



PNM TO PURCHASE THE ELECTRIC UTILITY OPERATIONS OF WESTERN RESOURCES

Transaction Creates Leading Multi-Regional Energy Company

Albuquerque, New Mexico and Topeka, Kansas, November 9, 2000 – Public Service Company of New Mexico (NYSE:PNM) (“PNM”) and Western Resources (NYSE:WR) today announced that both companies’ boards of directors have approved an agreement under which PNM will acquire the Western Resources electric utility operations in a tax-free, stock-for-stock transaction.

Under the terms of the agreement, PNM and Western Resources, whose utility operations consist of its KPL division and KGE subsidiary, will both become subsidiaries of a new holding company to be named at a future date. Prior to the consummation of this combination, Western Resources will reorganize all of its non-utility assets, including its 85 percent stake in Protection One and its 45 percent investment in ONEOK, into Westar Industries which will be spun off to its shareholders.

The new holding company will issue 55 million of its shares, subject to adjustment, to Western Resources’ shareholders and Westar Industries. Before any adjustments, the new company will have approximately 95 million shares outstanding, of which approximately 42.1 percent will be owned by former PNM shareholders and 57.9 percent will be owned by former Western Resources shareholders and Westar Industries. Westar Industries will receive a portion of such shares in repayment of a \$234 million obligation currently owed by Western Resources to Westar Industries.

Based on PNM’s average closing price over the last ten days of \$27.325 per share, the indicated equity value of the transaction is approximately \$1.503 billion, including conversion of the Westar Industries obligation. In addition, the new holding company will assume approximately \$2.939 billion of existing Western Resources’ debt, giving the transaction an aggregate enterprise value of approximately \$4.442 billion. The new holding company will have a total enterprise value of approximately \$6.5 billion (\$2.6 billion in equity; \$3.9 billion in debt and preferred stock). The transaction will be accounted for as a purchase and is anticipated to be immediately accretive to PNM’s earnings per share and cash flow.

The companies expect the transaction to be completed within the next 12 to 15 months. The new holding company will serve over one million retail electric customers and 400,000 retail gas customers in New Mexico and Kansas and will have generating capacity of more than 7,000 megawatts. The transaction also will make the new company a leading energy supplier in the Western and Midwestern wholesale markets.

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Western Resources' trading presence in six Midwestern power pools provides opportunities for PNM to bring its 15 years of successful power marketing experience and niche product development to new customers. PNM marketers, working together with the experienced power trading group at Western Resources, expect to realize an enhanced position in the wholesale power market.

Jeffrey E. Sterba, chairman, president and chief executive officer of PNM, said, "This strategic transaction will give us the scale and scope to raise our profile in the emerging energy marketplace and aggressively seize new opportunities in power generation and the wholesale market.

"By joining forces with Western Resources, we will surpass our stated goal of doubling our generation capacity and tripling our power sales more than three years ahead of schedule. The addition of Western Resources' low-cost, high-capacity generation facilities will quadruple our current production capabilities, giving us a competitive edge in both power plant operations and wholesale electric sales. The addition of Western Resources' service territories, which encompass well-populated, fast-growing areas with a balance of residential, commercial and industrial customers, diversifies our business and geographic base and enhances the predictability of our earnings," Sterba continued.

"This transaction will also enable us to realize a number of important financial improvements, including a broader, more predictable cash flow, solid revenues and earnings growth, improved access to capital, increased market capitalization and public market float and cost efficiencies. A key priority for our management team will be the continuation of our company's successful debt reduction effort. Over the past seven years, we have reduced PNM's debt to capital ratio from 72 percent to less than 55 percent, and we will maintain our balance sheet integrity after the transaction is completed. We are committed to deleveraging the combined company.

"We believe the combination of these strategic, operational and financial benefits will help position us to become a leading multi-regional energy provider while creating substantial value for shareholders, tangible opportunities and progress for our employees, and stable rates for our customers. By drawing on the best practices, expertise and talent that exist within both of our organizations, we are also confident that the new company will be able to deliver excellent customer service support and product and service innovation. At the local level, we intend to continue the strong traditions of both companies for supporting local communities through charitable contributions and through the volunteerism of employees," Sterba concluded.

David C. Wittig, chairman, president and chief executive officer of Western Resources, said, "We evaluated potential partners across a broad range of criteria, including financial flexibility, proven management skills, superior operating and technological capabilities, excellent customer service, and a track record for fair dealing on regulatory issues. We are confident that PNM's experience, long-term growth strategy and unique geographic position will result in benefits for shareholders and opportunities for our customers, employees and the communities we serve. The creation of a separately traded Westar Industries allows the potential of Western Resources' unregulated ownership in Protection One, Protection One Europe, ONEOK and other investments to be more directly realized by shareholders."

The rationale for this transaction is the acceleration of PNM's proven growth strategy, consistent with its targeted 10 percent annual average earnings growth. PNM expects only modest cost savings and does not have a present intention to have involuntary workforce reductions as a result of the transaction. The new holding company will seek to minimize any workforce effects through reduced hiring, attrition, and other appropriate measures. All existing labor agreements will be honored.

In the transaction, each PNM share will be exchanged on a one-for-one basis for shares in the new holding company. Each Western Resources share will be exchanged for a fraction of a share of the new company. This exchange ratio will be finalized at closing, depending on the impact of certain adjustments to the transaction consideration. Since Western Resources and Westar Industries remain committed to reducing Western Resources' net debt balance prior to consummation of the transaction, they have agreed with PNM on a mechanism to adjust the transaction consideration based on additional equity contributions. Under this mechanism, Western Resources could undertake certain activities not affecting the utility operations to reduce the net debt balance. The effect of such activities would be to increase the number of new holding company shares to be issued to all Western Resources shareholders (including Westar Industries) in the transaction. In addition, Westar Industries has the option of making additional equity infusions into Western Resources that will be used to reduce its net debt balance prior to closing. Up to \$407 million of such equity infusions may be used to purchase additional new holding company common and convertible preferred stock.

At closing, Sterba will become chairman, president and chief executive officer of the new holding company, and Wittig will become chairman, president and chief executive officer of Westar Industries. The Board of Directors of the new company will consist of six current PNM board members and three additional directors, two of whom will be selected by PNM from a pool of candidates nominated by Western Resources, and one of whom will be nominated by Westar Industries. The new holding company will be headquartered in New Mexico. Headquarters for the Kansas utilities will remain in Topeka, Kansas.

Shareholders of the new holding company will receive PNM's dividend. PNM's current annual dividend is \$.80 per share.

The successful spin-off of Westar Industries from Western Resources is required prior to the consummation of the transaction. The transaction is also conditioned upon, among other things, approvals from both companies' shareholders and customary regulatory approvals, including from the Kansas Corporation Commission, the New Mexico Public Regulation Commission, Securities and Exchange Commission, the Nuclear Regulatory Commission, and the Federal Energy Regulatory Commission. The new holding company expects to register as a holding company with the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935.

J.P. Morgan & Co. Incorporated acted as financial advisor, and Winthrop, Stimson, Putnam & Roberts and Keleher & McLeod, PA acted as legal counsel to PNM. Chase Securities Inc. and Salomon Smith Barney acted as financial advisors, and LeBoeuf, Lamb, Greene & MacRae, LLP acted as legal counsel to Western Resources.

About PNM

More than 1.3 million people in New Mexico rely on PNM for the delivery of electric power and natural gas service to their homes and businesses. PNM's 1,521 megawatts of generation capacity includes power from coal, nuclear and natural gas-fired plants. Selling electricity to other utilities is the fastest-growing part of the company's business. In 1999, wholesale power sales accounted for nearly a third of PNM's total operating revenues. Through Avistar, PNM's wholly-owned subsidiary, PNM is engaged in energy management and advanced metering services, as well as assisting in the development of a new, Internet-based energy auction system. In 1999, PNM was featured in a leading industry publication as one of the five most technologically innovative utilities in the nation. The company's commitment to diversity also led *Fortune* magazine to rank PNM in the top ten on its list of the best employers for minorities in the U.S. For more information, visit the company's website at www.pnm.com

About Western Resources

Western Resources is a consumer services company with interests in monitored services and energy. The company's assets include security company holdings through ownership of Protection One and Protection One Europe, which have more than 1.6 million security customers. Its utilities, KPL and KGE, provide electric service to approximately 634,000 customers in Kansas. Through its ownership in ONEOK, a Tulsa-based natural gas company, Western Resources has a 45 percent interest in one of the largest natural gas distribution companies in the nation, serving more than 1.4 million customers. For more information, visit the company's website at www.wr.com

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This press release contains forward looking statements within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements with respect to revenues, earnings, performance, strategies, prospects and other aspects of the businesses of PNM and Western Resources and with respect to the benefits of the transaction are based on current expectations that are subject to risk and uncertainties. Such statements are based upon the current beliefs and expectations of the management of PNM and Western Resources. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward looking statements. These factors include, but are not limited to, risks and uncertainties relating to: the possibility that shareholders of PNM and/or Western Resources will not approve the transaction, the risks that the businesses will not be integrated successfully, the risk that the benefits of the transaction may not be fully realized or may take longer to realize than expected, disruption from the transaction making it more difficult to maintain relationships with clients, employees, suppliers or other third parties, conditions in the financial markets relevant to the proposed transaction, the receipt of regulatory and other approvals of the transaction, that future circumstances could cause business decisions or accounting treatment to be decided differently than now intended, changes in laws or regulations, changing governmental policies and regulatory actions with respect to allowed rates of return on equity and equity ratio limits, industry and rate structure, stranded cost recovery, operation of nuclear power facilities, acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, present or prospective wholesale and retail competition (including retail wheeling and transmission costs), political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as tornadoes), population growth rates and demographic patterns, competition for retail and wholesale customers, availability, pricing and transportation of fuel and other energy commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation or in accounting standards, unanticipated delays or changes in costs for capital projects, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities and legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements, the outcome of Protection One accounting issues reviewed by the SEC staff as disclosed in previous Western Resources SEC filings, the impact of Protection One's financial condition on Western Resources' consolidated results, and other factors. PNM and Western Resources disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this news release. Readers are referred to PNM's and Western Resources' most recent reports filed with the Securities and Exchange Commission.

Additional Information

In connection with the proposed transaction, PNM and Western Resources will file a joint proxy statement / prospectus with the Securities and Exchange Commission. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE JOINT PROXY STATEMENT / PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the joint proxy statement / prospectus (when available) and other documents filed by PNM and Western Resources with the SEC at the SEC's web site at <http://www.sec.gov>. Free copies of the joint proxy statement / prospectus, when available, and each company's other filings with the SEC may also be obtained from the respective companies. Free copies of PNM's filings may be obtained by directing a request to PNM, Alvarado Square, Albuquerque, New Mexico 87158. Phone: (800) 545-4425. Free copies of Western Resources' filings may be obtained by directing a request to Western Resources, P.O. Box 889, Topeka, Kansas 66601-0889. Phone: (800) 527-2495.

Participants in Solicitation

PNM, Western Resources and certain of their respective directors, executive officers and other members of their management and employees, each of whom may be considered participants in this transaction under applicable securities laws, may be soliciting proxies from their respective stockholders in favor of the transaction. Information concerning PNM's directors and executive officers participating in the solicitation is set forth in PNM's Annual Report on Form 10-K filed with the Commission on March 9, 2000 and information concerning Western Resources' directors and executive officers participating in the solicitation is set forth in Western Resources' Annual Report on Form 10-K filed with the Commission on March 29, 2000 and amended on April 3, 2000. Certain directors and executive officers of PNM and Western Resources may have direct or indirect interests in the transaction due to securities holdings, vesting of options, and rights to severance payments if their employment is terminated following the transaction. In addition, directors and officers, after the transaction, will be indemnified by PNM and Western Resources, and benefit from insurance coverage for liabilities that may arise from their service as directors and officers of PNM or Western Resources prior to the transaction. Additional information regarding PNM's and Western Resources' respective participants in the solicitation will be contained in the joint proxy statement/prospectus.

PNM Teleconference and Webcast Information:

There will be a teleconference today at 9:00 a.m. (EST) to discuss the transaction. It can be monitored via the World Wide Web at www.dealinfo.com/PNM-WR or www.pnm.com or by dialing (212) 896-6168. International callers may dial (212) 676-5069. A rebroadcast will be available beginning 11:00 AM today through December 4, 2000 by dialing 1-800-633-8284. International callers may dial (858) 812-6440. The reservation number for the rebroadcast is 16865318. Real Network's Real Player or Microsoft Media Player is required to access the webcast. They can be downloaded from www.real.com or www.microsoft.com/windows/mediaplayer.

Satellite Uplink for PNM B-roll:

Thursday, November 9, 2000
9:00 a.m. – 9:30 a.m. (EST)
Telstar 5 Transponder 16 C-band
Downlink Frequency 4020 Horizontal

Thursday, November 9, 2000
1:00 p.m. – 1:30 p.m. (EST)
Telstar 6 Transponder 9 C-band
Downlink Frequency 3880 Vertical

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