

CONFIDENTIAL MEMORANDUM

23 APRIL 2002

TO: Doug Lawrence
Western Resources

Federal Elections Participation

Below are our recommendations for beginning to develop a significant and positive profile for the Company's federal presence. A couple of observations:

First this is not a random wish list that simply matches titles with solicitations. We have thought this through, and we're happy to explain it in more detail.

Secondly, this will strike you as very big – and, of course, on one level it really is (at least nominally) quite expensive. But that's largely because of the rapidity and reach of the Company's move to enlarge its traditional single-state delegation-based approach to Washington. The Company now seeks a committee and leadership-based approach to Capitol Hill – and we do well to recognize that there are high "up-front" costs for a long-term presence.

Issues come and go, and we know you agree that the "switch" cannot be turned on and off according to the issue *de jure*. There's significant value in securing your "place at the table" for a much longer period ahead. With this in mind, here's our stab at it.

HARD MONEY

Rep. Billy Tauzin (R-LA)

Rep. Tauzin (pronounced TOE-zan) is chairman of the full House Energy and Commerce Committee. His priority right now is using his position to help secure the re-election of some of his key allies and friends. In fact, he and Rep. Joe Barton (R-TX), who chairs the full committee's Energy and Air Quality Subcommittee, are hosting and cooking for a series of eight "Tex-Cajun Cookouts" over the next couple of months.

We strongly recommend participation in all eight at the solicited \$1,000 level:

1. ✓ Rep. John Shimkus (R-IL), an Energy and Commerce Committee member.
Volunteers For Shimkus - \$1,000
April 23 event
2. Rep. Sam Graves (R-MO)
✓ **Graves For Congress - \$1,000**
April 24 event
3. Rep. Anne Northup (R-KY), an Appropriations Committee member.
✓ **Northup For Congress - \$1,000**
May 14 event
4. ✓ Shelley Moore Capito (R-WV), a Financial Services Committee member.

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✓ Shelley Moore Capitol For Congress - \$1,000
May 15 event

⑤ Rep. Felix Grucci (R-NY), a Financial Services Committee member.
Grucci For US Congress - \$1,000
June 4 event

⑥ Rep. Bob Simmons (R-CT)
Simmons For Congress - \$1,000
June 5 event

⑦ Rep. Tom Latham (R-IA), an Appropriations Committee member.
Latham For Congress - \$1,000
July 9 event

⑧ Rep. Robin Hayes (R-NC)
Hayes For Congress - \$1,000
July 10 event

2,000

⑧

Lastly with regard to Chairman Tauzin, we need to mention his own personal "big one." His leadership PAC - "Bayou Leader PAC" - holds an annual summer event in New Orleans. The cost is \$5,000 for the intimate June 14-16 gathering. Sub Fund

5,000

5,000

Rep. Joe Barton (R-TX)

As noted above, Rep. Barton chairs the "utility" subcommittee of the full Energy and Commerce Committee: the Subcommittee on Energy and Air Quality. He has a personal campaign kitty and his own leadership PAC. We recommend supporting each at the \$2,000 level.

Congressman Joe Barton Committee - \$2,000
Texas Freedom Fund - \$2,000

4,000

Rep. Mike Oxley (R-OH)

Rep. Oxley chairs the full House Financial Services Committee - a jurisdiction with which you are familiar. Mike has a personal campaign committee and a leadership PAC, and we recommend supporting each at the \$1,000 level.

Oxley For Congress Committee - \$1,000
Leadership 2002 - \$1,000

2,000

Rep. Richard Burr (R-NC)

Rep. Burr is Vice Chairman of the full Energy and Commerce Committee. We recommend a \$2,000 contribution.

Burr For Congress - \$2,000

2,000

Senator Richard Shelby (R-AL)

Senator Shelby is a member of both the Senate Energy Committee and the Banking Committee. Within the latter, he is a member (and former chairman) of the PUHCA-jurisdictional Securities and Investment Subcommittee. In fact, Richard is the lead senate Republican on all PUHCA-related matters.

Richard's high personal priority right now, is – like Rep. Tauzin's (above) – the election of *other people*:

✓ **Tom Young For Congress - \$5,000**

Until a couple of weeks ago, Tom had been Richard's chief of staff for 12 years. He's seeking the Republican nomination for the open Alabama house seat created by the retirement of Rep. Sonny Callahan (R). Although a safely Republican seat, Tom does have one significant opponent in his June primary: Rep. Callahan's chief of staff.

Rep. John Sununu (R-NH)
Team Sununu - \$3,000

This is a key national race in which incumbent Rep. Sununu seeks to unseat incumbent Senator Bob Smith (R). You'll recall the latter's having briefly left the party for a short and quixotic campaign for president. Though Smith returned, every poll has him losing to Sununu in the September primary. Sununu is also then favored to defeat incumbent Governor Jeanne Shaheen (D) for the senate seat.

Senator Tim Johnson (D-SD)

We offer this to the list for staunch Company Democrats. Freshman Senator Johnson's tight race, against Rep. John Thune (R-At Large), is viewed by the media as a proxy battle between the White House (backing Thune) and Senate Majority Leader Tom Daschle, who's fighting for the re-election of his fellow South Dakota Democrat.

Tim Johnson For South Dakota - \$2,500

SOFT MONEY

We believe that the most beneficial way to spend corporate dollars – as opposed to cutting personal or PAC checks – is with the House Leadership. That means joining the fold, so to speak, of House Majority Leader Tom Delay (R-TX).

We have been looking for an effective, but relatively inexpensive way to do this because the conventional route is near-prohibitive in cost.

For example, Mr. Delay has two leadership PACs – the reportable "Americans for a Republican Majority (ARM)", and the non-reportable "Texans for a Republican Majority (TRM)". But, as near as we can tell, checks in the range of \$50-\$100K seem to be the norm here.

We know of three companies in our industry that have gone the \$100K route: Reliant, El Paso Energy and Ohio-based First Energy.

How does one play for a more reasonable dollar amount?

We may have an opportunity, later this summer, for an energy industry "roundtable" golf match at the Homestead for a "mere" \$25,000. We have spoken to the former Delay staffer who's putting this together, and his preference – for the time being – is to admit generation-only type companies. These are more entrepreneurial, more naturally Republican, in some views of the world.

Nonetheless, we think we can get by with that if we beg. We're not suggesting you do it now since the ability to use a corporate check would allow quick turn-around – should you decide to do it.

The point is that this is out there, and you should be aware of it.

SUMMARY

Basic Hard Money Package Includes All Above (minus Tauzin New Orleans)	\$26,500
Premium Hard Money Package Basic plus \$5,000 for Bayou Leader PAC/New Orleans Trip	\$31,500
Platinum Package Premium plus \$25,000 (soft) for House Leadership	\$56,500

Let us discuss all of this further at your convenience. There really is a reason for everything.