



Control Number: 28813



Item Number: 1768

Addendum StartPage: 0

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

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

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§  
§

**BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS**

**CAP ROCK ENERGY CORPORATION'S RESPONSE TO  
TEXAS FARM BUREAU'S FIRST REQUEST FOR INFORMATION  
REGARDING RATE CASE EXPENSE NO. 1-6**

To: Texas Farm Bureau, by and through its attorney Jo Campbell, P.O. Box 154415, Waco,  
Texas 76715

Cap Rock Energy Corporation ("Cap Rock" or the "Company") files its response to the  
Texas Farm Bureau's First Request for Information No. 1-6 regarding Rate Case Expense. This  
response may be treated by all parties as if it was filed under oath.

Respectfully submitted,

LLOYD GOSSELINK BLEVINS  
ROCHELLE & TOWNSEND, P.C.  
111 Congress Avenue, Suite 1800  
Austin, Texas 78701  
(512) 322-5830  
Fax: (512) 472-0532

  
LAMBETH TOWNSEND  
State Bar No. 20167500

JOYCE BEASLEY  
State Bar No. 01987300

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MELISSA E. RAMIREZ  
State Bar No. 24027645

GEORGIA N. CRUMP  
State Bar No. 05185500

ATTORNEYS FOR CAP ROCK ENERGY  
CORPORATION

**CERTIFICATE OF SERVICE**

I, JOYCE BEASLEY, attorney, certify that a copy of this document was served on all parties of record in this proceeding on this the 10<sup>th</sup> day of December, 2004, in the following manner: hand delivered, sent via facsimile, or mailed by First Class Mail.

  
JOYCE BEASLEY

500229

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

**CAP ROCK ENERGY CORPORATION'S RESPONSE TO THE  
TEXAS FARM BUREAU'S FIRST SET OF REQUESTS FOR INFORMATION  
REGARDING RATE CASE EXPENSE NO. 1-6**

**1-6**            **Please provide a copy of all emails to or from Will West and any of the consultants who are being paid for work performed in PUC Docket No. 28813.**

**RESPONSE:**    See attached non-privileged e-mails. One document is Highly Sensitive Confidential and may be reviewed pursuant to the Protective Order.

In accordance with Order No. 40, a privilege log will be prepared and filed.

Prepared by:        Ronnie Lyon

Sponsored by:      Gerald W. Tucker

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**H. ZINDER & ASSOCIATES**

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**To:** Will West, Cap Rock Energy  
**From:** Larry Crowley  
**Subject:** Request for Information – TX Rate Case  
**Date:** August 26, 2003  
**cc:** Steve Gaske

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Will;

The following is the initial request for information that we discussed this PM.

1. Organization chart of the total company including all subsidiaries.
2. Hard copy of the company's 10-K for 2002 and copies of the most recent 10-Qs.
3. Single-line diagram of the electrical transmission and distribution system.
4. Texas PUC Rules & Regulations regarding rate cases; "Rate Change Package".
5. Annual Report (CY2002) for the distribution company and a copy of the FERC Form 1 for the transmission company for 2002.
6. A copy of each wholesale power supply contract; billing demand, energy and any other billing components for each supplier; and point(s) of delivery for each supplier.
7. Monthly system peaks including kW demand, time and date of the peak for each month from January 2002 to the present. Please update this information monthly.
8. Monthly coincident peaks for each of the company's divisions (if available).

Please feel free to call with any questions or clarifications. Regards.

**500231**

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**H. ZINDER & ASSOCIATES**

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**To:** Will West, Cap Rock Energy Corporation  
**From:** Larry Crowley  
**Subject:** Information Requirements  
**Date:** October 17, 2003  
**cc:** Steve Gaske

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## Information Required for Cap Rock Electric Rate Study

	<u>Statement</u>
<b>I. <u>General Information Items</u></b>	
Copy of current Cap Rock Electric tariff	
Table of currently effective rates under each rate schedule	
<b>II. <u>Revenue Requirements</u></b>	
Monthly Income Statements and Balance Sheets	
Any Annual/Monthly Operating, Financial and/or Statistical Reports	
<b>A. <u>Plant Data</u></b>	
Plant Accounts broken down into each sub-account and function	C-1
Accumulated Depreciation associated with each Plant Account	C-1
Annual Depreciation and depreciation rates associated with each Plant Acct	H-2
Construction Work in Progress ("CWIP")	
<b>B. <u>Other Investments</u></b>	
Amount of any working capital, prepayments, materials & supplies, etc.	C-2
<b>C. <u>Operation &amp; Maintenance Expenses</u></b>	
Monthly O&M for each sub-account (by function: transm., distn, etc.)	H-1, H-1(a)
<b>D. <u>Administrative and General Expenses</u></b>	
Monthly A&G recorded in each sub-account	H-1(a)
Total Corporate Overhead	
Workpapers showing allocation of corporate OH to Cap Rock Energy	
<b>E. <u>Taxes</u></b>	
Amount of State and Federal Income Taxes and Applicable Rates	B
- Including Breakdown between 'Taxes Paid' and 'Taxes Deferred'	
Amount of Annual Property Taxes and Tax Rates	
Amount of Other Taxes and Basis for determining such taxes	H-1, H-1(a)
Balance of Accumulated Deferred Income Taxes	
Annual Tax Depreciation for Base Period	
- will require pro forma tax calculations later in the process	
<b>F. <u>Other Revenues</u></b>	
Revenues from fees, rentals, penalties, interest income, etc.	H-1(a)
<b>III. <u>Financial Data</u></b>	
Interest Paid	H-1(a)
List of All sources of capital and financing including:	B, (F)
- Date of Issuance, Issuance fees/costs, premiums/discounts, coupons	
- Any Prepayment costs that have been capitalized	
Copies of any debt agreements and/or prospectuses	
Note: We have the prospectus for the IPO	
Any analyses published by investment analysts, bond rating services, etc.	
Allowance for Funds Used During Construction ("AFUDC")	

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#### **IV. Billing Units and Revenues**

Billing Units (Bills, kWh, KW, HP) and Revenues under each Rate Schedule	J-3,4,5,6
- Also broken out by designation of the voltage level (primary, secondary) and phase (one- or 3-phase)	
Copies of special rate contracts	
Data on number of Street and Security Lights of different types and wattages	J-7
- current cost of each type of street and security light owned by Cap Rock	
Horsepower ratings for each of the irrigation customers	

#### **V. Load Data**

MW of Load on the system each hour during the year	
Record of hourly power purchase costs each hour during the year (if available)	
Current Power Purchase Contracts	
Sources and Capacity of all potential generating resources (firm and non-firm)	
Cost and amount of power purchased each month during the year	
kWh of power purchased by each rate class each month 2000-2003	Tab 11
Any load research or system planning documents that have been prepared (to be used in determining the Peak and Non-Coincident Peak Demand of customers in each rate class and the system as a whole)	
NOTE: In the prior study these data were not available. Used data and estimates on the load served on each sub-station.	K-15(a)
Estimates and records of Line Losses at each voltage level (transmission, primary distribution, secondary distribution)	see K-3

#### **VI. Data for Costing and Rate Design**

The number and type of meters used by customers on each rate schedule	J-7
The current installed cost of meters of each type	
The number and type of transformers and sub-stations on the system	
For each type of distribution transformer:	
- the number and type of customers served	
- the current installed cost of the transformers	
Customer Density in Midland v. Rural Areas	J-9
Relative Time/Cost of Meter Reading for each class	



File Name	Date	Prepared By
MeterDensityReport.xls	12/4/01	Steve D. Hodges (hodges@cap-rock.net)
Rate Count SG.xls	3/7/01	Paul Rael (Paul@Cap-rock.net)
Zcost of Service_Draft3.xls	2/18/01	Dana Litman (dana@Cap-rock.net)
Depreciation Rates.xls	2/8/01	Dana Litman (dana@Cap-rock.net)
Billing Rates.doc	10/6/00	Paul Rael (Paul@Cap-rock.net)
Spread of Salaries	1/11/01	Dana Litman (dana@Cap-rock.net)
Bad Debt Adjustment and Writeoff	1/8/01	Dana Litman (dana@Cap-rock.net)
Major Medical Adjustment	1/10/01	Dana Litman (dana@Cap-rock.net)
Test Period Salaries	1/4/01	Dana Litman (dana@Cap-rock.net)
August Financial & Analysis Binder	9/12/00	Dana Litman (dana@Cap-rock.net)
Settlement Agreement (SPS Contract?) Dated 12/23/99 (1)	5/4/00	Greg Boggs
First Amendment to the Electric Power Service contract (1)	1/28/92	Dave Krupnick, Manager, Wholesale Marketing
four executed originals of the Amendment to the Wholesale Power Service Agreement	1/28/92	David W. Pruitt, CEO/GM
Power Sale Agreement between Electric Clearing House, Inc., and Cap Rock Electric Cooperative, Inc.;	6/7/99	Lorie A. Whitmire, Electric Clearinghouse, Inc.
Confirmation Letter between Electric Clearinghouse, Inc., and Cap Rock, dated 5/27/99 (2)	6/7/99	Lorie A. Whitmire, Electric Clearinghouse, Inc.
"ERCOT Rates?" - order setting the ERCOT transmission charges for the Year 2000	7/18/00	Richard Hamala

1) Pages are titled "Southwest Public Service Company"  
2) Pages are titled "Dynergy"  
Addressed to Other People

500235

# Memo

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Date: December 21, 2003

To: Will West

From: Larry Crowley

Subject: Information Inventory and Additional Requirements

Will:

Per your request, attached is a list of the information I have received to date as part of our preparation of the Cap Rock rate case. My response is limited to the information required to calculate the company's jurisdictional revenue requirements while Steve is preparing cost of capital, class cost of service and rate design recommendations so his response will differ from mine given our different tasks. In addition, I am attaching a copy of the summary List of RFP Schedules required for the revenue requirements portion of the rate case filing. I have highlighted the specific schedules which require additional information to assure timely and adequate completion of the rate case.

## Information Received:

1. Cap Rock Service Area Map
2. 2002 Annual Report
3. LCRA Contract and actual invoices for CY 2002 and TY 2003
4. SPS/NewCorp Contract and actual invoices for CY 2002 and TY 2003
5. Garland P&L Contract and actual invoices for CY 2002 and TY 2003
6. Guard Force, Inc Contract
7. Unaudited Balance Sheets and Statement of Operations – Oct 2002 through June 2003
8. Accumulated Depreciation for Plant Accounts – Oct 2002 – Sept 2003
9. Plant Account balances – Oct 2002 through 2003
10. Depreciation Expense for Plant Accounts – October 2003 through Sept 2003
11. Other Rate Base Items; M&S and Prepayments – Oct 2002 through June 2003
12. Monthly O&M expenses – October 2002 through Sept 2003
13. Franchise Fees paid/assessed – TY 2003
14. Income Tax Information for June and March 2003
15. CFC Form 7 for CY 2002
16. SEC Form 10-Q for March and June 2003
17. FERC Form 1 for CY 2002
18. Updated information for anticipated changes to purchased power expenses - Garland

● Page 2

Please let me know if you have any questions.

500237

# Memo

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Date: December 31, 2003

To: Will West

From: Larry Crowley

Subject: Additional Information Requirements

Will:

The following is a partial list of additional information required to complete various RFP Schedules.

1. Account 107 – need functional detail for the monthly balances shown. Also please have someone review the additional information requirements for Schedule C-4.1 and let me know if the information is available.
2. Are there any known and measurable changes to plant in service that are significant and anticipated by the time new rates are expected to go into effect? (Schedule C-3)
3. Can we get details for the highlighted items on Schedule C-1, 2? Plant additions, retirements, etc.?
4. Can you provide the adjustments associated with the Asset Purchase and Sale Agreement dated July 2003? We need specific amounts and account numbers plus reconciliation with the reductions in Cap Rock plant which were booked in December 2002.

I did have a lengthy conversation with Glenda Spence of the TXPUC staff this morning regarding various RFP Schedules and filing requirements. I asked her about the possibility or advisability of incorporating various sub-schedules from Schedule R of the 1995 RFP with the Schedule K from the 1992 RFP which we are using to present the company's financial information. She suggested that we talk to Slade Cutter about this issue. After you have a chance to review this issue in terms of the information requirements of each of the schedules and whether or not you want to pursue this approach, this might be a good issue for you to talk to staff.

In terms of schedule, I am thinking about traveling to Midland the week of January 12 to coordinate completion of the schedules required for determining revenue requirements and begin the preparation of the filing materials. This assumes that some of the information that I outlined for you last week is available sometime this week or next. Let me know if you have any questions or comments. Happy New Year.

● Page 2

Cc: Steve Gaske

500239



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# Memo

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**Date:** January 7, 2004

**To:** Will West

**From:** Larry Crowley

**Subject:** Cost of Service Summary Tables

**Will:**

Attached are the two summary cost of service tables we discussed on Monday. Please let me know if you have any questions. Regards.

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# Memo

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**Date:** January 13, 2004

**To:** Will West, Celia Zinn

**From:** Larry Crowley

**Subject:** Summary of TY Adjustments

The following is a summary of the TY adjustments proposed for CRE's 2004 rate case.

**Adjustments to Rate Base:**

- (a) Adjustments to rate base are being proposed to reflect the transfer of transmission assets from CRE to NewCorp. The amount of the transfer includes the in-period adjustment already made in the amount of \$3.4 million and an additional out-of-period adjustment of \$3.35 million, less the associated accumulated provision for depreciation in the amount of \$0.7 million. (We will need to include the reductions to O&M expenses (if any), depreciation expense, and property taxes as a result of the reduction in December 2002 of plant in service. This would be for the first three months of the TY)
- (b) Budget Review-a review of the Company's "B" Budget should result in some additions to rate base or plant in service.

**Purchased Power Expenses:**

- (a) LCRA Agreement-Increases are anticipated in the transmission ("TCOS") portion of the LCRA contract. The first estimate is for an approximate 82 percent increase in these charges. Confirmation and or documentation will be needed to support this increase in expenses from LCRA.
- (b) NewCorp/SPS-CRE is currently receiving a monthly credit of \$60,319.56 to reconcile 2002 billings. The TY includes 6 months of this credit. To normalize the costs from NewCorp, an adjustment (increase in purchased power expenses) in the amount of \$361,917.36 for the TY would be proposed.
- (c) Garland-The City of Garland is proposing an increase in wholesale rates to CRE and Farmersville of approximately \$700,000. This amounts to an average cost per kWh of 4.4 cents compared to a current average

cost per kWh of 3.648 cents. This amounts to an approximate 20.1 percent increase in wholesale power costs from Garland. We need specific information regarding the rate that will be applied by rate component to support the calculation of the proposed adjustment.

Additional expense adjustments;

- (a) Medical Insurance-the company is proposing to provide medical insurance for those employees currently not covered. This will cost approximately \$580 per month per employee to be covered. The total estimated adjustment is approximately \$200,000. In addition, significant increases in health insurance are anticipated for the coming year and will be included as an out-of-period adjustment.
- (b) Labor expenses-bonuses, sick pay buy back and raises which have been deferred for 2002 will start again in June of 2004. In addition, a general wage increase of 7 percent will go into effect in June of 2004. This increase in base compensation will result in increases in other labor-related benefits, expenses and taxes such as FICA, 401k contributions and FUTA.
- (c) Implementation of the Company's "B" Budget would include additional expenditures that have been deferred and which will result in higher sales and property taxes.
- (d) New Employees-review the annualization of expenses and taxes associated with any new employees added during the TY and which are not included for the entire TY due to their start time with the company.
- (e) Taxes Other Than Income Taxes-review and quantify all taxes other than income taxes which affect the company both in-period and out-of-period. For example, property taxes, franchise fees, and state franchise fees. It should be noted that any sales taxes incurred with the purchase of equipment will be capitalized and included as part of the original cost of the property. Also, the reductions associated with the transfer of transmission plant to NewCorp will be quantified.
- (f) Depreciation expense-will have to be reviewed to reflect the reduction in transmission plant which has been transferred to New Corp.
- (g) Lamar-related transaction expenses will be removed from the TY cost of service and shown as a "below-the-line" item.
- (h) Removal of deferred revenue adjustment of \$181,000 per month associated with the monies owed NCR by Cap Rock as part of a prior true-up requirement.
- (i) Revenues through the PCRF will be adjusted to more normal levels; for example removal of prior revenue catch-up programs. The amount of this adjustment is not known at this time.
- (j) Account 154 Materials & Supplies-adjustment to average rate base item to reflect the inclusion of the inventory carried by CRE service vehicles or repair trucks.
- (k) Interest Income from NCR-need to include this as Other Income.

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- (l) Software Implementation Expenses-need to reflect (1) the amortization of currently deferred expenses associated with the implementation and installation of new software systems; and (2)the ongoing consulting services fees (outside services).
- (m)Stock-related costs-amortization of prior years stock awards.

**Adjustments to Debt Cost**

- (a) Debt costs shown on Schedule K-3 will reflect repayment of \$1,389,971 through the end of February 2004.
- (b) In addition, five debt issues will reflect the repriced cost of debt as of Jan 2004, when those costs become available. [Note: these adjustments affect only the cost of debt and not the capital structure. The debt ratio in the capital structure will be 60%].



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# Memo

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**Date:** January 14, 2004

**To:** Will West, Celia Zinn

**From:** Larry Crowley

**Subject:** Agenda for Meeting with TX PUC Staff

The following is an outline for use in preparing an e-mail for your meeting with Glenda Spence next week.

Dear Glenda:

I would like to confirm our meeting with you which is scheduled for Tuesday, January 20, 2004 at 1:30 at your office. Celia Zinn and I will be the only representatives from Cap Rock Energy attending the meeting. I do not plan on bringing our lawyer to this meeting unless you prefer to have legal counsel present.

In terms of the topics for discussion, the following list sets forth the items we would like to review with you. I would characterize our list of issues as ones that deal with the filing requirements outlined in the 1995 RFP. Before I list the specific RFP schedules or issues, I would like to preface my comments by saying that Cap Rock Energy is committed to making a good faith effort to respond as completely as reasonably possible to each of the required schedules contained in the 1995 RFP. I should report to you that our efforts have been somewhat frustrated by the legacy information systems that were in place at Cap Rock Electric Coop and McCulloch. As you may know we have been installing new computer hardware and software systems to enable us to provide better information with greater accuracy and speed than is possible with the legacy systems of the predecessor companies. To the extent that some of the RFP schedules request historical information, we are finding it very difficult, if not impossible, to retrieve historical information. This is one of the issues we would like to review with you.

Specifically, we have the following questions regarding the referenced RFP schedules:

- 1) Schedule B-2; we would like an explanation of what information is being requested. Our initial review (and understanding) leads us to believe that we have no amounts that would be included in this schedule.
- 2) Schedule C-5; this is a legacy system problem as described above.
- 3) Schedule G-1.3; this is a legacy system problem as described above.
- 4) Schedule G-1.4; this is a legacy system problem as described above.
- 5) Schedule G-1.5; this is a legacy system problem as described above.
- 6) Schedule G-2.2(3); this is a legacy system problem as described above.

- 7) Schedule G-3; this is a legacy system problem as described above.
- 8) Schedule G-11; what is meant by "Below the Line" and what kinds of transactions would be considered below the line?
- 9) Schedule G-4.1d; this is a legacy system problem as described above.
- 10) Schedule H, sections H-1.1a, H-1.2a, H-2.2, H-2.3, and H-8.3 all represent additional problems associated with the legacy systems described above.
- 11) Schedule J-review problems with preparing footnotes for the TY. (See note below)
- 12) Schedule K-6-requests historical financial ratios for the TY and the 5 five fiscal years preceding the TY. (See note below)

Note: If you want to discuss hypothetical capital structure with the staff, Glenda may suggest that you meet with Slade Cutter. It might be best to wait until Steve has researched case history in TX before we approach the staff with any discussions about this issue.

**Schedule J** indicates a requirement for all financial statements necessary for a fair presentation in accordance with generally accepted accounting principles, including all footnotes. This requirement is for the test year, as well as the preceding period.

This requirement for presentation of footnotes is problematical and burdensome for the following reasons:

- The Company has never prepared separate Company financial statements. Therefore, accumulation of the data for footnotes for Cap Rock by itself has not been done.
- The last three quarters of the test year lie in the calendar year 2003. The consolidated financial statements for this year have not been closed out and audited yet; therefore the accumulation of data has not been completed for preparation of footnotes, even on a consolidated basis.
- The test year spans across two of the Company's fiscal years. Therefore, in order to procure the necessary information for the footnotes, a review and extraction of data and information from two fiscal periods will need to be prepared.

**Schedule K-6** Information which is necessary to calculate the ratios is readily available for the test year and the three preceding fiscal years. Locating the same information needed to calculate the ratios for the oldest two fiscal years, and manipulating the data in the requested presentation, is problematical and burdensome. Cash flow statements have never been prepared on a "separate company" basis, and certain ratios use this value in the calculation.

## **MEMORANDUM**

**To:** Glenda Spence, PUC  
**From:** Will West, Celia Zinn  
**CC:** Lambeth Townsend  
**Date:** January 19, 2004  
**Re:** Meeting January 20, 2004 discussion points

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The purpose of this memorandum is to confirm our meeting which is scheduled with you for Tuesday, January 20, 2004 at 1:30 at your office. Celia Zinn and I will be the only representatives from Cap Rock Energy attending the meeting.

Following is a list of items we would hope to cover in our meeting:

Schedule S: Independent auditor review and opinion. No comparable section in later RFP. Discuss.

Schedule B-2 and B-2.1: We would like an explanation of what information is being requested. Our initial review and understanding leads us to believe that we have no amounts that would be included in this schedule.

Schedule G-1.5: Unable to obtain hourly and salaried breakdown prior to August, 2003, without an onerous manual process which can't be completed within the time constraints of the filing.

Schedule G-2.2 #3: Information is available for prior years. 2003 is being calculated by an actuary and will be available in late February. It is likely we will need to supplement our filing with this information.

Schedule G-11: "Below the Line" transactions.

Schedule H-1.1a and H-1.2a: Comparability may be diluted because the method of allocating overhead changed with the new system. Discuss 5 yr. look back period, issues and reasonable alternatives.

Schedule H-2.3: This is a historical data issue. Discuss look back and look forward periods, issues and reasonable alternatives.

Schedule J: Discuss issues regarding footnotes.

Schedule K-6 (1992 Package): Discuss historical ratio requirements, both historical and test year.

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**Valerie Newsom**

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**From:** Al Kleinschmidt [al.kleinschmidt@shaw.ca]  
**Sent:** Wednesday, February 11, 2004 1:43 AM  
**To:** Will West; Valerie Newsom; Lester Baker; Paul Rael; Steve Gaske (Steve Gaske); Larry Crowley  
**Subject:** Reconciliation of Revenues and Power Purchases

Please find attached a work sheet that shows my attempt at reconciling the sales revenues as taken from the billing system with the revenues as taken from the financial statements prepared by Valerie Newsom. Also shown is my reconciliation of the power purchase expenses as taken from the financial statements with the power purchase invoices and with the costs recovered through the PCA and PCRF.

I hope that this analysis will be useful in finding the source of the remaining discrepancies encountered in the determination of the revenue requirement.

Some key points that come out of this analysis:

1. The per books revenues (as taken from the billing system) reconcile with revenues calculated by applying the tariff rates to the billing determinants for the test period.
2. The calculated revenues less the amortization of the equity redemption credit agrees reasonably well (to within \$75,000) with the sum of the sales revenue from each customer class as taken from the financial statements
3. The power purchase expense as taken from the financial statements agrees with the total of the PP invoices *that include the expense allocated to Farmersville*
4. In as much as the PCA and PCRF revenues are expected to recover the cost of buying power, I would expect that the sum of the PCRF and PCA revenues should equal the sum of the PP invoices less the Farmersville PP expense and plus the "Electric Revenue - Other" which is the amortization of the liability to NewCorp. However this reconciliation indicates that the PCRF and PCA revenues have been overcollected by \$1.2M

Regards

*Al Kleinschmidt*

☎ cell: 604.788.6223

☎ fax: 604.677.5183

✉ [al.kleinschmidt@shaw.ca](mailto:al.kleinschmidt@shaw.ca)

500247

**Valerie Newsom**

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**From:** CrowleyLA@aol.com  
**Sent:** Friday, March 12, 2004 5:39 PM  
**To:** Will West; wwest@sbcglobal.net; czinn@cap-rock.net; Valerie Newsom  
**Cc:** jsg@hzinder.com; al.kleinschmidt@shaw.ca  
**Subject:** Revenue Reconciliation

Attached is a memo and Excel worksheet that frames the issues for discussion next week. Let me know if you have any questions. Regards.

Larry Crowley  
Senior Regulatory Consultant  
H. Zinder & Associates  
5549 South Cliffsedge Avenue  
Boise, ID 83716  
Phone: (208) 344-5459  
Fax: (208) 345-2424  
Cell: (208) 890-1871

500248

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# Memo

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**Date:** March 12, 2004

**To:** Will West

**From:** Larry Crowley

**Subject:** Revenue Reconciliation

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Will:

As we discussed last week, the following compares the financial information extracted from the Cap Rock billing system which was used to prepare RFP Schedule Q and the accounting information used to prepare the RFP Cost of Service schedules. The purpose is to identify the differences for review by all internal stakeholders in order to form a basis for further discussion and analysis presumably to take place at CRE's corporate headquarters.

Reconciliation of Unadjusted Revenues:

Column 1 of Table No. 1 shows the unadjusted operating revenues from the sales of electricity and other operating revenues as set forth on the company's income statements and provided by the company's accounting department. Column 5 shows only the revenues from the company's billing system that are generated through the sales of electricity and the application of the company's current rates and tariffs. These charges include the customer and distribution charges, the regulatory surcharge, and the PCA and PCRF.

For the purpose of this analysis, the sources of the amounts shown in Column 1 will be referred to as the '*Income Statement*' and these revenues will be referred to as the '*Revenues as per the Income Statements*'. The revenue amounts shown in Column 5 were extracted from twelve '*rate reports*', one for each month of the test period, from Cap Rock's billing system. These "rate reports" are in tabular form, have one row per customer and contain enough information to determine: (i) the number of customers as well as their consumption and demand under each rate schedule and (ii) the revenues from all tariff charges (customer, distribution, regulatory surcharge, PCA and PCRF). Page 2 of Table No. 2 provides the footnoted information. As shown in the last column of Table No. 1, the difference between the revenue amounts from the company's income statements with amounts taken from the billing system amounts to \$289,654.

It is our understanding that equity credits are not included in the company's operating revenues or the company's income statement. However, if we adjust the income statement revenues (column 1) by the amount of the equity credit of \$334,710 then the difference between the two amounts is only \$45,056. The question arising from this analysis is if we are

wrong in assuming that the equity credits are not included in the financial statements, where does the equity redemption credit show up if it has not been included in the sales revenues?

Other Topics:

The other related topics for discussion deal with, in part, the development of RFP Schedule Q-7.2 and the reconciliation/synchronization of PCA and PCRF charges and revenues with the company's invoiced purchased power expenses plus accruals. It should be noted that the company's case-in-chief presumes that the company will be able to continue to include any accrual-related adjustments to its actual purchased power expenses in the PCRF in the future. If this practice changes as a result of commission order or company policy change, we will need to address this change during the rebuttal phase of the case.



Cap Rock Energy Corporation  
Summary of Test Year Revenues and Adjustments  
Table No. 1

Summary Of Base Case Revenues:		Revenues Per CRE Income Statement (") as of 9/03	Non-recurring Adjustments	Revenues as Adjusted	Weather Normalization	Reconciliation Adj - 3/4/04 Revenues ("*) Difference
Residential		\$ 29,750,691			(466,676)	\$ 29,893,826 143,135
Irrigation		5,876,713			-	5,964,643 87,930
Small Commercial		20,479,920			-	20,042,773 (437,147)
Large Commercial		18,166,941			-	18,662,683 495,742
Public Street/Hwy Lights		5,906			-	5,900 (6)
Subtotal - per Tariffs		\$ 74,280,171			(466,676)	\$ 74,569,825 289,654
Add: Reconciliation Adjustment		-				
Total Revenues per Tariffs w/Adjustment		\$ 74,280,171	See RFP Schedule A, Page 2, Line 2			
Other Revenues:						
Unbilled Revenues		(458,625)				
Electric Revenue-Other (1)		2,184,118				
Street Lighting		24,651	(24,651)			
Customer Adjustment (2)		(12,045)	12,045			
Regulatory Surcharge		-	(1,845,767)			
PCR Adjustment - NCR Undercharge		-	(1,657,533)			
Accrued Utility Revenues (3)		2,657,659	(2,657,659)			
Total Sales Revenues		\$ 78,675,929	(6,173,565)	72,502,364	(466,676)	289,654 \$ 72,325,342 (Includes Unbilled Revenues)
Account 451		714,871	(409,545)	305,326	305,326	305,326
Account 454		160,170	24,651	184,821	184,821	184,821
Account 456		(115,916)	-	(115,916)	(115,916)	(115,916)
Subtotal (See RFP Schedule A, Page 2, Line 4)		759,125	(384,894)	374,231	374,231	374,231
Grand Total		\$ 79,435,054	(6,558,459)	72,876,595		\$ 72,699,573

(See RFP Schedule A, Page 2,  
Line 5, Company Request)

500251

Cap Rock Energy Corporation  
Summary of Test Year Revenues and Adjustments  
Table No. 1

Electric Revenue-Other (1)	This adjustment relates to the recovery of a power purchase liability resulting from a true-up with NewCorp Resources which arose at the end of 2001. This liability will be fully recovered in 2004.
Customer Adjustment (2)	This amount results from discretionary adjustments to customers' bills for late payment penalties and connection fees which should be booked in Other Operating Revenues, Account 451.
Accrued Utility Revenues (3)	Cap Rock changed from a cash-based to an accrual-based accounting system in 2003. This amount is an estimate of unbilled revenues based on an estimate of consumption between customers' meter read dates and the end of September 2003. Because this change occurred during the test period, no similar adjustment is expected in the future thereby resulting in a one-time adjustment to remove these revenues.

<b>Other Operating Revenues:</b>	
456	(123,140)
	7,224
	(115,916)
454	
	87,082
	24,446
	22,539
	17,957
	8,146
	160,170
451	
	1,994
	539,444
	49,523
	3,717
	420
	117,823
	1,950
	714,871

(\*) Revenues per CRE's Income Statements and provided documents; see Tab Nos 2 and 3.

(\*\*) Revenues per CRE Billing System.

500252

Table No. 2

**CAP ROCK ENERGY CORPORATION**  
**Stand Alone Statements of Operations**  
**for each month in the test year period**  
**Internal Purposes Only**  
**(Unaudited)**

	Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	June 2003	July 2003	Aug 2003	Sept 2003	TY ended Sept 2003
<b>Operating revenues:</b>													
Electric sales	\$ 5,848,426	\$ 5,111,269	\$ 5,687,998	\$ 6,063,668	\$ 6,209,047	\$ 9,156,127	\$ 5,430,177	\$ 6,260,760	\$ 6,581,510	\$ 7,876,220	\$ 7,900,190	\$ 6,550,536	\$ 78,675,928
Other	(36,500)	51,186	119,228	70,644	63,293	50,669	157,712	60,248	65,243	63,249	69,896	24,257	759,125
Total operating revenues	5,811,926	5,162,455	5,807,226	6,134,312	6,272,340	9,206,796	5,587,889	6,321,008	6,646,753	7,939,469	7,970,086	6,574,793	79,435,053
<b>Operating expenses:</b>													
Purchased power	3,055,863	3,079,576	3,506,112	3,489,225	3,404,610	5,481,890	2,776,283	3,531,004	3,420,577	4,705,325	4,570,324	3,438,828	44,459,617
Operations and maintenance	489,766	342,027	264,013	790,066	677,200	745,343	502,111	628,977	769,621	796,379	414,378	687,860	7,107,741
Administrative and general	353,233	355,850	20,375	181,959	249,535	465,375	350,739	365,595	129,865	101,877	124,014	957,418	3,655,835
Depreciation and amortization	475,959	476,420	359,936	488,191	489,019	489,019	436,663	489,929	487,565	497,937	493,912	497,815	5,682,365
Property taxes	42,670	43,315	(27,301)	73,317	73,451	81,582	73,472	75,894	76,763	73,257	73,317	73,317	733,054
Impairment of Lamar combination costs	600	-	1,357,093	1,031	358	-	-	-	-	-	-	-	1,357,093
Other	4,418,091	4,297,188	5,480,877	5,023,789	4,894,173	7,261,209	4,139,268	5,091,399	4,884,391	6,174,775	5,675,945	5,655,238	62,998,343
Total operating expenses	13,933,835	8,652,267	326,349	1,110,523	1,378,167	1,943,587	1,448,621	1,229,609	1,762,362	1,764,694	2,294,141	919,555	16,436,710
<b>Operating income</b>													
<b>Other income (expense):</b>													
Allocation of income from associated organizations	(487,707)	(449,610)	(494,191)	(495,663)	(463,411)	(515,556)	(477,950)	(487,929)	(474,015)	(475,780)	514,035	(487,049)	514,035
Interest expense, net of capitalized interest	26,111	19,128	13,967	17,415	16,737	18,382	18,056	17,858	16,609	16,595	(458,904)	14,504	(5,767,765)
Interest and other income													213,147
Gain (loss) on disposition of assets													(4,860)
Total other income (expense)	(461,596)	(430,482)	(480,224)	(478,248)	(451,534)	(497,174)	(459,894)	(470,071)	(457,406)	(459,185)	72,916	(472,545)	(5,045,443)
<b>Income tax (expense) benefit</b>													
Income tax expense			414,241			698,844			677,834			80,280	1,871,199
<b>Net income</b>	\$ 932,239	\$ 434,785	\$ (568,116)	\$ 632,275	\$ 926,633	\$ 747,569	\$ 988,727	\$ 759,538	\$ 627,122	\$ 1,305,509	\$ 2,367,057	\$ 3,667,730	\$ 9,520,068

Revenues for TY with Adjustments - Base Case Reconciliation/No 2 PL by Month

500253

Table No. 3

**CAP ROCK ENERGY CORPORATION**  
**Revenue by Customer Class**  
**for Test Year**  
**Internal Purposes Only**  
**(Unaudited)**

	Three mo ended <u>Dec 2002</u>	Nine mo ended <u>Sept 2003</u>	Total for <u>Test Year</u>	
Residential	6,284,825	23,465,866	29,750,691	29,102,109
Irrigation	303,936	5,572,777	5,876,713	5,964,643
Small Commercial	4,724,481	15,755,439	20,479,920	20,445,337
Lg Commercial	4,419,453	13,747,488	18,166,941	18,261,408
Electric revenue - Other	545,474	1,638,644	2,184,118	
Unbilled revenue	368,058	(826,683)	(458,625)	
Public St/Hwy Lights	1,466	4,440	5,906	
Security Lights		24,651	24,651	
Customer adjustment		(12,045)	(12,045)	
Accrued utility revenues		2,657,659	2,657,659	
			74,280,171	5,900
			73,821,546	500,773
	<u>16,647,693</u>	<u>62,028,236</u>	<u>78,675,929</u>	

500254

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# Memo

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**Date:** April 23, 2004

**To:** Will West

**From:** Steve Gaske, Larry Crowley, Al Kleinschmidt

**Subject: Proposed changes to Schedule Q resulting from new adjustments to the Power Purchase Expense**

---

Will:

In response to several RFI's by Pioneer questioning the reconciling PCA and PCRF adjustments made in schedules Q-7.1 and 7-2 and reflected in Q-1, we have taken another 'bottom-up' approach to reconciling the power purchase expenses presented in Schedules G-14b/c with both the PCA and PCRF revenues actually collected from customers. As you are aware, these reconciling adjustments were required to account for a difference of approximately \$1.8 million between the purchased power expenses presented in Schedule G-14c and the actual revenues collected through the PCA and PCRF. (Please see the March 16<sup>th</sup> memo from Larry Crowley on revenue reconciliation.)

We have completed a reconciliation that synchronizes both the PCA and PCRF revenues, and the total revenues, with the PP expenses and tariff revenues per the financial statements. This reconciliation includes as adjustments amounts identified as the adjustment made to the PP expenses for the change in accounting practices as well as amounts identified as the LCRA and Garland TCOS credits. These adjustments apply to both the test year actual and company requested amounts. The result of these adjustments to the purchased power expense is an increase to the revenue deficiency from \$10,202.7 and 14.451% to \$11,365.9 and 16.055%.

This presentation therefore suggests that the amounts identified above were factored into the computations setting the level of the PCRF and subsequently collected from customers. Moreover, the revisions to Schedule G-14c presume that the Company will be able to continue to include these adjustments to its purchased power expenses and to recover them through the PCRF in the future.

## Joyce Beasley

---

**From:** Steve Gaske [jsg@hzinder.com]  
**Sent:** Monday, May 03, 2004 1:46 PM  
**To:** Melissa E. Ramirez; Lambeth Townsend; Joyce Beasley; Al Kleinschmidt; Charles E. Olson; Charles E. Olson2; Larry Crowley; Steve Gaske; Celia Zinn; Lee D. Atkins; Lester Baker; Ronald W. Lyon; Ulen North; Will West  
**Subject:** Cotton Subsidies



washingtonpost\_co WSJ\_com - The  
m Topsy-Turvy... Cotton Club.htm ...

Attached are two editorials that appeared in the Wall Street Journal and the Washington Post within the last week. I thought that you might be interested in the WSJ editorial and the last paragraph of the Post editorial since both of these editorials suggest a significant risk that may be relevant in the Cap Rock rate proceeding.

Best Regards,

Steve

J. Stephen Gaske, President  
H. Zinder & Associates  
7508 Wisconsin Ave., Suite 300  
Bethesda, MD 20814

Tele: 240-497-0011  
Cell: 240-731-9949  
FAX: 240-497-0013  
www.HZinder.com

**802891**

**500256**

[washingtonpost.com](http://washingtonpost.com)

## Topsy-Turvy Trade Politics

Monday, May 3, 2004; Page A20

POLITICIANS SOMETIMES pander to interest groups at election time, then do the right thing once safely in office. On trade, however, President Bush has inverted that pattern. He campaigned as a free-trader four years ago; he then pandered to the steel and farm lobbies once he was in power; and now that he's campaigning again, he's sticking up for free-trade principles. Last Wednesday the administration rejected two petitions to use U.S. trade laws to go after China, even though accepting them would have been far less damaging than the steel tariffs and farm subsidies to which Mr. Bush succumbed early in his administration.

One petition, presented by the AFL-CIO, alleged Chinese violations of labor rights; such violations are indeed appalling, even though it's not clear that trade sanctions are the right way to reduce them. The other petition, which was being prepared by the National Association of Manufacturers, complained about China's undervalued currency. Again, it's true that China's currency should be revalued, though treating this issue as a trade dispute might have disrupted trade without changing China's policy.

Meanwhile, in the Democratic camp, Sen. John F. Kerry (Mass.) is following the conventional playbook. During his long years in the Senate, Mr. Kerry has supported trade; now that he's running a presidential campaign, he's pandering to the skeptics. Last week he attacked Mr. Bush for failing to enforce trade agreements seriously, a pitch that is supposed to please voters who blame job losses on globalization without committing the candidate to doing much if he gets into office. The speech builds on Mr. Kerry's earlier commitment to "review" all trade agreements -- another pledge intended to please trade skeptics without committing Mr. Kerry to real action.

Even though the two candidates are chasing the same swing voters in the same swing states, they appear to have radically different readings of trade politics. Mr. Bush calculates that an optimistic message about the nation's ability to thrive in a globalized world will serve him well; Mr. Kerry wants to sound sympathetic to people who lose jobs in the process. Ordinarily, you might expect that difference to translate into contrasting governing styles: Mr. Kerry's artfully vacuous promises will create expectations that he'll clobber foreign competitors, and such expectations can be self-fulfilling. But given the gyrations in both camps, it's hard to know which candidate would turn out better on trade once in office.

If either candidate wishes to cement his pro-trade credentials, there's an opportunity at hand. The World Trade Organization has just ruled that U.S. cotton subsidies distort trade by artificially boosting production and driving down world prices. The United States has a right to appeal this ruling and drag out the battle. But cotton presents one of the purest examples of the case for freer trade: the U.S. policy of paying an average of \$120,000 to each of its cotton farmers damages Brazilians and West Africans who are trying to export their way out of poverty. Rather than engage in legal foot-dragging, a really pro-trade presidential candidate would embrace the cotton verdict as eminent good sense. He would favor the abolition of U.S. cotton subsidies, doing both American taxpayers and poor foreign producers a favor. And he would use that gesture to revive multilateral talks on further trade liberalization.

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500258



☐ The Wall Street Journal

April 28, 2004

## REVIEW &amp; OUTLOOK

The Cotton Club  
April 28, 2004; Page A16

The Bush Administration may not immediately cotton to the idea, but an interim ruling by the World Trade Organization Monday against U.S. agricultural subsidies has the potential to be a big political opening on trade.

Interim rulings are not made public, but the WTO panel reportedly has sided with Brazil in its complaint against U.S. government handouts to cotton farmers on the grounds that they distort world markets. The U.S. Trade Representative's Office says it will appeal. "We can assure you we will be defending U.S. agricultural interests," chief agriculture negotiator Allen Johnson told us yesterday.

We suppose that's the politically correct sound bite in an election year. But it's worth recalling that the Doha "development round" of WTO negotiations launched in November 2001 by Trade Rep Robert Zoellick is all about giving poor countries the chance to realize their comparative advantage in agriculture in exchange for access for goods and services from industrialized nations.

Powerful ag interests in the U.S. want no part of this and no wonder. According to Oxfam, "the largest 10% of cotton farms receive three-quarters of total [U.S. subsidy] payments." The Environmental Working Group Web site lists the top 20 recipients of cotton pork in the period 1995-2002, with total U.S. cotton subsidies topping \$10 billion. Eight are in Mississippi, seven in California, and two in Arizona. Arkansas's Tyler Farms topped the list with more than \$24 million in handouts. That's more than twice its next closest rival, J.G. Boswell of California, which took in subsidies of \$10 million-plus.

Paring back freebies of the rich and powerful isn't easy. But the WTO ruling offers a politically convenient excuse for whoever wins the election to do the right thing next year.

URL for this article:  
<http://online.wsj.com/article/0,,SB108310911552795472,00.html>



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**802894**  
**500259**

**802895**

**500260**

**Joyce Beasley**

---

**From:** CrowleyLA@aol.com  
**Sent:** Friday, July 02, 2004 11:21 AM  
**To:** rlyon1@airmail.net; jbeasley@lglawfirm.com; al.kleinschmidt@shaw.ca; bkimmell@lglawfirm.com; czinn@caprockenergy.com; colson@rhsmith.umd.edu; csalazar@caprockenergy.com; JSG@hzinder.com; ltownsend@lglawfirm.com; latkins@caprockenergy.com; lesliemelson@verizon.net; lbaker@caprockenergy.com; mramirez@lglawfirm.com; pseward@lglawfirm.com; unorth@caprockenergy.com; wwest@caprockenergy.com  
**Subject:** Re: Vacation Schedule

Since we are talking about vacation schedules, I will be camping in a remote area of Oregon (near Crater Lake) from July 6 to July 12. I will not have access to any communication so I will catch up when I return.

Larry Crowley  
Senior Regulatory Consultant  
H. Zinder & Associates, Inc.  
5549 S Cliffsedge Avenue  
Boise, ID 83716  
Phone: (208) 344-5459  
Fax: (208) 345-2424  
Mobile: (208) 890-1871

500261

12/5/2004

## Celia Page

---

**From:** Steve Gaske [jsg@hzinder.com]  
**Sent:** Thursday, July 15, 2004 8:46 AM  
**To:** Celia Zinn; Lee Atkins; Lester Baker; Ronald W. Lyon; Ulen North; Will West; Al Kleinschmidt; Charles E. Olson; Charles E. Olson2; Larry Crowley; Steve Gaske  
**Subject:** Law Judge's Recommended Decision for AEP



28840 PFD.doc  
(779 KB)

FYI. Attached is a copy of the Administrative Law Judge's (ALJ's) recommended decision concerning AEP (CSW). The Commission will then consider these recommendations and affirm or modify the decision on each issue. This should give you an idea as to where the Commission is coming from on particular issues.

Best Regards,

Steve

J. Stephen Gaske, President  
H. Zinder & Associates  
7508 Wisconsin Ave., Suite 300  
Bethesda, MD 20814

Tele: 240-497-0011  
Cell: 240-731-9949  
FAX: 240-497-0013  
www.HZinder.com

500262

**Celia Page**

**From:** Steve Gaske [jsg@hzinder.com]  
**Sent:** Tuesday, August 03, 2004 2:43 PM  
**To:** Will West  
**Cc:** Valerie Newsom; Celia Zinn  
**Subject:** RE: Helping Valarie w/ratio analysis?

Will:

I just sent the completed ratios to Joyce and copied you all.

Steve

-----Original Message-----

**From:** Will West [mailto:wwest@caprockenergy.com]  
**Sent:** Tuesday, August 03, 2004 2:37 PM  
**To:** Steve Gaske  
**Cc:** Valerie Newsom; Celia Zinn  
**Subject:** Helping Valarie w/ratio analysis?

Steve -

How are we coming on Valerie's ratio question? FYI, we are working directly with the testifying Staff on this, so if possible.....lets move this one along....

Thanks,

Will West  
Vice President, Chief Strategic Officer  
Cap Rock Energy Corporation  
Office: 432/684-0322  
Mobile: 469/878-2401

500263

**Linda Judd**

---

**From:** CrowleyLA@aol.com  
**Sent:** Wednesday, August 11, 2004 5:34 PM  
**To:** wwest@caprockenergy.com  
**Cc:** ltownsend@lglawfirm.com; jbeasley@lglawfirm.com; czinn@caprockenergy.com  
**Subject:** Fwd: Reconciliation of Billing determinants and revenues

**Follow Up Flag:** Follow up  
**Due By:** Monday, August 16, 2004 9:00 AM  
**Flag Status:** Completed



Reconciliation of  
Billing dete...

Will:

Attached is an e-mail from Celia to Al regarding our plans for meeting in Midland next week. Celia has suggested that we wait until the following week due the press of finishing the 10Q. Should I reschedule as well?

Larry Crowley  
Senior Regulatory Consultant  
H. Zinder & Associates, Inc.  
5549 S Cliffsedge Avenue  
Boise, ID 83716  
Phone: (208) 344-5459  
Fax: (208) 345-2424  
Mobile: (208) 890-1871

**Celia Page**

---

**From:** Al Kleinschmidt [al.kleinschmidt@shaw.ca]  
**Sent:** Wednesday, August 11, 2004 3:15 PM  
**To:** Larry Crowley; Steve Gaske  
**Subject:** Reconciliation of Billing determinants and revenues

Steve and Larry:

I just spoke with Celia regarding our planned meeting to go over the reconciliation of billing determinants and revenues as presented in the RFP and in the financial records. She has informed me that they are behind in their 10Q filing and have requested an extension. Consequently, we have tentatively planned this meeting for the week of Aug. 23rd.

Al

## Joyce Beasley

---

**From:** Will West [wwest@caprockenergy.com]  
**Sent:** Wednesday, August 11, 2004 5:47 PM  
**To:** CrowleyLA@aol.com  
**Cc:** ltownsend@lglawfirm.com; jbeasley@lglawfirm.com; Celia Zinn; Lee Atkins  
**Subject:** RE: Reconciliation of Billing determinants and revenues

Yes. There will be an extension filed for the Q, which will necessitate rolling your trip to the following week. Let me get with Lee and Celia and I'll give you a call with optimal dates.

-----Original Message-----

**From:** CrowleyLA@aol.com [mailto:CrowleyLA@aol.com]  
**Sent:** Wednesday, August 11, 2004 5:34 PM  
**To:** Will West  
**Cc:** ltownsend@lglawfirm.com; jbeasley@lglawfirm.com; Celia Zinn  
**Subject:** Fwd: Reconciliation of Billing determinants and revenues

Will:

Attached is an e-mail from Celia to Al regarding our plans for meeting in Midland next week. Celia has suggested that we wait until the following week due the press of finishing the 10Q. Should I reschedule as well?

Larry Crowley  
Senior Regulatory Consultant  
H. Zinder & Associates, Inc.  
5549 S Cliffsedge Avenue  
Boise, ID 83716  
Phone: (208) 344-5459  
Fax: (208) 345-2424  
Mobile: (208) 890-1871

500266



4.24.1.2

**Pat Seward**

---

**From:** Lambeth Townsend  
**Sent:** Friday, September 17, 2004 9:19 AM  
**To:** Barbara Kimmell; Georgia Crump; Joyce Beasley; Lambeth Townsend; Leslie Melson (E-mail);  
 Melissa Ramirez; Pat Seward; Ronnie Lyon (E-mail)  
**Subject:** FW: Follow-up-Expert re Delinea Deal--CRE/Rates

-----Original Message-----

**From:** Jon T. Brock [mailto:jbrock@utilipoint.com]  
**Sent:** Thursday, September 16, 2004 6:51 PM  
**To:** wwest@caprockenergy.com  
**Cc:** ltownsend@lglawfirm.com  
**Subject:** Follow-up-CRE/Rates

Will,

I have received the package from Lambeth and reviewed the testimony concerning the computer system at Caprock. I do have some questions assuming you wish to use me on this effort. I e-mailed my resume over Tuesday evening. Please advise if you have not received it.

Best Regards,

Jon T. Brock  
 Chief Operating Officer  
 UtiliPoint International, Inc.  
 505.244.7607 direct  
[jbrock@utilipoint.com](mailto:jbrock@utilipoint.com)  
[www.utilipoint.com](http://www.utilipoint.com)

500267

**Judy McMahon**

---

**From:** Steve Gaske [jsg@hzinder.com]  
**Sent:** Sunday, September 26, 2004 10:07 PM  
**To:** Will West  
**Cc:** Gerald W. Tucker  
**Subject:** Zinder Rate Case Expenses CRE/Rates



Zinder-Cap Rock    Cap Rock\_Will  
Rate Case Expe... West\_9-26-04.doc...

Will:

Attached is a letter with an estimate of total rate case expenses for Zinder Companies. Please let me know if you have any questions.

Best Regards,

Steve

J. Stephen Gaske, President  
H. Zinder & Associates  
7508 Wisconsin Ave., Suite 300  
Bethesda, MD 20814

Tele: 240-497-0011  
Cell: 240-731-9949  
FAX: 240-497-0013  
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**ZINDERCOMPANIES, INC.**  
CONSULTANTS

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tel: 240.497.0010  
fax: 240.497.0013  
www.HZinder.com

*J. Stephen Gaske, President*  
*(240) 497-0011*  
*JSG@Hzinder.com*

September 26, 2004

Mr. Will West  
Cap Rock Energy Corporation  
500 W. Wall Street, Suite 400  
Midland, TX 79701

Via E-Mail

Subject: Estimated Rate Case Expenses – Docket No. 28813

Dear Will:

Attached is a schedule with a list of the monthly invoices as well as an estimate of the costs of working on the case from mid-September through to the end of the rate proceeding. My best estimate at this time is that the total costs for our firm will be approximately \$1,050,000.

Sincerely,

J. Stephen Gaske

500269

**Zinder Companies Estimated Costs  
in Connection With Cap Rock Rate Case  
in PUCT Docket No. 28813**

As Of September 26, 2004

	<u>Invoices</u>	
2003 July	\$ 6,775.00	
August	\$ 3,570.00	
September	\$ 8,695.00	
October	\$ 11,770.00	
November	\$ 21,842.50	
December	\$ 62,075.90	
2004 January	\$ 113,713.35	
February	\$ 146,330.56	
March	\$ 36,461.02	
April	\$ 47,638.10	
May	\$ 40,491.91	
June	\$ 24,315.71	
July	\$ 56,600.30	
August	\$ 60,000.00	Est.
Mid-Sept	\$ 117,219.27	
Mid-Sept to End	\$ 290,000.00	Est.
 Total	 <b><u>\$ 1,047,498.62</u></b>	

500270

## Judy McMahon

---

**From:** Will West [wwest@caprockenergy.com]  
**Sent:** Friday, December 03, 2004 12:18 PM  
**To:** Joyce Beasley  
**Subject:** From Crowley emails



AEP-TCC ALJ  
Proposal for Order...



Schedule for CRE  
Case - ALJ Or...

-----Original Message-----

**From:** CrowleyLA@aol.com [mailto:CrowleyLA@aol.com]  
**Sent:** Sat 8/28/2004 11:49 AM  
**To:** Will West  
**Cc:**  
**Subject:** Schedule and AEP Order

Will:

Attached are the documents we discussed this am. Thanks for the hospitality.

Larry Crowley  
Senior Regulatory Consultant  
H. Zinder & Associates  
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Boise, Idaho 83716  
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SOAH DOCKET NO. 473-04-1033  
PUC DOCKET NO. 28840

APPLICATION OF AEP TEXAS § BEFORE THE STATE OFFICE  
CENTRAL COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

PROPOSAL FOR DECISION

I. INTRODUCTION

A. History and Overview

This is an application by American Electric Power Company (AEP) Texas Central Company (the Company, TCC, or Applicant) for approval of a change in the rates that it may charge for the transmission and distribution (T&D) of electricity. The Applicant is a T&D utility that provides service to a 44,000-square-mile area of south Texas. The service area includes the portion of Texas from just south of San Antonio to the Mexican border, and from Bay City west to Eagle Pass. Major cities in the Applicant's service area include Corpus Christi, McAllen, Harlingen, Laredo, and Victoria. The Applicant provides distribution services to about 785,000 electric connections, served by 28 retail electric providers (REPs). The Applicant's service area has a labor force population of just over 1 million.<sup>1</sup>

AEP, the Applicant's parent company, is one of the largest investor-owned public utility holding companies in the United States. AEP became active in the Texas electric utility service market when AEP merged with a Texas electric utility holding company, Central and South West Corporation (CSW), in June 2000.<sup>2</sup> Prior to the merger, the Applicant was known as Central Power and Light Co., a name now held by the affiliated REP.<sup>3</sup>

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<sup>1</sup> TCC Ex. 4 at 6-7; TSLC/ROSE Ex. 8 at 2.

<sup>2</sup> TCC Ex. 4 at 5; *Application of Central and South West Corporation and American Electric Power Company, Inc. Regarding Proposed Business Combination*, Docket No. 19265, Final Order (Nov. 18, 1999).

<sup>3</sup> References in this proposal for decision to the REP will be to "CPL" or "CPL Retail." References in this proposal for decision to the former name of the Applicant will be to "Central Power and Light Co."

This rate case is the first to be considered since the adoption of a new state-mandated system of competition in the electric market in 1999. That law, commonly known as Customer Choice, restructured the manner in which the electric market operates in Texas. The restructuring affects the business relations among electric service providers and between those providers and end-use customers.

Prior to the adoption of Customer Choice, electric utilities were permitted to be vertically integrated. That is, a single utility could generate electricity, transmit it along high power lines, distribute it to large and small users, and act as seller of that power to all within a given geographic region. The arrangement was known in the market as “bundled services.” With the effective date of Customer Choice in 2002, Texas electric utilities were required by law to engage in “unbundling.” That is, a service provider could operate either as a generator, a T&D utility, or as a REP.

The Applicant is a T&D utility, and its application is a request for approval of a revenue requirement of \$519.9 million. Of that amount, \$426.6 million is for providing retail T&D service (including the portion of the Electric Reliability Council of Texas (ERCOT)-wide transmission costs)<sup>4</sup> and \$93.3 million for providing wholesale transmission service.

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<sup>4</sup> All of the Applicant’s service area is within ERCOT. TCC Ex. 4 at 7.

# July 2004

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8 <i>Telecon with Lambeth</i>	9	10
11	12	13 <i>To Midland, TX</i>	14	15 <i>Return from Midland.</i>	16	17
18	19	20	21	22	23	24
25	26 <i>To Austin, TX</i>	27	28 <i>Deposition</i>	29 <i>Return from Austin</i>	30	31

Schedule for CRE Case - Per ALJ Order No 24

500274



# August 2004

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6 <i>CRE to file updates to RFI Responses.</i>	7
8	9	10	11	12	13 <i>Complete Discovery on CRE's filing.</i>	14
15	16	17	18	19	20	21
22	23	24	25 <i>To Midland</i>	26	27	28
29	30 <i>Intervenor Testimony or Statements of position</i>	31 <i>Staff comments re rate filing package being deficient.</i>				

Schedule for CRE Case - Per ALJ Order No 24

500275

# September 2004

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8 <i>Objections to Interveners' Direct Testimony</i>	9	10	11
12	13 <i>Staff's Direct Testimony or Statement of Position.</i>	14	15	16	17	18
19	20 <i>Deadline for filing Objections to Staff's testimony.</i>	21	22	23	24	25
26 <i>Lee leaves for vacation—until October 3rd.</i>	27	28 <b><i>CRE Rebuttal Testimony</i></b>	29	30		

500276