, the Trust issued $1,855,675 of Common Trust Securities to the Company. The sole assets of the Trust are the Company's 7 7/8% Junior Subordinated Deferrable Interest Debentures, Series A, with a principal amount of $61,855,675. These debt securities may be redeemed at the Company's option on or after January 15, 2002 and mature January 15, 2037.

On June 3, 1997, Washington Water Power Capital II, a business trust, issued to the public $50,000,000 of Preferred Trust Securities having a floating distribution rate of LIBOR plus 0.875%, calculated and reset quarterly (initially 6.6875%). Concurrent with the issuance of the Preferred Trust Securities, the Trust issued $1,547,000 of Common Trust Securities to the Company. The sole assets of the Trust are the Company's Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with a principal amount of $51,547,000. These debt securities may be redeemed at the Company's option on or after June 1, 2007 and mature June 1, 2037.

The Company has guaranteed the payment of distributions on, and redemption price and liquidation amount in respect of, the Preferred Trust Securities to the extent that the Trust has funds available for such payment from the debt securities. Upon maturity or prior redemption of such debt securities, the Trust Securities will be mandatorily redeemed. The Company's consolidated statement of capitalization reflects only the $60 million and $50 million of Preferred Trust Securities.

Reference is made to the information relating to financings and borrowings as discussed under the caption "Liquidity and Capital Resources" in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

NOTE 3. COMMITMENTS AND CONTINGENCIES

The Company and certain of its subsidiaries are parties to various legal claims, actions and complaints. Although the Company cannot predict with certainty whether or not it will ultimately be successful in these legal proceedings, management believes that as of this time, it has adequately reserved for any potential liabilities and that the ultimate outcome of all the claims and actions should not have a material adverse effect on the Company's consolidated operations, financial condition or liquidity. For information about specific legal proceedings involving the

- --

Company or its subsidiaries, reference is made to the Company's 1996 Form 10-K. To-date, there have been no material developments since that report was issued.

NOTE 4. INCOME TAX RECOVERY

In June 1997, the Company received $81 million from the Internal Revenue Service (IRS) to settle an income tax claim relating to its investment in the terminated nuclear project 3 of the Washington Public Power Supply System (WNP3). The $81 million recovery included $34 million in income taxes the Company overpaid in prior years plus $47 million in accrued interest, which contributed $41.4 million, or $0.74 per share, to net income.

The Company had claimed that it realized a loss in 1985 relating to its $195 million investment in WNP3 entitling it to current tax deductions. The IRS, however, originally denied the Company's claim and ruled that the investment should be written off over 32.5 years, the term of a settlement agreement between the Company and the Bonneville Power Administration relating to WNP3. The Company disagreed with this ruling and had been pursuing a reversal for several years. The IRS has now agreed with the Company's position.

The Company entered into settlement agreements with the Washington Utilities and Transportation Commission (WUTC) and the Idaho Public Utilities Commission (IPUC) in 1987 and 1988 providing for the recovery through retail prices of approximately 60% of the Company's $195 million investment in WNP3. As a result of these agreements, customers have been and will continue to receive the tax benefits relating to the recoverable portion of WNP3 over the recovery periods specified in the settlement agreements. The settlement agreements resulted in a write-off of approximately $75 million of the Company's WNP3 investment, with the entire write-off charged to shareholders. The tax recovery and related accrued interest from the IRS will flow through to the benefit of shareholders. The cash will be used to fund new business investment, including growth opportunities in national energy markets, and will reduce the need for issuance of long-term debt during 1997.

NOTE 5. ACQUISITIONS AND DISPOSITIONS

Avista Energy, Inc. (Avista Energy), the Company's national energy marketing company, began operations in the third quarter of 1997. Several alliances and partnerships have been entered into since the beginning of the year. A limited liability company, Howard/Avista Energy, LLC, in which Avista Energy will have a 50% ownership, was formed with Howard Energy Marketing, effective August 1, 1997. Avista Energy's initial equity investment in Howard/Avista Energy LLC was $25 million. Results from this company will be accounted for under the equity method starting in the third quarter of 1997. Avista Energy has also formed an alliance with Chelan County Public Utility District (Chelan PUD), located in Washington state, under which Avista Energy will market a significant portion of Chelan PUD's hydroelectric resources to other utilities throughout the Northwest and will manage the real-time scheduling on such output beginning in August 1997. Avista Energy reached a joint venture agreement with Energy West Incorporated, a diversified energy and retail propane company in Montana. The two companies will develop and implement a direct access, retail power marketing business in Montana. In November 1996, an alliance was formed with Mock Energy Services, California's largest natural gas marketer, to market natural gas and electric commodity services to industrial and large commercial customers throughout California. In addition, a Houston-based operation was initiated in July.

In May 1997, Pentzer Corporation (Pentzer) sold its interest in a portfolio company, Safety Speed Cut, resulting in a gain of approximately $2.0 million, net of taxes. In July 1997, Pentzer acquired two new companies - Target Woodworks, Inc., a Florida-based company, and White Plus, a California-based company. Both provide point-of-purchase and in-store merchandising services.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company operates as a regulated utility providing electric and natural gas sales and services and as a non-regulated entity providing both energy and non-energy products and services. The energy business consists of two lines of business -- Energy Delivery (Transmission and Distribution) and Energy Trading (Generation and Resources). The non-energy business primarily includes the operations of the portfolio companies of Pentzer, a wholly owned subsidiary of the Company.

The Energy Delivery business includes transmission and distribution services for retail electric operations and all natural gas operations, as well as other energy products and services. Usage by retail customers varies from year to year primarily as a result of weather conditions, the economy in the Company's service area, customer growth, conservation, appliance efficiency and other technology.

The Energy Trading business includes generation and production, short and long-term wholesale electric and natural gas commodity trading and sales, and energy services. Revenues from the sale of energy to other utilities and the cost of electric power purchases vary from year to year depending on the electric wholesale power market, which is affected by several factors, including the availability of water for hydroelectric generation, the availability of base load plants in the region and the demand for power in other areas of the country. Other factors affecting the wholesale power market include an increasing number of power brokers and marketers and competition from low cost generation being developed by independent power producers. This business also includes the results of two new non-regulated energy subsidiaries, Avista Energy and Avista Advantage, Inc. Avista Energy focuses on commodity trading, energy marketing and other related businesses on a national basis. Avista Advantage provides a variety of energy-related products and services to commercial and industrial customers on a national basis. See Note 5 of Notes to Financial Statements for a description of start-up activities related to these companies.

The non-energy business primarily consists of Pentzer, which is the parent company to the majority of the Company's non-energy businesses.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

Second quarter 1997 net income available for common stock was $46.7 million, a $39.9 million increase from 1996 second quarter net income of $6.8 million. The increase in earnings was primarily the result of an income tax recovery which resulted in a $41.4 million, or $0.74 per share, increase in after-tax income during the second quarter of 1997 (see Note 4 of Notes to Financial Statements for additional information) and the expensing of $14.0 million, or $0.16 per share, in merger costs during the second quarter of 1996 related to the terminated proposed merger between the Company and Sierra Pacific Resources. Overall earnings per share for the second quarter of 1997 increased to $0.83 from $0.12 in 1996. Energy operations contributed $0.78 to earnings per share for the second quarter of 1997 compared to $0.10 in the second quarter of 1996. The increase in earnings per share from the income tax recovery was partially offset by several non-operating and operating accruals and accounting adjustments. Non-energy operations contributed $0.05 to earnings per share for the second quarter of 1997 compared to $0.02 in the same period in 1996. The increase in non-energy earnings was largely the result of a $2.0 million transactional gain, net of tax, from the sale of Pentzer's interest in one of its portfolio companies during the second quarter of 1997.

Net income available for common stock for the first half of 1997 was $74.7 million, a $28.2 million increase from net income of $46.5 million during the first six months of 1996. The increase in earnings was primarily the result of the income tax recovery mentioned above and the expensing of $15.5 million, or $0.18 per share, in merger costs in the 1996 period. The 1996 results also included a $10.8 million transactional gain, net of tax and other adjustments, from the sale of property held for sale by one of Pentzer's subsidiaries. Overall earnings per share for the first six months of 1997 increased to $1.34 from $0.83 in 1996. Energy operations contributed $1.26 to earnings per share for the first six months of 1997 compared to $0.60 in the first half of 1996. The increase in earnings per share from the income tax recovery was partially offset by several non-operating and operating accruals and accounting adjustments. Non-energy operations contributed $0.08 to earnings per share for the first six months of 1997 compared to $0.23 in the same period in 1996. The decrease in non-energy earnings was primarily the result of a $10.8 million transactional gain ($0.19 per share), net of tax and other adjustments, from the sale of property held for sale by one of Pentzer's subsidiaries which occurred in the first quarter of 1996.

Other income (deductions) for both the three and six months periods included $47.3 million in interest income on the income tax recovery, which was partially offset by several non-operating accruals and accounting adjustments. Income taxes increased $7.8 million and $6.5 million in the second quarter and first half of 1997, respectively, over 1996 primarily due to the taxes on the interest income received as a part of the income tax recovery, partially offset by an $11.4 million income tax benefit associated with the income tax recovery. The year-to-date income taxes were also partially offset by first quarter 1997 adjustments related to revised estimates on certain tax issues. The preferred stock dividend decreased by $0.3 million and $0.8 million in the second quarter and first half of 1997, respectively, from 1996 due to the redemption of $20 million in Preferred Stock, Series I in June of 1997 and 1996.

ENERGY OPERATIONS

ENERGY DELIVERY

Energy Delivery income from operations increased by $1.0 million, or 7%, in the second quarter of 1997 over the same period in 1996. The increase was due to increased transmission revenues, a rate settlement and customer growth. Energy Delivery's operating revenues and expenses increased by $4.2 million and $3.2 million, respectively, during the second quarter of 1997 as compared to 1996.

Retail electric revenues increased $1.4 million in the second quarter of 1997 compared to the same period in 1996, primarily as a result of 2% customer growth, increased residential and commercial usage and increased transmission revenues resulting from increased wholesale sales. Total natural gas revenues increased $2.7 million in the second quarter of 1997 from 1996, primarily due to increased sales for resale, 6% customer growth and an $0.8 million natural gas rate settlement in California. Commercial natural gas revenues decreased in the second quarter of 1997 from 1996, due to lower commercial therm sales as a result of decreased customer usage. In addition, residential and commercial natural gas revenues were affected by decreases in natural gas prices due to purchased gas cost adjustments effective in Washington, Idaho and Oregon, which decreased the prices paid by customers in 1997 by 4.4%, 8.5% and 8.59%, respectively.

Natural gas purchased expense increased $2.3 million, or 15%, during the second quarter of 1997 as compared to 1996, primarily due to increased volume of sales for resale. A large portion of purchased gas expense is variable costs, with the result that increases or decreases in purchased gas expense are generally offset by like changes in revenues. Administrative and general expenses increased by $2.5 million in the second quarter of 1997, compared to 1996, due primarily to accruals related to employee compensation. Taxes other than income decreased $1.6 million in the second quarter of 1997 from the previous year due to lower accruals in 1997 for property taxes, and higher generation taxes in 1996 in Idaho and Montana due to higher hydroelectric generation.

Energy Delivery income from operations increased by $2.4 million, or 4%, in the first half of 1997 over the same period in 1996. The increase was due to increased transmission revenues, a rate settlement and customer growth, partially offset by warmer weather and decreased natural gas prices. Energy Delivery's operating revenues and expenses increased by $1.9 million and decreased by $0.5 million, respectively, during the first six months of 1997 compared to 1996.

Retail electric revenues increased $2.3 million in the first half of 1997 compared to 1996, due to a $2.8 million increase in transmission revenues as a result of increased wholesale electric sales, partially offset by decreased industrial sales. Total natural gas revenues decreased $0.5 million in the first six months of 1997 from 1996, primarily due to decreased retail therm sales as a result of normal weather during the first half of 1997, compared to 11% colder than normal in the same period in 1996. In addition, residential and commercial revenues also declined due to decreases in natural gas prices. Purchased gas cost adjustments effective in Washington, Idaho and Oregon decreased the prices paid by customers in 1997 by the amounts reported above.

Natural gas purchased expense decreased $0.1 million during the first half of 1997 as compared to 1996, primarily due to decreased therm sales. Natural gas operations were negatively affected by a $0.8 million write-off of a natural gas transaction software program during the first quarter of 1997. Administrative and general expenses increased by $1.9 million in the first six months of 1997 compared to 1996, due primarily to accruals related to employee compensation.

ENERGY TRADING

Energy Trading income from operations decreased by $9.3 million, or 34%, in the second quarter of 1997 from the same period in 1996. The decrease was due to the expiration of older sales contracts with higher margins, lower unit margins on new sales contracts, lower hydroelectric generation, a $3.0 million PCA adjustment, higher transmission expenses and start-up costs at the two new non-regulated subsidiaries. Energy Trading's operating revenues and expenses increased by $35.9 million and $45.1 million, respectively, during the second quarter of 1997 as compared to 1996.

Energy Trading revenues increased due to new power contracts for long-term wholesale electric service and increased short-term sales. Revenues from long-term sales increased $9.1 million in the second quarter of 1997 over 1996, while revenues from short-term sales increased $24.1 million during the same period. Total sales volumes during the second quarter of 1997 increased 63% from the same period in 1996. Long-term sales volumes decreased 0.1 million mwhs, or 9%, while short-term sales increased by 1.7 million mwhs, or 119%.

Commitments under new long-term wholesale sales contracts and increased short-term sales, combined with increased costs under some long-term purchased power contracts, resulted in a $37.3 million increase in electric purchased power expense in the second quarter of 1997 over 1996, which accounts for the majority of the increase in Energy Trading's operating expenses. Hydroelectric generation for the second quarter of 1997 was slightly below that of the same period of 1996, which was the Company's highest year ever for hydroelectric generation.

Other operating and maintenance expenses increased $4.8 million in the second quarter of 1997 from the same period in 1996. The Idaho Power Cost Adjustment (PCA), which allows the Company to change prices to recover or rebate a portion of the difference between actual and allowed net power supply costs, increased expenses by $1.9 million during the second quarter of 1997 as compared to the same period in 1996, primarily due to a $3.0 million adjustment from prior periods. Transmission expense increased by $1.8 million in the second quarter of 1997 over 1996, due to a $1.1 million accrual related to prior periods and increased wholesale sales. Administrative and general expenses increased by $3.3 million in the second quarter of 1997 compared to 1996, due primarily to accruals related to employee compensation and higher regulatory fees.

Energy Trading income from operations decreased by $15.4 million, or 29%, in the first half of 1997 over the same period in 1996. The decrease was due to the expiration of older sales contracts with higher margins, lower unit margins on new sales contracts, lower hydroelectric generation, a $3.0 million PCA adjustment, higher transmission expenses and start-up costs at the two new non-regulated subsidiaries. Energy Trading's operating revenues and expenses increased by $65.1 million and $80.5 million, respectively, during the first six months of 1997 compared to 1996.

Energy Trading revenues increased due to new power contracts for long-term wholesale electric service and increased short-term sales. Revenues from long-term sales increased $16.1 million in the first six months of 1997 over 1996, while revenues from short-term sales increased $45.6 million during the same period. Total sales volumes during the first half of 1997 increased 76% over the same period in 1996, while average prices were down by approximately 5% from the first six months of 1996. Long-term sales volumes increased 0.3 million mwhs, or 15%, while short-term sales increased by 3.2 million mwhs, or 126%.

Purchased power expense increased $70.7 million, or 107%, in the first half of 1997 over 1996, which accounts for the majority of the year-to-date increase in Energy Trading's operating expenses. During the first six months of 1997, hydroelectric generation was 13% below that of the same period of 1996. Fuel costs increased $1.9 million in the first six months of 1997 compared to 1996 due to increased generation at thermal plants to support increased wholesale sales. Other operating and maintenance expenses increased $3.5 million in the first half of 1997 from the same period in 1996. PCA expenses decreased by $0.4 million in the first six months of 1997 from 1996, in spite of the adjustment in the second quarter, due to surcharges that were in effect in 1996 as compared to rebates in effect in 1997. Transmission expenses increased $2.1 million in the six-month period of 1997 over 1996 due to the second quarter accrual and increased wholesale sales. Administrative and general expenses increased by $4.4 million in the first half of 1997, compared to 1996, due primarily to the accruals and higher fees mentioned above.

NON-ENERGY OPERATIONS

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

Non-energy income available for common stock for the second quarter of 1997 was $3.1 million, which represents a $1.7 million increase from second quarter 1996 earnings. The 1997 earnings increase primarily resulted from a transactional gain totaling $2.0 million, net of taxes, recorded by Pentzer as a result of the sale of its interest in a portfolio company. Non-transactional income from portfolio companies in 1997 was lower than 1996 by $0.8 million. Non-energy operating revenues and expenses increased by $0.3 million and $1.8 million, respectively, during the second quarter of 1997 as compared to 1996 primarily as a result of increased business activity from Pentzer's portfolio companies. Income from operations totaled $2.0 million, which was a $1.4 million decrease in 1997 from 1996.

Non-energy income available for common stock for the first half of 1997 was $4.5 million, which represents an $8.7 million decrease from first half 1996 earnings. The 1996 earnings primarily resulted from a transactional gain totaling $10.8 million, net of taxes and other adjustments, recorded by Pentzer as a result of the sale of property by one of its subsidiary companies. Non-transactional income from portfolio companies in 1997 was down slightly from 1996. Non-energy operating revenues and expenses increased by $9.4 million and $10.0 million, respectively, during the first six months of 1997 as compared to 1996, primarily as a result of increased business activity from Pentzer's portfolio companies. Income from operations totaled $5.3 million, which was a $0.6 million decrease in 1997 from 1996.

- --

LIQUIDITY AND CAPITAL RESOURCES

OVERALL OPERATIONS

Operating Activities Net cash provided by operating activities in the first half of 1997 increased by $31.8 million from the same period in 1996 due in large part to the $27.4 million increase in net income from the income tax recovery. In addition, changes in various working capital components, such as increased payables and decreased receivables increased cashflows by $13.5 million over the same period of last year. When the effects of non-cash items, such as the increased provision for deferred income taxes from the income tax recovery and adjustments for depreciation and the FAS 109 regulatory asset are removed from net income, there is an additional increase in cash provided by operating activities. Power and natural gas cost deferrals decreased cashflows in 1997 as a result of PCA rebates in effect in 1997 as compared to surcharges in effect during the first half of 1996, increased natural gas prices during the first part of 1997 and reduced prices paid by natural gas customers in the current year.

Investing Activities Net cash used in investing activities totaled $35.1 million in the first six months of 1997 compared to $56.6 million in the same period in 1996. Cash used in investing activities was higher during the first half of 1996 as a result of the establishment of trusts totaling $10.8 million for postretirement medical benefits and coal reclamation costs and the $8.2 million net effect on cash flows of transactions related to the sale of property by Pentzer. Pentzer received a promissory note for a portion of the sale price of an industrial park in the first quarter of 1996.

Financing Activities Net cash used in financing activities totaled $81.6 million in the first six months of 1997 compared to $52.0 million in 1996. Bank borrowings were decreased by $85.0 million, preferred stock totaling $20.0 million was redeemed and $20.0 million of long-term debt was repurchased in the first half of 1997 with the proceeds of $110 million of Preferred Trust Securities which were issued in January and June of 1997. In addition, the Company used the net proceeds from the issuance of the Preferred Trust Securities to redeem all of the Company's $50,000,000 Series J Auction Rate Preferred Stock on August 7, 1997. See Note 2 of Notes to Financial Statements for additional information about these securities. The reduction of $28.6 million in Other-net reflects the repayment of short-term borrowings and long-term debt by Pentzer during 1997, as compared to increasing its borrowings in the first half of 1996.

ENERGY OPERATIONS

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

Capital expenditures are financed on an interim basis with short-term debt. The Company has $120 million in committed lines of credit, a reduction of $40 million from previous levels. In addition, the Company may borrow up to $60 million through other borrowing arrangements with banks. As of June 30, 1997, no balances were outstanding under any of these agreements and arrangements.

During the 1997-1999 period, energy capital expenditures are expected to be $239 million, and, in addition, $138.5 million will be required for long-term debt maturities and repurchases and preferred stock sinking fund requirements. During this three-year period, the Company estimates that internally-generated funds will provide approximately 113% of the funds needed for its capital expenditure program. External financing will be required to fund a portion of the maturing long-term debt and preferred stock sinking fund requirements. These estimates of capital expenditures are subject to continuing review and adjustment. Actual capital expenditures may vary from these estimates due to factors such as changes in business conditions, construction schedules and environmental requirements.

NON-ENERGY OPERATIONS

The non-energy operations have $77.0 million in short-term borrowing arrangements available ($12.7 million outstanding as of June 30, 1997) to fund corporate requirements on an interim basis. At June 30, 1997, the non-energy operations had $44.6 million in cash and marketable securities with $33.9 million in long-term debt outstanding.

The 1997-1999 non-energy capital expenditures are expected to be $12 million, and $30 million in debt will mature in this period. During the next three years, internally-generated cash and other debt obligations are expected to provide the majority of the funds for the non-energy capital expenditure requirements. These estimates of capital expenditures are subject to continuing review and adjustment. Actual capital expenditures may vary from these estimates due to factors such as changes in business conditions, acquisitions or sales of businesses and other transactions.

TOTAL COMPANY

The Company's total common equity increased by $44.9 million during the first six months of 1997 to $755.6 million, primarily due to a $40.5 million increase in retained earnings as a result of the income tax recovery. The Company's consolidated capital structure at June 30, 1997, was 40% debt, 13% preferred stock (including the new Preferred Trust Securities) and 47% common equity as compared to 48% debt, 7% preferred stock and 45% common equity at year-end 1996.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS.

The Company is including the following cautionary statement in this Form 10-Q to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "estimates," "expects," "intends," "plans," "predicts," and similar expressions. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Such risks and uncertainties include, among others, changes in the utility regulatory environment, wholesale and retail competition, weather conditions and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of the report. The Company expressly undertakes no obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based. See "Safe Harbor for Forward Looking Statements" in the Company's 1996 Form 10-K under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Outlook.

PART II. OTHER INFORMATION

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

The 1997 Annual Meeting of Shareholders of the Company was held on May 20, 1997. The re-election of directors with expiring terms and the election of two new directors were the only matters voted upon at the meeting. There were 55,960,360 shares of Common Stock issued and outstanding as of March 20, 1997, the proxy record date, with 47,902,930 shares represented at said meeting. The details of the voting are shown below:

	For	Against or Withheld
Re-election of Directors		
W. Lester Bryan	45,582,358	958,339
R. John Taylor	45,666,399	874,298
Election of New Directors		
Sarah M.R. (Sally) Jewell	45,601,399	939,298
John F. Kelly	45,599,467	941,230

ITEM 5. OTHER INFORMATION.

REGULATORY PROCEEDINGS.

Natural Gas General Rate Case The Company filed a natural gas general rate case in Washington in June 1997 seeking an overall natural gas price increase of $7.9 million to offset increases in the cost of maintaining and operating the Company's natural gas distribution system. The proposed price increases are not likely to go into effect until early 1998.

Power Cost Adjustment The Company filed a proposal with the IPUC to extend an existing 2.344% power cost adjustment rebate for 12 months. The rebate, which was originally intended to expire on August 31, 1997, would instead expire on August 31, 1998.

More Options for Power Services In February, the Company filed with the WUTC and the IPUC an experimental More Options for Power Services (MOPS) tariff to allow residents and businesses in the towns of Odessa and Harrington, Washington and approximately 2,800 other randomly selected residential and commercial customers in Washington and Idaho direct access to alternative energy providers. The WUTC and IPUC approved the two-year program, to begin in mid-1997. However, the Company will defer implementation of the random selection portion of the program until some later date due to lack of supplier participation. Two energy suppliers are currently in the process of marketing to the customers in Odessa and Harrington. It is unlikely that any alternative service will occur before early September. The program costs and margin losses associated with this program are not expected to have a material impact of the Company's financial condition or results of operations.

ADDITIONAL FINANCIAL DATA.

The following table reflects the ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred dividend requirements:

	12 Months Ended June 30, 1997	December 31, 1996
Ratio of Earnings to Fixed Charges	3.56 (x)	2.97 (x)
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	3.06 (x)	2.50 (x)

The Company has long-term purchased power arrangements with various Public Utility Districts and the interest expense components of these contracts are included in purchased power expenses. These interest amounts are not included in the fixed charges and would not have a material impact on fixed charges ratios.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

12 Computation of ratio of earnings to fixed charges and preferred dividend requirements.
27 Financial Data Schedule.

(b) Reports on Form 8-K.

Dated June 25, 1997, regarding the income tax recovery the Company received from the Internal Revenue Service.

SIGNATURE

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

THE WASHINGTON WATER POWER COMPANY
(Registrant)

Date: August 14, 1997

/s/ J. E. Eliassen

J. E. Eliassen
Senior Vice President and
Chief Financial Officer
(Principal Accounting and
Financial Officer)

EXHIBIT 12

THE WASHINGTON WATER POWER COMPANY

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

	12 Mos. Ended June 30, 1997	Years Ended December 31 1996	1995	1994	1993
Fixed charges, as defined:					
Interest on long-term debt	$ 62,439	$ 60,256	$ 55,580	$ 49,566	$ 47,129
Amortization of debt expense and premium - net	2,767	2,998	3,441	3,511	3,004
Interest portion of rentals	4,335	4,311	3,962	1,282	924
Total fixed charges	$ 69,541	$ 67,565	$ 62,983	$ 54,359	$ 51,057
Earnings, as defined:					
Net income from continuing ops	$110,899	$ 83,453	$ 87,121	$ 77,197	$ 82,776
Add (deduct):					
Income tax expense	67,369	49,509	52,416	44,696	42,503
Total fixed charges above	69,541	67,565	62,983	54,359	51,057
Total earnings	$247,809	$200,527	$202,520	$176,252	$176,336
Ratio of earnings to fixed charges	3.56	2.97	3.22	3.24	3.45
Fixed charges and preferred dividend requirements:					
Fixed charges above	$ 69,541	$ 67,565	$ 62,983	$ 54,359	$ 51,057
Preferred dividend requirements (2)	11,511	12,711	14,612	13,668	12,615
Total	$ 81,052	$ 80,276	$ 77,595	$ 68,027	$ 63,672
Ratio of earnings to fixed charges and preferred dividend requirements	3.06	2.50	2.61	2.59	2.77

(1) Interest on long-term debt includes the interest accrued for the new Preferred Trust Securities issued in 1997.

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

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE WASHINGTON WATER POWER COMPANY, INCLUDED IN THE QUARTERLY REPORT ON FORM 10-Q FOR THE SIX MONTHS ENDED JUNE 30, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-1997
JUN-30-1997
PER-BOOK
1,409,135
249,914
227,435
308,247
0
2,194,731
584,191
(300)
171,755
755,646
155,000
50,000
597,897
13,004
19,123
0
38,698
0
5,442
1,876
558,045
2,194,731
520,285
39,039
421,558
421,558
98,727
51,151
149,878
32,516
78,323
3,590
74,733
34,695
0
138,456
1.34
1.34

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