



Control Number: 28813



Item Number: 1330

Addendum StartPage: 0

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**SOAH DOCKET NO. 473-04-3554
PUC. DOCKET 28813**

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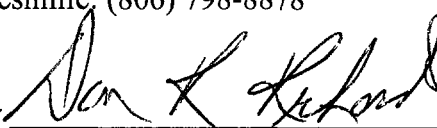
**PETITION TO INQUIRE INTO THE § BEFORE THE
REASONABLENESS OF THE RATES § PUBLIC UTILITY COMMISSION
AND SERVICES OF CAP ROCK § OF TEXAS
ENERGY CORPORATION §**

**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSES TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

NOW COMES the St. Lawrence Cotton Growers Association ("St. Lawrence"), and pursuant to Order No. 23, provides the following responses to Cap Rock Energy Corporation's ("Cap Rock") Second Requests for Information in the above-referenced proceeding. These responses may be treated by all parties as if they were filed under oath.

Respectfully submitted:

Richards, Elder, Srader, Phillips & McLaren, L.L.P.
5214 68th Street, Suite 302 (79424)
P.O. Box 64657
Lubbock, TX 79464-4657
Telephone: (806) 798-8868
Facsimile: (806) 798-8878

By 

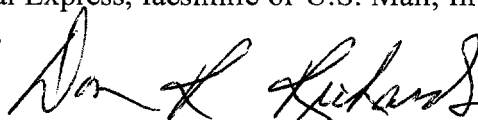
Don R. Richards, SBN 16846300
Gary R. McLaren, SBN 00791232
Sabra J. Srader, SBN (18982200

*Attorneys for St. Lawrence Cotton Growers
Association*

Y900

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing has been served upon all parties of record to this proceeding by either Federal Express, facsimile or U.S. Mail, first-class postage prepaid, on this 12th day of August 2004.



Don R. Richards

**SOAH DOCKET NO. 473-04-3554
PUC. DOCKET 28813**

**PETITION TO INQUIRE INTO THE
REASONABLENESS OF THE RATES
AND SERVICES OF CAP ROCK
ENERGY CORPORATION**

§
§
§
§

**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-1 Who drafted the press release attached hereto as Attachment "A"?

RESPONSE:

The firm of Kristy Ozmun Public Relations prepared the press release identified as Attachment A.

**PREPARED BY: DON R. RICHARDS
SPONSORED BY: UNDETERMINED**

**SOAH DOCKET NO. 473-04-3554
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PETITION TO INQUIRE INTO THE REASONABLENESS OF THE RATES AND SERVICES OF CAP ROCK ENERGY CORPORATION	§ § § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-2 Who is Kristy Ozmun?

RESPONSE:

Kristy Ozmun is the principal and owner of the firm Kristy Ozmun Public Relations,
Austin, Texas.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNKNOWN

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-3 Describe all communications and produce all documents passing between St. Lawrence, any of its members, representatives, or counsel, and any representative or counsel of Pioneer Natural Resources, USA, Inc. ("Pioneer") regarding the Energy Utility Survey performed by Montgomery and Associates, from May 26 to June 7, 2004, concerning Cap Rock.

RESPONSE:

There were no communications and/or documents passing between any members, representatives or counsel for St. Lawrence, and members, representatives or counsel for Pioneer regarding the Energy Utility Survey performed by Montgomery and Associates, from May 26 to June 7, 2004, concerning Cap Rock.

**PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNKNOWN**

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

- 2-4 Describe all communications and produce all documents passing between St. Lawrence, any of its members, representatives, or counsel, and any member, representative, or counsel of Citizens United for Fair Energy Costs ("Citizens") regarding the Energy Utility Survey performed by Montgomery and Associates, from May 26 to June 7, 2004, concerning Cap Rock.**

RESPONSE:

There were no communications and/or documents passing between any members, representatives or counsel for St. Lawrence, and members, representatives or counsel for Citizens regarding the Energy Utility Survey performed by Montgomery and Associates from May 26 to June 7, 2004, concerning Cap Rock.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-5 Who commissioned the survey referred to in RFI 2-4?

RESPONSE:

The firm of Kristy Ozmun Public Relations and the St. Lawrence Cotton Growers Association.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-6 What was the total cost of the survey referred to in RFI 2-4?

RESPONSE:

\$12,000.00.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-7 Who paid for the survey referred to in RFI 204?

RESPONSE:

St. Lawrence Cotton Growers Association.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-8 How much did St. Lawrence pay for the survey referred to in RFI 2-4?

RESPONSE:

\$12,000.00.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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2-9 Provide a detailed list of all payments paid by any person or entity for the survey performed by Montgomery and Associates referred to in RFI 2-4.

RESPONSE:

\$12,000.00 paid by the St. Lawrence Cotton Growers Association, in two payments of \$6,000 each.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

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BY CAP ROCK ENERGY CORPORATION**

2-10 Describe all communications and produce all documents passing between St. Lawrence or any members thereof or its representatives, including counsel, and any representative of Montgomery and Associates regarding the survey referred to in RFI 2-4.

RESPONSE:

St. Lawrence members talked to Jeff Montgomery and Kristy Ozmun on one or two occasions. Attached as Exhibit "A" are copies of documents exchanged between St. Lawrence and Montgomery and Associates regarding the survey.

**PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED**

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- 2-11 Identify and describe all discussions or communications between St. Lawrence, any member or representative thereof, and any other person or entity regarding the possibility of commissioning a survey.**

RESPONSE:

St. Lawrence discussed the possibility of commissioning a survey internally at a board meeting. The firm of Kristy Ozmun Public Relations recommended that a survey be conducted. The firm of Kristy Ozmun Public Relations conducted all communications with Montgomery and Associates.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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2-12 Who suggested hiring Montgomery and Associates to perform a survey regarding Cap Rock?

RESPONSE:

The firm of Kristy Ozmun Public Relations recommended that Montgomery and Associates be retained to conduct a survey.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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BY CAP ROCK ENERGY CORPORATION**

2-13 How did you locate Montgomery and Associates?

RESPONSE:

The firm of Kristy Ozmun Public Relations located Montgomery and Associates.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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BY CAP ROCK ENERGY CORPORATION**

2-14 Please provide a copy of the script used by Montgomery and Associates in performing the survey regarding Cap Rock.

RESPONSE:

Attached as Exhibit "B."

**PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED**

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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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BY CAP ROCK ENERGY CORPORATION**

2-15 Please provide a copies of all correspondence, notes, and other documents received from Montgomery and Associates regarding the survey of Cap Rock customers.

RESPONSE:

Attached as Exhibit "C."

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-16 Please provide copies of all documents provided to Montgomery and Associates regarding the survey it performed on Cap Rock customers.

RESPONSE:

Attached as Exhibit "A."

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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2-17 Does St. Lawrence contend that customers who are not shareholders of Cap Rock should be allowed to attend the annual shareholders' meetings? If you answer "yes" what is the basis for your contention?

RESPONSE:

No.

**PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED**

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
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BY CAP ROCK ENERGY CORPORATION**

2-18 Has St. Lawrence intervened or otherwise participated in any electric rate proceedings (including, but not limited to, proceedings at the PUC, a municipal power authority, an electric cooperative, or a city council) other than this docket? If your answer is "yes," please provide a complete list of all proceedings, including the date of such proceedings, describing the extent of St. Lawrence's participation and the positions taken by St. Lawrence, and describing the outcome of all such proceedings.

RESPONSE:

No

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-19 For all proceedings listed in RFI 2-18 above, please provide a copy of any resolution or order accepting or rejecting St. Lawrence's positions or otherwise relating to the positions taken by St. Lawrence.

RESPONSE:

See RFI 2-18 above.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

2-22 Please provide a copy of any rate comparison studies or reports prepared by or on behalf of St. Lawrence that analyze Cap Rock's current or proposed rates.

RESPONSE:

As previously stated, if St. Lawrence sponsors a witness who relies on any rate study, such study will be provided with the testimony. St. Lawrence members, themselves, have conducted no formal studies.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

**SOAH DOCKET NO. 473-04-3554
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**ST. LAWRENCE COTTON GROWERS ASSOCIATION'S
RESPONSE TO THE SECOND SET OF REQUESTS FOR INFORMATION
BY CAP ROCK ENERGY CORPORATION**

- 2-27** Please provide copies of all rate comparisons, studies, or evaluations performed for St. Lawrence or its members in the last five (5) years. Identify the rates and utilities being compared, the usage or consumption profile used for the comparison, the results of the comparison, the recommendations resulting from the comparison, and the action(s) taken by the entity or person for whom the comparison, study or evaluation was performed.

RESPONSE:

See Response to RFI 2-22.

PREPARED BY: DON R. RICHARDS
SPONSORING WITNESS: UNDETERMINED

EXHIBIT "A" Page 24

CAP ROCK SETS THE RECORD STRAIGHT

Over the past several years a lot has been written in some local newspapers and elsewhere regarding Cap Rock Energy Corporation, its conversion from an electric cooperative and its rates. Most of what has appeared in the local newspapers has been slanted toward the views of the St. Lawrence Cotton Growers and the Texas Cotton Ginner's Association. Some of the things that have appeared in newspapers such as the Stanton newspaper have been absolutely false.

A good example of erroneous news coverage is the article that appeared in the Stanton newspaper on March 4, 2004 stating that Cap Rock was seeking a 390.03% increase for cotton gins and a 75.99% increase for irrigators. **THIS IS NOT TRUE.**

The small group of self interested customers (and the Stanton newspaper) recited incorrect percentage increases. They obtained their information from Cap Rock's rate filing package all right, but from the wrong schedule. Their information comes from a schedule of requested increases over Cap Rock's base rates. This is only half the story. The real story comes from the comparison of total revenues schedule. This schedule immediately follows the wrong one. If they would only have kept reading they could have gotten it right. Of course, this is not the first false and incorrect statement they have made, just the latest.

Cap Rock has requested an overall rate increase of 14.45%. The amount of any increase will ultimately be determined by the Public Utility Commission of Texas (PUCT). This requested rate increase was also misrepresented recently in the press, on television coverage and on the radio by Ms. Connie Hargrave. Ms. Hargrave is a residential customer in the Greenwood area with close ties to the St. Lawrence Cotton Growers. While Ms. Hargrave states that Cap Rock is seeking a 14.45% rate increase for residential customers, that representation is also **UNTRUE**. As Ms. Hargrave is aware, since she has intervened in Cap Rock's rate filing, Cap Rock has requested an increase of less than 7% for residential customers. She also states that her electricity has increased from \$1,500.00 to \$3,500.00 since 1991, with most of the increases coming in the past few years. Aside from the fact that her electric bills show otherwise, Ms. Hargrave fails to state that her electricity consumption has also increased. Cap Rock has had one increase since 1994 and that was a 15% overall rate increase that was implemented in stages from late 2000 through July 2001. There have been no other rate increases. The fact is that a wealthy group of landowners are attempting to use Ms. Hargrave and other residential customers to assist them in their efforts to have their rates subsidized by this same group of customers.

Until now, Cap Rock has tried to stay above this sort of battle in the press. However, because a very small group of wealthy, politically connected customers, who want to continue to have their rates subsidized by other customers, continue to make false and misleading statements and some local newspapers continue to assist them, Cap Rock has decided to take out this ad to set the record straight. Because the local newspapers rarely run Cap Rock's press releases, Cap Rock has paid for this ad so that it can reprint in full below, the press release that accompanied its recent rate filing. This tells the true story.

The truth is that SB 1280, which changed the law so that Cap Rock would be regulated by the PUC, was the result of lobbying efforts by a very small group of customers who are members of the St. Lawrence Association. They were successful in getting Senator Troy Fraser to sponsor the bill and get it passed. They were told at committee hearings that the effect could be higher rates, but they told committee members that was alright with them as long as Cap Rock was regulated by the PUC. **Now**, they are complaining again about something they **knew** was going to happen. Their real motive is to keep their rates artificially low by being subsidized by other rate classes. Cap Rock intends to treat all customers fairly and to eliminate **all** subsidies. Below is Cap Rock's press release announcing the rate filing.

PRESS RELEASE

For Immediate Release: February 25, 2003

Contact:

Ronnie Lyon
Phone: 903-813-0377
rlyon@caprockenergy.com

SOAH Docket No. 473-04-3554 PUC Docket No. 28813
St. Lawrence Cotton Growers Association's Responses
to the Second Set of Requests for Information by Cap
Rock Energy Corporation

EXHIBIT "A"

Page 25

Cap Rock Energy Files Rate Case

MIDLAND, TX. - Cap Rock Energy Corporation (AMEX: RKE) today announced that in response to an order from the Public Utility Commission of Texas ("PUCT") it has submitted a rate filing package to the PUCT. The rate filing contains an application for a rate increase. The PUCT order compelled the filing of the application for a rate increase much earlier than the Company had originally anticipated. This was due to recent action by the Texas Legislature which brought the Company under the regulatory authority of the PUCT for rate purposes. This special legislation was sponsored by Senator Troy Fraser and heavily supported and advanced by St. Lawrence cotton farmers Harold Hoelscher, Rodney Gully, Glen and Mary Marecek and County Judge W.E. Bechar, among others, as well as the St. Lawrence Cotton Growers Association, the Texas Electric Cooperative Association, the Texas Cotton Ginners Association and the Texas Farm Bureau.

The Public Utility Regulatory Act ("PURA") originally provided for Cap Rock to be regulated as an electric cooperative and have its rates set by its Board of Directors. In 2003 the aforementioned individuals and special interest groups, along with others, launched an aggressive campaign to change the PURA and they were successful in passing Senate Bill 1280 which was signed into law on June 22, 2003. S.B. 1280 provided for Cap Rock's rates to be set by the PUCT effective September 1, 2003. During those proceedings Cap Rock leadership testified that the result of such regulation would be an increase, not a decrease, in rates.

Prior to the passage of S.B. 1280, Cap Rock had operated using rates set by its board of directors who utilized independent third-party studies in analyzing and setting rates. Because regulatory costs are passed on to ratepayers, this process was very economical and avoided the extremely high cost of the rate filing process and ongoing cost of regulatory compliance. This more efficient model also avoided any significant regulatory lag cost. Prior to S.B. 1280, Cap Rock was positioned to save the ratepayers millions of dollars.

In 2002, Cap Rock converted from an electric cooperative to a shareholder owned corporation. As part of the conversion, Cap Rock's then current and former members had the option of receiving payment of their ownership interest in the cooperative by electing to receive cash, credit on their electric bill. If they were a current customer, or stock in the new company. "We were very pleased that the vast majority of our former members elected to take stock and remain shareholders to this day," stated David W. Pruitt, President/CEO and Co-Chairman of the Board. "Our stock began trading on the American Stock Exchange on March 14, 2002. The stock was issued at \$10 per share. It is now trading at over \$32. We are extremely proud of that."

After taking cash, electricity credit and even stock, a very vocal minority group of wealthy irrigation farmers began attempting to "unwind" the conversion. This group constituted less than 1% of our customers. Ironically, they never proposed how they would return the money, credit or stock they received as part of the conversion. As leverage, they intervened in Cap Rock's application to transfer the "Certificate of Convenience and Necessity" or its license to operate. This group was unsuccessful in this effort, but delayed the process for over two years and cost Cap Rock, and hence its customers, millions of dollars.

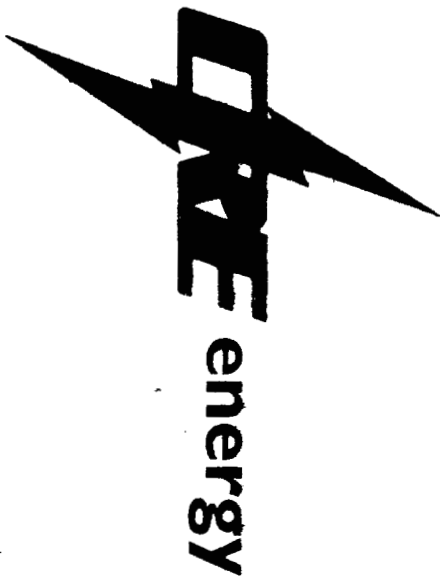
Simultaneously this same group and others who they were able to enlist began efforts to change the law and have Cap Rock's rates set by the PUCT. Desiring to have all other customer classes subsidize lower rates for them, they adopted the moniker "Regulate Cap Rock." They were successful in these efforts and, as Cap Rock had predicted, the result will be higher rates for all Cap Rock customers.

would return the money, credit or stock they received as part of the conversion. As leverage, they intervened in Cap Rock's application to transfer the "Certificate of Convenience and Necessity" or its license to operate. This group was unsuccessful in this effort, but delayed the process for over two years and cost Cap Rock, and hence its customers, millions of dollars.

Simultaneously this same group and others who they were able to enlist began efforts to change the law and have Cap Rock's rates set by the PUCT. Desiring to have all other customer classes subsidize lower rates for them, they adopted the mantra "Regulate Cap Rock." They were successful in these efforts and, as Cap Rock had predicted, the result will be higher rates for all Cap Rock customers.

Cap Rock's rate filing vehemently opposes subsidizing any particular customer class. It's proposed rates are based on the cost of providing services to its various rate classes and a fair rate of return on the investment required to provide that quality service.

"We will not be intimidated by this small group of wealthy and powerful irrigation farmers," stated Mr. Pruitt. "Our rates are going to have to go up, but we are trying to keep them as low as possible. These special interest groups want to use this rate inquiry to change our rates and penalize our other customers. We are going to protect our residential and small business customers from the bullying tactics being used by these special interest groups. Frankly, it would be easier and less expensive to give in to this special interest group and reduce rates while increasing the rates of people who have far less ability to fight and garner political support. However, that would not be the right thing to do. We will do the right thing and we expect to prevail. Our customers, shareholders and employees expect nothing less."



SOAH Docket No. 473-04-3554 PUC Docket No. 28813
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to the Second Set of Requests for Information by Cap
Rock Energy Corporation

EXHIBIT "A"

Page 26

MIDLAND, TX. - Cap Rock Energy, an irrigation (AMEX: RKE) today announced that in response to an order from the Public Utility Commission of Texas ("PUCT") it has submitted a rate filing package to the PUCT. The rate filing contains an application for a rate increase. The PUCT order compelled the filing of the application for a rate increase much earlier than the Company had originally anticipated. This was due to recent action by the Texas Legislature which brought the Company under the regulatory authority of the PUCT for rate purposes. This special legislation was sponsored by Senator Troy Fraser and heavily supported and advanced by St. Lawrence cotton farmers Harold Hoetscher, Rodney Gully, Glen and Mary Marecek and County Judge W.E. Bednar, among others, as well as the St. Lawrence Cotton Growers Association, the Texas Electric Cooperative Association, the Texas Cotton Ginners Association and the Texas Farm Bureau.

The Public Utility Regulatory Act ("PURA") originally provided for Cap Rock to be regulated as an electric cooperative and have its rates set by its Board of Directors. In 2003 the aforementioned individuals and special interest groups, along with others, launched an aggressive campaign to change the PURA and they were successful in passing Senate Bill 1280 which was signed into law on June 22, 2003. S.B. 1280 provided for Cap Rock's rates to be set by the PUCT effective September 1, 2003. During those proceedings Cap Rock leadership testified that the result of such regulation would be an increase, not a decrease, in rates.

Prior to the passage of S.B. 1280, Cap Rock had operated using rates set by its board of directors who utilized independent third-party studies in analyzing and setting rates. Because regulatory costs are passed on to ratepayers, this process was very economical and avoided the extremely high cost of the rate filing process and ongoing cost of regulatory compliance. This more efficient model also avoided any significant regulatory lag cost. Prior to S.B. 1280, Cap Rock was positioned to save the ratepayers millions of dollars.

In 2002, Cap Rock converted from an electric cooperative to a shareholder owned corporation. As part of the conversion, Cap Rock's then current and former members had the option of receiving payment of their ownership interest in the cooperative by electing to receive cash, credit on their electric bill. If they were a current customer, or stock in the new company. "We were very pleased that the vast majority of our former members elected to take stock and remain shareholders to this day," stated David W. Pruitt, President/CEO and Co-Chairman of the Board. "Our stock began trading on the American Stock Exchange on March 14, 2002. The stock was issued at \$10 per share. It is now trading at over \$32. We are extremely proud of that."

After taking cash, electricity credit and even stock, a very vocal minority group of wealthy irrigation farmers began attempting to "unwind" the conversion. This group constituted less than 1% of our customers. Ironically, they never proposed how they would return the money, credit or stock they received as part of the conversion. As leverage, they intervened in Cap Rock's application to transfer the "Certificate of Convenience and Necessity" or its license to operate. This group was unsuccessful in this effort, but delayed the process for over two years and cost Cap Rock, and hence its customers, millions of dollars.

Simultaneously this same group and others who they were able to enlist began efforts to change the law and have Cap Rock's rates set by the PUCT. Desiring to have all other customer classes subsidize lower rates for them, they adopted the motto "Regulate Cap Rock." They were successful in these efforts and, as Cap Rock had predicted, the result will be higher rates for all Cap Rock customers.

Cap Rock's rate filing vehemently opposes subsidizing any particular customer class. It's proposed rates are based on the cost of providing services to its various rate classes and a fair rate of return on the investment required to provide that quality service.

"We will not be intimidated by this small group of wealthy and powerful irrigation farmers," stated Mr. Pruitt. "Our rates are going to have to go up, but we are trying to keep them as low as possible. These special interest groups want to use this rate inquiry to change our rates and penalize our other customers. We are going to protect our residential and small business customers from the bullying tactics being used by these special interest groups. Frankly, it would be easier and less expensive to give in to this special interest group and reduce rates while increasing the rates of people who have far less ability to fight and garner political support. However, that would not be the right thing to do. We will do the right thing and we expect to prevail. Our customers, shareholders and employees expect nothing less."

A good example of erroneous news coverage is an article that appeared in the Stanton newspaper on March 4, 2004 stating that Cap Rock was seeking a 390.03% increase for cotton gins and a 75.99% increase for irrigators. **THIS IS NOT TRUE.**

The small group of self interested customers (and the Stanton newspaper) recited incorrect percentages and increases. They obtained their information from Cap Rock's rate filing package all right, but from the wrong schedule. Their information comes from a schedule of requested increases over Cap Rock's base rates. This is only half the story. The real story comes from the comparison of total revenues schedule. This schedule immediately follows the wrong one. If they would only have kept reading they could have gotten it right. Of course, this is not the first false and incorrect statement they have made, just the latest.

Cap Rock has requested an overall rate increase of 14.45%. The amount of any increase will ultimately be determined by the Public Utility Commission of Texas (PUCT). This requested rate increase was also misrepresented recently in the press, on television coverage and on the radio by Ms. Connie Hargrave. Ms. Hargrave is a residential customer in the Greenwood area with close ties to the St. Lawrence Cotton Growers. While Ms. Hargrave states that Cap Rock is seeking a 14.45% rate increase for residential customers, that representation is also **UNTRUE**. As Ms. Hargrave is aware, since she has intervened in Cap Rock's rate filing, Cap Rock has requested an increase of less than 7% for residential customers. She also states that her electricity has increased from \$1,500.00 to \$3,500.00 since 1991, with most of the increases coming in the past few years. Aside from the fact that her electric bills show otherwise, Ms. Hargrave fails to state that her electricity consumption has also increased. Cap Rock has had one increase since 1994 and that was a 15% overall rate increase that was implemented in stages from late 2000 through July 2001. There have been no other rate increases. The fact is that a wealthy group of landowners are attempting to use Ms. Hargrave and other residential customers to assist them in their efforts to have their rates subsidized by this same group of customers.

Until now, Cap Rock has tried to stay above this sort of battle in the press. However, because a very small group of wealthy, politically connected customers, who want to continue to have their rates subsidized by other customers, continue to make false and misleading statements and some local newspapers continue to assist them, Cap Rock has decided to take out this ad to set the record straight. Because the local newspapers rarely run Cap Rock's press releases, Cap Rock has paid for this ad so that it can reprint in full below, the press release that accompanied its recent rate filing. This tells the true story.

The truth is that SB 1280, which changed the law so that Cap Rock would be regulated by the PUC, was the result of lobbying efforts by a very small group of customers who are members of the St. Lawrence Association. They were successful in getting Senator Troy Fraser to sponsor the bill and get it passed. They were told at committee hearings that the effect could be higher rates, but they told committee members that was alright with them as long as Cap Rock was regulated by the PUC. **Now**, they are complaining again about something they **knew** was going to happen. Their real motive is to keep their rates artificially low by being subsidized by other rate classes. Cap Rock intends to treat all customers fairly and to eliminate all subsidies. Below is Cap Rock's press release announcing the rate filing.

PRESS RELEASE

For Immediate Release: February 25, 2003

Contact:

Ronnie Lyon
Phone: 903-813-0377
rlyon@caprockenergy.com

CAP ROCK SETS THE RECORD STRAIGHT

Recently a lot has been written and said in the media regarding Cap Rock Energy Corporation and its recent filing with the Public Utility Commission for a rate increase. In particular, the filing has brought out the St. Lawrence Cotton Growers and the Texas Cotton Ginner's Association and other historical antagonists, and their public relations antics. Therefore, most of the statements in the media are slanted toward this group, while some are simply untrue. In every case, their statements are uninformed, weary, and long since proven untrue.

As to "who to believe"? Keep in mind that Cap Rock has a history of being forthcoming and plain spoken about its business. Further, Cap Rock is regulated by the PUC, SEC and other agencies. The company and its management would face stiff penalties, fines or imprisonment for making false statements. Our antagonists are not burdened with operating according to such standards.

We feel we have a lot to be proud of. When we converted from a co-op to a publicly held corporation we returned over \$25,000,000 in value to our member/**customers**. Since going public our stock has about tripled in price creating about \$25,000,000 in *additional* value for our stockholders of which about **70% are also customers**. That's over \$50,000,000 in wealth injected mostly into the local economy.

We value and respect each and every one of our customers and feel you have the right to some straight talk about Cap Rock. So here it is.

Cap Rock has requested an overall rate increase of 14.45%. This is not an across-the-board increase. The increase varies by rate class, with the residential class receiving the lowest increases, about 7%, or \$14 on a \$200 regular monthly electric bill. The amount of any increase will ultimately be determined by the Public Utility Commission of Texas (PUC).

According to the Stanton newspaper, Cap Rock was seeking a 390.03% increase for cotton gins and a 75.99% increase for irrigators. **NOT TRUE**

*SOAH Docket No. 473-04-3554 PUC Docket No. 28813
St. Lawrence Cotton Growers Association's Responses
to the Second Set of Requests for Information by Cap
Rock Energy Corporation*



For Immediate Release: February 25, 2003

Contact:

Ronnie Lyon

Phone: 903-813-0377

rlyon@caprockenergy.com

Cap Rock Energy Files Rate Case

MIDLAND, TX. – Cap Rock Energy Corporation (AMEX: RKE) today announced that in response to an order from the Public Utility Commission of Texas ("PUC") it has submitted a rate filing package to the PUC. The rate filing contains an application for a rate increase. The PUC order compelled the filing of the application for a rate increase much earlier than the Company had originally anticipated. This was due to recent action by the Texas Legislature which brought the Company under the regulatory authority of the PUC for rate purposes. This special legislation was sponsored by Senator Troy Fraser and heavily supported and advanced by St. Lawrence cotton farmers Harold Hoelscher, Rodney Gully, Glen and Mary Marecek, and County Judge W.E. Bednar, among others, as well as the St. Lawrence Cotton Growers Association, the Texas Electric Cooperative Association, the Texas Cotton Ginners Association, and the Texas Farm Bureau.

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in the cooperative by electing to receive cash, credit on their electric bill, if they were a current customer, or stock in the new company. "We were very pleased that the vast majority of our former members elected to take stock and remain shareholders to this day," stated David W. Pruitt, President/CEO and Co-Chairman of the Board. "Our stock began trading on the American Stock Exchange on March 14, 2002. The stock was issued at \$10 per share. It is now trading at over \$32. We are extremely proud of that."

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CAP ROCK'S DETRACTORS GOT FEDERAL SUBSIDIES WORTH MILLIONS OF DOLLARS!!!

Gotcha - this one is true. We decided to take our own advice and peruse some public information for ourselves. After all, fair is fair. We got on the internet and stumbled upon the Environmental Working Group website, <http://www.ewg.org>. We checked out their farm subsidy database and what, to our surprise, did we find? Lots of free money doled out to some interested recipients. Hint: See our prior ad and press release re:

St. Lawrence Association and others.

USDA Farm Subsidy Recipient	1995 to 2002 Amounts
Billy Eggemeyer Farms	\$1,223,955
Glen Marecek (Husband of Mary Marecek)	\$692,188
Harold & Ann Hoelscher Fms	\$677,075
Rodney Gully	\$476,524
Wilburn Eldon Bednar	\$467,813
Kervin J. Frysak	\$459,539
Myrl Don Mitchell	\$430,627

Here is something else we found on EWG's website: There were 335 subsidy recipients in Garden City alone from 1995 - 2002. During that period they collected \$47,875,922 in USDA subsidy payments. That's not a misprint. Nearly forty-eight million dollars! Now that's a garden of a city.

The folks at Cap Rock appreciate the small farmer and their struggle to compete. Heck, several of the Company's top management grew up on small farms. But, as you can see, these are anything but small farms. As they say: "Your tax dollars at work."

CAP ROCK'S BOARD OF
DIRECTORS, MANAGEMENT &
EMPLOYEES GOT
STOCK BONUSES WORTH A
MILLION BILLION GABILLION
BAZILLION DOLLARS!!!

You guessed it: **Untrue**. Again. But, if it were true, you - the **intelligent, thinking** and **reading** person - would be able to see it for yourself in any number of our public filings with the Securities and Exchange Commission. They are even on the internet: right there for all the world to see. Cap Rock has always been an honest and forthcoming outfit. So we don't mind that all of our significant financial dealings are made public by our legally-required filings and disclosures. Our detractors are obviously not constrained with such a conscience or legal requirements for honesty and disclosure.

Did Cap Rock's board, management and employees get stock bonuses? Yes. Such bonuses are a well accepted incentive for public companies and the plan under which they were issued was overwhelmingly approved by our stockholders. We are very proud of the fact that each and every one of our employees is also a stockholder.

Do those bonuses have any bearing on Cap Rock's proposed rates?

NO.

Once again, if you can read this, you could read in our public filing with the Public Utility Commission of Texas that such bonuses were specifically **excluded** from the proposed rate calculation. Like our financial filings: its right there for all the world to see.

If you know any of our detractors, please be nice and pass this information along. We're certain they will appreciate it.

one woman

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If you know any of our detractors, please be nice and pass this information along. We're certain they will appreciate it.

from Marvin H.

WHAT CAP ROCK DIDN'T TELL YOU ABOUT YOUR ELECTRIC RATES

If you are a Cap Rock customer in the McCulloch Division, you probably received a letter recently informing you the five-year freeze on your rates will expire Sept. 1st. So your rates will transition to those of the rest of Cap Rock customers. Also they are asking for a 14.45% increase at the Public Utility Commission (PUC) in total revenues spread across the rate schedules. A whole one page letter and they haven't told you one word about your new rates. Why Not?

Well, welcome to the club of the "Rest of Cap Rock's Customers." You are not going to like our club because the dues are high.

Your present home owners rates are \$7.00 for base customer charge, 7.75 cents/KWH for energy charge, and 1.10 cents/KWH for PCRF. Customers in the Stanton Division pay \$12.00 for base customer charge, (9.06 cents/KWH for distribution and energy charge and 2.6 for PCRF) which is approximately 32% more than you are paying.

Irrigators get hit much harder. You have enjoyed a rate of approximately 6.44 cents/KWH while the "Rest of Cap Rock's Customers" are paying approximately 11.66 cents/KWH or approximately 81% more. Cotton, hay and pecan farming has probably dropped 40-50% in the last four years. Commercial customers, you are probably in the same boat as the irrigators.

You have no choice in the above rate increase, but you do have a choice in their proposal for a 14.45% rate increase at the PUC.

Why does Cap Rock need more revenue? Maybe excerpts from the five-day hearing held in Austin in June 2002 by the State Office of Administrative Hearings (SOAH) will shed some light. This hearing came about after Cap Rock's Energy Corporation's request to transfer the certificates of convenience (licenses) from Cap Rock Electric Cooperative to them. Two administrative law judges, Craig R. Bennett and Lilo Pomerleau, heard the case. These are some of their findings and statements sent to the PUC Commissioners dated Sept. 26, 2002, SOAH Docket #473-02-0644, PUC Docket #24577.

As of Sept. 30, 2001, the Cooperative had a total debt load of over \$193 million and had used its full line of credit with its lender, National Rural Utilities Cooperative Finance Corporation (CFC). In March 2001, CFC informed the cooperative that it would not guarantee any additional loans. Financial experts, Dr. Ray Perryman, Slade Cutter, and Hugh Higgins, testified that the Cooperative was at a high risk of bankruptcy.

Between 1999 and 2001, the three top executives received total compensation of \$2,273,974 (or an average of \$252,000 per year each) while the Cooperative generated total operating losses in excess of \$12 million. During this time, the President received more than double that paid the President of Central Power & Light (CP&L) even though CP&L is roughly 33 times the size of Cap Rock in total utility plant and generates 27 times more operating revenue.

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Rock Energy Corporation

Management's Achievement ^{BASED} Based Contracts (ABC) allow huge bonuses for acquiring or merging with other companies, corporations, etc. These bonuses are paid whether the acquisition is profitable or not. The loss to the Cooperative associated with four recent ventures has been over \$26 million.

I'm sending this information to your newspaper because I was born and raised just north of the Concho River in Runnels County; and after visiting with friends and relatives in the McCulloch Division, I felt you needed to know what your rates would become Sept. 1st and that Cap Rock is requesting another rate increase. My sons and I farm Alfalfa, Bermuda, etc. in Northeast Ector County. I have been a member of Cap Rock for over 40 years.

If you would like to make comments concerning Cap Rock's rate increase, you must write, preferably in your own hand-writing, before April 20th to the:

Public Utility Commission of Texas
P. O. Box 13326
Austin, Texas 78711-3326
Attention: Central Records/Filing Clerk
Docket #28813

Please send original plus nine (9) copies, so commissioners, PUC staff, etc. can have one copy each.

As some of you may know, several years ago the St. Lawrence Cotton Growers Association filed suit against Cap Rock for what they believed was mis-management of our once fine Cooperative. They were immediately enjoined by the Texas Farm Bureau, Texas Cotton Ginners Association and Apache Corporation. During this approximate time period, our irrigation rates have increased 82% and home owners approximately 17%. Now they are asking for a 35% increase for irrigators and 177% increase for cotton ginners.

We think it is time we join these folks by letting the PUC know our wishes. We cannot fight them any other way since they own a huge block of stock from stock options they implemented for themselves and bonuses plus the trust fund they control. This trust fund contains approximately 30% of the issued stocks and belongs to approximately 10,000 members they said they could not locate. But shucks, if you wanted to attend an annual meeting, you may have to fly to New York City because that is where they held one of their last annual meetings.

P. S. Didn't I mention Cap Rock had to find a new audit firm? They had the same one as Euron -
- Arthur Anderson.

Marvin Haechten
Odessa, Texas

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Rock Energy Corporation



Cap Rock
Sand

325

April 2, 2004

Artie Offield
7301 E County Rd 110
Midland, Texas 79706-5413

Connie

Dear Mr. Offield,

Per your request, I have enclosed the estimate for switchover charges. The estimate shows the fee to be \$2,199.13. If you have any questions I can be reached at 432-756-3381.

Sincerely,

Lester Baker

Lester Baker
Customer Service

LB/cd
Encl.

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Rock Energy Corporation

EXHIBIT "A"

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Lone Wolf Division
P.O. Box 780
Colorado City, TX 79512
(325) 728-5232
FAX: (325) 728-8446

Hunt-Collin Division
P.O. Box 428
Celeste, TX 75423
(803) 455-5574
FAX: (803) 455-9722

McCulloch Division
P.O. Box 271
Brady, TX 76825
(325) 397-2181
FAX: (325) 587-3307

Stanton Division
P.O. Box 700
Stanton, TX 79782
(432) 758-3381
FAX: (432) 758-2866

What Cap Rock Energy Doesn't Want You To Know!

- Stanton Division and other divisions are taking a stand about their extreme high energy bills
- At time as a coop homeowners were charged 5.5 cents per kwh
- Now as a Publicly Traded Utility homeowners pay 12 cents per kwh
- Proposed rate to PUC on April 9, 2004 if approved homeowners rate could go as high as 15.9 cents per kwh
- TXU & other energy providers currently charge their customers between 8 and 9 cents per kwh
- Widows on Social Security barely have enough money left to pay for groceries and medical after paying Cap Rock's high energy bills
- Homeowners & small businesses' energy bills have at least doubled and using less kilowatts since Cap Rock Energy has become a publicly traded utility
- If rate increase is approved by PUC on April 9, 2004, ALL Cap Rock Energy DIVISION'S homeowners will be paying the same price for energy

**Your five year grace period of no rate increase
expires September 1st**

**Do you want to be taken by SURPRISE like we have been?
If not, get on board to make OUR VOICES HEARD at the PUC!**

United we STAND, divided we fall!

**If you have questions or need more information call
Citizens United For Fair Energy Costs
Connie Hargrave
432-684-5062**

SOAH Docket No. 473-04-3554 PUC Docket No. 28813
St. Lawrence Cotton Growers Association's Responses
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St. Lawrence Questions

- ✓ 1. Are your electric rates too high?
- ✓ 2. Are you a customer of Cap Rock Energy?
- ✓ 3. Can you understand all the different charges that are on the Cap Rock Energy's bill?
- ✓ 4. Cap Rock Energy has asked the PUC for an overall 14.5% rate increase this spring. Do you strongly support or oppose Cap Rock Energy receiving this rate increase?
- ✓ 5. How would you rate Cap Rock Energy service?
Good, Fair, or Poor
6. Has your current electric bill placed a hardship on your family budget? MAKE NOTE
7. Cap Rock Energy has asked for a rate increase. Do you feel that mismanagement and huge bonuses to upper management ~~had~~ led to this request for an increase? have MAKE NOTE
8. As the PUC reviews Cap Rock Energy's rates should they lower, maintain, or raise their rates. MAKE NOTE
- ✓ 9. If given a choice, would you choose a different electric Company?
- ✓ 10. Are you a stockholder in Cap Rock Energy?

Greed removing pursuit of the American Dream

I want everyone to know why I formed Citizens United For Fair Energy Costs. I struggled raising three kids alone with no child support and no government handouts. One thing that kept me going besides my faith in the Lord was knowing some day the kids would be grown and on their own. I would not have to work so hard and could enjoy life. That's the great American dream.

It appears to me greed, dirty politics and corporate corruption are fast taking that away from us. I am not the only one in this boat. There are some senior citizens who are on fixed incomes living in Greenwood struggling to pay their Cap Rock electric bills having little money left for medicine and groceries. I have numerous friends on Cap Rock energy drowning in their energy bills. Since the kids have left home, instead of being able to relax and enjoy life here in Greenwood, I am still working hard dealing with extremely high electric bills.

About a year ago, I heard of a group trying to do something regarding everybody's high energy bills. I contacted them. No one persuaded me, no one forced me, no one is trying to use me or get me to side with them. Everything I have done, I have done on my own free will. After reading the legal notice Cap Rock Energy placed in the Reporter-Telegram March 10 with the intentions of raising our rates that was the straw that broke this beautician's back. I continually receive phone calls from people complaining about their energy bills. People told me how they were struggling, some sold their houses and have moved back to town.

I fear not being able to retire in the home I built with my own two hands with memories of raising my kids here. Now, the possible rate increase? Since retirement is just around the corner, high energy bills have become a pertinent issue.

After much prayer, I decided to form the group, Citizens United For Fair Energy Costs.

I have now set the record straight!

Connie Hargrave

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Rock Energy Corporation

Cap Rock's propaganda eventually will be exposed

In my opinion, Cap Rock Energy has been pretty busy with the propaganda lately, especially against farmers. Farmers are "wealthy?" The banks know better. Our families and neighbors know better. "Politically well connected?" The Texas legislators know better. In my opinion, this trick is as old as human history: 1.) To divide a united cause by pitting one group against another. 2.) To distract attention from the main issue, in this case, the fact that Cap Rock is asking for a 14.45 percent rate increase across the board. This on top of some of the highest rates in the state.

Last year when Senate Bill 1280 placed Cap Rock under the jurisdiction of the Public Utility Commission (PUC), all rate classes contributed their fair share to this cause by contacting their legislators. I guess that makes all these Cap Rock customers "politically well connected." Of the many pages of petition signatures, about 95

percent of them were from people from rate classes other than farmers. Recently Cap Rock's single biggest customer has intervened in the PUC rate case and this customer is Pioneer Natural Resources, an oil company. The organized group called Citizens United for Fair Electric Costs (CUFEC) further shows it is a problem that warrants involvement from everybody.

The fact is the legislature passed SB 1280 because the customers presented the true facts. We obtained our information from sources such as the SEC filings, PUC filings, courthouse filings, etc. All there in black and white for the whole world to see. Cap Rock presented? In my opinion, propaganda. The legislature must have preferred proof over propaganda, otherwise they wouldn't have passed SB 1280 unanimously.

Cap Rock is in a rate case and now is the time for you to become "politically well connected." All you have to do is contact the PUC and tell it like it is. It is the job of the PUC to see that rates are just and reasonable and otherwise compliant with applicable law.

Write to PUC, P.O. Box 13326, Austin, Texas 78711-3326.

Mary Marecck

West Texas Energy Survey

June 2004

Client Summary

I'm going to name some groups and organizations involved in local electric utility issues. Please tell me whether your impression of each is generally favorable, neutral, or generally unfavorable. You may not have heard of all of them; if so, please just tell me that.

4. St. Lawrence Cotton Growers Association

108; 26.7% Favorable
45; 11.1% Neutral

7; 1.7% Unfavorable
245; 60.5% Haven't heard of

5. Cap Rock Energy

145; 35.8% Favorable
85; 21.0% Neutral

169; 41.7% Unfavorable
6; 1.5% Haven't heard of

6. Connie Hargrave, founder of Citizens United for Fair Energy Costs

33; 8.1% Favorable
37; 9.1% Neutral

9; 2.2% Unfavorable
326; 80.5% Haven't heard of

7. TXU

145; 35.8% Favorable
173; 42.7% Neutral

30; 7.4% Unfavorable
57; 14.1% Haven't heard of

8. Citizens United for Fair Energy Costs

65; 16.0% Favorable
43; 10.6% Neutral

5; 1.2% Unfavorable
292; 72.1% Haven't heard of

9. How would you rate your electric service: excellent, good, only fair, or poor?

79; 19.5% Excellent
193; 47.7% Good

87; 21.5% Only fair
42; 10.4% Poor

4; 1.0% Don't know

10. Would you describe the rates you pay for electricity now as too low, too high, or about right?

3; 0.7% Too low

281; 69.4% Too high

113; 27.9% About right

8; 2.0% Don't know

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11. Would you say that the different charges on your Cap Rock Energy bill are very easy to understand, somewhat easy to understand, somewhat difficult to understand, or very difficult to understand?

108; 26.7%	Very easy to understand	49; 12.1%	Very difficult to understand
121; 29.9%	Somewhat easy to understand	23; 5.7%	Don't know
104; 25.7%	Somewhat difficult to understand		

12. If you had a choice about who to get your electricity from-or if you could afford to make the switch to another provider-would you stay with Cap Rock Energy, or would you be looking for another provider?

143; 35.3%	Stay with Cap Rock	33; 8.1%	Depends
211; 52.1%	Look for another one	18; 4.4%	Don't know

Cap Rock Energy has asked for what they say is a 14.45% overall rate increase this spring. They say this would mean about a 7% increase for residential users.

13. Do you strongly support, support, oppose, or strongly oppose Cap Rock Energy receiving this rate increase?

2; 0.5%	Strongly support	129; 31.9%	Oppose	5; 1.2%	Depends
37; 9.1%	Support	211; 52.1%	Strongly oppose	21; 5.2%	Don't know

14A. Do you feel strongly enough in your position to write a letter or otherwise contact the PUC to support the rate increase?

7; 17.9%	Yes	28; 71.8%	No	2; 5.1%	Maybe	2; 5.1%	Don't know
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14B. Do you feel strongly enough in your position to write a letter or otherwise contact the PUC to oppose the rate increase?

206; 60.6%	Yes	84; 24.7%	No	38; 11.2%	Maybe	12; 3.5%	Don't know
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15. Others say that the Cap Rock rate increase for residential users will actually be 16.13%. If that's the case, would you still support the rate increase?

14; 35.9%	Yes	17; 43.6%	No	2; 5.1%	Depends	6; 15.4%	Don't know
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There's been a lot of debate about Cap Rock's requested rate increase, with a lot of things said on both sides. I am going to read you several statements people might make on both sides of the issue, and ask you to tell me which comes closer to your opinion.

Some people say that wealthy special interests recently changed the law to put Cap Rock under PUC regulation, and now Cap Rock must raise rates to cover increased costs of regulation. Others say that Cap Rock has been mismanaged and pays huge bonuses to upper management, and that's why they want to raise rates.

16. Which comes closer to your opinion?

81; 20.0%	Need to cover costs	9; 2.2%	Depends
227; 56.0%	Mismanaged	88; 21.7%	Don't know

Some people say that Cap Rock only wants to increase residential rates by 7%--about the cost of a pizza a month for most homes, which won't be too much of a burden. Others say that Cap Rock is already charging its customers 20%-30% more than other electric customers in Texas, and they shouldn't go higher still.

17. Which comes closer to your opinion?

45; 11.1%	7% not much burden	3; 0.7%	Depends
309; 76.3%	Too much, shouldn't go higher	48; 11.9%	Don't know

Cap Rock Energy, in a newspaper advertisement explaining why they need the rate increase, says it's really just "a small group of wealthy, politically connected customers" behind all the complaining about Cap Rock's rates, and those customers want to "keep their rates artificially low by being subsidized by other rate classes."

18. Do you agree or disagree with that statement?

59; 14.6%	Agree	222; 54.8%	Disagree	5; 1.2%	Depends	119; 29.4%	Don't know
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19. How much have you heard about Citizens United for Fair Energy Costs, the group working to stop the requested Cap Rock rate increase: quite a lot, some, just a little, or nothing?

15; 3.7%	Quite a lot	96; 23.7%	Just a little	10; 2.5%	Don't know
44; 10.9%	Some	240; 59.3%	Nothing		

20. Are you a stockholder in Cap Rock Energy?

161; 39.8%	Yes	209; 51.6%	No	35; 8.6%	Don't know
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Finally, to analyze our survey, I need to ask you a couple of questions about yourself. Do you mind saying in which of the following broad ranges your total household income falls?

53; 13.1%	\$20,000 and under	74; 18.3%	\$50,001 to \$75,000	8; 2.0%	Don't know
77; 19.0%	\$20,001 to \$35,000	32; 7.9%	\$75,001 to \$100,000	57; 14.1%	Refuse
82; 20.2%	\$35,001 to \$50,000	22; 5.4%	Over \$100,000		

Do you normally think of yourself as conservative, middle-of-the-road, or liberal in your political views?

273; 67.4%	Conservative	14; 3.5%	Liberal
104; 25.7%	Middle-of-the-road	14; 3.5%	No opinion

Age

3; 0.8%	18-24	48; 12.1%	35-44	90; 22.7%	55-64
18; 4.5%	25-34	76; 19.2%	45-54	161; 40.7%	65+

Region

212; 52.3%	McCulloch Division	193; 47.7%	Stanton/Lone Wolf Division
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Gender

181; 44.7%	Male	224; 55.3%	Female
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St. Lawrence Cotton Growers Association Energy Utility Survey Analysis

June 2004

This survey was conducted from May 26 – June 7, 2004 and tested 405 Cap Rock Energy customers in West Texas. The margin of error is plus or minus 5%. The purpose of the poll was to survey attitudes and opinions about certain current electric utility issues.

Key Findings

- Only 35.8% of these Cap Rock customers have a favorable impression of their electric utility, while 41.7% have an unfavorable impression. That shows serious discontent.
- 69.4% say the cost of Cap Rock's service is too high.
- A full 52.1%--more than half--said they would look for another provider if given an affordable opportunity to switch.
- 84% opposed or strongly opposed the rate increase, even when it is described under Cap Rock's terms, as a 14.45% overall rate increase and about a 7% increase for residential users.
- Only 17.9% of those who supported the rate increase said they felt strongly enough to contact the PUC, compared to 60.6% of those who opposed the rate increase who said they were willing to contact the PUC.
- Among those who supported the rate increase Cap Rock described, 43.6% said they would no longer support it if it were in fact a 16.13% rate increase for residential users.
- 56% thought the rate increase was due to company mismanagement and high bonuses.
- 76.3% said Cap Rock is already charging users too much and should not raise rates.
- 54.8% do not believe that it's really just "a small group of wealthy, politically connected customers" behind all the complaining about Cap Rock's rates, and those customers want to "keep their rates artificially low by being subsidized by other rate classes." Only 14.6% do believe this--the rest are uncertain.

NOTES:

1. To separate the two geographic regions we polled, we used the terminology found on the Cap Rock Energy web page. The McCulloch Division consists of the Cap Rock service area in all or parts of

McCulloch, Menard, Mason, Concho, Brown, Mills, San Saba, and Tom Green Counties. All the other counties or partial counties in Cap Rock's West Texas service area are part of the Stanton/Lone Wolf division. (We put all of Tom Green in the McCulloch Division, although a small portion of it goes in Stanton/Lone Wolf on Cap Rock's map.) We did no polling in Cap Rock's East Texas Hunt Collin Division.

2. Although in the crosstabs we break out demographic groups by ethnicity, the number of African Americans and Hispanics we interviewed was so small that the numbers are meaningless and cannot be used in this analysis.

Rating of Cap Rock Service and Price

Cap Rock gets acceptable though not spectacular ratings for its service. 19.5% call the service excellent and 47.7% call it good, for an overall positive rating of 67.2%. 21.5% call the service only fair and 10.4% call it poor, for an overall negative rating of 31.9%. Ratings went up somewhat among those over 55, but on the whole these ratings stay consistent in all groups.

When it comes to evaluating the cost of Cap Rock's service, however, feelings are much stronger. Only 0.7% say the cost is too low, while a full 69.4% say it is too high. 27.9% call it about right, and 2% don't know. (See Figure 2.)

Cap Rock Energy Cost Evaluation

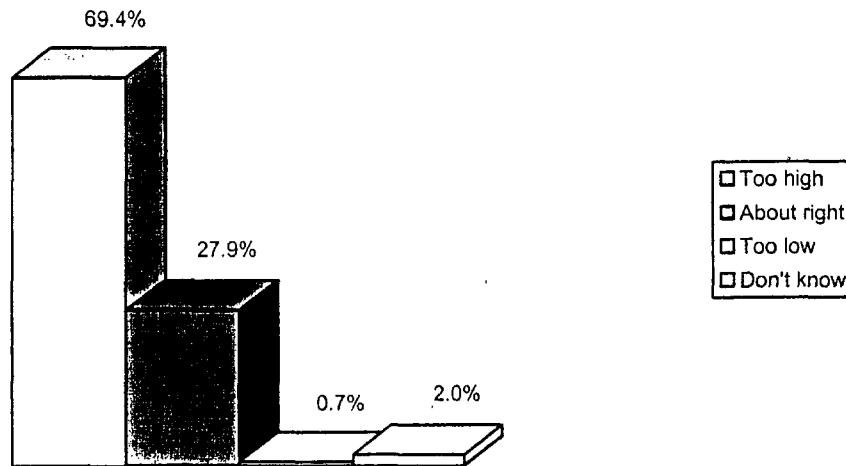


Figure 2

When over seven in ten customers feel they are being overcharged, that shows strong discontent with rates, and the discontent holds across the board. However, it is considerably higher in the Stanton/Lone Wolf Division (80.3%) than in the McCulloch Division (59.4%). The only place Cap Rock does relatively well is with those who have a favorable impression of the company: only 37.2% of that group think the rates are too high. In contrast, 92.9% of those with an unfavorable impression of Cap Rock think the rates are too high. That suggests that perceived high rates may be the primary reason for Cap Rock's high unfavorable numbers.

When it comes to the **comprehensibility of Cap Rock's billing statement**, customers are split. 26.7% say the different charges on their bill are very easy to understand and 29.9% say they are somewhat easy, for a total of 56.6%. 25.7% say they are somewhat difficult to understand and 12.1% call them very difficult, for a total of 37.8%. 5.7% don't know.

The crosstabs reveal that those with incomes above \$75,000 are much more likely to say the bills are difficult to understand (55.5%), and that those in the Stanton/Lone Wolf Division are more likely to call them difficult (46.2%) than those in the McCulloch Division (30.2%). Among those who gave Cap Rock a favorable rating, only 13.1% called the bills difficult to understand, while among those who gave the company an unfavorable

impression rating 40% said the bills were hard to understand. It is hard to know whether those who already dislike Cap Rock are more willing to criticize their statements, or if a difficult-to-understand statement is indeed a contributing factor to that unhappiness with the company.

One of the most revealing results we received was in response to the question "If you had a choice about who to get your electricity from—or if you could afford to make the switch to another provider—would you stay with Cap Rock Energy, or would you be **looking for another provider?**" A full 52.1%—more than half—said they would look for another provider if given an affordable opportunity to switch. Only 35.3% would stay with Cap Rock. 8.8% said it would depend and 4.4% did not know. (See Figure 3.)

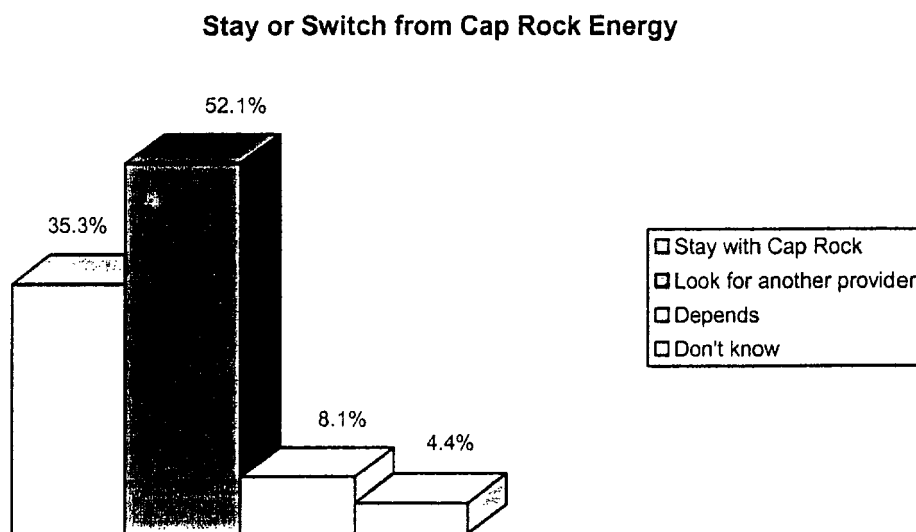


Figure 3

Men (58%) were more likely to switch than women (47.3%), and those under 55 were even more likely to switch than those above (69.6% of those aged 18-44, for example). Those with incomes above \$50,000 were also more likely to want to switch. Those in the Stanton/Lone Wolf Division were much more eager to switch (67.9%) than those in the McCulloch Division (37.7%). Not surprisingly, only 13.1% of those with a favorable impression of Cap Rock wanted to switch, compared to 86.4% of those with an unfavorable impression. It is significant however that 51.8% of those with a neutral impression of Cap Rock said they would like an affordable chance to switch.