LOBBY WATCH

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November 21, 2002

Revolving-Door Lobbyist Adopts So-Craddick Method

- **David Sibley Never Disclosed Contract With Cap Rock Creditor.**

A powerful revolving-door lobbyist weighed in on a controversial electric utility issue—which goes before state regulators today—without disclosing to those regulators that he lobbies for a client with a keen interest in that dispute.

In a letter to Texas' Public Utility Commission (PUC) last month, ex-Senator David Sibley told the commissioners that the legislature intended to exempt Midland's Cap Rock Electric Co-op (now called Cap Rock Energy Corp.) from deregulation rules that apply to every other electric utility. Sibley's letter, which just identifies him as an "attorney at law," gives the false impression that he is writing solely as the author of Texas' 1999 deregulation bill.

What Sibley failed to disclose to the PUC is that a lobby client with an interest in this matter is paying him from $50,000 to $100,000 this year. Sibley lobbies for Cap Rock's biggest creditor: the National Rural Utilities Cooperative Finance Corp. (CFC). Utility analysts say the CFC has had to pay a price for bankrolling co-ops like Cap Rock that have expanded beyond their core electricity business. Credit-rating agencies have clamped down on such practices, which contributed earlier this year to the bankruptcy of a large CFC borrower in Texas: CoServ Electric (formerly known as Denton County Electric Co-op).

As Cap Rock's biggest creditor, CFC has a direct interest in the success of Cap Rock's business plan, which depends on the special regulatory treatment that Sibley defended in his PUC letter. Cap Rock's latest financial statement says that the company has exhausted its available CFC credit line. It also discloses that the loss of its special regulatory status would force it to:

- Open its protected market to competition; and
- Transfer control over its rates from Cap Rock to regulators.

While this could benefit consumers, it does not play into the hands of the indebted utility—or its creditor.

As the *Fort Worth Star-Telegram* recently reported, Cap Rock's business plan is lobby intensive. Sibley's deregulation bill shielded rural electric co-ops from the competition that it imposed on investor-owned utilities. Cap Rock hired lobbyist Christi Craddick in 1999 to make it the only co-op in the state that could convert to an investor-owned utility without losing its co-op perks. Presumptive next House speaker Tom Craddick—who happens to be Christi's dad—inserted the magic words into the deregulation bill. Crediting the Craddick family, internal Cap Rock documents later gloated, "No one gave us any chance of pulling this off, and we feel we did the impossible."

Cap Rock's co-op transferred its assets to the new corporation in January 2002. Some co-op members are contesting the conversion, arguing that it harms ratepayers and the public interest and was not democratically conducted. The PUC staff, which has said the conversion "was fraught with irregularities," urged the commissioners to ignore Sibley's letter because: he lacked standing in the case; a single legislator cannot establish legislative intent; and this intent has nothing to do with PUC staff concerns that Cap Rock's conversion was improper.

The PUC commissioners are weighing whether to transfer Cap Rock's operating license to the new corporation. They can deny this request, approve it outright or condition it on Cap Rock adopting reforms. Despite all the high-powered lobby juice that Christi Craddick and Sibley expended on Cap Rock's sweetheart deal, the last word on this controversy likely will to go to the courts.

In the meantime, the next House Speaker should draft legislation to improve lobby disclosures and to prevent the conflicts that arise when:

- Public officials—or their relatives—become lobbyists; and
- Lobbyists take on policymaking roles in government. •