

LCRA Transmission Services Corporation

Board Agenda

Wednesday, Feb. 20, 2019
Wharton Civic Center
1924 N. Fulton Street
Wharton, Texas 77488

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***This agenda item requires the approval of at least 12 Board members.**

Legal Notice

Although this is the expected agenda, the Board may discuss or take action on any item listed in the legal notice, which may include some items not currently on the Board agenda. Legal notices are available on the Texas Secretary of State website 72 hours prior to the meeting at the following link: sos.state.tx.us/open/.

Executive Session

The Board may go into executive session for deliberation on the matters listed in the legal notice posted pursuant to Chapter 551 of the Texas Government Code.

The Board may take final action on any of the executive session matters upon reconvening in open session pursuant to Chapter 551 of the Texas Government Code.

OVERVIEW OF LCRA TRANSMISSION SERVICES CORPORATION

In connection with the implementation of retail competition in the electric utility industry in the State of Texas, LCRA was required by the Texas Legislature in its amendments to the Public Utility Regulatory Act (enacted in 1999 under State legislation known as Senate Bill 7, and referred to as SB 7) to unbundle its electric generation assets from its electric transmission and distribution assets. LCRA conveyed, effective Jan. 1, 2002, all of its existing electric transmission and transformation assets (collectively, the Transferred Transmission Assets) to LCRA Transmission Services Corporation (LCRA TSC) pursuant to the terms of an Electric Transmission Facilities Contract (the Initial Contractual Commitment), dated Oct. 1, 2001.

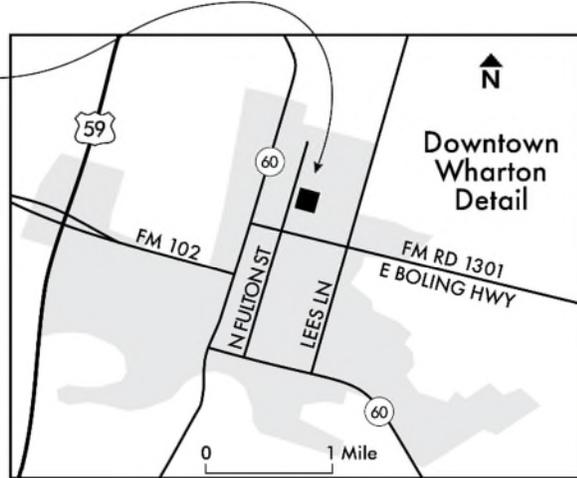
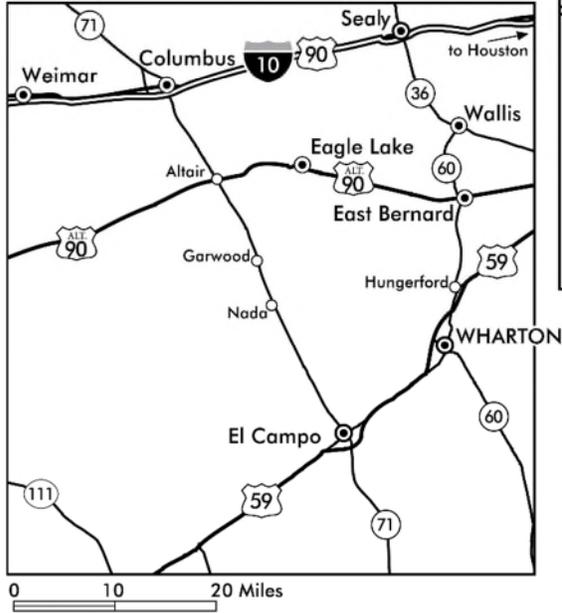
LCRA TSC is a nonprofit corporation created by LCRA to act on LCRA's behalf pursuant to Chapter 152, Texas Water Code, as amended. After Jan. 1, 2002, LCRA TSC engaged in the electric transmission and transformation activities previously carried out by LCRA and assumed LCRA's obligation to provide, and the right to collect revenues for, electric transmission and transformation services. LCRA TSC is an electric transmission service provider (a TSP) under the state's open-access electric transmission regulatory scheme within the approximately 85 percent area of the state covered by the Electric Reliability Council of Texas. In such capacity, LCRA TSC is entitled to receive compensation from all electric distribution service providers using the electric transmission system within ERCOT. As a TSP in the ERCOT region of the state, the rates that LCRA TSC will charge for transmission services are regulated by the Public Utility Commission of Texas and determined pursuant to transmission cost of service rate proceedings filed with and approved by the PUC.

Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services agreement between LCRA TSC and LCRA. This includes procuring goods and services on behalf of LCRA TSC and is reflected in the LCRA Board agenda contracts.

Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA's outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC's business plan and of the sale or disposition of any significant assets of LCRA TSC. The Board of Directors of LCRA TSC is appointed by and serves at the will of the LCRA Board. The current membership of the LCRA TSC Board is made up entirely of the existing LCRA Board.

The LCRA TSC Board Policy on Authority and Responsibilities directs that the business plan of the affiliated corporation include for approval a schedule of capital projects proposed for the fiscal year. The policy also states that only deviations from the approved plan will be brought before the LCRA TSC Board. As such, the LCRA TSC Board agenda will not include consent items to approve specific capital projects, unless the project scope or budget changes significantly from what was originally approved.

**Wharton Community Center
1924 North Fulton Street
Wharton, Texas**



FOR DISCUSSION

1. Comments From the Public

Summary

This part of the meeting is intended for comments from the public on topics under LCRA Transmission Services Corporation's jurisdiction but not related to an item on the Board agenda. The Board cannot provide responses or take action during public comments.

In order to address the Board, a member of the public is required to sign and complete the registration form at the entrance to the meeting room.

Any member of the public who wants to comment on an item listed on this agenda will be called to make comments at the appropriate time.

FOR ACTION

2. Twenty-Eighth Supplemental Resolution and Issuance of LCRA Transmission Services Corporation Series 2019 Refunding Revenue Bonds

Proposed Motion

Staff recommends the Board of Directors approve the adoption of the Twenty-Eighth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2019 (the Bonds) in an amount not to exceed \$500 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project), Series C and Tax-Exempt Series D; (ii) current refunding of certain outstanding long-term Transmission Contract Debt; (iii) funding debt service reserve funds for the Bonds; and (iv) paying for issuance costs.

This motion also will:

1. Approve related documents, in substantially final form, including the escrow agreement, paying agent/registrar agreement, the Preliminary Official Statement and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (the 2019 Installment Payment Agreement Supplement). Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the chief executive officer or the chief financial officer to:
 - a. Select all or a portion of LCRA TSC's outstanding debt to be refunded by the Bonds and provide for appropriate notices of redemption/defeasance;
 - b. Approve any final changes to said documents necessary to facilitate proper issuance of such Bonds;
 - c. Establish the terms of the Bonds as provided in the resolution (including issuing such bonds in one or more separate series (tax-exempt and/or taxable), the principal amounts and maturity schedules, interest rates, redemption provisions, and terms of any reserve funds); and
 - d. Approve the terms of the sale of the Bonds to an underwriting team lead by Citigroup, and to execute a bond purchase agreement.

Board Consideration

In 2003, the LCRA Board, at the request of LCRA TSC, adopted an amended and restated Controlling Resolution establishing a contract revenue financing program whereby LCRA issues bonds on behalf of LCRA TSC that are secured by a lien on and a pledge of revenues paid by LCRA TSC to LCRA. The amended and restated Controlling Resolution requires the Board to deliver a resolution to LCRA approving the Bonds.

Budget Status and Fiscal Impact

The fiscal year 2019 LCRA TSC business plan anticipates the refunding of LCRA TSC Series 2009 bonds and a portion of the short-term debt. Based on current market conditions and continued low interest rates, the refunding will be advantageous and provide cost savings.

Summary

With this action, the Board will approve the Bonds, issued for the purpose of current refunding of certain LCRA TSC commercial paper, revolving notes and bonds in an amount not to exceed \$500 million, establishing one or more Debt Service Reserve Funds for the Bonds, and paying for the issuance costs related to the Bonds. The Board also will approve the execution of documents necessary for the sale of the Bonds further described below.

Background. The Twenty-Eighth Supplement is a supplemental resolution to the Controlling Resolution establishing LCRA TSC's transmission revenue financing system adopted by the Board in 2001 and readopted in 2003. The Twenty-Eighth Supplement authorizes the Bonds, approves the forms of the ancillary agreements relating to such bonds, and delegates to the chief executive officer or the chief financial officer authority to set the specific terms of such bonds (including maturity, amortization, interest rates, redemption provisions, etc.) according to parameters set forth in the resolution. The Twenty-Eighth Supplement also requires an officer of LCRA TSC to agree to the specific terms of the Bonds. The Controlling Resolution, the Twenty-Eighth Supplement and the pricing certificate of the LCRA officer and the LCRA TSC officer establishing the terms of the Bonds together constitute the authorization of such bonds.

The 2019 Installment Payment Agreement Supplement is a supplemental agreement to the Transmission Installment Payment Agreement between LCRA and LCRA TSC executed in 2003. The supplemental agreement provides for the arms-length obligation of LCRA TSC to pay LCRA the debt service associated with the Bonds and further provides for LCRA TSC's ownership of the projects financed or refinanced with the proceeds of the Bonds.

The Bond Purchase Agreement is the contract among LCRA, LCRA TSC and the underwriters of the Bonds that establishes the terms of the sale and delivery of such bonds from LCRA to such underwriters. This agreement provides for the conditions for closing on the Bonds, including required legal opinions, and provides for certain limited events that may terminate LCRA's obligation to deliver and/or the underwriters' obligation to accept the Bonds at closing. Citigroup will be the senior manager of the underwriting team for the Bonds.

The Paying Agent/Registrar Agreement is the contract between LCRA and The Bank of New York Mellon Trust Company, NA, setting forth the rights, duties and obligations of the two parties under which such bank will act as the paying agent and registrar for the Bonds. The bank will provide paying agent and transfer agent services, maintain registration books and facilitate providing certain notices for the Bonds, among other services.

The Bank of New York also will act as the Escrow Agent for the refunded LCRA TSC bonds under an Escrow Agreement that is a trust agreement among LCRA, LCRA TSC and The Bank of New York Mellon Trust Company that establishes trust accounts

necessary to hold cash and securities, which will be sufficient to defease certain of the debt being refunded by the Bonds.

The Official Statement is the document that provides disclosure to prospective investors regarding the terms of the bonds, security, risk factors, and financing and operating information of LCRA TSC.

PricewaterhouseCoopers LLP will perform certain procedures relating to the financial information disclosed in documents related to the Bonds and provide appropriate letters to the Board regarding those procedures.

Use of Proceeds. Proceeds from the Bonds will be used to: refund certain LCRA TSC commercial paper notes, revolving notes, and tax-exempt bonds, if necessary; establish a Debt Service Reserve Fund for the Bonds; and pay for issuance costs.

LCRA and LCRA TSC have authorized the issuance of commercial paper and revolving notes under programs backed by three separate credit facilities. Periodically, staff recommends refunding short-term variable-rate debt with long-term fixed-rate debt when market conditions are favorable and the short-term debt credit facilities approach their maximum capacity. In addition, staff periodically recommends refunding existing long-term debt with new long-term debt to capture interest rate savings and/or adjust the debt structure to benefit LCRA TSC customers.

Staff currently expects the Bonds to be sold and delivered by March 28, 2019, subject to the approving opinions of the Office of the Attorney General and bond counsel.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

FOR ACTION

3. Sale of Land and Personal Property and Acquisition of Transmission Facilities

Proposed Motion

Declare three tracts of land and assets at the Camp San Saba, Hext and Camp Bowie substation properties, and the assets at the Terry and Dutton substations, as nonessential, and authorize the chief executive officer or his designee to negotiate and execute an agreement with Oncor Electric Delivery Company LLC for (i) the sale of real property and improvements to real property at the Terry, Dutton, Camp San Saba, Hext and Camp Bowie substations and (ii) the purchase of electric transmission facilities and related real property interests.

Board Consideration

LCRA TSC Board Policy T401 – Land Resources requires that 12 members of the Board declare the land to be no longer necessary or of beneficial use to the business of LCRA TSC and to approve the terms of all land sales.

LCRA TSC Board Policy T102 – Authority and Responsibilities requires Board approval for all decisions where Board policy or direction has not been clearly established, and does not provide an allowance for the sale of personal property above \$500,000.

LCRA TSC Board Policy T301 – Finance requires Board approval for any project exceeding \$1.5 million that is not included in the annual capital plan or any previously approved project expected to exceed its lifetime budget by 10 percent and \$300,000.

Budget Status and Fiscal Impact

- The project is not included in LCRA TSC's fiscal year 2019 capital plan.
- The current net book value of the assets to be conveyed by LCRA TSC to Oncor is approximately \$2 million.
- The current net book value of the assets to be conveyed by Oncor to LCRA TSC is approximately \$2 million.
- Any difference in net book value between the assets will be settled at closing and paid to the appropriate party.

Summary

Staff recommends the sale of transmission and transformation assets and associated real property at the Terry, Dutton, Camp San Saba, Hext and Camp Bowie substations to Oncor. In exchange, Oncor will sell to LCRA TSC approximately 8.8 miles of transmission line facilities and associated real property interests interconnected with the T669 Eskota to McElmurray 138-kilovolt transmission line, T526 Round Rock to Wells Branch 138-kV transmission line and T367 Cedar Hill to Swiftex 138-kV transmission line.

This transaction is contingent upon, and the closing date will follow, approval by the Public Utility Commission of Texas of an application by Oncor and LCRA TSC requesting the necessary amendments to the parties' respective certificates of convenience and necessity to effect the transaction.

Presenter(s)

Clint Harp
Vice President, Transmission Strategic Services

Exhibit(s)

A – Vicinity Maps

EXHIBIT A

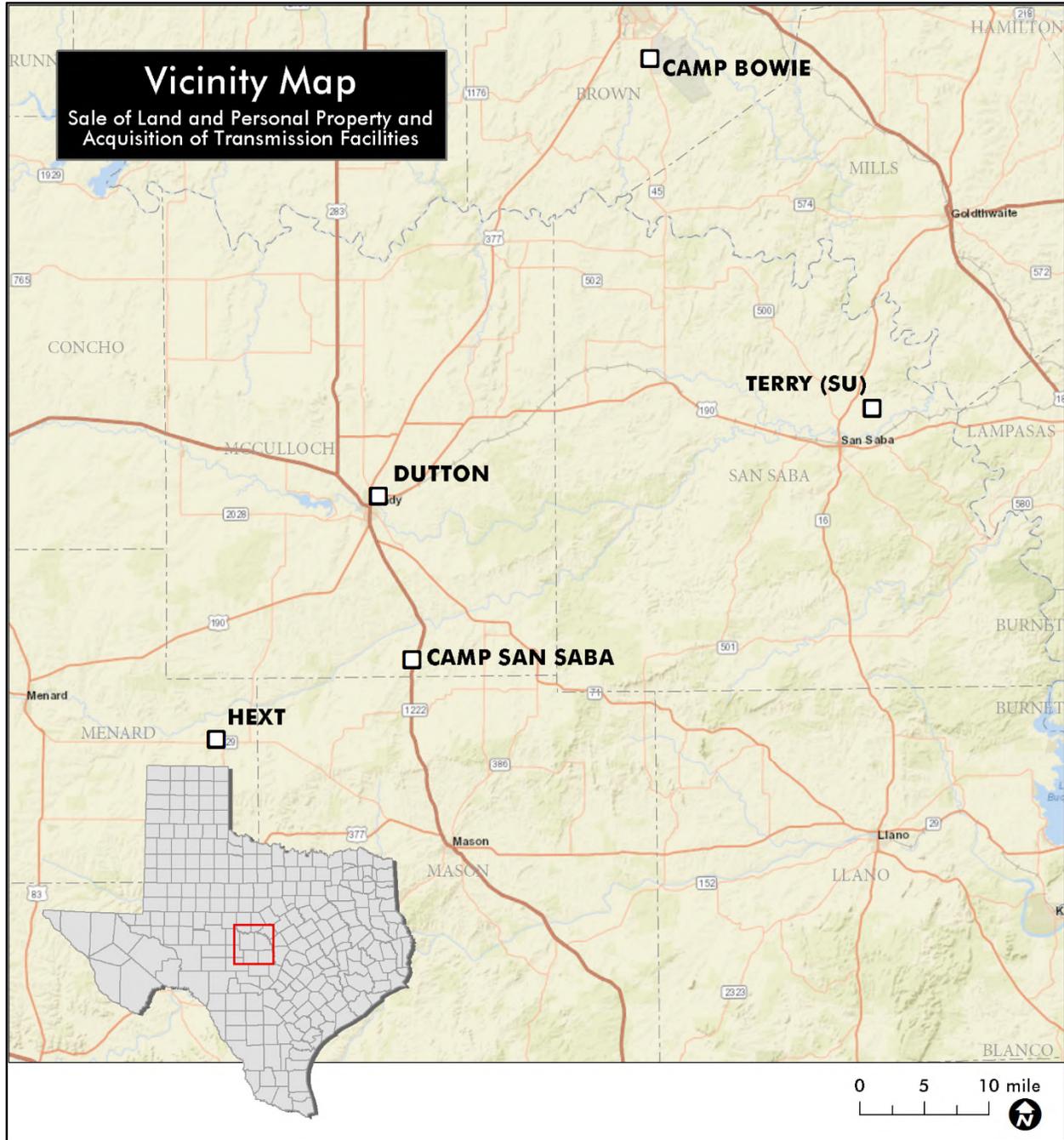
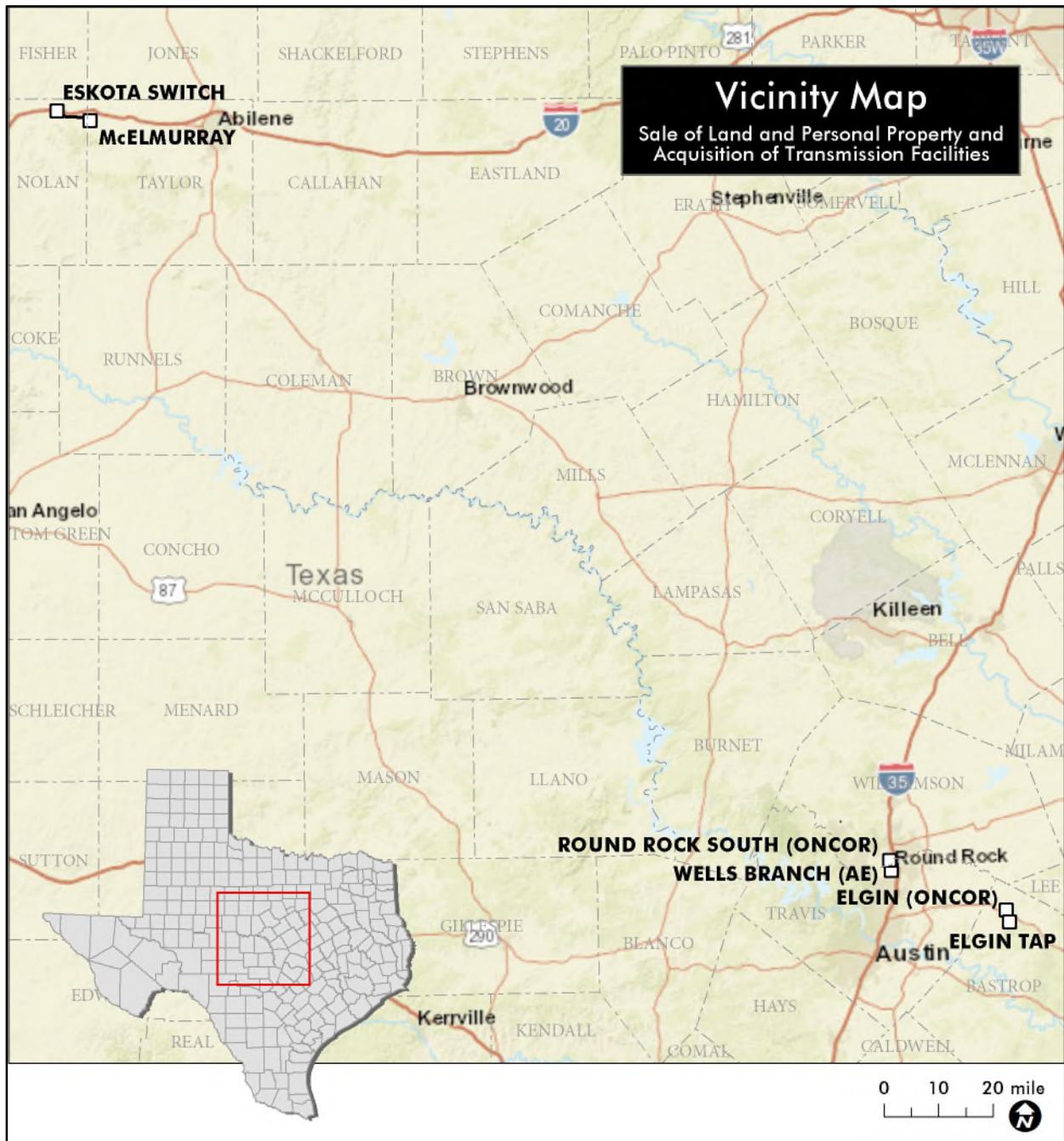


EXHIBIT A



FOR ACTION

4. Acquisition of Interests in Real Property – Use of Eminent Domain in Williamson County

Proposed Motion

I move that the LCRA Transmission Services Corporation Board adopt the attached resolution; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of easements for the Leander to Round Rock Transmission Line Addition project; and that the first record vote applies to all units of property to be condemned.

Board Consideration

LCRA TSC Board Policy T401 – Land Resources and Section 2206.053 of the Texas Government Code require Board authorization prior to the initiation of eminent domain proceedings.

Section 2206.053 of the Texas Government Code provides that if two or more Board members object to adopting a single resolution for all units, a separate record vote must be taken for each unit of property. If two or more units of real property are owned by the same person, those units may be treated as one unit of property.

Budget Status and Fiscal Impact

The acquisition costs were included in the Board-approved budget for the Leander to Round Rock Transmission Line Addition project.

Summary

LCRA TSC proposes to acquire transmission line easements in Williamson County for the Leander to Round Rock Transmission Line Addition project. Kokel-Oberrender-Wood Appraisal Ltd. performed an independent appraisal of the interests in real properties to be acquired to determine just compensation to the landowners.

Staff made an initial offer to acquire the necessary interests in real property voluntarily from the landowners listed on Exhibit C, as required by Section 21.0113 of the Texas Property Code. Staff will continue to negotiate for the purchase of the interests in real property. Staff seeks Board authorization to proceed with condemnation if an agreement cannot be reached with the landowners.

Staff has provided to the Board descriptions of the specific properties to be acquired and will attach the descriptions to the resolution.

LCRA TSC representatives performed environmental and cultural due diligence studies, and no concerns were identified. Staff requests the Board adopt the resolution in Exhibit D authorizing the initiation of condemnation proceedings on the first record vote for all units of property.

Presenter(s)

Steven T. Brown
Director, Real Estate Services

Exhibit(s)

- A – Vicinity Map
- B – Site Map
- C – Landowner List
- D – Resolution
- 1 – Descriptions of the Specific Properties

EXHIBIT A

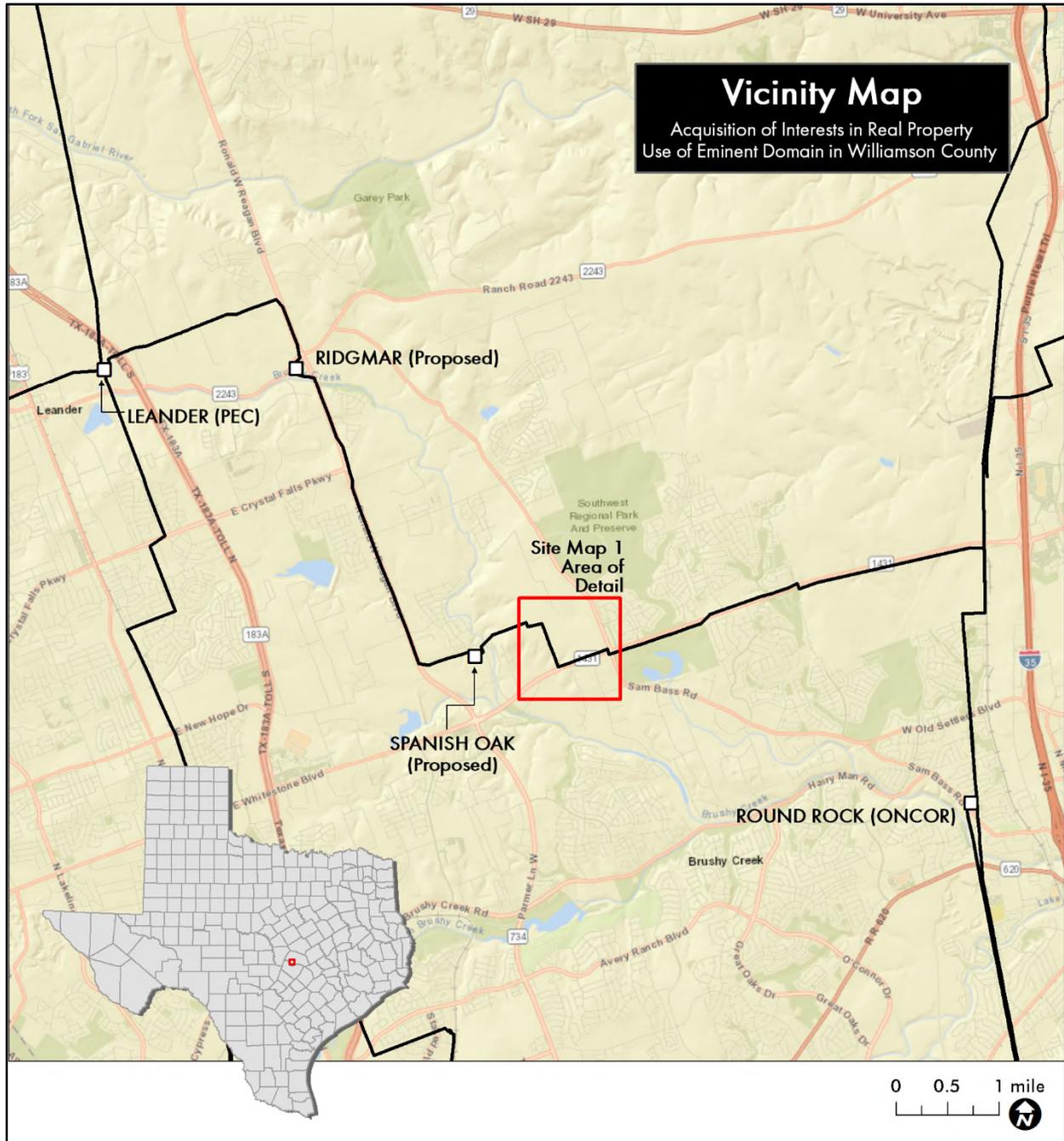


EXHIBIT B



EXHIBIT C

Landowners	Approximate Parent Tract Acreage	Land Rights	Approximate Acquisition Acreage	County	Diminution in Value of Remainder	Value of Proposed Easement	Total Approximate Value
The Whitestone Boulevard LTD	50 acres	Easement Temporary Workspace	7.92 acres 1.04 acres	Williamson	\$698,000	\$1,198,000	\$1,896,000
Indigo Ridge Development Partners LLC	126.36 acres	Easement Temporary Workspace	3.98 acres 0.68 acre	Williamson	\$984,000	\$1,215,000	\$2,199,000
Upendra Bandi	4.50 acres	Easement Temporary Workspace	0.28 acre 2.43 acres	Williamson	\$134,000	\$241,000	\$375,000

EXHIBIT D

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PROPOSED MOTION

I MOVE THAT THE BOARD OF LCRA TRANSMISSION SERVICES CORPORATION ADOPT THE ATTACHED RESOLUTION; THAT THE BOARD AUTHORIZE BY RECORD VOTE THE USE OF THE POWER OF EMINENT DOMAIN TO ACQUIRE RIGHTS IN THE PROPERTY DESCRIBED IN EXHIBIT 1 TO THE RESOLUTION FOR THE LEANDER TO ROUND ROCK TRANSMISSION LINE ADDITION PROJECT; AND THAT THE FIRST RECORD VOTE APPLIES TO ALL UNITS OF PROPERTY TO BE CONDEMNED.

**RESOLUTION
AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY
BY CONDEMNATION IN WILLIAMSON COUNTY FOR
TRANSMISSION LINE EASEMENTS.**

WHEREAS, LCRA Transmission Services Corporation has determined the need to acquire the interests in real property necessary for the public purposes of construction, operation, and maintenance of an electric transmission line in Williamson County; and

WHEREAS, an independent, professional appraisal of the subject property has been submitted to LCRA Transmission Services Corporation, and an amount will be established to be just compensation for the interests in real property to be acquired;

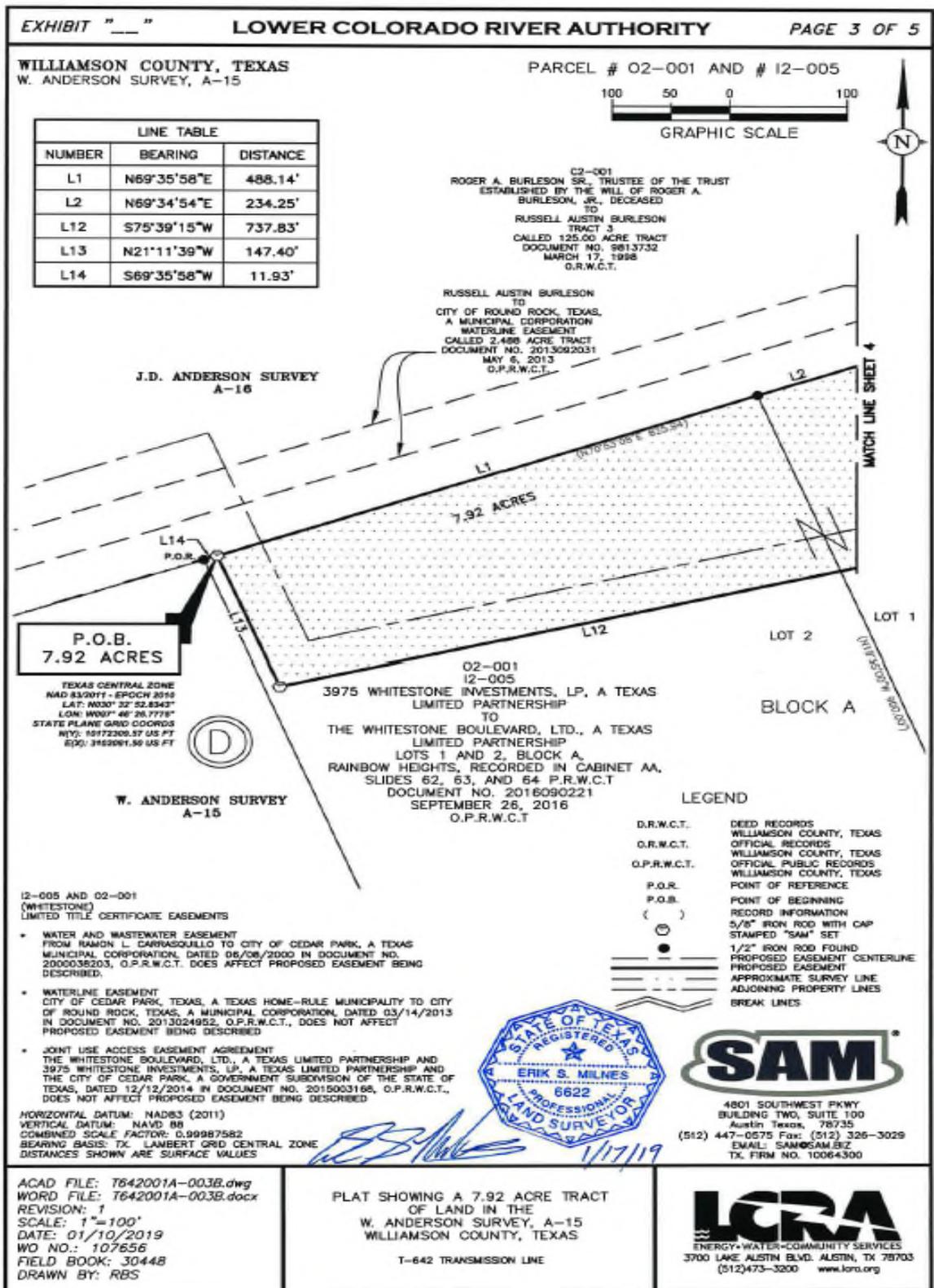
NOW, THEREFORE, BE IT RESOLVED that the president and chief executive officer or his designee is authorized to purchase the interests in real property from the landowner(s) listed in the attached Exhibit C for the Leander to Round Rock Transmission Line Addition project and substation site, with the description of the location of and interest in the property that LCRA Transmission Services Corporation seeks to acquire being more particularly described in maps provided to the Board and attached to this Resolution as Exhibit 1; that the public convenience and necessity requires the acquisition of said interests in real property; that the public necessity requires the condemnation of the interests in real property in order to acquire them for such purposes; that LCRA Transmission Services Corporation does not intend to acquire rights to groundwater or surface water in the land; that LCRA Transmission Services Corporation will make a bona fide offer to acquire the interests in real property from the landowner(s) voluntarily as required by Sec. 21.0113 of the Texas Property Code; and that at such time as LCRA Transmission Services Corporation has determined that the landowner(s) and LCRA Transmission Services Corporation will be unable to reach an agreement on the fair market value of the subject interests in real property and that it should appear that further negotiations for settlement with the landowner(s) would be futile, then the president and chief executive officer or his designee is authorized and directed to initiate condemnation proceedings against the

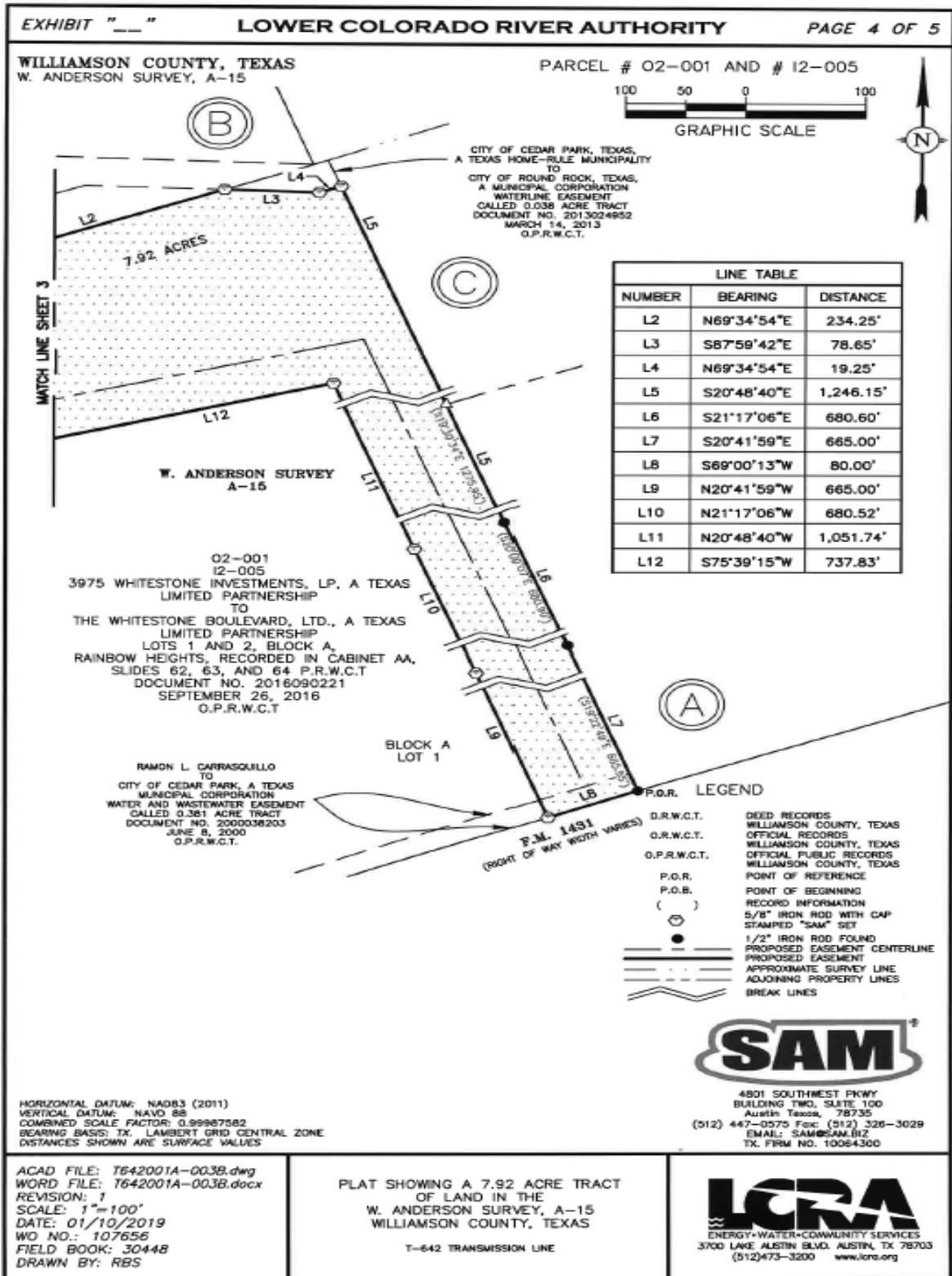
EXHIBIT D

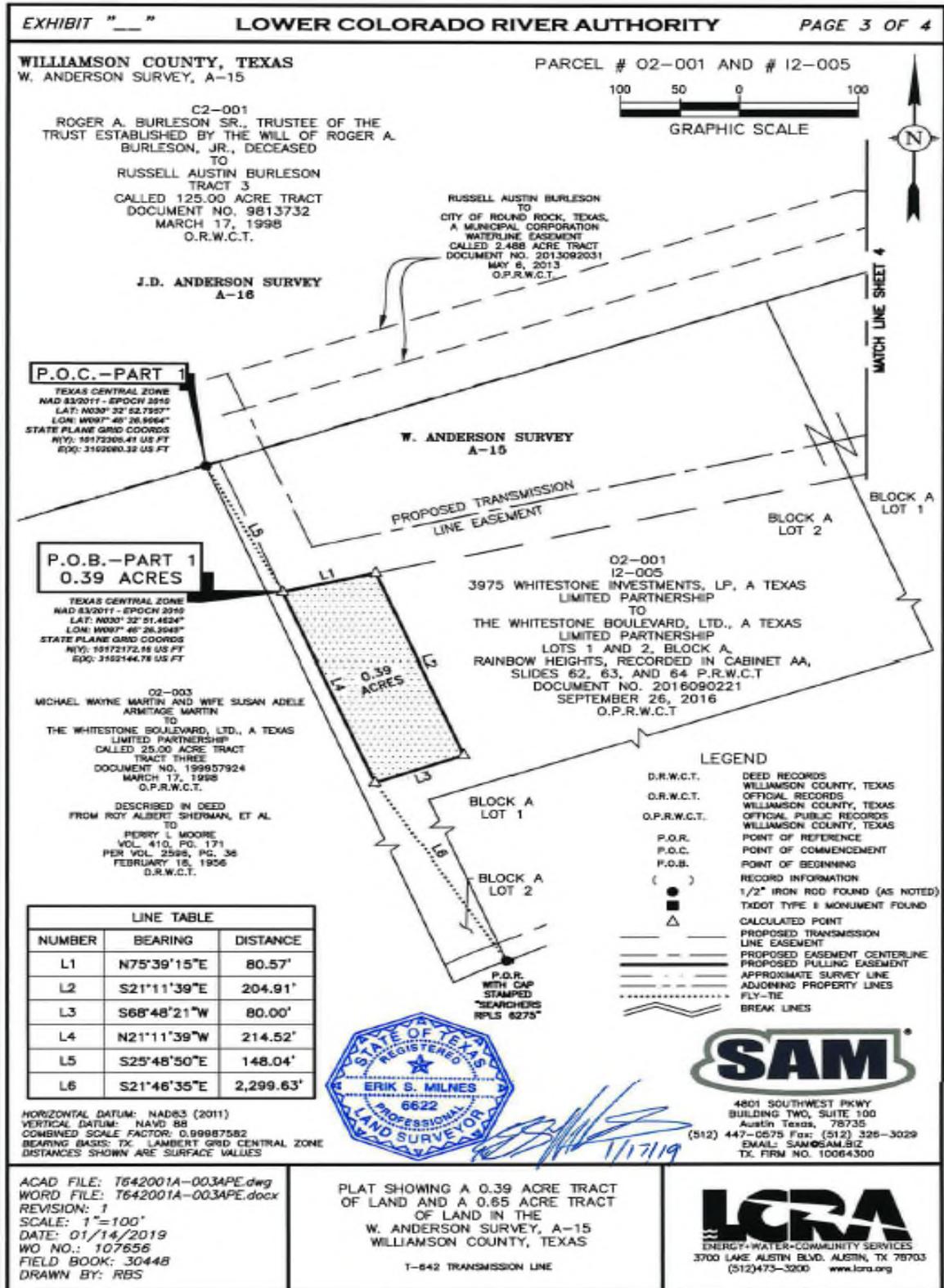
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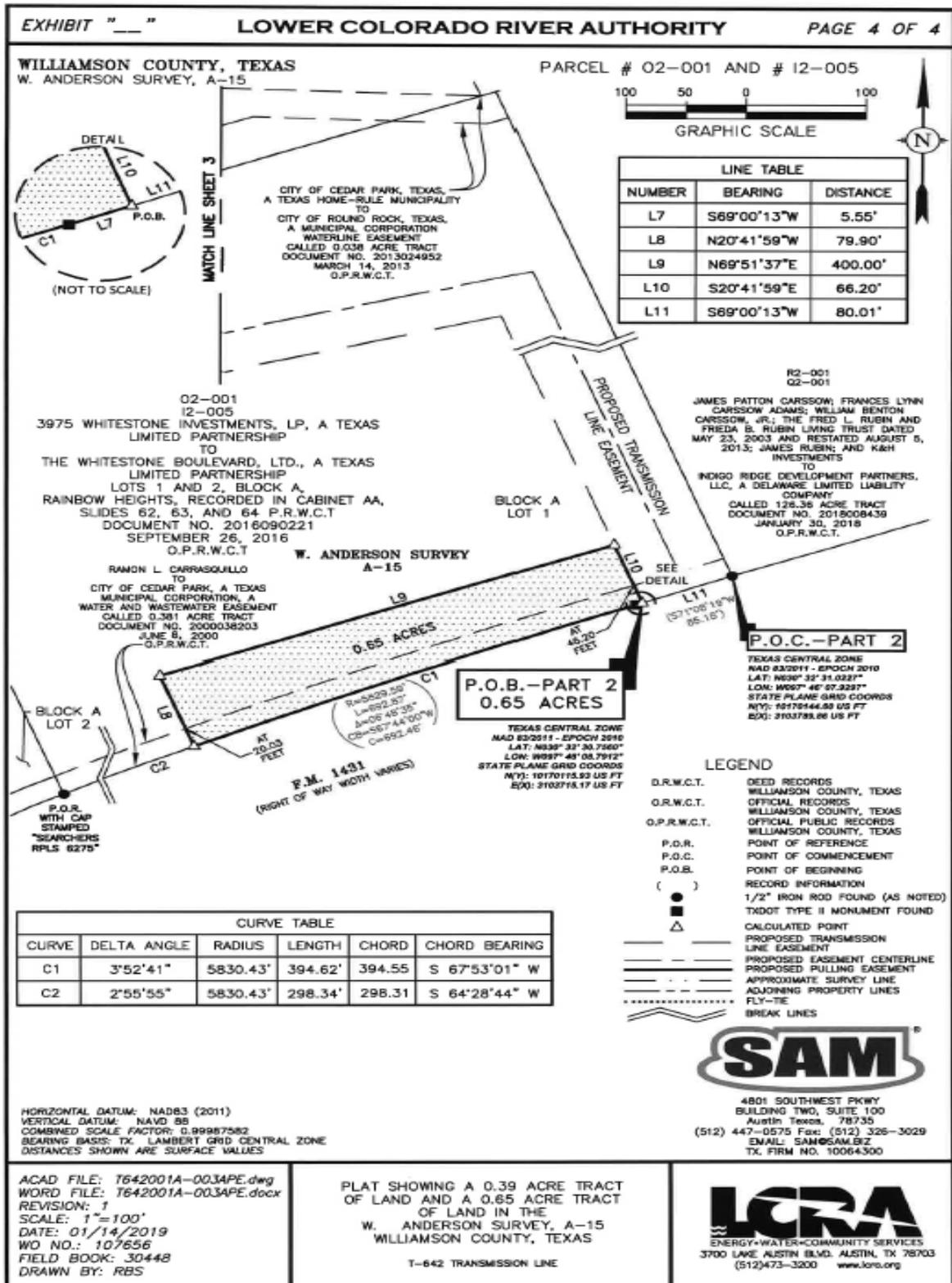
owner of the property, and against all other owners, lien holders, and other holders of an interest in the property, in order to acquire the necessary interests in real property; and that this resolution take effect immediately from and after its passage;

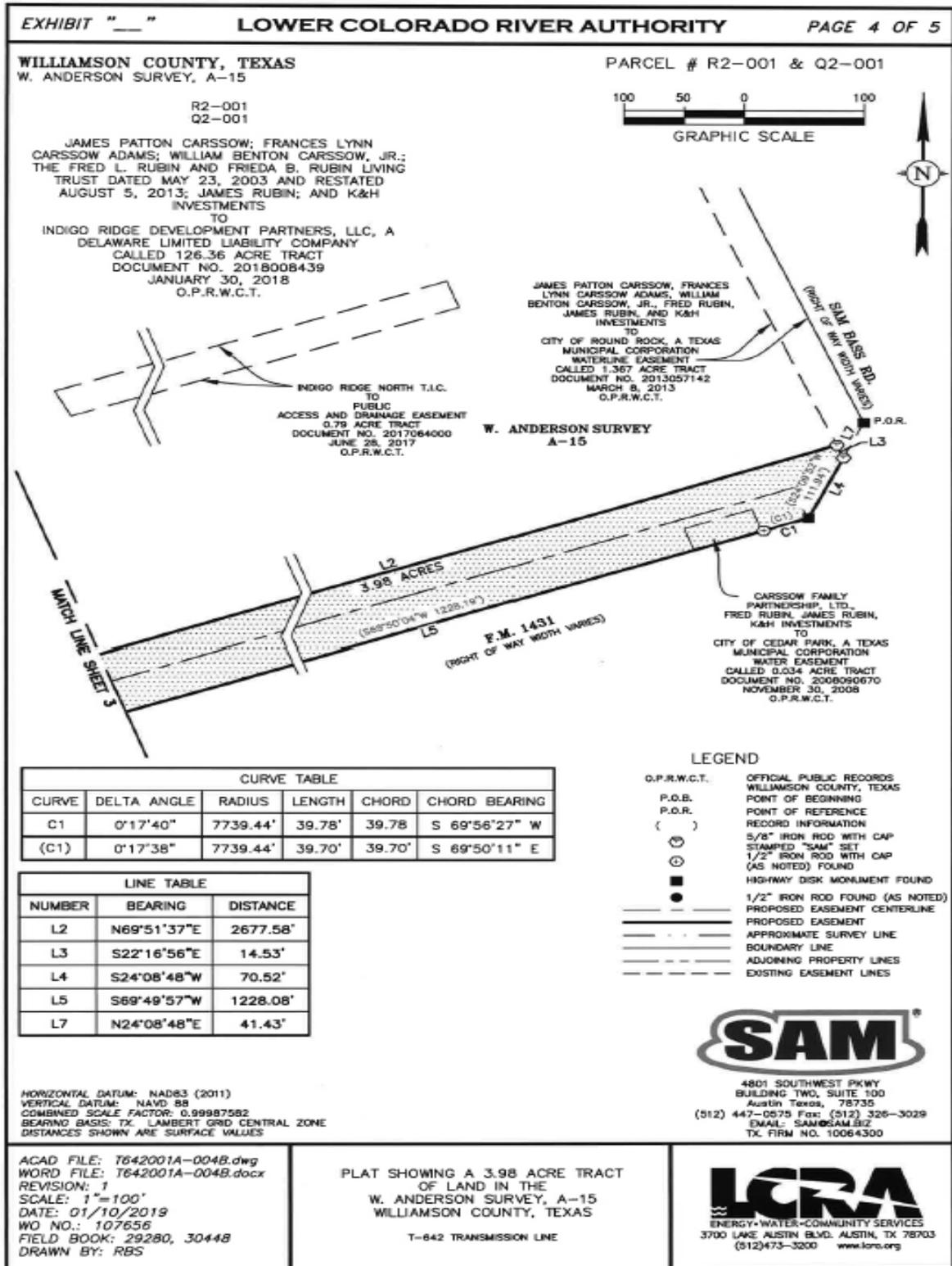
BE IT FURTHER RESOLVED that the president and chief executive officer or his designee is hereby authorized to do all things necessary and proper to carry out the intent and purpose of this resolution, including determination and negotiation of the interests in real property that are proper and convenient for the operation of the electric transmission line.

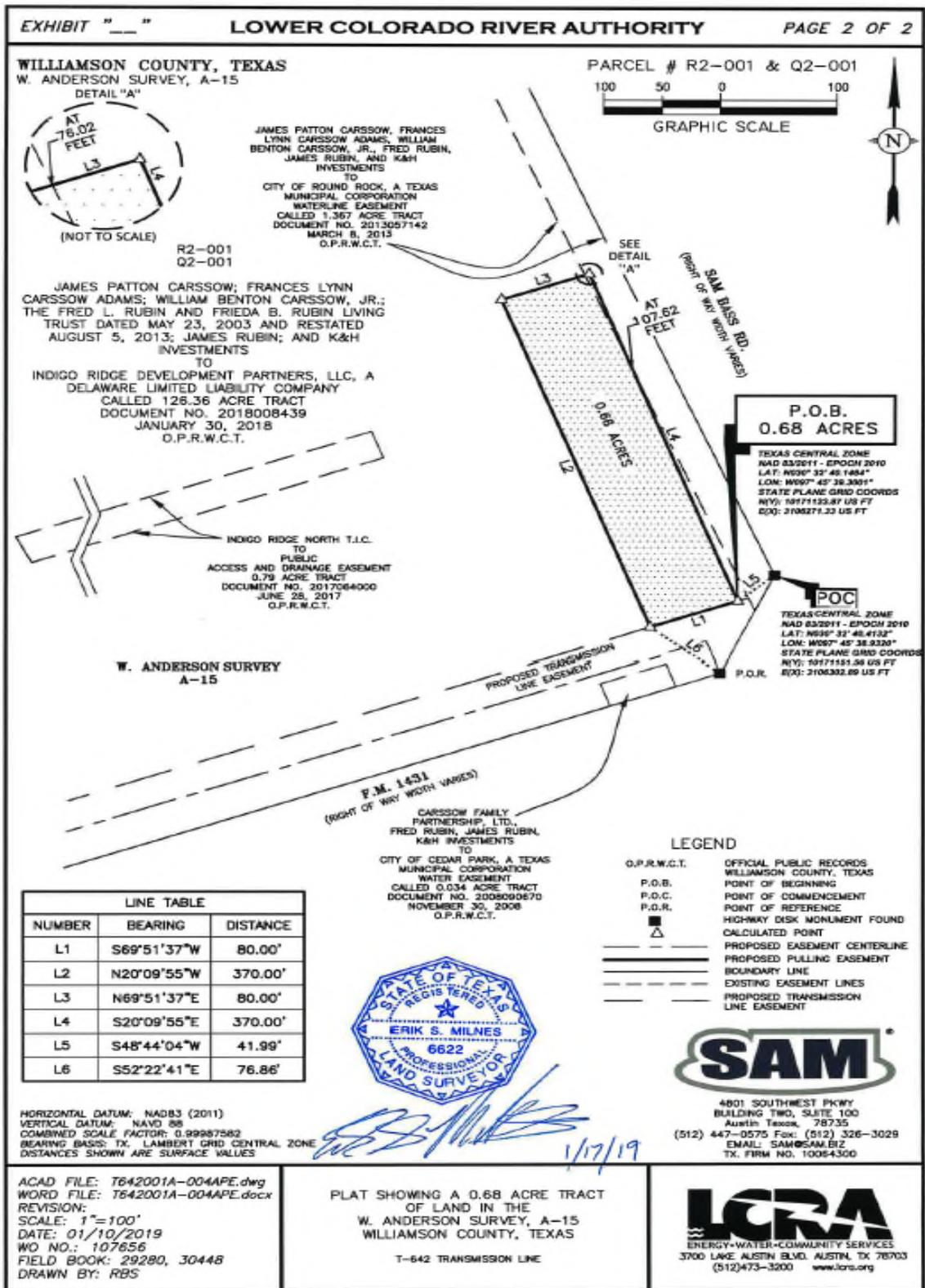


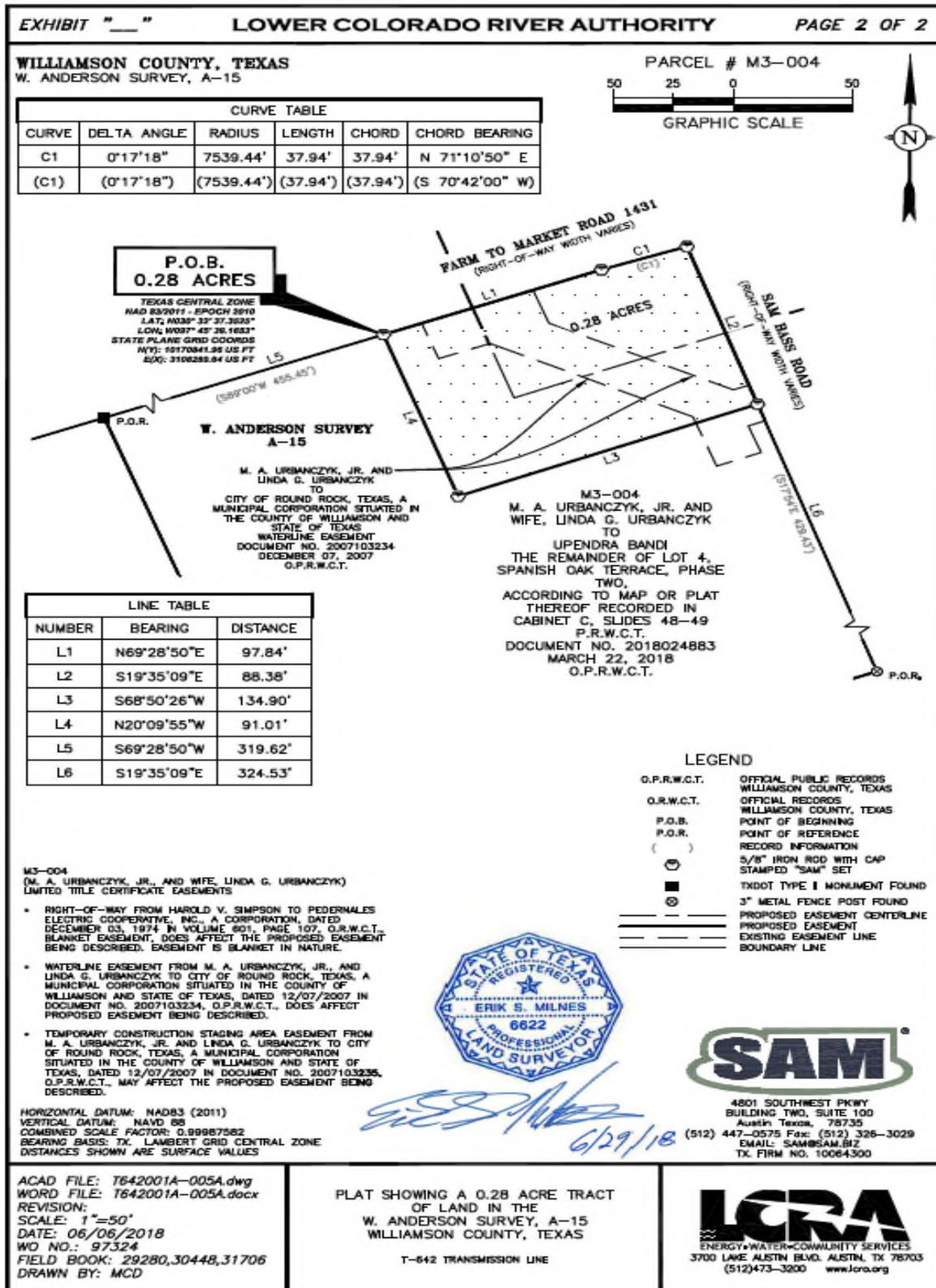


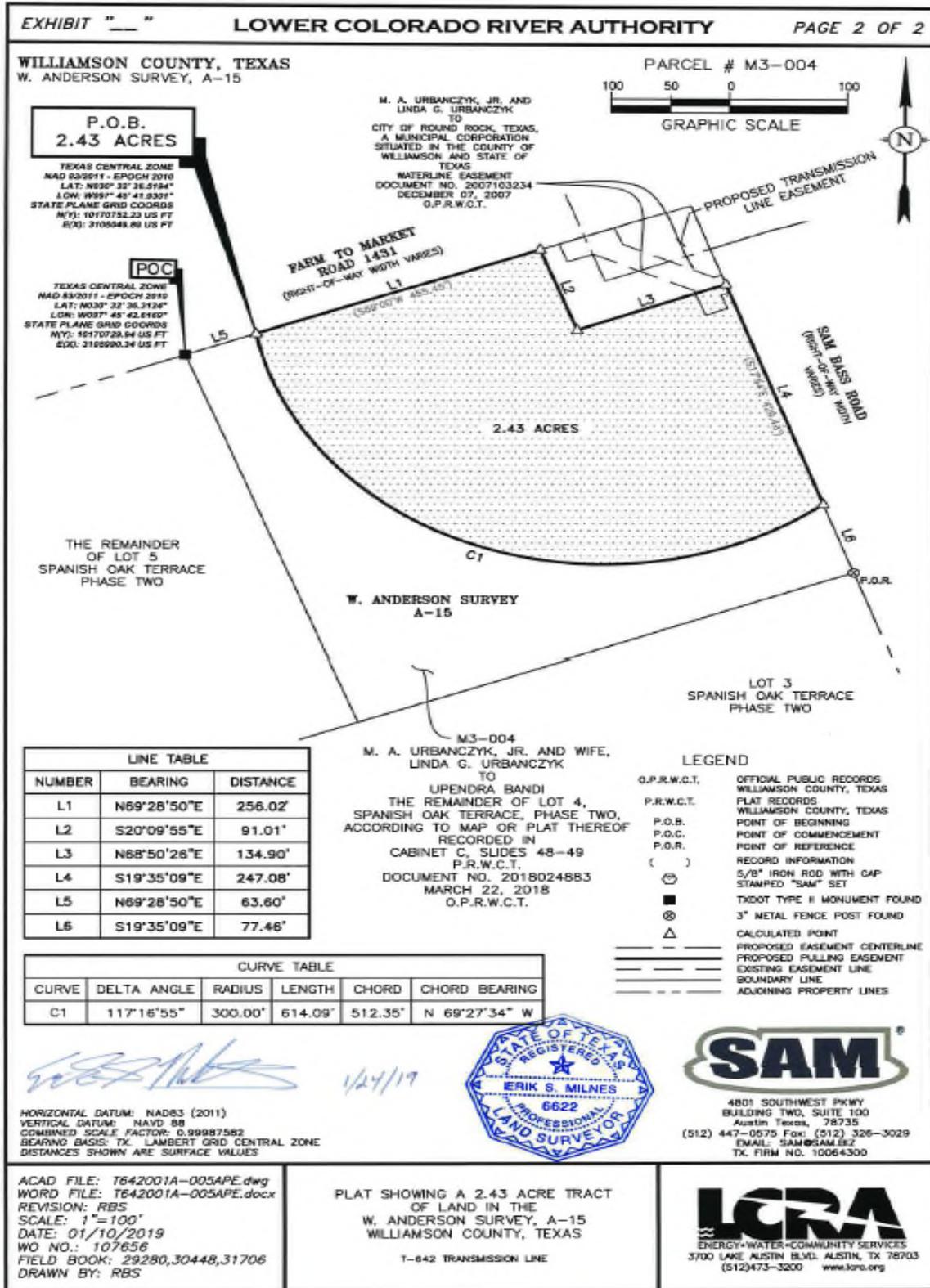












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