

DIRECT TESTIMONY OF PATRICIA K. (VINCENT) COLLAWN

1. I will provide an overview of PNM Resources.
2. I will describe the regulatory approval processes outside of this proceeding that must occur before the closing of this transaction.
3. I will discuss the benefits of the transaction for Cap Rock's customers.

III. DESCRIPTION OF PNM RESOURCES AND ITS SUBSIDIARIES

Q. PLEASE DESCRIBE PNM RESOURCES.

A. PNM Resources is an energy holding company with its corporate offices located in Albuquerque, New Mexico. It was established in 2001 and is the parent company of Public Service Company of New Mexico ("PNM"), Texas-New Mexico Power Company ("TNMP"), First Choice Power Special Purpose, L.P., First Choice Power Retail, L.P., and First Choice Power, L.P. PNM Resources is listed on the New York Stock Exchange under the symbol PNM with approximately 78 million shares of common stock outstanding.

PNM was originally founded as Albuquerque Gas and Electric Company in 1917. Over the years, PNM grew with the state of New Mexico and currently serves customers in and near Albuquerque, Santa Fe, Rio Rancho, Deming, Clayton, Bernalillo, Belen, and Las Vegas. After the successful integration of TNMP's New Mexico jurisdictional assets, PNM is serving customers in Lordsburg, Silver City, and Alamogordo. Today, PNM is New Mexico's largest utility, providing electricity to more than 487,000 customers and natural gas to more than 490,000 customers in the state.

PNM is a vertically integrated electric utility, owning and operating generation, transmission, and distribution facilities. Currently there are no pending state legislative or regulatory proposals to restructure or deregulate any aspects of the electric utility industry in New Mexico. As of December 31, 2007, PNM owned, jointly owned or leased 3,162 circuit miles of electric transmission lines, 6,022 miles of distribution overhead lines, 5,196 cable miles of underground distribution lines (excluding street lighting) and 271 substations.

PNM also currently owns, operates and maintains 1,472 miles of natural gas transportation pipeline and 9,813 miles of natural gas distribution pipeline. The natural gas business of PNM is being sold to Continental Energy Systems, LLC ("Continental"),

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1 parent of Cap Rock Holding Corporation ("CRHC") and Cap Rock, as part of an
2 associated transaction, which I will describe later in my testimony.

3 PNM Resources acquired TNMP on June 6, 2005, after receiving approval from the
4 Public Utility Commission of Texas¹. TNMP owns, operates and maintains 939 miles of
5 electric transmission lines and 8,099 miles of electric distribution lines. PNM Resources
6 has successfully integrated TNMP as a subsidiary of PNM Resources and continues to
7 fulfill its commitments made to the PUCT in 2005.

8 PNM Resources' unregulated subsidiaries include First Choice Power Special Purpose,
9 L.P. and First Choice Power Retail, L.P., which are certificated retail electric providers,
10 with only First Choice Power Special Purpose, LP serving as an active retail electric
11 provider with customers. First Choice Power, LP is a registered power marketer with the
12 PUCT and has recently registered and passed certification at ERCOT as a level II
13 qualified scheduling entity.

14 **Q. PLEASE DESCRIBE PNM RESOURCES' ARRANGEMENT WITH ENERGYCO, L.L.C.**

15 **A.** In early 2007, PNM Resources and ECJV Holdings, LLC formed a 50-50 joint venture
16 called EnergyCo, L.L.C. The EnergyCo joint venture permits PNM Resources and ECJV
17 to expand their investment in the competitive - or unregulated - energy industry.
18 EnergyCo, through its subsidiaries, owns and operates approximately 917 MW of
19 generation in Texas and trades both natural gas and electricity.

20 **IV. THE TRANSACTION**

21 **Q. CAN YOU PLEASE DESCRIBE WHY PNM RESOURCES WANTS TO ACQUIRE CAP**
22 **ROCK?**

23 The environment in which PNM Resources operates its energy businesses continues to
24 change significantly and grow more complex, which requires PNM Resources to become
25 even more focused on how it provides the greatest value to its customers and owners.
26 PNM Resources has been working on ways to meet the significant challenges its energy
27 businesses will face during the next decade, and has come to the conclusion that it
28 should concentrate its business efforts on electric operations and seek a quality buyer
29 for its gas operations. On January 14, 2008, PNM Resources announced an agreement

¹ Joint Petition and Application of PNM Resources, Inc. and Texas-New Mexico Power Company Regarding Proposed Acquisition of Stock, PUC Docket 30172, Final Order dated April 22, 2005

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to sell the gas business in New Mexico to such a buyer, Continental, as well as the acquisition of Cap Rock.

Q. PLEASE DESCRIBE THE APPROVALS THAT PNM RESOURCES MUST UNDERTAKE TO CONSUMMATE THE TRANSACTIONS.

A. Applicants and New Mexico Gas Company must receive approvals from the Public Utility Commission of Texas, New Mexico Public Regulation Commission, the Federal Energy Regulatory Commission, and antitrust clearance under the Hart-Scott-Rodino Act from the Federal Trade Commission or the Department of Justice. PNM Resources' witness Stacy R. Whitehurst will provide the specifics on the approval process in Texas, which was modified during the last legislative session. Additionally, the following chart lists the requirements and the witnesses who present testimony on each requirement in this proceeding:

REQUIREMENT	WITNESS
Health and Safety of employees; reliability of service; availability of service; improvement of service	Neal Walker
Effects on employment	Neal Walker, Patricia Collawn
Rate payers will not bear transaction costs; cost of service affect on Cap Rock; transaction will not impede competition or concentrate market power; regulatory oversight	Stacy Whitehurst
Fair value of the transaction	Terry Horn, Melissa Davis

V. EFFECTS ON EMPLOYMENT

Q. WILL THE TRANSACTION CAUSE A REDUCTION IN THE NUMBER OF JOBS OR THE TRANSFER OF JOBS OUTSIDE OF TEXAS?

A. Yes. Anytime executive functions are consolidated and efficiencies are obtained, the number of jobs necessary to perform those functions is reduced. The loss of jobs is an unfortunate but often a common consequence of mergers and acquisitions. At this time the number of positions that will be eliminated or moved to other areas in New Mexico or Texas has not been determined. However, the transition teams are focused on addressing the recommendations raised in Huron Consulting Group's Management Audit of the Cap Rock Energy Corporation ("Management Audit") of Cap Rock's business and

DIRECT TESTIMONY OF PATRICIA K. (VINCENT) COLLAWN

1 preserving the safe, dependable delivery of electric service to Cap Rock customers. In
2 short, while some corporate functions (accounting, regulatory, legal, and human
3 resources) and some executive positions will be absorbed by current PNMR Services
4 Company ("SERVCO") employees, PNM Resources expects few changes at the
5 operations levels; the expectation is that the impact to employees providing direct
6 customer service will be minimal.

7 **VI. BENEFITS TO CAP ROCK AND ITS CUSTOMERS**

8 **Q. WHAT ARE THE BENEFITS TO CAP ROCK AND ITS CUSTOMERS?**

9 A. There are several immediate benefits to Cap Rock customers. First, as discussed in the
10 testimony of Stacy R. Whitehurst, PNM Resources is committed to addressing the 31
11 recommendations identified in the recent Management Audit as well as continuing those
12 practices that have already corrected some of the issues which led to the audit. Cap
13 Rock customers will receive a tangible benefit through PNM Resources' resolution of
14 each of the audit recommendations with no immediate rate increase. The identified
15 recommendations include 27 items that the independent audit specifically noted required
16 attention in order to benefit and protect ratepayer interests². PNM Resources will be
17 able to address a number of these recommendations immediately. If Cap Rock's current
18 management had to remedy the outstanding audit issues, Cap Rock's ratepayers would
19 be responsible for the total expense associated with the hiring and training of staff and
20 the creation of new policies and documentation necessary to address the
21 recommendations. Because of the existence and expertise of SERVCO, PNM
22 Resources will be able to remedy many of the outstanding issues at a lower cost than
23 Cap Rock on its own.

24 For example, if Cap Rock created a new audit department and audit committee of the
25 board of directors, Cap Rock ratepayers would bear all expenses incurred to establish
26 the positions and benefits, as well as the on-going costs. With SERVCO providing audit
27 services, an existing audit department with experience supporting a Texas regulated
28 entity will significantly reduce the potential costs to Cap Rock's customers.

29 Secondly, as discussed in the testimony of J. Neal Walker, PNM Resources will bring
30 established and effective safety and reliability policies and procedures that are already in

² Huron Consulting Group's Management Audit of the Cap Rock Energy Corporation, pp. II-5 through II-8. A copy of the Management Audit is attached as Exhibit MDD-1 to the Direct Testimony of Cap Rock witness Melissa D. Davis.

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1 place within PNM Resources and its subsidiaries. PNM Resources is committed to
2 adopting best practices within its companies.

3 While PNM Resources is committed to implementing best practices and procedures to
4 support the Cap Rock operations, and to address the 31 recommendations identified in
5 the Management Audit, PNM Resources is not requesting a change in rates as part of
6 this proceeding.

7 Third, PNM Resources is dedicated to improving the quality of life in the communities
8 served by its subsidiaries. The PNM Resources Foundation seeks opportunities for
9 engaged philanthropy through a focus on education, environmental awareness and
10 education, economic vitality and employee engagement. Since its inception, the PNM
11 Resources Foundation has distributed more than \$5 million to fund nonprofit projects
12 that meet community needs throughout Texas and New Mexico. PNM Resources will
13 allow Cap Rock employees to support their community. After the transaction is closed,
14 Cap Rock employees will have access to \$1,500 per employee per year to support their
15 own communities - \$1,000 to match their charitable financial contributions and up to
16 \$500 to support their volunteer engagement.

17 Finally, while PNM Resources believes any discussion on moving Cap Rock to
18 competition will be handled outside this proceeding, PNM Resources is committed to
19 working with the PUCT Staff and Commissioners. If the Commission desires that PNM
20 Resources consider competition for Cap Rock after this proceeding, the Commission will
21 be working with an organization that has operational, accounting, regulatory, and legal
22 experience with unbundling a regulated utility.

23 **Q. IS PNM RESOURCES WILLING TO INVEST IN CAP ROCK'S SERVICE TERRITORY**
24 **AND IN TEXAS?**

25 **A.** Yes. PNM Resources is committed to operating Cap Rock as a reasonable, prudent
26 utility. Where capital investments are necessary to ensure the safe and prudent
27 management of that utility, PNM Resources is committed to supporting such
28 investments. The acquisition of Cap Rock shows that PNM Resources sees the Cap
29 Rock transaction as part of its investment into a growing Texas regulated market.

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1 **VII. CONCLUSION**

2 **Q. WHAT ACTION DO THE APPLICANTS PROPOSE THAT THE COMMISSION TAKE**
3 **IN THIS PROCEEDING?**

4 A. Applicants are requesting the Commission issue an order that approves the transaction,
5 permits the merger of PNM Sub with CRHC, finds that the transaction is in the public
6 interest, and gives Applicants authority to close the transaction after all other regulatory
7 approvals have been received and the sale of the PNM gas business has closed.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes, it does.

EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Patricia K. Vincent-Collawn

Address: Alvarado Square
Albuquerque, New Mexico 87158

Educational Experience: MBA - Harvard University
BA - Journalism, Drake University (summa cum laude)

Business Experience: PNM Resources, Inc.
Utilities President
June 2007 – Present

Xcel Energy
President and CEO, Public Service
Company of Colorado
2005 - 2007

President, Customer and Field Operations
2003 - 2005

President, Retail Services
2001 - 2003

Vice President, Marketing and Sales
2000 - 2001

Arizona Public Service Company
Vice President, Director and Manager,
Marketing and Sales
1992 – 1999

Price Waterhouse
Manager, Strategic Consulting Group
1989 – 1992

Quaker Oats Company
Brand Manager, Assistant Brand
Manager, Marketing Assistant
1984 – 1989

AT&T Communications
Summer Manager, Development Program
Summer 1983

Professional affiliations: Greater Albuquerque Chamber of Commerce, Board Member
RMEL
Young Presidents' Organization

Community Activities: Denver Metro Chamber of Commerce
Executive Committee Member (Past)
Downtown Denver Partnership Management Group Member (Past)
Governor Ritter's Business Advisory Group
Co-Chairman (Past)
Rocky Mountain Junior Achievement
Former Board Member

AFFIDAVIT

STATE OF NEW MEXICO
COUNTY OF BERNALILLO

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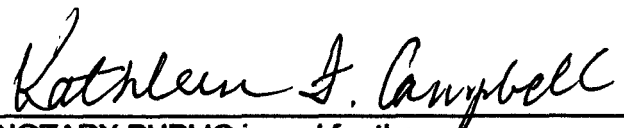
BEFORE ME, the undersigned authority, on this day personally appeared Patricia K. (Vincent) Collawn, who, upon proving her identity to me and by me being duly sworn, deposes and states the following:

"My name is Patricia K. Collawn. I am of legal age, a resident of the State of New Mexico, and have never been convicted of a felony. I certify that the foregoing direct testimony and exhibits, offered by me on behalf of PNM Resources, Inc. and PNM Merger Sub, LLC, are true and correct and based upon my personal knowledge and experience."


PATRICIA K. (VINCENT) COLLAWN

March SWORN TO AND SUBSCRIBED before me, Notary Public, on this 7th day of ~~February~~, 2008, to certify which witness my hand and seal of office.

SEAL:


NOTARY PUBLIC in and for the
State of New Mexico

Printed Name KATHLEEN F. CAMPBELL
My Commission expires 8-25-09

PUC DOCKET NO. _____

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

**PETITION OF
PNM RESOURCES, INC.
AND
CAP ROCK ENERGY CORPORATION
REGARDING PROPOSED MERGER AND ACQUISITION OF STOCK**

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF
STACY R. WHITEHURST**

**ON BEHALF OF
PNM RESOURCES, INC.**

MARCH 14, 2008

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EXHIBIT SRW-1

Educational Background and Business Experience

EXHIBIT SRW-2

PNM Resources' Audit and Ethics Committee Charter

EXHIBIT SRW-3

Cap Rock Earnings Monitoring Report year End 2006

EXHIBIT SRW-4

PUC Staff's Review of PUC Earnings Reports for Electric Investor- Owned Utilities

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PLACE OF EMPLOYMENT.

A. My name is Stacy R. Whitehurst. I serve as Supervisor of Regulatory Policy in the Regulatory Policy Department at PNMR Services Company ("SERVCO"), a wholly owned subsidiary of PNM Resources, Inc ("PNM Resources"). My business address is 225 E. John Carpenter Freeway, Suite 1500 Irving, Texas, 75062.

Q. WHO DO YOU REPRESENT IN THIS FILING?

A. I represent PNM Resources and its subsidiary PNM Merger Sub, LLC ("PNM Sub").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. Exhibit SRW-1 describes my background and experience, including proceedings in which I have provided testimony.

Q. WHO ARE THE APPLICANTS IN THIS PROCEEDING?

A. The applicants are PNM Resources and Cap Rock Energy Corporation ("Cap Rock"), and collectively referred to as "Applicants".

Q. HAVE YOU PREPARED ANY EXHIBITS?

A. Yes. I am sponsoring Exhibits SRW-1 through SRW-4 which are attached to my testimony. Each of these exhibits was prepared by me or under my direction and control. The information contained in these exhibits is true and correct to the best of my knowledge and belief.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I will serve as the regulatory witness and cover cost of service issues for PNM Resources and PNM Sub. I will address the following areas in this testimony:

1. General description of the transaction between PNM Resources, PNM Sub, and Cap Rock Holding Corporation ("CRHC");

2. The benefits to customers with Cap Rock becoming a subsidiary of PNM Resources; and

DIRECT TESTIMONY OF STACY R. WHITEHURST

1 3. Application of the regulatory standards that the Public Utility Commission of Texas
2 ("PUCT") utilizes to review transactions.

3 **III. OVERVIEW**

4 **Q. WHY HAVE THE APPLICANTS MADE THIS FILING?**

5 A. As discussed later in my testimony and in the testimony of others, Applicants have
6 entered into an agreement to merge PNM Sub and CRHC. The surviving entity will be a
7 subsidiary of PNM Resources. Applicants make this filing in compliance with current
8 statutes and Commission rules. The Public Utility Regulatory Act ("PURA") requires that
9 a public utility report to the commission before the sale, acquisition, or merger of the
10 utility, and that the Commission approve the transaction before the sale, acquisition or
11 merger closes.¹ The Commission must investigate the transaction to determine if the
12 transaction is in the public interest.²

13 **Q. WHAT ARE THE APPLICANTS REQUESTING IN THIS FILING?**

14 A. As stated by PNMR witness Patricia K. Collawn, the Applicants are requesting the
15 Commission issue an order that approves the transaction, permits the merger of PNM
16 Sub with CRHC, finds that the transaction is in the public interest, and gives Applicants
17 authority to close the transaction after all other regulatory approvals have been received
18 and after the closing of the sale of Public Service Company of New Mexico's ("PNM")
19 gas business.

20 **IV. THE TRANSACTION**

21 **Q. PLEASE GENERALLY DESCRIBE THE NATURE OF THE TRANSACTION THAT IS**
22 **THE SUBJECT OF THIS PROCEEDING.**

23 A. It is the business combination of PNM Sub with CRHC that Applicants present to the
24 Commission for approval. The transaction is conditioned upon the sale of PNM's natural
25 gas operations to Continental Energy Systems, LLC ("Continental"). PNM Resources
26 will acquire from Cap Rock from Continental for \$202.5 million. The financial aspects of
27 this transaction are discussed in detail in the testimony of PNM Resources' witness
28 Terry R. Horn.

¹ PURA § 39.262 and PURA § 39.915

² PURA § 14.101

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Q. WHEN WILL THE TRANSACTION CLOSE?

A. The transaction will close after (1) all regulatory approvals are received and all conditions for closing are met, and (2) the sale of PNM's gas business in New Mexico to Continental closes. The Applicants are making regulatory filings with the PUCT, the Federal Energy Regulatory Commission, and the Federal Trade Commission or the Department of Justice for antitrust clearance under the Hart-Scott-Rodino Act.

V. HIGH LEVEL BENEFITS OF THE TRANSACTION

Q. PLEASE DISCUSS THE BENEFITS OF THE TRANSACTION.

A. Under the transaction, Cap Rock will maintain a balanced debt to equity capital structure, which is discussed by Mr. Terry R. Horn. The transaction will also bring in new management oversight that is committed to Cap Rock's customers and the communities it serves.

Q. PLEASE EXPLAIN WHY BRINGING IN NEW MANAGEMENT IS ONE OF THE BENEFITS OF THE TRANSACTION.

A. As part of the final order in the *Petition to Inquire into the Reasonableness of the Rates and Service of Cap Rock Energy Corporation*³ the Commission accepted the Administrative Law Judges' request for an independent management audit⁴. While the Huron Consulting Group's Management Audit ("Management Audit") shows that considerable steps had been taken by Cap Rock's current management team, the Audit identified 31 recommendations, with 27 of these recommendations being required to protect ratepayer interests. A copy of the Management Audit is attached as Exhibit MDD-1 to the Direct Testimony of Cap Rock witness Melissa D. Davis.

PNM Resources appreciates the seriousness of the recommendations noted in the Management Audit and the need to resolve those concerns. PNM Resources is committed to addressing each of the 31 items in the Management Audit, as well as preserving those issues previously resolved. To address those matters, PNM Resources intends to implement a number of measures. For example, as part of the integration of Cap Rock into the PNM Resources family, Cap Rock employees will be required to either direct charge their time and expenses, or when appropriate, follow PNM Resources' Cost Allocation Manual ("CAM"). The CAM will be updated to remove the

³ PUC Docket No. 28813, Order on Rehearing, November 9, 2005

⁴ Docket No. 28813, Proposal for Decision at 158.

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1 allocations to the PNM gas business unit and add the transmission and distribution
2 functions of Cap Rock and NewCorp.

3 Additionally, as soon as the transaction closes, Cap Rock will have the benefit of
4 SERVCO's full-time internal audit department with employees located in both Texas and
5 New Mexico. PNM Resources' Board of Directors has a standing audit and ethics
6 committee. I have included the audit and ethics committee's charter as Exhibit SRW-2.
7 This is just one example of how PNM Resources' current policies and procedures will
8 address the management audit.

9 **Q. HOW WILL THE TRANSACTION BENEFIT THE CUSTOMERS SERVED BY CAP**
10 **ROCK?**

11 A. PNM Resources is committed to addressing each of the 31 items in the Management
12 Audit, including the 27 items identified in the audit as being required to protect customer
13 interests⁵. Because PNM Resources has an organization in place that can address
14 several of the recommendations immediately, as I described above, PNM Resources
15 can bring the benefits of these improvements to Cap Rock customers in the most cost-
16 effective manner. Other benefits of the transaction are discussed by the other PNM
17 Resources witnesses.

18 **VI. TEXAS REGULATORY REQUIREMENTS**

19 **Q. WHAT ARE THE REQUIREMENTS THAT THE TRANSACTION MUST MEET?**

20 A. PURA § 14.101(b), PURA § 39.262(m), and PURA § 39.915(b) address the
21 requirements for approval. In support of these requirements, PNM Resources will show
22 the following:

- 23 • the transaction will not adversely affect the health or safety of customers or
24 employees;
- 25 • the transaction may result in certain corporate support functions being
26 transferred to SERVCO in Texas and New Mexico; but the jobs associated
27 with the day to day operations will not be transferred to workers domiciled
28 outside this state;

⁵ Exhibit MDD-1 to Direct Testimony of Melissa D. Davis, Huron Management Audit, pp. II-5 through II-8, in the column entitled Benefits.

DIRECT TESTIMONY OF STACY R. WHITEHURST

- 1 • the transaction will not result in the decline of service;
- 2 • the transaction will result in a fair price to be paid by PNM Resources to
- 3 Continental;
- 4 • the transaction will not adversely affect the reliability of service;
- 5 • the transaction will not adversely affect availability of service; and
- 6 • the transaction will not adversely affect cost of service of the electric utility or
- 7 transmission and distribution utility.

8 In addition, I understand that in similar proceedings, the PUCT has identified additional
9 factors that it will consider when determining whether a proposed transaction is
10 consistent with the public interest. These are:

- 11 1. The parties must do more than just promise cost savings; the transaction
12 should result in tangible benefits to customers.
- 13 2. The transaction will result in the improvement of service to Texas ratepayers.
- 14 3. Texas ratepayers will not bear transaction costs unrelated to corresponding
15 benefits.
- 16 4. The transaction is not being used as a means to evade regulation, and will
17 facilitate regulatory oversight.
- 18 5. The merger will not result in a concentration of market power.
- 19 6. The merger will not impede competition.

20 **Q. DOES THE TRANSACTION MEET EACH OF THOSE REQUIREMENTS?**

21 A. Yes. Through my testimony and the testimony of Mrs. Patricia K. (Vincent) Collawn, Mr.
22 Terry R. Horn, Mr. J. Neal Walker, and Cap Rock's witness Mrs. Melissa D. Davis, PNM
23 Resources has shown the transaction meets each of the requirements. Mrs. Patricia K.
24 (Vincent) Collawn's testimony provides a summary table.

25 A. Transaction Costs

26 **Q. HAVE THERE BEEN COSTS INCURRED RELATING TO THIS TRANSACTION?**

27 A. Yes. There were costs incurred by employees, outside attorneys, and consultants
28 during the due diligence phase of this project. There will be continued expenses
29 incurred by employees, outside attorneys, and consultants during the regulatory
30 approval process and through the close of the transaction. Once the transaction closes,

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1 there will be some additional costs associated with the transition and integration
2 processes.

3 **Q. WILL TEXAS RATEPAYERS BEAR TRANSACTION COSTS UNRELATED TO**
4 **CORRESPONDING BENEFITS?**

5 **A.** No.

6 **Q. HOW DOES PNM RESOURCES PLAN TO KEEP TEXAS RATEPAYERS FROM**
7 **BEARING THESE COSTS?**

8 **A.** Costs associated with this transaction are directly charged to a project that is billed
9 directly to PNM Resources. For example, any employees of TNMP working on this
10 transaction have a separate work order/project to charge their time and expenses.
11 Thus, these costs are captured to ensure the customers in Texas are not bearing the
12 costs of the transaction. In addition, employees of SERVCO follow the requirements in
13 the CAM. As described in the CAM, Location 999 is part of the SERVCO Allocation.
14 100% of costs charged to this location are allocated to Company 8 – PNM Resources,
15 Inc. This method of allocation provides a direct charge from PNMR Services Company
16 to PNM Resources while still capturing the appropriate corporate home center that
17 incurred those costs. The PNM Resources 999 allocator is used primarily for merger
18 and acquisition related activities that should be recorded at the Holding Company level.

19 **B. Regulatory Oversight**

20 **Q. WILL THIS TRANSACTION BE A “MEANS TO EVADE REGULATION”?**

21 **A.** No. Once the transaction closes, Cap Rock and NewCorp will remain regulated
22 subsidiaries of a holding company. More importantly, the PUCT and the FERC will have
23 the same jurisdiction and ability to regulate Cap Rock and NewCorp as they have
24 currently.

25 **C. Market Power**

26 **Q. WILL THIS TRANSACTION CREATE A “CONCENTRATION OF MARKET POWER”?**

27 **A.** No. The general standard for market power has been related to generation in merger
28 and acquisition cases. Because neither Cap Rock nor NewCorp owns generation, the
29 transaction will not create a concentration of market power.

D. Retail Competition

Q. WILL THIS TRANSACTION "IMPEDE RETAIL COMPETITION"?

A. No. Cap Rock has three distinct service territories, two of which are in ERCOT and the other is in the Southwest Power Pool ("SPP"). Retail competition, as contemplated under Chapter 39 of PURA, is not available in SPP at this time; and the two territories in ERCOT were originally exempt from competition and still have not moved to competition. Since none of the Cap Rock service territories are in retail competition at this time, this transaction will not impede competition.

E. Cost of Service Impacts to Cap Rock

Q. WILL ANY GOODWILL, INTANGIBLE ASSETS, OR ACQUISITION COSTS THAT MAY BE RECORDED ON THE BALANCE SHEET OF CAP ROCK HAVE ANY IMPACT ON RATE BASE IN REGULATORY PROCEEDINGS BEFORE THE PUCT?

A. No. The goodwill and intangible assets will not be included in rate base or amortized as a component of cost of service in any Cap Rock proceedings before the PUCT.

Q. IS CAP ROCK SEEKING ANY RATE RELIEF IN THIS FILING AT THE REQUEST OF PNM RESOURCES?

A. No. Even though Cap Rock's Earnings Monitoring Report for year ending 2006 (Exhibit SRW-3) and PUCT Staff's analysis of the earnings monitoring report shows that Cap Rock had a negative return on equity, -8.45% (Exhibit SRW-4, page 3),⁶ neither PNM Resources nor Cap Rock is proposing a change in the rates charged to customers as part of this proceeding.

VII. CONCLUSION

Q. WHAT ACTION DO THE APPLICANTS PROPOSE THAT THE COMMISSION TAKE IN THIS PROCEEDING?

A. Applicants are requesting the Commission issue an order that approves the transaction, permits the merger of PNM Sub with CRHC, finds that the transaction is in the public interest, and gives Applicants authority to close the transaction after all other regulatory approvals have been received and after the closing of the sale of PNM's gas business .

⁶ Cap Rock filed an amended earnings monitoring report on May 25, 2007 that revised the rate of return.

DIRECT TESTIMONY OF STACY R. WHITEHURST

- 1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
- 2 **A. Yes, it does.**

STACY R. WHITEHURST**EDUCATION BACKGROUND AND BUSINESS EXPERIENCE**

Stacy R. Whitehurst is the Supervisor of Texas Regulatory Policy in the Regulatory Policy department at PNMR Services Company a subsidiary of PNM Resources, Inc. Mr. Whitehurst graduated from Texas A&M University in 1994 with a Bachelor's Degree in Political Science. He began his career as a consultant at Van Duzee and Associates in 1995 and took an analyst/programmer position with Harris Methodist Health Systems in 1997. Mr. Whitehurst has been employed in the electric utility industry since 2000, when Mr. Whitehurst took a position as a senior analyst with Texas-New Mexico Power Company. In this capacity, he was responsible for creation of and modifications to TNPE's customer information and billing systems to support the deregulation of electricity. In August 2003, Mr. Whitehurst took a position in the Regulatory Affairs department as a Senior Analyst. After the acquisition of TNP Enterprises by PNM Resources on June 6, 2005, Mr. Whitehurst took his current position.

PROCEEDINGS IN WHICH STACY R. WHITEHURST FILED TESTIMONY

<u>JURISDICTION</u>	<u>DOCKET NO.</u>	<u>DESCRIPTION</u>
Texas	29206	Application of Texas-New Mexico Power Company, First Choice Power, Inc. and Texas Generating Company, L.P. to Finalize Stranded Costs under PURA §39.262
Texas	31825	Application of First Choice Power Special Purpose, LP to Increase Its Price To Beat Fuel Factors
Texas	31994	Application of Texas-New Mexico Power Company to Adjust the Competition of Transition Charge Pursuant to PURA § 39.262(g)
Texas	32109	Application of First Choice Power Special Purpose, L.P. to Adjust Its Price To Beat Base Rates Pursuant to PURA §39.202 and PUC Subst. R. §25.41(g)(3)
Texas	32795	Staff's Petition to Initiate a Generic Proceeding to Re-Allocate Stranded Costs pursuant to PURA §39.533(f)



Audit and Ethics Committee charter

PURPOSE

1. The Audit and Ethics Committee (the "Committee") shall be a standing committee appointed by the Board of Directors to assist the Board in monitoring:
 - a. the integrity of the Company's financial statements;
 - b. the Company's compliance with legal and regulatory requirements;
 - c. the independent auditor's qualifications and independence; and
 - d. the performance of the Company's internal audit function and independent auditors.
2. The Committee shall monitor the Company's system of disclosure controls and system of internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established.
3. The Committee shall be responsible for preparing the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.
4. Because the function of the Committee is oversight, the authority and responsibilities contained in this Charter do not include the duties to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

STRUCTURE AND OPERATIONS

1. The Committee shall consist of at least three independent directors appointed by the Board upon the recommendation of the Governance and Public Policy Committee ("GPPC"). All members of the Committee shall be free of any relationships that would interfere with their exercise of independent judgment and shall meet the membership requirements established by the New York Stock Exchange. The Committee shall annually elect one of its members to be the Chair, giving due consideration to the nominee recommended by the GPPC. At least one member shall be designated by the Board as the "audit committee financial expert" as defined by applicable law. Committee members shall not simultaneously serve on the audit committees of more than two other public companies.
2. The Committee shall meet as often as it deems appropriate, but no less often than quarterly. The Committee shall provide the opportunity at each regularly scheduled meeting and other appropriate times for separate executive sessions with management, internal auditors and independent auditors.
3. The Committee has the authority to initiate and supervise investigations into any matters within the scope of its authority and responsibilities. The Committee is authorized to retain the services of internal or outside legal, accounting and other advisors as it deems necessary in the fulfillment of its duties. The Committee and its designees shall have unlimited accessibility to all the Company's records, property, and employees. The Committee shall have sufficient funding to carry out its duties, including funding for payment of compensation to the independent auditor for preparing or issuing an audit report or performing other audit, review or attest services for the Company; payment for any advisors used by the Committee; and ordinary administrative expenses necessary and appropriate in carrying out its duties.
4. The Committee may delegate specific responsibilities to a subcommittee of one or more of its members provided that the subcommittee shall keep the full Committee informed of its activities.

DUTIES AND RESPONSIBILITIES

1. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee.
2. The Committee shall pre-approve all auditing services and permitted non-audit services to be performed for the Company by its independent auditors in accordance with applicable law. If the Committee delegates its preapproval

authority to one or more of its members, any pre-approvals granted pursuant to the delegation shall be reported to the full Committee at its next meeting.

3. At least annually, the Committee shall review the qualifications, performance and independence of the independent auditors. The Committee's evaluation shall include a review of the audit firm's lead partner. As part of this review, the Committee shall obtain and review a report by the independent auditors describing:
 - a. the firm's internal quality control procedures; reported to the full Committee at its next meeting.
 - b. any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with those issues; and reported to the full Committee at its next meeting.
 - c. all relationships between the independent auditors and the Company to assist the Committee in assessing the auditor's independence.
4. As part of the annual review of the independent auditors, the Committee shall discuss with the independent auditors any relationships or services provided to the Company that may impact their objectivity and independence and significant legal matters involving the firm. For purposes of this discussion, significant legal matters do not include litigation that is merely incidental to the practice of the accounting profession. Significant legal matters include:
 - a. legal matters that may have a significant adverse effect on the firm or its reputation;
 - b. lawsuits or enforcement actions that have been filed by the SEC against the firm;
 - c. criminal actions concerning the firm's professional practice in which the firm or any of its partners or professional staff is a defendant;
 - d. SEC investigations involving an individual who would be providing services for the Company; and
 - e. any other matters that may affect the firm's continuing ability to perform auditing services in a manner that maintains investor confidence in the integrity of the Company's financial statements.
5. The Committee shall recommend to the Board any appropriate action to be taken as a result of the annual review of the independent auditors that may be necessary to satisfy itself of the independence of the independent auditors and their ability to satisfactorily perform auditing services.
6. The Committee shall assure the rotation of the lead audit partner every five years and other audit partners every seven years and shall establish hiring policies regarding employees and former employees of the independent auditors. The Committee shall have the authority to adopt, review and revise policies regarding the regular rotation of the audit firm.
7. The Committee shall review and discuss the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including the footnotes, the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the certifications of the Chief Executive Officer and the Chief Financial Officer required by applicable law regarding the Company's financial statements and reports filed with the SEC. In conducting its review, the Committee shall review:
 - a. major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
 - b. analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
 - c. the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
8. The Committee shall discuss the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. The discussions may be general in nature, consisting of the types of information to be disclosed and the types of presentations to be made.
9. The Committee shall discuss the scope, objectives, staffing, reliance upon management and procedures to be included in the annual audit with the independent auditors, including the coordination of the audit effort with the Audit Services 71

Department.

10. The Committee shall discuss all items required to be communicated in accordance with applicable law, auditing standards or other professional accounting standards relating to the conduct of the audit, including reviewing with the independent auditors any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
11. The Committee shall discuss policies regarding risk assessment and risk management in order to evaluate their effectiveness in identifying and mitigating significant risks and exposures, including business and financial risks, financial reporting and accounting controls, litigation issues, computerized information system controls and security, compliance with laws and regulations, other internal controls, and areas of operational risk that may impact the Company's financial health. The Committee shall review and monitor risk mitigation and management methods designed to address these risks.
12. The Committee shall review material written communications prepared by the internal and independent auditors and the actions taken by management in response to the internal and independent auditors' suggestions.
13. The Committee shall review and monitor the Company's Code of Conduct Ethics and Compliance Program, including the effectiveness of the Program for monitoring compliance with laws and regulations and the results of management's investigations and handling of any instances of non-compliance, including disciplinary action.
14. The Committee shall review policies and procedures regarding officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal or independent auditors.
15. The Committee shall establish procedures for:
 - a. the receipt, retention and handling of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - b. the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
16. The Committee shall review and consult with management regarding management's appointment, evaluation, replacement, reassignment and dismissal of the Director of Audit Services.
17. The Committee shall review the Audit Services Department's objectives, resources and effectiveness; its organizational position, objectivity and status within the Company; its compliance with relevant professional standards; and its annual audit plan, including its coordination with the examination performed by the independent auditors.
18. The Committee shall review the results of the internal audit activities for the year, internal audit's consideration of the internal control structure and its evaluation of the adequacy of the internal controls over the financial reporting process, computer controls and security, and Company-wide risk management.
19. The Committee shall review with the General Counsel significant litigation and regulatory matters involving the Company and review with the General Counsel and the independent auditors related disclosures made in the financial statements and related footnotes.
20. The Committee shall make regular reports to the Board of its ongoing activities, actions taken, and, in particular, shall report to the Board regarding any issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal auditors.

The Committee shall conduct an annual evaluation of its performance and shall submit an annual report to the Board regarding the evaluation and confirming that all responsibilities described in this Charter have been fulfilled. The Committee shall review this Charter at least annually and recommend any appropriate changes to the Board for approval.

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General Questions
Page 1 of 5
05/15/07

GENERAL QUESTIONS

If additional space is required, please attach pages providing the requested information.

1. State the exact certificated name of the utility.
Cap Rock Energy Corporation
2. State the date when the utility was originally organized.
Incorporated as an electric cooperative in the State of Texas in 1939.
3. Report any change in name during the most recent year and state the effective date.
No change in name.
4. State the name, title, phone number, office address, and email address of the officer of the utility to whom correspondence should be addressed concerning this report.

Cody Bissett (432) 684-0301
Controller cbissett@caprockenergy.com
500 W. Wall, Suite 280
Midland, Texas 79701
- 4a. State the name, title, phone number, office address, and email address of any other individual designated by the utility to answer questions regarding this report (optional).

Melissa Davis (432) 684-0321
President and Chief Executive Officer mdavis@caprockenergy.com
500 W. Wall, Suite 280
Midland, Texas 79701
5. State the location of the office where the Company's accounts and records are kept.

Cap Rock Energy
500 W. Wall, Suite 280
Midland, Texas 79701
6. State the name, address, and phone number of the individual or firm, if other than a utility employee, preparing this report.

Not Applicable

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Company Name: Cap Rock Electric Cooperative, Inc.
 Reporting period: 12 Months Ended December 31, 2006

General Questions
 Page 2 of 5
 05/15/07

7. Please indicate the filing status of the Company regarding federal income taxes, e.g., S-Corps, Corporations, Partnerships, Individuals, etc.

For the year ended December 31, 2006, the Company will be required to file a consolidated corporate income tax return.

CRE - C Corporation

8. Please provide:

a. The period-ending number of utility employees (total company): 121

b. The period-ending number of utility customers:

Total Company: 36,898

Texas Jurisdictional: 36,898

9. Please provide the following information related to federal income taxes.

9a. Balance at end of period for

1. Protected excess deferred taxes: \$6,632,407

2. Unprotected excess deferred taxes: \$0

3. Deficiency in def. tax reserve (SFAS 71) (if known): \$0

9b. Method used to book the amortization of excess deferred income tax during the monitoring period.

Not applicable

9c. List of tax elections made during the reporting period.

None

9d. Current IRS audit status.

The years ended December 31, 2003, December 31, 2004, and December 31, 2005 are currently under IRS Examination

Company Name: Cap Rock Electric Cooperative, Inc.
Reporting period: 12 Months Ended December 31, 2006

General Questions
Page 3 of 5
05/15/07

9e. List of amended returns filed during the monitoring period.

Amended federal tax returns were files for the years ended December 31, 2003 and December 31, 2004

10. Please provide the following information related to postretirement benefits other than pensions (OPEB expenses) as defined under SFAS 106:

10a. Has the utility received approval for a one-time conversion to accrual accounting for ratemaking purposes pursuant to Substantive Rule 23.21(c)(1)(H)?

Yes or No ==> No

If the answer to question 10a is no, please skip to question 11.

10b. Provide the total dollar amount of OPEB expenses allowed in the utility's last rate case:

Docket No:

Total Electric:

Texas Jurisdictional:

10c. Has an irrevocable trust fund been established?

Yes or No ==>

10d. Provide the dollar amount added to the trust fund during the reporting period.

Total Electric:

Texas Jurisdictional:

10e. Provide the trust fund balance at the end of the reporting period.

Total Electric:

Texas Jurisdictional:

Company Name: Cap Rock Electric Cooperative, Inc.
Reporting period: 12 Months Ended December 31, 2006

General Questions
Page 4 of 5
05/15/07

11. Provide the following information for the reporting period on a total electric and Texas-jurisdictional basis, indicating the line number on Sched. I where each item is incorporated. Please note that the calculation of return on Schedule I (line 31) should not reflect any over/under recoveries of reconcilable fuel costs.

	(000s)	Total Electric	Texas Juris.	Line No. on Sched I
(a)	Reconcilable fuel revenues	\$0	\$0	0
(b)	Reconcilable off-system sales revenues	\$0	\$0	0
(c)	Reconcilable purchase power expense	\$51,554	\$51,554	11
(d)	Reconcilable fuel expense	\$0	\$0	0
(e)	Reconcilable off-system sales expense	\$0	\$0	0
(f)	(Over)/Under recovery in reporting period	\$1,456	\$1,456	0

12. Please provide the following information related to FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation and FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of":

12a. Was the Company subject to FASB 71 accounting for the entire reporting period?

Yes or No ==> Yes

12b. If the answer to question 12a is "No," please provide the date the Company ceased to be subject to FASB 71 accounting rules. Also, please provide in Section A of Schedule XIV the details of the effects of the discontinuation.

Date:

12c. Does the Company expect to remain under FASB 71 accounting for the next reporting period?

Yes or No ==> Yes

12d. If the answer to question 12c is "No," please explain the conditions which require discontinuation of FASB 71 and the effective date of such condition. Also, please provide on Section B of Schedule XIV the details of the effects of the discontinuation.

Company Name: Cap Rock Electric Cooperative, Inc.
Reporting period: 12 Months Ended December 31, 2006

General Questions
Page 5 of 5
06/15/07

- 12e. If the Company does not expect to continue under FASB 71 accounting for the next reporting period, are there any assets or liabilities which will be affected per FASB Statement 101?

Yes or No ==> Not Applicable

- 12f. If the answer to question 12e is "Yes," please provide on Schedule XIV the details of the assets and liabilities affected.

- 12g. Does the Company have any assets which are to any extent considered impaired per FASB Statement 121?

Yes or No ==> No

- 12h. If the answer to question 12g is "Yes," please provide on Schedule XIV the reason(s) for the impairment and the details of the assets affected.

13. Will the Company have a rate proceeding pending before this commission on the due date of this Earnings Monitoring Report?

Yes or No ==> No

14. IF THIS IS A REVISED REPORT, provide the schedule number, line number, and column designation where each change input data appears.

Company Name: Cap Rock Electric Cooperative, Inc.
CCN: 30028
Reporting period: 12 Months Ended December 31, 2008

SUMMARY OF REVENUES AND EXPENSES

Schedule I
06/15/07

Line	(1) Total Company	(2) Non-Regulated or Non-Electric	(3) Total Electric (1)+(2)	(4) Allocation Percentage (5)/(3)	(5) Taxes Jurisdictional
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					

A.O.D. - Accounting Order Defaults
Note 1: This amount will be carried automatically from Schedule II, line 61.
Note 2: This amount will be carried automatically from Supplementary Schedule I-1: Amortization Expense-Other, line 22.
Note 3: This amount will be carried automatically from Supplementary Schedule I-2: Other Expenses, line 22.
Note 4: Enter any reductions to column 1 amounts as negative numbers in column 2.
 [] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
 (version of March, 2007)

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30026
 Reporting period: 12 Months Ended December 31, 2006

Schedule II
 05/15/07

OPERATIONS AND MAINTENANCE EXPENSE

Line	(1) Total Company	(2) Non-Regulated or Non-Electric	(3) Total Electric (1)+(2)	(4) Allocation Percentage (5)/(3)	(5) Taxes Jurisdictional
38	\$0	\$0	\$0	0.00%	\$0
39	0	0	0	0.00%	0
40	0	0	0	0.00%	0
41	0	0	0	0.00%	0
42	0	0	0	0.00%	0
43	0	0	0	0.00%	0
44	0	0	0	0.00%	0
45	0	0	0	0.00%	0
46	0	0	0	0.00%	0
47	0	0	0	0.00%	0
48	0	0	0	0.00%	0
49	0	0	0	0.00%	0
50	0	0	0	0.00%	0
51	9,409,205	0	9,409,205	100.00%	9,409,205
52	0	0	0	0.00%	0
53	5,638,190	0	5,638,190	100.00%	5,638,190
54	4,416,137	0	4,416,137	100.00%	4,416,137
55	3,022,463	0	3,022,463	100.00%	3,022,463
56	1,500	0	1,500	100.00%	1,500
57	38,315	0	38,315	100.00%	38,315
58	6,361,514	0	6,361,514	100.00%	6,361,514
59	67,619	0	67,619	100.00%	67,619
60					
61	\$28,954,943	\$0	\$28,954,943	100.00%	\$28,954,943

[] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
 Version of March, 2007

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30028
 Reporting period: 12 Months Ended December 31, 2008

FEDERAL INCOME TAXES

Schedule IV
 Page 1 of 2
 05/15/07

Line No.	(1) Total Electric	(2) Allocation Percentage (3)/(1)	(3) Texas Jurisdictional
149 TOTAL REVENUES (Note 1)	\$85,718,330	100.00%	\$85,718,330
150 LESS:			
151 Purchased Power Expense	51,554,074	100.00%	51,554,074
152 Fuel Expense	0	0.00%	0
153 Off-System Sales Expense	0	0.00%	0
154 Operations and Maintenance Expense	28,954,943	100.00%	28,954,943
155 Decommissioning Expense	0	0.00%	0
156 Amortization Expense	0	0.00%	0
157 Depreciation Expense	7,133,935	100.00%	7,133,935
158 Interest on Customer Deposits	0	0.00%	0
159 Taxes Other Than Income Taxes	1,115,299	100.00%	1,115,299
160 State Income Taxes	0	0.00%	0
161 Deferred Expenses	0	0.00%	0
162 Other Expenses	0	0.00%	0
163 Interest Included in Return (Note 2)	4,532,862	100.00%	4,532,862
164 ADD:			
165 Depreciation Addback - Permanent Differences	0	0.00%	0
166 Business Meals Not Deductible	22,130	100.00%	22,130
167 Other Permanent Differences	19,489	100.00%	19,489
168 LESS:			
169 Depletion	0	0.00%	0
170 Preferred Dividend Exclusion	0	0.00%	0
171 Other Permanent Differences (Attach Detail)	(235,791)	100.00%	(235,791)
172 Additional Tax Depreciation (Note 3)	0	0.00%	0
173 Other Timing Differences (Attach Detail)	0	0.00%	0
174			
175 OTHER:			
176 Other adj. not shown elsewhere (Notes 8 & 9)	0	0.00%	0
177			
178 TAXABLE INCOME	(7,295,373)		(7,295,373)
179 TAX RATE	35%		35%
180			
181 CURRENT FEDERAL INCOME TAXES (Note 4)	(2,553,380)	100.00%	(2,553,380)
182 ADD:			
183 Current Provision for Deferred Taxes (Note 5)	0	0.00%	0
184 Adjustment for Prior Flowthrough (Note 6)	0	0.00%	0
185 LESS:			
186 Amortization of Investment Tax Credits			
187 a. Nuclear - Unit 1	0	0.00%	0
188 b. Nuclear - Unit 2	0	0.00%	0
189 c. Nuclear - Unit 3	0	0.00%	0
190 d. Non-Nuclear	0	0.00%	0
191 Amortization of Excess Deferred Taxes			
192 a. Protected (Note 7)	0	0.00%	0
193 b. Unprotected (Attach Detail)	0	0.00%	0
194 OTHER:			
195 Other adj. not shown elsewhere (Notes 8 & 9)	0	0.00%	0
196			
197 TOTAL FEDERAL INCOME TAXES	(\$2,553,380)	100.00%	(\$2,553,380)

Schedule IV
Page 2 of 2
05/15/07

- Note 1: Lines 149 through 162 will be carried automatically from Schedule I.
- Note 2: This amount will be calculated automatically by applying the weighted cost of debt (including the weighted cost of preferred trust securities) to the total invested capital.
- Note 3: Excess of tax depreciation over depreciation claimed on Schedule I adjusted to remove the effects of Line 165 for all plant reflected in Schedule III
- Note 4: This amount will be calculated automatically by applying the tax rate of 35% to the taxable income found on Line 176
- Note 5: This amount will be calculated automatically by applying the tax rate of 35% to the total of Lines 172 and 173
- Note 6: This amount will be derived by multiplying non-normalized timing differences times 35%.
- Note 7: This amount may reflect the most recent year end balance
- Note 8: Enter additions as positive amounts and deductions as negative amounts.
- Note 9: Include detailed accounting of this line's components on Supplemental Schedule IV.
- [] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
- Version of March, 2007

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30026
 Reporting period: 12 Months Ended December 31, 2006

Schedule IVa
 Page 1 of 2
 05/15/07

Consolidated Tax Savings

Line A. If the utility is a member of an affiliated group that files a consolidated tax return, this schedule will list the net taxable income after intercompany eliminations of each of the members of the affiliated group, including the utility and the parent company, for the time period covered by the most recent Form 1120 filed in the following format. All non-regulated affiliate companies with net taxable income shall be aggregated for reporting purposes, and all non-regulated affiliate companies with net taxable losses shall be aggregated as well. The amounts reported here should not reflect any allocation between affiliates of tax effects of consolidation. If additional space is required, please provide the information on Schedule IVb.

Line	A.	Tax Year Ended:	Net Taxable Income Or Loss	Alternative Minimum Tax Taxable Income (AMTI)
		Entity		
11		Regulated Entities:		
12		Cap Rock Energy	(\$15,132,010)	(\$15,792,583)
13			0	0
14			0	0
15			0	0
16			0	0
17			0	0
18			0	0
19			0	0
20			0	0
21			0	0
22			0	0
23			0	0
24			0	0
25			0	0
26			0	0
27				
28		Subtotal - Regulated	(15,132,010)	(15,792,583)
29				
30		Non-regulated Entities:		
31				
32		Aggregate taxable income for		
33		affiliates with taxable income	7,854,075	7,887,787
34				
35		Aggregate tax losses for		
36		affiliates with tax losses	0	0
37				
38				
39		Subtotal - Non-regulated	7,854,075	7,887,787
40				
41		Total	(\$7,277,935)	(\$7,904,796)

[] Indicate here if Schedule IVb is used as a continuation of Schedule IVa.

[X] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.

Company Name: Cap Rock Electric Cooperative, Inc.
CCN: 30026
Reporting period: 12 Months Ended December 31, 2006

Schedule IVa
Page 2 of 2
06/15/07

Consolidated Tax Savings

INSTRUCTIONS: Answer the following questions in the space after part E. If additional space is needed, please attach additional sheets.

Line
No.

- 1 B. Show the amount of taxable benefit from consolidated tax savings realized by the utility
- 2 during the tax year covered by the most recent Form 1120 filed. Please provide the basis for allocation of such savings.
- 3
- 4 C. If participation in the affiliated group affects deferred federal income taxes as shown
- 5 on line 80 of Schedule III, please explain and detail the amounts shown on a total
- 6 company, total electric and Texas retail basis.
- 7
- 8 D. If the utility is a member of an affiliated group that files a consolidated tax return,
- 9 have all amounts of income taxes saved by reason of the elimination in the consolidated return
- 10 of the intercompany profit on purchases by the utility from an affiliate been applied
- 11 to reduce the cost of the property or services so purchased as reflected in this report?
- 12 [Pursuant to PURA Section 41(c)(2)]
- 13
- 14 E. If the answer to (D) above is no, please separately state the amounts of intercompany profit and loss and the
- 15 amount of income taxes saved by the elimination of intercompany profits which are reflected on
- 16 Schedules I, II and III that would be reported on a federal income tax return if one were to be filed
- 17 for the reporting period.

Version of March, 2007

Company Name: Cap Rock Electric Cooperative, Inc.
CCN: 30028
Reporting period: 12 Months Ended December 31, 2006

Schedule IVb
05/15/07

Consolidated Tax Savings (Continued)

This schedule is a continuation of Schedule IVa for utilities requiring additional space. Please list the net taxable income after intercompany eliminations of each of the members of the affiliated group, including the utility and the parent company, for the time period covered by the most recent Form 1120 filed. The amounts reported should not reflect any allocation between affiliates of the tax effects of consolidation. Please categorize this information by regulated versus non-regulated entities in a format similar to schedule IVa. Please state the tax year ended. Remember to include AMTI data.

EXHIBIT SRW-3

Schedule V
05/15/07

-- THIS SCHEDULE IS INTENTIONALLY BLANK --
-- SCHEDULE V NOT CURRENTLY USED IN EM REPORT --

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30026
 Reporting period: 12 Months Ended December 31, 2006

Schedule VI
 05/15/07

Weighted Average Cost of Capital

	(a) Balance	(b) Percent of Total	(c) Cost	(d) Weighted Cost
Common Equity	\$81,507,952	46.68%	11.75% *	5.48%
Preferred Stock	0	0.00%	0.00%	0.00%
Preferred Trust Securities	0	0.00%	0.00%	0.00%
Long-Term Debt	90,449,689	51.80%	6.66%	3.45%
Short-Term Debt	2,666,165	1.53%	6.99%	0.11%
Total	\$174,623,806	100.00%		9.04%

*This return on equity was
 allowed in Docket No:
 The final order was issued on:

28813
 11/1/2005

Notes: The costs and balances of preferred stock, preferred trust securities, long-term debt, and short-term debt should correspond with those provided on Schedules VII, VIIa, VIII, VIIIa, XV, XVa, and IX.

The cost of Preferred Trust Securities should be reported on a pre-tax basis as is the cost of debt; that is, do NOT multiply the cost by [1 - tax rate] when completing this schedule.

[] Indicate here if footnote or comment relating to this schedule is included on Supp Sched IV.

Version of March, 2007

Company Name: Cap Rock Electric Cooperative, Inc.
 CCH#: 30028
 Reporting period: 12 Months Ended December 31, 2008

Schedule VR
 08/15/07

Weighted Average Cost of Preferred Stock

Line	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
			Issuance Date	Mandatory Redemption (Y/N)	Dividend Rate	Per Value at Issuance	Premium or Discount	Underwriting Fees and Insurance	Gain or (Loss) on Redemption	Original Net Proceeds	Net Proceeds As % of Par	Per Value Currently Outstanding	Current Net Proceeds	Issue As % of Total Net Proceeds	Cost of Money	Weighted Average Cost
1	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
2	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
3	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
4	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
5	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
6	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
7	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
8	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
9	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
10	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
11	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
12	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
13	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
14	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
15	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
16	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
17	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
18	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
19	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
20	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
21	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
22	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
23	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
24	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
25	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
26	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
27	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
28	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
29	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
30	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
31	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
32	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
33	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
34	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
35	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
36	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
37	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
38	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
39	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
40	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
41	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
42	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
43	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
44	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
45	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
46	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
47	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
48	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
49	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
50	XX	XX/XX/XX	XX/XX/XX	X	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%

51	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
52	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
53	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
54	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
55	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
56	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
57	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
58	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
59	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
60	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
61	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
62	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
63	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
64	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
65	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
66	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
67	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
68	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
69	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
70	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
71	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
72	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
73	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
74	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
75	XX	XX000000X	X	0.000%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
				Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
				Plus: Unearned Premium (Discount)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
				Less: Unearned Fees and Insurance Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
				Plus: Unearned Gains (Losses) on Reinsured Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
				Net Balance of Preferred Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.000%

(1) Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
Version of March, 2007

Adjusted Cost of Preferred Stock

Schedule VIIa
06/15/07

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30026
 Reporting period: 12 Months Ended December 31, 2006

LINE		
1	Balance of Unamortized Gains (Losses) on	\$0
2	Redeemed Stock (Sched.VII)	
3	- Balance Related to Gains (Losses) Identified	\$0
4	In Col.(h) of Schedule VII	
5		
6	Net Balance of Unamortized Gains (Losses) Not	\$0
7	Accounted for in Col.(h) of Schedule VII	
8		
9		
10	Annual Amortization of Gains (Losses) on	\$0
11	Redeemed Stock	
12	- Annual Amortization Related to Gains (Losses)	\$0
13	Identified in Col.(h) of Schedule VII	
14		
15	Net Annual Amortization of Gains (Losses) Not	\$0
16	Accounted for in Col.(h) of Schedule VII	
17		
18		
19	Net Balance of Preferred Stock (Sched.VII)	\$0
20	- Net Balance of Unamortized Gains (Losses) from Line 6	\$0
21		
22	Preferred Stock Balance Excluding Net Gains (Losses)	\$0
23		
24	x Weighted Average Cost of Preferred Stock (Sched.VII)	0.00%
25		
26	Annual Preferred Stock Requirement	\$0
27		
28	- Net Amortization of Gains (Losses) from Line 15	\$0
29		
30	Adjusted Annual Preferred Stock Requirement	\$0
31		
32	Adjusted Cost of Preferred Stock (Line 30/Line 19)	0.00%

[] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
 Version of March, 2007

Company Name: Cap Rock Electric Cooperative, Inc.
 CEN: 30028
 Reporting period: 12 Months Ended December 31, 2008

Weighted Average Cost of Long-Term Debt

Schedule VII
 05/16/07

Line	Description	(a) Term Note	(b) Insurance	(c) Maturity Date	(d) Interest Rate	(e) Principal Amount	(f) Premium or Discount	(g) Underwriting Fees and Insurance Expenses	(h) Gain or (Loss) on Refinancing	(i) Original Net Proceeds	(j) Net Proceeds As % of Par	(k) Principal Current Maturity	(l) Current Net Proceeds	(m) Issues As % of Total Net Proceeds	(n) Cost of Debt	(o) Weighted Average Cost
1	REC Term Note	12/18/2008	Various	12/18/2013	LIBOR + 1.25	\$80,000,000	\$0	\$6,422,231	\$0	\$84,577,790	93.97%	\$80,000,000	\$84,577,790	98.471%	8.44%	8.910%
2	Capital Leases	Various	Various	Various	0.000%	\$800,000	\$0	\$0	\$0	\$800,000	100.00%	\$0	\$0	0.029%	8.000%	8.046%
3	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
4	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
5	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
6	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
7	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
8	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
9	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
10	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
11	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
12	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
13	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
14	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
15	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
16	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
17	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
18	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
19	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
20	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
21	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
22	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
23	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
24	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
25	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
26	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
27	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
28	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
29	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
30	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
31	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
32	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
33	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
34	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
35	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
36	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
37	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
38	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
39	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
40	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
41	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
42	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
43	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
44	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
45	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
46	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
47	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
48	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
49	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%
50	XX	XX/XX/XX	XX	XX	0.000%	\$0	\$0	\$0	\$0	\$0	0.000%	\$0	\$0	0.000%	0.000%	0.000%

[illegible]

() Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.

Adjusted Cost of Long-Term Debt

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30026
 Reporting period: 12 Months Ended December 31, 2006

Schedule VIIIa
 06/15/07

LINE		
1	Balance of Unamortized Gains (Losses) on	\$0
2	Reacquired Debt (Sched.VIII)	
3	- Balance Related to Gains (Losses) Identified	\$0
4	In Col.(h) of Schedule VIII	
5		
6	Net Balance of Unamortized Gains (Losses) Not	\$0
7	Accounted for in Col.(h) of Schedule VIII	
8		
9		
10	Annual Amortization of Gains (Losses) on	\$0
11	Reacquired Debt	
12	- Annual Amortization Related to Gains (Losses)	\$0
13	Identified in Col.(h) of Schedule VIII	
14		
15	Net Annual Amortization of Gains (Losses) Not	\$0
16	Accounted for in Col.(h) of Schedule VIII	
17		
18		
19	Net Balance of Debt (Sched.VIII)	\$85,055,047
20	- Net Balance of Unamortized Gains (Losses) from Line 6	\$0
21		
22	Debt Balance Excluding Net Gains (Losses)	\$85,055,047
23		
24	x Weighted Average Cost of Debt (Sched.VIII)	6.66%
25		
26	Annual Debt Requirement	\$5,662,709
27		
28	- Net Amortization of Gains (Losses) from Line 15	\$0
29		
30	Adjusted Annual Debt Requirement	\$5,662,709
31		
32	Adjusted Cost of Debt (Line 30/Line 19)	6.66%

[] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
 Version of March, 2007

EXHIBIT SRW-3

Weighted Average Cost of
Short-Term DebtSchedule IX
05/15/07

Company Name: Cap Rock Electric Cooperative, Inc.
CCN: 30026
Reporting period: 12 Months Ended December 31, 2006

	End of Monitoring Period				(c) Average Cost	(d) Weighted Average Cost
	Balance at end of 2003	Balance at end of 2004	Balance at end of 2005	12 Months Ended December 31, 2006 (a) Balance Outstanding		
Commercial Paper	\$3,813,381	\$7,213,498	\$3,505,587	\$0	0.00%	0.00%
Bank Loans	0	0	0	2,500,000	93.77%	8.43%
Other	0	0	0	188,165	6.23%	0.58%
Total Notes Payable	\$3,813,381	\$7,213,498	\$3,505,587	\$2,688,165	100.00%	8.99%

[] Indicate here if footnote or comment relating to this schedule is included on Supp Sched IV.
Version of March, 2007

EXHIBIT SRW-3

Company Name: Cap Rock Electric Cooperative, Inc.
 CCN: 30026
 Reporting period: 12 Months Ended December 31, 2006

Schedule X
 05/15/07

Historical Financial Statistics
 (Total Company Basis)

Line	Fiscal Year:	2002	2003	2004	2005	Monitoring Period
1	Total Debt as a Percent	93.41%	85.52%	85.86%	90.32%	54.08%
2	of Total Capital					
3						
4	CWIP as a Percent of Net Plant	0.17%	0.13%	0.40%	0.44%	3.48%
5						
6	Construction Expenditures as a	0.58%	2.91%	0.51%	3.33%	6.18%
7	Percent of Total Capital					
8						
9	Pre-Tax Interest Coverage	2.05	2.80	0.46	-1.04	0.99
10						
11	Funds From Operations / Total Debt	5.84%	3.74%	1.55%	5.38%	-2.22%
12						
13						
14	Fixed Charge Coverage	2.05	2.80	0.46	-1.04	0.99
15						
16	Fixed Charge Coverage (including	2.05	2.80	0.46	-1.04	0.99
17	Distributions on Pref Trust Securities)					
18						
19	Funds From Operations Interest Coverage	2.40	1.93	1.39	2.18	0.68
20						
21	Net Cash Flow / Capital Outlays	978.17%	113.51%	255.58%	187.28%	-18.87%
22						
23						
24	Cash Coverage of Common Dividends	0.00	0.00	0.00	0.00	0.00
25						
26	AFUDC and Deferrals as a Percent	0.31%	0.09%	-6.51%	-0.76%	-9.36%
27	of Net Income for Common					
28						
29	Return on Average Common Equity	48.02%	67.87%	-2.73%	-127.97%	-8.63%

[] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
 Version of March, 2007

Schedule XI.1a
05/15/07Company Name: Cap Rock Electric Cooperative, Inc.
CCH: 30026
Reporting period: 12 Months Ended December 31, 2006Revenues, Sales, and Customer Data
Unadjusted Base Revenue (\$)
(Texas Jurisdiction Only)

Line	Year	Month	(1) Residential	(2) Commercial	(3) Industrial	(4) Other Retail	(5) Total Retail (1)+(2)+(3)+(4)	(6) Wholesale	(7) Total (5)+(6)
1	2006	January	2,604,402	3,749,702			6,354,104		6,354,104
2	2006	February	2,081,191	3,643,789			5,724,980		5,724,980
3	2006	March	2,330,712	4,194,094			6,524,806		6,524,806
4	2006	April	1,725,119	3,777,210			5,502,329		5,502,329
5	2006	May	1,837,096	4,362,880			6,200,986		6,200,986
6	2006	June	2,301,395	4,636,332			6,938,727		6,938,727
7	2006	July	2,838,192	4,802,672			7,640,864		7,640,864
8	2006	August	2,982,062	3,913,684			6,895,736		6,895,736
9	2006	September	2,388,148	3,697,798			6,085,946		6,085,946
10	2006	October	1,898,896	3,370,360			5,269,236		5,269,236
11	2006	November	1,708,114	3,681,905			5,390,019		5,390,019
12	2006	December	2,295,943	3,744,317			6,040,260		6,040,260
13									
14	Monitoring								
15	Period								
16	Total (lines 1 thru 12)		27,167,210	47,333,733	0	0	74,490,943	0	74,490,943

Note: The revenue classes (viz. residential, commercial etc.) should correspond to the classification used by the Company in Request 2 of the most recent Load and Capacity Resource Forecast filing with the Commission.

Version of March, 2007

Schedule XL 1b
05/15/07Company Name: Cap Rock Electric Cooperative, Inc.
CCN: 30028
Reporting period: 12 Months Ended December 31, 2006Revenues, Sales, and Customer Data
Weather-adjusted Base Revenue (\$) (Texas Jurisdiction Only)

Line	Year	Month	(1) Residential	(2) Commercial	(3) Industrial	(4) Other Retail	(5) Total Retail (1)+(2)+(3)+(4)	(6) Wholesale	(7) Total (5)+(6)
1	2006	January	2,804,402	3,746,702			6,551,104		6,551,104
2	2006	February	2,081,191	3,643,769			5,724,960		5,724,960
3	2006	March	2,330,712	4,194,094			6,524,806		6,524,806
4	2006	April	1,725,119	3,777,210			5,502,329		5,502,329
5	2006	May	1,937,066	4,352,660			6,289,726		6,289,726
6	2006	June	2,301,365	4,635,332			6,936,697		6,936,697
7	2006	July	2,938,182	4,802,672			7,740,854		7,740,854
8	2006	August	2,982,062	3,913,664			6,895,726		6,895,726
9	2006	September	2,393,148	3,567,798			5,960,946		5,960,946
10	2006	October	1,868,666	3,370,350			5,239,016		5,239,016
11	2006	November	1,706,114	3,581,906			5,288,020		5,288,020
12	2006	December	2,295,943	3,744,317			6,040,260		6,040,260
13									
14	Monitoring								
15	Period								
16	Total (lines 1 thru 12)		27,157,210	47,333,733	0	0	74,490,943	0	74,490,943

Note: The revenue classes (i.e., residential, commercial etc.) should correspond to the classification used by the Company in Request 2 of the most recent Load and Capacity Resource Forecast filing with the Commission.

Version of March, 2007

Schedule XI.1c
05/15/07Company Name: Cap Rock Electric Cooperative, Inc.
CEN: 30028
Reporting period: 12 Months Ended December 31, 2006Revenues, Sales, and Customer Data
Weather-adjustments to Base Revenue (\$)
(Texas Jurisdiction Only)

Line	Year	Month	(1) Residential	(2) Commercial	(3) Industrial	(4) Other Retail	(5) Total Retail (1)+(2)+(3)+(4)	(6) Wholesale	(7) Total (5)+(6)
1	2006	January	0	0	0	0	0	0	0
2	2006	February	0	0	0	0	0	0	0
3	2006	March	0	0	0	0	0	0	0
4	2006	April	0	0	0	0	0	0	0
5	2006	May	0	0	0	0	0	0	0
6	2006	June	0	0	0	0	0	0	0
7	2006	July	0	0	0	0	0	0	0
8	2006	August	0	0	0	0	0	0	0
9	2006	September	0	0	0	0	0	0	0
10	2006	October	0	0	0	0	0	0	0
11	2006	November	0	0	0	0	0	0	0
12	2006	December	0	0	0	0	0	0	0
13									
14	Monitoring								
15	Period								
16	Total (lines 1 thru 12)		0	0	0	0	0	0	0

Note: The revenue classes (viz, residential, commercial etc.) should correspond to the classification used by the Company in Request 2 of the most recent Load and Capacity Resource Forecast filing with the Commission.

Version of March, 2007

Schedule XL 2a
05/15/07Company Name: Cap Rock Electric Cooperative, Inc.
CO# 30026
Reporting period: 12 Months Ended December 31, 2006Revenues, Sales, and Customer Data
Unadjusted Sales (MMH)
(Texas Jurisdiction Only)

Line	Year	Month	(1) Residential	(2) Commercial	(3) Industrial	(4) Other Retail	(5) Total Retail (1)+(2)+(3)+(4)	(6) Wholesale	(7) Total (5)+(6)
1	2006	January	23,295,594	40,727,776			64,024,369		64,024,369
2	2006	February	19,369,886	38,019,743			57,389,629		57,389,629
3	2006	March	18,360,249	41,570,836			60,931,087		60,931,087
4	2006	April	15,474,430	41,473,522			56,947,952		56,947,952
5	2006	May	16,745,065	44,478,570			61,223,635		61,223,635
6	2006	June	30,733,283	66,059,368			96,792,651		96,792,651
7	2006	July	31,031,484	52,310,918			83,342,412		83,342,412
8	2006	August	30,660,858	47,826,366			78,487,224		78,487,224
9	2006	September	21,482,774	36,266,790			57,749,564		57,749,564
10	2006	October	17,154,756	38,555,127			55,709,883		55,709,883
11	2006	November	16,016,819	42,082,839			58,100,458		58,100,458
12	2006	December	26,799,984	41,353,991			68,153,975		68,153,975
13									
14	Monitoring								
15	Period								
16	Total (lines 1 thru 12)		270,346,180	531,843,977	0	0	802,189,157	0	802,189,157

Note: The revenue classes (vz, residential, commercial etc.) should correspond to the classification used by the Company in Request 2 of the most recent Load and Capacity Resource Forecast filing with the Commission.

Version of March, 2007

Company Name: Cap Rock Electric Cooperative, Inc.
 CCIN: 30028
 Reporting period: 12 Months Ended December 31, 2006

Schedule XI.2b
 06/15/07

Revenues, Sales, and Customer Data
 Weather-adjusted Sales (MWH)
 (Texas Jurisdiction Only)

Line	Year	Month	(1) Residential	(2) Commercial	(3) Industrial	(4) Other Retail	(5) Total Retail (1)+(2)+(3)+(4)	(6) Wholesale	(7) Total (5)+(6)
1	2006	January	23,298,594	40,727,776			64,024,359		64,024,359
2	2006	February	19,398,868	39,019,743			58,388,629		58,388,629
3	2006	March	19,360,249	41,570,836			60,931,087		60,931,087
4	2006	April	16,474,430	41,473,622			58,947,952		58,947,952
5	2006	May	18,746,095	44,476,870			63,221,935		63,221,935
6	2006	June	30,733,283	68,069,398			98,792,651		98,792,651
7	2006	July	31,031,494	52,310,918			83,342,412		83,342,412
8	2006	August	30,880,856	47,826,366			78,607,252		78,607,252
9	2006	September	21,482,774	36,286,790			57,748,594		57,748,594
10	2006	October	17,154,756	38,555,127			55,708,883		55,708,883
11	2006	November	18,016,819	42,082,639			58,108,458		58,108,458
12	2006	December	26,799,994	41,363,991			68,163,975		68,163,975
13									
14	Monitoring								
15	Period								
16	Total (lines 1 thru 12)		270,345,180	531,843,977	0	0	802,189,157	0	802,189,157

Note: The revenue classes (v/z, residential, commercial etc.) should correspond to the classification used by the Company in Request 2 of the most recent Load and Capacity Resource Forecast filing with the Commission.

Version of March, 2007