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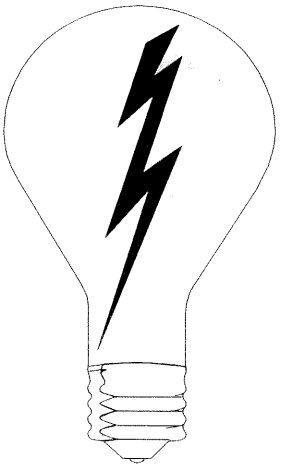
PUBLIC SERVICE COMMISSION

YEAR 1998

ANNUAL REPORT
OF

The Washington Water Power Company

ELECTRIC UTILITY



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

Check No. 826140
Avista Corp.

REVISED JULY 28, 1998

YEAR 1998

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PUBLIC SERVICE
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OF

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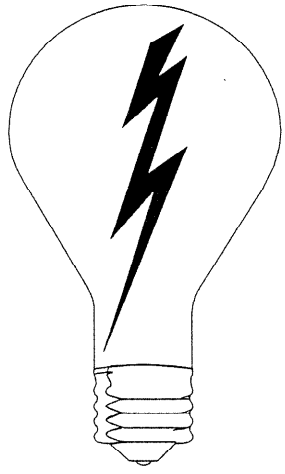

TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

REVISED JULY 28, 1998

IDENTIFICATION

1998

1 Legal Name of Respondent:	Avista Corporation (formerly The Washington Water Power Company)
2. Name Under Which Respondent Does Business:	Avista Corp.
3. Date Utility Service First Offered in Montana	July, 1960
4. Address to send Correspondence Concerning Report:	1411 E. Mission Ave. P. O. Box 3727 Spokane, WA 99220
5. Person Responsible for This Report:	Ronald R. Peterson, Vice President and Treasurer
5a. Telephone Number:	(509) 495-4171

Control Over Respondent

1. If direct control over the respondent was held by another entity at the end of year provide the following:
   1a. Name and address of the controlling organization or person:

   1b. Means by which control was held:

   1c. Percent Ownership:

SCHEDULE 2

Board of Directors

Line No.	Name of Director and Address (City, State) (a)		Remuneration (b)
1	Thomas M. Matthews (1)	1411 E. Mission Avenue, Spokane, WA 99202	$1,354,808
2	David A. Clack	325 E. Sprague Avenue, Spokane, WA 99202	$70,000
3	Duane B. Hagadone (2)	P. O. Box 6200, Coeur d'Alene, ID 83816	$38,100
4	Sarah M. R. Jewell	1201 Third Ave., Suite 1000, Seattle, WA 98101	$56,400
5	John F. Kelly	19300 Pacific Highway S., Seattle, WA 98168	$63,600
6	Eugene W. Meyer	3 Plumbridge Lane, Hilton Head Island, SC 29928	$70,667
7	Bobby Schmidt	C-6 The Village at Wexford, Hilton Head Island, SC 29928	$61,200
8	Larry A. Stanley	311 W. 32nd Avenue, Spokane, WA 99203	$64,000
9	R. John Taylor	P. O. Box 538, Lewiston, ID 83501	$49,396
10	Daniel J. Zaloudek	8405 S. Canton, Tulsa, OK 74137	$8,600
11	Paul A. Redmond (3)	1411 E. Mission Avenue, Spokane, WA 99202	$787,179
12	W. Lester Bryan (4)	1411 E. Mission Avenue, Spokane, WA 99202	$295,308
13			
14			
15	(1) Mr. Matthews is Chairman of the Board, President and Chief Executive Officer		
16	(2) Mr. Hagadone resigned in May 1998		
17	(3) Mr. Redmond retired in May 1998		
18	(4) Mr. Bryan retired in September 1998		
19			
20			

Officers

1998

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1			
2	Chairman of the Board, President &	-	Thomas M. Matthews
3	Chief Executive Officer		
4			
5	Senior Vice President & Chief	Finance	Jon E. Eliassen
6	Financial Officer		
7			
8	Senior Vice President & General	Generation & Resources and	Gary G. Ely
9	Manager - Energy Trading &	Avista Energy	
10	Market Services		
11			
12	Senior Vice President & General	-	David J. Meyer
13	Counsel		
14			
15	Vice President - External Relations	External Relations	Robert D. Fukai
16			
17	Vice President - Human Resources	Human Resources	JoAnn G. Matthiesen
18			
19	Vice President & Treasurer	Finance	Ronald R. Peterson
20			
21	Vice President & Corporate Secretary	Shareholder Relations	Terry L. Syms
22			
23	Vice President & General Manager -	Energy Delivery	Edward H. Turner
24	Energy Delivery		
25			
26	Vice President - Corporate	Corporate Development	Roger D. Woodworth
27	Development		
28			
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CORPORATE STRUCTURE

1998

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1				
2	Avista Capital	Parent company to all of the	23,137,335	100.00%
3		Company's non-regulated		
4		subsidiaries		
5				
6				
7	Pentzer Corporation	Within Avista Capital; holding		
8		company to all the Company's		
9		subsidiaries, except those listed		
10		below		
11				
12				
13	Avista Energy	Wholesale power marketing		
14				
15				
16	Avista Energy Canada	Wholesale power marketing		
17				
18				
19	Avista Advantage	Provides various energy services		
20				
21				
22	Avista Development	Non-operating		
23				
24				
25	Avista Fiber	Designs, builds and manages		
26		metropolitan area fiber optic		
27		cable network		
28				
29				
30	Avista Labs	Developing alternative energy		
31		energy products and related R&D		
32				
33				
34	Avista International	Non-operating		
35				
36				
37	Altus Corporation	Non-operating		
38				
39				
40	Avista Power	Purchase and develop generating		
41		facilities		
42				
43				
44	Avista Communications	Local telecommunications		
45				
46				
47				
48				
49				
50	**TOTAL**		23,137,335	

CORPORATE ALLOCATIONS

1998

	Items Allocated	Classification	Allocation Method	$ to MT Utility	MT %	$ to Other
1						
2						
3			Not Applicable			
4						
5						
6						
7						
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33						
34	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY 1998

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1						
2						
3	Not Applicable					
4						
5						
6						
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31						
32	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

1998

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1						
2						
3	Not Applicable					
4						
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31						
32	TOTAL					

MONTANA UTILITY INCOME STATEMENT 1998

	Account Number & Title		Last Year	This Year	% Change
1	400	Operating Revenues	5,002,115	16,438,545	228.63%
2					
3		Operating Expenses			
4	401	Operation Expenses	23,065,631	25,490,277	10.51%
5	402	Maintenance Expense	4,152,433	4,215,550	1.52%
6	403	Depreciation Expense	8,461,242	9,041,118	6.85%
7	404-405	Amortization of Electric Plant	None/not alloc	None/not alloc	
8	406	Amort. of Plant Acquisition Adjustments	None/not alloc	None/not alloc	
9	407	Amort. of Property Losses, Unrecovered	None/not alloc	None/not alloc	
10		Plant & Regulatory Study Costs			
11	408.1	Taxes Other Than Income Taxes	9,302,579	9,196,632	-1.14%
12	409.1	Income Taxes - Federal	None/not alloc	None/not alloc	
13		- Other	1,004,182	227,779	-77.32%
14	410.1	Provision for Deferred Income Taxes	None/not alloc	None/not alloc	
15	411.1	(Less) Provision for Def. Inc. Taxes - Cr.	None/not alloc	None/not alloc	
16	411.4	Investment Tax Credit Adjustments	None/not alloc	None/not alloc	
17	411.6	(Less) Gains from Disposition of Utility Plant	None/not alloc	None/not alloc	
18	411.7	Losses from Disposition of Utility Plant	None/not alloc	None/not alloc	
19					
20		**TOTAL Utility Operating Expenses**	45,986,067	48,171,356	4.75%
21		**NET UTILITY OPERATING INCOME**	(40,983,952)	(31,732,811)	22.57%

MONTANA REVENUES

SCHEDULE 9

	Account Number & Title		Last Year	This Year	% Change
1		Sales of Electricity			
2	440	Residential	8,091	7,546	-6.74%
3	442	Commercial & Industrial - Small	2,381	1,899	-20.24%
4		Commercial & Industrial - Large			
5	444	Public Street & Highway Lighting			
6	445	Other Sales to Public Authorities			
7	446	Sales to Railroads & Railways			
8	448	Interdepartmental Sales	5,203	4,554	-12.47%
9					
10		**TOTAL Sales to Ultimate Consumers**	15,675	13,999	-10.69%
11	447	Sales for Resale	3,321,841	14,783,259	345.03%
12					
13		**TOTAL Sales of Electricity**	3,337,516	14,797,258	343.36%
14	449.1	(Less) Provision for Rate Refunds			
15					
16		**TOTAL Revenue Net of Provision for Refunds**	3,337,516	14,797,258	343.36%
17		Other Operating Revenues			
18	450	Forfeited Discounts & Late Payment Revenue			
19	451	Miscellaneous Service Revenues			
20	453	Sales of Water & Water Power	12,077	14,642	21.24%
21	454	Rent From Electric Property	131,929	129,677	-1.71%
22	455	Interdepartmental Rents			
23	456	Other Electric Revenues	1,520,593	1,496,968	-1.55%
24					
25		**TOTAL Other Operating Revenues**	1,664,599	1,641,287	-1.40%
26		**Total Electric Operating Revenues**	5,002,115	16,438,545	228.63%

MONTANA OPERATION & MAINTENANCE EXPENSES

1998

	Account Number & Title		Last Year	This Year	% Change
1		Power Production Expenses			
2					
3	Steam Power Generation				
4	Operation				
5	500	Operation Supervision & Engineering	234,183	177,841	-24.06%
6	501	Fuel	9,800,981	11,638,197	18.75%
7	502	Steam Expenses	952,291	1,040,391	9.25%
8	503	Steam from Other Sources	9,329	(206)	-102.21%
9	504	(Less) Steam Transferred - Cr.			
10	505	Electric Expenses	468,456	456,660	-2.52%
11	506	Miscellaneous Steam Power Expenses	810,102	940,005	16.04%
12	507	Rents	33		-100.00%
13					
14		TOTAL Operation - Steam	12,275,375	14,252,888	16.11%
15					
16	Maintenance				
17	510	Maintenance Supervision & Engineering	229,223	132,208	-42.32%
18	511	Maintenance of Structures	340,335	293,649	-13.72%
19	512	Maintenance of Boiler Plant	1,576,729	1,642,459	4.17%
20	513	Maintenance of Electric Plant	564,699	336,837	-40.35%
21	514	Maintenance of Miscellaneous Steam Plant	256,228	304,517	18.85%
22					
23		TOTAL Maintenance - Steam	2,967,214	2,709,670	-8.68%
24					
25		**TOTAL Steam Power Production Expenses**	15,242,589	16,962,558	11.28%
26					
27	Nuclear Power Generation				
28	Operation				
29	517	Operation Supervision & Engineering			
30	518	Nuclear Fuel Expense			
31	519	Coolants & Water			
32	520	Steam Expenses			
33	521	Steam from Other Sources			
34	522	(Less) Steam Transferred - Cr.			
35	523	Electric Expenses			
36	524	Miscellaneous Nuclear Power Expenses			
37	525	Rents			
38					
39		TOTAL Operation - Nuclear			
40					
41	Maintenance				
42	528	Maintenance Supervision & Engineering			
43	529	Maintenance of Structures			
44	530	Maintenance of Reactor Plant Equipment			
45	531	Maintenance of Electric Plant			
46	532	Maintenance of Miscellaneous Nuclear Plant			
47					
48		TOTAL Maintenance - Nuclear			
49					
50		**TOTAL Nuclear Power Production Expenses**			

MONTANA OPERATION & MAINTENANCE EXPENSES

1998

	Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses -continued				
2	Hydraulic Power Generation				
3	Operation				
4	535	Operation Supervision & Engineering	176,697	196,664	11.30%
5	536	Water for Power			
6	537	Hydraulic Expenses	81,981	22,751	-72.25%
7	538	Electric Expenses	602,840	614,407	1.92%
8	539	Miscellaneous Hydraulic Power Gen. Expenses	168,550	110,159	-34.64%
9	540	Rents			
10					
11		TOTAL Operation - Hydraulic	1,030,068	943,981	-8.36%
12					
13	Maintenance				
14	541	Maintenance Supervision & Engineering	77,670	153,509	97.64%
15	542	Maintenance of Structures	77,112	68,861	-10.70%
16	543	Maint. of Reservoirs, Dams & Waterways	471,990	625,216	32.46%
17	544	Maintenance of Electric Plant	385,785	390,654	1.26%
18	545	Maintenance of Miscellaneous Hydro Plant	30,333	35,515	17.08%
19					
20		TOTAL Maintenance - Hydraulic	1,042,890	1,273,755	22.14%
21					
22		**TOTAL Hydraulic Power Production Expenses**	2,072,958	2,217,736	6.98%
23					
24	Other Power Generation				
25	Operation				
26	546	Operation Supervision & Engineering			
27	547	Fuel			
28	548	Generation Expenses			
29	549	Miscellaneous Other Power Gen. Expenses	783	2,695	244.19%
30	550	Rents	126	151	19.84%
31					
32		TOTAL Operation - Other	909	2,846	213.09%
33					
34	Maintenance				
35	551	Maintenance Supervision & Engineering			
36	552	Maintenance of Structures			
37	553	Maintenance of Generating & Electric Plant			
38	554	Maintenance of Misc. Other Power Gen. Plant			
39					
40		TOTAL Maintenance - Other			
41					
42		**TOTAL Other Power Production Expenses**	909	2,846	213.09%
43					
44	Other Power Supply Expenses				
45	555	Purchased Power	7,655,335	8,705,788	13.72%
46	556	System Control & Load Dispatching	-	29,401	
47	557	Other Expenses	-	-	
48					
49		TOTAL Other Power Supply Expenses	7,655,335	8,735,189	14.11%
50					
51		**TOTAL Power Production Expenses**	24,971,791	27,918,329	11.80%

MONTANA OPERATION & MAINTENANCE EXPENSES

1998

	Account Number & Title		Last Year	This Year	% Change
1		Transmission Expenses			
2	Operation				
3	560	Operation Supervision & Engineering	7,983	9,792	22.66%
4	561	Load Dispatching	31,757	26,650	-16.08%
5	562	Station Expenses	364,616	17,430	-95.22%
6	563	Overhead Line Expenses	11,061	16,293	47.30%
7	564	Underground Line Expenses			
8	565	Transmission of Electricity by Others	226,007	344,133	52.27%
9	566	Miscellaneous Transmission Expenses			
10	567	Rents	77,508	85,399	10.18%
11					
12		TOTAL Operation - Transmission	718,932	499,697	-30.49%
13	Maintenance				
14	568	Maintenance Supervision & Engineering	9,743	17,917	83.90%
15	569	Maintenance of Structures	381	63	-83.46%
16	570	Maintenance of Station Equipment	65,701	57,472	-12.52%
17	571	Maintenance of Overhead Lines	50,735	92,744	82.80%
18	572	Maintenance of Underground Lines			
19	573	Maintenance of Misc. Transmission Plant			
20					
21		TOTAL Maintenance - Transmission	126,560	168,196	32.90%
22					
23		**TOTAL Transmission Expenses**	845,492	667,893	-21.01%
24					
25		Distribution Expenses			
26	Operation				
27	580	Operation Supervision & Engineering			
28	581	Load Dispatching			
29	582	Station Expenses	1,514		-100.00%
30	583	Overhead Line Expenses		325	
31	584	Underground Line Expenses			
32	585	Street Lighting & Signal System Expenses			
33	586	Meter Expenses			
34	587	Customer Installations Expenses			
35	588	Miscellaneous Distribution Expenses			
36	589	Rents			
37					
38		TOTAL Operation - Distribution	1,514	325	-78.53%
39	Maintenance				
40	590	Maintenance Supervision & Engineering	5,306		-100.00%
41	591	Maintenance of Structures			
42	592	Maintenance of Station Equipment	145	329	126.90%
43	593	Maintenance of Overhead Lines	10,228	35,347	245.59%
44	594	Maintenance of Underground Lines	90		-100.00%
45	595	Maintenance of Line Transformers			
46	596	Maintenance of Street Lighting, Signal Systems			
47	597	Maintenance of Meters			
48	598	Maintenance of Miscellaneous Dist. Plant			
49					
50		TOTAL Maintenance - Distribution	15,769	35,676	126.24%
51					
52		**TOTAL Distribution Expenses**	17,283	36,001	108.30%

MONTANA OPERATION & MAINTENANCE EXPENSES

1998

	Account Number & Title	Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision			
4	902 Meter Reading Expenses			
5	903 Customer Records & Collection Expenses			
6	904 Uncollectible Accounts Expenses			
7	905 Miscellaneous Customer Accounts Expenses			
8				
9	TOTAL Customer Accounts Expenses			
10				
11	Customer Service & Information Expenses			
12	Operation			
13	907 Supervision			
14	908 Customer Assistance Expenses			
15	909 Informational & Instructional Adv. Expenses			
16	910 Miscellaneous Customer Service & Info. Exp.			
17				
18	TOTAL Customer Service & Info Expenses			
19				
20	Sales Expenses			
21	Operation			
22	911 Supervision			
23	912 Demonstrating & Selling Expenses			
24	913 Advertising Expenses			
25	916 Miscellaneous Sales Expenses			
26				
27	TOTAL Sales Expenses			
28				
29	Administrative & General Expenses			
30	Operation			
31	920 Administrative & General Salaries	26,865	38,491	43.28%
32	921 Office Supplies & Expenses	9,127	36,602	301.03%
33	922 (Less) Administrative Expenses Transferred - Cr.	-	-	
34	923 Outside Services Employed	52,256	84,405	61.52%
35	924 Property Insurance	92,940	89,002	-4.24%
36	925 Injuries & Damages	1,427	14,443	912.12%
37	926 Employee Pensions & Benefits	1,331	14,902	1019.61%
38	927 Franchise Requirements	-	-	
39	928 Regulatory Commission Expenses	1,149,228	775,741	-32.50%
40	929 (Less) Duplicate Charges - Cr.	-	-	
41	930.1 General Advertising Expenses	3,273	-	-100.00%
42	930.2 Miscellaneous General Expenses	-	1,765	
43	931 Rents			
44				
45	TOTAL Operation - Admin. & General	1,336,447	1,055,351	-21.03%
46	Maintenance			
47	935 Maintenance of General Plant	47,051	28,253	-39.95%
48				
49	**TOTAL Administrative & General Expenses**	1,383,498	1,083,604	-21.68%
50				
51	**TOTAL Operation & Maintenance Expenses**	27,218,064	29,705,827	9.14%

MONTANA TAXES OTHER THAN INCOME

1998

	Description of Tax	Last Year	This Year	% Change
1	Real and Personal Property Tax	8,573,565	8,526,935	-0.54%
2				
3	Kilowatt Hour Tax	717,933	657,626	-8.40%
4				
5	Unemployment Tax	4,729	3,644	-22.94%
6				
7	Motor Vehicle Tax	3,899	2,461	-36.88%
8				
9	Consumer Council Tax	2,433	5,944	144.31%
10				
11	Public Commission Tax	20	22	10.00%
12				
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51	**TOTAL MT Taxes Other Than Income**	9,302,579	9,196,632	-1.14%

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES 1998

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	American Public Land Exchange	Environmental Consulting	108,595		
2	Applied Archaelogical	Hydro Relicensing Consulting	34,747		
3	Beacon Hill Partners	Proxy Solicitation	33,974		
4	Beak Consultants, Inc.	Hydro Relicensing Consultants	153,263		
5	Belles Consulting	Computer Services & Consulting	226,961		
6					
7	CJ Design	Computer Services & Consulting	102,763		
8	Davis Wright Tremaine LLP	Legal	132,132		
9	Deloitte & Touche	Independent Accountants	1,065,828		
10	Donelan, Cleary, Wood & Maser PC	Legal	83,539		
11	Geraghty & Miller, Inc.	Environmental Consulting	81,755		
12					
13	Glenn Monigle & Associates Inc.	Graphic Design Services & Consulting	104,874		
14	Gordon Murray Tilden	Legal	197,176		
15	Henwood Energy Services, Inc.	Energy Services Consulting	47,140		
16	Kleinschmidt Associates	Fish Consultants	67,429		
17	Landau Assoc.	Environmental & Engineering Consulting	496,138		
18					
19	Lukas & Ayer, Inc.	Hydro Relicensing Consulting	380,346		
20	M Group Environmental Services	Environmental & Engineering Consulting	183,789		
21	McHugh & Associates	Legal	32,196		
22	Merrill Corporating	Proxy Solicitation	212,282		
23	MW Consulting Engineers	Consulting Engineers	71,770		
24					
25	Olympus Environmental, Inc.	Environmental & Engineering Consulting	26,177		
26	Paine, Hamblen, Coffin, Brooke & Miller	Legal	2,206,416		
27	Patricia A. Newman	Leadership Consulting	37,929		
28	Quality Resource & Services Inc.	Payroll Servicing	153,997		
29	Raytheon Engineers & Constructors	Consulting Engineers	26,140		
30					
31	Reid & Priest	Legal	621,370		
32	SSR Inc. Engineers	Consulting Engineers	134,665		
33	Standard & Poor Corp	Business Consulting	65,322		
34	Technical Assistance Service	Business Consulting	45,000		
35	Thomas Dean & Hoskins Inc.	Engineering Consultants	98,989		
36					
37	Trout Unlimited	Hydro Relicensing Consulting	73,500		
38	Utilities International, Inc.	Management Consultants	41,115		
39	Vander Stoep Remund	Legal	56,304		
40	Watson Wyatt & Company	Legal	48,077		
41	Welsh & Katz LTD	Legal	25,984		
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54					
55	TOTAL Payments for Services		7,477,683		

POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS 1998

	Description	Total Company	Montana	% Montana
1	Committee to Elect Al Bishop	$ 100.00	$ 100.00	
2				
3	Committee to Elect Jack Wells	$ 100.00	$ 100.00	
4				
5	Committee to Elect Ric Holden	$ 100.00	$ 100.00	
6				
7	Committee to Elect Dan Fuchs	$ 100.00	$ 100.00	
8				
9	Committee to Elect Haley Beaudry	$ 100.00	$ 100.00	
10				
11	Committee to Elect Tim Dowell	$ 100.00	$ 100.00	
12				
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49				
50	**TOTAL Contributions**	$ 600.00	$ 600.00	

Pension Costs

1998

1	Plan Name The Retirement Plan for Employees of Avista Corporation			
2	Defined Benefit Plan? Yes	Defined Contribution Plan? No		
3	Actuarial Cost Method? Yes	IRS Code: 001		
4	Annual Contribution by Employer: $ -0-	Is the Plan Over Funded? Yes		
5				
	Item	Current Year	Last Year	% Change
6	**Change in Benefit Obligation**			
7	Benefit obligation at beginning of year	155,565	143,237	-7.92%
8	Service cost	4,982	4,761	-4.44%
9	Interest Cost	11,247	10,601	-5.74%
10	Plan participants' contributions	-	-	
11	Amendments	5,454	-	-100.00%
12	Actuarial Gain	10,088	4,930	-51.13%
13	Acquisition	-	-	
14	Benefits paid	(8,747)	(7,964)	8.95%
15	Benefit obligation at end of year	178,589	155,565	-12.89%
16	**Change in Plan Assets**			
17	Fair value of plan assets at beginning of year	166,242	149,846	-9.86%
18	Actual return on plan assets	21,384	21,042	-1.60%
19	Acquisition	-	-	
20	Employer contribution	-	3,318	
21	Plan participants' contributions	-	-	
22	Benefits paid	(8,747)	(7,964)	8.95%
23	Fair value of plan assets at end of year	178,879	166,242	-7.06%
24	**Funded Status**	290	10,677	3581.72%
25	Unrecognized net actuarial loss	(19,767)	(23,802)	-20.41%
26	Unrecognized prior service cost	19,455	15,655	-19.53%
27	Unrecognized net transition obligation/(asset)	(7,015)	(8,101)	-15.48%
28	Prepaid (accrued) benefit cost	(7,037)	(5,571)	20.83%
29				
30	**Weighted-average Assumptions as of Year End**			
31	Discount rate	6.75%	7.25%	7.41%
32	Expected return on plan assets	9.00%	9.00%	
33	Rate of compensation increase	4.00%	4.00%	
34				
35	**Components of Net Periodic Benefit Costs**			
36	Service cost	4,982	4,761	-4.44%
37	Interest cost	11,247	10,601	-5.74%
38	Expected return on plan assets	(14,768)	(13,152)	10.94%
39	Transition (asset)/obligation recognition	(1,086)	(1,086)	
40	Amortization of prior service cost	1,654	1,365	-17.47%
41	Recognized net actuarial loss	(562)	(265)	52.85%
42	Net periodic benefit cost	1,467	2,224	51.60%
43				
44	**Montana Intrastate Costs:**			
45	Pension Costs	Not available by state		
46	Pension Costs Capitalized			
47	Accumulated Pension Asset (Liability) at Year End			
48	**Number of Company Employees:**			
49	Covered by the Plan	2,393	2,281	-4.68%
50	Not Covered by the Plan			
51	Active	1,310	1,272	-2.90%
52	Retired	756	738	-2.38%
53	Deferred Vested Terminated	327	271	-17.13%

Other Post Employment Benefits (OPEBS)

1998

	Item	Current Year	Last Year	% Change
1	**Regulatory Treatment:**			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	**Weighted-average Assumptions as of Year End**			
7	Discount rate	6.75%	7.25%	7.41%
8	Expected return on plan assets	9.00%	9.00%	
9	Medical Cost Inflation Rate	5.00%	5.00%	
10	Actuarial Cost Method	Proj Unit Credit	Proj Unit Credit	
11	Rate of compensation increase			
12	**List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:**			
13	**VEBA - Yes**			
14				
15	**Describe any Changes to the Benefit Plan:**			
16				
17	**TOTAL COMPANY**			
18	**Change in Benefit Obligation**			
19	Benefit obligation at beginning of year	31,802	30,977	-2.59%
20	Service cost	585	637	8.89%
21	Interest Cost	2,100	2,247	7.00%
22	Plan participants' contributions	-	-	
23	Amendments	-	(1,389)	
24	Actuarial Gain	108	1,359	1158.33%
25	Acquisition	-	-	
26	Benefits paid	(2,250)	(2,029)	9.82%
27	Benefit obligation at end of year	32,345	31,802	-1.68%
28	**Change in Plan Assets**			
29	Fair value of plan assets at beginning of year	11,098	5,388	-51.45%
30	Actual return on plan assets	1,374	973	-29.18%
31	Acquisition	-	-	
32	Employer contribution	731	5,016	586.18%
33	Plan participants' contributions	-	-	
34	Benefits paid	(744)	(279)	62.50%
35	Fair value of plan assets at end of year	12,459	11,098	-10.92%
36	**Funded Status**	(19,886)	(20,704)	-4.11%
37	Unrecognized net actuarial loss	(5,626)	(5,639)	-0.23%
38	Unrecognized net transition obligation/(asset)	21,467	23,000	7.14%
39	Prepaid (accrued) benefit cost	(4,045)	(3,343)	17.35%
40	**Components of Net Periodic Benefit Costs**			
41	Service cost	585	637	8.89%
42	Interest cost	2,100	2,247	7.00%
43	Expected return on plan assets	(953)	(973)	-2.10%
44	Transition (asset)/obligation recognition	1,533	1,570	2.41%
45	Amortization of prior service cost	-	13	
46	Recognized net actuarial loss	(326)	(248)	23.93%
47	Asset gain deferred	-	336	
48	Net periodic benefit cost	2,939	3,582	21.88%
49	**Accumulated Post Retirement Benefit Obligation**			
50	Amount Funded through VEBA	12,459,000	11,098,000	-10.92%
51	Amount Funded through 401(h)			
52	Amount Funded through Other _____			
53	TOTAL	12,459,000	11,098,000	-10.92%
54	Amount that was tax deductible - VEBA	12,459,000	11,098,000	-10.92%
55	Amount that was tax deductible - 401(h)			
56	Amount that was tax deductible - Other _____			
57	TOTAL	12,459,000	11,098,000	-10.92%

Other Post Employment Benefits (OPEBS) Continued

1998

	Item	Current Year	Last Year	% Change
1	**Number of Company Employees:**			
2	Covered by the Plan	1,923	1,856	-3.48%
3	Not Covered by the Plan			
4	Active	1,310	1,272	-2.90%
5	Retired	613	584	-4.73%
6	Spouses/Dependants covered by the Plan			
7	**Montana**			
8	**Change in Benefit Obligation**			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost	Not available by state		
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	**Change in Plan Assets**			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	**Funded Status**			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	**Components of Net Periodic Benefit Costs**			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	**Accumulated Post Retirement Benefit Obligation**			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	**Montana Intrastate Costs:**			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	**Number of Montana Employees:**			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	T. J. Swant License Environmental Coordinator				70,245	55,078	28%
2	P. A. Kelly Chief Operator - Noxon				61,320	63,802	-4%
3	P. J. Aktepy Stations Mechanic - Noxon				60,825	63,517	-4%
4	J. G. Hanna Station Electrician - Noxon				60,400	65,045	-7%
5	M. Bonney Journeyman Operator - Noxon				57,135	57,896	-1%
6	D. W. Thomason Journeyman Operator - Noxon				55,605	55,899	-1%
7	L. L. Wiltse Journeyman Operator - Noxon				55,110	56,711	-3%
8	T. Lampshire Journeyman Operator - Noxon				54,470	57,463	-5%
9	W. A. Monroe Journeyman Operator - Noxon				54,085	57,322	-6%
10	R. Robbins Journeyman Operator - Noxon				31,500	55,898	-44%

COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	T. M. Matthews Chairman of the Board, President and Chief Executive Officer				$ 1,354,808	$ -	
2	D. J. Meyer Senior Vice President and General Counsel				$ 470,629	$ -	
3	J. E. Eliassen Senior Vice President and Chief Financial Officer				$ 249,538	$ 333,782	-25%
4	R. D. Fukai Vice President				$ 228,822	$ 285,203	-20%
5	G. G. Ely Senior Vice President and General Manager				$ 211,654	$ 294,338	-28%

BALANCE SHEET

1998

	Account Number & Title		Last Year	This Year	% Change
1		**Assets and Other Debits**			
2	Utility Plant				
3	101	Electric Plant in Service	1,997,565,743	2,061,840,040	-3%
4	101.1	Property Under Capital Leases			
5	102	Electric Plant Purchased or Sold			
6	104	Electric Plant Leased to Others			
7	105	Electric Plant Held for Future Use			
8	106	Completed Constr. Not Classified - Electric			
9	107	Construction Work in Progress - Electric	37,445,619	45,390,868	-18%
10	108	(Less) Accumulated Depreciation	(614,136,762)	(643,699,326)	5%
11	111	(Less) Accumulated Amortization	(7,668,512)	(9,463,734)	19%
12	114	Electric Plant Acquisition Adjustments	33,460,579	33,460,579	
13	115	(Less) Accum. Amort. Elec. Acq. Adj.	(13,543,512)	(16,587,055)	18%
14	120	Nuclear Fuel (Net)			
15		**TOTAL Utility Plant**	1,433,123,155	1,470,941,372	-3%
16					
17	**Other Property & Investments**				
18	121	Nonutility Property	3,063,565	2,850,063	7%
19	122	(Less) Accum. Depr. & Amort. for Nonutil. Prop.	(40,614)	(63,142)	36%
20	123	Investments in Associated Companies			
21	123.1	Investments in Subsidiary Companies	206,665,538	271,791,450	-24%
22	124	Other Investments	81,057,590	73,124,401	11%
23	125	Sinking Funds	17,812,610	24,807,070	-28%
24		**TOTAL Other Property & Investments**	308,558,689	372,509,842	-17%
25					
26	**Current & Accrued Assets**				
27	131	Cash	1,543,289	22,402,175	-93%
28	132-134	Special Deposits	62,191	50,200	24%
29	135	Working Funds	333,463	230,647	45%
30	136	Temporary Cash Investments	430	430	
31	141	Notes Receivable			
32	142	Customer Accounts Receivable	53,367,723	99,947,726	-47%
33	143	Other Accounts Receivable	2,557,854	2,386,272	7%
34	144	(Less) Accum. Provision for Uncollectible Accts.	(1,494,647)	(2,369,193)	37%
35	145	Notes Receivable - Associated Companies		1,843,802	-100%
36	146	Accounts Receivable - Associated Companies	(43,571)	2,452,789	-102%
37	151	Fuel Stock	7,434,376	6,284,382	18%
38	152	Fuel Stock Expenses Undistributed			
39	153	Residuals			
40	154	Plant Materials and Operating Supplies	11,278,455	10,800,930	4%
41	155	Merchandise			
42	156	Other Material & Supplies	2,246	150,852	-99%
43	157	Nuclear Materials Held for Sale			
44	163	Stores Expense Undistributed	229,711	249,768	-8%
45	165	Prepayments	35,700,119	23,500,913	52%
46	171	Interest & Dividends Receivable	494,693	161,542	206%
47	172	Rents Receivable	803,154	1,170,134	-31%
48	173	Accrued Utility Revenues			
49	174	Miscellaneous Current & Accrued Assets	4,292,007	469,640	814%
50		**TOTAL Current & Accrued Assets**	116,561,493	169,733,009	-31%

BALANCE SHEET

1998

	Account Number & Title		Last Year	This Year	% Change
1					
2	**Assets and Other Debits (cont.)**				
3					
4	**Deferred Debits**				
5					
6	181	Unamortized Debt Expense	7,624,682	14,164,977	-46%
7	182.1	Extraordinary Property Losses	-	-	
8	182.2	Unrecovered Plant & Regulatory Study Costs	842,196	437,062	93%
9	182.3	Other Regulatory Assets	185,726,832	179,474,565	3%
10	183	Prelim. Survey & Investigation Charges	349,733	340,687	3%
11	184	Clearing Accounts	(1,326,365)	(1,574,479)	16%
12	185	Temporary Facilities	-	-	
13	186	Miscellaneous Deferred Debits	78,327,407	71,064,225	10%
14	187	Deferred Losses from Disposition of Util. Plant	-	-	
15	188	Research, Devel. & Demonstration Expend.	56,315	4,997	1027%
16	189	Unamortized Loss on Reacquired Debt	16,353,501	14,248,775	15%
17	190	Accumulated Deferred Income Taxes	22,324,932	28,250,810	-21%
18		**TOTAL Deferred Debits**	310,279,233	306,411,619	1%
19					
20		**TOTAL Assets & Other Debits**	2,168,522,570	2,319,595,842	-7%
		Account Title	Last Year	This Year	% Change
21					
22		**Liabilities and Other Credits**			
23					
24	**Proprietary Capital**				
25					
26	201	Common Stock Issued	594,852,562	381,400,654	56%
27	202	Common Stock Subscribed	-	-	
28	204	Preferred Stock Issued	45,000,000	311,820,572	-86%
29	205	Preferred Stock Subscribed	-	-	
30	207	Premium on Capital Stock	-	-	
31	211	Miscellaneous Paid-In Capital	-	-	
32	213	(Less) Discount on Capital Stock	-	-	
33	214	(Less) Capital Stock Expense	(10,142,819)	(11,769,329)	14%
34	215	Appropriated Retained Earnings	52,119,009	41,621,502	25%
35	216	Unappropriated Retained Earnings	119,657,081	78,823,334	52%
36	217	(Less) Reacquired Capital Stock	-	-	
37		**TOTAL Proprietary Capital**	801,485,833	801,896,733	0%
38					
39	**Long Term Debt**				
40					
41	221	Bonds	449,300,000	449,300,000	
42	222	(Less) Reacquired Bonds	-	-	
43	223	Advances from Associated Companies	-	-	
44	224	Other Long Term Debt	386,020,481	347,509,481	11%
45	225	Unamortized Premium on Long Term Debt	-	-	
46	226	(Less) Unamort. Discount on L-Term Debt-Dr.	(1,169,346)	(1,099,218)	-6%
47		**TOTAL Long Term Debt**	834,151,135	795,710,263	5%

BALANCE SHEET

1998

	Account Number & Title		Last Year	This Year	% Change
1					
2		**Total Liabilities and Other Credits (cont.)**			
3					
4	**Other Noncurrent Liabilities**				
5					
6	227	Obligations Under Cap. Leases - Noncurrent			
7	228.1	Accumulated Provision for Property Insurance			
8	228.2	Accumulated Provision for Injuries & Damages	1,067,009	1,264,717	-16%
9	228.3	Accumulated Provision for Pensions & Benefits	8,710,333	12,108,927	-28%
10	228.4	Accumulated Misc. Operating Provisions			
11	229	Accumulated Provision for Rate Refunds			
12		**TOTAL Other Noncurrent Liabilities**	9,777,342	13,373,644	-27%
13					
14	**Current & Accrued Liabilities**				
15					
16	231	Notes Payable			
17	232	Accounts Payable	53,873,712	90,024,495	-40%
18	233	Notes Payable to Associated Companies	(40,000)		
19	234	Accounts Payable to Associated Companies	496,996	634,315	-22%
20	235	Customer Deposits	1,162,979	1,345,897	-14%
21	236	Taxes Accrued	18,220,751	14,630,044	25%
22	237	Interest Accrued	13,770,987	14,299,526	-4%
23	238	Dividends Declared	(2)	712	-100%
24	239	Matured Long Term Debt			
25	240	Matured Interest			
26	241	Tax Collections Payable	(408,391)	467,294	-187%
27	242	Miscellaneous Current & Accrued Liabilities	30,636,265	27,287,878	12%
28	243	Obligations Under Capital Leases - Current			
29		**TOTAL Current & Accrued Liabilities**	117,713,297	148,690,161	-21%
30					
31	**Deferred Credits**				
32					
33	252	Customer Advances for Construction	2,415,934	2,293,763	5%
34	253	Other Deferred Credits	26,030,396	173,601,982	-85%
35	254	Other Regulatory Liabilities	2,085,343	2,085,343	
36	255	Accumulated Deferred Investment Tax Credits	2,064,873	866,808	138%
37	256	Deferred Gains from Disposition Of Util. Plant			
38	257	Unamortized Gain on Reacquired Debt			
39	281-283	Accumulated Deferred Income Taxes	372,798,417	381,077,145	-2%
40		**TOTAL Deferred Credits**	405,394,963	559,925,041	-28%
41					
42	**TOTAL LIABILITIES & OTHER CREDITS**		2,168,522,570	2,319,595,842	-7%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

1998

	Account Number & Title		Last Year	This Year	% Change
1					
2		**Intangible Plant**			
3					
4	301	Organization			
5	302	Franchises & Consents	193,078	193,078	
6	303	Miscellaneous Intangible Plant	16,356	42,202	-61%
7					
8		**TOTAL Intangible Plant**	209,434	235,280	-11%
9					
10		**Production Plant**			
11					
12	Steam Production				
13					
14	310	Land & Land Rights	1,305,462	1,305,960	0%
15	311	Structures & Improvements	99,094,440	99,107,391	0%
16	312	Boiler Plant Equipment	113,933,501	113,768,752	0%
17	313	Engines & Engine Driven Generators			
18	314	Turbogenerator Units	29,778,084	30,115,742	-1%
19	315	Accessory Electric Equipment	13,435,903	13,470,610	0%
20	316	Miscellaneous Power Plant Equipment	12,049,192	12,379,081	-3%
21					
22		**TOTAL Steam Production Plant**	269,596,582	270,147,536	0%
23					
24	Nuclear Production				
25					
26	320	Land & Land Rights			
27	321	Structures & Improvements			
28	322	Reactor Plant Equipment			
29	323	Turbogenerator Units			
30	324	Accessory Electric Equipment			
31	325	Miscellaneous Power Plant Equipment			
32					
33		**TOTAL Nuclear Production Plant**			
34					
35	Hydraulic Production				
36					
37	330	Land & Land Rights	37,917,515	37,917,515	
38	331	Structures & Improvements	10,671,043	10,815,084	-1%
39	332	Reservoirs, Dams & Waterways	30,816,217	30,898,074	0%
40	333	Water Wheels, Turbines & Generators	30,134,671	30,134,671	
41	334	Accessory Electric Equipment	3,471,988	4,440,826	-22%
42	335	Miscellaneous Power Plant Equipment	1,680,078	1,702,509	-1%
43	336	Roads, Railroads & Bridges	88,694	164,972	-46%
44					
45		**TOTAL Hydraulic Production Plant**	114,780,206	116,073,651	-1%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED) 1998

	Account Number & Title		Last Year	This Year	% Change
1					
2		Production Plant (cont.)			
3					
4	Other Production				
5					
6	340	Land & Land Rights			
7	341	Structures & Improvements			
8	342	Fuel Holders, Producers & Accessories			
9	343	Prime Movers			
10	344	Generators			
11	345	Accessory Electric Equipment			
12	346	Miscellaneous Power Plant Equipment			
13					
14		**TOTAL Other Production Plant**			
15					
16		**TOTAL Production Plant**	384,376,788	386,221,187	0%
17					
18		**Transmission Plant**			
19					
20	350	Land & Land Rights	883,384	883,385	0%
21	352	Structures & Improvements	130,527	130,527	
22	353	Station Equipment	14,131,716	14,152,247	0%
23	354	Towers & Fixtures	16,011,129	16,011,129	
24	355	Poles & Fixtures	6,761,891	6,960,248	-3%
25	356	Overhead Conductors & Devices	15,714,327	15,725,639	0%
26	357	Underground Conduit			
27	358	Underground Conductors & Devices			
28	359	Roads & Trails	367,476	367,476	
29					
30		**TOTAL Transmission Plant**	54,000,450	54,230,651	0%
31					
32		**Distribution Plant**			
33					
34	360	Land & Land Rights			
35	361	Structures & Improvements	15,880	15,880	
36	362	Station Equipment	151,641	151,641	
37	363	Storage Battery Equipment			
38	364	Poles, Towers & Fixtures	8,955	8,955	
39	365	Overhead Conductors & Devices	6,676	6,676	
40	366	Underground Conduit	46	46	
41	367	Underground Conductors & Devices	638	638	
42	368	Line Transformers	897	897	
43	369	Services	127	127	
44	370	Meters	29	29	
45	371	Installations on Customers' Premises			
46	372	Leased Property on Customers' Premises			
47	373	Street Lighting & Signal Systems			
48					
49		**TOTAL Distribution Plant**	184,889	184,889	

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

1998

	Account Number & Title		Last Year	This Year	% Change
1					
2		**General Plant**			
3					
4	389	Land & Land Rights			
5	390	Structures & Improvements			
6	391	Office Furniture & Equipment			
7	392	Transportation Equipment			
8	393	Stores Equipment			
9	394	Tools, Shop & Garage Equipment			
10	395	Laboratory Equipment			
11	396	Power Operated Equipment			
12	397	Communication Equipment			
13	398	Miscellaneous Equipment			
14	399	Other Tangible Property			
15					
16		**TOTAL General Plant**			
17					
18		**TOTAL Electric Plant in Service**	438,771,561	440,872,007	0%

MONTANA DEPRECIATION SUMMARY 1998

	Functional Plant Classification	Plant Cost	Accumulated Depreciation Last Year Bal.	Accumulated Depreciation This Year Bal.	Current Avg. Rate
1					
2	Steam Production	270,147,536	103,486,391	111,610,772	4.13%
3	Nuclear Production				
4	Hydraulic Production	116,073,651	9,483,204	9,709,478	0.84%
5	Other Production				
6	Transmission	54,230,651	9,957,242	10,645,452	1.96%
7	Distribution	184,889	48,997	51,250	2.77%
8	General				
9	**TOTAL**	440,636,727	122,975,834	132,016,952	0

MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED) SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	369,536	274,521	35%
3	152 Fuel Stock Expenses Undistributed			
4	153 Residuals			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)	1,980,023	1,970,464	0%
9	Transmission Plant (Estimated)			
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	157 Nuclear Materials Held for Sale			
15	163 Stores Expense Undistributed			
16				
17	**TOTAL Materials & Supplies**	2,349,559	2,244,985	5%

MONTANA REGULATORY CAPITAL STRUCTURE & COSTS SCHEDULE 22

	Commission Accepted - Most Recent	% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number			
2	Order Number			
3		**Reference is made to Schedule 27**		
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	**TOTAL**			
9				
10	Actual at Year End			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt			
15	Other			
16	**TOTAL**			

STATEMENT OF CASH FLOWS 1998

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	**Cash Flows from Operating Activities:**			
5	Net Income	114,797,212	78,139,347	47%
6	Depreciation	49,972,287	51,777,294	-3%
7	Amortization	15,714,177	20,619,717	-24%
8	Deferred Income Taxes - Net	36,807,703	7,784,822	373%
9	Investment Tax Credit Adjustments - Net	(97,848)	(1,198,065)	92%
10	Change in Operating Receivables - Net	15,403,519	(48,027,541)	132%
11	Change in Materials, Supplies & Inventories - Net	(2,134,235)	2,351,909	-191%
12	Change in Operating Payables & Accrued Liabilities - Net	(26,457,730)	36,247,416	-173%
13	Allowance for Funds Used During Construction (AFUDC)	(1,322,597)	(1,282,887)	-3%
14	Change in Other Assets & Liabilities - Net	(14,625,572)	(23,133,675)	37%
15	Other Operating Activities (explained on attached page)	15,963,720	148,973,397	-89%
16	**Net Cash Provided by/(Used in) Operating Activities**	204,020,636	272,251,734	-25%
17				
18	**Cash Inflows/Outflows From Investment Activities:**			
19	Construction/Acquisition of Property, Plant and Equipment	(88,548,025)	(93,887,277)	6%
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets			
22	Proceeds from Disposal of Noncurrent Assets		197,627	-100%
23	Investments In and Advances to Affiliates	(59,081,596)	(41,460,000)	-43%
24	Contributions and Advances from Affiliates		(1,843,802)	100%
25	Disposition of Investments in and Advances to Affiliates			
26	Other Investing Activities (explained on attached page)	(8,406,798)	8,415,927	-200%
27	**Net Cash Provided by/(Used in) Investing Activities**	(156,036,419)	(128,577,525)	-21%
28				
29	**Cash Flows from Financing Activities:**			
30	Proceeds from Issuance of:			
31	Long-Term Debt	130,000,000	84,000,000	55%
32	Preferred Stock			
33	Common Stock		(1,475,492)	100%
34	Other:	1,259,002	455,248	177%
35	Net Increase in Short-Term Debt	23,500,000		
36	Other:	(3,966,449)	(8,850,588)	55%
37	Payment for Retirement of:			
38	Long-Term Debt	(51,500,000)	(14,000,000)	-268%
39	Preferred Stock	(70,000,000)	(10,000,000)	-600%
40	Common Stock			
41	Other:	(37,910)	(11,000)	-245%
42	Net Decrease in Short-Term Debt		(108,500,000)	100%
43	Dividends on Preferred Stock	(5,625,155)	(7,638,026)	26%
44	Dividends on Common Stock	(69,390,847)	(56,910,272)	-22%
45	Other Financing Activities (explained on attached page)			
46	**Net Cash Provided by (Used in) Financing Activities**	(45,761,359)	(122,930,130)	63%
47				
48	**Net Increase/(Decrease) in Cash and Cash Equivalents**	2,222,858	20,744,079	-89%
49	**Cash and Cash Equivalents at Beginning of Year**	(283,485)	1,939,373	-115%
50	**Cash and Cash Equivalents at End of Year**	1,939,373	22,683,452	-91%

STATEMENT OF CASH FLOWS

1998

	Description	Last Year	This Year	% Change
1				
2	**Detail of Lines 15 and 26**			
3				
4	**Line 15: Other Operating Activities**			
5	Net Increase in Other Regulatory Liabilities	-	-	0%
6	Idaho Accretion Income	(209,732)	(105,104)	-100%
7	Change in Dividends Declared	(27,218)	(714)	-3712%
8	Non-Monetary Power Transactions	(66,458)	17,433,628	-100%
9	Regulatory Gas Cost and Power Cost Adjustment	-	(3,511,983)	100%
10	Monetization of contract	-	143,400,000	-100%
11	Other	16,267,128	(8,242,430)	297%
12	Total Line 15	15,963,720	148,973,397	-89%
13				
14	**Line 26: Other Investing Activities**			
15	Dividends from Subsidiary Companies	-	-	0%
16	Changes in Other Non-Current Balance Sheet Accts	(5,627,159)	7,841,522	-172%
17	Other Special Funds	(2,779,639)	574,405	-584%
18	Net Cash Provided by/(Used in) Investing Activities	(8,406,798)	8,415,927	-200%

LONG TERM DEBT

1998

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost %
1									
2	First Mortgage Bonds								
3	7 1/8% Series	12/1/89	12/1/13	66,700,000	63,614,202	66,700,000	7.54%	5,031,631	7.54%
4	7 2/5% Series	12/1/89	12/1/16	17,000,000	16,418,069	17,000,000	7.70%	1,309,320	7.70%
5									
6	Secured Medium-Term Notes								
7	Series A	various	various	250,000,000	248,374,625	211,500,000	various	14,794,518	7.00%
8	Series B	various	various	161,000,000	149,175,000	150,000,000	various	11,124,759	7.42%
9									
10	Unsecured Medium-Term Notes								
11	Series A	various	various	200,000,000	248,374,625	38,500,000	various	3,435,597	8.92%
12	Series B	various	various	150,000,000	160,141,500	115,000,000	various	8,907,361	7.75%
13	Series C	various	various	84,000,000	83,428,500	84,000,000	various	5,381,256	6.41%
14									
15	6% Pollution Control Bonds	7/1/93	12/1/23	4,100,000	3,913,000	4,100,000	6.34%	259,924	6.34%
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32	TOTAL			932,800,000	973,439,521	686,800,000		50,244,366	7.32%

PREFERRED STOCK

1998

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1										
2	Subject to									
3	mandatory redemption:									
4	Series K	9/15/92	350,000	$100.00	-	32,910,609	$6.95	35,000,000	3,432,500	7.39%
5										
6										
7	Not subject to									
8	mandatory redemption:									
9	Convertible Series L	12/1/98	1,540,460	$182.80	-	269,227,000	$12.40	269,227,000	19,101,704	7.10%
10										
11										
12	Company-Obligated									
13	Mandatorily Redeemable									
14	Preferred Trust									
15	Securities:									
16	Series A	1/23/97	2,400,000	$25.00	-	57,541,110	$1.96875	60,000,000	4,725,000	8.21%
17	Series B	6/3/97	50,000	$1,000.00	-	48,925,266	various	50,000,000	various	various
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	**TOTAL**					408,603,985		414,227,000	27,259,204	

COMMON STOCK

1998

		Avg. Number of Shares Outstanding	Book Value Per Share	Earnings Per Share	Dividends Per Share	Retention Ratio	Market Price High	Market Price Low	Price/ Earnings Ratio
1									
2									
3									
4	January	55,960,360					24.313	21.750	
5									
6	February	55,960,360					23.250	21.688	
7									
8	March	55,960,360	13.63	0.56	0.31		24.813	22.375	
9									
10	April	55,960,360					24.875	22.188	
11									
12	May	55,960,360					23.000	20.813	
13									
14	June	55,960,360	13.57	0.27	0.31		22.875	21.125	
15									
16	July	55,960,360					22.813	20.500	
17									
18	August	55,960,360					21.688	16.500	
19									
20	September	55,960,360	13.36	0.14	0.31		20.125	16.125	
21									
22	October	55,960,360					20.188	18.000	
23									
24	November	55,960,360					19.125	17.500	
25									
26	December	40,453,729	13.67 *	0.31	0.12		19.500	18.125	
27									
28									
29			* Assumes Convertible Preferred Stock has been converted back to common stock.						
30									
31									
32	TOTAL Year End	40,453,729	13.67 *	1.28	1.05	17.97%	19.250		15.04

MONTANA EARNED RATE OF RETURN

1998

	Description	Last Year	This Year	% Change
	Rate Base			
1				
2	101 Plant in Service			
3	108 (Less) Accumulated Depreciation			
4	**NET Plant in Service**			
5				
6	Additions			
7	154, 156 Materials & Supplies			
8	165 Prepayments			
9	Other Additions			
10	**TOTAL Additions**			
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	**TOTAL Deductions**			
18	**TOTAL Rate Base**			
19				
20	**Net Earnings**			
21				
22	**Rate of Return on Average Rate Base**			
23				
24	**Rate of Return on Average Equity**			
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
30				
31				
32				
33	Avista Corporation has 19 customers with			
34	1998 revenues of $16,438,545 in the State of			
35	Montana. Rates charged were based on the			
36	Company's last rate order from the Idaho			
37	Public Utilities Commission and accepted by			
38	the Montana Commission. The Company			
39	does not calculate separate rates of return for			
40	the Montana jurisdiction.			
41				
42				
43				
44				
45				
46				
47	**Adjusted Rate of Return on Average Rate Base**			
48				
49	**Adjusted Rate of Return on Average Equity**			

MONTANA COMPOSITE STATISTICS 1998

		Description		Amount
1				
2		Plant (Intrastate Only) (000 Omitted)		
3				
4	101	Plant in Service		440,872
5	107	Construction Work in Progress		
6	114	Plant Acquisition Adjustments		
7	105	Plant Held for Future Use		
8	154, 156	Materials & Supplies		2,245
9		(Less):		
10	108, 111	Depreciation & Amortization Reserves		(132,017)
11	252	Contributions in Aid of Construction		
12				
13		**NET BOOK COSTS**		311,100
14				
15		Revenues & Expenses (000 Omitted)		
16				
17	400	Operating Revenues		16,439
18				
19	403 - 407	Depreciation & Amortization Expenses		9,041
20		Federal & State Income Taxes		228
21		Other Taxes		9,197
22		Other Operating Expenses		29,706
23		TOTAL Operating Expenses		48,172
24				
25		Net Operating Income		(31,733)
26				
27	415-421.1	Other Income		
28	421.2-426.5	Other Deductions		
29				
30		**NET INCOME**		(31,733)
31				
32		Customers (Intrastate Only)		
33				
34		Year End Average:		
35		Residential		11
36		Commercial		1
37		Industrial		5
38		Other		2
39				
40		**TOTAL NUMBER OF CUSTOMERS**		19
41				
42		Other Statistics (Intrastate Only)		
43				
44		Average Annual Residential Use (Kwh))		15,000
45		Average Annual Residential Cost per (Kwh) (Cents) *		4.573
46		* Avg annual cost = [(cost per Kwh x annual use) + (mo. svc chrg x 12)]/annual use		
47		Average Residential Monthly Bill	$	57.16
48		Gross Plant per Customer	$	40,079

MONTANA CUSTOMER INFORMATION

1998

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1						
2	Noxon, Montana		11	1	5	17
3						
4	Montana Power Company				1	1
5						
6	Other				1	1
7						
8						
9						
10						
11						
12						
13						
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26						
27						
28						
29						
30						
31						
32	**TOTAL Montana Customers**		11	1	7	19

MONTANA EMPLOYEE COUNTS

1998

	Department	Year Beginning	Year End	Average
1				
2	Noxon Generating Station	16	21	19
3				
4				
5				
6				
7				
8				
9				
10				
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44				
45				
46				
47				
48				
49				
50	**TOTAL Montana Employees**	16	21	19

MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED) 1998

	Project Description	Total Company	Total Montana
1			
2	Noxon control	1,094,939	1,094,939
3			
4	Hydro Relicensing Costs - Noxon Rapids	5,945,684	5,945,684
5			
6	Minor Projects (4) Under $100,000	59,699	59,699
7			
8			
9			
10			
11			
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45			
46			
47			
48			
49			
50	TOTAL	7,100,322	7,100,322

TOTAL SYSTEM & MONTANA PEAK AND ENERGY 1998

System

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
1	Jan.	12	1000	1,599	2,010,987	1,200,070
2	Feb.	10	1000	1,613	1,934,179	1,250,678
3	Mar.	4	2100	1,586	2,224,334	1,513,738
4	Apr.	14	800	1,499	2,327,499	1,671,098
5	May	6	1600	1,136	1,990,975	1,353,202
6	Jun.	30	1400	1,221	2,246,285	1,603,473
7	Jul.	27	1300	1,521	2,495,461	1,741,615
8	Aug.	5	1300	1,425	2,629,375	1,988,594
9	Sep.	3	1700	1,683	3,155,226	2,441,233
10	Oct.	30	900	1,306	1,954,062	1,305,870
11	Nov.	30	1800	1,357	2,220,091	1,492,035
12	Dec.	21	1900	1,701	2,524,717	1,656,002
13	**TOTAL**				27,713,191	19,217,608

Montana

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
14	Jan.					17,313
15	Feb.					6,247
16	Mar.	Information in these columns is not available by state				8,844
17	Apr.					921
18	May					1,947
19	Jun.					1,960
20	Jul.					4,773
21	Aug.					81,336
22	Sep.					75,702
23	Oct.					87,766
24	Nov.					74,148
25	Dec.					75,428
26	**TOTAL**					436,385

TOTAL SYSTEM Sources & Disposition of Energy

SCHEDULE 33

	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	3,228,831	Sales to Ultimate Consumers (Include Interdepartmental)	7,944,343
3	Nuclear			
4	Hydro - Conventional	3,860,214		
5	Hydro - Pumped Storage		Requirements Sales for Resale	-
6	Other	292,797		
7	(Less) Energy for Pumping			
8	**NET Generation**	7,381,842	Non-Requirements Sales for Resale	19,217,608
9	Purchases	20,329,918		
10	Power Exchanges			
11	Received	1,287,801	Energy Furnished Without Charge	-
12	Delivered	(1,286,370)		
13	**NET Exchanges**	1,431		
14	Transmission Wheeling for Others		Energy Used Within Electric Utility	1,951
15	Received	5,168,435		
16	Delivered	(5,168,435)		
17	**NET Transmission Wheeling**	-	Total Energy Losses	549,289
18	Transmission by Others Losses			
19	**TOTAL**	27,713,191	**TOTAL**	27,713,191

SOURCES OF ELECTRIC SUPPLY

1998

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1					
2	Washington:				
3	Thermal	Centralia	Centralia, WA	203	1,282,544
4	Thermal	Kettle Falls	Kettle Falls, WA	57	326,406
5	Hydro	Little Falls	Ford, WA	38	215,531
6	Hydro	Long Lake	Ford, WA	87	513,209
7	Hydro	Meyers Falls	Colville, WA	1	8,506
8	Hydro	Monroe Street	Spokane, WA	16	109,506
9	Hydro	Nine Mile	Spokane, WA	25	124,690
10	Hydro	Upper Falls	Spokane, WA	12	61,404
11	Combustion -				
12	Turbine	Northeast	Spokane, WA	61	11,919
13					
14					
15					
16	Idaho:				
17	Hydro	Cabinet Gorge	Clark Fork, ID	237	1,047,704
18	Hydro	Post Falls	Post Falls, ID	18	91,378
19	Combustion -				
20	Turbine	Rathdrum	Rathdrum, ID	176	280,878
21					
22					
23					
24	Montana:				
25	Thermal	Colstrip #3 and #4	Colstrip, MT	227	1,619,881
26	Hydro	Noxon	Thompson Falls, MT	550	1,688,285
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	**Total**			1708.3	7381841

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

1998

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (MW & MWH)	Achieved Savings (MW & MWH)	Difference (MW & MWH)
1							
2							
3	Not Applicable						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
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22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32	TOTAL						

MONTANA CONSUMPTION AND REVENUES

1998

	Sales of Electricity	Operating Revenues Current Year	Operating Revenues Previous Year	MegaWatt Hours Sold Current Year	MegaWatt Hours Sold Previous Year	Avg. No. of Customers Current Year	Avg. No. of Customers Previous Year
1	Residential	$7,546	$8,091	165	173	11	10
2	Commercial - Small	1,899	2,381	29	37	1	1
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruptible Industrial						
7	Public Street & Highway Lighting						
8	Other Sales to Public Authorities						
9	Sales to Cooperatives						
10	Sales to Other Utilities	14,783,259	3,321,841	436,385	195,384	2	1
11	Interdepartmental	4,554	5,203	68	78	5	5
12							
13	**TOTAL**	$14,797,258	$3,337,516	436,647	195,672	19	17