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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _________

Commission File Number 1-3523

Western Resources, Inc.
(Exact name of registrant as specified in its charter)

Kansas	48-0290150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

818 Kansas Avenue
Topeka, Kansas 66612
(785) 575-6300
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 8, 2001
Common Stock, $5.00 par value	70,730,526 Shares

WESTERN RESOURCES, INC.

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Form 10-Q are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "expect" or words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning capital expenditures, earnings, liquidity and capital resources, litigation, rate and other regulatory matters, including the impact of the order to reduce our rates issued on July 25, 2001 by the Kansas Corporation Commission, and the impact of the Kansas Corporation Commission's order issued July 20, 2001 with respect to the proposed separation of Western Resources' electric utility businesses from Westar Industries, possible corporate restructurings, mergers, acquisitions, dispositions, compliance with debt and other restrictive covenants, changes in accounting requirements and other accounting matters, interest and dividends, Protection One's financial condition and its impact on our consolidated results, environmental matters, changing weather, nuclear operations, ability to enter new markets successfully and capitalize on growth opportunities in non-regulated businesses, events in foreign markets in which investments have been made and the overall economy of our service area. What happens in each case could vary materially from what we expect because of such things as electric utility deregulation; ongoing municipal, state and federal activities such as the Wichita municipalization effort; future economic conditions; legislative and regulatory developments; the consummation of the acquisition of the electric operations of Western Resources by Public Service Company of New Mexico; regulatory and competitive markets; and other circumstances affecting anticipated operations, sales and costs. See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2000, for additional information on these and other matters that may affect our business and financial results. Any forward-looking statement speaks only as of the date such statement was made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made.

WESTERN RESOURCES, INC.

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	June 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 66,766	$ 8,762
Restricted cash	23,014	22,205
Accounts receivable, net	130,071	152,165
Inventories and supplies, net	121,454	101,303
Energy trading contracts	109,446	185,364
Prepaid expenses and other	70,609	44,449
Total Current Assets	521,360	514,248
PROPERTY, PLANT AND EQUIPMENT, NET	4,021,234	3,993,438
OTHER ASSETS:		
Restricted cash	34,924	35,878
Investment in ONEOK	597,555	591,173
Customer accounts, net	906,320	1,005,505
Goodwill, net	915,091	976,102
Regulatory assets	322,852	327,350
Other	309,409	323,514
Total Other Assets	3,086,151	3,259,522
TOTAL ASSETS	$7,628,745	$7,767,208
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 32,510	$ 41,825
Short-term debt	146,380	35,000
Accounts payable	119,012	154,654
Accrued liabilities	209,323	206,959
Accrued income taxes	25,540	53,834
Deferred security revenues	62,157	73,585
Energy trading contracts	103,506	191,673
Other	64,836	56,600
Total Current Liabilities	763,264	814,130
LONG-TERM LIABILITIES:		
Long-term debt, net	3,196,171	3,237,849
Western Resources obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company subordinated debentures	220,000	220,000
Deferred income taxes and investment tax credits	909,955	920,083
Minority interests	173,599	184,591
Deferred gain from sale-leaseback	180,380	186,294
Other	295,706	272,841
Total Long-Term Liabilities	4,975,811	5,021,658
COMMITMENTS AND CONTINGENCIES (NOTE 5)		
SHAREHOLDERS' EQUITY:		
Cumulative preferred stock	24,858	24,858
Common stock, par value $5 per share; authorized 150,000,000 shares; issued 85,046,342 shares and 70,082,314 shares, respectively	425,339	350,412
Paid-in capital	1,152,991	850,100
Retained earnings	644,625	714,454
Treasury stock, at cost, 14,577,427 and 0 shares, respectively	(355,837)	--
Accumulated other comprehensive loss, net	(2,306)	(8,404)
Total Shareholders' Equity	1,889,670	1,931,420
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$7,628,745	$7,767,208

The accompanying notes are an integral part of these consolidated financial statements.

WESTERN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
SALES:		
Energy	$ 412,803	$ 418,691
Monitored Services	110,098	127,916
Total Sales	522,901	546,607
COST OF SALES:		
Energy	198,210	172,963
Monitored Services	39,094	41,755
Total Cost of Sales	237,304	214,718
GROSS PROFIT	285,597	331,889
OPERATING EXPENSES:		
Operating and maintenance expense	88,538	82,651
Depreciation and amortization	103,029	108,099
Selling, general and administrative expense	83,761	76,916
Loss on dispositions of monitored services operations	17,979	--
Total Operating Expenses	293,307	267,666
INCOME (LOSS) FROM OPERATIONS	(7,710)	64,223
OTHER INCOME (EXPENSE):		
Investment earnings	42	32,857
Minority interests	4,451	1,059
Other	(284)	896
Total Other Income	4,209	34,812
EARNINGS (LOSS) BEFORE INTEREST AND TAXES	(3,501)	99,035
INTEREST EXPENSE:		
Interest expense on long-term debt	56,917	48,966
Interest expense on short-term debt and other	9,949	23,346
Total Interest Expense	66,866	72,312
EARNINGS (LOSS) BEFORE INCOME TAXES	(70,367)	26,723
Income tax (benefit) expense	(34,353)	3,158
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	(36,014)	23,565
Extraordinary gain, net of tax of $3,137 and $9,340	5,826	17,347
NET INCOME (LOSS)	(30,188)	40,912
Preferred dividends	282	282
EARNINGS (LOSS) AVAILABLE FOR COMMON STOCK	$ (30,470)	$ 40,630
Average common shares outstanding	70,409,093	68,731,435
BASIC AND DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE OUTSTANDING:		
Before extraordinary gain	$ (0.51)	$ 0.34
Extraordinary gain, net of tax	0.08	0.25
After extraordinary gain	$ (0.43)	$ 0.59
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.30	$ 0.30

The accompanying notes are an integral part of these consolidated financial statements.

WESTERN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
SALES:		
Energy	$ 859,173	$ 753,521
Monitored Services	224,467	274,786
Total Sales	1,083,640	1,028,307
COST OF SALES:		
Energy	427,041	300,588
Monitored Services	79,867	89,069
Total Cost of Sales	506,908	389,657
GROSS PROFIT	576,732	638,650
OPERATING EXPENSES:		
Operating and maintenance expense	181,220	168,293
Depreciation and amortization	205,515	215,878
Selling, general and administrative expense	162,635	162,397
Loss on dispositions of monitored services operations	17,979	--
Total Operating Expenses	567,349	546,568
INCOME FROM OPERATIONS	9,383	92,082
OTHER INCOME (EXPENSE):		
Investment earnings	13,062	150,925
Minority interests	5,723	676
Other	(687)	1,410
Total Other Income	18,098	153,011
EARNINGS BEFORE INTEREST AND TAXES	27,481	245,093
INTEREST EXPENSE:		
Interest expense on long-term debt	116,517	100,408
Interest expense on short-term debt and other	19,557	41,930
Total Interest Expense	136,074	142,338
EARNINGS (LOSS) BEFORE INCOME TAXES	(108,593)	102,755
Income tax (benefit) expense	(53,392)	39,389
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAIN AND ACCOUNTING CHANGE	(55,201)	63,366
Extraordinary gain, net of tax of $5,799 and $19,298	10,769	35,839
Cumulative effect of accounting change, net of tax of $12,347 and $1,097	18,694	(3,810)
NET INCOME (LOSS)	(25,738)	95,395
Preferred dividends	564	564
EARNINGS (LOSS) AVAILABLE FOR COMMON STOCK	$ (26,302)	$ 94,831
Average common shares outstanding	70,384,333	68,232,780
BASIC AND DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE OUTSTANDING:		
Before extraordinary gain and accounting change	$ (0.79)	$ 0.92
Extraordinary gain, net of tax	0.15	0.53
Accounting change, net of tax	0.27	(0.06)
After extraordinary gain and accounting change	$ (0.37)	$ 1.39
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.60	$ 0.835

The accompanying notes are an integral part of these consolidated financial statements.

WESTERN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
NET INCOME (LOSS)	$(30,188)	$40,912
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized holding losses on marketable securities arising during the period	(345)	(1,353)
Adjustment for losses/(gains) included in net income	1,470	(17,369)
Net change in unrealized gain/(loss) on marketable securities	1,125	(18,722)
Foreign currency translation adjustment	6,793	(1,338)
Income tax benefit	--	11,315
Total other comprehensive gain/(loss), net of tax	7,918	(8,745)
COMPREHENSIVE INCOME (LOSS)	$(22,270)	$32,167

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
NET INCOME (LOSS)	$(25,738)	$95,395
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized holding (losses)/gains on marketable securities arising during the period	(587)	44,863
Adjustment for losses/(gains) included in net income	3,331	(115,629)
Net change in unrealized gain/(loss) on marketable securities	2,744	(70,766)
Foreign currency translation adjustment	4,047	(624)
Income tax (expense) benefit	(693)	31,668
Total other comprehensive gain/(loss), net of tax	6,098	(39,722)
COMPREHENSIVE INCOME (LOSS)	$(19,640)	$55,673

The accompanying notes are an integral part of these consolidated financial statements.

WESTERN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2001	2000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	$ (25,738)	$ 95,395
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Extraordinary gain	(10,769)	(35,839)
Cumulative effect of accounting change	(18,694)	3,810
Depreciation and amortization	205,515	215,878
Amortization of deferred gain from sale-leaseback	(5,914)	(5,915)
Equity in earnings from investments	(5,163)	(7,200)
Loss on dispositions of monitored services operations	17,979	--
Impairment on investments	11,075	--
(Gain) loss on sale of marketable securities	1,861	(115,629)
Minority interests	(10,992)	(676)
Accretion of discount note interest	(1,602)	(5,981)
Changes in working capital items, net of acquisitions and dispositions:		
Accounts receivable, net	19,983	(14,257)
Inventories and supplies, net	(21,015)	(5,562)
Energy trading contracts	18,792	(11,075)
Prepaid expenses and other	(24,476)	(16,740)
Accounts payable	(32,947)	13,559
Accrued liabilities	5,511	(24,046)
Accrued income taxes	(28,294)	16,538
Deferred security revenues	4,826	148
Changes in other assets and liabilities	7,218	(36,576)
Cash flows from operating activities	107,156	65,832
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment, net	(122,506)	(170,357)
Customer account acquisitions	(19,132)	(20,943)
Proceeds from sale of marketable securities	2,829	217,062
Proceeds from dispositions of monitored services operations	42,258	--
Proceeds from/purchase of other investments, net	(1,328)	5,589
Cash flows (used in) from investing activities	(97,879)	31,351
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short-term debt, net	112,703	(496,421)
Proceeds of long-term debt	14,823	606,087
Retirements of long-term debt	(46,768)	(176,343)
Proceeds from accounts receivable sale, net	(5,000)	--
Issuance of common stock, net	8,796	8,639
Cash dividends paid	(42,611)	(57,606)
Acquisition of treasury stock	--	(9,187)
Reissuance of treasury stock	6,784	21,847
Cash flows from (used in) financing activities	48,727	(102,984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,004	(5,801)
CASH AND CASH EQUIVALENTS:		
Beginning of period	8,762	12,444
End of period	$ 66,766	$ 6,643
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest on financing activities, net of amount capitalized	$ 174,388	$ 179,660
Income taxes	5,810	3,793

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Western Resources, Inc. (the company, we, us or our) is a publicly traded, consumer services company. We provide electric generation, transmission and distribution services to approximately 639,000 customers in Kansas, monitored security services to approximately 1.4 million customers in North America and Europe, and natural gas transmission and distribution services to approximately 1.4 million customers in Oklahoma and Kansas.

KPL, one of our divisions, and Kansas Gas and Electric Company (KGE), a wholly owned subsidiary, provide our rate regulated electric service.

Westar Industries, Inc., our wholly owned subsidiary, owns our interests in Protection One, Inc., Protection One Europe, ONEOK, Inc. and other non-utility businesses. Monitored security services are provided by Protection One, a publicly traded, approximately 87%-owned subsidiary, and other wholly owned subsidiaries collectively referred to as Protection One Europe. Natural gas transmission and distribution services are provided through our approximate 45% ownership interest in ONEOK.

Consolidation Policy: We prepared the accompanying financial statements in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q. This means that certain information and footnote disclosures normally included in financial statements have been condensed or omitted and that these statements have not been audited. Only normal recurring adjustments considered necessary for a fair presentation of the financial statements have been included. To gain a full understanding of our business, you should read the information provided in this report in conjunction with the Consolidated Financial Statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2000.

Many items, including such things as the weather, operating costs, market conditions and generating availability, can have a great impact on our results for interim periods. Therefore, the results of interim periods do not necessarily represent results to be expected for the full year.

Reclassifications: Certain amounts in prior years have been reclassified to conform to classifications used in the current year presentation.

2. PNM MERGER AND SPLIT-OFF OF WESTAR INDUSTRIES

On November 8, 2000, we entered into an agreement under which Public Service Company of New Mexico (PNM) is to acquire our electric utility businesses in a stock-for-stock transaction. Under the terms of the agreement, both PNM and we are to become subsidiaries of a new holding company, subject to customary closing conditions including regulatory and shareholder approvals. The split-off of Westar Industries to our shareholders immediately prior to closing is a condition to closing the transaction. At the same time we entered into the agreement with PNM, Westar Industries and we entered into an Asset Allocation and Separation Agreement which, among other things, provides for the split-off of Westar Industries and for a payable owed by us to Westar Industries to be converted by Westar Industries into certain of our securities.

On May 8, 2001, the Kansas Corporation Commission (KCC) opened an investigation of the separation of our electric utility businesses from our non-utility businesses and other aspects of our unregulated businesses. The order opening the investigation indicated that the investigation would focus on whether the separation and other transactions involving our unregulated businesses are consistent with our obligation to provide efficient and sufficient electric service at just and reasonable rates to our electric utility customers. The KCC staff was directed to investigate, among other matters, the basis for and the effect of the Asset Allocation and Separation Agreement and the payable owed by us to Westar Industries, the split-off of Westar Industries, the effect of business difficulties faced by our unregulated businesses and whether they should continue to be affiliated with our electric utility business and our present and prospective capital structures. On May 22, 2001, the KCC issued an order nullifying the Asset Allocation and Separation Agreement as not having been filed with and approved by the KCC, prohibiting us and Westar Industries from taking any action to complete a rights offering for common stock of Westar Industries, which was to be a first step in the separation, and scheduling a hearing to consider whether to make the order permanent.

On July 20, 2001, the KCC issued an order that, among other things, (1) confirmed its May 22, 2001 order prohibiting us and Westar Industries from taking any action to complete the proposed rights offering and nullifying the Asset Allocation and Separation Agreement; (2) directed us and Westar Industries not to take any action or enter into any agreement not related to normal utility operations that would directly or indirectly increase the share of debt in our capital structure applicable to our electric utility operations, which has the effect of prohibiting us from borrowing to make a loan or capital contribution to Westar Industries; and (3) directed us to present a plan by October 18, 2001, consistent with parameters established by the KCC's order, to restore financial health, achieve a balanced capital structure and protect ratepayers from the risks of our non-utility businesses. In its order, the KCC also acknowledged that we are presently operating efficiently and at reasonable cost and stated that it was not disapproving the PNM transaction or a split-off of Westar. We have filed a petition for general reconsideration of the order.

On July 26, 2001, PNM and we issued a joint press release announcing our belief that, if recent orders issued by the KCC remain in effect, the proposed transaction would be difficult to complete as currently structured and that we intend to meet to discuss possible modifications to the transaction that will make it possible to obtain necessary regulatory approvals. On August 13, 2001, PNM issued a press release announcing that we had discontinued discussions with PNM about possible modifications to the proposed transaction and advising us that PNM believes the KCC order reducing our rates would have a material adverse effect on the financial condition of the proposed combined companies and could result in the failure of a significant condition to the transaction. PNM's press release acknowledged that we disagreed with its characterization of the impact of the KCC's rate order. We have advised PNM that we also disagree strongly with its characterization of our discussions about possible modifications to the transaction.

While we are attempting to proceed with the PNM transaction, we are unable to predict the outcome of these matters or their impact on our strategic plans, including the PNM/split-off transaction, financial condition or results of operations. No assurance can be given as to whether or when the PNM transaction or a split-off may occur. We currently have approximately $7.9 million in deferred costs relating to the PNM transaction. Accounting rules require that these costs be charged to income in the period in which we determine the closing of the proposed transaction is not probable.

3. ACCOUNTING CHANGE

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138 (collectively, SFAS No. 133). We use derivative instruments (primarily swaps, options and futures) to manage the commodity price risk inherent in fuel purchases and electricity sales.

Under SFAS No. 133, all derivative instruments are recorded on the balance sheet as either an asset or liability measured at fair value. Energy trading contracts representing unrealized gain positions are reported as assets; energy trading contracts representing unrealized loss positions are reported as liabilities. Cash flows from derivative instruments are presented in net cash flow from operating activities.

Prior to January 1, 2001, gains and losses on our derivatives used for managing commodity price risk were deferred until settlement. These derivatives had not been designated as hedges under SFAS No. 133. Accordingly, in the first quarter of 2001, we recognized a net unrealized gain of $18.7 million, net of $12.3 million tax, on these derivatives as a cumulative effect of a change in accounting principle.

After January 1, 2001, changes in fair value of all derivative instruments used for managing commodity price risk are recognized currently as a cost of sales. For the quarter ended June 30, 2001, we recognized an unrealized loss of $19.1 million, net of $12.6 million tax benefit, associated with these derivative instruments. For the six months ended June 30, 2001, we recognized an unrealized loss of $18.5 million, net of $12.2 million tax benefit (excluding the cumulative effect of a change in accounting principle discussed above), associated with these derivative instruments. Accounting for derivatives under SFAS No. 133 will increase volatility of our future earnings.

4. RATE MATTERS AND REGULATION

KCC Rate Cases: On November 27, 2000, we and KGE filed applications with the KCC for a change in retail rates. On July 25, 2001, the KCC ordered an annual reduction in our combined electric rates of $22.7 million, consisting of a $41.2 million reduction in KGE's rates and an $18.5 million increase in the KPL division's rates. Effective the date of the order, we began to recognize a liability for amounts currently being collected from customers that will be subject to refund, with interest, pursuant to the order. The order requires that we make a filing for rate design for all customer classes by September 20, 2001. On August 9, 2001, we filed a petition with the KCC requesting reconsideration of the July 25, 2001 order. The petition specifically asks for reconsideration of changes in depreciation, reductions in rate base related to deferred income taxes and a deferred gain, wholesale revenue imputation and several other issues. We are unable to predict the outcome of our petition for reconsideration.

KCC Investigation and Order: See Note 2 for a discussion of the order issued by the KCC on July 20, 2001 in the KCC's docket investigating the separation of our electric utility businesses from our non-utility businesses and other aspects of our unregulated businesses.

FERC Proceeding: In September 1999, the City of Wichita filed a complaint with the Federal Energy Regulatory Commission (FERC) against us alleging improper affiliate transactions between our KPL division and KGE. The City of Wichita asked that FERC equalize the generation costs between KPL and KGE, in addition to other matters. After hearings on the case, a FERC administrative law judge ruled in our favor confirming that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. On January 5, 2001, we filed a brief opposing the City's position. We anticipate a decision by FERC in 2001. A decision requiring equalization of rates could have a material adverse effect on our results of operations and financial position.

5. COMMITMENTS AND CONTINGENCIES

Potential Impairment Charge Relating to the Planned Adoption of a New Accounting Standard Regarding the Treatment of Goodwill in a Business Combination: In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes a new accounting standard for the treatment of goodwill. The new standard continues to require recognition of goodwill as an asset in a business combination, but does not permit amortization as currently required by Accounting Principles Board Opinion No. 17, "Intangible Assets." Effective January 1, 2002, the new standard requires that goodwill be separately tested for impairment using a fair-value based approach as opposed to the undiscounted cash flow approach used under current accounting standards. If goodwill is found to be impaired, we would be required to record a non-cash charge against income, which would be recorded as a cumulative effect of a change in accounting principle. The impairment charge would be equal to the amount by which the carrying amount of the goodwill exceeds its estimated fair value. Also effective January 1, 2002, goodwill will no longer be amortized as is required under current accounting standards.

Under the new standard, any subsequent impairment test on our customer accounts will be performed on the customer accounts alone rather than in conjunction with goodwill utilizing an undiscounted cash flow test pursuant to SFAS No. 121.

At June 30, 2001, our intangible assets included $915.1 million in goodwill and $906.3 million in customer accounts. These intangible assets together represented 24% of the book value of our total assets. We recorded approximately $28.9 million in goodwill amortization expense for the six months ended June 30, 2001.

We have not yet performed impairment tests using the new standard. When tests are performed, we believe it is probable that we will be required to record a non-cash impairment charge. The amount will not be known until the tests are performed, but we believe the amount will be material and could be a substantial portion of our intangible assets. This impairment charge will have a material adverse effect on our operating results in the period recorded. Until the impairment charge is known we are unable to determine the impact upon our retained earnings, dividends, financial condition or cost of borrowings.

Manufactured Gas Sites: We have been associated with 15 former manufactured gas sites located in Kansas that may contain coal tar and other potentially harmful materials. We and the Kansas Department of Health and Environment entered into a consent agreement governing all future work at these sites. The terms of the consent agreement will allow us to investigate these sites and set remediation priorities based on the results of the investigations and risk analyses. As of June 30, 2001, the costs incurred for preliminary site investigation and risk assessment have not been material. In accordance with the terms of the strategic alliance with ONEOK, ownership of 12 of these sites and the responsibility for clean up of these sites were transferred to ONEOK. The ONEOK agreement limits our future liability associated with these sites to an immaterial amount. Our investment earnings from ONEOK could be impacted by these costs.

Asset Retirement Obligations: In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When it is initially recorded, we will capitalize the estimated asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability will be accreted to its present value each period and the capitalized cost will be depreciated over the life of the asset. The standard is effective for fiscal years beginning after June 15, 2002, with earlier adoption encouraged. We are reviewing what impact this pronouncement will have on our current accounting practices including nuclear plant decommissioning.

Additional Information: For additional information on Commitments and Contingencies, see Note 14 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2000.

6. INVESTMENT EARNINGS

We own certain equity securities, the fair value of which has declined below our cost basis. We believe the decline to be other than temporary. During the second quarter of 2001, we wrote down the cost basis of these securities to their fair value. The amount of the write-down is $11.1 million and is included in other income (expense). Investment earnings also include $10.3 million related to our investment in ONEOK.

During the six months ended June 30, 2000, we sold marketable securities and realized a gain of $115.6 million.

7. EXTRAORDINARY GAIN ON EXTINGUISHMENT OF DEBT

In the second quarter of 2001, Protection One purchased $21.8 million face value of its bonds in the open market. An extraordinary gain of $5.8 million, net of $3.1 million tax, was recognized on the retirement of these bonds. For the six months ended June 30, 2001, Protection One purchased $39.3 million face value of its bonds in the open market. An extraordinary gain of $10.8 million, net of $5.8 million tax, was recognized on the retirement of these bonds.

In the second quarter of 2000, Westar Industries purchased $45.1 million face value of Protection One bonds in the open market. These debt securities were transferred to Protection One in exchange for cash and the settlement of certain intercompany payables and receivables. Protection One also purchased $24.5 million face value of its bonds in the open market in the second quarter of 2000. An extraordinary gain of $17.3 million, net of $9.3 million tax, was recognized on these retirements.

8. INCOME TAXES

We have recorded income tax benefits and expenses for the interim periods using the effective tax rate method. Under this method, we compute the tax related to year-to-date income, except for significant unusual or extraordinary items, at an estimated annual effective tax rate. We individually compute and recognize, when the transaction occurs, income tax expense related to significant unusual extraordinary items. Our effective income tax rate for the three and six months ended June 30, 2001 was a tax benefit of 49% for each period compared to a tax expense of 12% and 38% for the comparable periods of 2000. The 2000 effective tax rates were significantly influenced by the tax effect of the gain on the sale of securities.

The difference between our effective tax rate and the statutory rate is primarily attributable to the tax benefit of excluding from taxable income, in accordance with IRS rules, 70% of the dividends received from ONEOK, the income from corporate-owned life insurance and certain expenses for depreciation, amortization and state income taxes. The difference is also attributed to the use of tax credits generated from affordable housing investments, the amortization of prior year deferred investment tax credits and a tax benefit associated with the loss on the disposition of some of our monitored services operations and the write-down of certain of our equity securities.

9. DISPOSITIONS OF MONITORED SERVICES OPERATIONS

In the second quarter of 2001, we and Protection One disposed of certain monitored security operations for approximately $42.3 million. We recognized a loss of $7.7 million, net of tax, on these transactions.

10. LEGAL PROCEEDINGS

The SEC commenced a private investigation in 1997 relating to, among other things, the timeliness and adequacy of disclosure filings with the SEC by us with respect to securities of ADT Ltd. We have cooperated with the SEC staff in this investigation.

We, our subsidiary Westar Industries, Protection One, its subsidiary Protection One Alarm Monitoring, Inc. (Monitoring) and certain present and former officers and directors of Protection One are defendants in a purported class action litigation pending in the United States District Court for the Central District of California, "Alec Garbini, et al v. Protection One, Inc., et al," No. CV 99-3755 DT (RCx). Pursuant to an Order dated August 2, 1999, four pending purported class actions were consolidated into a single action. On February 27, 2001, plaintiffs filed a Third Consolidated Amended Class Action Complaint (Amended Complaint). Plaintiffs purport to bring the action on behalf of a class consisting of all purchasers of publicly traded securities of Protection One, including common stock and notes, during the period of February 10, 1998, through February 2, 2001. The Amended Complaint asserts claims under Section 11 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 against Protection One, Monitoring, and certain present and former officers and directors of Protection One based on allegations that various statements concerning Protection One's financial results and operations for 1997, 1998, 1999 and the first three quarters of 2000 were false and misleading and not in compliance with generally accepted accounting principles. Plaintiffs allege, among other things, that former employees of Protection One have reported that Protection One lacked adequate internal accounting controls and that certain accounting information was unsupported or manipulated by management in order to avoid disclosure of accurate information. The Amended Complaint further asserted claims against us and Westar Industries as controlling persons under Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. A claim was also asserted under Section 11 of the Securities Act of 1933 against Protection One's auditor, Arthur Andersen LLP. The

Amended Complaint sought an unspecified amount of compensatory damages and an award of fees and expenses, including attorneys' fees. On June 4, 2001, the District Court dismissed plaintiffs' claims under Sections 10(b) and 20(a) of the Securities Exchange Act. The Court granted plaintiffs leave to replead such claims. The Court also dismissed all claims brought on behalf of bondholders with prejudice. The Court also dismissed plaintiffs' claims against Arthur Andersen with prejudice. The plaintiffs subsequently moved for reconsideration of the Court's order insofar as it did not give plaintiffs permission to amend their complaint to replead their claims against Arthur Andersen. After that motion is decided by the Court, plaintiffs will file a new amended complaint. We and Protection One intend to vigorously defend against this action. We and Protection One cannot predict the impact of this litigation, which could be material.

We and our subsidiaries are involved in various other legal, environmental and regulatory proceedings. We believe that adequate provision has been made and accordingly believe that the ultimate disposition of such matters will not have a material adverse effect upon our overall financial position or results of operations.

See also Notes 2 and 4 for discussion of the KCC regulatory proceedings and FERC proceedings involving the City of Wichita.

11. SEGMENTS OF BUSINESS

We have segmented our business according to differences in products and services, production processes and management responsibility. Based on this approach, we have identified four reportable segments: Fossil Generation, Nuclear Generation, Power Delivery and Monitored Services.

The first three segments comprise our electric utility business. Fossil Generation produces power for sale internally to the Power Delivery segment and externally to wholesale customers. A component of our Fossil Generation segment is power marketing, which attempts to minimize market fluctuation risk associated with fuel and purchased power requirements and to enhance system reliability. Nuclear Generation represents our 47% ownership in the Wolf Creek nuclear generating facility. This segment has only internal sales because it provides all of its power to its co-owners. The Power Delivery segment consists of the transmission and distribution of power to our retail customers in Kansas and the customer service provided to these customers and the transportation of wholesale energy. Monitored Services represents our security alarm monitoring business in North America and continental Europe. Other represents our non-utility operations and natural gas investment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2000. We evaluate segment performance based on earnings before interest and taxes (EBIT).

Three Months Ended June 30, 2001:

	Fossil Generation	Nuclear Generation	Power Delivery	Monitored Services	Other	Eliminating/ Reconciling Items	Total
				(In Thousands)			
External sales..............	$146,389	$ --	$266,078	$110,098	$ 337	$ (1)	$ 522,901
Internal sales..............	135,723	29,421	76,915	--	--	(242,059)	--
Earnings (loss) before interest and taxes........	23,107	(2,996)	32,763	(56,856)	2,232	(1,751)	(3,501)
Interest expense............							66,866
Earnings (loss) before income taxes.......							(70,367)

Three Months Ended June 30, 2000:

	Fossil Generation	Nuclear Generation	Power Delivery	Monitored Services	Other	Eliminating/ Reconciling Items	Total
				(In Thousands)			
External sales..............	$157,509	$ --	$260,820	$127,916	$ 353	$ 9	$ 546,607
Internal sales..............	135,433	29,313	70,533	--	--	(235,279)	--
Earnings (loss) before interest and taxes........	65,489	(2,858)	29,555	(21,959)	32,365	(3,557)	99,035
Interest expense............							72,312
Earnings before income taxes..............							26,723

Six Months Ended June 30, 2001:

	Fossil Generation(a)	Nuclear Generation	Power Delivery	Monitored Services	Other	Eliminating/ Reconciling Items	Total
				(In Thousands)			
External sales..............	$347,142	$ --	$511,344	$224,467	$ 690	$ (3)	$1,083,640
Internal sales..............	267,362	58,363	150,400	--	--	(476,125)	--
Earnings (loss) before interest and taxes and cumulative effect of accounting change....................	65,744	(8,690)	47,813	(86,958)	16,933	(7,361)	27,481
Interest expense............							136,074
Earnings (loss) before income taxes.......							(108,593)

Six Months Ended June 30, 2000:

	Fossil Generation	Nuclear Generation	Power Delivery	Monitored Services	Other	Eliminating/ Reconciling Items	Total
				(In Thousands)			
External sales..............	$258,273	$ --	$494,551	$274,786	$ 686	$ 11	$1,028,307
Internal sales..............	263,825	58,793	137,903	--	--	(460,521)	--
Earnings (loss) before interest and taxes........	110,841	(8,204)	42,012	(41,683)	148,742	(6,615)	245,093
Interest expense............							142,338
Earnings before income taxes..............							102,755

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(a) EBIT shown above for Fossil Generation does not include the unrecognized gain on derivatives reported as a cumulative effect of a change in accounting principle. If the effect had been included, EBIT for the Fossil Generation segment for the six months ended June 30, 2001 would have been $96,785.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations updates the information provided in our Annual Report on Form 10-K for the year ended December 31, 2000, and should be read in conjunction with that report. In this section, we discuss the general financial condition, significant changes and operating results for us and our subsidiaries. We explain:

- What factors impact our business
- What our earnings and costs were for the three and six months ended June 30, 2001 and 2000
- Why these earnings and costs differed from period to period
- How our earnings and costs affect our overall financial condition
- Any other items that particularly affect our financial condition or earnings

SUMMARY OF SIGNIFICANT ITEMS

PNM Merger and Split-off of Westar Industries

On November 8, 2000, we entered into an agreement under which Public Service Company of New Mexico (PNM) is to acquire our electric utility businesses in a stock-for-stock transaction. Under the terms of the agreement, both PNM and we are to become subsidiaries of a new holding company, subject to customary closing conditions including regulatory and shareholder approvals. The split-off of Westar Industries to our shareholders immediately prior to closing is a condition to closing the transaction. At the same time we entered into the agreement with PNM, Westar Industries and we entered into an Asset Allocation and Separation Agreement which, among other things, provides for the split-off of Westar Industries and for a payable owed by us to Westar Industries to be converted by Westar Industries into certain of our securities.

On May 8, 2001, the Kansas Corporation Commission (KCC) opened an investigation of the separation of our electric utility businesses from our non-utility businesses and other aspects of our unregulated businesses. The order opening the investigation indicated that the investigation would focus on whether the separation and other transactions involving our unregulated businesses are consistent with our obligation to provide efficient and sufficient electric service at just and reasonable rates to our electric utility customers. The KCC staff was directed to investigate, among other matters, the basis for and the effect of the Asset Allocation and Separation Agreement and the payable owed by us to Westar Industries, the split-off of Westar Industries, the effect of business difficulties faced by our unregulated businesses and whether they should continue to be affiliated with our electric utility business and our present and prospective capital structures. On May 22, 2001, the KCC issued an order nullifying the Asset Allocation and Separation Agreement as not having been filed with and approved by the KCC, prohibiting us and Westar Industries from taking any action to complete a rights offering for common stock of Westar Industries, which was to be a first step in the separation, and scheduling a hearing to consider whether to make the order permanent.

On July 20, 2001, the KCC issued an order that, among other things, (1) confirmed its May 22, 2001 order prohibiting us and Westar Industries from taking any action to complete the proposed rights offering and nullifying the Asset Allocation and Separation Agreement; (2) directed us and Westar Industries not to take any action or enter into any agreement not related to normal utility operations that would directly or indirectly increase the share of debt in our capital structure applicable to our electric utility operations, which has the effect of prohibiting us from borrowing to make a loan or capital contribution to Westar Industries; and (3) directed us to present a plan by October 18, 2001, consistent with parameters established by the KCC's order, to restore financial health, achieve a balanced capital structure and protect ratepayers from the risks of our non-utility businesses. In its order, the KCC also acknowledged that we are presently operating efficiently and at reasonable cost and stated that it was not disapproving the PNM transaction or a split-off of Westar. We have filed a petition for general reconsideration of the order.

On July 26, 2001, PNM and we issued a joint press release announcing our belief that, if recent orders issued by the KCC remain in effect, the proposed transaction would be difficult to complete as currently structured and that we intend to meet to discuss possible modifications to the transaction that will make it possible to obtain necessary regulatory approvals. On August 13, 2001, PNM issued a press release announcing that we had discontinued discussions with PNM about possible modifications to the proposed transaction and advising us that PNM believes the KCC order reducing our rates would have a material adverse effect on the financial condition of the proposed combined companies and could result in the failure of a significant condition to the transaction. PNM's press release acknowledged that we disagree with its characterization of the KCC's rate order. We have advised PNM that we also disagree strongly with its characterization of our discussions about possible modifications to the transaction.

While we are attempting to proceed with the PNM transaction, we are unable to predict the outcome of these matters or their impact on our strategic plans, including the PNM/split-off transaction, financial condition or results of operations. No assurance can be given as to whether or when the PNM transaction or a split-off may occur. We currently have approximately $7.9 million in deferred costs relating to the PNM transaction. Accounting rules require that these costs be charged to income in the period in which we determine the closing of the proposed transaction is not probable.

KCC Rate Cases

On November 27, 2000, we and KGE filed applications with the KCC for a change in retail rates. On July 25, 2001, the KCC ordered an annual reduction in our combined electric rates of $22.7 million, consisting of a $41.2 million reduction in KGE's rates and an $18.5 million increase in the KPL division's rates. Effective the date of the order, we began to recognize a liability for amounts currently being collected from customers that will be subject to refund, with interest, pursuant to the order. The order requires that we make a filing for rate design for all customer classes by September 20, 2001. On August 9, 2001, we filed a petition with the KCC requesting reconsideration of the July 25, 2001 order. The petition specifically asks for the reconsideration of changes in depreciation, reductions in rate base related to deferred income taxes and a deferred gain, wholesale imputation and several other issues. We are unable to predict the outcome of our petition for reconsideration.

We are currently evaluating the impact of the July 25, 2001 order, including provisions relating to certain accounting matters which, among other things, contemplate depreciation rates that effectively extend the estimated lives of our primary electric generation assets. The reduction of our annual rates by $22.7 million, or less than two percent of our total retail electric sales in 2000, will reduce our cash flow. We are evaluating whether this reduction in cash flow will require steps to reduce our capital needs or operating expenses. The impact of the order on our net income has not yet been determined.

Extraordinary Gain on Extinguishment of Debt

In the second quarter of 2001, Protection One purchased $21.8 million face value of its bonds in the open market. An extraordinary gain of $5.8 million, net of $3.1 million tax, was recognized on the retirement of these bonds. For the six months ended June 30, 2001, Protection One purchased $39.3 million face value of its bonds in the open market. An extraordinary gain of $10.8 million, net of $5.8 million tax, was recognized on the retirement of these bonds.

In the second quarter of 2000, Westar Industries purchased $45.1 million face value of Protection One bonds in the open market. These debt securities were transferred to Protection One in exchange for cash and the settlement of certain intercompany payables and receivables. Protection One also purchased $24.5 million face value of its bonds in the open market in the second quarter of 2000. An extraordinary gain of $17.3 million, net of tax of $9.3 million, was recognized on these retirements.

Potential Impairment Charge Relating to the Planned Adoption of a New Accounting Standard Regarding the Treatment of Goodwill in a Business Combination

In July 2001, FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes a new accounting standard for the treatment of goodwill. The new standard continues to require recognition of goodwill as an asset in a business combination, but does not permit amortization as currently required by Accounting

Principles Board Opinion No. 17, "Intangible Assets." Effective January 1, 2002, the new standard requires that goodwill be separately tested for impairment using a fair-value based approach as opposed to the undiscounted cash flow approach used under current accounting standards. If goodwill is found to be impaired, we would be required to record a non-cash charge against income, which would be recorded as a cumulative effect of a change in accounting principle. The impairment charge would be equal to the amount by which the carrying amount of the goodwill exceeds its estimated fair value. Also effective January 1, 2002, goodwill will no longer be amortized as is required under current accounting standards.

Under the new standard, any subsequent impairment test on our customer accounts will be performed on the customer accounts alone rather than in conjunction with goodwill utilizing an undiscounted cash flow test pursuant to SFAS No. 121.

At June 30, 2001, our intangible assets included $915.1 million in goodwill and $906.3 million in customer accounts. These intangible assets together represented 24% of the book value of our total assets. We recorded approximately $28.9 million in goodwill amortization expense for the six months ended June 30, 2001.

We have not yet performed impairment tests using the new standard. When tests are performed, we believe it is probable that we will be required to record a non-cash impairment charge. The amount will not be known until the tests are performed, but we believe the amount will be material and could be a substantial portion of our intangible assets. This impairment charge will have a material adverse effect on our operating results in the period recorded. Until the impairment charge is known we are unable to determine the impact upon our retained earnings, dividends, financial condition or cost of borrowings.

Dispositions of Monitored Services Operations

In the second quarter of 2001, we and Protection One disposed of certain monitored security operations for approximately $42.3 million. We recognized a loss of $7.7 million, net of tax, on these transactions.

Addition of New Capacity

In June 2001, we added 354 megawatts (MW) of additional generating capacity. Construction of a 154 MW combustion turbine generating unit was completed at the Gordon Evans Energy Center in Wichita, Kansas. Construction was completed on combined cycle units at the State Line Power Plant in Joplin, Missouri, a joint venture with The Empire District Electric Company, in which we have an ownership interest of 200 MW of generating capacity.

OPERATING RESULTS

The following discussion explains significant changes in operating results for the three and six months ended June 30, 2001 and 2000.

Western Resources Consolidated

Three Months Ended June 30, 2001, Compared to Three Months Ended June 30, 2000: Sales decreased $23.7 million, or 4%, primarily due to decreased monitored security revenues caused by a decline in Monitored Services' customer account base and decreased power marketing sales. See the "Overview of Utility Operations" and "Business Segments" discussions below for additional information.

Cost of sales increased $22.6 million, or 11%, primarily due to a $31.7 million non-cash mark-to-market adjustment on fuel derivatives as prescribed by SFAS No. 133 and increased fuel and purchased power expenses of $9.1 million. Partially offsetting these increases were decreases of $15.5 million in power marketing expense and $2.7 million in Monitored Services cost of revenues due to the decline in customer accounts. See the "Overview of Utility Operations" and "Business Segments" discussions below for further information. Decreased sales along with higher cost of sales were the primary reasons gross profit decreased $46.3 million. Gross profit as a percentage of sales decreased from 61% to 55%.

Operating expenses increased $25.6 million, or 10%, primarily due to the loss from the dispositions of certain monitored security operations, a non-recurring charge for Protection One's work force reduction and call center and other office consolidations and an increase in maintenance expenses associated with planned generating unit outages. Other income decreased $30.6 million, or 88%, primarily due to the significant investment earnings in 2000 from the sale of marketable securities and the write-down of securities in 2001. As a result, EBIT decreased $102.5 million. Excluding the mark-to-market adjustment on fuel derivatives, EBIT would have decreased $70.8 million.

For the reasons discussed above, basic loss per share was $0.43 for the second quarter of 2001, compared to basic earnings per share of $0.59 for the same period of 2000.

Six Months Ended June 30, 2001, Compared to Six Months Ended June 30, 2000: Sales increased $55.3 million, or 5%, primarily due to higher power marketing and wholesale sales in the first quarter of 2001. The increase in energy sales was partially offset by a decrease in Monitored Services' revenues. See the "Overview of Utility Operations" and "Business Segments" discussions below for additional information.

Cost of sales increased $117.3 million, or 30%, primarily due to a $30.7 million non-cash mark-to-market adjustment on fuel derivatives as prescribed by SFAS No. 133, increased power marketing expense of $65.1 million and increased fuel and purchased power expenses of $30.6 million as discussed below under "Overview of Utility Operations." These increases were partially offset by a lower cost of security revenues of $9.2 million, which declined primarily due to the decline in customer accounts. The significant increase in cost of sales was the primary reason gross profit decreased $61.9 million. Gross profit as a percentage of sales decreased from 62% to 53%.

EBIT decreased $217.6 million primarily as a result of investment earnings of $115.6 million in 2000 from the sale of marketable securities and the $61.9 million decline in gross profit in 2001. EBIT also decreased as a result of the $30.7 million mark-to-market adjustment for derivative instruments in the second quarter of 2001. EBIT does not reflect a $31.0 million gain in the first quarter of 2001 for the mark-to-market adjustment for derivative instruments recorded as a cumulative effect of a change in accounting principle. See Note 3 of the Notes to Consolidated Financial Statements for more information on accounting for derivative instruments.

For the reasons discussed above, basic loss per share was $0.37 for the six months ended June 30, 2001, compared to basic earnings per share of $1.39 for the same period of 2000.

Overview of Utility Operations

The following table reflects the changes in electric sales volumes, excluding power marketing, as measured by megawatt hours (MWh), for the three and six months ended June 30, 2001, from the comparable periods of 2000.

	Three Months Ended June 30,		
	2001	2000	% Change
	(Thousands of MWh)		
Residential	1,381	1,370	0.8
Commercial	1,566	1,548	1.2
Industrial	1,468	1,475	(0.5)
Other	26	27	(3.7)
Total retail	4,441	4,420	0.5
Wholesale	1,716	1,581	8.5
Total	6,157	6,001	2.6

	Six Months Ended June 30,		
	2001	2000	% Change
	(Thousands of MWh)		
Residential	2,711	2,593	4.6
Commercial	3,044	2,967	2.6
Industrial	2,822	2,851	(1.0)
Other	54	54	--
Total retail	8,631	8,465	2.0
Wholesale	3,733	3,254	14.7
Total	12,364	11,719	5.5

Three Months Ended June 30, 2001, Compared to Three Months Ended June 30, 2000: Energy sales decreased $5.9 million, or 1%, primarily due to decreased power marketing sales, which were partially offset by increases in retail and wholesale sales. Power marketing sales were lower primarily due to a decrease in market demand and prices. Retail and wholesale sales increased primarily due to increased system demand for power because of warmer weather than in 2000.

Cost of sales increased $25.2 million, or 15%, primarily due to a $31.7 million non-cash mark-to-market adjustment on fuel derivatives as prescribed by SFAS No. 133 and increased fuel and purchased power expenses of $9.1 million. Fuel and purchased power expenses were higher primarily due to increased volumes incurred to meet higher residential and commercial retail sales. A decrease in power marketing expense of $15.5 million due to reduced market demand partially offset the cost of sales increases. Primarily as a result of the increase in cost of sales, gross profit decreased $31.1 million, or 13% and gross profit as a percentage of electric sales decreased from 59% to 52%. Excluding the mark-to-market adjustment on fuel derivatives, gross profit would have increased $0.6 million.

Six Months Ended June 30, 2001, Compared to Six Months Ended June 30, 2000: Energy sales increased $105.7 million, or 14%, primarily due to increased power marketing sales in the first quarter and higher retail and wholesale sales caused by weather conditions as discussed below in the "Power Delivery" segment discussion. Cost of sales increased $126.5 million, or 42%, primarily due to a $30.7 million non-cash mark-to-market adjustment on fuel derivatives as prescribed by SFAS No. 133 and increased power marketing, purchased power and fuel expenses. Gross profit decreased $20.8 million, or 5%, and gross profit as a percentage of electric sales decreased from 60% to 50% due to the cost of sales increasing more than the increase in sales. Excluding the mark-to-market adjustment on fuel derivatives, gross profit would have increased $9.9 million.

Power marketing expense increased $65.1 million as a result of the corresponding increase in power marketing sales. Purchased power expense increased $11.7 million and fuel expense increased $18.9 million primarily due to increased demand from our retail customers and the need to replace power not available as a result of planned generating unit maintenance outages. Our average natural gas unit price has increased 71% during 2001 as compared to the same period of 2000. However, our average fossil fuel unit price increased only 7% because we were able to mitigate our exposure through fuel management efforts, such as burning significantly more oil and less gas. These efforts enabled us to keep our fossil fuel average unit cost from increasing in proportion to the average unit fuel prices experienced in the fossil fuel commodity markets. Due to the volatility of fossil fuel unit prices and commodity markets, similar efforts may not produce as favorable results in the future.

Business Segments

Our business is segmented according to differences in products and services, production processes and management responsibility. Based on this approach, we have identified four reportable segments: Fossil Generation, Nuclear Generation, Power Delivery and Monitored Services.

Our electric utility business is comprised of the Fossil Generation, Nuclear Generation and Power Delivery segments. Fossil Generation produces power for sale internally to the Power Delivery segment and externally to wholesale customers. A component of our Fossil Generation segment is power marketing, which attempts to minimize market fluctuation risk associated with fuel and purchased power requirements and enhance system reliability. Nuclear Generation represents our 47% ownership in the Wolf Creek nuclear generating facility. This segment has only internal sales because it provides all of its power to its co-owners. The Power Delivery segment consists of the transmission and distribution of power to our retail customers in Kansas and the customer service provided to these customers and the transmission of wholesale energy. Monitored Services is comprised of our security alarm monitoring business in North America and continental Europe.

The following table reflects key information for our three electric utility business segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Fossil Generation:				
External sales..............	$ 146,389	$ 157,509	$ 347,142	$ 258,273
Internal sales..............	135,723	135,433	267,362	263,825
EBIT (a)....................	23,107	65,489	65,744	110,841
Nuclear Generation (b):				
Internal sales..............	$ 29,421	$ 29,313	$ 58,363	$ 58,793
EBIT........................	(2,996)	(2,858)	(8,690)	(8,204)
Power Delivery:				
External sales..............	$ 266,078	$ 260,820	$ 511,344	$ 494,551
Internal sales..............	76,915	70,533	150,400	137,903
EBIT........................	32,763	29,555	47,813	42,012

(a) EBIT shown above for Fossil Generation does not include the unrecognized gain on derivatives reported as a cumulative effect of a change in accounting principle. If the effect had been included, EBIT for the Fossil Generation segment for the six months ended June 30, 2001 would have been $96,785.
(b) Nuclear Generation amounts represent our 47% share of Wolf Creek's operating results.

Fossil Generation

Fossil Generation's external sales consist of the power produced and purchased for sale to wholesale customers. Internal sales consist of the power produced for sale to Power Delivery, which delivers the power to our retail and wholesale customers. The internal transfer price for these sales is set by us based on estimates of what we believe would be competitive market prices for capacity and energy at the time of sale.

Three Months Ended June 30, 2001, Compared to Three Months Ended June 30, 2000: External sales decreased $11.1 million primarily due to a $15.8 million decrease in power marketing sales, which was partially offset by a $4.8 million increase in wholesale sales. The decrease in power marketing sales was primarily due to lower market demand and prices. EBIT decreased $42.4 million primarily due to a $31.7 million non-cash mark-to-market adjustment on fuel derivatives as prescribed by SFAS No. 133 and increased fuel and purchased power expenses. Excluding the mark-to-market adjustment on fuel derivatives, EBIT would have decreased $10.7 million.

Six Months Ended June 30, 2001, Compared to Six Months Ended June 30, 2000: External sales increased $88.9 million primarily due to an increase in power marketing sales of $64.7 million, or 44%, and an increase in wholesale sales of $27.2 million, or 30%. During the first quarter of 2001, we experienced significant increases in power marketing and wholesale sales, which were partially offset by the decreases in the second quarter as discussed in the paragraph above. EBIT decreased $45.1 million primarily due to a $30.7 million non-cash mark-to-market adjustment on fuel derivatives, and increased fuel, purchased power, power marketing and maintenance expenses. Excluding the mark-to-market adjustment on fuel derivatives, EBIT would have decreased $14.4 million.

Nuclear Generation

Nuclear Generation has only internal sales because all of its power is provided to its co-owners: KGE, Kansas City Power and Light Company and Kansas Electric Power Cooperative, Inc. KGE owns 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). Internal sales are priced at the internal transfer price that Nuclear Generation charges to Power Delivery. Internal sales and EBIT did not materially change because there were no Wolf Creek refueling outages in either period. EBIT is negative because internal sales are less than Wolf Creek's costs.

Power Delivery

Power Delivery's external sales consist of the transmission and distribution of power to our electric retail and wholesale customers and the customer service provided to them. Internal sales consist of the intra-segment transfer price charged to Fossil Generation and Nuclear Generation for the use of the distribution lines and transformers.

Three Months Ended June 30, 2001, Compared to Three Months Ended June 30, 2000: External sales increased $5.3 million, or 2%, and EBIT increased $3.2 million, or 11%. We experienced a 1% increase in residential sales volumes primarily due to a 12% increase in cooling-degree days caused by warmer weather than in 2000.

Six Months Ended June 30, 2001, Compared to Six Months Ended June 30, 2000: External sales increased $16.8 million, or 3%, and EBIT increased $5.8 million, or 14%. Weather conditions resulted in an approximate 5% increase in residential sales volumes.

Monitored Services

Protection One and Protection One Europe comprise our monitored services business. The results discussed below reflect Monitored Services on a stand-alone basis. These results do not take into consideration Protection One's minority interest of approximately 13% and 15% at June 30, 2001 and 2000, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(Dollars in Thousands)			
External sales.............	$ 110,098	$ 127,916	$ 224,467	$ 274,786
EBIT.......................	(56,856)	(21,959)	(86,958)	(41,683)

Three Months Ended June 30, 2001, Compared to Three Months Ended June 30, 2000: Sales decreased $17.8 million primarily due to a decline in Monitored Services' average customer base. Monitored Services' net decline in customers in the second quarter of 2001 was 94,745. This decrease included a decrease in Protection One Europe's account base of 43,016 customers as a result of the disposition of the United Kingdom operations, and a decrease of 24,972 customers related to account dispositions and conversions by Protection One. The balance of the decrease in customers is primarily attributable to the fact that Protection One's customer acquisition strategies have not been able to generate accounts in a sufficient volume at acceptable cost to replace accounts lost through attrition. See "Monitored Services Business Attrition" below for discussion regarding attrition. Protection One expects this trend will continue until the efforts it is making to acquire new accounts and reduce attrition become more successful than they have been to date. Until it is able to reverse this trend, net losses of customer accounts will materially and adversely affect its business, financial condition and results of operations. Protection One's focus remains on the completion of its current infrastructure projects, cost reductions, the development of cost effective marketing programs and the generation of positive cash flow.

Six Months Ended June 30, 2001, Compared to Six Months Ended June 30, 2000: Sales decreased $50.3 million primarily due to a decline in Monitored Services' average customer base. Monitored Services' experienced a net decline of 115,734 customers in the six months ended June 30, 2001. This decrease in customers is primarily attributable to the factors discussed in the paragraph above and the significant decrease in the number of accounts being purchased from dealers.

Other Income (Expense)

Other income for the second quarter of 2001 decreased $30.6 million primarily due to lower investment earnings of $32.8 million. For the six months ended June 30, 2001, other income decreased $134.9 million primarily due to lower investment earnings of $137.9 million as compared to June 30, 2000. During 2000, our investment earnings were significantly higher because we recognized a gain on the sale of our investment in a gas compression company and on the sale of other marketable securities, which represented substantially all of our investment portfolio. Additionally, during the second quarter of 2001, we wrote down the cost basis of certain equity securities to their fair value. See Note 6 of the Notes to Consolidated Financial Statements for more information.

Interest Expense

Three Months Ended June 30, 2001, Compared to Three Months Ended June 30, 2000: Interest expense represents the interest we paid on outstanding debt. On June 28, 2000, we entered into a $600 million, multi-year term loan that increased our long-term debt balance (see the Liquidity and Capital Resources section below for more information). As a result, long-term debt interest expense increased $8.0 million, or 16%. However, interest expense on short-term debt decreased $13.4 million, or 57%, due to repayments of short-term borrowings under our credit facilities, which reduced our net interest expense by $5.4 million.

Six Months Ended June 30, 2001, Compared to Six Months Ended June 30, 2000: Our interest expense on long-term debt increased $16.1 million because of increased long-term debt as discussed above. Short-term debt interest expense was $22.4 million lower due to repayments of short-term borrowings. Our net interest expense was $6.3 million lower in 2001 than in 2000.

Income Taxes

We have recorded income tax benefits and expenses for the interim periods using the effective tax rate method. Under this method, we compute the tax related to year-to-date income, except for significant unusual or extraordinary items, at an estimated annual effective tax rate. We individually compute and recognize, when the transaction occurs, income tax expense related to significant unusual extraordinary items. Our effective income tax rate for the three and six months ended June 30, 2001 was a tax benefit of 49% for each period compared to a tax expense of 12% and 38% for the comparable periods of 2000. The 2000 effective tax rates were significantly influenced by the tax effect of the gain on the sale of securities.

The difference between our effective tax rate and the statutory rate is primarily attributable to the tax benefit of excluding from taxable income, in accordance with IRS rules, 70% of the dividends received from ONEOK, the income from corporate-owned life insurance and certain expenses for depreciation, amortization and state income taxes. The difference is also attributed to the use of tax credits generated from affordable housing investments, the amortization of prior year deferred investment tax credits and a tax benefit associated with the loss on the disposition of some of our monitored services operations and the write-down on certain of our equity securities.

LIQUIDITY AND CAPITAL RESOURCES

We had $66.8 million in cash and cash equivalents at June 30, 2001. We consider cash equivalents to be highly liquid debt instruments when purchased with a maturity of three months or less. We also had $23.0 million of restricted cash classified as a current asset. The current asset portion of our restricted cash consists primarily of cash held in escrow as required by certain letters of credit. In addition, we had $34.9 million of restricted cash classified as a long-term asset, which consists primarily of cash held in escrow required by the terms of a pre-paid capacity and transmission agreement.

At June 30, 2001, current maturities of long-term debt were $32.5 million and short-term debt outstanding was $146.4 million. At August 8, 2001, our short-term debt outstanding was $142 million.

On June 28, 2000, we entered into a $600 million, multi-year term loan that replaced two revolving credit facilities that matured on June 30, 2000. The proceeds of the term loan were used to retire short-term debt. On January 2, 2001, we repaid $3 million, reducing the remaining balance to $597 million. The term loan is secured by our and KGE's first mortgage bonds and has a maturity date of March 17, 2003. The terms of the loan contain requirements for maintaining certain consolidated leverage ratios, interest coverage ratios and consolidated debt to capital ratios. We are in compliance with all of these requirements.

We also have an arrangement with certain banks to provide a revolving credit facility on a committed basis totaling $500 million. The facility is secured by our and KGE's first mortgage bonds and expires on March 17, 2003. As of June 30, 2001, borrowings under this facility were $146.1 million.

Future Cash Requirements: Our businesses require significant capital investments. See our Annual Report on Form 10-K for the year ended December 31, 2000 for additional information about anticipated capital expenditures for years 2001 through 2003. Protection One anticipates capital expenditures of approximately $20 million to acquire customer accounts and to purchase fixed assets for the remainder of 2001. Protection One is re-evaluating its estimated capital expenditures for 2002 and 2003. The KCC order reducing our combined electric annual rates by $22.7 million will also reduce our annual cash flow. We are evaluating the extent to which this reduction in cash flow will, among other things, require us to take steps to reduce our currently planned capital needs and operating expenses, or increase our cost of financing.

Credit Ratings: Standard & Poor's (S&P), Fitch Investors Service (Fitch) and Moody's Investors Service (Moody's) are independent credit-rating agencies that rate our debt securities. These ratings indicate the agencies' assessment of our ability to pay interest and principal on these securities. On July 25, 2001, S&P revised its CreditWatch listing on our and KGE's ratings to "developing" from "positive".

As of July 25, 2001, ratings with these agencies are as follows:

	Western Resources Mortgage Bond Rating	Western Resources Unsecured Debt	KGE Mortgage Bond Rating	Protection One Senior Unsecured Debt	Protection One Senior Subordinated Unsecured Debt
S&P.............	BBB-	BB-	BB+	B+	B-
Fitch...........	BB+	BB	BB+	B	CCC+
Moody's.........	Ba1	Ba2	Ba1	B3	Caa2

Cash Flows from (used in) Operating Activities

Cash provided by operations increased from $65.8 million for the six months ended June 30, 2000, to $107.2 million for the same period of 2001. The reason for this increase is primarily due to changes in working capital.

Cash Flows from (used in) Investing Activities

Investing activities used net cash flow of $97.9 million in the six months ended June 30, 2001 compared to providing cash of $31.4 million for the same period in 2000. The decrease is primarily due to proceeds of $217.1 received from the sale of marketable securities during the six months ended June 30, 2000. Additions to property, plant and equipment also decreased by $47.9 million for the six months ended June 30, 2001 as compared to the six months ended June 30, 2000.

Cash Flows from (used in) from Financing Activities

Net cash from financing activities totaled $48.7 million for the six months ended June 30, 2001 due primarily to additional short-term debt borrowings.

Net cash used in financing activities totaled $103.0 million in the six months ended June 30, 2000 primarily due to the retirements of long- and short-term debt.

Our ability to issue additional debt and equity securities is restricted under our Articles of Incorporation and our and KGE's mortgages and other debt instruments.

Debt and Equity Repurchase Plans

We and Protection One may, from time to time, purchase our and Protection One's debt and equity securities in the open market or through negotiated transactions. We and Protection One will determine the timing and terms of purchases and the amount of debt or equity actually purchased, based on market conditions and other factors.

OTHER INFORMATION

FERC Proceeding

In September 1999, the City of Wichita filed a complaint with the FERC against us alleging improper affiliate transactions between our KPL division and KGE. The City of Wichita asked that FERC equalize the generation costs between KPL and KGE, in addition to other matters. After hearings on the case, a FERC administrative law judge ruled in our favor confirming that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. On January 5, 2001, we filed a brief opposing the City's position. We anticipate a decision by FERC in 2001. A decision requiring equalization of rates could have a material adverse effect on our results of operations and financial position.

Monitored Services Business Attrition

Customer attrition has a direct impact on the results of our monitored security operations since it affects its revenues, amortization expense and cash flow. See "Operating Results - Monitored Services" for additional information regarding customer attrition.

In the second quarter of 2001, the decrease in Protection One's customer base included 7,878 accounts that were sold, 1,562 accounts that were part of the patrol division that was discontinued in May, and 15,532 accounts that were combined with related existing accounts in the conversion of the Beaverton, Oregon customer service center to a new billing and monitoring system referred to as MAS(R). Protection One's old billing and monitoring systems reported accounts based on number of contracts. MAS(R) reports sites for which Protection One provides service regardless of whether Protection One has separate contracts to provide multiple services at that site. These decreases were excluded in the calculation of attrition for the periods indicated below.

Customer attrition for the three months ended June 30, 2001 and 2000, is summarized below:

	Customer Account Attrition			
	June 30, 2001		June 30, 2000	
	Annualized Second Quarter	Trailing Twelve Months	Annualized Second Quarter	Trailing Twelve Months
Protection One................	12.2%	13.9%	14.6%	14.4%
Protection One Europe.........	8.6%	9.3%	8.6%	8.2%

Market Risk Disclosure

We are exposed to market risk, including changes in commodity prices, equity instrument investment prices and interest rates. Since December 31, 2000, we have not experienced any significant changes in our exposure to market risk except for the impact of changes in our interest rate exposure on variable rate debt and current maturities of fixed rate debt. For additional information on our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2000.

Interest Rate Exposure: Our variable rate debt and current maturities of fixed rate debt increased from $156.9 million at December 31, 2000, to $268.3 million at June 30, 2001. Our weighted average interest rate decreased from 8.11% at December 31, 2000, to 5.83% at June 30, 2001. A 100 basis point change in each debt series' benchmark rate used to set the rate for such series would impact net income on an annual basis by approximately $2.0 million after tax.

Accounting Change

Effective January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138 (collectively, SFAS No. 133). We use derivative instruments (primarily swaps, options and futures) to manage the commodity price risk inherent in fuel purchases and electricity sales.

Under SFAS No. 133, all derivative instruments are recorded on the balance sheet as either an asset or liability measured at fair value. Energy trading contracts representing unrealized gain positions are reported as assets; energy trading contracts representing unrealized loss positions are reported as liabilities. Cash flows from derivative instruments are presented in net cash flow from operating activities.

Prior to January 1, 2001, gains and losses on our derivatives used for managing commodity price risk were deferred until settlement. These derivatives had not been designated as hedges under SFAS No. 133. Accordingly, in the first quarter of 2001, we recognized a net unrealized gain of $18.7 million, net of $12.3 million tax, on these derivatives as a cumulative effect of a change in accounting principle.

After January 1, 2001, changes in fair value of all derivative instruments used for managing commodity price risk are recognized currently as a cost of sales. For the quarter ended June 30, 2001, we recognized an unrealized loss of $19.1 million, net of $12.6 million tax benefit, associated with these derivative instruments. For the six months ended June 30, 2001, we recognized an unrealized loss of $18.5 million, net of $12.2 million tax benefit (excluding the cumulative effect of a change in accounting principle discussed above), associated with these derivative instruments. Accounting for derivatives under SFAS No. 133 will increase volatility of our future earnings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to the market risk disclosure is set forth in Other Information of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations included herein.

Part II Other Information

ITEM 1. LEGAL PROCEEDINGS

Information relating to legal proceedings is set forth in Note 10 of the Notes to Consolidated Financial Statements included in Part I of this report, which information is incorporated herein by reference.

See also Notes 2 and 4 of the Notes to Consolidated Financial Statments for discussion of KCC regulatory proceedings and FERC proceedings involving the City of Wichita, which are incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our Annual Meeting of Shareholders was held on July 10, 2001. At the meeting, the holders of 59,387,120 shares voted either in person or by proxy to elect the following directors to serve a term of three years:

	Votes	
	For	Withheld
Gene A. Budig................	56,238,684	3,148,436
John C. Nettels, Jr..........	56,348,332	3,038,788
David C. Wittig.............	53,838,662	5,548,458

The following directors will continue to serve their unexpired terms: Frank J. Becker, Douglas T. Lake, John C. Dicus and Charles Q. Chandler, IV.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

99.1 - Press release issued August 13, 2001 by PNM announcing that talks to modify our transaction with PNM have been discontinued.

99.2 - Press release issued August 13, 2001 by Western Resources responding to PNM's announcment of discontinued talks.

(b) Reports on Form 8-K filed during the quarter ended June 30, 2001:

Form 8-K filed May 2, 2001 - Announcing that we and Westar Industries had entered into an Amendment to the Asset Allocation and Separation Agreement.

Form 8-K filed May 10, 2001 - Filing the KCC's order initiating an investigation into the proposed separation of our electric utility businesses from our unregulated businesses and our press release responding to the order.

Form 8-K filed May 23, 2001 - Announcing a supplemental order from the KCC declaring that the Asset Allocation and Separation Agreement is of no force and legal effect and further ordering that no action be taken on Westar Industries' rights offering.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTERN RESOURCES, INC.

Date: August 14, 2001

By: /s/ James A. Martin

James A. Martin
Senior Vice President
and Treasurer

Exhibit 99.1

FOR IMMEDIATE RELEASE
Monday, August 13, 2001

PNM/Western Talks to Modify Agreement Discontinued

ALBUQUERQUE, NM, August 13, 2001 - PNM, Public Service Company of New Mexico (NYSE: PNM), today announced that Western Resources, Inc. (NYSE: WR) discontinued talks between PNM and Western about possible modifications to their proposed transaction and that the parties are in disagreement about the future of the transaction.

Western has advised PNM that it believes the parties should pursue completion of the transaction as currently structured notwithstanding two recent orders from the Kansas Corporation Commission (KCC). PNM in return has advised Western that it is disappointed that the talks have been discontinued since it continues to believe that the existing transaction cannot be consummated if the KCC orders remain in effect.

One of the orders prohibits the split-off of Western's unregulated businesses in the manner proposed by Western. As the transaction with PNM is currently structured, the split-off is required prior to closing the deal. The other order reduces Western's rates by almost $23 million annually. Western has filed for reconsideration of the two orders.

PNM has advised Western that the order reducing Western's rates would have a material adverse effect on the financial condition of the proposed combined companies, and could result in the failure of a significant condition to the transaction. Western has advised PNM that it disagrees. PNM believes that Western has responsibility for resolving issues raised by the KCC orders.

"PNM remains committed to the strategic benefits of bringing the two companies' electric operations together," said Jeff Sterba, PNM Chairman, President & CEO. "We continue to believe that the Merger Agreement with Western, as currently structured, cannot be consummated if the KCC orders stand and the KCC's expressed concerns are not addressed by Western."

PNM is a combined electric and gas utility serving approximately 1.3 million people in New Mexico. The company also sells power on the wholesale market in the Western U.S. PNM stock is traded primarily on the NYSE under the symbol PNM. For more information about PNM, see the company's web site at www.pnm.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. 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, the outcome of possible appeals of regulatory orders issued to date, 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 impact of Protection One's financial condition on Western Resources' consolidated results, and other factors. PNM disclaims 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 most recent reports filed with the Securities and Exchange Commission.

Additional Information
In connection with a transaction, PNM and Western Resources would 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.

Participants in Solicitation
PNM and certain of its respective directors, executive officers and other members of its management and employees, each of whom may be considered participants in this transaction under applicable securities laws, may be soliciting proxies from PNM's 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 February 22, 2001, as amended on April 30, 2001. Certain directors and executive officers of PNM 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, PNM's directors and officers, after the transaction, will be indemnified by PNM, and benefit from insurance coverage for liabilities that may arise from their service as directors and officers of PNM prior to the transaction. Additional information regarding PNM's participants in the solicitation will be contained in the joint proxy statement/prospectus.

FOR MORE INFORMATION:

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If you have questions or comments regarding this page, please e-mail Investor Relations.
Date Last Updated: August 13, 2001

Exhibit 99.2

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WESTERN RESOURCES RESPONDS TO PNM NEWS RELEASE

TOPEKA, Kan., August 13, 2001--Western Resources (NYSE: WR) announced today that it was surprised by Public Service Company of New Mexico's (NYSE: PNM) news release and strongly disagrees with PNM's characterization that Western Resources has discontinued talks with PNM concerning the transaction. Western Resources indicated it remains committed to the transaction.

David C. Wittig, Western Resources chairman of the board, president and chief executive officer, said, "We have continually expressed our willingness to work with PNM and believe the current transaction can be completed without significant modification of the economic terms of the transaction. We are extremely disappointed that PNM has refused to meet with us to discuss the transaction on that basis."

Western Resources (NYSE: WR) is a consumer services company with interests in monitored services and energy. The company has total assets of about $8 billion, including security company holdings through ownership of Protection One (NYSE: POI) and Protection One Europe, which have more than 1.4 million security customers. Its utilities, KPL and KGE, provide electric service to approximately 639,000 customers in Kansas. Through its ownership in ONEOK, Inc. (NYSE: OKE), a Tulsa-based natural gas company, Western Resources has an approximate 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 about Western Resources and its operating companies, visit us on the Internet at http://www.wr.com.

Forward-looking statements: Certain matters discussed in this news release are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "expect" or words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning capital expenditures, earnings, liquidity and capital resources, litigation, rate and other regulatory matters, including the impact of the order to reduce our rates issued on July 25, 2001, by the Kansas Corporation Commission, and the impact of the Kansas Corporation Commission's order issued July 20, 2001, with respect to the proposed separation of Western Resources' electric utility businesses from Westar Industries and matters related to our unregulated businesses, possible corporate restructurings, mergers, acquisitions, dispositions, compliance with debt covenants, changes in accounting requirements and other accounting matters, interest and dividends, Protection One's financial condition and its impact on our consolidated results, environmental matters, changing weather, nuclear operations, ability to enter new markets successfully and capitalize on growth opportunities in non-regulated businesses, events in foreign markets in which investments have been made, and the overall economy of our service area. What happens in each case could vary materially from what we expect because of such things as electric utility deregulation, ongoing municipal, state and federal activities, such as the Wichita municipalization effort; future economic conditions; legislative and regulatory developments; the proposed separation of Western Resources' electric utility businesses from Westar Industries and the consummation of the acquisition of the electric operations of Western Resources by Public Service Company of New Mexico; regulatory and competitive markets; and other circumstances affecting anticipated operations, sales and costs. See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2000, and our quarterly reports on Form 10-Q and current reports on Form 8-K, filed with the Securities and Exchange Commission, for additional information on these and other matters that may affect our business and financial results. Western Resources disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this news release.