

*Tex-La Electric Cooperative
of Texas, Inc.*

**REQUEST FOR PROPOSALS
TO PROVIDE LONG-TERM RESOURCE CAPACITY
ON THE ERCOT SYSTEM**

June 30, 2009

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TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.
Request For Proposals To Provide Long-Term Resource Capacity

1.0 SCOPE

Tex-La Electric Cooperative of Texas, Inc. ("Tex-La") is issuing this Request for Proposals ("RFP") to solicit proposals from potential power suppliers ("Respondents") for 25 MW to 50 MW of long-term baseload and intermediate capacity and associated energy on the Electric Reliability Council of Texas ("ERCOT") system. Power supply resources obtained through this solicitation would consist of purchased power agreements ("PPA") or ownership in electric generating facilities, and would supplement Tex-La's existing power supply portfolio including power purchase agreements with American Electric Power Energy Partners, LP ("AEPEP"), or its successor, Southwestern Electric Power Company ("SWEPCO"), and Southwestern Power Administration ("SWPA").

2.0 RFP COMMUNICATION

All questions or other communication regarding Tex-La's RFP should be submitted to Tex-La's engineering consultants:

GDS Associates, Inc.
1850 Parkway Place Suite 800 Marietta, GA 30067
Attention: Brian Lawson Phone: 770-425-8100 Facsimile: 770-426-0303 E-mail: brian.lawson@gdsassociates.com

A paper, or an electronic, copy of each proposal must be delivered no later than 5:00 p.m. EDT, Friday, July 31, 2009, to Mr. Lawson at the address above.

3.0 SCHEDULE

The following schedule and deadlines apply to this solicitation:

Release of RFP:	June 30, 2009
Intent to Respond Forms Due:	July 17, 2009
Proposals Due:	July 31, 2009
Short List Determination:	August 28, 2009
Begin Contract Negotiations:	September 2009
Execute Contracts by:	TBD
Contract Effective Date	TBD

Tex-La reserves the right to modify this schedule if, in the sole opinion of Tex-La, such modifications are necessary. Tex-La will endeavor to notify Respondents of any schedule change but will have no responsibility to do so.

4.0 BACKGROUND

4.1 Description of Tex-La

Tex-La is a generation and transmission cooperative headquartered in Nacogdoches, Texas. Tex-La has seven member distribution cooperatives. These cooperatives serve approximately 85,000 member ratepayers in East Texas. Tex-La's total peak demand in 2008 was approximately 390 MW currently, and its total energy requirements were approximately 1,600 GWh. In ERCOT, Tex-La's approximate peak demand was 130 MW with total energy requirements of approximately 560 GWh.

4.2 Existing ERCOT Resources

Tex-La purchases wholesale power and energy to serve its members' needs in ERCOT, SERC, and SPP. In ERCOT, Tex-La serves approximately 130 MW of member load connected to the TXU Electric system at 20 locations. Tex-La's current power supply for these loads includes purchases from AEPEP, SWEPCO, and SWPA. The power that Tex-La purchases from these suppliers must be wheeled across ERCOT transmission systems to Tex-La's loads. Tex-La is a registered Load Serving Entity ("LSE") in ERCOT and receives network transmission service under the ERCOT open access transmission rules.

AEP:

Tex-La has been purchasing power from AEP, or one of AEP's affiliated subsidiaries, since 1995. Tex-La's purchase from AEPEP provides partial requirements power and energy with load following capabilities to twenty (20) Tex-La PODs in ERCOT. AEPEP serves the portion of Tex-La's metered load not served by Tex-La's long-term purchases from SWEPCO and SWPA. The contract's term extends through the end of 2011 by its terms. Tex-La anticipates issuing a separate

RFP in late-2010 to replace this existing partial requirements contract with AEPEP.

SWEPCO:

Tex-La has an existing long-term purchase over the East DC Tie from SWEPCO that extends through December 31, 2017. This transaction replaced prior plans to physically transfer five (5) ERCOT PODs to SWEPCO's transmission system via the construction of transmission facilities. The capacity is currently 50 MW and the energy quantities will grow over time to match the needs at the five (5) PODs. Tex-La has 50 MW of firm transmission over the East DC Tie to deliver the SWEPCO power into ERCOT.

SWPA:

Tex-La also purchases capacity and energy from the SWPA under a long-term agreement that extends through December 31, 2018. The purchase involves 27.5 MW of hydroelectric peaking power and energy produced at Denison Dam. The project's nameplate rating is 70 MW (note: the project is currently producing more, and maybe re-rated to 88 MW in the near future). Rayburn Country Electric Cooperative, Inc. is entitled to the remaining 42.5 MW. Average generation from Denison Dam in a year has been approximately 230 GWh; however, it can fluctuate fairly significantly depending on rainfall. Based upon historical data, Tex-La's annual entitlement is approximately 88 GWh.

5.0 DESIRED PROPOSALS

Tex-La desires to receive proposals from potential power suppliers for a total of 25 MW to 50 MW of long-term baseload and intermediate capacity and associated energy, with term structures of greater than fifteen (15) years; however, proposals with lesser terms will also be considered. Tex-La seeks any and all types of proposals that will complement its existing power supply portfolio including, but not limited to:

1. Generation ownership interests
2. Block capacity and associated energy
3. Unit contingent capacity and associated energy
4. Capacity and associated energy from renewable energy resources (e.g., wind, solar, hydro, biomass, etc.)
5. Conservation, load management, and/or other demand-side management programs

Proposals for these resources are not mutually exclusive. Tex-La encourages respondents to submit proposals for any of the resources desired. Given its low cost of capital, Tex-La is interested in proposals offering full or partial ownership in existing or planned generation facilities. This could include a development opportunity or an ownership in an existing facility. Partial ownership in a larger facility would be particularly desirable, as that would provide economies of scale that Tex-La may not be able to achieve on its own.

6.0 EVALUATION CRITERIA

Proposals will be judged based on their ability to meet Tex-La's need for economical and reliable power supply. Respondents to this solicitation should provide all relevant information necessary to allow Tex-La to conduct a thorough analysis of the proposal. The principal criteria to be used by Tex-La in evaluating proposals include, but are not necessarily limited to, total delivered cost of the power supply over the contract term, the reliability of the proposed power supply, and the financial and operational viability of the Respondent.

Tex-La reserves the right to consider any other factors that it deems to be relevant to its power supply needs. Tex-La reserves the right to request additional information from individual respondents or to request all respondents to submit supplemental materials in fulfillment of the content requirements of this RFP or to meet additional information needs of Tex-La. Tex-La also reserves the unilateral right to waive any technical or format requirements contained in the RFP. Furthermore, Tex-La, in its sole discretion, will analyze any financial, operational, or other necessary criteria to determine their comfort and confidence that the Respondent has the capability to fulfill Respondent's Proposal.

7.0 VIABILITY OF RESPONDENT

The respondent must provide sufficient evidence of financial and operational capability to provide the services outlined in the proposal during the contract term. The financial and operational viability of any third parties relied upon by the respondent for providing service to Tex-La must also be demonstrated. The respondent, its parent, and any other guarantor of services under the respondent's proposal, should provide audited financial statements from the previous three years in order to demonstrate financial viability. If the respondent has a credit rating by Standard & Poors or Moody's Investor Services, it must be provided also. Information submitted to demonstrate operational capability must address Respondent's ability to perform or otherwise provide the necessary operating functions associated with the Proposal.

8.0 PROPOSAL DURATION

All proposals must be valid through September 2009 pending evaluation by Tex-La and initiation of contract negotiations.

9.0 PROPRIETARY DATA IN PROPOSAL

A Proposal may include data that the Respondent does not want disclosed to the public or used by Tex-La for any purpose other than Proposal evaluation. Proprietary data should be specifically identified as such on every page where the same may be contained. Such information will be used by Tex-La or its designated representatives, including staff and consultants, solely for the purpose of evaluating the proposal. In such case, reasonable care will be exercised so that data identified as confidential will not be disclosed or used without the Respondent's permission, except

to the extent provided in any resulting contract or to the extent required by law including regulators such as the Rural Utilities Service. This restriction does not limit Tex-La's right to use or disclose any data contained in the Proposal if it is obtainable from another source without restriction. In any event, Tex-La, its employees, counsel, and consultants will not be liable for the accidental disclosure of such data, even if it is marked.

10.0 INCURRED COSTS

All costs directly or indirectly related to the preparation of a Proposal in response to this RFP or any oral presentation required to supplement and/or clarify a Proposal which may be required by Tex-La shall be the sole responsibility of, and shall be borne by, the Respondent(s) incurring such costs. Tex-La shall not reimburse any Respondent for any costs incurred in the preparation or submission of a Proposal or negotiation of an agreement as a result of a Proposal.

11.0 CONTRACT INCORPORATION

Respondents should be aware that the contents of a selected proposal might become a part of any subsequent contractual documents. Failure of the respondent to accept this obligation may result in the cancellation of any award.

12.0 REGULATORY APPROVAL

Any contracts, which may be considered as a result of this RFP or subsequent negotiations, may be subject to regulatory approvals, including approval of the Rural Utilities Service.

13.0 REJECTIONS OF PROPOSALS

Tex-La reserves the right to accept any Proposal(s), to reject any and all Proposals, or to re-solicit for Proposals in the event that all Proposals are rejected or Tex-La deems otherwise necessary. Tex-La reserves the right to revise this RFP, including the desired capacity specifications and the requirements for Proposals, at any time. Additionally, Tex-La reserves the right to accept Proposals other than the lowest cost Proposal. Respondents should recognize that factors other than cost, such as reliability, financial viability, customer service, experience, etc., will be considered during the evaluation process. This RFP does not constitute an offer subject to acceptance. Tex-La reserves the right, without qualification, to reject any or all proposals or waive any defects or technical errors in proposals received. Tex-La reserves the right to consider other alternatives outside of this RFP at its sole discretion to satisfy its capacity and energy needs. Respondents agree to submit proposals without recourse against Tex-La for either rejection or failure to execute an ESA or alternate agreement for any reason.

14.0 RELEASE OF INFORMATION

Tex-La or its consultant shall not release information submitted relative to this RFP during the evaluation process, except that Tex-La may provide information to regulatory authorities during the proposal evaluation process. Tex-La may also release the number and names of respondents, including the names of short listed respondents.

15.0 SUPPLEMENTAL INFORMATION

Tex-La reserves the right to request additional information from individual Respondents or to request all Respondents to submit supplemental materials in fulfillment of the content requirements of this RFP or to meet additional information needs of Tex-La. Tex-La also reserves the unilateral right to waive any technical or format requirements contained in the RFP.

16.0 NOTICE OF RECEIPT OF RFP - INTENT TO RESPOND

Tex-La requests that recipients of this RFP who intend to respond provide a courtesy notice of such intention via e-mail message to brian.lawson@gdsassociates.com by **July 17, 2009**.

17.0 SUBMITTAL INSTRUCTIONS

A paper, or an electronic, copy of each proposal must be delivered no later than **5:00 p.m. EDT, Friday, July 31, 2009**, to Mr. Lawson at the address below.

GDS Associates, Inc.
1850 Parkway Place Suite 800 Marietta, GA 30067
Attention: Brian Lawson Phone: 770-425-8100 Facsimile: 770-426-0303 E-mail: brian.lawson@gdsassociates.com