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PUBLIC SERVICE CO OF NEW MEXICO
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Public Service Company of New Mexico Commission File No.: 1-6986

Western Resources, Inc. Commission File No.: 1-3523

Subject Company: Western Resources, Inc.

PNM Interoffice Correspondence

TO: All PNM October 12, 2001
FROM: Communications Group
RE: News Release Sent Today: PNM Asks Court to Rule on
Western Resources Agreement

PNM today asked a New York court to resolve PNM's disagreement with Western Resources regarding PNM's pending acquisition of Western's electric utilities.

In its complaint, PNM asks the court to find that it is impossible to complete the proposed transaction under the original terms. PNM also asks the court to rule that an electric rate reduction mandated for Western by the Kansas Corporation Commission (KCC) is sufficient cause for PNM to terminate its agreement with Western.

Last November, PNM agreed to purchase Western's electric utility operations in a stock for stock transaction valued in excess of \$4 billion. That agreement requires Western to separate its electric utilities from its other businesses and split off those other businesses to Western's shareholders.

As part of the transaction, Western claimed that regulatory approval was not required for the split-off. But in an order issued in July and since reaffirmed, the KCC has ruled that Western's plan to restructure its operations, including the split-off, is contrary to the public interest, unlawful and prohibited with or without a merger.

"Although we take this step reluctantly, we believe we have no choice," said Jeff Sterba, PNM chairman, president and CEO. "Western has demanded that we seek KCC approval of the original transaction, even though it contains a provision that has now been ruled unlawful by the KCC. We believe it would be futile for us to make such a filing.

"We believe the current agreement must be restructured, so that it can be approved by the KCC," Sterba added.