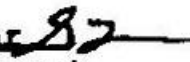


MEMORANDUM

TO: Commissioner Cox

FROM: Gary Lynch, Director 
Division of Enforcement

DATE: April 24, 1987

RE: In the Matter of Transactions in Washington Public
Power Supply System Securities - File No. 80-1556
Status of Investigation

This responds to your request for a report on the status of the staff's investigation in the Matter of Transactions in Washington Public Power Supply System Securities in response to Congressman Dingell's letter of February 10, 1987.

On January 11, 1984, the Commission issued a formal order of investigation which authorized an investigation to determine whether, in connection with the sale of bonds issued by the Washington Public Power Supply System, there had been violations of the Federal securities laws. Pursuant thereto, the staff issued approximately 500 subpoenas to persons and entities with information relevant to the investigation. The staff conducted field reviews of a vast number of documents. Out of a total field of documents probably exceeding 100 million pages, the staff selected between five and seven million pages for direct review and obtained copies of more than 600,000 pages of documents for further use in the investigation. The staff subsequently took the testimony of more than 165 witnesses.

Following the review of documents and taking of testimony, the staff made a determination to advise certain persons of the opportunity to submit a written statement of their position as to why enforcement action should not be commenced against them. After receiving this advice, a number of parties requested meetings with the staff and have made, or indicated they will make, submissions.

No recommendations yet have been made to the Commission and the staff has not yet determined what recommendations, if any, it will make. The staff expects to receive additional submissions and to formulate its final recommendations to the Commission in the near future.

Thus, at the present time, the Commission can neither identify those persons advised of the opportunity to make a Wells Submission, nor provide copies of such submissions or summaries of oral presentations made to the Commission on their behalf. This is consistent with our interest that the Commission's investigation processes are completely independent. (See Pillsbury Co. v. Federal Trade Commission, 354 F.2d 951 (5th Cir. 1966) and Securities and Exchange Commission v. Wheeling Pittsburgh Steel Corp., 648 F.2d 118 (3d Cir. 1981), in which a federal district court refused to enforce a Commission subpoena because of a perception of improper Congressional influence.)