

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1
APPLICATION
UNDER THE
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

WESTERN RESOURCES, INC.
818 Kansas Avenue
Topeka, Kansas 66612

(Name of companies filing this statement and
address of principal executive offices)

None

(Name of top registered holding company
parent of each applicant or declarant)

John K. Rosenberg, Esq.
Western Resources, Inc.
818 Kansas Avenue
Topeka, Kansas 66612

(Name and address of agents for service)

The Commission is requested to mail copies of
all orders, notices and communications to:

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Pursuant to Sections 9(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "Act"), Western Resources, Inc., a Kansas corporation having its principal office in Topeka, Kansas (the "Company" or "WRI"), hereby requests that the Securities and Exchange Commission (the "Commission" or "SEC") authorize the acquisition by the Company of 9.9% of the outstanding voting securities of a newly-formed company, WAI, Inc., an Oklahoma Corporation ("WAI") that will become a public utility company as a result of the transactions for which approval is requested in this application. WRI has formed WAI initially as a wholly-owned subsidiary of the Company and will contribute all of the assets (the "Assets") of the Company's local natural gas distribution business (the "WRI LDC Business") and all of the outstanding capital stock of Mid Continent Market Center, Inc. ("MCMC") and Westar Gas Marketing, Inc. (Westar Gas Marketing, Inc. together with MCMC and the WRI LDC Business, the "Gas Business") to WAI (the "Asset Transaction"). ONEOK, Inc., a Delaware corporation ("ONEOK"), which, among other things, operates as a gas utility company as defined in Section 2(a)(4) of the Act, pursuant to an Agreement among WRI, ONEOK and WAI (the Agreement, as amended and restated, the "Agreement"), will then merge with and into WAI (the "Merger", and together with the Asset Transaction, the "Transactions"), with the Company owning up to 9.9% of the outstanding common stock of WAI and shares of non-voting convertible preferred stock. In total, the Company will own no more than 45% of the capital stock of WAI and the present shareholders of ONEOK will own at least 55% of the capital stock of WAI (the "Ownership Percentages") after the Merger. Upon consummation of the Merger, WAI will be renamed ONEOK, Inc. ("New ONEOK"). The Transactions, as described herein, meet all of the statutory requirements for approval under Section 9(a)(2) of the Act.

In connection with the Transactions, ONEOK and WRI will obtain a No-Action Letter that represents the SEC Staff's concurrence that New ONEOK will not be deemed to be a subsidiary of WRI within the meaning of Section 2(a)(8) of the Act and WRI will not be deemed to be a holding company over New ONEOK under Section 2(a)(7) of the Act.

Item 1 DESCRIPTION OF PROPOSED TRANSACTIONS

A. Description of the Parties

1. WRI

WRI is a public utility holding company exempt from all provisions of the Act except Section 9(a)(2) under Section 3(a)(1) pursuant to Rule 2. WRI is itself a public utility company engaged in the production, purchase, transmission, distribution and sale of electric energy in the state of Kansas and the transportation and sale of natural gas predominantly in the state of Kansas, with some small operations in Oklahoma. WRI provides retail electric service to approximately 329,000 industrial, commercial, and residential customers in Kansas. WRI also provides wholesale electric generation and transmission services to numerous municipal customers located in Kansas and, through interchange agreements, to surrounding integrated systems. As a natural gas utility, WRI distributes gas in Kansas and northeastern Oklahoma. WRI provides natural gas service to approximately 648,000 retail customers. WRI is subject to regulation as a public utility with respect to retail electric and gas rates and other matters by the State Corporation Commission of the State of Kansas (the "KCC") and with respect to retail gas rates and other matters by the Corporation Commission of the State of Oklahoma (the "OCC").

WRI currently has one utility subsidiary, Kansas Gas and Electric Company ("KGE") which provides electric services to customers in the southeastern portion of Kansas, including the Wichita metropolitan area. At December 31, 1996, it rendered electric services at retail to approximately 277,000 residential, commercial and industrial customers and provided wholesale electric generation and transmission services to numerous municipal customers located in Kansas and, through interchange agreements, to surrounding integrated systems. KGE does not own or operate any gas properties. KGE has one active subsidiary, Wolf Creek Nuclear Operating Corporation ("WCNOC"), a Delaware Corporation, which is owned 47% by KGE and operates the Wolf Creek Generating Station on behalf of the plant's owners, including KGE.1/ KGE is also subject to regulation as a public utility with respect to retail electric rates and other matters by the KCC. In addition, KGE is subject to regulation by the Nuclear Regulatory Commission under the Atomic Energy Act of 1954, as amended, in connection with its ownership of the Wolf Creek nuclear generating facility.

1/ KGE has obtained a No-Action letter regarding Wolf Creek Nuclear Operating Corporation not being deemed an electric utility company under section 2(a)(3) of the Act. SEC No- Action Letter (June 26, 1995)

WRI's non-utility subsidiaries are as follows:

(a) Westar Capital, Inc. ("Westar Capital"), a Kansas corporation, with principal offices at 818 Kansas Avenue, Topeka, Kansas 66612. Westar Capital is a holding company for certain non-regulated activities of the Company. Westar Capital's subsidiaries and affiliates (as defined in the Act) are:

Hanover Compressor Company, a Delaware corporation, with principal offices at 12001 N. Houston Rosslyn, Houston, Texas, 77086. Hanover Compressor Company offers compression services to the natural gas industry. Westar Capital owns approximately 10% of Hanover's common stock.

Westar Financial Services, Inc., a Kansas corporation, with principal offices at 818 Kansas Avenue, Topeka, Kansas 66612. Westar Financial Services, Inc. is engaged in the funding of activities of other subsidiaries of Western Resources, Inc.

Wing Columbia, L.L.C., a limited liability company organized under laws of Delaware, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380. Wing Columbia, L.L.C. invests in power generation projects in Columbia, South America. Westar Capital, Inc. owns 99% and The Wing Group, Limited Co. owns 1% of Wing Columbia, L.L.C.

WestSec, Inc., a Kansas corporation, with principal offices at 4221 West John Carpenter Freeway, Irving, Texas 75063. WestSec, Inc. is engaged in the business of monitored home and business security systems.

Westar Limited Partners, Inc., a Kansas corporation, with principal offices at 818 Kansas Avenue, Topeka, Kansas 66612. Westar Limited Partners, Inc. participates in limited partnerships and investments related to the business of WRI.

Valence, L.L.C., a Kansas limited liability company, with principal offices at 7001 Oxford Street, Minneapolis, Minnesota 55426. Valence, L.L.C., in which Westar Limited has a 40% interest, develops, manufactures, produces and distributes electronic parts, equipment and products.

Thunderbird Limited, III, L.P., a Kansas limited partnership, is a low income housing project in which Westar Limited is a 82% limited partner.

Thunderbird Monterey, L.P., a Kansas limited partnership, is a low income housing project in which Westar Limited is a 99% limited partner.

Oakwood Manor, L.P., a Kansas limited partnership, is a low income housing project, in which Westar Limited is a 99% limited partner.

(b) Westar Energy, Inc. ("Westar Energy"), a Kansas corporation, with principal offices at 818 Kansas Avenue, Topeka, Kansas 66612. Westar Energy provides services to large commercial and industrial customers. Westar Energy's subsidiaries are:

Westar Energy Investments, Inc., a Kansas corporation with principal offices at 818 Kansas Avenue, Topeka, Kansas 66612. Westar Energy Investments, Inc. holds investments of Westar Energy, Inc.

Westar Gas Marketing, Inc., a Kansas corporation, with principal offices at 1100 SW Wanamaker Road, Ste. 101, Topeka, Kansas 66604. Westar Gas Marketing, Inc., arranges natural gas purchasing, transportation, and delivery for natural gas users.

Westar Gas Company, a Delaware corporation, with principal offices at 1100 SW Wanamaker Road, Ste. 1001, Topeka, Kansas 66604. Westar Gas Company gathers and processes natural gas in Oklahoma and Kansas.

Indian Basin Venture I & II, New Mexico joint ventures, with principal offices at 1100 SW Wanamaker Road, Ste. 101, Topeka, Kansas 66604. Indian Basin Ventures operates a gas processing plant in New Mexico.

Westar Electric Marketing, Inc., a Kansas corporation, with principal offices at 818 Kansas Ave., Topeka, Kansas 66612. Westar Electric Marketing, Inc. arranges electric marketing and brokering to commercial and industrial customers on a wholesale level.

Westar Business Services, Inc., a Kansas corporation, with principal offices at 818 Kansas Ave., Topeka, Kansas 66612. Westar Business Services, Inc. is a provider of energy related services to commercial and industrial customers.

(c) Westar Security, Inc. ("Westar Security"), a Kansas corporation, with principal offices at 4221 West John Carpenter Freeway, Irving, Texas 75063. Westar Security identifies and develops consumer products and services related to the energy business. Westar Security's subsidiaries are:

Secure America Alarm Systems, Inc., a Kansas corporation, with principal offices at 14227 W. 95th Street, Lenexa, Kansas 66215. Secure America is engaged in the business of monitored home and business security systems.

Sentry Protective Alarms, Inc., a Kansas corporation with principal offices at 14227 W. 95th Street, Lenexa, Kansas 66215. Sentry Protective Alarms, Inc. is engaged in the business of monitored home and business security systems.

Sentry Protective Alarms, Inc., a California corporation with principal offices at 14227 W. 95th Street, Lenexa, Kansas 66215. Sentry Protective Alarms, Inc. is engaged in the business of monitored home and business security systems.

Security Monitoring Services, Inc., a Florida corporation, with principal offices at 725 South State Road 434, Longwood, Florida 32752. Security Monitoring Services, Inc. is engaged in the business of monitored home and business security systems.

Nexstar, Inc., a Florida corporation, with principal offices at 725 South State Road 434, Longwood, Florida 32752. Nexstar, Inc. is engaged in the business of monitored home and business security systems.

Safeguard Alarms, Inc., a Missouri corporation, with principal offices at 14227 W. 95th Street, Lenexa, Kansas 66215. Safeguard Alarms, Inc. is engaged in the business of monitored home and business security systems.

Westar Communications, Inc., a Kansas corporation, with principal offices at 1324 S. Kansas Avenue, Topeka, Kansas 66612. Westar Communications, Inc. operates a paging system in Kansas.

Westar Security Services, Inc., a Kansas corporation, with principal offices at 1324 S. Kansas Avenue, Topeka, Kansas 66612. Westar Security Services, Inc. is engaged in the business of monitored home and business security systems.

(d) MCMC, a Kansas corporation, with principal offices at 818 Kansas Ave., Topeka, Kansas 66612. MCMC offers natural gas transportation, wheeling, parking, balancing and storage services to natural gas producers. MCMC's subsidiaries are:

Market Center Gathering, Inc., a Kansas corporation, with principal offices at 818 Kansas Avenue, Topeka, Kansas 66612. Market Center Gathering, Inc. facilitates the operation of gas gathering systems.

(e) Western Resources Capital I and II, Delaware business trusts, were established for the purpose of issuing securities.

(f) The Wing Group, Limited Co., a Delaware corporation, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380. The Wing Group, Limited Co. is a developer of international power generation projects. The Wing Group, Limited Co.'s subsidiaries are:

Wing Capital, L.L.C., a Delaware Limited Liability Company, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380. Wing Capital invests in projects of The Wing Group.

Wing Thailand, Inc., a Delaware Corporation, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380. Wing Thailand invests in projects in Thailand.

The Wing Group International, Inc., a Cayman Islands Company, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380.

(g) CPI-Western Power Holdings, Ltd., a Bermuda Limited Liability Company. WRI owns 50% of CPI-Western Power Holdings, Ltd, a master joint venture which invests in power generation projects in China.

(h) Western Resources (Bermuda) Ltd., a Bermuda Limited Liability Company is a holding company to hold the interest of WRI in CPI-Western Power Holdings, Ltd.

(i) Wing Turkey, Inc., is a corporation organized under the laws of

Delaware, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380. Wing Turkey, Inc. invests in power generation projects in Turkey. Wing Turkey, Inc.'s subsidiaries are:

Wing International, Ltd., a Texas Limited Liability Company, with principal offices at 1610 Woodstead Court, The Woodlands, Texas 77380. Wing International, Ltd. invests in power generation projects in Turkey. Wing Turkey, Inc. owns 99% and The Wing Group, Limited Co. owns 1%.

The common stock, \$5.00 par value, of the Company ("Company Common Stock") is listed on the New York Stock Exchange ("NYSE"). As of July 30, 1997, there were 65,220,373 shares of Company Common Stock outstanding.

For the year ended December 31, 1996, the Company's operating revenues on a consolidated basis were approximately \$2.05 billion, of which approximately \$849 million was derived from the Company's natural gas operations. Consolidated assets of the Company and its subsidiaries at December 31, 1996 were approximately \$6.65 billion, of which approximately \$4.36 billion consists of identifiable utility property, plant and equipment.

A more detailed summary of information concerning the Company and its subsidiaries is contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, the Company's Form U-3A-2 for the year ended December 31, 1996 and the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997 and June 30, 1997, which are incorporated herein by reference as Exhibits H-1, H-2, H-3 and H-4, respectively.

WRI has entered into an Agreement and Plan of Merger, dated as of February 17, 1997, with Kansas City Power & Light Company ("KCPL"), a public utility company which operates as an electric utility company in the states of Kansas and Missouri. WRI intends to undertake a merger such that KCPL would be acquired by WRI. KCPL conducts approximately one-third of its utility operations in Kansas and approximately two-thirds in Missouri. In connection with the KCPL transaction, the Company would claim an exemption, or seek an order from the Commission declaring an exemption, from all provisions of the Act except Section 9(a)(2).

2. ONEOK

ONEOK, is a Delaware corporation having its principal office in Tulsa, Oklahoma. It engages through its divisions and subsidiaries in several aspects of the energy business. ONEOK purchases, gathers, compresses, transports, and stores natural gas for distribution to consumers. It transports gas for others, leases pipeline capacity to others for their use in transporting gas, and leases a small intrastate transmission system in Texas to others. ONEOK explores for and produces oil and gas, extracts and sells natural gas liquids, and is engaged in the gas marketing business. In addition, it leases and operates a headquarters office building (leasing excess space to others) and owns and operates a related parking facility. ONEOK is presently neither an associate nor an affiliate of a public-utility holding company.

ONEOK's business is conducted in two general environments, a rate regulated environment ("Regulated business") and a non-regulated environment ("Non-Regulated business") as follows: Regulated Business. Oklahoma Natural Gas Company, a division, and two subsidiaries, ONG Transmission Company ("ONG Transmission") and ONG Sayre Storage Company ("Sayre") comprise a fully integrated intrastate natural gas gathering, storage, transmission and distribution operation which provides natural gas service to wholesale and retail customers, primarily in the state of Oklahoma. The operations of the division and two subsidiaries are consolidated for ratemaking purposes by the OCC. Pipeline capacity is leased to industrial customers to transport natural gas to their facilities and ONG Transmission transports gas for others under Section 311(a) of the Natural Gas Policy Act of 1989 ("NGPA"). Natural gas is purchased from gas processing plants, producing gas wells, and pipeline suppliers, and, utilizing five underground storage facilities as necessary, is delivered to approximately 730,000 customers located in 294 communities in Oklahoma. The largest markets are the Oklahoma City and Tulsa metropolitan areas. An estimated population of over 2 million is served. Natural gas is also sold and/or pipeline capacity leased to other local gas distributors serving 44 Oklahoma communities. Sayre's gas storage facility is leased, on a long-term basis, to and operated by the Natural Gas Pipeline Company of America with some of the capacity retained for use as part of the regulated operation. Storage capacity is leased to third parties from time to time. OkTex Pipeline Company transports gas from ONEOK's Oklahoma system to pipelines in Texas and is regulated by the Federal Energy Regulatory Commission.

Non-Regulated Business. The non-regulated business includes natural gas marketing by ONEOK Gas Marketing Company, gas processing by ONEOK Products Company and oil and gas exploration and production by ONEOK Resources Company. Other business includes leasing and operating (and leasing excess space) a headquarters building by ONEOK Leasing Company and owning and operating a parking garage by ONEOK Parking Company.

The marketing business consists of purchasing and marketing natural gas primarily in the mid-continent area of the United States. An affiliate, ONEOK Producer Services Company, also provides marketing and related services to small producers in Oklahoma. The gas processing business includes non-operating

interests in 15 gas processing plants primarily in Oklahoma which extract natural gas liquids, which are fractionated and sold to others as individual products. The oil and gas business is concentrated in Oklahoma where crude oil and natural gas is explored for and produced. The Company has working interests in 821 gas wells and 737 oil wells located principally in Oklahoma and Louisiana. Of these, 234 are operated properties.

The common stock, without par value, of ONEOK ("ONEOK Common Stock") is listed on the NYSE. As of May 31, 1997, there were 27,997,925 shares of ONEOK Common Stock outstanding.

For the year ended August 31, 1996, ONEOK's operating revenues on a consolidated basis were approximately \$1.22 billion, of which approximately \$538 million was attributable to regulated natural gas distribution activities and approximately \$686 million to gas marketing, processing, gas exploration and production and other operations. Consolidated assets of ONEOK and its subsidiaries at May 31, 1997 were \$1.40 billion, of which approximately \$678 million consists of its gas distribution property, plant and equipment.

A more detailed summary of information concerning ONEOK and its subsidiaries is contained in ONEOK's Annual Report on Form 10-K for the year ended August 31, 1996, ONEOK's Quarterly Reports on Form 10-Q for the quarters ended November 30, 1996, February 28, 1997 and May 31, 1997, which are incorporated herein by reference as Exhibits H-5, H-6, H-7 and H-8, respectively.

B. Description of the Transactions

1. Background of the Transactions

In October 1992, WRI began actively to pursue bids for the sale of its gas operations. In May 1993, ONEOK and the Southern Union Company ("Southern Union") submitted a joint proposal to separately acquire certain portions of the gas business of WRI. Southern Union's bid was for WRI's Missouri distribution system, while ONEOK's bid was for WRI's Oklahoma and certain of WRI's Kansas gas distribution systems. On June 22, 1993, ONEOK publicly announced that WRI and ONEOK were conducting negotiations regarding the possible sale to ONEOK of WRI's local natural gas distribution operations in Oklahoma and gas-only utility operations in eastern Kansas. Negotiations between ONEOK and WRI continued through mid-July 1993. The parties were unable to reach mutual agreement on the terms of the proposed sale, and on July 15, 1993, ONEOK publicly announced the termination of negotiations with WRI.

On January 29, 1996, Eugene Dubay of ONEOK and certain executives of WRI met in Topeka, Kansas regarding the possible purchase by ONEOK of WRI's Oklahoma and certain of its Kansas local natural gas distribution systems. During April 1996, executives of WRI held several discussions with ONEOK executives regarding the size and form of consideration for the transactions and WRI's proposal to retain a significant investment in the business through ownership of capital equity in the combined business as full or partial consideration for the transactions.

In June 1996, WRI and ONEOK executed a confidentiality agreement relating, among other things, to the information to be provided by each company to the other. Following the execution of such confidentiality agreement, the parties began their respective due diligence reviews.

On July 16, 1996, managements of ONEOK and WRI met in Topeka, Kansas to discuss the structure and terms of the transactions and the potential operating synergies which might result.

On September 4, 1996, senior management of ONEOK and WRI had a meeting in Tulsa, Oklahoma to further discuss the structure of the transactions and the prospect of WRI's continued equity ownership in the combined business after the closing of such proposed transactions. ONEOK management indicated its willingness to enter into a proposed transaction structure in which WRI would subsequently hold, subject to certain standstill restrictions, up to 45.0% of the common stock of the combined entity on a fully diluted basis and receive a certain amount of cash.

During October 1996 through mid-November 1996, members of the respective senior managements of each of ONEOK and WRI and their respective counsel held several discussions relating to the terms of the Shareholder Agreement (as defined below under "The Shareholder Agreement") and other matters, including, but not limited to, the number of shares of the combined business to be received by WRI in the Transactions, WRI's board representation in the combined business, WRI's voting rights, a standstill provision, WRI's top-up rights, the Rights Agreement (as defined below under "New ONEOK"), WRI's registration rights, transfer restrictions on WRI regarding its stock holding in New ONEOK, and a buy/sell option for both WRI and New ONEOK. During this time period, WRI and ONEOK exchanged detailed operational, financial and other business information and the respective senior managements and legal and financial advisors of each of ONEOK and WRI continued to conduct their due diligence reviews.

From the end of November 1996 through the beginning of December 1996, discussions between the respective senior managements of each of ONEOK and WRI and their counsel progressed toward finalization of the terms of the Agreement and the Shareholder Agreement.

On December 11, 1996, the WRI Board, at its regularly scheduled meeting, unanimously approved the Agreement, the Shareholder Agreement and the Transactions.

On December 11, 1996, the ONEOK Board met to consider approval of the Agreement, the Shareholder Agreement and the Transactions. At the meeting, PaineWebber Incorporated ("PaineWebber") presented its oral opinion to the ONEOK Board that, as of such date, the proposed Transactions were fair to ONEOK's shareholders from a financial point of view. After further discussion by the ONEOK Board of the proposed Transactions, the ONEOK Board concluded that the Transactions were in the best interest of ONEOK's shareholders and unanimously approved the Agreement, the Shareholder Agreement, other ancillary agreements and the Transactions contemplated thereby.

On December 12, 1996, WRI and ONEOK executed the Agreement and publicly announced the Transactions.

On January 31, 1997, WRI received a letter from the Commission confirming WRI's continued eligibility to account for a certain other unrelated business combination as a "pooling of interests." It is a condition to WRI's obligations to close the Transactions that WRI's accountants confirm such eligibility.

On May 19, 1997, WRI and ONEOK amended and restated the Agreement to include New ONEOK as a party and to make several technical revisions.

2. The Transactions

The Agreement among WRI, WAI and ONEOK provides that WRI will contribute, or will cause to be contributed, to WAI all of the Assets. WRI will then cause WAI to assume all of the liabilities of WRI that arise primarily out of, or relate primarily to or are primarily generated by, the Assets and approximately \$35 million aggregate principal amount of debt of WRI with terms permitting prepayment with no more than 30 days' prior notice without penalty and a maturity of no more than three years (the "Assumed Debt"). The amount of Assumed Debt will be subject to adjustment based on changes in the working capital of the Gas Business and the dollar amounts of certain gas business capital expenditures to be made by each of ONEOK and WRI for the period from December 1, 1996 through the closing date of the Transactions (the "Closing Date").

Immediately after the Asset Transaction, ONEOK will merge with and into WAI, with WAI as the surviving corporation, whereupon WAI's name will be changed to "ONEOK, Inc." The outstanding shares of ONEOK Common Stock will be converted on a one-for-one basis into the right to receive shares of New ONEOK Common Stock. Each share of New ONEOK Common Stock will be issued together with the corresponding number of associated rights to purchase one one-hundredths of a share of Series C Preferred Stock of New ONEOK pursuant to the Rights Agreement.

Upon consummation of the Transactions, on a fully diluted basis, after giving effect to the Transactions and based on the number of shares of ONEOK Common Stock outstanding as of December 12, 1996, WRI will hold 2,996,702 shares of New ONEOK Common Stock and 19,317,584 shares of Series A Convertible Preferred Stock of New ONEOK, representing up to 9.9% of the New ONEOK Common Stock outstanding before conversion of the Series A Convertible Preferred Stock into New ONEOK Common Stock and up to 45.0% of the New ONEOK Common Stock outstanding after such conversion. Holders of ONEOK Common Stock will hold shares of New ONEOK Common Stock representing at least 90.1% of the New ONEOK Common Stock outstanding and not less than 55.0% of the New ONEOK Common Stock after conversion of the Series A Convertible Preferred Stock to be held by WRI pursuant to the Agreement. In the event ONEOK issues additional shares of ONEOK Common Stock between December 12, 1996 and the closing of the transactions (the "Closing"), WRI has the right pursuant to the Shareholder Agreement to require WAI at the Closing to issue to it additional shares of New ONEOK Common Stock and/or Series A Convertible Preferred Stock, at a price per share equal to the average market price of the ONEOK Common Stock for the 20 trading days prior to the Closing, so as to restore WRI's percentage ownership at the Closing to up to 9.9% of the outstanding New ONEOK Common Stock and up to 45.0% of the outstanding New ONEOK Common Stock on a fully diluted basis.

Pursuant to the Agreement, ONEOK has redeemed all of its outstanding shares of ONEOK Preferred Stock and will redeem at the Closing of the Merger all rights contemplated by the ONEOK Rights Agreement at the applicable redemption price.

The Agreement is incorporated herein by reference as Exhibit B-1.

The Merger is subject to customary closing conditions, including the receipt of the requisite approval of the holders of ONEOK Common Stock and all necessary governmental approvals, including approval of the Commission.

The Merger is designed to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "IRC"). The Company will account for its common stock holdings in New ONEOK by the equity method and for its preferred stock holdings as an investment.

ONEOK has also agreed that it will cause New ONEOK after the Merger to submit to its shareholders for a vote at the earlier of the first annual meeting of New ONEOK to occur after the effective time of the Merger (the "Merger Effective Time") (provided that the Merger Effective Time shall have occurred at

least 60 days prior to the annual meeting), or at a special meeting to be held no later than 120 days after the Merger Effective Time, a proposal for New ONEOK to amend (such Amendment, the "Opt-out Amendment") the New ONEOK Certificate of Incorporation (the "New ONEOK Certificate") (i) to opt out, as of a date no more than two days after the date of such shareholders' meeting, from Section 1145 through 1155 of Title 18 of the Oklahoma Statutes, as it may be amended, which relates to control share acquisitions (the "Control Share Acquisition Statute") and (ii) to provide that this amendment may be further amended only by the affirmative vote of at least 662/3% of the voting power of all Securities (as defined below), voting as a class.

3. The Shareholder Agreement

Pursuant to the Agreement, New ONEOK and WRI will enter into the Shareholder Agreement between WRI and New ONEOK (the "Shareholder Agreement") on the Closing Date which will provide for, among other matters, the matters specified below:

The Shareholder Agreement will provide, among other things, that WRI and its Affiliates (as defined in the Shareholder Agreement) will be prohibited from taking certain actions, including, without limitation:

(a) prior to the occurrence of a Regulatory Change (as defined below), the acquisition of Voting Securities (as defined below) of New ONEOK that would cause the Shareholder Group (as defined below) to have securities representing more than 9.9% of the total outstanding voting power of New ONEOK and, at any time, the acquisition of securities that would cause the Shareholder Group's Total Ownership Percentage to exceed the Maximum Ownership Percentage (as defined below);

(b) the deposit of New ONEOK Securities in a voting trust or subjecting of such Securities to any similar arrangement or proxy with respect to the voting of such Securities;

(c) the commencement of a merger, acquisition or other business combination transaction relating to New ONEOK; and

(d) engagement in any other action, either alone or in concert with others, to seek to control or influence New ONEOK's management, Board or policies.

In the event that the Shareholder Group's Total Ownership Percentage falls below the Maximum Ownership Percentage, WRI has certain rights to acquire additional Securities to restore the Total Ownership Percentage of the Shareholder Group to the Maximum Ownership Percentage. WRI may exercise such rights either (i) by purchasing New ONEOK Common Stock in the open market or otherwise (and, to the extent such purchases would cause the Shareholder Group's Voting Ownership Percentage to exceed 9.9% prior to a Regulatory Change, exchanging such shares on a share for share basis for Series B Convertible Preferred Stock issued by New ONEOK) or (ii) in certain events where the reduction in the Shareholder Group's Total Ownership Percentage is caused by a Dilutive Issuance (as defined under "The Shareholder Agreement") by New ONEOK, by requiring New ONEOK to issue to WRI at the issue price per share of the Dilutive Issuance, prior to a Regulatory Change, additional shares of New ONEOK Common Stock and, to the extent such issuance would cause the Shareholder Group's Voting Ownership Percentage to exceed 9.9%, Series B Convertible Preferred Stock sufficient to restore the Shareholder Group's Total Ownership Percentage to the Maximum Ownership Percentage and, after a Regulatory Change, shares of New ONEOK Common Stock sufficient to restore the Shareholder Group's Total Ownership Percentage to the Maximum Ownership Percentage minus 10%.

For purposes of the Shareholder Agreement, "Shareholder Group" means WRI, any WRI Affiliate and any person with whom WRI or any of its Affiliates is part of a partnership, limited partnership, syndicate or other group of persons acquiring, holding, voting or disposing of any voting securities which would be required under Section 13(d) of the Exchange Act to file a statement on Schedule 13D with the Commission.

"Maximum Ownership Percentage" means, calculated at a particular point in time, a Total Ownership Percentage of 45%, less the voting power represented by all Voting Securities transferred by the Shareholder Group during the term of the Shareholder Agreement (including the Voting Power (as defined under "The Shareholder Agreement") represented by any shares of Convertible Preferred Stock which were converted into shares of New ONEOK Common Stock contemporaneously with such transfer pursuant to the terms of the Shareholder Agreement).

A "Regulatory Change" will be deemed to have occurred upon the receipt by WRI of an opinion of WRI's counsel (which counsel must be reasonably acceptable to New ONEOK) to the effect that either (1) the 1935 Act has been repealed, modified, amended or otherwise changed or (2) WRI has received an exemption, or, in the unqualified opinion of WRI's counsel, is entitled without any regulatory approval to claim an exemption, or has received an approval or no-action letter from the Commission or its staff under the 1935 Act or has registered under the 1935 Act, or any combination of the foregoing, and as a consequence of (1) and/or (2), WRI may fully and legally exercise such rights under the Shareholder Agreement as take effect in the period after a Regulatory Change has occurred.

"Securities" means any equity securities of New ONEOK.

"Total Ownership Percentage" means, calculated at a particular point in time, the Voting Power which would be represented by the securities beneficially owned by the person whose Total Ownership Percentage is being determined if all shares of Convertible Preferred Stock (or other Securities convertible into Voting Securities) beneficially owned by such person were converted into shares of New ONEOK Common Stock (or other Voting Security).

"Voting Ownership Percentage" means, calculated at a particular point in time, the Voting Power represented by New ONEOK Common Stock and shares of any other class of capital stock of New ONEOK then entitled to vote in the election of directors (not including Convertible Preferred Stock) ("Voting Securities") beneficially owned by the person whose voting ownership percentage is being determined.

During the term of the Shareholder Agreement, the Shareholder Group is prohibited, without the prior written consent of a majority of New ONEOK's independent directors, from transferring any Securities of New ONEOK, except (a) transfers of Securities representing Voting Power of less than 5% provided that the transferee does not have a Voting Ownership Percentage of 5% or more immediately prior to such transfer; (b) in a bona fide underwritten public offering pursuant to the Registration Rights Agreement ("Registration Rights Agreement") to be entered into between New ONEOK and WRI on the Closing Date; (c) pursuant to a pro rata distribution to WRI's shareholders; and (d) pursuant to a procedure which permits WRI to transfer Securities representing 5% or more of New ONEOK's Voting Power, provided that New ONEOK has been given notice thereof, and has failed, within a specified period of time, to purchase from WRI the Securities proposed to be sold at a cash purchase price per share equal to 98.5% of the then current market price for New ONEOK's Common Stock. In addition, in the case of a bona fide third party tender offer for New ONEOK, WRI may tender into such offer a proportionate amount of its New ONEOK Securities.

During the term of the Shareholder Agreement, WRI has agreed to vote all Voting Securities owned by it as follows: with respect to the election of directors, WRI will vote its Voting Securities in favor of the election of all candidates for director nominated by the New ONEOK Board of Directors ("New ONEOK Board"). With respect to any proposal initiated by a shareholder of New ONEOK relating to the redemption of the rights issued pursuant to the Rights Agreement or any modification of the Rights Agreement (other than nonbinding precatory resolutions), WRI shall, and shall cause each member of the Shareholder Group to, vote all Voting Securities Beneficially Owned by WRI or any member of the Shareholder Group in accordance with the recommendation of the New ONEOK Board. With respect to transactions constituting a Change in Control (as defined below under "New ONEOK") or with respect to any proposal relating to the Opt-out Amendment, WRI may vote any or all of the Voting Securities and Convertible Preferred Stock (which, as described above, has the right in such circumstance to vote together with the New ONEOK Common Stock on a one vote per share basis, as adjusted to reflect any stock split or similar events) held by the Shareholder Group in its sole discretion. With respect to any proposed amendment to the New ONEOK Certificate or the Bylaws of New ONEOK (the "New ONEOK By-laws") which would reasonably have the effect of modifying in any way the Opt-out Amendment or would reasonably cause New ONEOK to become subject to (i) the Control Share Acquisition Statute or (ii) any other provisions which are substantially similar to the Control Share Acquisition Statute, WRI or any member of the Shareholder Group has the right to abstain or vote against such amendment. With respect to all other matters, (i) prior to the occurrence of a Regulatory Change, WRI may vote any Voting Securities of New ONEOK held by the Shareholder Group in WRI's sole discretion, (ii) after the occurrence of a Regulatory Change, WRI may vote in its sole discretion up to 9.9% of the New ONEOK outstanding Voting Power and WRI must vote any other Voting Securities owned by it in the same proportion as all Voting Securities voted on such other matter are voted by the other shareholders of New ONEOK.

The Shareholder Agreement terminates under certain circumstances, including, but not limited to: (a) New ONEOK's quarterly dividend on the New ONEOK Common Stock falling below \$0.30 per share (as adjusted to reflect any stock split or similar events) in any five quarters or New ONEOK's failure to pay the stated quarterly dividend on any series of Convertible Preferred Stock in any five quarters, (b) the Shareholder Group's Total Ownership Percentage falling below 9.9% at any time or (c) the Shareholder Group's Total Ownership Percentage falling below 30% at any time following the 15th anniversary of the signing of the Shareholder Agreement. In addition, on the 15th and each subsequent anniversary of the signing of the Shareholder Agreement, each of WRI and New ONEOK, on behalf of New ONEOK's shareholders, has the right to buy from or sell to the other, by purchase, sale or credible tender offer, as appropriate, all outstanding shares of New ONEOK capital stock beneficially owned by the selling party (which, in the case of New ONEOK, means the shareholders of New ONEOK other than WRI and the Shareholder Group). In addition, if at any time after the occurrence of a Regulatory Change, New ONEOK believes in good faith that WRI's regulatory status as modified by such Regulatory Change would place an unreasonable restriction on the implementation of New ONEOK's strategic business plans, New ONEOK may immediately initiate its buy/sell rights.

The Shareholder Agreement is incorporated herein by reference as Exhibit B-2.

4. Other Agreements

At the Closing, WRI and New ONEOK will execute a Marketing Agreement (the "Marketing Agreement"). Under the Marketing Agreement, New ONEOK will provide certain support services in its service area exclusively to WRI for WRI's residential and commercial electronic monitoring security business. The services to be provided include promotional programs by New ONEOK's customer service employees, billing inserts, billing service and customer information. WRI will provide all necessary training and education of New ONEOK employees for the promotional programs. The parties will develop mutually agreed guidelines for the promotional programs. New ONEOK will be paid specified fees for providing the services. Any disputes relating to the Marketing Agreement will be settled under dispute resolution provisions in the Marketing Agreement. The Marketing Agreement will also authorize WRI to use certain of New ONEOK's trade names, trademarks, servicemarks, etc. in connection with the marketing of monitored security services in ONEOK's service area.

At the Closing, WRI and New ONEOK will execute a Shared Services Agreement (the "Shared Services Agreement"). The Shared Services Agreement will provide for cooperation between the parties with respect to various services, facilities and shared facilities related to New ONEOK and the electric utility business of WRI in Kansas, such as billing, meter reading and phone center coverage.

WRI and ONEOK entered into an Employee Agreement, dated as of December 12, 1996, which provides for certain employment arrangements in respect of the employees of the Gas Business following the Closing.

WRI, ONEOK and New ONEOK have agreed to enter into, on the Closing Date, an Environmental Indemnity Agreement whereby New ONEOK will assume responsibility for certain environmental related liabilities related to the Gas Business and WRI will retain certain other environmental related liabilities.

WRI and New ONEOK have agreed to enter into, on the Closing Date, the Registration Rights Agreement, which provides that WRI will have certain rights to require New ONEOK to register under the Securities Act of 1933, as amended, WRI's shares of New ONEOK Common Stock and shares of New ONEOK Common Stock obtainable upon conversion of the Convertible Preferred Stock, subject to certain conditions.

Each share of New ONEOK Common Stock will be associated with a Right to Purchase one one-hundredths of a share of New ONEOK Series C Preferred Stock. The Rights will be attached to certificates of shares of New ONEOK Common Stock and will not be separately tradeable and will become exercisable only upon certain conditions. In the event that, without the prior consent of the Board of Directors of New ONEOK, any person or group (other than WRI with respect to shares acquired pursuant to the Agreement and Shareholder Agreement) acquires beneficial ownership of 15% or more of the Voting Power of all outstanding voting securities of New ONEOK, each Right (other than Rights held by such acquiring person or group) will entitle the holder to purchase, at the then-current exercise price of the Right, a number of shares of New ONEOK Common Stock having a value of twice the exercise price of the Right, subject to certain exceptions.

5. New ONEOK

New ONEOK, a corporation formed under the laws of Oklahoma as WAI, will change its name to ONEOK, Inc. upon consummation of the Merger. New ONEOK's authorized capital stock will consist of 100 million shares of New ONEOK Common Stock, and 100 million shares of Preferred Stock which the New ONEOK Board is authorized to issue in one or more series or classes, and to fix for each such series or class the preferences, conversion or other rights, Voting Powers, restrictions, limitations as to dividends, qualifications, or terms or redemption, as are permitted by Oklahoma law and are as stated in the resolution or resolutions adopted by the Board providing for the issuance of shares of such series or class. New ONEOK will have no operations prior to the Asset Transaction and the Merger other than those contemplated by the Agreement in connection with accomplishing the Transactions.

All shares of New ONEOK Common Stock will be issued, together with the corresponding number of associated rights to purchase one-one-hundredth of a share of New ONEOK Series C Preferred Stock, par value \$0.01 per share, pursuant to a Rights Agreement, to be entered at the Closing, between WAI and Liberty Bank and Trust Company of Oklahoma, N.A., as rights agent (the "Rights Agreement").

The Series A Convertible Preferred Stock is convertible, at the option of the holder, in whole or in part, at any time following the occurrence of a Regulatory Change, into New ONEOK Common Stock at the rate of one share of New ONEOK Common Stock for each share of Series A Convertible Preferred Stock (as adjusted to reflect any stock split or similar events). In addition, any shares of the Series A Convertible Preferred Stock transferred by WRI to any person other than WRI or its affiliates is required to be converted into New ONEOK Common Stock. In connection with the Transactions, ONEOK and WRI have requested and expect to obtain a no-action letter from the Commission confirming that, for purposes of the Act, WRI's ownership interest in New ONEOK will not cause New ONEOK to be deemed a "subsidiary" of WRI nor WRI to be deemed a "holding company" under the Act.

The holders of Series A Convertible Preferred Stock will be entitled, with respect to each dividend period on the New ONEOK Common Stock (as adjusted to reflect any stock split or similar events), to receive a dividend payment thereon that is equal, prior to the fifth anniversary of the Closing, to 1.5 times the dividend amount declared in respect of each share of New ONEOK Common Stock (as adjusted to reflect any stock split or similar events) for such dividend period (as adjusted to reflect any stock split or similar events) and thereafter 1.25 times the dividend amount declared in respect of each share of New ONEOK Common Stock for such dividend period. In no event, however, will the aggregate annual dividend amount payable in respect of each share of Series A Convertible Preferred Stock be less than \$1.80 per share (as adjusted to reflect any stock split or similar events). Presently, the annual indicated dividend rate on the ONEOK Common Stock is \$1.20 per share.

In addition, upon conversion of any shares of Series A Convertible Preferred Stock, the holders thereof will be entitled to receive their proportionate share of an amount equal to \$35 million if such conversion were to occur at Closing, which amount reduces to zero over five years, assuming the annual dividend amount on the Series A Convertible Preferred Stock is maintained at \$1.80 per share (and over less than five years if the annual dividend amount on the Series A Convertible Preferred Stock is in excess of \$1.80 per share). This conversion payment amount is formulated to ensure that WRI will receive dividend payments for the first five years and/or a lump sum payment which in the aggregate totals at least \$35 million.

Shares of Series A Convertible Preferred Stock are non-voting, except that they vote with the New ONEOK Common Stock (and any other class or series of stock which may be similarly entitled to vote with the holders of New ONEOK Common Stock) as a single class with respect to (i) any proposal relating to the Opt-out Amendment and any proposed amendment to the New ONEOK Certificate or New ONEOK By-laws which would have the effect of modifying in any way the Opt-out Amendment or would reasonably cause New ONEOK to become subject to (a) the Control Share Acquisition Statute or (b) any other provisions which are substantially similar to the Control Share Acquisition Statute and (ii) any transaction which, if consummated, would constitute a Change in Control of New ONEOK. With respect to any such transaction, each share of Series A Convertible Preferred Stock shall carry a number of votes equal to the number of votes carried in the aggregate by the number of shares of New ONEOK Common Stock issuable upon conversion of one share of Series A Convertible Preferred Stock.

As used herein, "Change in Control" means the occurrence of any one of the following events:

(1) any person (other than the Shareholder Group) becoming the beneficial owner, directly or indirectly, of Voting Securities, pursuant to the consummation of a merger, consolidation, sale of all or substantially all of New ONEOK's assets, share exchange or similar form of corporate transaction involving New ONEOK or any of its subsidiaries that requires the approval of New ONEOK's shareholders, whether for such transaction or the issuance of securities in such transaction, so as to cause such person's Voting Ownership Percentage to exceed a Voting Ownership Percentage of 15% prior to a Regulatory Change and a Voting Ownership Percentage of 35% thereafter, provided, however, that the event described in this paragraph (1) shall not be deemed to be a Change in Control if it occurs as the result of any of the following acquisitions: (A) by any employee benefit plan sponsored or maintained by New ONEOK or any affiliate, or (B) by any underwriter temporarily holding securities pursuant to an offering of such securities;

(2) the consummation of a merger, consolidation, sale of all or substantially all of New ONEOK's assets, share exchange or similar form of corporate transaction involving New ONEOK or any of its subsidiaries that requires the approval of New ONEOK's shareholders, whether for such transaction or the issuance of securities in such transaction, unless immediately following such transaction more than 50% of the total Voting Power of (x) the corporation resulting from such transaction, or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the Voting Securities eligible to elect directors of such resulting corporation, is represented by Voting Securities that were outstanding immediately prior to such transaction (or, if applicable, shares into which such Voting Securities were converted pursuant to such transaction), and such Voting Power among the holders of such Voting Securities that were outstanding immediately prior to such transaction is in substantially the same proportion as the Voting Power of such Voting Securities among the holders thereof immediately prior to such transaction; or

(3) the consummation of a plan of complete liquidation or dissolution of New ONEOK.

Shares of the Series B Convertible Preferred Stock, par value \$0.01 per share ("Series B Convertible Preferred Stock" and, together with the Series A Convertible Preferred Stock, "Convertible Preferred Stock") will be issued to WRI in exchange for shares of New ONEOK Common Stock purchased by WRI in the open market upon WRI's exercise of the Top-Up Rights pursuant to the Shareholder Agreement so as to enable WRI to restore its Total Ownership Percentage to the Maximum Ownership Percentage or, in the case of any dilutive security issuances in connection with any acquisition or other business combination, in exchange for payment of the issue price per share of the Dilutive Issuance, so as to restore its Total Ownership Percentage to the Maximum Ownership Percentage minus

10%. The terms of the Series B Convertible Preferred Stock are the same as the Series A Convertible Preferred Stock, except that (i) the dividend amount on each share of Series B Convertible Preferred Stock is equal to 1.25 times the dividend amount declared in respect of each share of New ONEOK Common Stock for each dividend period (as adjusted to reflect any stock split or similar events) and (ii) prior to the fifth anniversary of the Closing Date, the aggregate annual dividend amount will equal an amount not less than \$1.50 per share of Series B Convertible Preferred Stock and, thereafter, the aggregate annual dividend amount will equal an amount not less than \$1.80 per share of Series B Convertible Preferred Stock.

New ONEOK will, as of the Closing Date, adopt a Rights Agreement that is designed to protect New ONEOK shareholders from coercive or unfair takeover tactics. The Rights Agreement may have the effect of delaying, deterring or preventing a takeover of New ONEOK. In connection with the Rights Agreement, the New ONEOK Board has established a series of Preferred Stock, designated as Series C Preferred Stock. Holders of the Series C Preferred Stock are entitled to receive, in preference to the holders of New ONEOK Common Stock, quarterly dividends payable in cash on the last day of each fiscal quarter of New ONEOK in each year, or such other dates as the New ONEOK Board deems appropriate, in an amount per share equal to the greater of (a) \$1 or (b) subject to adjustment, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends, other than a dividend payable in New ONEOK Common Stock, payable with respect to New ONEOK Common Stock. The Series C Preferred Stock dividends are cumulative but do not bear interest. Shares of Series C Preferred Stock are not redeemable. Subject to adjustment, each share of Series C Preferred Stock entitles the holder thereof to 100 votes on all matters submitted to a vote of the New ONEOK shareholders and during a certain dividend default period, holders of the Series C Preferred Stock have other special voting rights. Upon any liquidation, dissolution or winding-up of New ONEOK, holders of Series C Preferred Stock are entitled to priority over the holders of shares of New ONEOK Common Stock or other junior ranking stock. No such shares of Series C Preferred Stock are outstanding; however, each holder of New ONEOK Common Stock will be granted the right to purchase one one-hundredths of a share of Series C Preferred Stock upon the happening of certain events, such as a hostile takeover attempt of New ONEOK, as described in the Rights Agreement.

Immediately following the Merger, the Board and New ONEOK Management will be the same as that of ONEOK prior to the Merger, except for (i) the expansion of the New ONEOK Board from 14 to 16 directors to allow the appointment of two directors designated by WRI and (ii) the appointment of five persons who are currently officers of WRI with respect to the Gas Business (including officers of MCMC and Westar) as additional officers of New ONEOK, with comparable responsibilities. Under certain circumstances, following the occurrence of a Regulatory Change, WRI has the right to designate additional directors providing for aggregate representation of up to one-third of the New ONEOK Board. In addition, the New ONEOK By-laws provide that the chief executive officer of New ONEOK must be elected by the affirmative vote of 80% of the directors of New ONEOK.

Item 2 FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses of the Company expected to be paid or incurred, directly or indirectly, in connection with the transactions described above are estimated as follows:

Auditors' Fees.....	*
Legal Fees.....	\$2,000,000
Investment Bankers' Fees and Expenses.....	\$2,800,000
Miscellaneous.....	*
Total.....	*

*To be filed by amendment.

Item 3 APPLICABLE STATUTORY PROVISIONS

The following sections of the Act are directly or indirectly applicable to the proposed Asset Transaction and Merger: Sections 9(a)(2) and 10. To the extent other sections of the Act or the Commission's rules thereunder are deemed applicable to the Asset Transaction and the Merger, such sections and rules should be considered to be set forth in this Item 3.

Section 9(a)(2) makes it unlawful, without approval of the Commission under Section 10, "for any person ... to acquire, directly or indirectly, any security of any public utility company, if such person is an affiliate ... of such company and of any other public utility or holding company, or will by virtue of such acquisition become such an affiliate." Because the Company will, by virtue of the Transactions, become an affiliate of New ONEOK2/, Section 9(a)(2) requires approval by the Commission of the Transactions under Section 10. The Company believes that the Transactions meet the requirements of Sections 9(a)(2) and 10.

2/ ONEOK and WRI will obtain a No-Action letter that represents the SEC Staff's concurrence that New ONEOK will not be deemed to be a subsidiary of WRI within the meaning of Section 2(a)(8) of the Act and WRI will not be deemed to be a holding company over New ONEOK under Section 2(a)(7) of the Act.

A. Section 10(b)

Section 10(b) provides that if the requirements of Section 10(f) are satisfied, the Commission shall approve an acquisition under Section 9(a) unless:

(1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interests of investors or consumers;

(2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest or the interests of investors or consumers or the proper functioning of such holding company system.

1. Section 10(b)(1)

This is not a typical merger in which one company acquires 100% of the voting securities of another. Rather, the Transactions represent a strategic alliance between two strong companies. As the no-action letter correspondence makes clear, ONEOK post-merger will continue to operate under the control of current management. WRI will be limited to the rights that would otherwise be associated with the ownership of 9.9% of the voting securities of a publicly-held company. Furthermore, the Company believes that the Transactions will not tend towards interlocking relationships or concentrations of control that would be detrimental to the public interest or the interest of investors or consumers for several reasons.

First, WRI and New ONEOK will enter into a Shareholder Agreement in connection with the Merger. The terms of the Shareholder Agreement, which are discussed above in Item 1.B.3, prevent WRI from exercising a controlling influence over New ONEOK. In addition, New ONEOK will be subject to regulation with respect to rates and other corporate matters by regulatory bodies in Kansas and Oklahoma, which function to protect the interest of consumers and the public interest. The Company is currently, and following the Transactions will remain, subject to the jurisdiction of the KCC and the FERC.

The Transactions are also not detrimental to the public interest or the interest of investors or consumers, as they will result in a decrease in the size of the WRI holding company system. Even if the transaction is analyzed on the basis of the combined WRI-ONEOK systems, there is no impermissible concentration of control. The Commission has recognized that there is no limit on size per se. In this case, even viewed as a combined system, WRI and ONEOK would create a system that is comparable to other utility systems. On a pro forma basis, giving effect to the Transactions, as of May 31, 1997, WRI and New ONEOK would have combined assets of \$7.8 billion and total operating revenue for the twelve months ended May 31, 1997 of \$3.0 billion and approximately 1.6 million utility customers. The Commission has approved acquisitions involving much larger operating utilities (see Entergy Corp., HCAR No. 25952 (Dec. 17, 1993) approving the acquisition of Gulf States Utilities, with combined assets at time of acquisition in excess of \$21 billion; The Southern Company, HCAR No. 24579 (Feb. 12, 1988) approving the acquisition of Savannah Electric and Power Company to create a system with assets of \$20 billion and 3.25 million customers) and has not found the size of other existing holding companies of similar size to be problematic.^{3/}

3/ The Southern Company System, for example, has assets of approximately \$27 billion and revenues of approximately \$8.3 billion, while American Electric Power has assets of approximately \$15.7 billion, revenues of approximately \$5.5 billion and approximately 2.9 million utility customers. Entergy, which as a result of its acquisition of Gulf States Utilities Company provides service in the State of Texas, currently has approximately 2.4 million utility customers.

Furthermore, the Transactions will not have a detrimental effect on competition in Kansas and Oklahoma. After the Transactions, the Company and New ONEOK will operate in the same competitive environments in which they operate today. ONEOK intends to compete actively with WRI for customers. Kansas

communities which now receive both their electric and natural gas service from WRI will be receiving their gas service from New ONEOK and their electric service from WRI after the merger. As competition between gas and electric companies increases with the transition of both industries from a bundled to an unbundled and competitive environment, customers will have more choices available to them as a result of having separate gas and electric companies to provide them with service.

In addition, there will be competition in the retail market for industrial and commercial customers for natural gas in Oklahoma and Kansas, both because natural gas utilities do not have exclusive territories and because gas is transported to large customers in Kansas on an open-access basis and in Oklahoma pursuant to tariffs approved by the OCC. There are approximately 40 gas delivery systems or marketers in ONG's and the WRI LDC Business's service areas, including Transok, Enogex and Williams. ONEOK is actively working with the OCC to develop a plan and schedule to unbundle services for all of its Oklahoma customers. Under ONEOK's original proposal, all of ONEOK's customers who use 150 Mcf of gas or more per year would receive unbundled services by 1998, and all of ONEOK's remaining customers would receive unbundled services by 1999. ONEOK hopes to work with the KCC and its staff to develop a similar schedule for unbundling of services in Kansas. Suppliers of natural gas in Oklahoma and Kansas must also compete with other fossil fuels, including oil, propane, coal, and petroleum coke, which can be employed in some of the thermal applications for which natural gas is used.

The Commission has watchfully deferred to the work of other regulators with respect to competition. The Company and ONEOK filed Pre-merger Notification and Report Forms with the Antitrust Division of the Department of Justice (the "DOJ") and the Federal Trade Commission pursuant to the Hart-Scott-Rodino Act (the "HSR Act"). The applicable waiting period under the HSR Act expired on May 4, 1997. As part of their review of the Transactions and future oversight of WRI and New ONEOK, the state regulators will continue to have jurisdiction over the utility functions of WRI and New ONEOK, including competitive issues arising in the unbundling of the services of WRI and ONEOK.

Finally, with regard to interlocking relations, the Shareholder Agreement provides that, with respect to the election of directors to New ONEOK's board of directors, WRI will vote all Common Stock held by it in accordance with the recommendation of New ONEOK's nominating committee.^{4/} WRI will be allowed only two members on a board of 16 directors, only one of whom may be an officer, director or employee of WRI or its subsidiaries. No board member designated by WRI will serve on the New ONEOK board nominating committee, or chair any other committee of New ONEOK's board.^{5/} Whatever potential for minority control might exist by reason of WRI's equity interest is therefore effectively countered by the management control New ONEOK will exercise through its control of the board of directors and the nominating process.

4/ The New ONEOK nominating committee recommends nominees to fill vacancies on the board, establishes procedures to identify potential nominees, recommends criteria for membership on the board, and recommends the successor chief executive officer when a vacancy occurs. The by-laws of New ONEOK provide that any successor chief executive officer must be elected by the affirmative vote of 80% of the directors of New ONEOK.

5/ The two directors to be designated by WRI approximate the number of directors it could elect in ordinary circumstances, based on its 9.9% common equity interest, if cumulative voting applied.

For these reasons, the Transactions will not "tend toward interlocking relations or the concentration of control" of public utility companies, of a kind or to the extent detrimental to the public interest or the interests of investors or customers within the meaning of Section 10(b)(1).

2. Section 10(b)(2) -- Fairness of Consideration

Section 10(b)(2) requires the Commission to determine whether the consideration to be given to the holders of ONEOK Common Stock in connection with the Merger is reasonable and whether it bears a fair relation to the investment in and the earning capacity of the utility assets underlying the securities being acquired. In its determinations as to whether or not a price meets such standard, the Commission has considered whether the price was decided as the result of arms length negotiations,^{6/} whether each party's Board of Directors has approved the purchase price,^{7/} the opinions of investment bankers^{8/} and the earnings, dividends, book and market value of the shares of the company to be acquired.^{9/}

6/ In the Matter of American Natural Gas Company, HCAR No. 15620 (Dec. 12, 1966).

7/ Consolidated Natural Gas Company, HCAR No. 25040 (Feb. 14, 1990).

8/ Id.

9/ In the Matter of Northeast Utilities, HCAR No. 15448

(Apr. 13, 1966).

The fairness of the consideration involved in the Merger is evidenced by the fact that the Ownership Percentages are the product of extensive and vigorous arms-length negotiations between the Company and ONEOK, and the Agreement was approved by the Boards of Directors of the Company and ONEOK acting in accordance with their fiduciary duties to shareholders. These negotiations were preceded by thoughtful analysis and evaluation of the assets, liabilities and business prospects of each of the companies and involved careful due diligence by both parties. See WAI Registration Statement on Form S-4 (incorporated by reference as Exhibit C-1 hereto).

In addition, nationally-recognized investment bankers for each of the Company and ONEOK have reviewed extensive information concerning the companies, analyzed the Ownership Percentages employing a variety of valuation methodologies, and opined that the Ownership Percentages are fair, from a financial point of view, to WRI and fair, from a financial point of view, to the holders of ONEOK Common Stock. The Company investment bankers' opinion is attached hereto as Exhibit G-1. The ONEOK investment bankers' opinion is attached as Appendix F to WAI's Registration Statement on Form S-4 and is described on pages 31 to 38 of the Form S-4 (incorporated by reference as Exhibit G-2 hereto).

The Commission has previously assessed the reasonableness of exchange ratios under Section 10 (b)(2) by considering the companies' respective earnings, market values and book values. Traditionally, the Commission's analysis has emphasized market values as a measure of the sums "invested in" utility assets and earnings as a measure of the "earning capacity" of the utility. See Northeast Utilities, 42 S.E.C. 963, 968-974 (1966); National Fuel Gas Company, 36 S.E.C. 489, 496 (1955). Because the Gas Business is not a separate, publicly traded company, the financial data below do not include a market value for the Gas Business:

PRO FORMA COMPARISONS OF THE GAS BUSINESS AND ONEOK
(in millions of dollars)

	Fiscal Year10/	Gas Business	ONEOK	Ratio
Operating Revenues	1996	721	1,224	0.589
	1995	515	954	0.540
	1994	599	784	0.764
Shareholders' Equity	1996	532	424	1.255
	1995	488	398	1.226
	1994	439	380	1.155
Net Income	1996	19	53	0.358
	1995	(1)	43	<0.023>
	1994	16	36	0.444

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10/ Based on a fiscal year ending August 31.

In light of the aforesaid opinions, and an analysis of all other relevant factors, the Company believes that the Ownership Percentages fall within the range of reasonableness, and that the consideration for the Merger bears a fair relation to the sums invested in, and the earning capacity of, the Company's Gas Business and ONEOK, respectively.

3. Section 10(b)(2) -- Reasonableness of Fees

The Company believes that the overall fees, commissions and expenses incurred and to be incurred in connection with the Transactions are reasonable and fair in light of the size and complexity of the Transactions relative to other transactions, that they are consistent with recent precedent, and that they meet the standards of Section 10(b)(2).

The Company's expected expenses in connection with the transactions will be set forth in Item 2 of this Application.

With respect to financial advisory fees, the Company and ONEOK believe that the fees payable to their investment bankers are fair and reasonable for similar reasons.

Pursuant to the engagement letter between the Company and Salomon Brothers Inc ("Salomon") dated September 5, 1995, Salomon will earn a fee of approximately \$2.8 million for the rendering of the opinion on the fairness of the Transactions to the Company from a financial point of view. In addition, Salomon will be reimbursed for certain of its related expenses. Salomon will not be entitled to any additional fees or compensation in the event the Transaction is not approved or otherwise not consummated. The Company also agreed to indemnify Salomon, its affiliates and each of its directors, officers, agents and employees and each person, if any, controlling Salomon or any of its affiliates against certain liabilities, including liabilities under federal securities laws.

Pursuant to the engagement letter between ONEOK and PaineWebber dated December 2, 1996, PaineWebber has earned a fee of \$875,000 for the rendering of the an opinion on the fairness of the Transactions to the shareholders of ONEOK from a financial point of view. In addition, PaineWebber will be reimbursed for certain of its related expenses. PaineWebber will not be entitled to any additional fees or compensation in the event the Transaction is not approved or otherwise consummated. ONEOK also agreed, under separate agreement, to indemnify PaineWebber, its affiliates and each of its directors, officers, agents and employees and each person, if any, controlling PaineWebber or any of its affiliates against certain liabilities, including liabilities under federal securities laws.

The investment banking fees of the Company and ONEOK reflect the competition of the marketplace, in which investment banking firms actively compete with each other to act as financial advisors to merger partners.

4. Section 10(b)(3)

Section 10(b)(3) requires the Commission to determine whether the Transactions will unduly complicate the Company's capital structure or will be detrimental to the public interest, the interests of investors or consumers or the proper functioning of the Company's system. The novel aspect of the Transactions is the creation of a large minority interest in New ONEOK. As explained below, the minority interest is not a problem because of the limited amount of Voting Securities to be held by WRI and the limitations on WRI's ability to influence and direct New ONEOK's affairs, as outlined in the Shareholder Agreement. Given that (a) there is no minority control concern, (b) the quality of state regulation today and (c) the stringent disclosure requirements under the federal securities laws, the capital structure of the Company and of New ONEOK will not be unduly complicated.

In the Merger, the shareholders of ONEOK will receive New ONEOK Common Stock. There will be no minority common stock interest remaining in ONEOK or its subsidiaries. The only voting securities of New ONEOK's direct and indirect non-utility subsidiaries will be common stock and, in all cases, all issued and outstanding shares of such common stock will be held by New ONEOK or a subsidiary of New ONEOK.

Set forth below are summaries of the historical and pro forma capital structure of the Company and ONEOK as of September 30, 1996 and November 30, 1996, respectively:

WRI and ONEOK Historical Capital Structures
(In Millions)

	WRI	ONEOK
Common Stock Equity	\$1,615	\$420
Cumulative Preferred, Convertible Preferred and Preference Stock	75	9
WRI obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures	220	-
Long Term Debt (net)	1431	337
	-----	-----
Total	\$3,341	\$766

Pro Forma Capital Structures
(In Millions)

	WRI 11/	ONEOK
Common Stock Equity	\$1,615	\$499
Cumulative Preferred, Convertible Preferred and Preference Stock	75	547
WRI obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures	220	-
Long Term Debt (net)	1466	395
	-----	-----
Total	\$3376	\$1441

The Company and New ONEOK will have pro forma common equity to total capitalization ratios of approximately 48% and 73%, respectively, which comfortably exceed the "traditionally acceptable 30% level." Northeast Utilities, 47 SEC Docket at 1279, 1284 (1990).

11/ The Company will account for its ownership of the common stock in New ONEOK using the equity method and will account for the preferred stock as an investment. This investment will be reflected on the Company's balance sheet at an amount equal to the net assets being acquired. There will be no change to the Company's capital structure as a result of the Transactions.

As set forth more fully in Item 3.B.2 and elsewhere in this Application, the Transactions will improve the efficiency of the Company's gas utility system. The Transactions will therefore be in the public interest and the

interests of investors and consumers, and will not be detrimental to the proper functioning of the resulting holding company system.

B. Section 10(c)

Section 10(c) of the Act provides that, notwithstanding the provisions of Section 10(b), the Commission shall not approve:

(1) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of Section 8 or is detrimental to the carrying out of the provisions of Section 11; or

(2) the acquisition of securities or utility assets of a public utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public utility system

1. Section 10(c)(1)

Section 10(c)(1) requires that the proposed acquisition not be "unlawful under the provisions of Section 8" or "detrimental to the carrying out of the provisions of Section 11." Section 8, by its terms, only applies to registered holding companies and thus the Transactions cannot be unlawful under Section 8 of the Act. However, even if applied to exempt holding companies, the Transactions would not be unlawful as there is no state law, regulation or policy against combination companies. Section 11 of the Act relates to the simplification of holding company systems, and, as discussed in further detail below, by its terms also only applies to registered holding companies. Section 11(b)(1), which contains the principal elements of Section 11's simplification standard, specifically mandates that the Commission require each registered holding company to limit the operations of the holding company system to a single integrated public utility system.

The term "integrated public-utility system" is defined in Section 2(a)(29) to mean:

As applied to electric utility companies, a system consisting of one or more units of generating plants and/or transmission lines and/or distributing facilities, whose utility companies are physically interconnected or capable of physical interconnection and which under normal conditions may be economically operated as a single interconnected and coordinated system confined in its operations to a single area or region, in one or more states, not so large as to impair (considering the state of the art and the area or region affected) the advantage of localized management, efficient operation, and the effectiveness of regulation;

and

As applied to gas utility companies, a system consisting of one or more gas utility companies which are so located and related that substantial economies may be effectuated by being operated as a single coordinated system confined in its operations to a single area or region, in one or more states, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation: Provided, that gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region.

As the Commission and its staff have previously noted, in connection with an acquisition by an exempt holding company, Section 10(c)(1) mandates that such acquisition not be detrimental to the carrying out of the provisions of Section 11, but does not require that the acquisition meet the strict integration standards of Section 11(b)(1) as would be required of a registered holding company. Thus, the principal issue under Section 10(c)(1) with regard to the Transactions is whether the transfer of the gas utility assets of a combination exempt holding company to a separate gas utility subsidiary and the subsequent merger of that subsidiary with another gas utility company is detrimental under Section 11.

First, the Company is not becoming a combination exempt holding company system through the Transactions. Rather, the Company presently is a combination exempt holding company. The Asset Transactions and the subsequent Merger will simply separate the electric and gas utility assets of the Company into separate companies and create a larger gas utility through the combination with ONEOK. Second, on its face the Act does not prohibit ownership by an exempt holding company of both electric and gas utility properties. Rather, the Commission in recent years has routinely approved transactions involving the formation of new combination exempt holding companies^{12/} and involving acquisitions of gas or electric utility companies by existing combination exempt holding companies.^{13/}

In Dominion Resources, for example, an exempt combination holding company was permitted to acquire a gas utility.^{14/} Pursuant to section 10, the Commission expressly held that "the provisions of section 11 are not applicable to exempt holding companies such as DRI." The holding was not merely that section 11 by its terms applies only to registered holding companies, but in

that context, the meaning of the holding was that such an acquisition did not violate section 10(c). Moreover, since Dominion Resources did not acquire any new electric properties, there was no direct effect upon its electric system, as is also the case in the Transactions.

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12/ See e.g., CIPSCO Incorporated, HCAR No., 25152 (Sept. 18, 1990) (authorizing acquisition and granting exemption for the formation of new holding company over existing combination utility and electric utility); Illinova Corporation, HCAR No. 26054 (May 18, 1994) (authorizing formation of holding company and granting exemption for holding company over existing combination utility and electric utility); WPS Resources Corporation, HCAR No. 26101 (Aug. 10, 1994) (authorizing formation and exemption for holding company over existing combination and electric utility); SIGCORP, Inc., HCAR No. 26431 (Dec. 14, 1995) (authorizing formation and granting exemption for holding company over existing combination utility and two gas utilities).

13/ See e.g., IE Industries, Inc., HCAR No. 25325 (June 3, 1991) (authorizing acquisition of large electric utility by a holding company with a combination utility subsidiary); NIPSCO Industries, Inc., HCAR No. 25470 (Feb. 2, 1992) (authorizing acquisition of gas utility by holding company with existing combination utility subsidiary); NIPSCO Industries, Inc., HCAR No. 25766 (March 25, 1993) (authorizing acquisition of gas utility by holding company with existing combination and gas utility subsidiaries); Southern Indiana Gas and Electric Company, HCAR No. 26075 (June 30, 1994) (authorizing acquisition of gas utility by combination utility company with a gas utility subsidiary).

14/ Dominion Resources, Inc., HCAR No. 24618 (April 5, 1988).

No distinction should be made between decisions of the Commission under Section 10 of the Act, approving the formation of combination exempt holding companies, approving acquisitions by an existing combination exempt holding company, and the present Transactions involving the separation of gas and electric businesses into separate companies within the same holding company, followed by a merger of the gas business with another gas utility company.

Turning to the facts of the Transactions, it is clear that the Company and ONEOK currently operate as integrated utility systems and the combined system, even if it were deemed such, will not be detrimental to the carrying out of Section 11. The Company's electric system meets the standards of Section 2(a)(29)(A) as WRI and KGE are physically interconnected and operate as a coordinated system in the State of Kansas, as the Commission held in 1992 when the Company obtained authorization from the Commission to acquire KGE pursuant to the standards of Section 9(a)(2) and 10 of the Act and both are subject to the jurisdiction of the KCC and the FERC.^{15/} Further, the Company has not acquired any utility operations since that time which would affect the analysis made in that order. The ONEOK system meets the standards of Section 2(a)(29)(B) as it operates exclusively in the State of Oklahoma and is regulated by the OCC.

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15/ The Kansas Power and Light Company, HCAR No. 25465 (February 5, 1992).

Thus, following consummation of the Transactions, the Company system will consist of a large integrated electric utility system. ONEOK will also be a large integrated gas utility system operating in the same region, with some overlapping service areas. (See Exhibit E-1 hereto for a map depicting the service territories of the Company and New ONEOK.)

The Company system following the Transactions will, in fact, be quite similar to the combination exempt holding companies whose formation or expansion the Commission has approved in the past under Section 10.^{16/} The only difference between the instant case and the prior decisions of the Commission with respect to acquisitions is the fact that the electric system (WRI and KGE) and the gas system (New ONEOK) will be in separate companies. However, it would be a strange result indeed if such an acquisition could not meet the standards of Section 10(c) when an acquisition of a combination system or a pure gas or electric system by an existing combination system, as well as the acquisition of an existing combination system (which might include separate combination and gas and electric utility subsidiaries) by a newly formed holding company, would result in the same structure and would meet the test. As noted above with respect to Dominion Resources, when a combination company combines with either an electric or a gas utility, the effect with respect to one of the two systems created is the same as with separating gas and electric operations. Neither the language of the Act nor any policy reason supports such a distinction, especially when it is clear that the Transactions will not be detrimental to the carrying out of the provisions of Section 11, inasmuch as the Company will carry out its utility operations in two contiguous states, will be subject to adequate regulatory authority in those states and will not be the type of nationwide, complex system that Section 11 was designed to prevent. Moreover, the Company will remain an exempt holding company and, once again, "exempt holding companies have generally been permitted to retain or acquire combination systems so long as combined ownership of gas and electric operations is permitted by state law"^{17/} and Kansas and Oklahoma law do not prohibit combination gas and electric utility companies. The fact that the Company will be an exempt holding company and that the transaction is subject to the Act's more lenient standard with

regard to electric and gas combinations, coupled with the fact that the Company's utility operations will be located in the same geographic region, leads to the conclusion that the Transactions should be authorized under the Act.

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16/ See supra note 13 and 14.

17/ Division Report at 74. See also In the Matter of Northern States Power Company, HCAR No. 12655 (Sept. 16, 1954); Delmarva Power & Light Co., 46 SEC. 710 (1976); WPL Holdings, HCAR No. 24590 (Feb. 26, 1988).

Finally, the Transactions will not be detrimental to the carrying out of Section 11(b)(1)'s provision that registered holding companies be limited to an integrated public utility system and "such other [non-utility] businesses as are reasonably incidental or economically necessary or appropriate thereto." The Commission has not applied "the prohibitions of Section 11(b)(1) against retention of unregulated non-utility businesses by exempt holding companies to the same extent as registered holding companies,"^{18/} and has generally only tried to ensure that the resulting holding company system will be predominantly a utility company.^{19/} Given that the Company's utility operations after the Transactions will account for approximately \$1.2 billion of its \$1.3 billion in operating revenues and \$5.2 billion of its \$6.4 billion in assets, it is clear the Company system will be primarily an operating utility company.

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18/ Wisconsin Energy Corporation, HCAR 24267 (Dec. 18, 1986).

19/ Id.

2. Section 10(c)(2)

The other component to Section 10 analysis requires that the acquisition tend "towards the economical and efficient development of an integrated public-utility system." The Commission has stated in several cases, including in the Gaz Metropolitan case, the most recent decision in this area, that under Section 10(c)(2) an exempt holding company may consist of more than one integrated system.^{20/} In essence, Section 10(c)(2) requires that (i) each utility system within the exempt holding company system be an integrated system and (ii) the acquisition tend toward the economical and efficient development of an integrated system. The economies and efficiencies expected to accrue to the Company and New ONEOK systems as a result of the Transactions are sufficient to satisfy the standards of Section 10(c)(2).^{21/}

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20/ The United Gas Improvement Company, 9 SEC 52 (1941), Union Electric Company, 45 SEC 489 (1974) and In the Matter of Gaz Metropolitan et al., HCAR No. 26170 (November 23, 1994). In Gaz Metropolitan, the Commission has explicitly stated "[W]e have indicated in the past that acquisitions may be approved even if the combined system will not be a single integrated system. Section 10(c)(2) requires only that the acquisition tend 'towards the economical and the efficient development of an integrated public-utility system' (emphasis added)."

21/ Centerior Energy Corp., HCAR No. 24073 (April 29, 1986) ("specific dollar forecasts of future savings are not necessarily required; a demonstrated potential for economies will suffice even when these are not precisely quantifiable.").

WPL Holdings, Inc., HCAR No. 25377 (Sept. 18, 1991) ("Thus, in reviewing an application under this Section [10(c)(2)], the Commission may recognize not only benefits resulting from combination utility assets, but also financial and organizational economies and efficiencies.").

New ONEOK will also be an "integrated public utility system" as defined in Section 2(a)(29)(B) of the Act. The New ONEOK system will be operated in Kansas and Oklahoma, satisfying the requirement that the system be confined in its operation to a single area or region not so large as to impair the advantages of localized management, efficient operation and the effectiveness of regulation. In addition, the Gas Business and ONEOK both interconnect directly with four interstate pipelines: Panhandle Eastern Pipeline, Williams Natural Gas, Northern National Gas and Natural Gas Pipeline of America.

Section 10(c)(2) also requires that a proposed transaction promote economies and efficiencies. The Commission has held that in order to demonstrate the required economies and efficiencies it is permissible to:

... depend less on specific dollar forecasts of future savings and more on the potential for economies presented by the acquisition even where these are not precisely quantifiable.^{22/}

The Company and ONEOK expect that there will be economies and efficiencies resulting from the Transactions. Cost reductions are expected to be achieved by combining Kansas and Oklahoma operations in certain areas such as gas supply, inventories and corporate overhead. As a larger company, New ONEOK may also have

the ability to negotiate more favorable contracts with vendors and suppliers. WRI also expects that the performance of the Gas Business will be enhanced by being operated by ONEOK's management team, which is devoted exclusively to the natural gas business. In addition, the Marketing and Shared Services Agreements discussed above in Item 1.B.4 are also expected to produce operational synergies. These savings are consistent with the savings that the Commission has found sufficient in connection with other examinations under Section 10(c)(2).

22/ American Electric Power, HCAR No. 20633 (July 21, 1978)(authorizing acquisition by registered holding company of electric utility company) See also, Illinova Corporation, HCAR No. 26054 (May 18, 1994) (authorizing formation of an exempt holding company based on non-quantified economies and efficiencies such as permitting unregulated affiliates to respond to competitive opportunities and increasing general financial flexibility) and WPL Holdings, Inc., HCAR No. 25096 (May 25, 1990) (authorizing formation of an exempt holding company based on non-quantified economies and efficiencies such as deployment of earnings not needed for reinvestment in utility business, additional flexibility in maintaining appropriate capital ratios and positioning the system to respond to the developing competitive environment).

It should be noted also that the Transactions are consistent with Section 10(f) of the Act, which states that the Commission may not approve an acquisition unless it appears to the Commission that such state laws as may apply in respect of such acquisition have been complied with. Section 10(f), unlike Section 8, applies directly to exempt holding companies and involves the issue of complying with all aspects of state regulation that apply to the transaction, not just whether or not state regulators have adequate regulatory authority over a combination system, and is satisfied in this case.^{23/} Indeed, it is a condition to consummation of the Transactions that all applicable state laws and regulations be complied with.

23/ It should be noted that the terms of Section 10(f) reinforce the fact that the policy of the Act is to supplement, not supplant, state and local regulation.

C. Section 3(a)(1)

The Company is currently exempt from all provisions of the Act except Section 9(a)(2) under Section 3(a)(1) pursuant to Rule 2. ONEOK is currently a gas-utility company but not a public utility holding company or a subsidiary company or affiliate of a public utility holding company within the meaning of the Act. In a companion no-action letter request, the staff of the Division of Investment Management have been asked to agree that the proposed Transactions will not result in a holding company relationship between WRI and ONEOK. ONEOK will be an affiliate, but not a subsidiary company, of WRI. Thus, the Transactions will not affect the Company's claim of exemption under the Act. If the KCPL transaction is consummated, the Company will claim an exemption, or seek an order from the Commission declaring an exemption, under Section 3(a)(2) from all provisions of the Act except Section 9(a)(2).

Item 4 REGULATORY APPROVALS

Set forth below is a summary of the regulatory approvals that the Company and ONEOK have obtained or expect to obtain in connection with the Transactions.

A. State Public Utility Regulation

1. State Corporation Commission of the State of Kansas

The Company, ONEOK and WAI have filed a joint application with the KCC for an order authorizing the Transactions, including: (i) the Asset Transaction, including the contribution of the Gas Business' certificate of convenience to New ONEOK; (ii) the Merger; (iii) the acquisition by the Company of shares of capital stock of WAI; and (iv) the issuance of securities by New ONEOK. In granting the requested authorizations, the KCC will need to make a finding that the Transactions promote the public interest.

A copy of the application filed with the KCC is attached hereto as Exhibit D-1 and a copy of the order approving the application will be filed by amendment as Exhibit D-2.

2. Corporation Commission of the State of Oklahoma

The Company, ONEOK and WAI have filed a joint application with the OCC for an order authorizing the Transactions, including: (i) the Asset Transaction, with respect to assets in the state of Oklahoma; and (ii) the Merger. In approving the Transactions, the OCC will need to determine, among other things, that the effect of the Transaction will not be to substantially lessen competition for public utility services in Oklahoma or jeopardize the financial stability of ONEOK and will be in the public interest and in the interest of WRI customers in Oklahoma.

A copy of the application filed with the OCC is attached hereto as Exhibit

D-3 and a copy of the order approving the application will be filed by amendment as Exhibit D-4.

B. Other Federal Regulations

Other than the approval of the Commission under the Act, no federal regulatory entity must approve the Transactions.

Item 5 PROCEDURES

The Company hereby requests that there be no hearing on this Application and that the Commission issue its order as soon as practicable after the filing hereof. The Commission is respectfully requested to issue and publish the requisite notice under Rule 23 with respect to the filing of this Application not later than September 19, 1997, such notice to specify a date not later than October 14, 1997, by which comments may be entered and a date not later than October 24, 1997, as the date after which an order of the Commission granting and permitting the Application to become effective may be entered by the Commission. A form of Notice is filed herewith as Exhibit I-1.

It is submitted that a recommended decision by a hearing or other responsible officer of the Commission is not needed for approval of the proposed Transactions. The Division of Investment Management may assist in the preparation of the Commission's decision. There should be no waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6 EXHIBITS AND FINANCIAL STATEMENTS

A. Exhibits

- A-1 Restated Articles of Incorporation of the Company, as amended May 25, 1988 (filed as Exhibit 4 to the Registration Statement No. 333-23022 and incorporated herein by reference).
- A-2 Certificate of Correction to Restated Articles of Incorporation (filed as Exhibit 3(b) to the December 1991 Form 10-K and incorporated herein by reference).
- A-3 Amendment to the Restated Articles of Incorporation, as amended May 5, 1992 (filed as Exhibit 3(c) to the December 1995 Form 10-K and incorporated herein by reference).
- A-4 Amendments to the Restated Articles of Incorporation of the Company (filed as Exhibit 3 to the June 1994 Form 10-Q and incorporated herein by reference).
- A-5 By-laws of the Company (filed as Exhibit 3 to the March 1997 Form 10-Q and incorporated herein by reference).
- A-6 Amendment to the Restated Articles of Incorporation of the Company, as amended May 14, 1996 (filed as Exhibit 3(a) to the June 1996 Form 10-Q and incorporated herein by reference).
- A-7 Certificate of Incorporation of New ONEOK (filed as Appendix E to the Proxy/Prospectus in the Registration Statement on Form S-4 on May 20, 1997 (Registration No. 333-27467), and incorporated herein by reference).
- A-8 By-laws of New ONEOK (filed as Exhibit 3.2 to the Registration Statement on Form S-4 on May 20, 1997 (Registration No. 333-27467), and incorporated herein by reference).
- B-1 Amended and Restated Agreement between WRI, WAI and ONEOK, dated as of May 19, 1997 (filed as Appendix A to the Proxy/Prospectus in the Registration Statement on Form S-4 on May 20, 1997 (Registration No. 333-27467) and incorporated herein by reference).
- B-2 Form of Shareholder Agreement between New ONEOK and WRI (filed as Appendix B to the Proxy/Prospectus in the Registration Statement on Form S-4 on May 20, 1997 (Registration No. 333-27467), and incorporated herein by reference).
- C-1 Registration Statement of WAI on Form S-4 (filed on May 20, 1997, Registration No. 333-27467 and incorporated herein by reference).
- C-2 Proxy Statement and Prospectus of ONEOK (included in Exhibit C-1).

- D-1 Joint application to KCC.
- D-2 KCC Order (to be filed by amendment).
- D-3 Joint application to OCC.
- D-4 OCC Order (to be filed by amendment).
- E-1 Map of service areas of WRI, KGE and ONEOK (to be filed by amendment on Form SE).
- F-1 Opinion of counsel (to be filed by amendment).
- F-2 Past-tense opinion of counsel (to be filed by amendment).
- G-1 Opinion of Salomon Brothers Inc to the Company
- G-2 Opinion of PaineWebber Incorporated to ONEOK (filed as Appendix F to the Proxy/Prospectus in the Registration Statement on Form S-4 on May 20, 1997 (Registration No.333-27467), and incorporated herein by reference).
- H-1 Annual Report of WRI on Form 10-K for the year ended December 31, 1996 (filed on March 20, 1997) (File No. 1-3523) and incorporated herein by reference.
- H-2 WRI Statement Claiming Exemption on Form U-3A-2 for the year ended December 31, 1996 (filed on February 28, 1997) and incorporated herein by reference.
- H-3 WRI Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 (filed on May 15, 1997)(File No. 1-3523) and incorporated herein by reference.
- H-4 WRI Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (filed on July 30, 1997) (File No. 1-3523) and incorporated herein by reference.
- H-5 Annual Report of ONEOK on Form 10-K for the year ended August 31, 1996 (filed on October 18, 1996) (File No. 1-2572) and incorporated herein by reference.
- H-6 ONEOK Quarterly Report on Form 10-Q for the quarter ended November 30, 1996 (filed on December 27, 1997) (File No. 1-2572) and incorporated herein by reference.
- H-7 ONEOK Quarterly Report on Form 10-Q for the quarter ended February 28, 1997 (filed on March 31, 1997) (File No. 1-2572) and incorporated herein by reference.
- H-8 ONEOK Quarterly Report on Form 10-Q for the quarter ended May 31, 1997 (filed on June 24, 1997) (File No. 1-2572) and incorporated herein by reference.
- I-1 Proposed Form of Notice.
- B. Financial Statements
- FS-1 WRI Unaudited Pro Forma Condensed Consolidated Balance Sheets as of May 31, 1997.
- FS-2 WRI Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended May 31, 1997.
- FS-3 WRI Consolidated Statements of Income for its last three fiscal years (see Annual Report of WRI on Form 10-K for the year ended December 31, 1996 (Exhibit H-1 hereto)).
- FS-4 ONEOK Consolidated Balance Sheet as of August 31, 1996 (see Annual Report of ONEOK on Form 10-K for the year ended August 31, 1996 (Exhibit H-5 hereto)).
- FS-5 ONEOK Consolidated Statement of Income for its last three fiscal years (see Annual Report of ONEOK on Form 10-K for the year ended August 31, 1996 (Exhibit H-5 hereto)).

Item 7 INFORMATION AS TO ENVIRONMENTAL EFFECTS

The Transactions involve neither a "major federal action" nor "significantly affects the quality of the human environment" as those terms are used in Section 102(2)(C) of the National Environmental Policy Act, 42 U.S.C. Sec. 4321 et seq. The Commission's declaration of the effectiveness of New

ONEOK's Registration Statement on Form S-4, the expiration of the applicable waiting period under the HSR Act, KCC approval, OCC approval, Commission approval of this Application and the consummation of the Transactions will not result in changes in the operations of the Company or ONEOK that would have any impact on the environment. No federal agency is preparing an environmental impact statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this Application to be signed on its behalf by the undersigned thereunto duly authorized.

WESTERN RESOURCES, INC.

By: /s/ John K. Rosenberg
Name: John K. Rosenberg
Title: Executive Vice President
and General Counsel

Date: August 27, 1997

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Joint Application of)
Western Resources, Inc., ONEOK Inc., and)
WAI, Inc. for Approval of the Contribution)
from Western Resources, Inc. to WAI, Inc. of) Docket No.
all of the Natural Gas Transportation and)
Distribution Assets, Subsidiaries and) -----
Certificates of Western Resources, Inc.; for)
the Merger of WAI, Inc., with ONEOK Inc.;)
for the acquisition by Western Resources,)
Inc. of Shares of Capital Stock of WAI,)
Inc.; for Authority for WAI, Inc. to Issue)
Stock and Instruments of Debt; and for)
Related Relief)

Joint Application

COME NOW Western Resources, Inc. (WRI), ONEOK Inc.(ONEOK), and WAI, Inc. (WAI), and make this joint application to the State Corporation Commission of the State of Kansas (KCC) for an order authorizing WRI to contribute to WAI all of its natural gas transportation and distribution properties in the State of Kansas, including its certificates and the capital stock of certain subsidiaries; authorizing ONEOK to merge with WAI; authorizing WRI to acquire shares of the capital stock of WAI; authorizing WAI to issue capital stock and instruments of debt; and for all other related relief that may be required to fulfill the intents and purposes of the parties to the transactions described below, and in support thereof, state as follows:

The Applicants

1. WRI is a Kansas corporation, in good standing in all respects, with its principal offices and place of business located at 818 Kansas Avenue, Topeka, Kansas 66612. WRI presently owns and operates a gas distribution system in portions of Kansas pursuant to certificates of public convenience and necessity issued by the KCC and subject to the jurisdiction of the KCC. There is already on file with the KCC restated Articles of Incorporation and Bylaws which are incorporated herein by reference.

2. ONEOK is a Delaware corporation with its principal offices and place of business located at 100 West Fifth Street, Tulsa, Oklahoma 74103. As more fully described below, ONEOK is a diversified energy company engaged in the production, gathering, storage, transportation, distribution and marketing of natural gas. Through its division, Oklahoma Natural Gas (ONG), ONEOK serves approximately 730,000 natural gas utility customers in Oklahoma. A certified copy of the Certificate of Incorporation and Bylaws of ONEOK are attached hereto, marked as Schedule 1, and incorporated herein for all purposes.

3. WAI will be an Oklahoma corporation incorporated for the purposes of this transaction. At the conclusion of the transaction, ONEOK will be merged with and into WAI, the separate existence of ONEOK will cease, and WAI will continue as the surviving corporation. WAI plans to change its name to ONEOK, Inc. at the time the transaction is completed. A certified copy of WAI's Articles of Incorporation and Bylaws will be a late filed schedule, marked as Schedule 2, and incorporated herein for all purposes. A certified copy of WAI's authority to do business in Kansas will be a late filed schedule marked as Schedule 3, and incorporated herein for all purposes.

4. Pleadings, notices, orders and other correspondence and communications concerning this application and proceeding held thereon should be addressed to the undersigned counsel as well as to:

James Ludwig, Executive Director, Regulatory Affairs
J. Michael Peters, Associate General Counsel
Western Resources, Inc.
P. O. Box 889, 818 Kansas Avenue
Topeka, Kansas 66601

Barry D. Epperson, Vice President, Accounting
John L. Arrington, Jr., General Counsel
ONEOK Inc.
100 W. 5th Street, P. O. Box 871
Tulsa, Oklahoma 74102-0871

James G. Flaherty
Anderson, Byrd, Richeson & Flaherty
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067

ONEOK Inc.'s Qualifications

General Information about ONEOK

5. ONEOK is a successor to a company founded in 1906 as Oklahoma Natural Gas Company. The corporation's name was changed to ONEOK Inc. in 1981. ONEOK is

a diversified energy company engaged in the production, gathering, storage, transportation, distribution and marketing of natural gas. ONEOK provides natural gas distribution and transmission services to about 75 percent of Oklahoma. These services are primarily conducted by Oklahoma Natural Gas Company (ONG) and three ONEOK subsidiaries, ONG Gathering Company, ONG Transmission Company and ONG Sayre Storage Company. ONG and the three subsidiaries are consolidated for ratemaking purposes and are regulated by the Oklahoma Corporation Commission (OCC).

6. ONEOK purchases natural gas from gas processing plants, producing gas wells, and pipeline suppliers, and utilizes five underground storage facilities as necessary to deliver natural gas to approximately 730,000 customers, located in 294 communities in Oklahoma. The company's largest markets are the Oklahoma City and Tulsa metropolitan areas. ONEOK also sells natural gas and/or leases pipeline capacity to other local distributors serving 44 Oklahoma communities. ONEOK serves an estimated population of over 2 million.

Description of ONEOK's Utility Operations in Oklahoma

Utility Plant

7. ONEOK owns over 14,680 miles of pipeline and other distribution facilities in Oklahoma. ONEOK owns a combined total of 3,840 miles of transmission and gathering pipelines in Oklahoma. Compression and dehydration facilities are located at various points throughout the pipeline system. In addition, ONEOK owns five underground storage facilities located throughout Oklahoma. Four of the five storage facilities operated by ONEOK are located in close proximity to its largest market areas. These four storage facilities have a combined storage capacity of 124.5 Bcf. The other storage facility is located in western Oklahoma and is leased to and operated by another company. However, 21.5 Bcf of storage capacity in this facility has been retained for use by ONEOK.

Customers

8. ONEOK distributes natural gas as a public utility to approximately 75 percent of Oklahoma. Natural gas sales to residential and commercial customers, which is used primarily for heating and cooking, account for approximately 85 percent of ONEOK's gas sales. Gas sales to residential and commercial customers are seasonal, as a substantial portion of such sales are used principally for space heating. ONEOK holds franchises in the major municipalities in which it operates. Seventeen municipalities in which franchises are held serve individual populations of over 10,000 and an aggregate population representing approximately 1.2 million. Overall, ONEOK provides natural gas service to 294 communities in Oklahoma.

9. A substantial portion of the gas delivered through ONEOK's utility system is delivered to industrial customers, in particular, several large fertilizer plants which use the gas as feed stock. ONEOK has been able to retain industrial customers, and minimize the negative impact of bypass through its Pipeline Capacity Lease and Special Industrial Sales programs which have been approved by the OCC.

Management and Employees

10. ONEOK has a management team in place which has substantial experience in providing natural gas utility service to customers. The company currently employs approximately 1,770 employees in its utility operations and a total of 1,850 in all of its operations. Schedule 4 to the Application shows ONEOK's management and organizational chart.

Financial Strength of ONEOK

11. ONEOK's financial balance sheet, income statement and statement of capitalization are attached as Schedules 14, 15 and 16 to this application. Included in said schedules is the proforma financial information of the company after the merger. ONEOK's bond rating is A- by Standard and Poors and A3 by Moody's. The financial community has recently placed ONEOK on review for a possible upgrade. Gas Supply

12. ONEOK has a diversified gas supply portfolio which it uses to serve its gas utility customers. Oklahoma, like Kansas, is a large producer of natural gas. ONEOK has direct access through its transmission system to all of the major gas producing areas in the state. Its system interconnects with nine interstate pipelines at 25 interconnect points, 38 gas processing plants and 129 producing fields located in Oklahoma. As mentioned above, ONEOK also owns and operates storage facilities located in Oklahoma. On February 2, 1996, ONEOK set an all-time peak day for gas deliveries through the system. It delivered 1.83 Bcf on that day. Attached to this Application as Schedule 5 is a map showing the location of ONEOK's facilities in Oklahoma.

Regulation of Utility Rates and Services

13. Rates charged for gas services, including distribution, transmission and storage, are regulated and approved by the OCC and include a purchased gas adjustment clause that allows changes in gas purchase costs to be passed on to various classes of customers. Other costs are recovered through periodic rate adjustments approved by the OCC.

14. ONEOK is actively promoting the environmental advantages of natural gas in comparison to other fuels, including promoting the use of natural gas in automobiles. ONEOK has led the way in Oklahoma by owning and operating its own fleet of 338 vehicles powered by natural gas. ONEOK believes that the increasing concerns about the environment will result in an increased use of natural gas.

The Transaction Between ONEOK Inc.
And WRI, Inc.

15. Pursuant to the terms and conditions of an Agreement dated December 12, 1996 between WRI and ONEOK ("the Agreement"), WRI will incorporate WAI as an Oklahoma corporation. Immediately prior to the merger between WRI and ONEOK, WRI will contribute all assets of the field operations of its regulated natural gas local distribution business in Kansas and Oklahoma, including its stock in Mid Continent Market Center, Inc., and its stock in Westar Gas Marketing, Inc., a wholly owned unregulated gas marketing subsidiary (hereinafter collectively referred to as the "Gas Business"), to WAI in exchange for 2,996,702 shares of voting common stock of WAI, 19,317,584 shares of cumulative convertible preferred stock, Series A (WAI Cumulative Convertible Preferred Stock) of WAI, and the assumption by WAI of approximately Thirty-Five Million Dollars (\$35,000,000) of WRI's unsecured debt. Immediately following the merger with ONEOK, WRI will own up to 9.9% of the outstanding common stock of WAI. Together with the preferred stock, WRI will own up to 45% of the WAI outstanding equity. The number of shares discussed herein is subject to change pursuant to WRI's "top-up" rights included in the agreement permitting WRI to maintain its targeted percentage ownership. A true copy of the Agreement is attached to this Application as Schedule 6 and is incorporated herein by reference.

16. Under the Agreement ONEOK will merge into WAI which will result in the conversion of all of the outstanding common shares of ONEOK into common shares of WAI on a one-for-one basis such that ONEOK shareholders will own not less than 55% of the WAI outstanding equity. WAI will assume all debt of ONEOK as part of the merger. WAI will change its name to ONEOK, Inc.

17. Upon the consummation of the merger, ONEOK shareholders will hold not less than 27,304,870 shares of WAI common stock representing not less than 90.1% of the voting power of WAI. WRI will hold 2,996,702 shares of WAI common stock representing up to 9.9% of the voting shares of WAI. WRI will also hold 19,317,584 shares of WAI Convertible Preferred Stock.

18. Upon the occurrence of a "regulatory change" (which relates to the Public Utility Holding Company Act of 1934) (Regulatory Change), as defined in the Shareholder Agreement (Shareholder Agreement) to be entered into between WRI and WAI, each share of WAI Convertible Preferred Stock may be converted into one share of WAI Common Stock. The Shareholder Agreement will also impose certain standstill, transfer and voting restrictions on WRI in respect to its stock ownership in WAI. A true copy of the Shareholder Agreement which has been agreed to by WRI and ONEOK as to form, and which will be executed at the time of closing, is attached hereto as Schedule 7, and is incorporated herein by reference.

19. Prior to the occurrence of a Regulatory Change, WRI will have the right to designate two members on the WAI board of directors (one of whom may be an employee). Following the occurrence of a Regulatory Change, WRI will designate 4 out of 18 board members, increasing to 1/3 of the board as board members leave as a result of resignation, death, etc.

20. Prior to a Regulatory Change, WRI agrees to vote its common stock for directors in accordance with the recommendation of the Nominating Committee of the WAI Board. In all other matters, WRI may vote its own interest. The WAI Convertible Preferred Stock, Series A, does not have a vote on the selection of directors or other ordinary shareholder matters and votes with the common stockholders on a Change of Control, as defined in the Shareholder Agreement.

21. Following a Regulatory Change, WRI may vote not more than 9.9% of WAI common stock in its own interest and will vote its other WAI common stock with respect to the election of directors in accordance with the recommendation of said Nominating Committee and in all other matters in the same proportion as voted by the other common shareholders of WAI, except it will be free to vote all of its shares in its own interest in respect to any Change of Control.

22. The Shareholder Agreement has a basic term of fifteen (15) years. WRI will be an investor in ONEOK. ONEOK will be responsible for the day to day operations of the "Gas Business". ONEOK and WRI are negotiating into joint operation agreements in those areas where such would be beneficial to the companies and their respective customers.

23. ONEOK management will become the management of WAI. WRI will contribute to WAI those employees directly employed in the transferred "Gas Business", as well as a proportional number of administrative personnel. Those employees will be protected by an employee agreement, a copy of which is attached to the December 12, 1996, Agreement between WRI and ONEOK. In addition, WAI will assume responsibility for a proportional number of retirees, and will receive from WRI a pro rata share of pension plan assets to fund projected pension benefits liabilities for those employees and retirees. As part of this application, ONEOK

is requesting that the accounting orders issued by the KCC to WRI in Docket No. 190,352-U (May 3, 1994) relating to the deferral of SFAS 112 costs (post-retirement benefits consisting of worker's compensation, long term disability, accumulated sick leave paid at retirement and unfunded pensions), and in KCC Docket 184,735-U (June 28, 1993) relating to SFAS 106 costs (post-retirement benefits other than pensions (PBOP)), in so far as they apply to the "Gas Business", be transferred and assigned to ONEOK as proper regulatory assets of the merged company; and that ONEOK be allowed to recover in rates those SFAS 112 and SFAS 106 costs which will not have been offset by WRI's Company Owned Life Insurance (COLI) program. Said COLI contracts are not transferable to ONEOK. Furthermore, current tax laws and the financial aspects of COLIs make the feasibility of such a funding mechanism very low on a going-forward basis.

24. To meet the requirements of the Financial Accounting Standards Board for recognition of regulatory assets, a funding mechanism must be addressed and provided for by January, 1998, which is five years from the initial adoption by WRI of SFAS 106. While complete funding for these costs are not part of this application for approval, it is an issue that must be addressed by WRI, ONEOK and the KCC, and disposed of in a timely fashion in early 1998. ONEOK commits to providing separate trusts for any funds collected from customers in a VEBA or other trust instrument.

25. In addition to the authorization required from the KCC, the transaction will require approval from the Oklahoma Corporation Commission. It will also be subject to the waiting period provided under the Hart Scott Rodino Antitrust Improvements Act. Action will also be required of the Securities Exchange Commission or its staff under the Public Utilities Holding Company Act. The FERC certificates currently held by WRI in regards to its "Gas Business" will also be transferred to ONEOK under the Agreement.

26. A certified copy of the resolution of the board of directors of WRI authorizing the consummation of the transactions contemplated by the Agreement and this application is attached hereto as Schedule 8, and is incorporated herein by reference. A certified copy of the resolution of the board of directors of ONEOK authorizing the consummation of the transactions contemplated by the Agreement and this application is attached hereto as Schedule 9, and is incorporated herein by reference.

ONEOK's Plan of Operation

27. Upon the consummation of the proposed transaction, ONEOK will continue to provide natural gas local distribution service to the public located in WRI's certificated territory in accordance with WRI's approved tariffs and the rules and regulations presently on file with the KCC, and which from time to time may be changed with approval from the KCC, which ONEOK will adopt. ONEOK proposes no significant changes in WRI's current tariffs and rules, and the overwhelming majority of WRI's customers will see no change in their rates.

28. In order to better serve existing WRI customers, and in an attempt to assign costs to those new and existing customers which directly cause the utility to incur either additional investment in plant or additional expenses, ONEOK, in conjunction with this filing, proposes to make two modifications to WRI's current tariffs and rules. These modifications will better position the utility, and the overwhelming majority of its customers, to meet the challenges of the transition of the gas distribution business to a more competitive environment. The two modifications will also better position the utility to reduce the need for a general rate increase in the near future.

29. The first modification relates to a modification of WRI's current line extension policy. The proposed modification will allow the utility, the developers and new customers more flexibility in structuring their line extension agreements in the more competitive and unbundled environment. The proposed modification to the existing WRI line extension tariff is attached hereto and incorporated herein by reference as Schedule 10. This modification creates no additional revenue for the utility.

30. The second modification relates to a modification of some of the charges for miscellaneous services provided by WRI to customers. These charges are currently below the cost to provide those services. The proposed modifications will assure that those customers provided such services pay for them at a rate which is not being subsidized by the other customers. The revenue resulting from the modifications to the charges for miscellaneous services will be used by ONEOK to partially offset on an interim basis the deferred SFAS 106 and SFAS 112 costs under the KCC's accounting order which is referenced in paragraph 23 of this Application. The proposed modifications to the existing WRI charges for miscellaneous services are attached hereto and incorporated herein by reference as Schedule 11.

31. ONEOK also plans to go forward with the unbundling of services provided to Kansas customers. ONEOK is currently working with the OCC to explore the feasibility and in developing a timetable for unbundling of services for its Oklahoma operations. ONEOK hopes to work with the KCC and its Staff to develop a similar schedule for unbundling of services in Kansas. Mr. David L. Kyle, a corporate officer of ONEOK and President and Chief Operating Officer for ONG, details in his prefiled testimony, which is attached hereto and incorporated herein by reference, ONEOK's plan and schedule in regards to the unbundling of its services to customers in Oklahoma.

The Proposed Transaction Will
Promote the Public Interest

32. The proposed transaction will promote the public interest in that ONEOK is qualified by its experience and financial strength to meet all of the demands associated with operating WRI's "Gas Business".

33. Consummation of the transaction will allow the existing high quality of service provided to WRI's customers to be maintained and improved. ONEOK is an experienced low cost provider of safe and reliable natural gas service. To demonstrate this fact, attached to Mr. Kyle's prefiled testimony is an exhibit showing the operational efficiencies achieved by ONEOK in its utility operations over the last four years. Included is information showing a decline in operations and maintenance cost per customer, an increase in customers served per employee and other pertinent information. Mr. Kyle has also included as an exhibit to his testimony, the most recent Consumer Attitude Survey conducted by Render and Associates dated April 2, 1996. ONEOK prides itself on identifying and addressing the concerns of its customers to assure customer satisfaction. Mr. Kyle also testifies as to ONEOK's exceptionally low percentage of lost and unaccounted for gas on its Oklahoma system. The average percentage of lost and unaccounted for gas on ONEOK's system for the past five years is only about one percent (1%) of the total system throughput.

34. ONEOK is clearly qualified to operate the "Gas Business" of WRI. ONEOK has substantial experience in operating an integrated system consisting of gas gathering, storage, transmission and distribution facilities. ONEOK's experience and familiarity with operating an integrated system, makes it best suited to operate WRI's integrated gas distribution system and market center.

35. ONEOK has experience in obtaining and managing wellhead gas supply contracts directly with producers. Mr. Kyle's prefiled testimony identifies the number of producers, contracts and connections which are negotiated and managed by ONEOK. This type of expertise allows the utility to maximize the use of the state's energy resources. WRI is responsible for managing many wellhead gas supply contracts with producers in Kansas. ONEOK's experience with managing wellhead gas supply contracts in Oklahoma will be beneficial to WRI's customers and will continue to maximize the use of Kansas energy resources.

36. The proximity of ONEOK's current natural gas operations also makes it an ideal company to operate the "Gas Business" of WRI. ONEOK and WRI operate in adjacent states. Attached hereto as Schedule 12 is a map showing the location and close proximity of the two natural gas operations. The close proximity of the two operations should provide for a smoother and less expensive transition of operations. ONEOK, like WRI, has experience operating in a state which is one of the country's largest suppliers of natural gas.

37. The markets served by WRI and ONEOK are similar, thereby giving ONEOK the experience to successfully operate the "Gas Business" of WRI. The size of the major metropolitan areas served by WRI and ONEOK are similar. The metropolitan areas of Wichita, Topeka, Overland Park and Kansas City, Kansas are not unlike the metropolitan areas of Oklahoma City and Tulsa in both size and in population. Like WRI, ONEOK also has experience in serving many rural communities. ONEOK provides retail service to 294 communities in Oklahoma, and has experience in providing intrastate wholesale services to 44 other smaller gas distributors along its system. Like WRI, the utility customer base of ONEOK's Oklahoma operations are mainly residential and commercial heat sensitive customers. The load factors of the two utilities are very similar, and ONEOK has been able to successfully manage gas supply and storage to meet the peak day needs of its residential and commercial customers. Schedule 13 compares the load factors and peak day needs of WRI and ONEOK. ONEOK has also been able to minimize the negative impact of bypass by large industrial customers by creating programs to maintain the benefits to the utility and its customers provided by having large industrial customers.

38. The fact that ONEOK's emphasis is in the natural gas business also makes it best suited to operate the "Gas Business" of WRI. WRI's customers will gain added benefits from having a company whose expertise and main focus is in the natural gas business. With the current changes in the natural gas business, it is important for the operator of the "Gas Business" of WRI to have a management team which concentrates all of its efforts on the natural gas industry. ONEOK provides that type of management expertise.

39. One of the factors that the KCC weighs and considers in determining whether the proposed transaction promotes the public interest is the effect of the proposed transaction on the existing competition. The proposed transaction between ONEOK and WRI is expected to have a positive effect on the existing competition. Kansas communities, which now receive both their electric and natural gas service from WRI, will be receiving their gas service from ONEOK and their electric service from WRI after the merger. ONEOK's management will actively compete to increase natural gas's share of the energy market. ONEOK expects to participate and be competitive in any solicitation for bids for natural gas in Kansas. As indicated in Mr. Kyle's testimony, ONEOK is actively competing to increase natural gas's share of the Oklahoma energy market.

40. Both companies and their shareholders should be financially stronger as a result of the proposed transaction. Schedule 14 which is attached to the application provides balance sheets for ONEOK and WRI's "Gas Business", and a

proforma balance sheet of the combined company. Schedule 15 which is attached to the application provides twelve month ended income statements for ONEOK and WRI's "Gas Business", and a proforma income statement for the combined company. Schedule 16 which is attached to the application provides statements of capitalization for ONEOK and WRI's "Gas Business", and a proforma consolidated statement of capitalization for the combined company. The S-4 filing made with the Securities and Exchange Commission (SEC) will be filed as a late filed schedule to this application as Schedule 17, and shall be incorporated herein by reference.

41. In addition to considering the strong financial position of the combined company as depicted on the above mentioned schedules, under the alliance between WRI and ONEOK, WRI and its shareholders have obtained an experienced and qualified company to operate its "Gas Business". As indicated in the prefiled testimony of Mr. James A. Martin, Vice President, Finance for WRI, which is attached to this Application and included herein by reference, WRI's gas utility business is currently earning below its authorized rate of return. As indicated by Mr. Martin, WRI believes that the proposed alliance will allow it to better maximize the return on its investment in the "Gas Business". Moreover, as indicated by Mr. Martin and Mr. Kyle, the proposed alliance between WRI and ONEOK will reduce WRI's current need to file for a general increase in its rates for natural gas service. Under the alliance with WRI, ONEOK also benefits by obtaining additional markets to serve. The alliance allows ONEOK to capitalize on its experience and expertise in operating natural gas utilities.

42. The determination as to the amount of common stock and preferred stock WRI is to receive in the combined company was accomplished through extensive negotiations and was based upon comparing the value of the total plant of the combined company with the percentage of the value of the total plant contributed by WRI and by comparing projected earnings before interest, taxes, and depreciation (EBITDA). WRI will own 45 percent of the combined company because it contributed approximately 45 percent of the value of the combined company. ONEOK's shareholders will own 55 percent of the combined company because they contributed approximately 55 percent of the total value of the combined company. Based upon said arrangement, there will be an equitable sharing of risk and return between WRI and ONEOK's shareholders.

43. ONEOK will record a merger premium for accounting purposes in this transaction. Schedule 18 shows the calculation of the estimated premium and merger related expenses and amortization of those costs using a 40 year amortization period. Because the premium paid by ONEOK and the transaction costs incurred to consummate the merger may be costs that result in benefits to both ratepayers and shareholders, ONEOK requests that the regulatory treatment of the merger costs and premium be deferred. ONEOK requests that the KCC allow for an amortization of the premium and merger related expenses over the remaining life of the properties or over 40 years as the KCC deems appropriate.

44. ONEOK will seek recovery in the future of any merger related expenses or premium only to the extent it can demonstrate and quantify either savings in the cost of service or revenue enhancement resulting from ONEOK's operations after the merger. After this joint application is approved by the KCC, ONEOK and the Staff of the KCC can establish a merger savings index for KCC approval that would include as a base the pre-merger costs of the Kansas gas operations adjusted for inflation, customer growth and productivity. This index could then be compared to the actual costs of the post-merger company as an indication of merger savings. The KCC approved a similar merger savings index to determine merger savings in the KPL/KG&E merger case.

45. ONEOK and WRI structured the proposed transaction to avoid any adverse consequences to customers or the employees of the utility. The tax free nature of the transaction preserves deferred tax balances for the benefit of the customers. The merger agreement assures employees, and the customers that they serve, that there will be no disruptive workforce reductions. Under the Agreement between ONEOK and WRI, those WRI employees whose expertise and work experience has been in the natural gas business, will be offered employment with ONEOK. In addition to retaining experienced employees, ONEOK plans to maintain a Kansas management team who will concentrate on and be responsible for operating the Kansas gas properties as a division of ONEOK.

46. There are operational synergies which ONEOK and WRI will pursue which may prove to be beneficial to customers. ONEOK and WRI plan to analyze and enter into joint operation agreements covering such things as meter reading and billing service. The purpose for entering into the joint operation agreements would be to retain the synergies possible from serving a larger number of customers through common resources. ONEOK and WRI intend to maintain such synergies while exploring ways to promote the advantage customers will derive from having competition in the energy market. In the final analysis, ONEOK plans to provide gas service in the most efficient and cost effective manner possible. This will be the controlling factor in any joint operation agreement which will be entered into between WRI and ONEOK.

47. ONEOK and WRI have established a transition team of employees from both companies. The primary purpose of this team is to provide for a smooth transition of operations. ONEOK plans to adopt the best practices of each company so it will be able to offer a more efficient and cost effective service to customers in both Oklahoma and Kansas. The work of the transition team is being documented and will be provided to the KCC. A summary of the transition team's work will be filed as a late filed exhibit and shall be incorporated

herein by reference.

48. The proposed transaction should be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state. Among the most noticeable benefits, will be the fact that communities will receive the benefits of having a new corporate citizen in their community. ONEOK, like WRI, believes very strongly in supporting the communities in which it provides natural gas service and is actively involved in the chambers of commerce and other organizations in the communities in which it serves and is a significant contributor to non-profit organizations such as the United Way, higher education, hospitals and charitable causes. ONEOK actively encourages its employees to become involved in community volunteer work. A significant number of employees have participated in these activities. ONEOK, like WRI, has worked with state and local officials to attract new business to Oklahoma and to assist existing businesses to expand their plants and facilities located in the local communities. ONEOK plans to continue such efforts to assist the local communities which it will serve in Kansas.

49. Where WRI provides both gas and electric services, those communities will receive the benefit of having two major public utilities as strong corporate citizens. Schedule 19 lists those cities and communities in Kansas and their population which currently receive both electric and gas service from WRI and who, subsequent to the transaction, will receive electric service from WRI and gas service from ONEOK.

50. The proposed transaction will also preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit the public utility operations in the state. ONEOK's natural gas system is currently regulated by the Oklahoma Corporation Commission. ONEOK is very familiar with the regulatory requirements and responsibilities which are placed upon a natural gas public utility.

51. As proven by its track record in operating its natural gas public utility operations in Oklahoma, ONEOK is dedicated to providing safe and reliable service to its utility customers. ONEOK has not been penalized by the OCC for any pipeline safety violations. ONEOK is familiar with the pipeline safety programs which have been implemented by WRI, and will commit to complying with and fulfilling all pipeline safety rules, regulations and orders concerning the operation of WRI's "Gas Business".

52. In support of their application, ONEOK and WRI have prepared the prefiled testimony of Mr. David L. Kyle, Mr. Eugene N. Dubay, Dr. Donald A. Murry and Mr. James A. Martin. Their prefiled testimony describes the transaction and alliance between ONEOK and WRI. It also explains how the transaction and alliance will promote the public interest based upon the factors adopted by the KCC in the KPL/KG&E merger case, Docket No. 174,155-U (1991), which are applicable to the present transaction.

53. Mr. Kyle is a corporate officer of ONEOK and President and Chief Operating Officer of Oklahoma Natural Gas Company. He provides a general background of ONEOK. He describes how ONEOK is qualified to operate WRI's gas properties. He uses the list of relevant factors set forth by the KCC in its 1991 KPL/KG&E merger order to show how the transaction and alliance between ONEOK and WRI will promote the public interest.

54. Mr. Dubay is Vice President Corporate Development for ONEOK. He presents testimony describing the transaction between ONEOK and WRI. Mr. Dubay presents testimony relating to ONEOK's request to modify two provisions in WRI's tariffs in conjunction with this application and ONEOK's proposal to partially offset SFAS 106 and SFAS 112 costs on an interim basis. Mr. Dubay directs ONEOK's activities of the transition team which ONEOK and WRI have created to provide for a smooth transition of operations and to adopt the best practices of each company so the gas utility can provide a more efficient and cost effective service to customers in Oklahoma and Kansas. He will testify as to the status of the transition team's work. He will also plan to supplement his testimony to provide an update on the transition team's work and to sponsor a late filed exhibit which will provide a summary of the work conducted by the transition team.

55. Dr. Donald A. Murry is an Economist with C. H. Guernsey & Company and a Professor of Economics at the University of Oklahoma. Dr. Murry has previously testified before the KCC. Dr. Murry will present late-filed testimony and exhibits which analyze the potential effects of the merger from an empirical standpoint.

56. Mr. James A. Martin is employed by WRI as Vice President, Finance. Mr. Martin describes the alliance with ONEOK, the structure of the proposed transaction, the assets contributed to the transaction, the accounting and tax treatment of the transaction, the impact of the transaction on WRI's dividends, and the impact of the transaction on customers.

WHEREFORE, pursuant to K.S.A. 66-101, 66-104, 66-125, 66-127, 66-136 and 66-1,200, et. seq., WRI, ONEOK and WAI respectfully request that the KCC issue an appropriate Certificate and Order:

A. Authorizing, consenting to and approving the transactions contemplated by WRI, ONEOK, and WAI as described herein, including (1)

WRI's contribution of assets, certificates and debt to WAI; (2) the issuance of the capital stock of WAI by WRI; (3) the merger of ONEOK and WAI; and (4) the issuance by WAI of its capital stock to shareholders of ONEOK and assumption by WAI of ONEOK's debt;

B. Authorizing WRI, effective upon consummation of the merger, to discontinue all gas service now furnished by it;

C. Consenting to and approving the assignment and contribute to WAI (ONEOK, Inc.) upon consummation of the merger, of all certificates of public convenience and authority issued to WRI, in regards to its "Gas Business" as that term is defined herein;

D. Authorizing WAI (ONEOK, Inc.) to succeed to all of WRI's rights, title and interests in its natural gas utility plant and facilities as more fully described herein, and to all franchises, certificates, consents and permits relating to the operation of such plant and facilities;

E. Authorizing WAI (ONEOK, Inc.) to file as its initial rates, rules, regulations and conditions of service for gas service in the areas now served by the "Gas Business" of WRI, the rates, rules regulations and conditions of service of WRI, applicable thereto and presently in effect, as well as those proposed modifications requested by this application, and which may be changed from time to time with approval of the KCC, also authorizing the transfer and assignment from WRI to WAI (ONEOK, Inc.) all of WRI's purchased gas adjustment (PGA) tariffs and adjustments, including but not limited to, the Actual Cost Adjustment (ACA), Take-or-Pay Cost Factor (TOP), Transition Cost Recovery Factor (TCR) and remaining unrecovered/over recovered balances, if any, relating to those PGA tariffs and adjustments;

F. Authorizing the modification of WRI's tariffs, as adopted by WAI (ONEOK, Inc.) upon consummation of the merger, to reflect the changes to the utility's line extension policy and miscellaneous service charges, as set forth in this application;

G. Authorizing, reaffirming, consenting to and approving the transfer and assignment to WAI (ONEOK, Inc.) from WRI of the accounting orders issued by this Commission to WRI, in KCC Docket No. 190,352-U (May 3, 1994) relating to SFAS 112 costs, and in KCC Docket 184,735-U (June 28, 1993) relating to SFAS 106 costs, insofar as they apply to the "Gas Business", and allowing the recovery in rates of those SFAS 112 and SFAS 106; and

H. Granting such other relief deemed by the KCC just and proper to accomplish the purpose of this application and to consummate the transaction described herein. DATED this ___ day of _____, 1997.

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Verification

STATE OF OKLAHOMA)
)ss:
COUNTY OF TULSA)

David L. Kyle, of lawful age, being first duly sworn on oath, states:

That he is a Corporate Officer of ONEOK Inc., and President and Chief Operating Officer of Oklahoma Natural Gas Company, named in the foregoing Joint Application, and is duly authorized to make this affidavit; that he has read the foregoing Joint Application, and knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.

David L. Kyle

SUBSCRIBED AND SWORN to before me this ____ day of _____, 1997.

Notary Public

My Commission Expires:

Verification

STATE OF KANSAS)
)ss:
COUNTY OF SHAWNEE)

Kenneth T. Wymore, of lawful age, being first duly sworn on oath, states:

That he is the President, Gas Service for Western Resources, Inc. named in the foregoing Joint Application, and is duly authorized to make this affidavit; that he has read the foregoing Joint Application, and knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.

Kenneth T. Wymore

SUBSCRIBED AND SWORN to before me this ____ day of _____, 1997.

Notary Public

My Commission Expires:

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BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Joint)
Application of Western Resources,)
Inc., ONEOK Inc., and WAI, Inc. for)
Approval of the Transfer from)
Western Resources, Inc. to WAI, Inc.)
of all of the Natural Gas)
Transportation and Distribution)
Assets, Subsidiaries and)
Certificates of Western Resources,)
Inc.; for the Merger of WAI, Inc.,)
with ONEOK Inc.; for the acquisition)
by Western Resources, Inc. of Shares)
of Capital Stock of WAI, Inc.; for)
Authority for WAI, Inc. to Issue)
Stock and Instruments of Debt; and)
for Related Relief)

Docket No. 97-WSRG-486-MER

COME NOW Western Resources, Inc. (WRI), ONEOK Inc. (ONEOK), and WAI, INC. (WAI) and request permission from the Kansas Corporation Commission (KCC) to amend their Joint Application filed in above captioned matter on February 24, 1997. In support of their motion WRI, ONEOK and WAI state as follows:

1. On February 24, 1997, WRI, ONEOK and WAI filed a Joint Application seeking KCC approval of their merger and related relief. As part of their Joint Application WRI, ONEOK and WAI included nineteen schedules and the prefilled testimony and exhibits of D.L. Kyle, E.N. Dubay and J.A. Martin. The Joint Application indicated that the testimony and exhibits of Dr. D.A. Murry would be filed at a later date, as well as certain financial information which had not been completed at the time the Joint Application was filed.

2. On March 3, 1997, the KCC Staff requested that the Joint Applicants address several additional issues in their direct prefilled testimony.

3. The Joint Applicants request permission to amend their Joint Application to include the following schedules, testimony and exhibits which were identified in the original Joint Application as late-filed exhibits:

- a. Schedule 14, ONEOK/WAI Merger Balance Sheet;
- b. Schedule 15, ONEOK/WAI Merger Income Statement;
- c. Schedule 16, ONEOK/WAI Merger Statement of Capitalization;
- d. Revised Schedule 18, Estimated Acquisition Premium and Transaction Costs; and
- e. Prefiled Testimony and Exhibits of Dr. Donald A. Murry.

4. The Joint Applicants also request permission to amend their Joint Application to include the supplemental testimony of E.N. Dubay. Mr. Dubay's supplemental testimony addresses the issues set forth in the KCC Staff's letter of March 3, 1997.²

5. To the extent that this Joint Application is subject to the provisions of K.S.A. 66-117, the Joint Applicants submit and agree that their Motion to Amend their Joint Application shall be "deemed a new application and the 240-day period shall begin again from the date of the filing of this amendment."

- - - - -
1The S-4 has been filed by ONEOK at the SEC as a preliminary proxy statement and has been filed as confidential, for use of the SEC only as permitted by Rule 14a-6(e)(2). The Joint Applicants will file the public definitive proxy statement once the definitive proxy statement has been filed and approved with the SEC.

2One of the issues raised by the KCC Staff in its March 3, 1997, letter requested a detailed discussion about the impact this merger will have on WRI's electric customers. WRI has retained the services of an independent consultant to address this issue. The consultant's report will be provided to the KCC Staff when it is completed.

WHEREFORE, for the reasons set forth herein, the Joint Applicants respectfully request that their Motion to Amend their Joint Application be granted.

Respectfully submitted,

James G. Flaherty, #11177
ANDERSON, BYRD, RICHESON & FLAHERTY
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067
(913) 242-1234
Attorneys for ONEOK and WAI

J. Michael Peters
WESTERN RESOURCES, INC.
818 Kansas Avenue, P. O. Box 889
Topeka, Kansas 66601
(913) 575-8214
Attorneys for WRI

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this _____ day of March, 1997, addressed to:

Mr. J. Michael Peters
Western Resources, Inc.
818 Kansas Avenue
P. O. Box 889
Topeka, Kansas 66601
Attorney for Western Resources,
Inc.

Mr. Larry Cowger

Blake & Uhlig, P.A.
475 New Brotherhood Bldg.
753 State Avenue
Kansas City, Kansas 66101
Attorneys for United
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Apprentices of the Plumbing and
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Assistant General Counsel
Kansas Corporation Commission
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Brotherhood of Electrical
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Mr. Richard W. Stavely
257 N. Broadway, Suite 200
Wichita, Kansas 67202
Attorney for Mountain Iron &
Supply Company

James G. Flaherty

BEFORE THE OKLAHOMA CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE JOINT)
APPLICATION OF ONEOK INC., WESTERN)
RESOURCES, INC., AND WAI, Inc.)
FOR APPROVAL OF AN AGREEMENT) CAUSE NO.
PROVIDING FOR THE MERGER OF)
ONEOK Inc. WITH WAI, Inc.)

JOINT APPLICATION

COME NOW, ONEOK Inc. ("ONEOK"), Western Resources, Inc. ("WRI"), and WAI, Inc. ("WAI") a wholly owned subsidiary of WRI, collectively referred to as "Applicants", and pursuant to the provisions of 17 O.S. 1991, ss.191.1 et. seq., make this joint application to the Oklahoma Corporation Commission ("OCC") for an order authorizing WRI to transfer all of its natural gas distribution and related properties in the state of Oklahoma to WAI; authorizing ONEOK to merge with WAI in accordance with that certain Agreement between ONEOK and WRI (the "Agreement") which is attached hereto; and for all other related relief that may be required to fulfil the intents and purposes of the parties to the transactions described below; and in support thereof state as follows:

THE APPLICANTS

1. (a) ONEOK, incorporated in the State of Delaware on November 10, 1933, is a company operating principally in the natural gas utility business through its regulated division, Oklahoma Natural Gas Company ("ONG") and its regulated subsidiaries. ONEOK currently has one affiliated company:

ONEOK Foundation, Inc.

The utility business founded in 1906, includes a natural gas distribution and integrated intrastate transmission business. ONG provides natural gas service to about 730,000 residential, commercial and industrial customers in Oklahoma. Transmission and gathering operations include 3,840 miles of pipeline and five underground storage facilities. ONG and the regulated subsidiaries are regulated by the OCC pursuant to 17 O.S. 1991, ss.ss.151-55, but are not regulated by the Federal Energy Regulatory Commission ("FERC") under the Natural Gas Act, except as to Section 311 transportation and sales. 15 U.S.C. ss. 717. ONG Transmission Company, ONG Sayre Storage Company and ONG Gas Gathering Company, are regulated subsidiary companies which are engaged in the gathering, storage, and transportation of gas.

(b) The full name and address of Applicant ONEOK is as follows:

ONEOK Inc.
100 West 5th Street
Post Office Box 871
Tulsa, OK 74102-0871
(918) 588-7925
Attn: Barry Epperson, Vice President - Accounting
John L. Arrington, Jr., General Counsel

(c) The names, addresses and telephone numbers of the attorneys for ONEOK are:

John A. Gaberino, Jr., Esq.
Arrington Kihle Gaberino & Dunn
100 West 5th Street, Suite 1000
Tulsa, OK 74103-4219
(918) 585-8141

(d) A certified copy of the Third Restated Certificate of Incorporation of ONEOK is attached hereto as Exhibit A-1.

(e) Copies of ONEOK's 1996 Annual Report to Shareholders and ONEOK's 1994, 1995 and 1996 Form 10-K's, Annual Report to the SEC, are attached hereto as Exhibits B-1, B-2, B-3 and B-4, respectively. Attached as Exhibit B-5 is ONEOK's Form 10-Q, Quarterly Report to the SEC, for the quarter ending November 30, 1996.

2. (a) WRI presently owns and operates a natural gas distribution system serving about 624,000 customers encompassing two-thirds of Kansas and 36,000 customers in the northeastern corner of Oklahoma and a natural gas transmission and gathering system with 976 miles of pipeline in Kansas. That portion of its gas distribution operations located in Oklahoma is regulated by the OCC pursuant to 17 O.S. 1991, ss.ss. 151-55; that portion of its gas distribution, transmission and gathering operations located in Kansas is regulated by the Kansas Corporation Commission pursuant to K.S.A. 66-101, 66-104, 66-125, 66-127, 66-136 and 66- 1,200, et. seq.; WRI's principal place of business and headquarters is located in Topeka, Kansas.

(b) The full name and address of Applicant WRI is as follows:

Western Resources, Inc.
P.O. Box 889
818 Kansas Avenue
Topeka, Kansas 66612
(913) 575-1915, 575-8214
Attn: James Ludwig, Executive Director,
Regulatory Affairs
J. Michael Peters, Associate General
Counsel, Regulation

(c) The names, addresses and telephone numbers of WRI's attorneys are:

Ronald Comingdeer, Esq.
Comingdeer & Lee
6011 N. Robinson
Oklahoma City, OK 73116-7425
(405) 848-5534

(d) WRI's 1995 Annual Report to Shareholders and WRI's 1995 Form 10-K, Annual Report to the SEC, are attached hereto as Exhibits C-1 and C-2, respectively. Also attached are Exhibits C-3, C-4 and C-5, WRI's Form 10-Q's to the SEC for the quarters ending March 31, 1996, June 30, 1996 and September 30, 1996.

3. (a) WAI will be formed as an Oklahoma corporation which will be a wholly-owned subsidiary of WRI. It is the corporate entity into which WRI will contribute all of its Gas Business (as that term is defined in the Agreement) and into which ONEOK will be merged in accordance with the Agreement. (b) A certified copy of the Certificate of Incorporation of WAI, Inc. will be filed as a late filed exhibit and marked as Exhibit D. (c) The full name and address of Applicant WAI is as follows: WAI, Inc. P. O. Box 889 818 Kansas Avenue Topeka, KS 66612 (913) 575-1915

(d) The names, addresses and telephone numbers of WAI's attorneys are:

John A. Gaberino, Jr., Esq.
Arrington Kihle Gaberino & Dunn
100 West Fifth Street, Suite 1000
Tulsa, OK 74103
(918) 585-8141

ALLEGATION OF FACTS

4. WAI will file a Form S-4 registration statement (which is the combined proxy statement of ONEOK and prospectus of WAI) under the Securities Exchange Act of 1933, with the United States Securities and Exchange Commission. The Agreement will be attached as an Exhibit to the Form S-4 and the Form S-4 will be filed as a late filed exhibit and marked as Exhibit E.

5. Subject to the terms and conditions of the Agreement, WRI will incorporate WAI as an Oklahoma corporation and immediately prior to the Merger, will contribute its regulated gas business in Kansas and Oklahoma, including its stock in Mid Continent Market Center, Inc., and its stock in Westar Gas Marketing, Inc., a wholly owned unregulated gas marketing subsidiary (the "Gas Business"), to WAI in exchange for 2,996,702 shares of voting Common Stock of WAI, 19,317,584 shares of cumulative convertible Preferred Stock, Series A ("WAI Cumulative Convertible Preferred Stock") of WAI, and the assumption by WAI of approximately Thirty-five Million (\$35,000,000) of WRI's unsecured debt. ONEOK will then merge into WAI which will result in the conversion of all of the outstanding common shares of ONEOK into common shares of WAI on a one-for-one basis such that ONEOK shareholders will own not less than 55% of the WAI outstanding equity. Immediately following the merger, WRI will own up to 9.9% of the outstanding Common Stock of WAI. Together with the Preferred Stock, WRI will own up to 45% of the WAI outstanding equity. WAI will assume all the debt of ONEOK as part of the merger. WAI will change its name to ONEOK, Inc. after the merger. ONEOK, WRI and WAI seek an order authorizing, among other things, the transfer of all of WRI's natural gas distribution and related properties in the state of Oklahoma to WAI and the merger of WAI and ONEOK and the resultant acquisition by WRI of shares of the capital stock of WAI.

6. Upon the consummation of the Merger: (i) ONEOK Shareholders will hold not less than 27,304,870 shares of WAI Common Stock representing not less than 90.1% of the voting power of WAI, (ii) WRI will hold 2,996,702 shares of WAI Common Stock representing up to 9.9% of the voting power of WAI, and (iii) WRI will hold 19,317,584 shares of WAI Convertible Preferred Stock. Upon the occurrence of a regulatory change, which change relates to the Public Utility Holding Company Act of 1935 ("PUHCA") ("Regulatory Change"), as defined in the Shareholder Agreement ("Shareholder Agreement") to be entered into between WRI and WAI, each share of WAI Convertible Preferred Stock may be converted into one share of WAI Common Stock. The Shareholder Agreement will impose certain standstill, transfer and voting restrictions on WRI in respect to its stock ownership in WAI. Prior to the occurrence of the Regulatory Change, WRI will have the right to designate two members of the ONEOK Board of Directors (one of whom may be an employee of WRI). Following the occurrence of the Regulatory

Change, WRI will have the right to designate 4 out of 18 of the Board members, increasing to 1/3 of the Board as Board Members leave as a result of resignation, death, etc. (or if the ONEOK Board is larger than 14 independent (non-WRI Directors) at the time, 1/3 of the WAI Board Members). WRI agrees to vote its Common Stock for directors in accordance with the recommendation of the Nominating Committee of the WAI Board, prior to the Regulatory Change. In all other matters, WRI may vote its own interest. The WAI Convertible Preferred Stock, Series A, does not have a vote on the selection of directors or other ordinary shareholder matters and votes with the common stockholders on a Change of Control, as defined in the Shareholder Agreement. Following the Regulatory Change, WRI may vote not more than 9.9% of WAI Common Stock in its own interest and except for the election of directors (see above) will vote its other WAI Common Stock in all matters in the same proportion as voted by the other common shareholders of WAI, except it will be free to vote all of its shares in its own interest in respect to any Change of Control. The Shareholder Agreement has a basic term of fifteen (15) years. One of the fundamental principles of the transaction is that WRI will be an investor in ONEOK, but will not exercise day-to-day influence over management functions. There will be no Change of Control, nor any joint management arrangement concerning controlling gas operations in connection with the proposed transaction.

7. ONEOK management will become the management of WAI. Applicants state that their managers are competent and qualified persons in the utility industry and they intend for ONG to continue to provide gas distribution service in Oklahoma in accordance with the rules and regulations of the OCC and in an effective and efficient manner. WRI will allocate to WAI those employees directly employed in the Gas Businesses, plus a proportional number of administrative personnel. Those employees will be protected by an Employee Agreement, a copy of which is attached as Exhibit F. In addition, WAI will assume responsibility for a proportional number of retirees, and will receive from WRI a pro-rata share of pension plan assets to fund projected pension benefit liabilities for those employees and retirees.

8. In addition to the authorization required by the OCC, this transaction will require limited approval of the Federal Energy Regulatory Commission ("FERC") to secure transfer of 7(c) certification, the State Corporation Commission of the State of Kansas ("KCC"), and will be subject to the waiting period provided under the Hart Scott Rodino Antitrust Improvements Act ("HSR"). Action will also be required of the Securities & Exchange Commission ("SEC") or its staff under the Public Utility Holding Company Act.

9. The proposed merger does not seek any changes in the rates currently charged by ONG and WRI to its Oklahoma customers, or in any of its policies with respect to service, employees, operations, financing, accounting, capitalization, depreciation, or other matters affecting the public interest or utility operations. ONG and WAI will continue to maintain their books in accordance with all requirements of the OCC.

10. WAI, with existing ONEOK management, will be fully qualified to own and operate the transferred Gas Business assets of WRI and the existing assets of ONEOK. ONEOK's management and employees are committed to the success of WAI and to customer satisfaction. The parties are committed to achieving the combination of the gas business of WRI and ONEOK in a manner that is transparent to the customers of both companies and to the benefit of all customers, and the public generally.

11. The Oklahoma gas business assets of WRI are not parallel to, nor do they constitute a competing line or system with, the gas utility transmission and distribution systems of ONG, and neither WRI nor ONEOK is engaged in a public service business competitive with the other party; therefore, this merger will not adversely affect competition.

12. ONEOK will record a merger premium for accounting purposes of approximately ten percent (10%) in this transaction. Schedule 1 shows the calculation of the estimated premium and merger related expenses and amortization of those costs using a 40 year amortization period. Because the premium paid by ONEOK and the transaction costs incurred to consummate the merger may be costs that result in benefits to both ratepayers and shareholders, ONEOK requests that the regulatory treatment of the merger costs and premium be deferred to future rate cases. ONEOK also requests that the OCC allow for an amortization of the premium and merger related expenses over the remaining life of the properties or over 40 years, as the OCC deems appropriate.

13. ONEOK will seek recovery in the future of any merger related expenses or premium only to the extent it can demonstrate and quantify either savings in the cost of service or revenue enhancement resulting from ONEOK's operations after the merger. After this joint application is approved by the OCC, ONEOK and the Staff of the OCC can establish a merger savings index for OCC approval that would include as a base the pre-merger costs of the Oklahoma gas operations adjusted for inflation, customer growth and productivity. This index could then be compared to the actual costs of the post-merger company as an indication of merger savings.

14. ONEOK and WRI structured the proposed transaction to avoid any adverse consequences to ratepayers or the employees of the utility. The tax free nature of the transaction preserves deferred tax balances for the benefit of the ratepayers. The merger agreement assures employees, and the customers they serve, that there will be no disruptive workforce reductions. Under the

Agreement between ONEOK and WRI, those WRI employees whose expertise and work experience has been in the natural gas business, will be offered employment with ONEOK.

15. WRI has not received authority from the OCC to collect from its Oklahoma customers funding for post-retirement benefits in excess of pay as you go amounts. SFAS 106 requires recognition of the liability for these costs in the financial statements of the company. Accordingly, WRI has been recording the accrual for these expenses in its financial statements in Oklahoma, but has not received funding from customers through an increase in its rates, and has not set up a trust for the purpose of funding this liability. In Kansas, WRI had implemented a corporate owned life insurance (COLI) program for offsetting its Other Post-retirement Employee Benefits (OPEB) costs, but changes in the tax laws and a decline in interest rates have rendered that method of funding ineffective. In any case, the COLI contracts were not applicable to its Oklahoma operations and are not transferrable to ONEOK in the merger.

16. ONEOK plans to continue the accounting and non-funding approach in use by WRI for its Oklahoma customers for the immediate future. However, ONEOK plans to propose to the OCC a funding mechanism for the WRI Oklahoma operations in the future that would be similar to that currently approved for ONG utility operations. This may be addressed as a singular issue in a separate cause or made part of a subsequent rate case filing.

LEGAL AUTHORITY

17. In order to consummate the merger, ONEOK, ONG, and WRI are, or may be, required to obtain consents, approvals and authorizations from the OCC pursuant to 17 O.S. 1991, ss. 191.1 et. seq. and the OCC's rules and regulations promulgated thereunder, specifically OAC 165-7-57.

18. Attached hereto as Exhibit G and made a part hereof is a "Statement" as required by 17 O.S. 1991, ss. 191.2 and containing all of the applicable information required by 17 O.S. 1991, ss. 191.3.

19. WAI states that, as supported in the Statement attached hereto as Exhibit G, it is a proper and appropriate entity to own the Gas Business assets of WRI, and all of the assets of ONEOK Inc., and that the transaction proposed in the Merger Agreement will not adversely affect ONG's utility operations or ONG's customers in Oklahoma and will not result in any of the potentially adverse effects described in 17 O.S. 1991, ss.191.5.A.

20. Applicants further state that both ONEOK and WRI wish to consummate the proposed transaction at the earliest possible time and that review by the OCC is requested on an expedited basis to be concluded as soon as possible, but, in any event, within the time frames provided for in 17 O.S. 1991, ss.191.5.B. Certified copies of the resolutions of the Boards of Directors of ONEOK and WRI, approving the merger, are attached hereto as Exhibit H and I, respectively.

21. ONG and WRI are required under 17 O.S. 1991, ss.191.6 to provide notice of the hearing to their customers, in a form to be specified by the OCC, by mail or in such other manner as may be determined by the OCC, within ten (10) business days after Applicants have received notice of the hearing from the OCC. Applicants hereby seek an order of the OCC which directs that, in lieu of notice by mail, the required notice be published one time in a newspaper of general circulation in each county in Oklahoma where ONG or WRI has a district office. Attached as Exhibit J is a copy of a Notice of Hearing that Applicants would propose, subject to OCC approval, to publish.

RELIEF SOUGHT

Wherefore, Applicants ONEOK, WRI, and WAI respectfully request that the OCC review this Application and issue an order approving the transfer of assets and merger as provided for in the aforementioned Agreement; that, in lieu of notice by mail, notice of the hearing be published one time in a newspaper of general circulation at least ten (10) days prior to the hearing date set by this Commission in each county in Oklahoma where ONG and WRI have a district office; and for all other proper relief.

Respectfully submitted,

John A. Gaberino, Jr. OBA #3188
Vivian C. Hale, OBA #14241
ARRINGTON KIHLE GABERINO & DUNN
100 West Fifth Street, Suite 1000
Tulsa, OK 74103-4219
(918) 585-8141

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100 West 5th Street, P. O. Box 871
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(918) 588-7906

Attorneys for WAI, Inc.

Certificate of Service

I, Vivian C. Hale hereby certify that a true, correct and exact copy of the foregoing Joint Application has been served by personal delivery or by United States mail, first class, postage prepaid, on the following persons this _____ day of February, 1997.

Mr. Ernest Johnson, Director
Oklahoma Corporation Commission
P. O. Box 52000-2000
Oklahoma City, OK 73152-2000

Ms. Maribeth Snapp
Deputy General Counsel
Oklahoma Corporation Commission
P. O. Box 52000-2000
Oklahoma City, OK 73152-2000

Mr. Drew Edmonson
Attorney General of Oklahoma
2300 N. Lincoln Blvd., Suite 112
Oklahoma City, OK 73105-4894

Vivian C. Hale

SCHEDULE OF EXHIBITS

Exhibit A-1	Certified copy of Third Restated Certificate of Incorporation of ONEOK Inc.
Exhibit B-1	ONEOK's 1996 Annual Report to Shareholders
Exhibit B-2	ONEOK's 1994 Form 10-K, Annual Report to the SEC
Exhibit B-3	ONEOK's 1995 Form 10-K, Annual Report to the SEC
Exhibit B-4	ONEOK's 1996 Form 10-K, Annual Report to the SEC

Exhibit	B-5 ONEOK's Form 10-Q, Quarterly Report to the SEC for the period ending November 30, 1996.
Exhibit C-1	WRI's 1995 Annual Report to Shareholders
Exhibit C-2	WRI's 1995 Form 10-K, Annual Report to the SEC
Exhibit C-3	WRI's 1996 Form 10-Q, Quarterly Report to the SEC, for the Quarter Ending March 31, 1996
Exhibit C-4	WRI's 1996 Form 10-Q, Quarterly Report to the SEC, for the Quarter Ending June 30, 1996
Exhibit C-5	WRI's 1996 Form 10-Q, Quarterly Report to the SEC, for the Quarter Ending September 30, 1996
Exhibit	D Certified copy of the Certificate of Incorporation of WAI, Inc.
Exhibit E	WAI's Form S-4 Registration Statement
Exhibit F	Employee Agreement
Exhibit G	Statement of ONEOK Pursuant to A.C.A. 23-3-307
Exhibit H	Certified copy of the ONEOK Board of Director's Resolution Approving Agreement and Transactions, including Merger
Exhibit I	Certified copy of the WRI Board of Director's Resolution Approving Agreement and Transactions, including Merger
Exhibit J	Notice to Customers of ONG

Salomon Brothers Inc
Seven World Trade Center
New York, New York 10048
212-783-7000

December 12, 1996

Board of Directors
Western Resources, Inc.
818 Kansas Avenue
Topeka, KS 66612

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to Western Resources, Inc. ("Western"), of the consideration to be received by Western in connection with (a) the proposed transfer by Western of its natural gas distribution and storage assets, its Mid-Continent Market Center and selected other gas-related assets (the "Gas Businesses") to a newly formed subsidiary ("Newco") of Western in consideration for approximately 3 million shares of common stock of Newco ("Newco Common Stock"), approximately 19.3 million shares of convertible preferred stock of Newco ("Newco Preferred Stock") and the assumption by Newco of \$35 million of indebtedness of Western (collectively, the "Asset Transfer") and (b) the merger of ONEOK Inc. ("Oneok") with and into Newco and the conversion of each outstanding share of Oneok common stock into one share of Newco Common Stock (the "Merger" and, together with the Asset Transfer, the "Transactions"). The Transactions will be consummated pursuant to an Agreement (the "Agreement") dated as of December 12, 1996, between Western and Oneok. The Newco Preferred Stock will be convertible into shares of Newco Common Stock in certain circumstances and will have the other terms specified in the Agreement and the annexes thereto.

In connection with rendering our opinion, we have reviewed certain publicly available information concerning the Gas Businesses and Oneok and certain other financial information concerning the Gas Businesses and Oneok, including financial forecasts, that was provided to us by Western and Oneok, respectively. We have discussed the past and current business operations, financial condition and prospects of the Gas Businesses and Oneok with certain officers and employees of Western and Oneok, respectively. We have also considered such other information, financial studies, analyses, investigations and financial, economic and market matters as we deemed relevant.

In our review and analysis and in arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us, and we have not assumed any responsibility for independent verification of such information.

With respect to the financial forecasts of the Gas Businesses and Oneok, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Western and Oneok, and we express no opinion with respect to such forecasts or the assumptions on which they are based. We have not made or obtained or assumed any responsibility for making or obtaining any independent evaluations or appraisals of any of the assets (including properties and facilities) or liabilities of the Gas Businesses and Oneok.

Our opinion is necessarily based upon conditions as they exist and can be evaluated on the date hereof. Our opinion does not address Western's underlying business decision to effect the Transactions and is directed only to the fairness, from a financial point of view, to Western of the consideration to be received by Western in connection with the Transactions, taken as a whole. We do not express any view as to the likely trading range for the Newco Common Stock or the Newco Preferred Stock following the consummation of the Transactions, which will depend on, among other factors, market conditions and other matters that generally affect the prices of securities.

We have acted as financial advisor to the Board of Directors of Western in connection with the Transactions and will receive a fee for our services which is contingent upon consummation of the Transactions. In the ordinary course of business, we may actively trade the securities of Western and Oneok for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. In addition, we have previously rendered certain investment banking and financial advisory services to Western for which we have received customary compensation.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the consideration to be received by Western in connection with the Transactions, taken as a whole, is fair to Western from a financial point of view.

Very truly yours,

SALOMON BROTHERS INC

Filing under the Public Utility Holding Company Act of 1935
September 19, 1997

Western Resources, Inc. (70-)

Western Resources, Inc., a Kansas corporation having its principal office in Topeka, Kansas ("WRI") and an exempt public utility holding company under the Act, has filed an application under sections 9(a)(2) and 10 of the Act.

The application seeks approval for the acquisition by WRI of 9.9% of the outstanding voting securities of a newly-formed company, WAI, Inc., an Oklahoma Corporation ("WAI"), that will become a public utility company as a result of the transactions for which approval is requested in this application. WRI has formed WAI initially as a wholly-owned subsidiary and will contribute all of the assets (the "Assets") of the Company's local natural gas distribution business (the "WRI LDC Business") and all of the outstanding capital stock of Mid Continent Market Center, Inc. ("MCMC") and Westar Gas Marketing, Inc. (Westar Gas Marketing, Inc. together with MCMC and the WRI LDC Business, the "Gas Business") to WAI (the "Asset Transaction"). ONEOK, Inc., a Delaware corporation ("ONEOK"), which, among other things, operates as a gas utility company, pursuant to an Agreement among WRI, ONEOK and WAI (the Agreement, as amended and restated, the "Agreement"), will then merge with and into WAI (the "Merger", and together with the Asset Transaction, the "Transactions"), with WRI owning up to 9.9% of the outstanding common stock of WAI and shares of non-voting convertible preferred stock. In total, WRI will own no more than 45% of the capital stock of WAI and the present shareholders of ONEOK will own at least 55% of the capital stock of WAI after the Merger. Upon consummation of the Merger, WAI will be renamed ONEOK, Inc. ("New ONEOK"). Pursuant to the Agreement, New ONEOK and WRI will enter into the Shareholder Agreement on the closing date that will place certain restrictions on WRI's actions as a shareholder during the 15-year term of the Shareholder Agreement.

In connection with the Transactions, ONEOK and WRI are seeking a no-action letter that represents the Commission Staff's concurrence that New ONEOK will not be deemed to be a subsidiary of WRI within the meaning of Section 2(a)(8) of the Act and WRI will not be deemed to be a holding company over New ONEOK under Section 2(a)(7) of the Act.

WRI is a public utility holding company exempt from all provisions of the Act except Section 9(a)(2) under Section 3(a)(1) pursuant to Rule 2. WRI is itself a public utility company that provides electric service to approximately 329,000 customers in Kansas and natural gas service to approximately 648,000 customers in Kansas and northeastern Oklahoma. WRI currently has one utility subsidiary, Kansas Gas and Electric Company that provides electric services to approximately 277,000 customers. As of July 30, 1997, there were 65,220,373 shares of WRI Common Stock outstanding. For the year ended December 31, 1996, WRI's operating revenues on a consolidated basis were approximately \$2.05 billion, of which approximately \$849 million was derived from natural gas operations. Consolidated assets of the Company and its subsidiaries at December 31, 1996 were approximately \$6.65 billion, of which approximately \$4.36 billion consisted of identifiable utility property, plant and equipment.

ONEOK, is a Delaware corporation having its principal office in Tulsa, Oklahoma. It engages through its divisions and subsidiaries in several aspects of the energy business, including local distribution of natural gas. ONEOK is a gas utility company as defined in Section 2(a)(4) of the Act and is presently neither an associate nor an affiliate of a public-utility holding company. Oklahoma Natural Gas Company, a division of ONEOK, and two subsidiaries, ONG Transmission Company and ONG Sayre Storage Company comprise a fully integrated intrastate natural gas gathering, storage, transmission and distribution operation that provides natural gas service to approximately 730,000 customers, primarily in the state of Oklahoma. As of May 31, 1997, there were 27,997,925 shares of ONEOK Common Stock outstanding. For the year ended August 31, 1996, ONEOK's operating revenues on a consolidated basis were approximately \$1.22 billion, of which approximately \$538 million was attributable to regulated natural gas distribution activities and approximately \$686 million to gas marketing, processing, gas exploration and production and other operations. Consolidated assets of ONEOK and its subsidiaries at May 31, 1997 were \$1.40 billion, of which approximately \$678 million consists of its gas distribution property, plant and equipment.

Upon consummation of the Transactions, on a fully diluted basis, after giving effect to the Transactions and based on the number of shares of ONEOK Common Stock outstanding as of December 12, 1996, WRI will hold 2,996,702 shares of New ONEOK Common Stock and 19,317,584 shares of Series A Convertible Preferred Stock of New ONEOK, representing up to 9.9% of the New ONEOK Common Stock outstanding before conversion of the Series A Convertible Preferred Stock into New ONEOK Common Stock and up to 45.0% of the New ONEOK Common Stock outstanding after such conversion. Holders of ONEOK Common Stock will hold shares of New ONEOK Common Stock representing at least 90.1% of the New ONEOK Common Stock outstanding and not less than 55.0% of the New ONEOK Common Stock after conversion of the Series A Convertible Preferred Stock to be held by WRI pursuant to the Agreement. In the event ONEOK issues additional shares of ONEOK Common Stock between December 12, 1996 and the closing of the Transactions, WRI has the right pursuant to the shareholder agreement to require WAI at the

closing to issue to it additional shares of New ONEOK Common Stock and/or Series A Convertible Preferred Stock, at a price per share equal to the average market price of the ONEOK Common Stock for the 20 trading days prior to the closing, so as to restore WRI's percentage ownership at the closing to up to 9.9% of the outstanding New ONEOK Common Stock and up to 45.0% of the outstanding New ONEOK Common Stock on a fully diluted basis.

The Merger is designed to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. WRI will account for its common stock holdings in New ONEOK by the equity method and for its preferred stock holdings as an investment.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Western Resources, Inc.
 Unaudited Pro Forma Combined Condensed Balance Sheet
 At May 31, 1997
 (Thousands of Dollars)

	Western Resources, Inc. Consolidated	Pro Forma Adjustments	Pro Forma Western Resources, Inc. Consolidated
Assets			
Utility Plant:			
Electric plant in service	\$5,489,046		\$5,489,046
Natural gas plant in service	907,085	(\$907,085)	0
	-----		-----
	6,396,131	(907,085)	5,489,046
Less - Accumulated depreciation	2,121,870	(295,182)	1,826,688
	-----		-----
	4,274,261	(611,903)	3,662,358
Construction work in progress	92,325	0	92,325
Nuclear Fuel (net)	33,638		33,638
	-----		-----
Net Utility Plant	4,400,224	(611,903)	3,788,321
Investments and Other Property:			
Investment in ONEOK, Inc.		531,103	531,103
Investment in ADT (net)	602,692		602,692
Security business and other property	564,757		564,757
Decommissioning trust	34,638		34,638
	-----		-----
	1,202,087	531,103	1,733,190
Current Assets:			
Cash and cash equivalents	2,888	(722)	2,166
Accounts receivable and unbilled revenues (net)	227,656	(97,455)	130,201
Fossil fuel, at average cost	41,533		41,533
Gas stored underground, at average cost	20,522	(20,522)	0
Materials and supplies, at average cost	60,897	(5,101)	55,796
Prepayments and other current assets	26,045	(10,436)	15,609
	-----		-----
	379,541	(134,296)	245,305
Deferred Charges and Other Assets:			
Deferred future income taxes	217,257	(25,280)	191,977
Corporate-owned life insurance (net)	84,910	0	84,910
Regulatory assets	223,312	(24,641)	196,671
Other	46,514	(2)	46,512
	-----		-----
	571,993	(49,923)	522,070
	-----		-----
Total Assets	\$6,553,845	(\$264,959)	\$6,288,886
	=====		=====
Capitalization and Liabilities			
Capitalization:			
Common stock equity	\$1,605,853		\$1,605,853
Cumulative preferred and preference stock	74,858		74,858
Western Resources obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company subordinated debentures	220,000		220,000
Long-term debt (net)	1,406,709	(\$35,000)	1,371,709
	-----		-----
	3,307,420	(35,000)	3,272,420
Current Liabilities:			
Short-term debt	1,189,150	(74,106)	1,115,044
Accounts payable	186,853	(7,478)	179,375
Accrued taxes	62,540		62,540
Accrued interest and dividends	75,724		75,724
Other	57,401	(14,716)	42,685
	-----		-----
	1,571,668	(96,300)	1,475,368
Deferred Credits and Other Liabilities:			
Deferred Income taxes	1,102,592	(101,233)	1,001,359
Deferred Investment tax credits	122,729	(9,522)	113,207
Deferred Gain from sale-leaseback	228,679		228,679
Other	220,757	(22,904)	197,853

	1,674,757	(133,659)	1,541,098
Total capitalization and liabilities	\$6,553,845	(\$264,959)	\$6,288,886

Exhibit FS-2

Western Resources, Inc.
Unaudited Pro Forma Combined Condensed Statement of Income
Twelve Months Ended May 31, 1997
(Thousands of Dollars, except per share data)

	Western Resources, Inc. Consolidated	Pro Forma Adjustments	Pro Forma Western Resources, Inc. Consolidated
OPERATING REVENUES			
Electric	\$1,180,296		\$1,180,296
Natural Gas	845,838	(\$845,838)	0
Other	103,255		103,255
Total Operating Revenues	2,129,389	(845,838)	1,283,551
OPERATING EXPENSES			
Natural gas purchases	611,505	(611,505)	0
Fuel used for generation	263,142		263,142
Power purchased	26,301		26,301
Operations and maintenance	516,652	(134,016)	382,636
Depreciation and amortization	221,807	(33,042)	188,765
Income taxes	92,099	(20,207)	71,892
Other taxes	97,201	(13,311)	83,890
Total Operating Expenses	1,828,707	(812,081)	1,016,626
OPERATING INCOME	300,682	(33,757)	266,925
OTHER INCOME AND EXPENSE	23,029	3,109	26,138
INCOME FROM INVESTMENT IN ONEOK, INC. (NET OF TAX)		33,514	33,514
INCOME BEFORE INTEREST EXPENSE	323,711	2,866	326,577
INTEREST CHARGES	173,245	(2,685)	170,560
NET INCOME	150,466	5,551	156,017
PREFERRED AND PREFERENCE DIVIDENDS	11,297		11,297
EARNINGS FOR COMMON STOCK	\$139,169	\$5,551	\$144,720
WEIGHTED AVERAGE SHARES (Thousands)	64,503		64,503
EARNINGS PER SHARE - COMMON STOCK	\$2.16		\$2.24

WESTERN RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

I. Basis of Presentation

In December 1996, Western Resources, Inc. ("WRI") and ONEOK, Inc. ("ONEOK") announced the combination of the local natural gas distribution business (the "LDC") of WRI, and WRI's direct or indirect wholly-owned natural gas transportation and marketing subsidiaries, Mid Continent Market Center, Inc. ("MCMC") and Westar Gas Marketing, Inc. ("Westar" and, together with MCMC, their respective subsidiaries and WRI's local natural gas distribution business, the "Gas Business") with the business of ONEOK in accordance with the terms of the Agreement, dated as of December 12, 1996 (the "Agreement"), between WRI and ONEOK, pursuant to which: (A) immediately prior to the Merger Effective Time, WRI will contribute or will cause to be contributed, to WAI, Inc. ("WAI"), a newly formed Oklahoma corporation and wholly-owned subsidiary of WRI, all of the assets of WRI that are primarily used in, or primarily related to or primarily

generated by, the field operations of the Gas Business, including all of the outstanding capital stock of Westar and MCMC (the "Assets"), whereupon WAI will assume (i) all of the liabilities of WRI that arise primarily out of, or relate primarily to or are primarily generated by, the Assets and (ii) approximately \$35 million (subject to pre-closing adjustment) aggregate principal amount of debt of WRI and (B) (i) ONEOK will merge with and into WAI, with WAI as the surviving corporation, whereupon WAI's name will be changed to "ONEOK, Inc." (WAI being referred to herein, after the effective time of the Merger, as "New ONEOK"), (ii) shares of ONEOK Common Stock outstanding as of the merger Effective Time will be converted on a one-for-one basis into shares of New ONEOK Common Stock, whereupon, on a fully diluted basis after giving effect to the Transactions and based on the number of shares of ONEOK Common Stock outstanding as of December 12, 1996, (a) the holders of ONEOK Common Stock will hold shares of New ONEOK Common Stock representing at least 90.1% of the New ONEOK Common Stock to be outstanding or, assuming conversion of all Series A Convertible Preferred Stock of New ONEOK to be held by WRI pursuant to the Agreement, not less than 55.0% of the New ONEOK Common Stock to be outstanding, and (b) WRI will hold 2,996,702 shares of New ONEOK Common Stock and 19,317,584 shares of Series A Convertible Preferred Stock, together representing in the aggregate up to 9.9% of the New ONEOK Common Stock to be outstanding prior to conversion of the Series A Convertible Preferred Stock and up to 45.0% of the New ONEOK Common Stock outstanding thereafter, and (iii) WRI will be entitled, upon conversion of its shares of Series A Convertible Preferred Stock at any time following a Regulatory Change (as defined in the Proxy Statement/Prospectus under "The Shareholder Agreement"), to receive from New ONEOK an amount equal to \$35 million if the conversion were to occur at the Closing, which amount reduces to zero over 5 years or less as dividends are paid on WRI's shares of Series A Convertible Preferred Stock. Approximately 1,575 WRI employees are expected to be reassigned to positions with WAI upon consummation of the transactions. The transactions require the approval of ONEOK shareholders, the Oklahoma Corporation Commission (the "OCC"), the Kansas Corporation Commission (the "KCC") and the Securities and Exchange Commission. It is anticipated that the transactions will close during the second half of 1997.

WRI's natural gas operations being contributed include its regulated operations in Kansas and Northeast Oklahoma related to the LDC and MCMC (the "Regulated Entities"). These Regulated Entities serve approximately 650,000 customers. In addition to the Regulated Entities, WRI will contribute its wholly-owned indirect subsidiary, Westar. Westar markets and sells natural gas primarily to small and medium-sized commercial and industrial customers and its subsidiary Westar Gas Company processes natural gas liquids.

Prior to the Transactions, the Gas Business has been operated as an integrated part of WRI's overall business and has not been separated from WRI's other operations for managerial, accounting, administrative or other purposes. Consequently, the activities of the Gas Business have been included in the consolidated financial statements of WRI. In the normal course of business, the Gas Business has various transactions with WRI, including various expense allocations, which are material in amount. Certain accounts, principally working capital accounts are maintained by WRI on a common basis. Amounts applicable to WRI's electric business which are not being contributed are accounted for in the same general ledger accounts as WRI's Gas Business. Where it was practical, a determination of amounts applicable to the Gas Business was made. In other circumstances it was not possible to make this determination and allocation methodologies were used to quantify estimated amounts related to the Gas Business. The allocation methodologies utilized are, in the opinion of WRI, reasonable.

These financial statements have been prepared from records maintained by WRI, and may not necessarily be indicative of the conditions which would have existed if the Gas Business had been operated as an independent entity.

2. Pro Forma Adjustments

Pro forma adjustments were made to eliminate the net gas assets contributed to ONEOK, Inc. and to record the investment in ONEOK, Inc. securities on the Unaudited Pro Forma Combined Condensed Balance Sheet as of May 31, 1997. Pro Forma adjustments were made to eliminate revenue and expenses related to the gas operations being transferred to ONEOK, Inc. and to record the income from the investment in ONEOK, Inc. on the Unaudited Pro Forma Combined Condensed Statements of Income for the Twelve Months Ended May 31, 1997.

OPUR1
1,000

12-MOS	12-MOS	12-MOS	12-MOS
DEC-31-1997	DEC-31-1997	DEC-31-1997	DEC-31-1997
MAY-31-1997	MAY-31-1997	MAY-31-1997	MAY-31-1997
PER-BOOK	PER-BOOK	PRO-FORMA	PRO-FORMA
4,400,224	3,788,321		
1,202,087	1,733,190		
379,541	245,305		
571,993	522,070		
	0		0
6,553,845	325,293	6,288,886	325,293
750,512	750,512		
530,048	530,048		
1,605,853	1,605,853		
270,000	270,000		
	24,858		24,858
1,406,709	1,371,709		
365,008	290,902		
0	0		
824,142	824,142		
0	0		
0	0		
0	0		
	0		0
2,057,275	1,901,422		
6,553,845	6,288,886		
2,129,389	1,283,551		
92,099	71,892		
1,736,608	944,734		
1,828,707	1,016,626		
300,682	266,925		
23,029	26,138		
323,711	326,577		
173,245	170,560		
	150,466		156,017
11,297	11,297		
139,169	144,720		
140,133	140,133		
100,289	100,289		
0	0		
	2.16		2.24
	2.16		2.24

NOT AVAILABLE FOR THIS PERIOD.