

**APPLICATION FOR CHANGE OF NAME BY
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
UNDER RCW 43.52**

TO: Tom Fitzsimmons, Director
State of Washington Department of Ecology
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The Washington Public Power Supply System (the "Supply System"), a municipal corporation and joint operating agency, hereby makes application to the Director of the Department of Ecology (the "Director"), pursuant to RCW 43.52, for entry of an order authorizing a change of the Supply System's name to Energy Northwest.

I. BACKGROUND

RCW 43.52 was first enacted in 1956. It provided for the formation of joint operating agencies, the members of which would be Washington cities and public utility districts ("PUDs"). The statute was intended to enable those public bodies to pursue energy-related activities in coordination with one another through a single joint public entity, with resulting cost efficiencies. It was also envisioned that the statute would permit certain projects to be undertaken jointly that were too large or complicated for an individual city or PUD to undertake on its own.

The Supply System was established in 1957, pursuant to RCW 43.52.360, by the January 31, 1957 Findings and Order Relating to Operating Agency To Be Known As Washington Public Power Supply System, entered by the Director of the Washington State

Department of Conservation and Development.¹ A copy of the Findings and Order is attached as Exhibit A. Pursuant to RCW 43.52.360, the January 31, 1957 Order established the name of the operating agency as the Washington Public Power Supply System.

The Supply System has evaluated and undertaken a number of projects over the past 40 years. By way of example, one of the Supply System's early projects, the Packwood Lake Hydroelectric Project in Lewis County, has been operating since 1964.

In the mid-late 1960s and early 1970s, the Bonneville Power Administration and other regional energy entities and analysts predicted significant shortages of electric power in the Pacific Northwest. Regional utilities were informed that the power "grid" in the Pacific Northwest was regional in nature, with multiple interconnections. Thus, if one particular area suffered a substantial shortage (e.g., brownouts or blackouts), that shortage would likely affect other areas as well. The adage "one short, all short" became commonplace in the region. The 1974 oil embargo later reinforced this concern.

As a result of the predictions of the Bonneville Power Administration and other regional energy analysts, the Supply System undertook development of five nuclear projects. Three of them (Washington Nuclear Projects 1, 2, and 4) were located on the federal government's Hanford Reservation in Benton County. Two of the projects (Washington Nuclear Projects 3 and 5) were located near Satsop in Grays Harbor County. At that time, nuclear energy was predicted to be a "clean" and inexpensive form of energy compared to other energy resources.

As construction continued in the late 1970s, and into the early 1980s, unanticipated problems developed. First, costs escalated tremendously. This was in large part due to new regulations issued by the United States Nuclear Regulatory Commission following the 1979

¹ The present version of RCW 43.52.360 vests this authority in the Director of the Department of Ecology.

Three Mile Island incident, which required re-doing a great deal of design and construction work that was already completed in whole or in part. In addition, interest rates increased dramatically, reaching into the high teens for some of the Supply System financings required to fund continued construction. In addition to the significant construction cost escalation, regional energy analysts realized that the demand for electricity that had earlier been projected was overstated.

The Supply System was, therefore, faced with an unenviable situation: The need to raise more and more funds for construction, combined with very high interest rates, resulted in tremendous construction and financing cost escalations. This was coupled with new analyses indicating that, contrary to what had been previously thought, the need for the power from the projects did not exist. There was public outcry in certain areas of the Pacific Northwest because the ratepayers of many cities, PUDs, and electric cooperatives were going to have to pay large amounts for power that no one apparently would need and that might never even be generated. In the news media and other public comment, the acronym of the Supply System's abbreviated name, "WPPSS", became commonly referred to as "WHOOPS". All of this occurred in spite of the Supply System's having retained and relied on nationally and regionally respected engineers, financial advisors, attorneys, and other consultants, in an effort to meet a projected severe energy shortage.

The public outcry eventually led to a decade of litigation over what has been called the largest municipal bond default in history. From very early in the litigation, the presiding judge prohibited parties or witnesses from using the term "WHOOPS" in court or court papers because of potential prejudice. The litigation was settled in the late 1980s. Construction on four of the five nuclear plants was terminated in the 1980s. Only Project No. 2 was completed.

II. THE "NEW" SUPPLY SYSTEM

Since those trying times spanning most of the 1980s, the Supply System has redirected its efforts and attempted to change its public image so it can fulfill its statutory purposes. As

mentioned above, the Packwood Lake Hydroelectric Project is still operating. Washington Nuclear Project No. 2 also continues to operate with a good record of cost, productivity and safety. The Supply System is working in conjunction with other public agencies to redevelop the Satsop site for productive use. The Supply System has also embarked on the development and offering of various energy-related products and services for its member utilities and other public agencies as part of its effort to meet the rapidly evolving challenges of energy deregulation.

Despite the Supply System's efforts, and despite the fact that it is a very different organization than it was in the 1970s and 1980s, the negative perceptions of the name Washington Public Power Supply System and the derogatory connotations of the term "WHOOPS" still plague the agency.

III. SUPPLY SYSTEM EXAMINATION OF POTENTIAL NAME CHANGE

As a result, approximately one year ago, the Supply System began evaluating the advisability of changing its name. The Supply System, with assistance from legal, financial, and other consultants, has conducted a comprehensive evaluation that concluded that the above-described events in the Supply System's past continue to have a detrimental impact on the Supply System's image and its effectiveness in carrying out its statutory purposes. The evaluation further concluded that a change of the Supply System's name would assist in eliminating the negative perception caused by those past events and would support the agency's efforts to fulfill its purposes. It also concluded that a name change would assist the agency in meeting the challenges of rapidly evolving changes in the electric utility industry resulting from deregulation, open access, and other market forces.

As part of its evaluation, the Supply System conferred with numerous parties, including the Supply System Executive Board, its member utilities, bond fund trustee (which represents the Supply System's bondholders), bond counsel, financial advisor, lead underwriter, and others.

None of these parties has raised any objections and, in fact, there has been a general expression of support.

The Supply System understands and recognizes that its rights and obligations under existing agreements, statutes, regulations, orders, rules, and resolutions would be unaffected by a change in its name.

The Supply System considered a number of potential new names which could assist in the agency's fulfilling its statutory purposes, and has determined that the Supply System's name should be changed to Energy Northwest. Based upon a review by Supply System staff, legal counsel, and other consultants, the Supply System does not believe this name would likely cause confusion or be misleading with respect to any other entity in the United States of which the Supply System is aware.

Based upon its evaluation of a potential name change, the Supply System Executive Board on November 19, 1998, adopted Resolution No. 1079 authorizing the Chief Executive Officer/Managing Director to submit an Application for Change of Name to the Director of the State Department of Ecology. A certified copy of that Resolution is attached as Exhibit B. Among other things, in Resolution No. 1079 the Supply System Executive Board concluded, pursuant to RCW 43.52.385, that it is in the best interests of all ratepayers affected by the Supply System and its projects that the Supply System's name be changed to Energy Northwest.

IV. REQUESTED ACTIONS

A. Publication of Notice of Application

The Supply System respectfully requests that the Director of the Department of Ecology, within ten (10) days after the filing of this application, publish notice thereof once a week for four (4) consecutive weeks in newspapers of general circulation in the counties in which the Supply System's principal place of business and projects are located (Benton County, Grays

Harbor County, and Lewis County) and other newspapers as deemed appropriate by the Director; such notice (subject to the Director's approval) to be in substantially the following form:

NOTICE is hereby given that on _____, 1998, an application was made to and filed with the Director of the Department of Ecology of the State of Washington by the Washington Public Power Supply System for entry of an order, pursuant to the provisions of RCW 43.52, approving a change in the Supply System's name to Energy Northwest. Any public utility wishing to do so may object to such application by filing an objection, setting forth the reasons therefor, with the Director of the Department of Ecology not later than ten (10) days after the date of the fourth and final publication of this notice.

/s/
Tom Fitzsimmons, Director
Department of Ecology
State of Washington
PO Box 47600
Olympia, WA 98504-7600

For the convenience of the Director in effecting the required publications, newspapers of general circulation in Benton, Grays Harbor, and Lewis Counties are as follows:

County	Newspaper
Benton	Tri-City Herald P.O. Box 2608 Tri Cities, WA 99302 Phone: (509) 582-1500 Fax: (509) 582-1453

Grays Harbor

Daily World
P.O. Box 269
Aberdeen, WA 98520
Phone: (360) 532-4000
Fax: (360) 533-1328

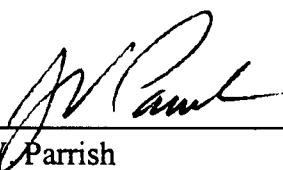
Lewis

The Chronicle
P.O. Box 580
Centralia, WA 98531
Phone: (360) 736-3311
Fax: (360) 736-4796

B. Findings and Order

The Supply System further respectfully requests that the Director of the Department of Ecology, pursuant to RCW 43.52.360, make findings and enter an order changing the name of the Washington Public Power Supply System to Energy Northwest.

Respectfully submitted this 19 day of November, 1998.



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