File No. 70-9097

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

AMENDMENT NO. 2 TO THE

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:

William S. Lamb, Esq.
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125 West 55th Street
New York, New York 10019-4513

TABLE OF CONTENTS

The Form U-1 Application in this proceeding, originally filed with the Commission on August 28, 1997 and previously amended on October 10, 1997, is hereby amended and restated in its entirety as follows:

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 public utility 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. Upon termination of the shareholder agreement between WRI and New ONEOK, which is described in detail in Section 1.B.3. below, WRI will continue to be subject to, and abide by, the restrictions on voting ownership and voting of common stock in the Shareholder Agreement until WRI has obtained an opinion of counsel or assurance from the SEC or the SEC staff that non-compliance with these restrictions would not constitute a violation 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"). Additionally, WRI is subject to the jurisdiction of the Federal Energy Regulatory Commission, including jurisdiction as to rates with respect to sales of electricity for resale.

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.

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/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)
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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 Montery, 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 $549 million was derived from the Company's jurisdictional natural gas operations, approximately $1.197 billion was derived from the Company's jurisdictional electric operations and approximately $301 million was derived from non-jurisdictional 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. Upon termination of the Shareholder Agreement, WRI will continue to be subject to, and abide by, the restrictions on voting ownership and voting of common stock in the Shareholder Agreement until WRI has obtained an opinion of counsel or assurance from the SEC or the SEC staff that non-compliance with these restrictions would not constitute a violation of the Act.

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 ransaction, 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.

Pro forma financial information on New ONEOK is contained on pages 95 to 100 of the registration statement on Form S-4 of WAI, Inc., which is incorporated herein by reference as Exhibit C-1.

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	$ 375,000
Legal Fees	2,000,000
Investment Bankers' Fees and Expenses	2,800,000
Miscellaneous	325,000
Total	$5,500,000

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 ONEOK,/2/ 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.

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/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.

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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/

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/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.
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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 Inc., Enogex, Inc. and Williams Natural Gas Company. 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.

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/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.
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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/

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/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).
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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 Year/10/	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.
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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.

The Company believes the consideration being paid by ONEOK for the Gas Business is fair. The earnings per share impact of the Transactions, on a pro forma basis, as of May 31, 1997, would be to increase the earnings per share from $2.16 to $2.24. (See Exhibit FS-2) The Company believes that the Transactions will be accretive to WRI's earnings per share. The impact of the Transactions on earnings per share, however, will depend on the outcome of

several contingencies. These contingencies include how quickly operational synergies are achieved, whether the 1935 Act is repealed (which would allow WRI to account for its entire investment in New ONEOK on the equity method) and general economic conditions.

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 are 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	$1615	$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	$3341	$766

Pro Forma Capital Structures
(In Millions)

	WRI/11/	ONEOK
Common Stock Equity	$1615	$ 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

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/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.
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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).

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/

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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).

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

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/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).

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The Company and ONEOK expect that there will be economies and efficiencies resulting from the Transactions. WRI believes 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. More specifically, ONEOK has estimated that the Transactions will produce $24.5 million in annual synergies, with some of these synergies beginning in the first year and others being achieved over a three-year period. The projected savings are in the following areas: (i) labor costs ($10.5 million), (ii) labor attendant costs ($3.0 million), (iii) subcontract labor ($1.3 million), (iv) computer lease and software savings ($2.5 million), and (v) other operating and maintenance expenses ($2.2 million). ONEOK is also expecting to generate an additional $5.0 million in revenue per year because of the Transactions. These savings are consistent with the savings that the Commission has found sufficient in connection with other examinations under Section 10(c)(2).

Additional 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 have the ability to negotiate more favorable contracts with vendors and suppliers.

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.

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/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.
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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, 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 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. The KCC issued an order dated October 15, 1997 ("1997 Order") authorizing the Transactions, including: (i) the Asset Transaction and transfer of the WRI Gas Business' certificate of convenience to ONEOK; (ii) the Merger; (iii) WRI's acquisition of shares of capital stock of WAI; and (iv) the issuance of securities by ONEOK. In issuing the 1997 Order, the KCC made a finding that the Transactions were in the public interest. The 1997 Order states that this determination was based on a review of specific factors bearing on the public interest standard previously articulated by the KCC in a 1991 order approving the acquisition by Kansas Power & Light Company of Kansas Gas & Electric Company ("1991 Order"). Since one of the standards articulated in the 1991 Order was the effect of the proposed merger on the existing competition in the service territories of the two companies, and since the record in the proceedings leading up to the 1997 Order included testimony addressing competitive issues,

it appears that the KCC, in issuing its 1997 Order, considered the competitive effect of the proposed Transactions on gas utility service in Kansas.

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 is filed herewith as Exhibit D-2.

2. Corporation Commission of the State of Oklahoma

The Company, ONEOK and WAI 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. The OCC issued an order dated October 3, 1997 authorizing the Transactions, including: (i) the Asset Transaction, with respect to assets in Oklahoma; and (ii) the Merger. In approving the Transactions, the OCC determined, among other things, that there was no evidence that the Merger will adversely affect competition at this time.

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 is filed herewith as Exhibit D-4.

B. Other Federal Regulations

WRI, ONEOK and WAI filed a joint application with the Federal Energy Regulatory Commission ("FERC") for the transfer of three certificates issued to WRI in connection with its providing service to approximately 15 residential customers and five small commercial customers in Kansas, Missouri and Oklahoma. These certificates are issued in connection with the interstate transportation or exchange of natural gas for delivery under section 7(c) and section 7(f) of the Natural Gas Act, as amended under Part 284 of the FERC's regulations. On October 30, 1997, the FERC issued an order approving the transfer of such certificates.

Item 5 PROCEDURES

The Commission issued and published the requisite notice under Rule 23 with respect to the filing of this Application on October 10, 1997, and no intervention occurred within the specified time period. The Commission may therefore issue an order granting and permitting the Application to become effective.

Without prejudice to its right to modify the same if a hearing should be ordered on this Application, WRI hereby makes the following statements pursuant to Item 5(b) of Form U-1:

(i) there should not be a recommended decision by a hearing or other responsible officer of the Commission;

(ii) the Division of Investment Management may assist in the preparation of the Commission's decision and/or order;

(iii) there should not be a 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 (previously filed).

D-2 KCC Order (filed herewith).

D-3 Joint application to OCC (previously filed).

D-4 OCC Order (filed herewith).

D-5 Joint application to FERC (filed herewith).

D-6 FERC Order (filed herewith).

E-1 Map of service area of WRI (filed on Form SE).

E-2 Map of service area of ONEOK (filed on Form SE).

E-3 Map of service area of New ONEOK (filed on Form SE).

F-1.1 Opinion of counsel of John K. Rosenberg, General Counsel of WRI (filed herewith).

F-1.2 Opinion of counsel of Gable Gotwals Mock Schwabe Kihle Gaberino (filed herewith).

F-2 Past-tense opinion of counsel (to be filed by amendment).

G-1 Opinion of Salomon Brothers Inc to the Company (previously filed).

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 (previously filed).

B. Financial Statements

FS-1 WRI Unaudited Pro Forma Condensed Consolidated Balance Sheets as of May 31, 1997 (previously filed).

FS-2 WRI Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended May 31, 1997 (previously filed).

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, FERC 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 Amendment No. 2 to the 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: November 20, 1997

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: John Wine, Chair
Susan M. Seltsam
Cynthia L. Claus

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 all of the Natural Gas Transportation and Distribution Assets, Subsidies 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

Order No. 12
ORDER GRANTING JOINT MOTION AND APPROVING
STIPULATION AND AGREEMENT

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being duly advised in the premises, the Commission finds as follows:

Procedural And Jurisdictional Statement

1. On February 24, 1997, Western Resources, Inc. ("Western" or "WRI"), ONEOK, Inc. ("ONEOK"), and WAI, Inc. ("WAI") (collectively "Joint Applicants") filed an Application requesting approval: to transfer all of Western's natural gas assets, certificates and debt to WAI; to merge ONEOK into WAI; for Western to acquire shares of the capital stock of WAI; for WAI to issue capital stock and debt instruments; and, other related relief:

2. Western is a Kansas corporation in good standing, properly certificated by the Commission as a local distribution company. ONEOK is a Delaware corporation. 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 retail customers in Oklahoma. If the proposed Stipulation is approved, the new ONEOK or WAI will become a public utility under the provisions of K.S.A. 66-104 and be subject to the Commission's jurisdiction as a local distribution company doing business in the State of Kansas.

3. On March 11, 1997, the Commission suspended the Joint Application and deferred the effective date 240 days from the date of the Joint Application to allow sufficient time for full investigation of the matter.

4. On March 28, 1997, Joint Applicants filed a Motion to Amend Joint Application to include additional schedules, exhibits and testimony. Joint Applicants stated that the amended application should be "deemed a new application" for the purposes of K.S.A. 66-117(b)(1) and the 240-day period should recommence from the date the amendment was filed.

5. On July 8, 1997, the Commission issued an Order directing Western to provide notice to its customers of the Joint Application by both direct billing inserts and publication in county newspapers in each county served by Western. The Commission also directed Western to notify its customers of the opportunity to file written comments with the Commission on or before October 6, 1997. The Commission also scheduled the hearing to be held on October 6, 1997.

6. On October 6, 1997 the technical hearing was held. Having found proper notice, the Commission found it had jurisdiction to hear this matter at that time and date. Appearances of counsel were: James G. Flaherty on behalf of ONEOK and WAI; J. Michael Peters on behalf of Western; Walker Hendrix and Brady Cantrell on behalf of the Citizens' Utility Ratepayer Board ("CURB"); Gregg D. Ottinger on behalf of the Board of Public Utility ("BPU"); and Larry Cowger and Eric Heath on behalf of Staff. The United Steelworkers of America, AFL-CIO ("Steelworkers Union"), the Local Union 304 of the International Brotherhood of Electrical Workers, AFL-CIO ("Local 304"), the United Association of Journeymen and Apprentices of Plumbing and Pipe Fitting Industry of the United States and Canada ("United Association") (collectively referred to as "the Unions") and Williams Natural Gas Company ("WNG") did not appear at the October 6 hearing. At the hearing Joint Applicants, CURB, and Staff presented the Stipulation and

Agreement ("Stipulation") resolving all disputed matters in this proceeding. The parties agreed to submit the testimony and exhibits into the record and waived the right to cross-examine. (Tr. at 6).

7. During his opening statement, counsel for Staff stated that the signatory parties tried to contact the other intervenors on Friday, October 3, 1997, and supply them with the joint motion and proposed Stipulation. Staff asked the Commission to take administrative notice of the fact that the intervenor, Mountain Iron and Supply Company (Mountain Iron), indicated by letter dated September 30, 1997, that it would not participate in the October 6 hearing. Counsel for Staff further stated that Mountain Iron faxed a letter to the parties on October 6, 1997, that Mountain Iron concurs with the Stipulation. (Tr. at 7). At the hearing, counsel for BPU asked to file comments on the Stipulation. The Commission granted BPU's request and allowed BPU to file comments by October 10, 1997.

8. On October 10, 1997, BPU filed its comments on the Stipulation. BPU states that in response to its concerns ONEOK has agreed that it will not close or reduce operations at the downtown Kansas City office during the three-year period following the closing of the merger at issue in this proceeding. The three-year period coincides with the minimum three-year rate moratorium and quality of service plan which are contained in the Stipulation.

9. BPU further stated that ONEOK has agreed that should it determine to out source meter reading or billing services for Kansas City operations in the future, it will provide any request for proposal to BPU. BPU shall be given an opportunity to submit a bid to provide those services to ONEOK and ONEOK shall give good faith consideration to that bid. ONEOK and BPU also agreed on an arrangement to provide price stability for certain BPU gas purchases. In light of these agreements BPU has no objection to the Stipulation. However, BPU noted that these agreements and its lack of objection to the Stipulation are conditioned upon ONEOK and Western closing the transaction at issue in this proceeding.

10. Joint Applicants requested approval of their merger application pursuant to K.S.A. 66-104, 66-125, 66-127, 66-136 and 66-1,200, et seq. K.S.A. 66-125 is limited to investor owned electric utilities incorporated in the State of Kansas. In the present case the securities will be issued by new ONEOK, and thus are not subject to the provisions of K.S.A. 66-125. K.S.A. 66- 127 prohibits any public utility, domestic or foreign, from purchasing or acquiring, taking or holding any part of any capital stock, bonds or other forms of indebtedness of any competing utility either as owner or pledgee, unless authorized by the Commission K.S.A. 66-136 provides that no certificate granted to a public utility shall be assigned or transferred, nor shall any contract or agreement affecting such certificate be valid or of any force or effect unless approved by the Commission.

11. Western is a natural gas public utility, as defined in K.S.A. 66-104, authorized to do business in the state of Kansas and subject to the jurisdiction of the Commission. Furthermore, the surviving corporation, ONEOK will be a natural gas public utility as defined by K.S.A. 66-104 subject to the jurisdiction of the Commission. Therefore, the Commission has authority and jurisdiction over the subject matter and parties herein pursuant to K.S.A. 66-104, 66-125, 66-127, 66-136 and 66-1,200, et seq. K.S.A. 66-125.

STANDARD OF REVIEW OF SETTLEMENT AGREEMENTS

12. The parties evaluated the proposed Western-ONEOK-WAI transaction under the standards articulated by the Commission in the Kansas Power & Light Company, KCA Corporation and Kansas Gas & Electric Company acquisition proceedings, Docket Nos. 172,745-U and 174,155-U ("1991 Merger Order"). In that proceeding the Commission adopted specific factors it weighs and considers in determining whether proposed transactions promote the public interest. The parties agree that in accordance with those standards adoption of the Stipulation is in the public interest.

13. The 1991 Merger Order outlined a general standard to govern whether a merger or acquisition is in the public interest as it related to the KPL/KGE merger. (See 1991 Merger Order at 34). Utility mergers are complex transactions that affect both ratepayers and shareholders for many years to come and have significant implications for the utility service to be provided. In view of this potential public impact, a merger should be approved where the applicant can demonstrate that the merger will promote the public interest. (1991 Merger Order at 35) (emphasis added). The Commission's interpretation of the public interest standard has never been static. In this case, the Commission recognizes the 1991 standards and revises those standards to apply to today's mergers especially with respect to quality of service.

14. The Commission's determination on the Stipulation must constitute a reasoned decision supported by substantial competent evidence. The Commission's decision is also subject to the requirements of the Kansas Administrative

Procedure Act ("KAPA") that agency actions not be arbitrary, capricious, an abuse of discretion or otherwise not in accordance with law. Southwest Kan. Royalty Owners Ass'n. v. Kansas Corporation Comm'n, 244 Kan. 157, 165, 769 P. 2d 1 (1989). See also, K.S.A. 77-621(c) (1989).

15. Generally, settlements are favored in the law. Bright v. LSI Corp., 254 Kan. 853, 869 P.2d 686 (1994). The Commission, like a trial court dealing in matters affecting public interest, is not controlled by stipulation, settlement offers or other agreements. If the Commission approves a settlement, unanimous or otherwise, it is effectively adopting that settlement as its own independent resolution on the merits of the case. Mobil Oil Corp. v. FPC, 417 U.S. 283, 94 S.Ct. 2328, 41 L.Ed. 2d 72 (1974).

16. Joint Applicants, CURB and Staff were the signatory parties to the Stipulation. At the October 6 hearing, only the signatory parties to the Stipulation and BPU appeared. Mountain Iron faxed a letter to the parties concurring with the Stipulation. BPU has filed its comments and does not object to the Stipulation. No party has filed an objection to the Stipulation. WNG and the Unions did not appear at the hearing nor did they file any comment to the Stipulation. In view of these facts, the Commission considers the Stipulation to be unanimous.

STIPULATION AND AGREEMENT

17. Reservations Relating to Public Comments. Under this provision Staff and CURB reserved the right to submit additional terms to the Stipulation if they believed, after reviewing the comments submitted by the public, additional terms were needed. The parties would then have an opportunity to reach agreement on any additional terms. If no agreement on additional terms was achieved, Staff and CURB reserved the right to withdraw from the Stipulation and not be bound by any provision thereof. The public comment period ran through October 6, 1997. Staff and CURB have not filed any additional terms to the Stipulation since the comment period ended.

18. Quality of Service Standards. Under this section ONEOK will commit to maintain the same quality of service as that now provided by Western. The quality of service will be measured by the quality of service guidelines to be reported annually to the Commission. The Stipulation adopted the standards from the testimony of Ms. Buchanan, Staff's witness. (Dittemore, Tr. at 48). There are five methods that quality of service will be measured by ONEOK:

i) The answered call rate shall exceed ninety-five (95) percent per year. For the purpose of assessing penalties, a departure of actual performance from the standard of 0.5 percent will be necessary to reach the first 1 percent deviation and a departure of .25 percent will be expressed as a 1 percent deviation thereafter;

ii) the number of estimated bills per 1000 customers should not exceed 214 per year. (Buchanan's testimony at 10). In addition, the Commission's decision in Docket No. 97-GIMG-514-GIG (a review of billing practices) should replace this standard and any penalty or reward for the estimated bill standard which is established by the Commission in this docket. For the purpose of assessing penalties, a departure of actual performance from the standard of 5 percent will be expressed as a 1 percent deviation;

iii) ninety-six (96) percent of tracked complaints should be responded to within 24 hours (Buchanan's testimony at 11-12);

iv) the average response time to odor reports should not exceed 27.50 minutes. For the purpose of assessing penalties, a departure of thirty (30) seconds of actual performance from the standard will be expressed as a 1 percent deviation; and

v) the average age of leaks in inventory should not exceed 18 months. Deviations will be expressed in increments of 1 percent. (See also Dittemore, Tr. at 48).

19. In Section IIB(b) the Service Appointment standard recommended in the testimony will be eliminated and ONEOK agrees to adopt Western's Service Guarantee program. This service standard assures customers that the company will keep service appointments. ONEOK will credit the customer 25 percent of the current month's energy bill, up to $250, if the company fails to keep the appointment. This is not a program that is subject to the Commission's tariff. It is currently a voluntary program of Western that ONEOK will adopt as part of its customer service operation. (See also, Martin, Tr. at 38-39).

20. Under Section IIB(c) the parties recognize that there may be certain extraordinary events which occur that are beyond the control of the utility and which may effect the utility's ability to meet the service standards under the terms of the Stipulation. Should such an event occur, ONEOK shall document the

event and its impact on ONEOK's performance. ONEOK will have an opportunity to present its claims to the Commission and the Commission will determine whether it is appropriate to assess a penalty.

21. The quality of service standards under Section IIB(d) set significant financial penalties if quality of service falls below the standards which the customers now enjoy. The potential penalties range from $100,000 up to a maximum of $2 million per year. (Dittemore, Tr. at 49). Each standard will be worth 20 points in a 100 point index. If ONEOK's performance falls below any of the five established standards, points will be deducted for each standard which falls below the baseline. Should the company's performance meet each standard, it will have 100 points with no penalty. No penalty will be assessed until the company's performance deviates from at least one standard by one percent. Only upon application by Staff and after a full opportunity for ONEOK to present evidence of any extraordinary events shall the Commission assess penalty.

22. Under Section IIB(e) ONEOK agrees to continue: i) the current pipeline safety program; ii) Western's practice of cooperating with Staff when making changes to its operating standards manual; iii) the Project Deserve program or a similar program which provides low income customers with bill payment assistance; and, iv) Western's informal practice of not disconnecting a customer if the amount owed by the customer is less than $100.00 for a bill less than 30 days overdue, or if the amount owed is less than $50.00 for bills that are 60 days or more overdue, unless ONEOK determines that a policy change is warranted, at which time ONEOK agrees to notify the Commission of the change.

23. Section IIB(f) provides that nothing in the Stipulation shall imply that the five stated quality of service standards comprise all the criteria by which the service quality can be evaluated. The signatory parties also acknowledged that the special performance standards adopted by the Stipulation are not currently required for existing Kansas utilities.

24. ONEOK agrees in Section IIB(g) that a diminishment of the quality of service compared to that delivered by Western is not in the public interest.

25. Under Section IIB(h) the parties agree that if the Commission has not established statewide utility performance standards and penalties or rewards within three years from the date of the closing of the transaction, ONEOK shall be allowed to petition the Commission to modify or eliminate the performance standards and penalties agreed to in the Stipulation.

26. Capital Structure. ONEOK agrees in Section II(C) that in its next general rate filing it shall base its request upon its actual capital structure not to exceed 57 percent equity (which reflects ONEOK's capital structure as of August 1, 1997). If its actual equity capitalization ratio exceeds 57 percent, ONEOK agrees to base its request upon a hypothetical capital structure, not to exceed a common equity component of 57 percent. Staff and the other parties shall have the right to argue that the filed equity capitalization is atypical and should not be adopted in the Commission's determination of appropriate rates. This section caps the maximum amount of equity within ONEOK's capital structure on which ONEOK could include in the next general rate filing. (See Dittemore, Tr. at 49).

27. Rate Filing Moratorium. Under Section II(D) ONEOK agrees not to file a general rate increase sooner than 36 months from the closing of the transaction, provided that the Commission issues an order allowing ONEOK to receive the accounting orders previously issued to Western and to continue to defer SFAS 106 and SFAS 112 costs as a recoverable regulatory asset. This is confirmed by the testimony of Mr. Eugene Dubay on behalf of ONEOK. (Tr. at 20). ONEOK may propose a rate change related to cost of gas pursuant to the Commission rules related to PGA and ACA clauses or other rates which would provide voluntary options for customers. This provision does not preclude ONEOK from filing a revenue neutral rate design case during the moratorium period. Under this provision the customers will not experience an increase in rates for three years. The testimony submitted into record suggested that under the existing rate structure, Western could be under-earning. However, the Commission reviewed and approved the Western's rates as recently as December, 1996. The Commission believes the existing rates are within the low end of "zone of reasonableness" and will allow ONEOK to maintain its financial integrity and its ability to attract capital. Nonetheless, the rate moratorium could result in ratepayer savings of at least $12 million per year during the moratorium period. The moratorium will have the effect of an incentive mechanism to encourage ONEOK to become more economically efficient.

28. Impact On Electric Customers Of Western. Western acknowledges in Section II(E) that evidence in the case supports the potential for a $4.6 to $5.2 million flowback of administrative costs to its electric cost of service, with the range representing Western's number and Staff's number. (Tr. at 73). The Stipulation also states that unless an offsetting benefit is shown, any incremental cost of this transaction imposed on Western's remaining electric utility business should be removed from cost of service in its next electric

rate determination. Western has the burden to show that there is no detriment to electric customers as a result of the transaction. However, Western is entitled to show that these costs have been offset or mitigated by benefits directly resulting from the alliance. (See also Tr. at 40 and 79).

29. Acquisition Premium. An acquisition premium is the difference between the market value of compensation received and the underlying net book value of assets acquired in a utility transaction. (Dittemore's testimony at 15). Under Section II(F) neither Western nor ONEOK shall seek or be permitted to recover a portion of the acquisition premium attributable to this transaction from ONEOK's or Western's Kansas jurisdictional customers. (See also Dubay, Tr. at 20). This means that neither ONEOK nor Western can later file an application seeking to recover this premium. No Kansas customers will have to pay any additional charge for this premium, which is estimated to be $64 million. (Tr. at 47).

30. Proposed Tariff Changes. In Section II(G) ONEOK agrees to withdraw the proposed tariff changes it filed in this application but may request those specific tariff changes in a separate proceeding. The signatory parties agree not to object on procedural grounds to ONEOK seeking these tariff changes outside a general rate proceeding. This separate proceeding is not constrained by the provision of the Rate Moratorium provision under section IID. At the hearing of October 6, 1997, Mr. Dubay testified that those tariff changes would be mainly in purchased gas adjustments (PGA). (Dubay, Tr. at 60-63). Mr. Dittemore also testified that ONEOK may file some PGA tariff whereby the cost of gas component would be fixed for a period of time. It is Mr. Dittemore's belief that ONEOK may file for the line extension tariffs and the miscellaneous service charge increases contained in the original Joint Application and not be in violation of the Stipulation. Staff will have the right to object and participate in any of these tariff changes proceedings. (Dittemore, Tr. at 83).

31. During the public comment period the Consumer Protection Office of the Commission received a total of 144 comments. 121 comments were opposed to the approval of the merger or were opposed to the proposed tariff changes such as the initiation charge and/or the increase in the reconnection charge. These comments also expressed concerns regarding the quality of service. Seven comments were in support of approving the merger. Of the remaining 15 contacts, the topics ranged from inquiries to objections on the customer notification card. The Commission notes that the majority of the comments concerned the proposed tariff changes and quality of service. Under the Stipulation, ONEOK has agreed to withdraw the tariff changes. Although under the Stipulation ONEOK has the right to file these specific tariff changes within the three year moratorium, the filing will have to be outside a general rate proceeding and will be subject to full Commission review. Further, the Stipulation provides and adopts the strict quality of service standards similar to those proposed by Staff in its testimony.

32. Transaction Costs. The transaction costs have been estimated to be $7 million. (Tr. at 81). The Kansas jurisdictional portion of the merger transaction costs will be amortized and recovered in rates over a forty (40) year period with no rate base treatment. The recovery of transaction costs will be limited to actual prudent and reasonable costs directly related to effectuating the merger. The Stipulation indicates that the transaction costs are not to be included in the rate base. At the October 6 hearing, Mr. Dubay agreed with Staff that 45 percent of the transaction costs are Kansas jurisdictional. (Dubay, Tr. at 66).

33. Affiliates. Under Section II(I) ONEOK acknowledges that the operation of the Kansas gas business will be governed by the applicable Kansas statutes and rules of the Commission governing affiliate relations. ONEOK also agrees to develop a cost allocation manual detailing how costs are directly charged, assigned and allocated between its jurisdictions and affiliates, and to provide Staff with a copy of the manual upon completion.

Miscellaneous Provisions:

34. The signatory parties request that the approval of the Joint Application be effective on or before October 15, 1997.

35. ONEOK agrees to maintain the level of environmental performance practiced by Western as of August 21, 1997, including the number of employees currently and exclusively assigned to Kansas gas environmental matters. Under this provision Staff reserves the right to address the subject of a decline of environmental performance and to propose appropriate remedies to the Commission.

36. Joint Applicants agree to submit their Marketing Agreement to Staff upon its completion. Nothing in the agreement shall prohibit the Staff or CURB from raising regulatory issues associated with the marketing agreement in future proceedings with either Western or ONEOK. Mr. Dubay testified at the hearing that he anticipated having the marketing agreement done within the next two weeks. It is Mr. Dubay's understanding that the agreement will only address the marketing of home security systems on behalf of Western. (Dubay, Tr. at 66).

37. An opinion from Joint Applicants' tax counsel is to be provided to Staff. Joint Applicants have stated that ratepayers shall be held harmless from all negative tax implications arising from this transaction. (See also Dubay, Tr. at 70). There were questions raised at the hearing regarding when the Stipulation shall be deemed null and void. Mr. Dubay stated that at this point he perceives nothing that would change the agreement to make it null and void. Further, ONEOK and Western have not discussed changing any of the terms of the agreement. (Dubay, Tr. at 67, 68).

38. The Stipulation has been submitted to the Commission for approval and contains an entirety clause. Should the Stipulation not be approved in its entirety without modification, the record will be reopened for the submission of rebuttal testimony and cross examination of witnesses. If this occurs, the substantive provisions of this Stipulation are null and void and may not be admitted as evidence for any purpose.

39. The definitions, terms of standard and custom industry practice, and the reservations are set forth in the Stipulation. These provisions are hereby adopted by reference.

THE STIPULATION IS REASONABLE AND SHOULD BE APPROVED IN THE PUBLIC INTEREST

40. The Commission recognizes that stipulations contain compromises by all parties. In determining whether a stipulation is in the public interest, consideration must be given to both the immediate and future effects on consumers.

41. ONEOK is qualified by its experience in Oklahoma and financial strength to operate in the natural gas industry in Kansas. ONEOK will provide Western's customers with continuity of the same quality of service and is subject to penalties if it fails to comply as described above. The Stipulation provides a moratorium on a general rate increase for three years from the closing of the subject transaction, giving ONEOK and consumers rate stability for these three years.

42. In the 1991 Merger Order the Commission determined that merger-generated savings should be quantifiable and realizable. The Kansas jurisdictional portion of the merger transaction costs will be amortized and recovered in rates over a 40 year period with no rate base treatment. Further, Western agrees that any incremental cost of this merger transaction imposed on its remaining electric utility business should be removed from cost of service for purposes of determining future rates, except to the extent Western is able to demonstrate that these costs have been offset by benefits directly resulting from the subject transaction.

43. Approving the Stipulation will result in a number of benefits to the Kansas ratepayers and the shareholders of the Joint Applicants. The Commission finds that there is substantial competent evidence, based on the prefiled testimony and exhibits of record, to support the provisions in the Stipulation. The Stipulation is a reasonable settlement of many issues that arose from the Joint Application. The Commission finds that it is in the public interest to approve the Stipulation. This document is the result of long negotiations and compromise between the parties and for the benefit of the ratepayers. However, the Commission, by approving the Stipulation, is not establishing a precedent for future proceedings.

44. The Joint Application and Stipulation meet the statutory criteria as previously discussed. The Commission approves the transactions contemplated by Western, ONEOK, and WAI including (i) Western's contribution of assets, certificates and debt to WAI; (ii) the issuance of the capital stock of WAI by Western; (iii) the merger of ONEOK and WAI; and (iv) the issuance by WAI of its capital stock to shareholders of ONEOK and assumption by WAI of ONEOK's debt.

45. The Commission hereby authorizes Western, effective upon consummation of the merger, to discontinue all gas services. The Commission hereby authorizes WAI (ONEOK,) to succeed to all of Western's rights, title and interests in its natural gas utility plant and facilities, and to all franchises, certificates, consents and permits relating to the operation of such plant and facilities pursuant to K.S.A. 66-136.

46. The Commission notes that, following the merger, Western will own up to 9.9 percent of the outstanding common stock of ONEOK. Western will also have preferred stock equaling up to 45 percent of the outstanding equity of ONEOK. If the Public Utilities Holding Company Act (PUHCA) is repealed, or if an exemption is obtained by ONEOK, Western may, at its option, convert, the preferred stock to common stock. (Crane's testimony at 8-9). The Commission will require ONEOK and Western to provide notice promptly if this event occurs. The Commission reminds the parties that no assignment or transfer of certificate or agreement impacting Kansas ratepayers may be implemented without the prior approval of the

Commission. (K.S.A. 66-136).

47. In event the transaction is not closed, as contemplated by the Stipulation and Agreement, the parties shall notify the Commission immediately and such notification shall constitute a new application and the 240-day statutory provision of K.S.A. 66- 117(b) shall be restarted.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

The Joint Motion for Commission Approval of Stipulation and Agreement filed by the Joint Applicants, CURB and Staff is hereby granted and the Stipulation and Agreement is hereby approved in its entirety as set forth in this Order.

The additional agreements between ONEOK and BPU are hereby approved.

A party may file a petition for reconsideration of this Order within fifteen (15) days of the service of this Order. If this Order is mailed, service is complete upon mailing, and three days may be added to the above time limit.

The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Wine Chr.; Seltsam, Com.; Claus, Com.

Dated:----------

David Heinemann
Executive Director

BEFORE THE 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 PROVIDING FOR THE MERGER OF ONEOK INC. WITH WAI, INC.	))))))	CAUSE NO. PUD 970000106 ORDER NO. 416480

HEARING: September 4, 1997 before the Commission en banc

APPEARANCES: John A. Gaberino, Jr. and Vivian C. Hale, Attorneys for ONEOK Inc, and WAI, Inc.,

J. Michael Peters, Attorney for Western Resources, Inc.,

Gene Stipe and John Thetford, Attorneys for Ruth Huffman,

Graydon Dean Luthey, Jr. and James D. Satrom, Attorneys for Terra Nitrogen, Limited Partnership

Dara Derryberry Prentice and Mickey S. Moon, Assistant Attorneys General, Office of the Attorney General, State of Oklahoma,

Jacqueline T. Miller, Assistant General Counsel, Public Utility Division, Oklahoma Corporation Commission,

William J. Bullard and Kimberly K. Blaylock, Attorneys for Oklahoma Industrial Energy Consumers,

Karl F. Hirsch, Attorney for Mountain Iron and Supply Company

FINAL ORDER

BY THE COMMISSION:

The Corporation Commission of the State of Oklahoma ("Commission") being regularly in session and the undersigned Commissioners being present and participating, there comes on for consideration and action, the Joint Application, the Joint Stipulation and the Appeal of the Report of the Administrative Law Judge filed by intervenor Ruth Huffman ("Huffman" or "Appellant").

PROCEDURAL HISTORY

At issue in the Cause is the Joint Application of ONEOK Inc. ("ONEOK"), Western Resources, Inc. ("WRI"), and WAI, Inc., a wholly owned subsidiary of WRI ("WAI"), (hereinafter referred to as "Joint Applicants"), requesting that the Commission issue an order pursuant to 17 O.S. (1991), ss.ss. 191.1 et seq., authorizing WRI to transfer all of its natural gas distribution and related properties in the State of Oklahoma to WAI and authorizing ONEOK to merge with WAI, pursuant to the provisions of an Agreement dated December 12, 1996, as amended and restated ("the Merger").

The procedural history of this Cause, up to and including the hearing on the merits before the Administrative Law Judge ("ALJ") on July 24, 1997, is fully set forth in the Report of the Administrative Law Judge ("Report"), attached hereto as Attachment "B". (Concurring Opinion, attached hereto as Attachment "A").

The Report, in which the ALJ recommended approval of the Joint Stipulation executed by ONEOK, WAI, WRI, the Public Utility Division of the Oklahoma Corporation Commission ("Staff"), the Attorney General of the State of Oklahoma ("Attorney General"), Terra Nitrogen, Limited Partnership ("Terra"), the Oklahoma Industrial Energy Consumers ("OIEC"), and Mountain Iron and Supply Company ("Mountain Iron"), was issued on August 21, 1997.

Huffman, who opposed the Joint Stipulation and the proposed Merger, filed her Appeal of the Report of the ALJ ("Appeal") on August 26, 1997, and Joint Applicants timely filed a Response to Huffman's Appeal on September 2, 1997. Oral argument thereon was heard before the Commission en banc on September 4, 1997. Counsel for Huffman presented argument in opposition to the ALJ report, and counsel for ONEOK, WAI, WRI, the OIEC, Staff, and the Attorney General presented argument in support of the ALJ report.

ARGUMENTS OF COUNSEL

The Appellant, through her counsel, argued that the Administrative Law Judge committed error by not requiring the admission of the prefiled testimony

of Jimmy D. Crosslin ("Mr. Crosslin") and by not requiring Mr. Crosslin to appear and testify as a witness in the proceeding. The Appellant further argued that a motion for subpoena was not necessary since Mr. Crosslin indicated his willingness to testify.

The Appellant further argued that ONEOK had failed to submit evidence that would indicate merger savings and any agreements related to the merger transaction should have been submitted to the Commission prior to a hearing on the approval of the merger.

The Appellant concluded her presentation by arguing that the Joint Applicants did not meet their burden of proof pursuant to 17 O.S. Section 191.5(A) and finally that the Commission's review of the proposed merger transaction was not limited to the factors set forth in 17 0.S. Section 191.5(A). These points were likewise reiterated by the Appellant on rebuttal.

Counsel for Joint Applicants, ONEOK and WAI ("Counsel for Joint Applicants") first addressed the merger criteria set forth in 17 O.S. Section 191.5(A) arguing that this merger statute placed the burden of proof on the protestant of the merger to submit evidence establishing that the merger should not be approved.

Counsel for the Joint Applicants further cited the Oklahoma Supreme Court for the proposition that the findings of the Commission must be based on substantial evidence, i.e. something more than a scintilla of evidence. Counsel further noted that there existed no evidence in the record contrary to the merger application.

With regard to the admissibility of the testimony of Jimmy D. Crosslin of Staff, ("Mr. Crosslin"), oral or prefiled, Counsel for the Joint Applicants argued that the ALJ's ruling was consistent with previous Commission precedent involving stipulations. Counsel for the Joint Applicants cited Commission cases wherein persons who filed prefiled testimony in the Cause did not testify, specifically Staff witnesses. Further, Counsel for the Joint Applicants contended than in the event a Staff witness is called by a party other than a party for whom he was intended to testify, the Commission's rules for subpoena should apply and the Appellant should have filed a motion for subpoena pursuant thereto. Finally, Counsel for the Joint Applicants contended that Mr. Crosslin's testimony was appropriately excluded because it was not relevant to the Joint Stipulation of the parties and in any event, Mr. Crosslin's prefiled testimony did not recommend that the merger not be approved but outlined three areas of concern which were resolved by the Joint Stipulation. In addition, the testimony of Staff witness, James R. Armstrong, found that none of the merger criteria necessary to recommend disapproval existed.

Counsel for the Joint Applicants further asserted that the transition team study, an estimate of savings generated, had been provided to Staff. Further, the shared services agreement was also provided to Staff and the Attorney General even though it did not apply to Oklahoma but involved a sharing of meter reading and other services by WRI and ONEOK applicable to areas in Kansas where both of those entities operated. Additionally, Counsel for the Joint Applicants asserted that the marketing agreement was a nonutility agreement and did not apply to the operation of the gas utility.

Finally, Counsel for the Joint Applicants, contended that ONEOK is the acquiring entity and that WRI will not acquire control by virtue of the merger transaction, because provisions in the shareholder agreement restrict the voting rights of WRI in the selection of directors and insure that ONEOK shareholders maintain control of the company. WRI will initially own only 9.9% of the common stock; WRI will own 45% of common stock in the merged company only if it converts its preferred stock to common stock, which can be accomplished only upon an amendment or repeal of the Public Utility Holding Company Act.

Counsel for Staff argued that the Joint Stipulation exceeded the protections contained in the statutory criteria set forth in 17 O.S. Section 191.5(A) and gained certain protections for Oklahoma jurisdictional customers on many points including a one million dollar reduction in tariff rates if a general rate change application had not been filed by Oklahoma Natural by the end of the eighteen month period after the date of closing of the merger. Counsel further pointed out that the savings would primarily issue from the allocation of overheads once both the operations in Oklahoma and Kansas had been combined.

Counsel for Staff asserted that the testimony of Staff witness James R. Armstrong (specifically page 123 of the transcript, July 24, 1997, hearing) established that although formal agreements had not yet been provided, an appropriate merger savings level was determined by Staff based upon cost information received in discovery responses from the Joint Applicants prior to the merit hearing.

Counsel for Staff further asserted that the issue of whether transaction

costs exceed merger savings to the detriment of Oklahoma Natural ratepayers was an issue raised for the first time on appeal and improperly before the Commission, nevertheless the Joint Stipulation (specifically paragraph D. page 6) provided a safeguard for ratepayers by providing that transaction costs and acquisition premium, if any, may be reflected in Oklahoma's Natural's cost of service for ratemaking purposes, but only to the extent the merger savings exceed the amortization of such costs.

As to the oral and prefiled testimony of Jimmy D. Crosslin, Staff contended that it was established Commission practice in stipulated cases for Staff to sponsor at least one witness to support a case stipulation and that this testimony at the time of hearing constituted substantial evidence in support of the stipulation. Staff cited specific Commission case precedent in support of this position. Staff further contended that Mr. Crosslin was not a witness in the case, bearing testimony under oath and therefore, pursuant to Commission rule OAC165:5-13-3(g)(h)(j), he could not be called as a witness or cross-examined by the Appellant. Staff Counsel further contended that the Appellant could have secured the presence of Mr. Crosslin prior to the hearing pursuant to the Commission's subpoena rules at OAC165:5-11-3.

Counsel for Staff further argued that the allegation by the Appellant that ONEOK shareholders were not receiving fair value for their shares of stock was not well founded. Staff referenced the record below (specifically page 78 of the transcript of proceedings, July 24, 1997 hearing) wherein expert testimony established that as WRI shareholders realized a capital gain by virtue of the increase in stock prices, ONEOK shareholders also realized a capital gain by virtue of the increase in stock prices.

As to the Appellant's allegation that detriment was caused to Oklahoma ratepayers if ONEOK shareholders were required to pay WRI shareholders 1.5 times the dividend that ONEOK shareholders were to receive, Counsel for Staff argued that this issue was an issue raised for the first time on appeal and therefore, it was improperly before the Commission. Counsel for Staff also pointed out that dividends may not necessarily be declared by the Board of Directors in accordance with the S-4 filed by the Joint Applicants (specifically Appendix C, pg. C-l) and therefore the Appellant's contention in this regard was misplaced.

Counsel for the Staff also argued that the Appellant's assertion that the proposed merger would cause the merged company not to perform as well as ONEOK, was without evidentiary support (specifically page 81 of the transcript of proceedings, July 24, 1997 hearing) and contrary to financial analyst projections.

Finally, Counsel for Staff argued that there was no evidence in the record establishing that any of the statutory merger criteria set forth in 17 O.S. Section 191.5(A) existed, and therefore the Joint Stipulation should be approved.

Counsel for WRI relied upon the argument of the Joint Applicants' counsel stating that WRI maintained a stake in the success of the combined ONEOK and WRI gas properties. WRI's counsel further contended that contrary to the Appellant's position, the increase in stock prices is evidence that the market valued the merger transaction to ONEOK shareholders.

Counsel for the OIEC declared that the merger agreement should be approved. Counsel for the OIEC asserted that its concerns had been specifically related to the impact of the merger on the quality of service to industrial customers, the treatment of acquisition costs, and the debt equity ratio of the merged entity, each of which were successfully addressed by the Joint Stipulation.

Counsel on behalf of the Attorney General of the State of Oklahoma, requested that the ALJ's report be adopted. Counsel for the Attorney General stated that she believed the Joint Stipulation was in the interests of the residents of the state in that it assured the same level of service quality to ratepayers as existed prior to the merger. Further, the guaranteed rate reduction at the end of eighteen months as a minimum operated to insure that the merger would result in lower costs for ratepayers. Finally, Counsel on behalf of the Attorney General asserted, contrary to the arguments of the Appellant, that the Joint Stipulation does insure that there exists no risk of an increase in the cost of capital effecting rates in the post merger stage.

On September 10, 1997, the Commission en banc deliberated this Cause. On September 10, 1997, the Commission determined that the final order in this Cause would reference that discussions were had by the Commissioners and further that in reaching its order herein, the Commission considered Commission orders regarding recovery of acquisition premium, such as Lone Star Gas Company, Commission Order No. 388124, Cause No. PUD910001190, of no precedential value in the Commission's interpretation of acquisition premium recovery, if any, in the case at bar.

The Commission, upon proper evaluation of the evidence and testimony presented in this Cause, the Report of the ALJ, the Appeal of Huffman, and argument of counsel, makes the following findings:

The Commission has jurisdiction over this Cause pursuant to Article 9, Section 18 of the Oklahoma Constitution, 17 O.S. (1991) & Supp. 1996, ss.ss. 151-152 and 191.1 et seq., and OAC 165:5-7-57. Notice was given as required by the law and Commission rules and as directed by the Commission.

The Report of the ALJ should be approved and adopted in its entirety. Huffman, the only party opposing the Joint Stipulation and the Merger, presented no arguments in support of her appeal that would necessitate modifying or reversing the recommendations of the ALJ as set forth in the Report, or reopening the record to take additional evidence and testimony.

The Joint Stipulation entered into by the parties addresses the concerns of Staff, the Attorney General, Terra, the OIEC, and Mountain Iron. It is supported by substantial evidence and should be approved in its entirety.

There has been no evidence presented, either on appeal or before the ALJ, to show that any of the conditions set forth in 17 O.S. ss. 191.5(A), would exist if this Merger is approved as set forth in the Joint Stipulation.

Commission orders regarding the recovery of acquisition premium have no precedential value in the Commission's interpretation of acquisition premium in the case at bar.

Therefore, pursuant to the terms of 17 O.S. (1991), ss. 191.5(A), the Merger proposed by the Joint Applicants in this Cause should be approved.

ORDER

IT IS THEREFORE THE UNANIMOUS ORDER OF THE CORPORATION COMMISSION of the State of Oklahoma that the Report of the Administrative Law Judge, attached hereto as Attachment "B", be and the same hereby is approved and adopted in its entirety.

IT IS FURTHER ORDERED that the Joint Stipulation, attached hereto as Attachment "C", entered into by the parties is supported by substantial evidence and the same shall be and hereby is approved in its entirety.

IT IS FURTHER ORDERED that the Merger proposed by the Joint Applicants in this Cause shall be and the same hereby is approved.

OKLAHOMA CORPORATION COMMISSION

ED APPLE, Chairman

Concurring Opinion Attached

BOB ANTHONY, Vice Chairman

DENISE A. BODE, Commissioner

DONE AND PERFORMED this ___ day of _____, 1997. BY ORDER OF THE COMMISSION.

, Secretary

"Attachment A"

BEFORE THE 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 PROVIDING FOR THE MERGER OF ONEOK INC. WITH WAI, INC.	)	CAUSE NO. PUD 970000106

CONCURRING OPINION OF COMMISSIONER BOB ANTHONY

This proposed merger will give Western Resources both a 45 percent equity interest in ONEOK and effective control of Oklahoma's largest natural gas utility (ONG). I support this merger expecting Western Resources to help correct the abuses which have characterized ONEOK's past. Over recent decades certain individuals, especially attorneys for ONG, have allegedly been associated with questionable activities, unprofessional behavior, or possibly fraudulent and illegal conduct. (Information filed at the Oklahoma Corporation Commission documents some of the alleged abuses; for example, see Exhibits A, B, C, D, E, F, G and H which are attached hereto.) When an attorney violates certain laws, under 74 O.S. Section 4219(C) there is a presumption he was acting for the corporation involved. Furthermore, ratepayers may wonder to what extent an attorney representing multiple utility clients is illegally buying influence and access on behalf of all of his clients when he bribes a commissioner pertaining to one particular case and otherwise generally engages in unprofessional conduct. Because 17 O.S. Section 191.5(A) requires a public hearing and consideration of the integrity of utility management, the record of this case may be considered deficient for not examining alleged misconduct which has been brought to the attention of this commission in other cases and in other forums.

From 1991 through the summer of 1992 a federal investigation of bribery involving Oklahoma utility ratemaking resulted in FBI wiretaps, subpoenaed documents, and grand jury appearances. As details of the FBI investigation were becoming increasingly known, on October 1, 1992, as Chairman of the Oklahoma Corporation Commission, I filed formal bar complaints against utility attorney William L. Anderson and both the ONG general counsel and the Southwestern Bell Telephone Company attorney to whom Mr. Anderson reported. Although one board member of ONEOK described a subsequent reorganization as a "clean sweep," current management now resists the opportunity to explain certain actions by ONG. For example, in this proceeding ONG objected to having Mr. David Kyle, its president at the time of filing this merger application, made available before the commission en banc for questioning about a 1993 ONG gas purchase contract with Dynamic Energy Resources, Inc. (Dynamic Energy). The public still deserves to know why ONG would give corrupt political operatives from out-of-state a contract to sell about $175 million of natural gas over a ten-year period when the principal owner had no gas reserves, had no experience in the natural gas business, and furthermore once had even testified she suffered from a memory deficiency. State court testimony and federal court documents indicate Dynamic Energy was a startup company with no equity which engaged in illegal activities and made a multimillion dollar windfall profit from its Oklahoma dealings. Subpoenas have been issued in Oklahoma as a part of at least a couple of different federal investigations of Dynamic Energy and its principals. Apparently ratepayers in Kansas and Oklahoma will have to wait to learn how they may be impacted by the Dynamic Energy transaction and other ONG gas procurement practices. The Oklahoma Corporation Commission has a constitutional duty to examine and resolve issues of this type, but we now reserve them for subsequent proceedings.

An unfortunate aspect of this case occurred in relation to ONG's decision not to volunteer Mr. Kyle to appear before the commission en banc at its hearing on September 4, 1997. Instead, ONEOK issued a spurious letter signed by Mr. Kyle without giving his title and not filed in the record of this case but delivered to the commissioners on September 3, 1997. The letter incorrectly represents that ONG was fully responsive to previous data requests and interrogatories related to Dynamic Energy. Also, the letter inaccurately states, "... that the Commission's rules preclude the taking of additional evidence during this hearing ..." despite the commission's general counsel having previously advised ONEOK of its mistaken interpretation of our rules. Furthermore, the letter misrepresents that the merits of the Dynamic Energy matter have been "addressed by this Commission" when in fact the Attorney General's motion in limine recently was granted in the 1994-95 purchase gas adjustment case and therefore a prudence review of the ONG gas purchase contract with Dynamic Energy was deferred.

The Joint Stipulation approved by this order contains certain ratemaking provisions, and therefore this commission is exercising its legislative authority in resolving this cause. Because the acquisition premium with adjustments may exceed $100 million for Kansas and Oklahoma ratepayers, I feel our current three commissioners should address this matter soon while the facts and circumstances of this case are fresh in our minds. As mentioned during the commissioners' deliberations of this case, the circumstances of the 1990 Lone Star Gas Company acquisition premium paid by ONG are separate from this case, and that matter is not precedential here. Also, this order does not impose any obligation on this commission to treat any excessive gas procurement costs or any portion of an acquisition premium as stranded investments in future proceedings. Furthermore, the definition and quantification of "merger savings" are left to the subsequent determination of this commission.

Bob Anthony, Commissioner

October 1, 1997

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

WESTERN RESOURCES, INC.	:	
and ONEOK Inc. and	:	Docket No. _____
WAI, Inc.	:	

JOINT ABBREVIATED APPLICATION FOR PERMISSION
AND APPROVAL TO ABANDON TRANSPORTATION AND EXCHANGE SERVICES
AND ABBREVIATED APPLICATION FOR A CERTIFICATE
OF PUBLIC CONVENIENCE AND NECESSITY
TO ACQUIRE SUCH CERTIFICATES AND PROVIDE SUCH SERVICES

Western Resources, Inc. ("WR"), ONEOK Inc. ("ONEOK") and WAI, Inc. ("WAI") (hereinafter referred to as "Joint Appli cants"), hereby make application to the Commission, pursuant to the provisions of Sections 7(b) and 7(c) of the Natural Gas Act, as amended, for permission and approval for (1) WR to abandon by transfer to WAI: (a) WR's limited jurisdiction certificate authorizing the transportation of gas on a no-fee exchange basis between WR and Southern Union Company, d/b/a Missouri Gas Energy (MGE), 66 FERC P. 61,032 (1994); (b) WR's blanket (Order No. 63) certificate authorization as issued in Docket No. CP82-268-000, 20 FERC P. 62,456 (1982); (c) WR's Section 7(f) service determination as issued to WR's predecessor, Kansas Power and Light Company, 47 FERC P. 61,331 (1989), as modified pursuant to authorization granted in Docket No. CP93-750-000, 66 FERC P. 61,032 (1994); (2) ONEOK and WAI to acquire the subject authorizations and certificates and perform the transportation, exchange and other services formerly performed by WR, all as hereinafter more fully set forth.

In support hereof, Joint Applicants aver that:

I.

This application is made in abbreviated form as permitted by ss.157.7 of the Commission's Regulations under the Natural Gas Act, inasmuch as the proposed abandonment and certificate authorization do not require all the data and information specified by Part 157 of the Commission's Regulations to disclose fully the nature and extent of the proposed undertaking. This application, however, contains the information and data necessary to explain fully a proposed agreement between WR, ONEOK and WAI, Inc. and its effect upon Joint Applicants' present and future operations and upon the public interest. Data and information which are omitted hereinafter are specified with a statement of the facts relied upon to justify separately each such omission.

II.

All communications concerning this Application should be addressed to:

C. Burnett Dunn, Esq.
Gable Gotwals Mock Schwabe
Kihle Gaberino
100 West 5th Street
Suite 1000
Tulsa, Oklahoma 74103-4219
(918) 588-7807

Martin J. Bregman, Esq.
General Attorney, Regulation
J. Michael Peters, Esq.
Associate General Counsel, Regulation
Western Resources, Inc.
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William I. Harkaway, Esq.
McCarthy Sweeney & Harkaway
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G. Gail Watkins, Esq.
Haynes and Boone, L.L.P.
600 Congress Ave.
Suite 1600
Austin, TX 78701-3236
(512) 867-8470

Attorneys for ONEOK Inc. and WAI, Inc.

Attorneys for Western Resources, Inc.

III.

The exact legal names of the Joint Applicants herein are: Western Resources, Inc., ONEOK Inc., and WAI, Inc.

Western Resources, Inc. is a corporation duly organized and existing under the laws of the State of Kansas, with authority to transact business in Kansas and Oklahoma. WR's principal place of business is 818 Kansas Avenue, Topeka, Kansas 66612.

As a local distribution company and Hinshaw pipeline [as recognized by the FERC in Kansas Power and Light Company, 20 FERC P. 62,456 (1982)], WR provides natural gas service to approximately 650,000 retail customers in Kansas and Oklahoma./1/ WR was also issued a blanket certificate under Section 7(c) of the Natural Gas Act, allowing WR as a Hinshaw pipeline to engage in Section 284 transactions. See 20 FERC P. 62,456 (1982). Mid Continent Market Center, Inc. (MCMC), a regulated wholly-owned subsidiary of WR, is a Hinshaw pipeline [as recognized by the FERC in Docket No. CP95-684-000, 72 FERC P. 62,274 (1995)] operating in Kansas and providing interstate service under a blanket certificate issued by the FERC in Docket No. CP95-684-000, 72 FERC P. 62,274, allowing MCMC to conduct Section 284 transactions. WR's subsidiary Westar Gas Marketing, Inc., is a full-service gas marketer serving industrial, commercial and municipal customers in the central United States.

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/1/ WR supplies natural gas to approximately 130,000 customers through its Main System, an integrated gathering, storage, transmission, and distribution system located in central Kansas. In addition to the Main System, WR distributes gas transported over several interstate and intrastate pipelines to approximately 518,000 customers in Kansas and Oklahoma.

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WR has transportation agreements for delivery of natural gas with Williams Natural Gas Company, Kansas Pipeline Partnership, Panhandle Eastern Pipe Line Company, Northern Natural Gas Company, K N Interstate Gas Transmission Company and other interstate and intrastate pipelines.

ONEOK Inc. is a corporation duly organized and existing under the laws of the State of Delaware, duly domesticated and authorized to do business in the State of Oklahoma. Its principal place of business is located at 100 West 5th Street, P.O. Box 871, Tulsa, Oklahoma 74103.

ONEOK is a corporation operating principally in the natural gas utility business through its regulated division, Oklahoma Natural Gas Company ("ONG") and its regulated subsidiaries. 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 its state regulated subsidiaries are not regulated by the Commission under the Natural Gas Act, except as to Section 311 transportation and sales and as to certain services provided to Coastal States Gas Transmission Company as originally authorized in Lone Star Gas Co., et al., 39 FERC P. 61,380 (1987) and transferred to ONEOK Services, Inc. in ONEOK Inc., et al., 55 FERC P. 61,453 (1991). 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. OKTEX Pipeline Company is a wholly owned subsidiary of ONEOK Inc. and is regulated as an interstate pipeline. See ONEOK Inc., et al., 55 FERC P. 61,453 (1991).

WAI, Inc. will be formed as an Oklahoma corporation which will be a wholly-owned subsidiary of WR prior to the transaction and will be qualified to do business in the State of Kansas.

IV.

Pursuant to an Agreement, dated December 12, 1996, by and between Western Resources and ONEOK Inc. ("Agreement"), WR will contribute its regulated gas businesses in Kansas and Oklahoma, including its stock in Mid Continent Market Center, Inc., and its stock in Westar Gas Marketing, Inc. (the "Gas Business"), to WAI in exchange for Common and Preferred Stock of WAI, and the assumption by WAI of certain unsecured debts of WR. 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 transaction, WR will own up to 9.9% of the outstanding Common Stock of WAI. Together with the Preferred Stock, WR will own up to 45% of the WAI outstanding equity. WAI will assume all the debts of ONEOK as part of the transaction. WAI will change its name to ONEOK, Inc. after the closing of the transaction. No change in operations will occur with respect to the Gas Business at this time. If changes occur in the future, appropriate filings at the FERC will be made.

After the closing of the transaction, WAI will be comprised of the existing gas operations of WR in Kansas and Oklahoma and all of ONEOK Inc.'s operations. WAI will be renamed ONEOK, Inc. Therefore, a certificate of authorization is requested by WAI, to be issued in the name of ONEOK, Inc., the renamed entity after the closing of the transaction.

V.

As explained below, WR proposes to abandon by transfer to WAI and ONEOK its: (1) limited jurisdiction certificate authorizing the transportation of gas on a no-fee exchange basis by WR to Southern Union as issued by order dated

January 12, 1994, in FERC Docket No. CP93-750-000, 66 FERC P. 61,032 (1994); (2) its blanket (Order No. 63) certificate authorization as issued in Docket No. CP82-268-000, 20 FERC P. 62,456 (1982); and (3) its Section 7(f) service determination issued to WR in Docket No. CP93-750-000, as modified by order dated January 12, 1994, Docket No. CP93-750-000, 66 FERC P. 61,032 (1994); and WAI and ONEOK seek permission and approval for WAI, after its merger with ONEOK and the change of its name to ONEOK, Inc., to acquire and operate the subject certificates and perform the transportation, exchange and other services formerly performed by WR.

VI.

WR and MGE currently perform transportation and exchange services pursuant to Section 7(c) of the Natural Gas Act for each other. WAI and ONEOK are acquiring from WR the facilities through which WR now performs this service. Authorization was issued to WR and MGE to perform the transportation and exchange services for each other in Docket No. CP93-750-000, 66 FERC P. 61,032 (1994). Authorization was issued to WR to engage in this no-fee exchange basis with Southern Union and Southern Union was issued a limited jurisdiction certificate authorizing the transportation of gas on the same basis with WR. WR seeks permission to abandon by transfer and WAI and ONEOK seek permission and authority allowing WAI and ONEOK to perform this transportation and exchange service for and with Southern Union.

VII.

WR's predecessor, Kansas Power and Light Company, received its Order No. 63 blanket certificate of public convenience and necessity to transport, sell and assign natural gas pursuant to Part 284 of the Commission's regulations on September 8, 1982. Kansas Power and Light Company, Docket No. CP82-268-0000, 20 FERC P. 62,456 (1982). ONG, and the other ONEOK state regulated subsid iaries, are not regulated by the Commission under the Natural Gas Act, except as to Section 311 transportation and sales and as to certain services provided to Coastal States Gas Transmission Company as originally authorized in Lone Star Gas Co., et al., 39 FERC P. 61,380 (1987) and transferred to ONEOK Services, Inc. in ONEOK Inc., et al., 55 FERC P. 61,453 (1991). As a local distribu tion company, it will be necessary for WAI to receive the transfer of the Order 63 certificate.

VIII.

In 1989, the Commission issued a section 7(f) service area determination for two separate geographical areas. See Kansas Power and Light Company, 47 FERC P. 61,331 (1989). When WR sold its Missouri properties to MGE, WR requested the Commission to partially vacate the order issued to Kansas Power and Light Company in CP89-485, 47 FERC P. 61,331 (1989). Such request was granted. Western Resources, Inc., et al., 66 FERC P. 61,032 (1994). Service Area 1, which spans the border of Kansas and Missouri and encompasses the Kansas City area and environs, in both Kansas and Missouri, was abandoned. Service Area 2, which spans the intersection of the borders of Kansas, Missouri and Oklahoma, consists of Cherokee County in Kansas, Ottawa and Delaware counties in Oklahoma, and Jasper, Newton and McDonald Counties in Missouri. An order was issued in CP93-750-000, FERC P. 61,032 (1994), partially vacating the service area. WR sold its western Missouri properties and the Palmyra properties in 1994. WR no longer owns any facilities in Missouri. WR now operates in Cherokee County, Kansas and Ottawa County, Oklahoma. (Service Area 2). WR seeks authority to abandon by transfer and WAI and ONEOK seek authority to acquire this certificate authorizing the service area designation.

IX.

The issuance of the authorization requested herein will be in the public interest. WR's transfer of the subject facilities by transaction and the acquisition of the facilities by WAI and ONEOK will not change the way they are operated.

X.

For the reasons hereinabove set out, the issuance of authorization for the transfer of the facilities by transaction by WR and certificate authorization for the acquisition and operation of the facilities by ONEOK, as requested herein, is required by the present and future public convenience and necessity.

XI.

No application to supplement or effectuate WR's proposal must be or is to be filed by WR or any other person with any other federal, state or other regulatory body, except for the Application filed with the Corporation Commissions of the State of Oklahoma in Cause PUD No. 970000106 and the Corporation Commission of the State of Kansas in Cause No. 97-WSRG-486-MER.

XII.

Copies of this Joint Application have been mailed to the Kansas Corporation Commission and the Oklahoma Corporation Commission, the state regulatory bodies having authority to regulate other operations and facilities of WR and ONEOK which are not the subject of this Joint Application.

XIII.

The following is a table of contents, listing all exhibits and documents filed herewith in compliance with the Commission's Regulations, with appropriate designations of those exhibits and documents omitted therefrom or included herein by reference:

Exhibit A Articles of Incorporation and By- laws

Certified copy of Third Restated Certificate of Incorporation and By-Laws of ONEOK Inc., and the Articles of Incorporation and ByLaws of WR. WAI, Inc. will be formed as an Oklahoma corporation which will be a wholly-owned subsidiary of WR prior to the transaction and will be qualified to do business in the state of Kansas.

Exhibit B State Authorizations

Statements showing the date on which ONEOK Inc. and WR, were authorized to do business, the scope of the business ONEOK and WR are authorized to carry on and all limitations, if any, including expiration dates and renewal obligations, are submitted herewith. WAI, Inc. will be formed as an Oklahoma corporation which will be a wholly-owned subsidiary of WR prior to the transaction and will be qualified to do business in the state of Kansas.

Exhibit C Company Officials

A list of the names and business addresses of the officers and Directors of ONEOK Inc. and WR is submitted herewith. After the transaction, the officers and directors of WAI, Inc. will be the same as the ONEOK officers and directors. WR will have the right to designate two members of the ONEOK Board of Directors.

Exhibit D Subsidiaries and Affiliation

A listing of the subsidiaries and affiliates of ONEOK Inc. and WR is submitted herewith. WAI, Inc. will be formed as an Oklahoma corpora tion which will be a wholly-owned subsidiary of WR prior to the transaction and will be qualified to do business in the state of Kansas.

Exhibit E Other Pending Applications and Filings

This exhibit is omitted for the reason that at the time of the fil ing of this Joint Application there are no other pending applications or filings before the FERC which directly or significantly affect the Joint Application. The following Joint Applications have been filed by ONEOK, WR and WAI, Inc:

Joint Application of ONEOK Inc. and Western Resources, Inc., and WAI, Inc., for Approval of an Agreement Providing for the Merger of ONEOK Inc. with Wai, Inc., PUD 970000106, Oklahoma Corporation Commission

In the Matter of the Joint Applica tion of Western Resources, Inc., ONEOK Inc., and WAI, Inc. for Ap proval of the Contribution from Western Resources, Inc., to WAI, Inc. of all of the Natural Gas Transportation and Distribution Assets, Subsidiaries and Certifi cates 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, 97-WSRC-486- MER, State Corporation Commission of the State of Kansas.

Exhibit F Location of Facilities

As no construction is contemplated, the facilities will remain as previously described to the FERC in prior filings.

Exhibit G Flow Diagrams

This exhibit is omitted for the reason that no new facilities are

proposed to be constructed and no change in the manner in which the gas flows is proposed herein.

Exhibit H — Total Gas Supply Data

No construction is proposed and therefore this exhibit has been omitted.

Exhibit I — Market Data

Upon the issuance of FERC approval of the transfer of the certificates by WR and the acquisition of the certificates by WAI, WAI (to be renamed ONEOK, Inc., upon completion of the transaction) will serve the markets formerly served by WR pursuant to the subject certificates.

Exhibit J — Conversion to Natural Gas

This exhibit is omitted for the reason that the requirement is not applicable.

Exhibit K, L, M and N — These exhibits are omitted for the reason that no new facilities are proposed to be constructed.

Exhibit O — Depreciation and Depletion

Not applicable.

Exhibit P — Tariff

Not applicable.

Exhibit Q — Effect of Acquisition on Existing Contracts and Tariffs

None.

Exhibit R — Acquisition Contracts

Due to the length of the Agreement it has not been attached, however a copy is being made available to the staff. If additional copies are required they will be provided.

Exhibit S — Accounting

Not applicable.

Exhibit T — Related Applications

Joint Application of ONEOK Inc. and Western Resources, Inc., and WAI, Inc., for Approval of an Agreement Providing for the Merger of ONEOK Inc. With Wai, Inc., PUD 970000106, Oklahoma Corporation Commission

In the Matter of the Joint Applica tion of Western Resources, Inc., ONEOK Inc., and WAI. Inc. for Ap proval of the Contribution from Western Resources, Inc., to WAI, Inc. of all of the Natural Gas Transportation and Distribution Assets, Subsidiaries and Certifi cates 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, 97-WSRC-486- MER, State Corporation Commission of the State of Kansas.

Exhibit U — Contracts and Other Agreements

Not applicable.

Exhibit V — Flow Diagram Showing Daily Design Capacity and Reflecting Operation of WR's System Before and After Abandonment

Not applicable.

Exhibit W — Impact on Customers Whose Service Will Be Terminated

None.

Exhibit X — Effect of Abandonment on Existing Tariffs

None.

Exhibit Y Accounting Treatment of Abandonment

Not applicable.

Exhibit Z Location of Facilities

Not applicable.

WHEREFORE, PREMISES CONSIDERED, as it is in the present and future public convenience and necessity to permit WR to abandon the above-described facilities by transfer, subject to the terms and conditions of the Agreement with ONEOK, and to permit WR to abandon its (1) limited jurisdiction certificate authorizing the transpor tation of gas on a no-fee exchange basis by WR to Southern Union; (2) blanket (Order No. 63) certificate authorization; (3) its Section 7(f) service determination; and (4) to issue to WAI, after its merger with ONEOK and the change of its name to ONEOK, Inc., a Certificate of Public Convenience and Necessity authorizing the transfer of the certificates of authority and the performance of the transportation and exchange services formerly performed by WR thereon, as hereinabove more particularly set out, all in accor dance with Sections 7(b) and 7(c) of the Natural Gas Act, as amended. Joint Applicants pray that the Commission grant the requested abandonment and certificate authorization and allow ONEOK, Inc. to operate under the certificates following the closing of the transaction.

Joint Applicants further pray that the Commission dispose of this manner under the shortened procedure contemplated by Rule 802 (18 C.F.R. ss.385.802) of the Commission's Rules of Practice and Procedure, and in this connection Joint Applicants request that the intermediate decision procedure be omitted. If this Application is handled as herein requested, Joint Applicants waive oral hearing and opportunity for filing exceptions to the decision of the Commission.

RESPECTFULLY SUBMITTED,

WESTERN RESOURCES, INC.

By: ----------
Martin J. Bregman
Attorney-in-Fact
Western Resources, Inc.

ONEOK Inc.
WAI, INC.

By: ----------
Eugene N. Dubay, Vice President
Corporate Development
ONEOK Inc.

ACKNOWLEDGMENT

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

Martin J. Bregman, being first duly sworn according to law, says that he is the Attorney-in-Fact for Western Resources, Inc., that he has read the foregoing Joint Abbreviated Application for Permission and Approval to Abandon Transportation and Exchange Services and Abbreviated Application for a Certificate of Public Convenience and Necessity to Acquire Such Certificates and Provide Such Services; that he has executed same for and on behalf of said Company with full power and authority to do so; and that the facts set forth therein are true and correct to the best of his knowl edge, information and belief; that the paper copies of this Joint Abbreviated Application contain the same information as contained on the electronic media submitted herewith, that he knows the contents of the paper copies and electronic media, and that the contents as stated in the copies and on the electronic media are true to the best of his knowledge and belief.

Martin J. Bregman

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Kansas, this 24th day of April, 1997.

Notary Public in and for the

State of Kansas

My Commission Expires:

- ----------

ACKNOWLEDGMENT

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Eugene N. Dubay, being first duly sworn according to law, says that he is Vice President, Corporate Development of ONEOK Inc.; that he has read the foregoing Joint Abbreviated Application for Permission and Approval to Abandon Transportation and Exchange Services and Abbreviated Application for a Certificate of Public Convenience and Necessity to Acquire Such Certificates and Provide Such Services; that he has executed same for and on behalf of said Company with full power and authority to do so; and that the facts set forth therein are true and correct to the best of his knowl edge, information and belief; that the paper copies of this Joint Abbreviated Application contain the same information as contained on the electronic media submitted herewith, that he knows the contents of the paper copies and electronic media, and that the contents as stated in the copies and on the electronic media are true to the best of his knowledge and belief.

Eugene N. Dubay

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Oklahoma this 30th day of April, 1997.

Notary Public

My Commission Expires:

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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
Vicky A. Bailey, and William L. Massey.

Western Resources, Inc.,) Docket No. CP97-487-000
ONEOK, Inc. and WAI, Inc.)

ORDER GRANTING ABANDONMENT AND ISSUING CERTIFICATES

(Issued October 30, 1997)

On May 1, 1997, Western Resources, Inc. (Western), ONEOK, Inc. (ONEOK) and WAI, Inc. (WAI) (collectively, the Applicants), filed in Docket No. CP97-487-000 a joint application requesting permission and approval pursuant to section 7(b) of the Natural Gas Act (NGA) for Western to abandon by transfer to WAI: 1) Western's limited jurisdiction certificate authorizing the transportation of gas between Western and Southern Union Company, d/b/a/ Missouri Gas Energy (Southern Union/MGE), on a no-fee exchange basis; 2) Western's Part 284 blanket certificate authorization;/1/ and 3) Western's section 7(f) service area determination./2/ Additionally, ONEOK and WAI request certificate authorization, pursuant to sections 7(c) and (f) of the NGA, to acquire Western's certificates and service area determination and for WAI (under the name ONEOK, Inc.) to perform the transportation, exchange, and other services previously performed by Western. For the reasons discussed below, we will grant the requested authorizations, subject to conditions.

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/1/ This blanket certificate authorization was issued to the Kansas Power and Light Company, Western's predecessor. See Kansas Power and Light Company, 20 FERC P. 62,456 (1982).

/2/ Section 7(f) of the NGA authorizes the Commission to designate service areas, within which natural gas companies may enlarge or extend their facilities for the purpose of supplying increased market demands within the designated service area without further authorization.
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I. BACKGROUND

A. Current Operations

Western is a local distribution company (LDC) that currently provides natural gas service primarily to customers in Kansas. Western's service also include gas services to customers in Cherokee County, Kansas, and Ottawa County, Oklahoma, under authorization granting Western a service area determination under section 7(f) of the Natural Gas Act (NGA)./3/ ONEOK operates primarily as a natural gas utility through its Oklahoma Natural Gas Company (ONG) division, which serves customers in Oklahoma via its intrastate pipeline system./4/

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/3/ The Kansas Power and Light Company, 47 FERC P. 61,331 (1989); Western Resources, Inc., 66 FERC P. 61,032 (1994).

/4/ ONEOK also operates an interstate pipeline through an affiliate/division, OkTex Pipeline Company (OkTex), although those jurisdictional facilities are not at issue in this proceeding.
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WAI will be formed prior to the proposed transfer as a corporation and wholly-owned subsidiary of Western, qualified to do business in Kansas. After the closing of the transfer transaction, WAI will be comprised of Western's existing gas operations in Kansas and Oklahoma, and all of ONEOK's operations. WAI will then be renamed ONEOK, Inc. The Applicants state that no change in Western's or ONEOK's gas business operations will occur as a result of the transfer.

B. The Proposed Transfer

Western and ONEOK have entered into an agreement, dated December 12, 1996, under which Western will transfer its regulated gas businesses in Kansas and Oklahoma, including Western's stock in Westar Gas Marketing, Inc. (Western's marketing subsidiary), and Western's stock in Mid Continent Market Center, Inc. (MCM),/5/ to WAI in exchange for WAI common and preferred stock, and the assumption by WAI of certain of Western's unsecured debts. The Applicants state that ONEOK will then merge into WAI, which will result in the one-for-one conversion of all of the outstanding ONEOK common shares of stock into WAI

common shares, such that the ONEOK shareholders will own not less than 55 percent (55%) of the WAI outstanding equity.

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/5/ MCM, a regulated, wholly-owned subsidiary of Western, is a Hinshaw pipeline operating in Kansas and providing interstate service under a blanket certificate issued under Part 284 of the Commission's regulations. See Mid Continent Market Center, Inc., 72 FERC P. 62,274 (1995).
- ----------

The Applicants also state that, immediately following the transfer transaction, Western will own up to 9.9 percent (9.9%) of the outstanding WAI common stock and, together with the WAI preferred stock, up to 45 percent (45%) of the WAI outstanding equity. The Applicants add that as part of the transfer agreement, WAI will assume all of the debts of ONEOK, and that WAI will change its name to ONEOK, Inc. after the close of the transfer. Accordingly, the Applicants request that the Commission issue the certificate to WAI in the name of ONEOK, Inc.

The Applicants assert that the transfer is in the public interest because ONEOK will not change the way the physically separate, nonjurisdictional pipeline facilities are operated. The Applicants state that Western's gas properties and ONEOK's properties are not interconnected and that any interconnection after the transfer to ONEOK would be impractical. The Applicants also state that there are no pipeline distribution or gathering facilities within any reasonable distance of one another that would permit interaction between the facilities of the two companies, and no plans to make any interconnection that would make interaction between the two sets of facilities possible. Therefore, Applicants assert that ONEOK will not operate the business in interstate commerce as a consolidated unit.

C. The Kansas Power and Light Company/Western Authorizations

On September 10, 1982, the Commission issued Western's predecessor, the Kansas Power and Light Company (KP&L), a certificate of public convenience and necessity to engage in the sale, transportation or assignment of natural gas that is subject to the Commission's jurisdiction to the same extent and in the same manner that intrastate pipelines are authorized to engage in such activities under Part 284 of the Commission's regulations./6/

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/6/ See note 1, supra. In that order, the Commission also declared KP&L to be exempt from the Commission's jurisdiction pursuant to section 1(c) of the NGA (the "Hinshaw" exemption) with respect to its Kansas facilities.
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On June 7, 1989, the Commission issued an order (June 7 order)/7/ granting the KP&L's request for a service area determination under section 7(f) of the NGA. In that order, the Commission recognized KP&L to be an LDC for the purposes of section 311 of the Natural Gas Policy Act of 1978 (NGPA), but held that KP&L remained a natural gas company for all other regulatory purposes. At that time, the Commission's service area determination applied to KP&L's Service Area 1 and Service Area 2, which covered various counties in Kansas, Missouri, and Oklahoma, and Kansas City itself.

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/7/ See The Kansas Power and Light Company, 47 FERC P. 61,331 (1989), rehearing denied, 48 FERC P. 61,208 (1989). In that proceeding, the Commission concluded that KP&L is an LDC within the designated service area for purposes of section 311 of the NGPA. See 47 FERC at 62,148.
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Subsequently, on January 12, 1994, the Commission approved Western's request, as KP&L's successor, to vacate, in part, the June 7 order,/8/ thereby resulting in Western's complete abandonment of KP&L Service Area 1, and the partial abandonment of KP&L Service Area 2. Consequently, the gas service now covered by the section 7(f) service area determination is limited to Western's service to customers in Cherokee County, Kansas, and Ottawa County, Oklahoma, formerly a part of KP&L Service Area 2.

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/8/ See Western Resources, Inc., et al., 66 FERCP. 61,032 (1994).
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In 1993, Western sold its western Missouri properties to Southern Union/MGE, and in 1994, Western sold its eastern Missouri properties, located in Palmyra, Missouri, to United Cities Gas Company./9/ Once these transactions closed, Western no longer owned any properties in Missouri. The Applicants state that the no-fee exchange agreement between Western and Southern Union/MGE continues under Western's limited jurisdiction certificate, however, because of a small number of retail customers in western Missouri (in Jasper and Jackson

Counties) that are being served by Kansas gas supplies, and a small number of retail customers in Wyandotte County, Kansas, that are being served by Missouri gas supplies./10/

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/9/ Western's eastern Missouri facilities are physically separated from the western properties sold to Southern Union/MGE. Id. at 61,030.

/10/ The Commission has determined that it would be impractical to build the $5.5 million in facilities that would be needed to completely separate Western's remaining Kansas and Oklahoma facilities from the Missouri facilities that Western sold to Southern Union/MGE. See 66 FERC at 61,031-032.
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D. The ONEOK Authorizations

In an order issued on June 20, 1991, the Commission, among other things, authorized ONEOK to acquire Lone Star Gas Company's (Lone Star) interstate transmission system and services for immediate spin-down to ONEOK Services, Inc. (ONEOK Services)./11/ This enabled ONEOK and its divisions/affiliates, and subsidiaries (except for the jurisdictional OkTex) to retain their intrastate status and remain outside the Commission's jurisdiction.

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/11/ ONEOK, Inc., 55 FERCP. 61,453 (1991).
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ONEOK Services was authorized to take over all of Lone Star's interstate transmission services and all of Lone Star's interstate pipeline facilities, except for nine (9) river crossings that separated Lone Star's Texas facilities from its Oklahoma facilities. The Commission permitted ONEOK to abandon two (2) of the nine (9) river crossings, because floods in 1990 washed them out. The Commission authorized ONEOK to abandon/transfer the surviving seven (7) river crossings, and Lone Star's Quanah Compressor Station, located in Hardeman County, Texas, to OkTex. Thus, after the 1991 spindown, ONEOK Services became an intrastate pipeline, under the jurisdiction of the Oklahoma Corporation Commission, and OkTex became an interstate pipeline, subject to the Commission's jurisdiction.

II. Notice and Interventions and Protest

Notice of the Applicants' application was published in the Federal Register on May 16, 1997 (62 Fed. Reg. 27020). Timely interventions were filed by Williams Natural Gas Company, Enron Capital and Trade Resources Corporation, Riverside Pipeline Company, L.P. and Kansas Pipeline Partnership, the Kansas Corporation Commission, Amoco Production Company and Amoco Energy Trading Corporation, and the Kansas City Board of Public Utilities (the Board)./12/ The Board protested the application, but subsequently, on October 10, 1997, withdrew its objections to the application, conditioned upon ONEOK's and Western's closing of the transfer transaction./13/

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/12/ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. See 18 C.F.R. ss. 385.214.

/13/ The Board stated, however, that it reserves the right to raise any issue in the future if the transfer does not close as currently anticipated.
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III. Discussion

We have examined the Applicants' proposal, as discussed below, and find that the requested abandonment authorization is permitted by, and the requested certificate authorizations are required by, the public convenience and necessity. We conclude that after the proposed transfer, ONEOK will not change the way the two separate pipeline systems are operated and that ONEOK will serve the markets presently served by Western. Thus, the Applicants, who are currently nonjurisdictional, will retain their nonjurisdictional status following the proposed transfer. The only effect will be that ONEOK will succeed to the certificates and service area determination currently held by Western.

After reviewing maps and data provided by the Applicants,/14/ we are satisfied that Western's system and ONEOK's system do not interconnect anywhere along the Kansas-Oklahoma border. The maps further show that the only transmission lines that cross the Kansas-Oklahoma border are those that belong to existing interstate pipelines not affiliated with the Applicants. In other words, ONEOK's Oklahoma system is not directly interconnected with Western's Kansas system. The two systems are only indirectly interconnected, through their respective interconnections with the existing third-party interstate pipelines

that cross the Kansas-Oklahoma border.

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/14/ On August 21, 1997, the Applicants filed detailed maps showing the Western and ONEOK systems.
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In addition, the record shows that, except for the Ottawa County, Oklahoma pipeline facilities covered by the Commission's section 7(f) service area determination, all of Western's pipeline facilities lie within the State of Kansas, including its MCM pipeline facilities. The record also shows that Western's Cherokee County, Kansas and Ottawa County, Oklahoma facilities are small discontinuous lines that distribute gas to customers in those counties, where the movement of gas across state lines is within Western's section 7(f) service area and is incidental to the distribution and ultimate delivery of that gas to a small group of Western's customers. In other words, these facilities do not tie-in directly to the rest of Western's Kansas pipeline system, and they are not suited to conversion for use as a major Kansas-Oklahoma border crossing. Therefore, we will approve ONEOK's succession to Western's section 7(f) service area determination, conditioned upon the function of these facilities not changing.

Finally, the Applicants state that after the transfer takes place, there will be no change in the way the transmission facilities will be operated, and that there are no plans to make any interconnection that would make interaction between the separate systems possible. On this basis, the Applicants assert that ONEOK will not operate the consolidated businesses in interstate commerce. Based on that representation, we will approve ONEOK's acquisition of Western's certificates, and allow ONEOK to operate the acquired facilities and perform the services previously provided by Western. However, our approval is subject to the condition that no facilities be constructed allowing for the interconnection of the two transmission systems. In addition, we will waive the requirements of Part 154 of the Commission's regulations for ONEOK so long as no fee is charged in connection with the ongoing exchanges with Southern Union/MGE.

We also conclude that approval of the subject proposals will not have an adverse impact on the quality of the human environment.

At a hearing held on October 30, 1997, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, as amended and supplemented, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) Permission for and approval of Western's abandonment by transfer of the certificate authorizations and transfer of its NGA section 7(f) service area determination, as described herein and in the application, are granted.

(B) Western shall notify the Commission within 10 days of the abandonment.

(C) The abandonment authority granted in Ordering Paragraph (A) above is conditioned on Western's compliance with the Natural Gas Act and all applicable provisions of the Commission's regulations, in particular, with Part 154.

(D) A limited jurisdiction certificate of public convenience and necessity is issued to ONEOK, authorizing the transportation of gas between ONEOK and Southern Union/MGE on a no-fee exchange basis, all as more fully described herein and in the application.

(E) The Commission's Part 154 filing requirements are waived for ONEOK, so long as no fee is charged for the exchanges.

(F) The certificate issued in Ordering Paragraph (D) above is conditioned upon ONEOK's compliance with all applicable Commission regulations and in particular with subsections (a) and (e) of section 157.20 of the Commission's regulations.

(G) A blanket certificate of public convenience and necessity is issued to ONEOK authorizing ONEOK engage in the sale, transportation, or assignment of natural gas that is subject to the Commission's jurisdiction under the Natural Gas Act to the same extent and in the same manner that intrastate pipelines are authorized to engage in such activities by Subparts C and D of Part 284 of the Commission's regulations, as may be amended from time to time.

(H) The certificate issued in Ordering Paragraph (G) above is conditioned upon ONEOK's compliance with all applicable Commission regulations and in particular subsections (a) and (e) of section 157.20 of the Commission's regulations. Further, the authorization granted in Ordering Paragraph (G) above is subject to all of the terms and conditions set forth in section 284.224 of

the Commission's regulations.

(I) ONEOK's acquisition and use of Western's section 7(f) service area determination is approved, as discussed in the body of this order.

(J) The certificate authorizations issued in Ordering Paragraphs (D) and (G) above are subject to the condition that no facilities be constructed allowing for the interconnection of the two transmission systems, as is more particularly discussed in the body of this order.

By the Commission.

(S E A L)

Lois D. Cashell,
Secretary.

John K. Rosenberg, Esq.

November 12, 1997

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Gentlemen:

As General Counsel of Western Resources, Inc. ("WRI"), a Kansas corporation, I have acted as counsel to WRI with respect to the application (the "Application") on Form U-1 to the Securities and Exchange Commission in File No. 70-9097, seeking the Commission's authorization of the proposed transaction. I am furnishing this opinion to you in connection with the Application.

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 the aggregate, 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 a Shareholder Agreement on the closing date that will place certain restrictions on WRI's actions as a shareholder during the term of the Shareholder Agreement.

As counsel for WRI, I am familiar with the nature and character of the proposed Transactions. I am a member of the bar of the State of Kansas, the state in which WRI is incorporated and conducts most of its utility operations. I am not a member of the bar of the State of Oklahoma, in which WRI also conducts some of its utility operations that are a part of the proposed Transactions. I do not hold myself out as an expert in the laws of the State of Oklahoma.

In connection with this opinion, I have examined or caused to be examined the Application and the various exhibits thereto, the minutes of various meetings of the Board of Directors of WRI, the laws of the State of Kansas, the certificate of incorporation and bylaws of WRI and such other documents as I deem necessary for the purpose of this opinion. I assume that the Board of Directors of WRI and the officers and other representatives of WRI will take all future corporate action necessary to authorize and implement the Transactions contemplated by the Application. I also assume that the Securities and Exchange Commission will issue an order under the Public Utility Holding Company Act of 1935 as requested in the Application.

Based on the foregoing, I am of the opinion that:

A. Upon consummation of the Transactions described in the Application, all laws of the state of Kansas applicable to the Transactions will have been complied with;

B. When acquired as described in the Application, WRI will legally acquire the common stock and Class A convertible preferred stock of WAI issued and sold in accordance with the Commission's authorization of the Transactions contemplated by the Application; and

C. The consummation of the proposed transactions as described in the Application will not violate the legal rights of any holders of securities issued by WRI or any associate company thereof.

I hereby consent to the use of this opinion in connection with the filing of the Application.

Very truly yours,

/s/ John K. Rosenberg, Esq.

Gable Gotwals Mock Schwabe Kihle Gaberino
A Professional Corporation
1000 ONEOK Plaza
100 West Fifth Street
Tulsa, Oklahoma 74103

November 6, 1997

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Gentlemen:

As counsel to WAI, Inc. ("WAI"), an Oklahoma corporation, and ONEOK, Inc. ("ONEOK"), a Delaware corporation, we have acted as counsel to WAI and ONEOK with respect to the matters described in the application (the "Application") on Form U-1 to the Securities and Exchange Commission filed by Western Resources, Inc. ("WRI") (File No. 70-9097), seeking the Commission's authorization of the proposed transaction. We are furnishing this opinion to you in connection with the Application.

The Application seeks approval for the acquisition by WRI of 9.9% of the outstanding voting securities of a new-formed company, 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 it'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, 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 the aggregate, 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 a Shareholder Agreement on the closing date that will place certain restrictions on WRI's actions as a shareholder during the term of the Shareholder Agreement.

As counsel for WAI and ONEOK, we are familiar with the nature and character of the proposed Transactions. We are members of the bar of the State of Oklahoma, the state in which WAI is incorporated, in which ONEOK presently conducts its utility operations and in which WRI also conducts some of its utility operations that are a part of the proposed Transactions.

In connection with this opinion, we have examined or caused to be examined the Application and the various exhibits thereto, the minutes of various meetings of the Board of Directors of WAI, the laws of the State of Oklahoma, the general corporate laws of the State of Delaware, the certificate of incorporation and bylaws of WAI and such other documents as we deem necessary for the purpose of this opinion. We assume that the Board of Directors of WAI and the officers and other representatives of WAI will take all future corporate action necessary to authorize and implement the Transactions contemplated by the Application. We also assume that the Securities and Exchange Commission will issue an order under the Public Utility Holding Company Act of 1935 as requested in the Application.

Based on the foregoing, we are of the opinion that:

A. Upon consummation of the Transactions described in the Application, all laws of the State of Oklahoma applicable to the Transactions will have been complied with;

B. WAI is validly organized and duly existing;

C. When issued as described in the Application, the common stock and Class A convertible preferred stock of WAI issued in accordance with the Commission's authorization of the Transactions contemplated by the Application will be validly issued, fully paid, and non-assessable, and the holders thereof will be entitled to the rights and privileges appertaining thereto set forth in the corporate documents defining such rights and privileges; and

D. The consummation of the Transactions as described in the Application will not violate the legal right of any holders of securities issued by WAI,

ONEOK or any associate company thereof.

We hereby consent to the use of this opinion in connection with the filing of the Application.

Very truly yours,

Gable Gotwals Mock Schwabe Kihle Gaberino

By /s/ C. Burnett Dunn
C. Burnett Dunn