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 March 31, 1998

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 April 30, 1998, 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

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CONSOLIDATED STATEMENTS OF INCOME

The Washington Water Power Company

For the Three Months Ended March 31
Thousands of Dollars

	1998	1997
OPERATING REVENUES	$ 571,678	$ 284,046
OPERATING EXPENSES:		
Resource costs	408,855	124,575
Operations and maintenance	47,580	44,440
Administrative and general	26,225	18,554
Depreciation and amortization	17,659	17,462
Taxes other than income taxes	14,726	14,956
Total operating expenses	515,045	219,987
INCOME FROM OPERATIONS	56,633	64,059
OTHER INCOME (EXPENSE):		
Interest expense	(17,229)	(16,316)
Interest on income tax recovery	1,960	--
Net gain on subsidiary transactions	7,611	--
Other income (deductions)-net	3,166	6,814
Total other income (expense)-net	(4,492)	(9,502)
INCOME BEFORE INCOME TAXES	52,141	54,557
INCOME TAXES	19,909	24,709
NET INCOME	32,232	29,848
DEDUCT-Preferred stock dividend requirements	824	1,778
INCOME AVAILABLE FOR COMMON STOCK	$ 31,408	$ 28,070
Average common shares outstanding (thousands)	55,960	55,960
EARNINGS PER SHARE OF COMMON STOCK, BASIC AND DILUTED	$ 0.56	$ 0.50
Dividends paid per common share	$ 0.31	$ 0.31

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED BALANCE SHEETS

The Washington Water Power Company

Thousands of Dollars

	March 31, 1998	December 31, 1997
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,525	$ 30,593
Temporary cash investments	25,640	22,641
Accounts and notes receivable-net	185,758	176,882
Energy commodity assets	183,104	76,449
Materials and supplies, fuel stock and natural gas stored	39,138	42,148
Prepayments and other	34,682	28,130
Total current assets	500,847	376,843
UTILITY PROPERTY:		
Utility plant in service-net	2,052,475	2,031,026
Construction work in progress	34,214	37,446
Total	2,086,689	2,068,472
Less: Accumulated depreciation and amortization	647,986	635,349
Net utility plant	1,438,703	1,433,123
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	67,446	69,013
Non-utility properties and investments-net	244,649	208,149
Other-net	15,812	20,065
Total other property and investments	327,907	297,227
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	176,682	176,682
Conservation programs	52,093	53,338
Unamortized debt expense	23,339	23,978
Prepaid power purchases	14,773	18,134
Other-net	30,944	32,460
Total deferred charges	297,831	304,592
TOTAL	$2,565,288	$2,411,785
LIABILITIES AND CAPITALIZATION:		
CURRENT LIABILITIES:		
Accounts payable	$ 174,485	$ 154,312
Energy commodity liabilities	179,206	70,135
Taxes and interest accrued	57,923	35,705
Other	63,738	79,586
Total current liabilities	475,352	339,738
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	61,092	36,071
Deferred income taxes	360,644	352,749
Other deferred credits	19,402	17,230
Total non-current liabilities and deferred credits	441,138	406,050
CAPITALIZATION (See Consolidated Statements of Capitalization)	1,648,798	1,665,997
COMMITMENTS AND CONTINGENCIES (Note 5)		
TOTAL	$2,565,288	$2,411,785

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

The Washington Water Power Company

Thousands of Dollars

	March 31, 1998	December 31, 1997
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	211,500	211,500
Series B - 6.20% to 8.25% due 1999 through 2010	150,000	150,000
Total first mortgage bonds	445,200	445,200
Pollution Control Bonds:		
6% Series due 2023	4,100	4,100
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.58% due 1998 through 2007	52,500	52,500
Series B - 6.75% to 8.23% due 1999 through 2023	115,000	115,000
Total unsecured medium-term notes	167,500	167,500
Notes payable (due within one year) to be refinanced	80,500	108,500
Other	33,515	36,885
Total long-term debt	730,815	762,185
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES:		
7 7/8%, Series A, due 2037	60,000	60,000
Floating Rate, Series B, due 2037	50,000	50,000
Total company-obligated mandatorily redeemable preferred trust securities	110,000	110,000
PREFERRED STOCK-CUMULATIVE:		
10,000,000 shares authorized:		
Subject to mandatory redemption:		
$8.625 Series I; 100,000 shares outstanding ($100 stated value)	10,000	10,000
$6.95 Series K; 350,000 shares outstanding ($100 stated value)	35,000	35,000
Total subject to mandatory redemption	45,000	45,000
COMMON EQUITY:		
Common stock, no par value; 200,000,000 shares authorized; 55,960,360 shares outstanding	594,852	594,852
Note receivable from employee stock ownership plan	(10,008)	(9,750)
Capital stock expense and other paid in capital	(10,145)	(10,143)
Unrealized investment gain-net	2,349	2,077
Retained earnings	185,935	171,776
Total common equity	762,983	748,812
TOTAL CAPITALIZATION	$ 1,648,798	$ 1,665,997

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 Three Months Ended March 31
Thousands of Dollars

	1998	1997
OPERATING ACTIVITIES:		
Net income	$ 32,232	$ 29,848
NON-CASH ITEMS INCLUDED IN NET INCOME:		
Depreciation and amortization	17,659	17,462
Provision for deferred income taxes	7,870	9,609
Allowance for equity funds used during construction	(402)	(290)
Power and natural gas cost deferrals and amortizations	1,151	(8,658)
Gains/losses on sales and other-net	(8,468)	(3,903)
(Increase) decrease in working capital components:		
Receivables and prepaid expense	(32,459)	31,269
Materials & supplies, fuel stock and natural gas stored	3,010	2,415
Payables and other accrued liabilities	42,227	(5,762)
Other	(5,235)	3,771
NET CASH PROVIDED BY OPERATING ACTIVITIES	57,585	75,761
INVESTING ACTIVITIES:		
Construction expenditures (excluding AFUDC-equity funds)	(19,253)	(16,038)
Other capital requirements	(2,445)	(1,027)
(Increase) decrease in other noncurrent balance sheet items-net	2,923	7,236
Proceeds from sale of subsidiary investments	22,433	71
Assets acquired and investments in subsidiaries	(10,254)	(1,760)
NET CASH USED IN INVESTING ACTIVITIES	(6,596)	(11,518)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	(28,000)	(60,000)
Proceeds from issuance of preferred trust securities	--	60,000
Proceeds from issuance of long-term debt	6,000	--
Redemption and maturity of long-term debt	(6,000)	--
Cash dividends paid	(18,171)	(19,165)
Other-net	(2,886)	(18,287)
NET CASH USED IN FINANCING ACTIVITIES	(49,057)	(37,452)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,932	26,791
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	30,593	8,211
CASH & CASH EQUIVALENTS AT END OF PERIOD	$ 32,525	$ 35,002
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period:		
Interest	$ 14,655	$ 12,707
Income taxes	390	1,305
Noncash financing and investing activities:		
Property purchased under capitalized leases	244	91

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 March 31
Thousands of Dollars

	1998	1997
OPERATING REVENUES:		
Energy Delivery	$ 127,295	$ 119,397
Generation and Resources	126,910	125,441
National Energy Trading and Marketing	271,057	111
Non-energy	47,684	39,138
Intersegment eliminations	(1,268)	(41)
Total operating revenues	$ 571,678	$ 284,046
RESOURCE COSTS:		
Energy Delivery:		
Natural gas purchased for resale	$ 37,918	$ 32,339
Other	(1,226)	(433)
Generation and Resources:		
Power purchased	85,895	71,907
Fuel for generation	9,470	9,663
Other	12,315	11,099
National Energy Trading and Marketing:		
Cost of sales	264,483	--
Total resource costs (excluding Non-energy)	$ 408,855	$ 124,575
GROSS MARGINS:		
Energy Delivery	$ 90,603	$ 87,491
Generation and Resources	19,230	32,772
National Energy Trading and Marketing	6,574	111
Total gross margins (excluding Non-energy)	$ 116,407	$ 120,374
ADMINISTRATIVE AND GENERAL EXPENSES:		
Energy Delivery	$ 11,174	$ 11,522
Generation and Resources	3,522	3,802
National Energy Trading and Marketing	4,170	593
Non-energy	7,359	2,637
Total administrative and general expenses	$ 26,225	$ 18,554
DEPRECIATION AND AMORTIZATION EXPENSES:		
Energy Delivery	$ 8,678	$ 8,125
Generation and Resources	6,180	6,612
National Energy Trading and Marketing	163	23
Non-energy	2,638	2,702
Total depreciation and amortization expenses	$ 17,659	$ 17,462
INCOME/(LOSS) FROM OPERATIONS (PRE-TAX):		
Energy Delivery	$ 45,368	$ 42,183
Generation and Resources	6,767	19,507
National Energy Trading and Marketing	1,930	(990)
Non-energy	2,568	3,359
Total income from operations	$ 56,633	$ 64,059
INCOME AVAILABLE FOR COMMON STOCK:		
Energy Delivery and Generation and Resources	$ 22,268	$ 27,371
National Energy Trading and Marketing	2,050	(641)
Non-energy	7,090	1,340
Total income available for common stock	$ 31,408	$ 28,070

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS

The Washington Water Power Company

For the Three Months Ended March 31
Thousands of Dollars

	1998	1997
ASSETS: (1997 amounts at December 31)		
Energy Delivery	$ 1,051,694	$ 1,051,585
Generation and Resources	612,960	620,142
Other utility	254,249	255,012
National Energy Trading and Marketing	390,193	214,630
Non-energy	256,192	270,416
Total assets	$ 2,565,288	$ 2,411,785
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Energy Delivery	$ 16,032	$ 12,976
Generation and Resources	2,673	2,594
National Energy Trading and Marketing	160	--
Non-energy	2,475	1,144
Total capital expenditures	$ 21,340	$ 16,714

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of The Washington Water Power Company (Company) for the interim periods ended March 31, 1998 and 1997 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, 1997 (1997 Form 10-K).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (FAS No. 130), "Reporting Comprehensive Income." It requires companies to classify items of other comprehensive income by their nature in a financial statement and 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. For the three months ended March 31, 1998, changes in accumulated comprehensive income totaled $0.4 million, which consisted of $0.3 million from unrealized investment gains on available-for-sale securities and $0.1 million from the ESOP dividend tax savings.

NOTE 2. ENERGY COMMODITY TRADING

Notional Amounts and Terms The notional amounts and terms of Avista Energy's outstanding financial instruments at March 31, 1998 are set forth below:

	Fixed Price Payor	Fixed Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas (mmBTU)	481,177	389,466	13
Electric (MWh)	44,570	34,209	9

At March 31, 1998, Avista Energy also had sales and purchase commitments associated with contracts based on market prices totaling 263,981 mmBTUs, with terms extending up to 3 years. The fixed index electric transactions totaled 2,001 MWh.

Notional amounts reflect the volume of transactions but do not necessarily represent the amounts exchanged by the parties to the commodity derivative instruments. Accordingly, notional amounts do not accurately measure Avista Energy's exposure to market or credit risks. The maximum terms in years detailed above are not indicative of likely future cash flows as these positions may be offset in the markets at any time in response to Avista Energy's risk management needs.

Fair Value The fair value of Avista Energy's financial instruments as of March 31, 1998, and the average fair value of those instruments held during the three months ended March 31, 1998 are set forth below:

	Fair Value as of March 31, 1998				Average Fair Value for the three months ended March 31, 1998			
	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
	(thousands of dollars)							
Natural gas	74,241	19,716	75,738	16,954	43,155	11,462	43,436	9,723
Electric	108,863	28,565	103,468	22,649	63,282	16,604	59,339	12,989

The weighted average term of Avista Energy's natural gas and related commodity derivative instruments as of March 31, 1998 was approximately three months. The weighted average term of Avista Energy's electric commodity derivatives at March 31, 1998 was approximately twelve months. The change in the fair value position of Avista Energy's energy commodity portfolio, net of the reserves for credit and market risk from December 31, 1997 to March 31, 1998 was $2.5 million and is included on the Consolidated Statements of Income in operating revenues.

NOTE 3. NATIONAL ENERGY TRADING AND MARKETING EQUITY INVESTMENT

Effective August 1, 1997, Howard Energy Marketing, which serves customers in the upper Midwest and Northeast United States, and Avista Energy formed Howard/Avista Energy, LLC (Howard/Avista), a limited liability company in which Avista Energy has a 50% ownership. Avista Energy's initial equity investment in Howard/Avista was $25 million. The investment in Howard/Avista is accounted for using the equity method of accounting. Under this method, equity in the net income or losses of Howard/Avista is reflected in Other Income (Deductions)-net on the accompanying Consolidated Statements of Income for the quarter ended March 31, 1998. The net investment in the net assets of Howard/Avista is included in Non-utility Properties and Investments-net on the accompanying Consolidated Balance Sheets at March 31, 1998 and December 31, 1997.

The following selected financial information for Howard/Avista reflects that company's total financial position and operating results as of and for the three months ended March 31, 1998:

RESULTS OF OPERATIONS (thousands of dollars)

	Three months ended March 31, 1998
Revenues	$ 679,578
Operating Expenses	(678,555)
Other Income-net	649
Net Income (pre-tax)	$ 1,672
Avista Energy's equity in earnings of Howard/Avista Energy LLC (pre-tax)	$ 836

FINANCIAL POSITION (thousands of dollars)

	March 31, 1998	December 31, 1997
Current Assets	$370,285	$400,150
Other Assets	1,514	1,960
Total Assets	$371,799	$402,110
Current Liabilities	$316,213	$348,339
Other Liabilities	371	228
Total Liabilities	316,584	348,567
Equity	55,215	53,543
Total Liabilities and Equity	$371,799	$402,110
Avista Energy's equity investment in Howard/Avista Energy LLC (pre-tax)	$ 27,608	$ 26,772

NOTE 4. FINANCINGS

The Company has an effective Registration Statement covering up to $250 million of unsecured debt securities, to be issued as Medium-Term Notes, Series C.

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 5. COMMITMENTS AND CONTINGENCIES

The Company believes, based on the information presently known, the ultimate liability for the matters discussed in this note, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the consolidated financial position of the Company, but could be material to results of operations or cash flows for a particular quarter or annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular lawsuit. To-date, there have been no material developments since the 1997 Form 10-K was issued.

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, which is continuing.

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. The Clean-up Action Plan determined by the Department of Ecology (DOE) is underway, and remediation facilities have been constructed and installed and are being operated.

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 alleged that the oil released from the Company's Central Steamplant trespassed on property owned by the plaintiff. In addition, the plaintiff claimed 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. In December 1997, the settlement was restructured, certain amounts were paid, the litigation was dismissed with prejudice, a release was obtained, and other conditions remain to be fulfilled, none of which would affect the dismissal of this action.

The Company pursued recovery from insurers and has reached settlement with one of the two insurance carriers. On December 13, 1996, the Company filed a Complaint for declaratory relief and money damages against Underwriters at Lloyds of London (Lloyds), the remaining carrier, in Spokane County Superior Court. The purpose of this action is to seek a declaration of the insurance policies issued to the Company by Lloyds with respect to any liabilities of the Company for environmental damage associated with the oil spill at the Central Steam Plant and other environmental remediation efforts. The policies at issue were in effect during the period between 1926 and 1979; thereafter, the Company maintained its policies with a new underwriter, Aegis. The Company's Complaint seeks money damages in excess of $16 million.

ITRON LITIGATION

On August 19, 1997, a class action lawsuit was filed in the Superior Court of Spokane County against Itron, Inc. (Itron), and certain named individuals, as well as the Company, alleging violation of the Washington State Securities Act, the Washington Consumer Protection Act, and negligent misrepresentation. It is alleged that the Company was a controlling person of Itron by virtue of its ownership, at one time, of approximately 12% of the outstanding shares of Itron, and knew or should have known of the alleged false or misleading statements relating to the development of Itron's fixed network meter reading systems and the market therefor. This action has been temporarily stayed pending the determination of certain legal issues in a similar case filed in the U.S. District Court for the Eastern District of Washington, involving similar facts and circumstances, but which did not otherwise name the Company as a defendant.

SPOKANE GAS PLANT

The Company is participating with the Washington State Department of Transportation in an environmental study relating to the former Spokane Natural Gas Plant site (which was operated as a coal gasification plant for approximately 60 years until 1948) acquired by the Company through a merger in 1958. The Company no longer owns the property. Initial core samples taken from the site indicate environmental contamination at the site. At this time, the Company and other participants in the environmental study are in the process of determining the specific nature and extent of the contamination, and any necessary remedial action, as well as the cost thereof.

NOTE 6. ACQUISITIONS AND DISPOSITIONS

During the first quarter of 1998, Pentzer Corporation (Pentzer) sold Systran Financial Services, resulting in an after-tax gain of $5.5 million.

In early April, 1998, Pentzer completed the purchase of two new companies. Universal Showcase, Ltd., in Toronto, Canada and Triangle Systems, Inc., in New York, both produce store fixtures.

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

The Washington Water Power Company (Company) operates as a regional utility providing electric and natural gas sales and services and as a national entity providing both energy and non-energy products and services. The utility portion of the Company consists of two lines of business which are subject to state and federal price regulation -- (1) Energy Delivery and (2) Generation and Resources. The national businesses are conducted under Avista Corp., which is the parent company to the Company's subsidiaries.

The Energy Delivery line of business includes transmission and distribution services for retail electric operations, all natural gas operations, and other energy products and services. The Generation and Resources line of business includes the generation and production of electric energy, and short- and long-term electric and natural gas sales trading and wholesale marketing primarily to other utilities and power brokers in the Western Systems Coordinating Council.

Avista Corp. owns the Company's National Energy Trading and Marketing and Non-energy businesses. The National Energy Trading and Marketing businesses are conducted by Avista Energy and Avista Advantage. 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, such as consolidated billing and resource accounting, to commercial and industrial customers on a national basis. The Non-energy business is conducted primarily by Pentzer Corporation (Pentzer), which is the parent company to the majority of the Company's Non-energy businesses.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

First quarter 1998 net income available for common stock was $31.4 million, a $3.3 million increase from first quarter 1997 net income of $28.1 million. The increase in earnings was primarily the result of a $5.5 million transactional gain, net of taxes, from the sale of a portfolio company by Pentzer which occurred in the first quarter of 1998 and increased earnings from National Energy Trading and Marketing activities. The increase in earnings was partially offset by decreased earnings from Generation and Resources operations, due in large part to increased resource costs in the first quarter of 1998 as compared to the same period in 1997.

Earnings per share for the first quarter of 1998 were $0.56 as compared to $0.50 in the first quarter of 1997. Energy Delivery and Generation and Resources contributed $0.40 to earnings per share for the first quarter of 1998 compared to $0.49 in the first quarter of 1997. National Energy Trading and Marketing operations contributed $0.03 to earnings per share in the first quarter of 1998 compared to a loss of $0.01 in the same period in 1997. Non-energy operations contributed $0.13 to earnings per share for the first quarter of 1998 compared to $0.02 in the same period in 1997, due to a $0.10 per share contribution from the transactional gain discussed above.

Income taxes for the first quarter of 1998 decreased $4.8 million from the first quarter of 1997, primarily as a result of income tax adjustments made in the first quarter of 1997.

ENERGY DELIVERY

Energy Delivery's pre-tax income from operations increased $3.2 million, or 8%, in the first quarter of 1998 over the same period in 1997. The increase was primarily the result of the positive impact of a natural gas price increase effective January 1998 and lower operating expenses. Energy Delivery's operating revenues and expenses increased $7.9 million and $4.7 million, respectively, during the first quarter of 1998 as compared to 1997.

Retail electric revenues decreased $1.8 million in the first quarter of 1998 compared to the same period in 1997, primarily as a result of a revenue adjustment that occurred in the first quarter of 1997 and decreased customer usage in the first quarter of 1998 due to warmer than normal weather. Natural gas revenues increased $9.7 million in the first quarter of 1998 over 1997 due to a combination of customer growth and increased prices approved by the Washington Utilities and Transportation Commission (WUTC) in November 1997, which was effective January 1, 1998.

Total operating expenses increased $4.7 million in the first quarter of 1998 from 1997. Purchased natural gas costs increased $5.6 million in the first quarter of 1998, primarily from increased therm sales due to higher sales for resale and customer growth. Other operating expenses decreased slightly from the previous year primarily due to milder weather through the first quarter of 1998.

GENERATION AND RESOURCES

Generation and Resources' pre-tax income from operations decreased $12.7 million, or 65%, in the first quarter of 1998 from the same period in 1997. The decrease was primarily due to hydroelectric generation that was 31% lower in the first quarter of 1998 compared to 1997, which resulted in higher levels of purchased power to meet sales commitments. Streamflows in the first quarter of 1998 were 105% of normal, compared to 180% in the first quarter of 1997. In addition, prices for purchased power were 14% higher than in 1997.

Generation and Resources' revenues for the first quarter of 1998 increased $1.5 million over the same period in 1997. During 1997 there was a significant shift in product mix between short- and long-term sales which continued into 1998. Revenues from short-term sales, typically with smaller margins, increased $19.9 million, or 59%, while short-term sales volumes increased 543.3 million mwhs, or 22%, during the first quarter of 1998 over 1997, reflecting higher prices for purchased power in the region. Revenues from long-term sales, typically with higher margins, decreased $14.9 million, or 39%, while long-term sales volumes decreased 384.5 million mwhs, or 30%, during the same period.

Commitments under long-term wholesale sales contracts caused purchased power volumes to increase 5%, which, combined with purchased power costs 14% higher than last year, resulted in a $15.0 million, or 16%, increase in resource costs in the first quarter of 1998 over 1997. This increase accounts for the majority of the increase in Generation and Resources' operating expenses and the decline in gross margins and pre-tax operating income.

NATIONAL ENERGY TRADING AND MARKETING

National Energy Trading and Marketing includes the results of Avista Energy, the national energy marketing subsidiary, and Avista Advantage, the energy services subsidiary. Although both companies began incurring start-up costs during 1996, Avista Energy only became operational in July 1997. National Energy Trading and Marketing income available for common stock for the first quarter of 1998 was $2.1 million, which was a $2.7 million increase from first quarter 1997 earnings when start-up costs were being incurred. National Energy Trading and Marketing operating revenues and expenses increased $270.9 million and $268.0 million, respectively, during the first quarter of 1998 as compared to 1997 primarily as a result of Avista Energy beginning trading operations in July 1997.

NON-ENERGY

Non-energy operations primarily reflect the results of Pentzer. Non-energy income available for common stock for the first quarter of 1998 was $7.1 million, compared to first quarter 1997 earnings of $1.3 million. The 1998 earnings increase primarily resulted from a transactional gain totaling $5.5 million, net of taxes, recorded by Pentzer as a result of the sale of one of its portfolio companies, Systran Financial Services. Non-transactional income from portfolio companies in the first quarter of 1998 increased $0.4 million over 1997.

Non-energy operating revenues and expenses increased $8.5 million and $9.3 million, respectively, during the first quarter of 1998, as compared to 1997, primarily as a result of acquisitions and increased business activity from several of Pentzer's portfolio companies. Income from operations totaled $2.6 million, which was a $0.8 million decrease in 1998 from 1997. This decrease in earnings primarily reflects the reduction in earnings from the portfolio companies sold by Pentzer since the first quarter of 1997 and decreased business activities at several other companies.

LIQUIDITY AND CAPITAL RESOURCES

OVERALL OPERATIONS

Operating Activities Cash available from operating activities in the first quarter of 1998 decreased $18.2 million from the first quarter of 1997. Changes in various working capital components, such as decreased payables and increased receivables caused cashflows to decrease $24.2 million from the same period of last year, primarily due to Avista Energy's operations. Power and natural gas cost deferrals resulted in slightly increased cashflows in 1998 as compared to decreased cashflows in 1997 when natural gas prices were higher during the first quarter, natural gas customers paid reduced prices and PCA rebates were in effect. Gains/losses on sales and other-net decreased cashflows in 1998 due to non-cash gains on subsidiary transactions recorded by Pentzer and risk management activities by Avista Energy. See the Consolidated Statements of Cash Flows for additional details.

Investing Activities Cash used in investing activities totaled $6.6 million in the first quarter of 1998 compared to $11.5 million in the same period in 1997. Net cash used in investing activities was lower during the first quarter of 1998 primarily as a result of proceeds from the sale of subsidiary investments by Pentzer, partially offset by acquisitions made by Pentzer. See the Consolidated Statements of Cash Flows for additional information.

Financing Activities Cash used in financing activities totaled $49.1 million in the first quarter of 1998 compared to $37.5 million in 1997. Bank borrowings were reduced $28.0 million in the first quarter of 1998. Bank borrowings decreased $60.0 million in the first quarter of 1997 with the proceeds of $60 million of Preferred Trust Securities which were issued in January 1997. The reduction of $2.9 million and $18.3 million in Other-net for the first quarter of 1998 and 1997, respectively, reflects decreases in short and long-term debt by the non-energy companies.

ENERGY DELIVERY AND GENERATION AND RESOURCES OPERATIONS

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

The Company has an effective Registration Statement covering up to $250 million of unsecured debt securities, to be issued as Medium-Term Notes, Series C.

Capital expenditures are financed on an interim basis with notes payable (due within one year). The Company has $120 million in committed lines of credit. In addition, the Company may currently borrow up to $100 million through other borrowing arrangements with banks. As of March 31, 1998, $35.5 million was outstanding under the committed lines of credit, and $45.0 million was outstanding under other short-term borrowing arrangements.

NATIONAL ENERGY TRADING AND MARKETING OPERATIONS

The National Energy Trading and Marketing operations have a credit agreement with a commercial bank that is guaranteed by Avista Corp. The agreement is uncommitted with a demand feature exercisable by the bank at the bank's sole discretion. The maximum cash component of credit extended by the bank is $15 million, with availability of up to $50 million in the issuance of letters of credit. At March 31, 1998, there were no cash advances (demand notes payable) outstanding, and letters of credit outstanding under the facility totaled $3.6 million. At March 31, 1998, the National Energy Trading and Marketing operations had $9.3 million in cash and cash equivalents.

NON-ENERGY OPERATIONS

The non-energy operations have $21 million in short-term borrowing arrangements available ($14.1 million outstanding as of March 31, 1998) to fund corporate requirements on an interim basis. At March 31, 1998, the non-energy operations had $41.9 million in cash and marketable securities with $43.2 million in long-term debt outstanding.

TOTAL COMPANY

The Company's total common equity increased by $14.2 million during the first quarter of 1998 to $763.0 million, primarily due to increased retained earnings net of dividends declared. The Company's consolidated capital structure at March 31, 1998, was 44% debt, 10% preferred securities (including the Preferred Trust Securities) and 46% common equity as compared to 46% debt, 9% preferred securities and 45% common equity at year-end 1997.

The Company's current estimates for capital expenditures (as disclosed in the 1997 Form 10-K) do not include any funds that may be required if the Company were to be successful in acquiring additional generation capacity. The Company is continually evaluating opportunities as they become available and also continues to evaluate its overall resource portfolio to maximize the value of its resources and minimize its cost of generation.

Year 2000 The Company continues to move forward with a comprehensive program to address areas of risk associated with the year 2000. Systems and programs that may be affected by the year 2000 problem have been identified and activities are underway to make these systems year 2000 ready. At this time, it is the Company's assessment that all identified modifications that are within the Company's operating control will be made within the required time frames. Current estimates of costs remain within the initial range of estimated costs reported in the Company's 1997 Form 10-K.

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 1997 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 5. OTHER INFORMATION.

OTHER.

Federal Energy Regulatory Commission (FERC) Order On April 30, 1998, the FERC issued an order asserting that the Company and Avista Energy had violated Orders No. 888 and 889. The order directs the companies to show cause why, as a result of the alleged violations, the FERC should not require refunds of certain market-based power sales profits and, further, suspend, for six months, Avista Energy's use of its market-based power sales tariff for any transaction that would use the Company's transmission system.

Background: On October 30, 1997, Avista Energy submitted a request on the Company's open-access same-time information system (OASIS) for interruptible firm transmission service, pursuant to the Western Systems Power Pool agreement, to transmit 29 MW for a two-month period (November and December 1997). The Company and Avista Energy entered into a separate agreement to provide Avista Energy with interruptible firm service which, according to the show cause order, provided terms superior to the terms for non-firm service under the Company's pro forma tariff. The Company provided the wheeling under service schedule D of the Western Systems Power Pool agreement and was under the impression that neither the FERC's affiliate conduct requirements nor Avista Energy's and the Company's code of conduct precluded the Company from providing such service, but that the Company was required to make a separate filing pursuant to section 205 of the Federal Power Act. On November 28, 1997, the Company filed with the FERC the letter agreement under which it was providing the transmission service to Avista Energy. In a January 8, 1998, deficiency letter, the commission staff informed the Company that the proposed letter agreement failed to meet the requirement that Avista Energy must take service under the Company's open-access tariff as a condition of its market-based rate approval.

While the Company and Avista Energy consider any sanction a serious matter, the proposed sanctions would apply only to transactions utilizing the Company's transmission system in eastern Washington, northern Idaho and western Montana. It would not affect any other counterparty transactions or the on-going trading and marketing functions of Avista Energy. The amount of profits that the FERC proposed to be refunded would not be material to the consolidated financial position of the Company. The Company and Avista Energy have 14 days from the date of the order to respond.

ADDITIONAL FINANCIAL DATA.

At March 31, 1998, the total long-term debt of the Company and its consolidated subsidiaries, as shown in the Company's consolidated financial statements, was approximately $730.8 million. Of such amount, $167.5 million represents long-term unsecured and unsubordinated indebtedness of the Company, and $449.3 million represents secured indebtedness of the Company. The balance of $114.0 million includes short-term notes to be refinanced as well as indebtedness of subsidiaries. Consolidated long-term debt does not include the Company's subordinated indebtedness held by the issuers of Company-obligated preferred trust securities.

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	
	March 31, 1998	December 31, 1997
Ratio of Earnings to Fixed Charges	3.43(x)	3.49(x)
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	3.14(x)	3.12(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.

None.

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: May 14, 1998

/s/ J. E. Eliassen

J. E. Eliassen
Senior Vice President, Chief
Financial Officer and Treasurer
(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 March 31, 1998	Years Ended December 31 1997	1996	1995	1994
Fixed charges, as defined:					
Interest on long-term debt	$ 64,127	$ 63,413	$ 60,256	$ 55,580	$ 49,566
Amortization of debt expense and premium - net	2,916	2,862	2,998	3,441	3,511
Interest portion of rentals	4,372	4,354	4,311	3,962	1,282
Total fixed charges	$ 71,415	$ 70,629	$ 67,565	$ 62,983	$ 54,359
Earnings, as defined:					
Net income from continuing ops	$117,181	$114,797	$ 83,453	$ 87,121	$ 77,197
Add (deduct):					
Income tax expense	56,338	61,075	49,509	52,416	44,696
Total fixed charges above	71,415	70,629	67,565	62,983	54,359
Total earnings	$244,934	$246,501	$200,527	$202,520	$176,252
Ratio of earnings to fixed charges	3.43	3.49	2.97	3.22	3.24
Fixed charges and preferred dividend requirements:					
Fixed charges above	$ 71,415	$ 70,629	$ 67,565	$ 62,983	$ 54,359
Preferred dividend requirements(1)	6,572	8,261	12,711	14,612	13,668
Total	$ 77,987	$ 78,890	$ 80,276	$ 77,595	$ 68,027
Ratio of earnings to fixed charges and preferred dividend requirements	3.14	3.12	2.50	2.61	2.59

(1) 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 THREE MONTHS ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
DEC-31-1998
MAR-31-1998
PER-BOOK
1,438,703
327,907
500,847
297,831
0
2,565,288
584,844
(7,796)
185,935
762,983
45,000
110,000
606,916
94,645
26,456
0
20,330
0
6,943
1,779
890,236
2,565,288
571,678
19,909
515,045
515,045
56,633
12,737
69,370
17,229
32,232
824
31,408
17,348
0
57,585
0.56
0.56

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.