

LCRA Transmission Services Corporation

Board Agenda

Wednesday, Dec. 13, 2017
LCRA Board Room
Austin

Action/Discussion Items

- 1. Capital Improvement Project Approval – Asphalt Mines Substation Addition 4
- 2. Acquisition of Interests in Real Property – Use of Eminent Domain
in Guadalupe County 7

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: <http://www.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 the 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 (ERCOT). 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 (PUC) and determined pursuant to transmission cost of service rate proceedings filed with and approved by the PUC.

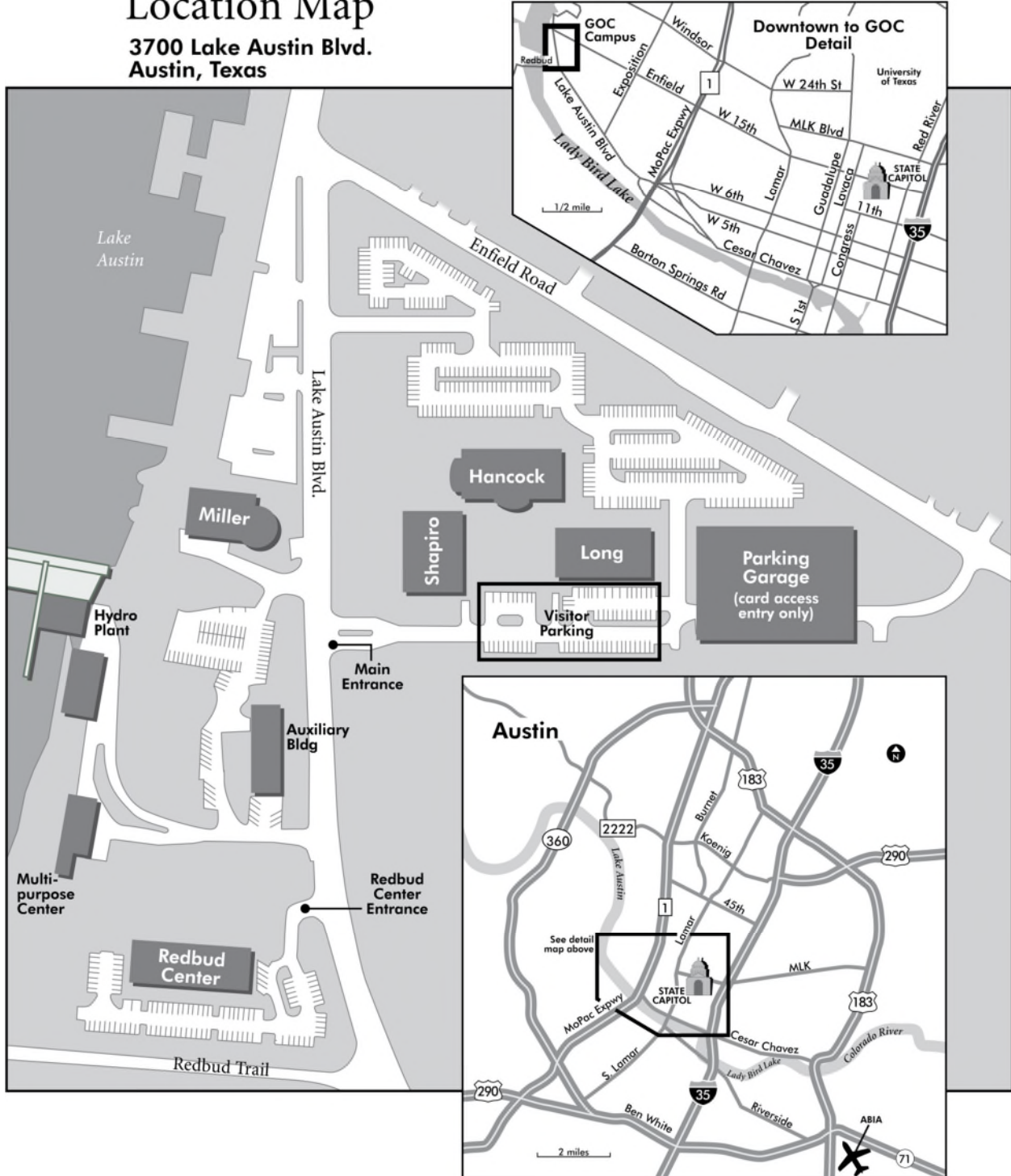
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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 (LCRA TSC Board) is appointed by and serves at the will of the LCRA Board. The current membership of 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 affiliate 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 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.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR ACTION

1. Capital Improvement Project Approval – Asphalt Mines Substation Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Asphalt Mines Substation Addition project.

Board Consideration

LCRA Transmission Services Corporation Board Policy T301 – Finance requires Board of Directors 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 the fiscal year 2018 LCRA TSC capital plan.
- Approval is sought for a total lifetime budget of \$2,416,000 and for \$168,000 of the project budget expected to be spent in the current fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- Staff members believe they can manage this additional spending within the existing FY 2018 capital budget and currently do not request additional fiscal year capital budget authorization.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary

Staff recommends the Asphalt Mines Substation Addition project in Uvalde County as an addendum to the FY 2018 capital plan. This project will meet legal requirements in the Public Utility Regulatory Act and PUC rules. These rules require transmission utilities to provide transmission service to wholesale market participants, including distribution service providers. This requirement includes constructing new facilities and modifying existing ones.

LCRA TSC was notified in September 2017 that American Electric Power's Asphalt Mines Substation was severely damaged by fire in June 2017. All AEP equipment except the power transformer and one bus was damaged or destroyed. This new substation will replace the damaged Asphalt Mines Substation at a new location 0.2 of a mile west of the existing substation site on LCRA TSC's Odlaw-to-Uvalde 138-kilovolt transmission line. LCRA TSC's portion of this project includes acquiring land rights for the LCRA TSC-owned facilities, constructing the high-voltage side of the substation and cutting into the existing LCRA TSC transmission line. AEP's project scope includes the construction of the load serving transformation and distribution facilities.

The required project completion date is March 2019. These funds will be used for project management, engineering, materials, construction and necessary land rights. LCRA TSC representatives will perform environmental and cultural due diligence

studies and address all identified concerns. A Certificate of Convenience and Necessity is not required for this project.

Project Recap

Total Project Estimated Cost: \$2,416,000

Previous Project Lifetime Budget: \$ 0

Lifetime Budget Approval Sought: \$2,416,000

Fiscal Year Budget Impact:

FY 2018 \$ 168,000

FY 2019 \$2,248,000

Total: \$2,416,000

Project Direction

Project Manager: Roussos Avgoustakis

Project Sponsor: Kristian M. Koellner, P.E.

Project Number: 1018944

Presenter(s)

Mike Shuba

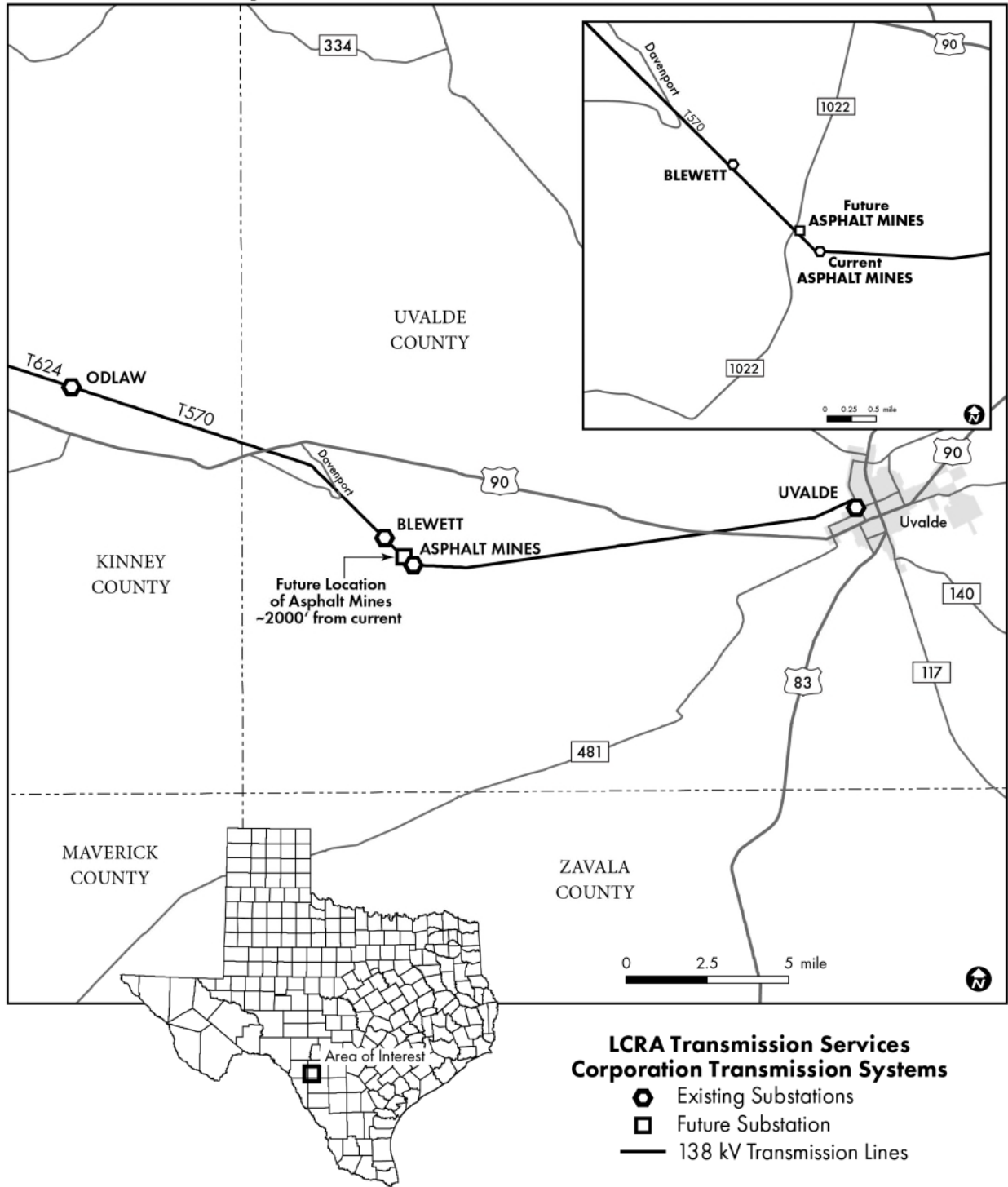
Vice President and Chief Operating Officer

Exhibit(s)

A – Location Map – Asphalt Mines Substation Addition

EXHIBIT A

Asphalt Mines Substation Addition



FOR ACTION

2. Acquisition of Interests in Real Property – Use of Eminent Domain in Guadalupe County

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 properties described in Exhibit 1 to the resolution for the acquisition of new easements on the Zorn-to-Marion 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 Zorn-to-Marion Transmission Line Addition project.

Summary

LCRA TSC proposes to acquire easements in Guadalupe County for the Zorn-to-Marion Transmission Line Addition project. Paul Hornsby and Company has provided a market study analysis in determining just compensation to landowners for initial offers. Paul Hornsby and Company will perform independent appraisals for final offers as required.

Staff has made initial offers to acquire the necessary interests in real property voluntarily from the landowners listed on Exhibit C, as required by Sec. 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 in the event agreement cannot be reached with the landowners.

Staff has provided to the Board, under separate cover, a description of the specific property to be acquired and will attach it to the resolution.

LCRA TSC representatives will perform environmental and cultural due diligence studies and address all identified concerns. 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 Brown
Director, Real Estate Services

Exhibit(s)

- A – Vicinity Map
- B – Site Maps
- C – Landowner List
- D – Resolution

EXHIBIT A

Acquisition of Interests in Real Property Use of Eminent Domain in Guadalupe County

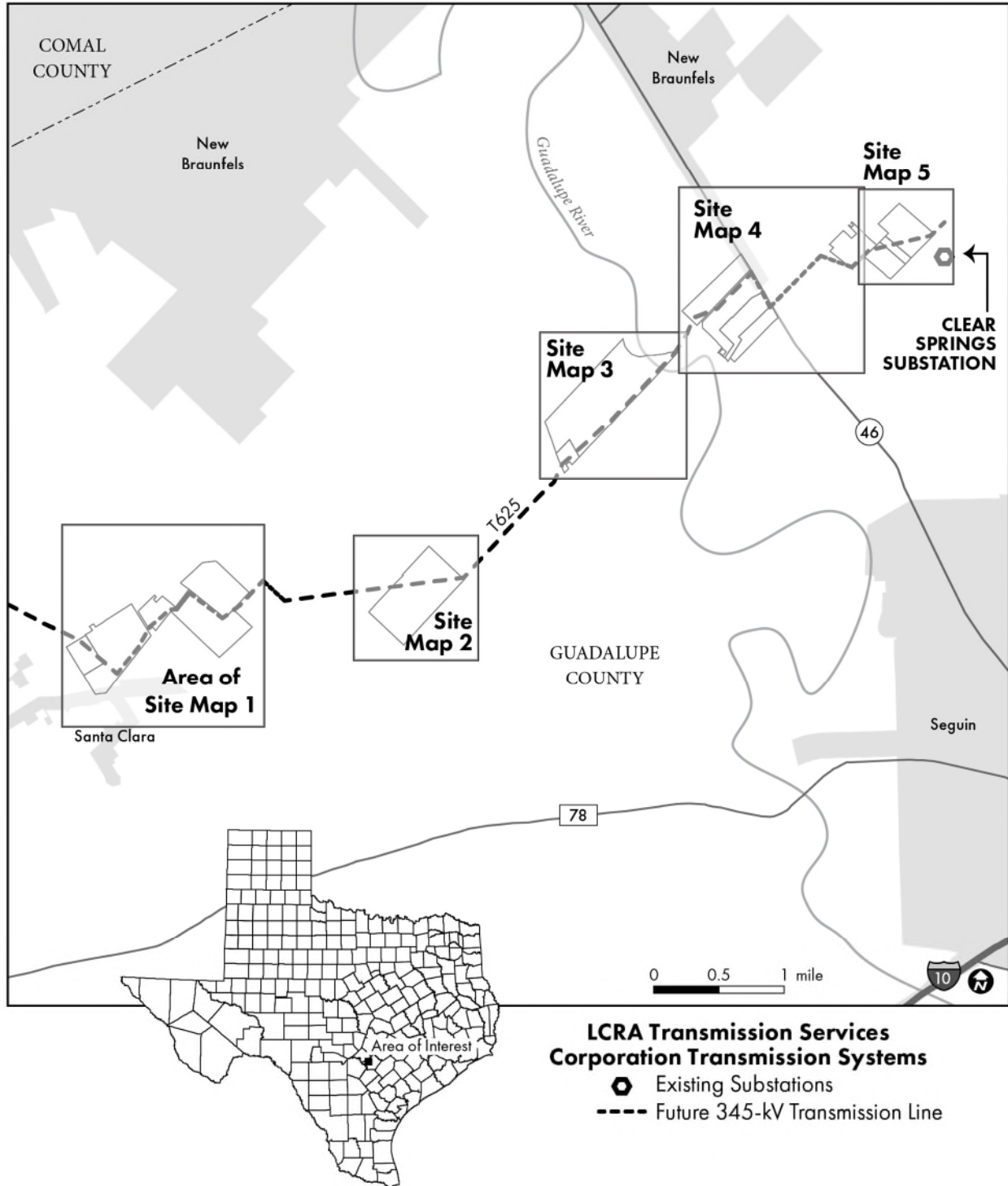
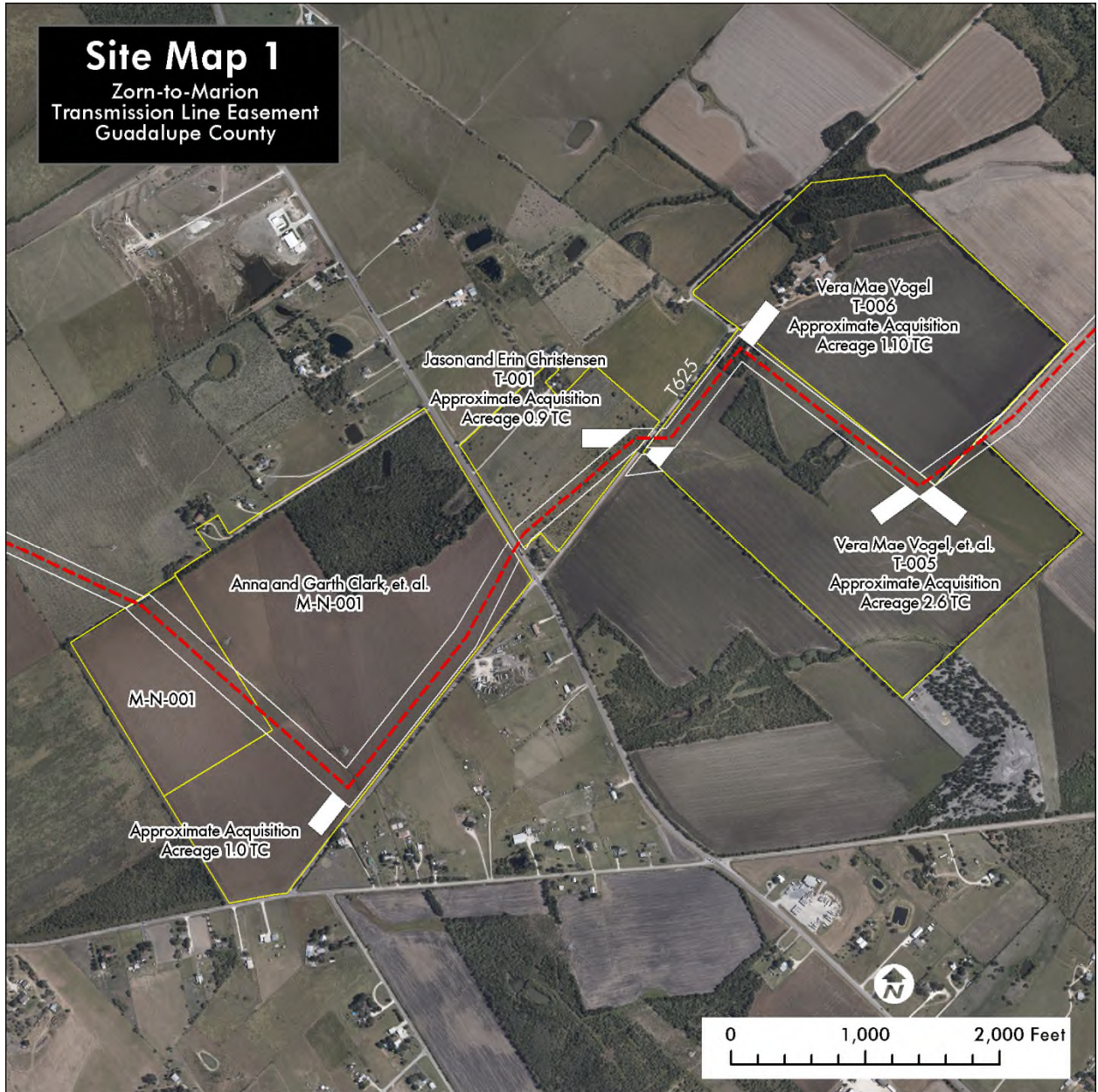


EXHIBIT B
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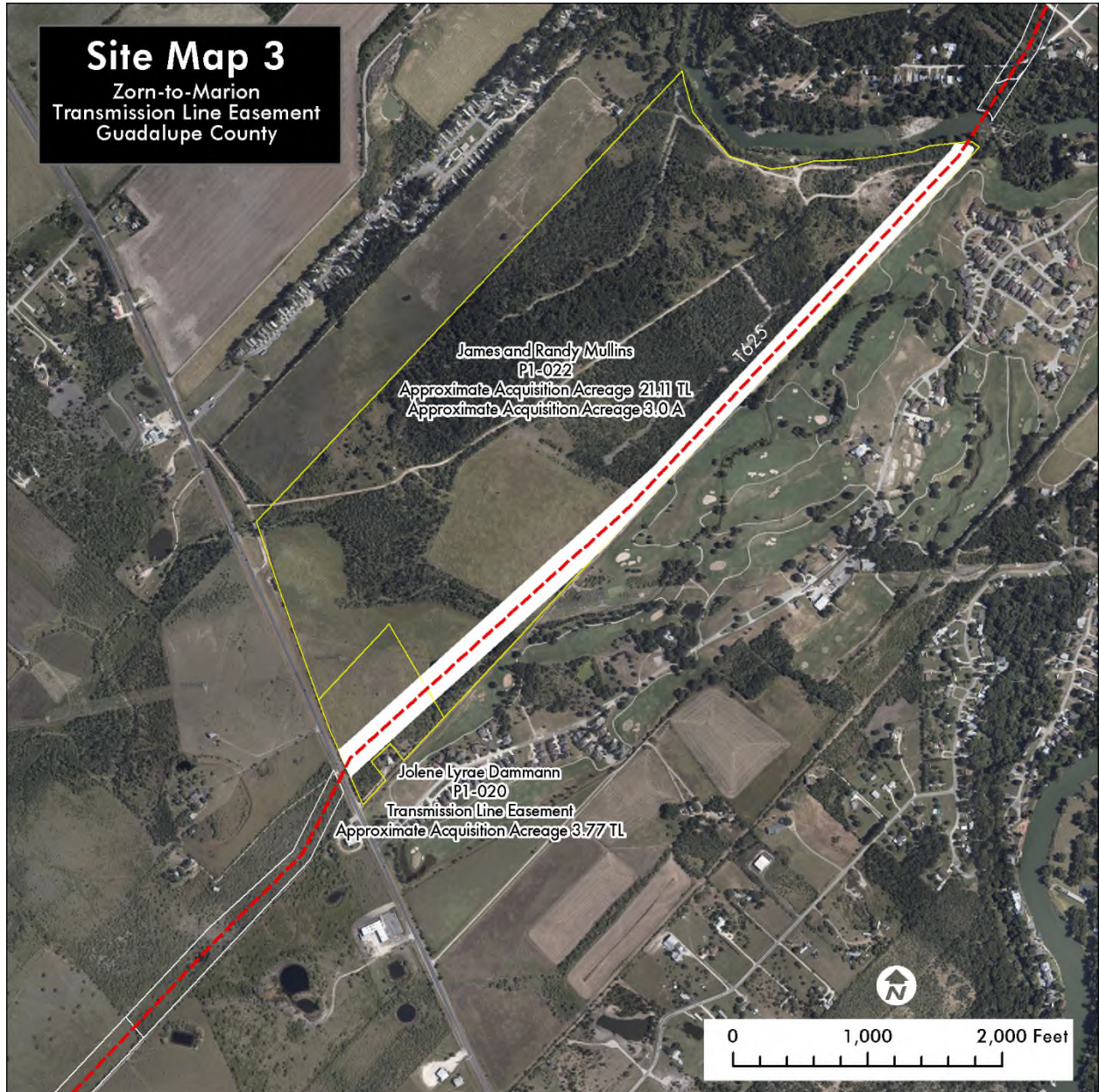




EXHIBIT B
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EXHIBIT C

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| | Parcel ID | Landowners | Approximate Parent Tract Acreage | Land Rights | Approximate Acquisition Acreage | County | Approximate Value |
|----|------------------|-----------------------------|---|--------------------|--|---------------|--------------------------|
| 1 | M-N-001 | Clark, Anna Garth Et als | 147.10 ac. | Easement | 1.0 ac. TC | Guadalupe | \$3,268 |
| 2 | T-001 | Christensen, Jason and Erin | 26.77 ac. | Easement | 0.9 ac. TC | Guadalupe | \$2,587 |
| 3 | T-005 | Vogel, Vera Mae Et al | 91.70 ac. | Easement | 2.6 ac. TC | Guadalupe | \$3,900 |
| 4 | T-006 | Vogel, Vera Mae | 73.64 ac. | Easement | 1.1 ac. TC | Guadalupe | \$3,162 |
| 5 | Y-001 | Wunderlich, Warren R. | 162.31 ac. | Easement | 0.9 ac. TC | Guadalupe | \$2,588 |
| 6 | P1-020 | Dammann, Jolene Lyrae | 14.05 ac. | Easement | 3.77 ac. TL | Guadalupe | \$67,275 |
| 7 | P1-022 | Mullins, James and Randy | 234.15 ac. | Easement | 21.11 ac. TL 3.0 ac. A | Guadalupe | \$285,660 |
| 8 | P1-061 | Koehler, Lucille H. | 57.71 ac. | Easement | 1.4 ac. TC | Guadalupe | \$2,625 |
| 9 | T1-001 | Wilkerson, Donald | 64.05 ac. | Easement | 9.76 ac. TL | Guadalupe | \$366,435 |
| 10 | T1-003 | Leverage Entrepreneurs LLC | 43.76 ac. | Easement | 2.02 ac. TL | Guadalupe | \$82,620 |
| 11 | X1-001 | Phillips, David and Shelly | 28.99 ac. | Easement | 0.44 ac. TL 2.0 ac. TC | Guadalupe | \$25,500 |
| 12 | W1-006 | Ewald, Darryn | 40.82 ac. | Easement | 5.0 ac. TL | Guadalupe | \$66,300 |
| 13 | W1-008 | Walker, Kay L. | 27.41 ac. | Easement | 1.4 ac. TL | Guadalupe | \$32,700 |
| 14 | W1-009 | Lehmann, Patricia L. | 10.49 ac. | Easement | 1.28 ac. TL | Guadalupe | \$30,015 |

EXHIBIT C

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| | | | | | | | |
|----|---------|-------------------|----------------|----------|------------|-----------|----------|
| 15 | W1-011 | Groth, Janet Link | 57.60 ac. | Easement | 5.4 ac. TL | Guadalupe | \$64,400 |
| 16 | W1-011A | Link, Steven | 15' wide strip | Easement | 0.1 ac. TL | Guadalupe | \$2,500 |

Total: \$1,041,535

TL = Transmission line easement

A = Permanent access easement

TC = Temporary construction easement

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 ZORN-TO-MARION 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 GUADALUPE COUNTY, 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 Guadalupe County; and

WHEREAS, an independent, professional appraisal of the subject property will be 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 landowners listed in the attached exhibits B and C for the construction of the Zorn-to-Marion Transmission Line Addition project, with the description of the location of and interests 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 for 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 owner of the property, and against all other owners, lien holders, and other holders of an interest in the property, in

EXHIBIT D

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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 and substation.