



Department of Energy
Western Area Power Administration
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580

DEC 5 2008

Mr. Michael Packard
General Manager
South Texas Electric Cooperative, Inc.
P.O. Box 119
Nursery, TX 77976

Dear Mr. Packard:

Electric Service Contract No. 7-07-50-P0890, dated August 9, 1977, among the United States and South Texas Electric Cooperative, Inc., became effective with the date of initial service of the Amistad Powerplant on June 8, 1983, and was revised by supplement No. 1 to Contract No. 7-07-50-P0890, dated April 10, 1986. The rate formula of that Contract was approved by the Federal Power Commission, predecessor to the Federal Energy Regulatory Commission (FERC), for a 5-year period beginning June 8, 1983, and subsequent 5-year renewals of the rate formula have been approved through June 2009.

Consequently, with the current rate formula set to expire June 7, 2009, Western plans again to file a rate order requesting a renewal of the existing rate formula for another 5-year period. The effective date is scheduled to be June 8, 2009, through June 7, 2014.

Western would like to meet with you in early spring of 2009 to discuss the progress of the rate order and the projections for the next year's annual rate installment. In the meantime, Western would like to receive a written acknowledgement or e-mail from you by December 22, 2008, stating that you want to continue using the existing rate formula methodology. This acknowledgement letter will serve as documentation for the Record of Description that will be submitted to FERC.

If you have any questions or concerns, please telephone me at (801) 524-6380 or e-mail loftinc@wapa.gov.

Sincerely,

CAROL A. LOFTIN

Carol A. Loftin
Rates Manager