

LCRA Transmission Services Corporation

Board Agenda

Wednesday, Jan. 23, 2019
LCRA Board Room
Austin

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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: <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.

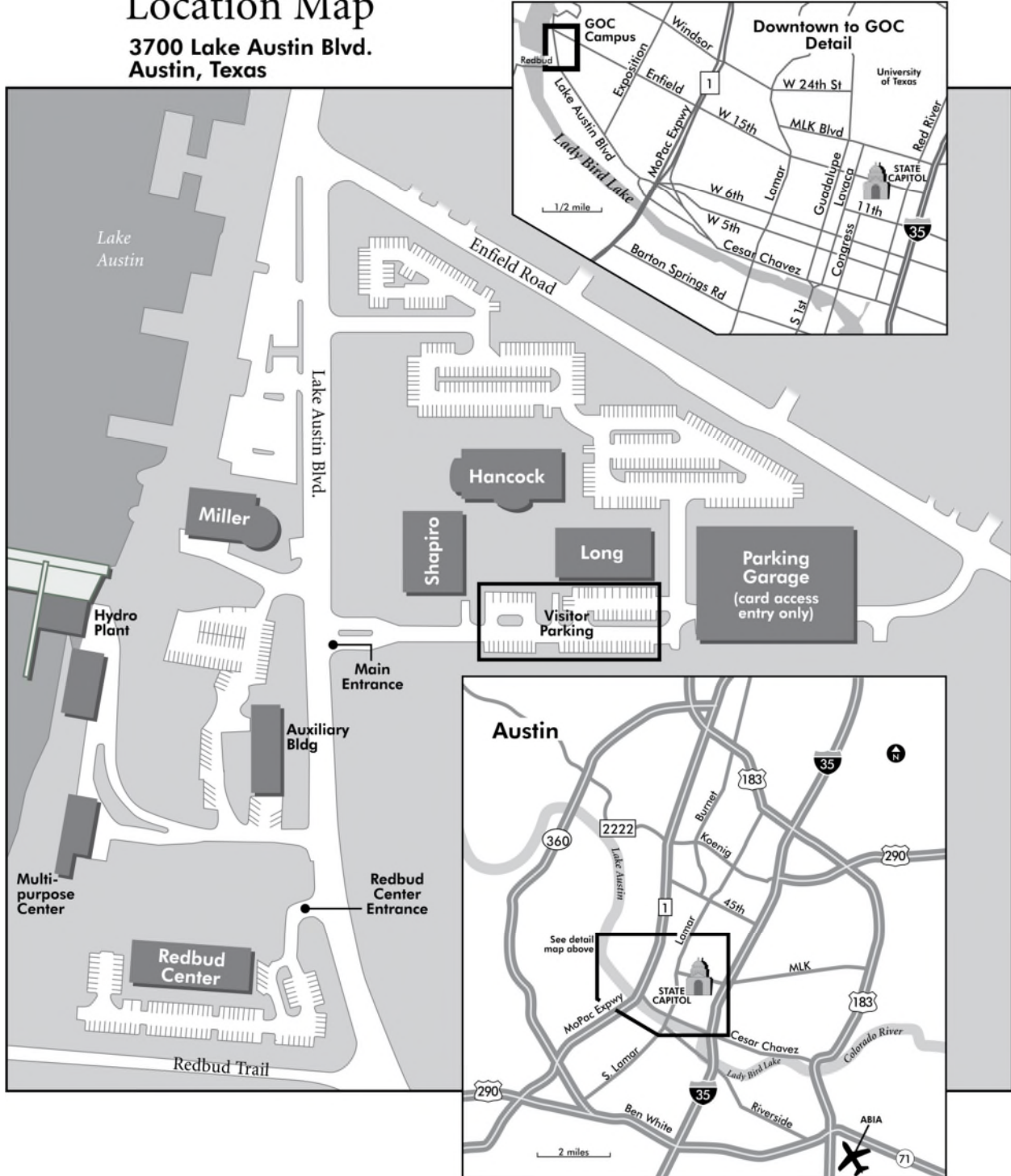
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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 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 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 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. No responses or action may be taken by the Board 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 wishing to comment on an item listed on this agenda will be called to make comments at the appropriate time.

FOR DISCUSSION

2. Financial Report

Board Consideration

This report is presented monthly to the Board of Directors for discussion.

Summary

The financial report for LCRA Transmission Services Corporation covers the month and fiscal year to date.

Presenter(s)

Julie Rogers
Controller

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LCRA Transmission Services Corporation
Financial Highlights
December 2018

LCRA Transmission Services Corporation

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Key terms:

4CP – Four-month coincident peak is the average of the peak Electric Reliability Council of Texas electrical demands (measured in kilowatts) during the months of June, July, August and September of the previous calendar year.

ELOPPP – Extraordinary LCRA Optional Purchase Price Payment.

FYE – Fiscal year-end.

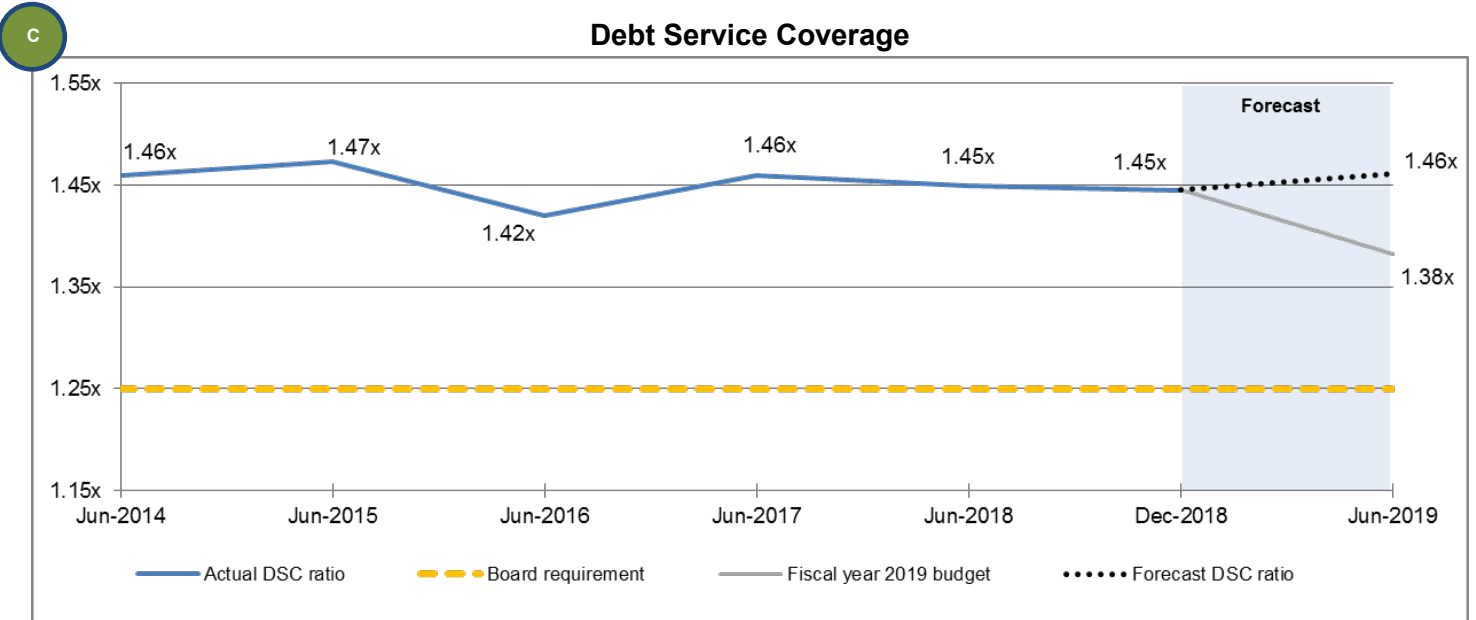
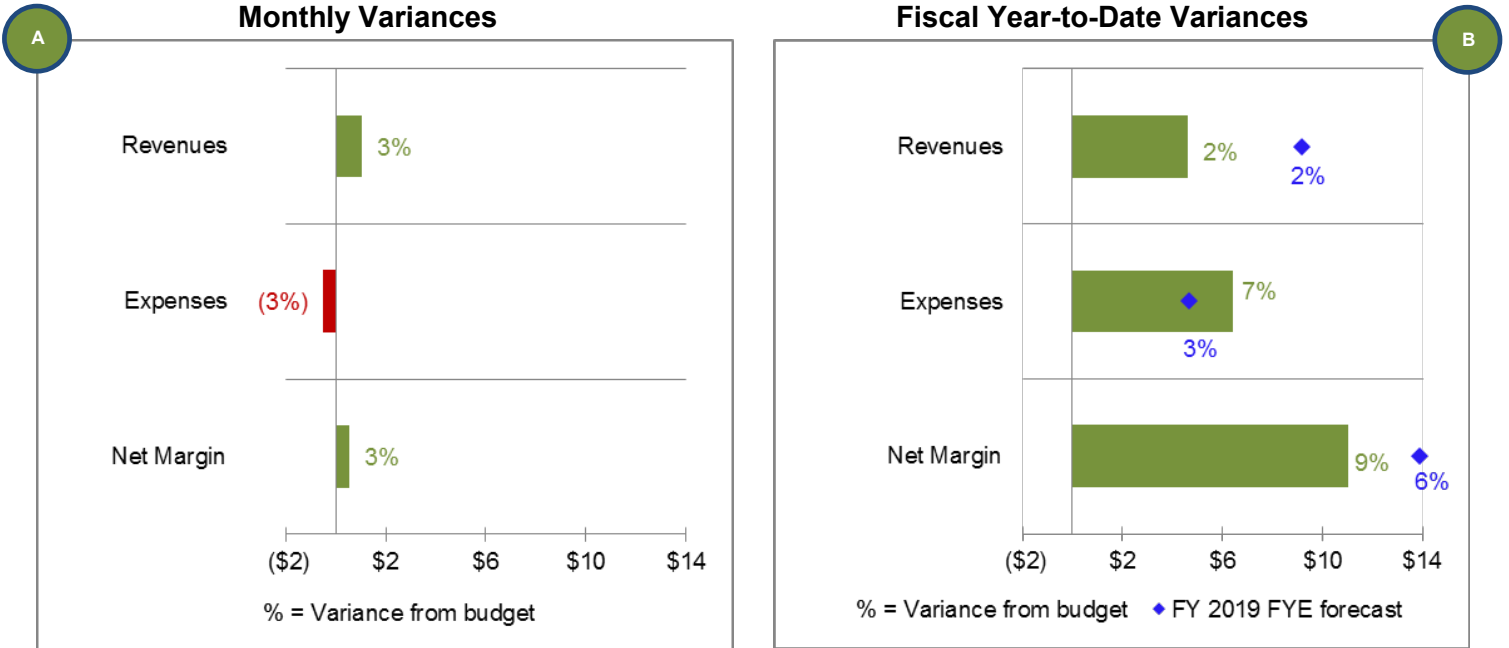
Net margin – Total operating revenues, including interest income, less direct and assigned expenses.

LCRA Transmission Services Corporation

Dec. 31, 2018

(Dollars in Millions)

Budget-to-Actual Highlights



Key takeaways:

- Higher interest income, cost-of-service and miscellaneous revenues offset by the timing of expenses drove the monthly performance.
- Lower expenses as well as higher interest income, cost-of-service and miscellaneous revenues drove the year-to-date performance and year-end forecast.
- Higher-than-budgeted Transmission revenues due to a higher-than-planned interim capital addition rate filing and an increased 4CP, as well as lower-than-budgeted expenses, are driving the higher-than-budgeted debt service coverage projection.

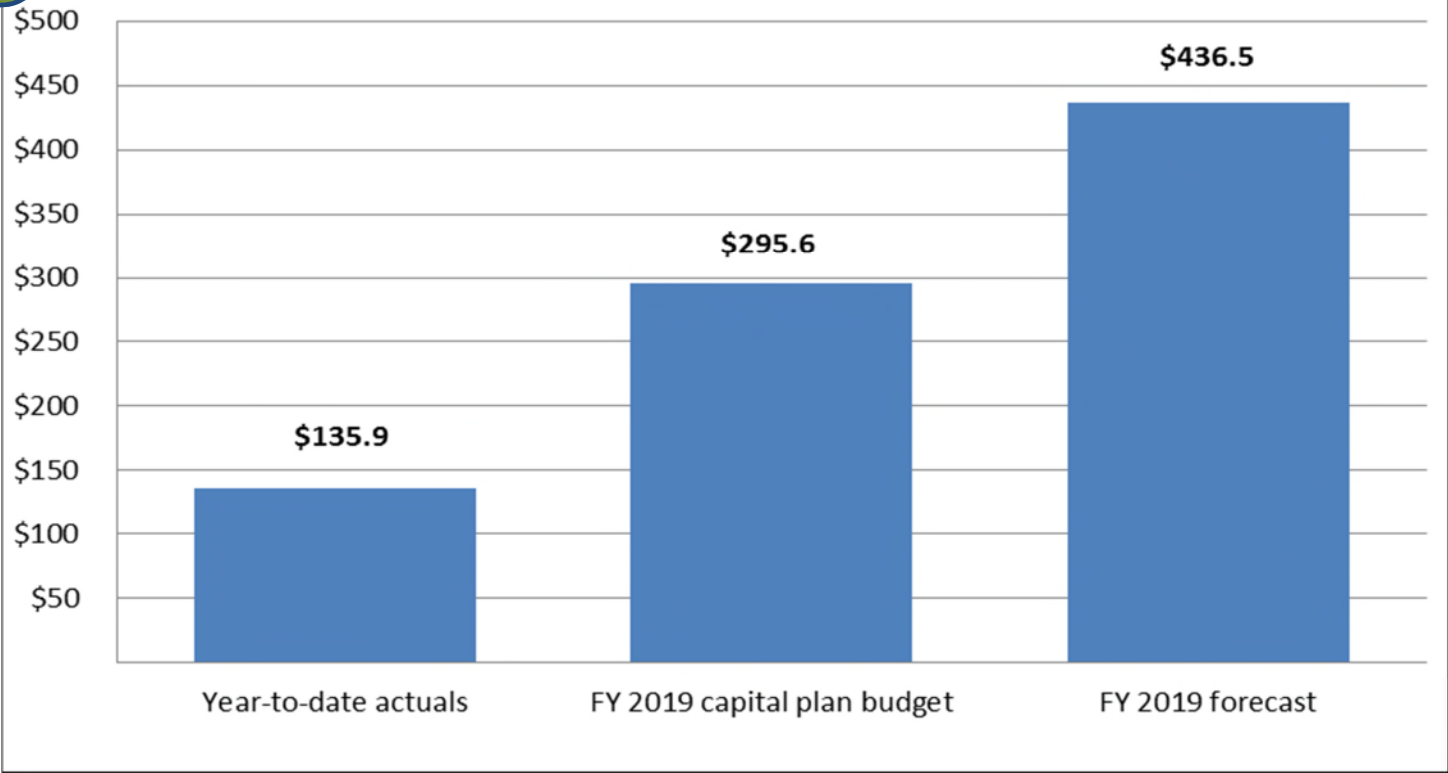
LCRA Transmission Services Corporation

Dec. 31, 2018

(Dollars in Millions)

Capital Forecast

A



| Business area | Year-to-date actuals | Percentage of budget spent | FY 2019 capital plan budget | FY 2019 capital forecast | Variance to forecast |
|---------------|----------------------|----------------------------|-----------------------------|--------------------------|----------------------|
| Transmission | \$ 135.9 | 46% | \$ 295.6 | \$ 436.5 | \$ (140.9) |

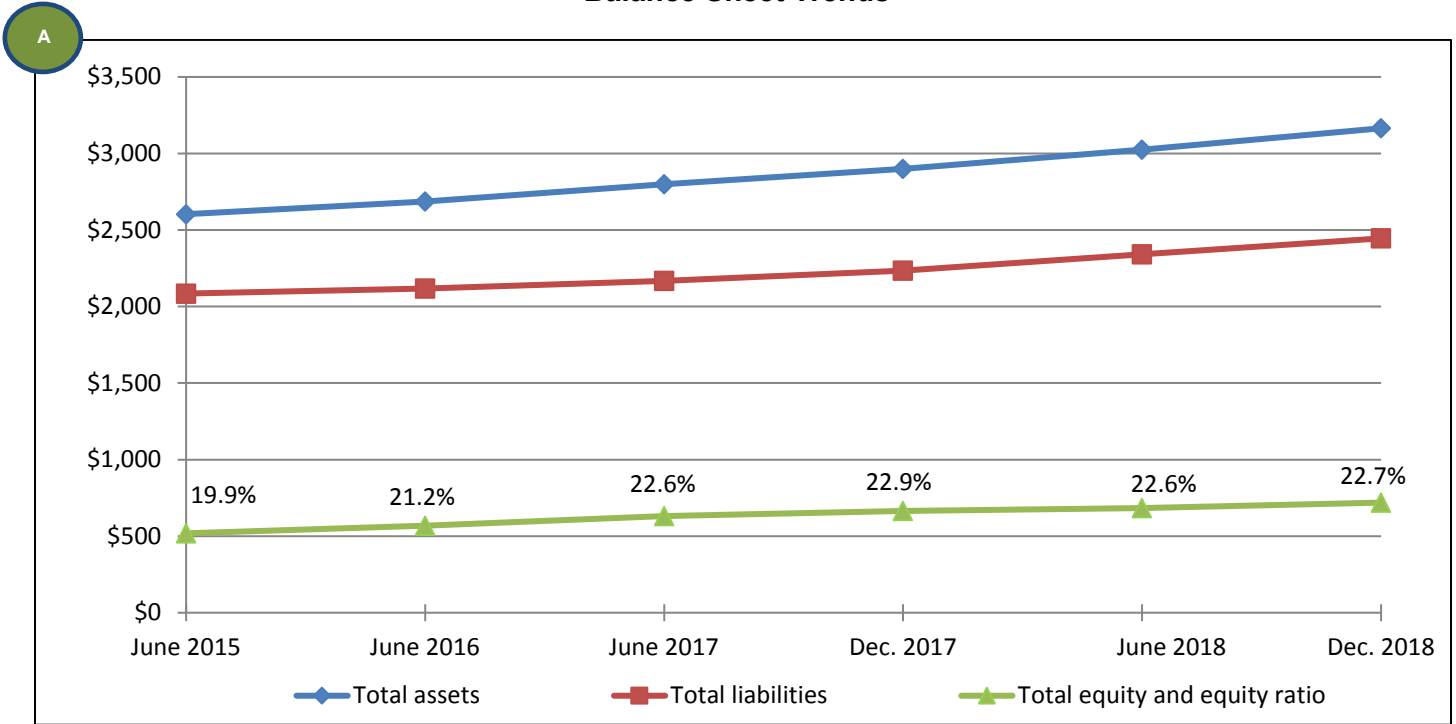
Key takeaways:

- LCRA Transmission currently is projecting capital spending for FY 2019 will be \$140.9 million over the capital plan budget of \$295.6 million. Staff is requesting Board of Directors approval of a budget reset at the January 2019 Board meeting. The primary drivers for the current FY 2019 forecast variance are: real estate costs and customer-initiated changes for the Leander to Round Rock Transmission Line Addition project; spending originally planned to occur in FY 2018 that now is occurring in FY 2019; additional changes in project scope; customer-initiated changes and Electric Reliability Council of Texas outage constraints; new approved projects, including unbudgeted requests for interconnections; estimated prespending in FY 2019 on projects budgeted begin in FY 2020; system acquisitions; and estimated impacts of severe weather.
- In February 2018 (and revised in December 2018), the LCRA TSC Board approved resolutions delegating authority to the president and chief executive officer on a short-term basis to approve new generation interconnection projects, new projects under \$1.5 million, and additional funding for capital projects expected to exceed a lifetime budget by 10 percent and \$300,000. The president and CEO approved the following new projects budget resets this quarter:
 - New project: Gustav Substation Addition for \$8.775 million.
 - New project: Summit T161 Transmission Line Relocation for \$881,000.
 - New project: Tippet Substation Upgrade for \$506,000.
 - New project: Twin Buttes Circuit Breaker Addition for \$3.564 million.
 - Budget reset: Apparatus Connector Substation Upgrade from \$637,000 to \$1,095,000.
 - Budget reset: Fayetteville-Salem Transmission Line Storm Hardening from \$912,000 to \$3,640,000.
 - Budget reset: Fort Mason Substation Upgrade from \$5,575,000 to \$6,236,000.
 - Budget reset: Round Rock Transmission Line Relocation from \$446,000 to \$994,000.
 - Budget reset: Shiner Circuit Breaker Addition from \$2,632,000 to \$3,952,000.
 - Budget reset: Warda Circuit Breaker Addition from \$3,776,000 to \$4,553,000.

LCRA Transmission Services Corporation Financial Statement Trends

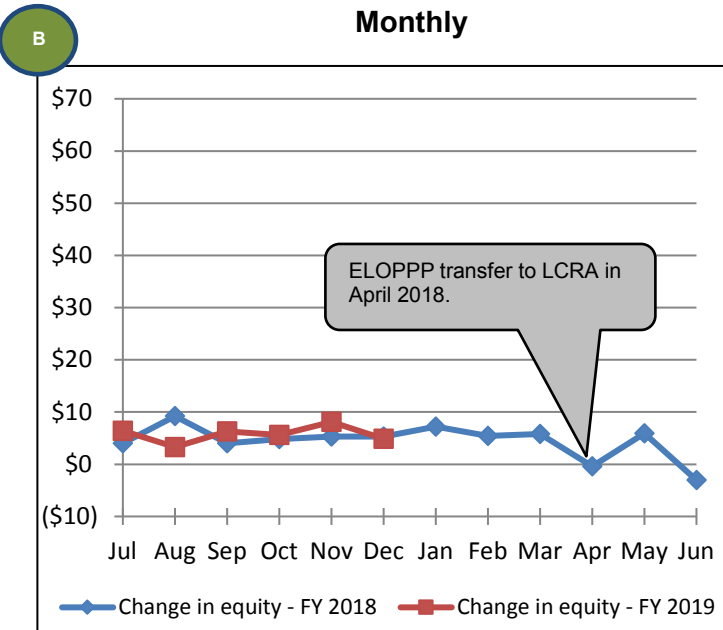
Dec. 31, 2018
(Dollars in Millions)

Balance Sheet Trends

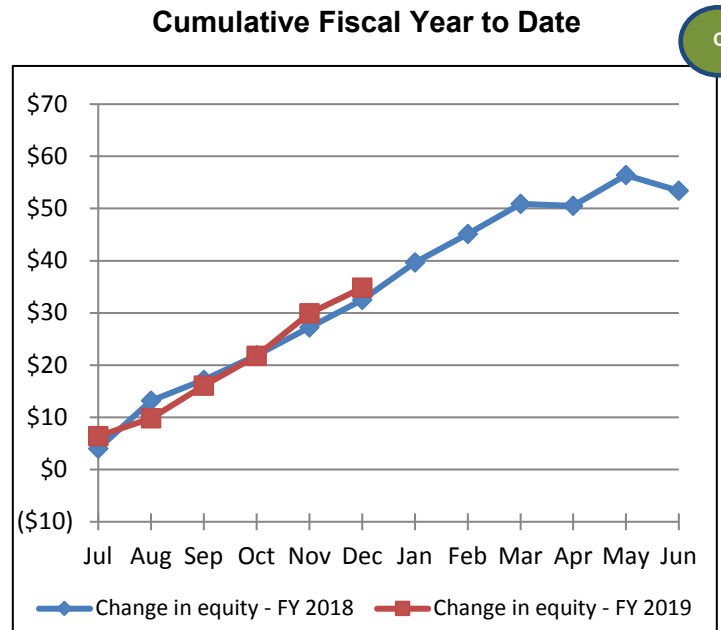


Income Statement Trends

Monthly



Cumulative Fiscal Year to Date



Key takeaways:

- Assets increased due to a \$242.6 million increase in property, plant and equipment and construction work in progress compared with December 2017. Liabilities increased by \$202.5 million primarily due to a \$186 million increase in debt related to the capital asset increase.
- Year-to-date net income through December 2018 is trending in line with the prior year.

LCRA Transmission Services Corporation

Dec. 31, 2018

(Dollars in Millions)

Condensed Balance Sheets

| | Dec. 31, 2018 | Dec. 31, 2017 |
|-------------------------------------|----------------------|----------------------|
| <i>Assets</i> | | |
| Total current assets | \$ 298.8 | \$ 214.3 |
| Total long-term assets | 2,865.9 | 2,685.1 |
| Total Assets | \$ 3,164.7 | \$ 2,899.4 |
| <i>Liabilities</i> | | |
| Total current liabilities | \$ 413.4 | \$ 337.6 |
| Total long-term liabilities | 2,032.0 | 1,897.4 |
| Total liabilities | 2,445.4 | 2,235.0 |
| <i>Equity</i> | | |
| Total equity | 719.3 | 664.4 |
| Total Liabilities and Equity | \$ 3,164.7 | \$ 2,899.4 |

Condensed Statements of Revenues, Expenses and Changes in Equity

| | Fiscal Year to Date | |
|-------------------------------------|----------------------------|-----------------|
| | 2019 | 2018 |
| Operating Revenues | | |
| Transmission | \$ 203.1 | \$ 199.1 |
| Transformation | 7.4 | 7.0 |
| Other | 0.7 | 0.2 |
| Total Operating Revenues | 211.2 | 206.3 |
| Operating Expenses | | |
| Operations | 68.6 | 66.5 |
| Maintenance | 4.1 | 4.6 |
| Depreciation and amortization | 35.6 | 34.3 |
| Total Operating Expenses | 108.3 | 105.4 |
| Operating Income | 102.9 | 100.9 |
| Nonoperating Expenses | | |
| Interest on debt | (45.5) | (44.0) |
| Other expenses | (22.6) | (24.4) |
| Total Nonoperating Expenses | (68.1) | (68.4) |
| Change in Equity | 34.8 | 32.5 |
| Equity - Beginning of Period | 684.5 | 631.9 |
| Equity - End of Period | \$ 719.3 | \$ 664.4 |

LCRA Transmission Services Corporation

Dec. 31, 2018

(Dollars in Millions)

Condensed Statements of Cash Flows

| | Fiscal Year to Date | |
|--|---------------------|----------------|
| | 2019 | 2018 |
| Net cash provided by operating activities | \$ 114.6 | \$ 145.6 |
| Net cash used in noncapital financing activities | (9.9) | (9.6) |
| Net cash used in capital and financing activities | (72.0) | (77.8) |
| Net cash provided by (used in) investing activities | 8.9 | (53.4) |
| Net Increase in Cash and Cash Equivalents | 41.6 | 4.8 |
| Cash and Cash Equivalents - Beginning of Period | 60.7 | 45.7 |
| Cash and Cash Equivalents - End of Period | <u>\$ 102.3</u> | <u>\$ 50.5</u> |

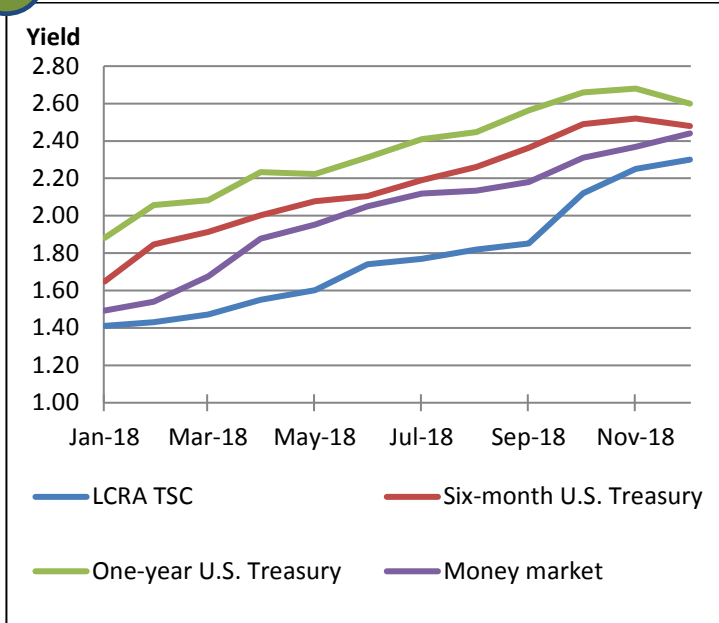
LCRA Transmission Services Corporation

Dec. 31, 2018

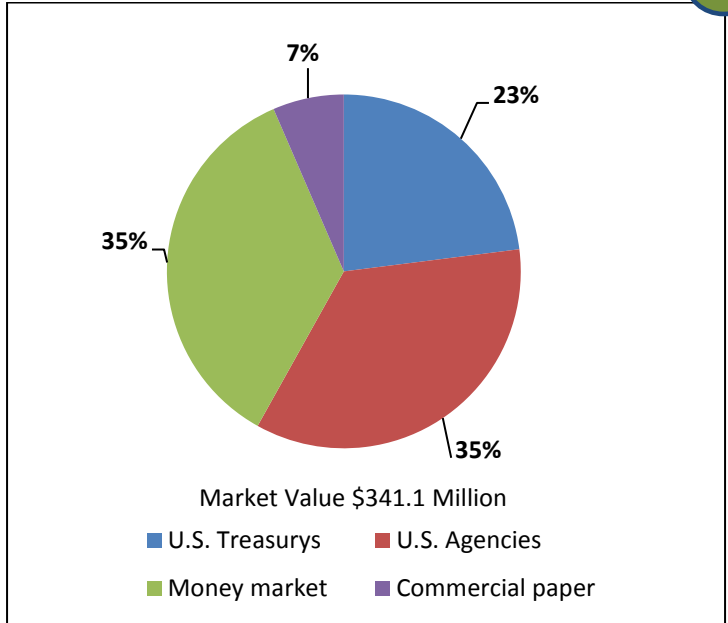
(Dollars in Millions)

Investments and Debt

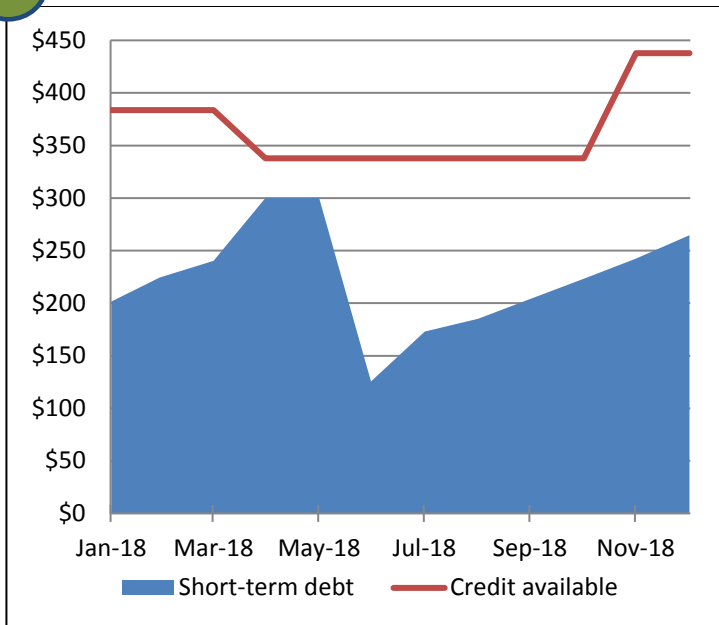
Investment Portfolio Yield



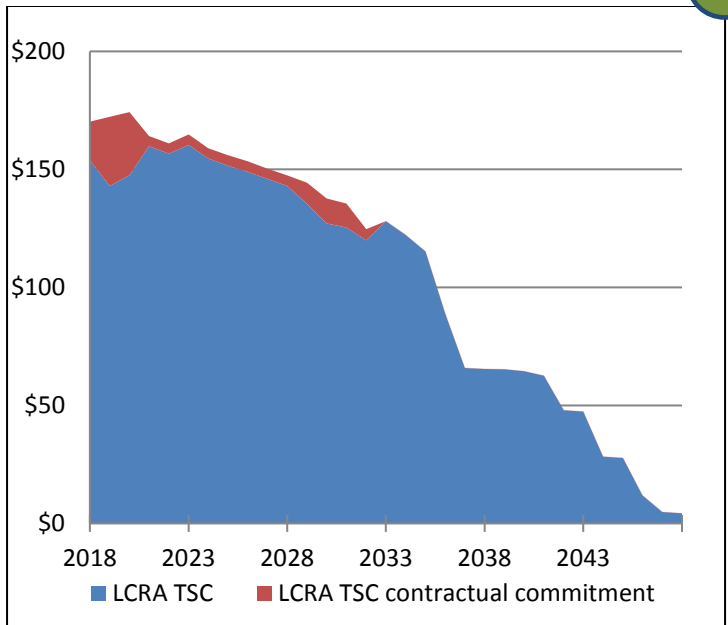
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

- As expected, the Federal Open Market Committee raised the federal funds target rate by 25 basis points at its Dec.19 meeting, representing the fourth such increase in 2018. The market is anticipating a 23 percent chance of one rate increase of 25 basis points at the June 2019 meeting.

FOR ACTION (CONSENT)

3. Conveyance of Land in Kerr County

Proposed Motion

Declare two tracts of land totaling 0.37 of an acre in Kerr County nonessential and authorize the president and chief executive officer or his designee to convey the property to the Kerrville Public Utility Board.

Board Consideration

LCRA Transmission Services Corporation Board Policy T401 – Land Resources requires at least 12 members of the LCRA TSC Board to declare the land no longer necessary or beneficial to the business of LCRA TSC before conveyance. Additionally, LCRA TSC Board Policy T401 requires LCRA TSC Board approval of the terms of all land sales before conveyance.

Budget Status and Fiscal Impact

The administrative costs associated with the sale of this land are contained in the fiscal year 2019 business plan. The two tracts will be conveyed to KPUB.

Summary

In 1939, LCRA acquired a 0.23-acre tract of land in Kerr County for a switchyard station. LCRA transferred the Kerrville distribution system to the City of Kerrville in the late 1980's, but inadvertently did not transfer the 0.23 acre tract at that time. KPUB uses the property to serve the Kerrville Veterans Affairs Hospital. LCRA TSC does not use the property.

In 1965, LCRA acquired a 0.14-acre tract in Kerr County to access an LCRA-owned 0.66-acre service facility. In 1996, LCRA sold the 0.66-acre service facility tract to KPUB but inadvertently did not include the 0.14-acre access tract. KPUB uses this tract to access its property.

In 2002, LCRA conveyed the 0.23-acre tract to LCRA TSC as a part of the asset transfer that created LCRA TSC. The 0.14-acre tract will be transferred from LCRA to LCRA TSC by a correction deed prior to the conveyance to KPUB.

KPUB representatives approached LCRA TSC about conveying both tracts to KPUB, and LCRA TSC agreed to do so at no cost. LCRA TSC will reserve all presently held oil, gas, and other mineral rights of every kind or character in, on, and under the property, provided that LCRA TSC shall not be permitted to drill or excavate for minerals on the surface of the properties.

LCRA TSC representatives will complete environmental and cultural resource due-diligence assessments in accordance with LCRA TSC Board Policy T401.403 before the conveyance of the property.

Exhibit(s)

- A – Vicinity Map
- B – Site Maps

EXHIBIT A

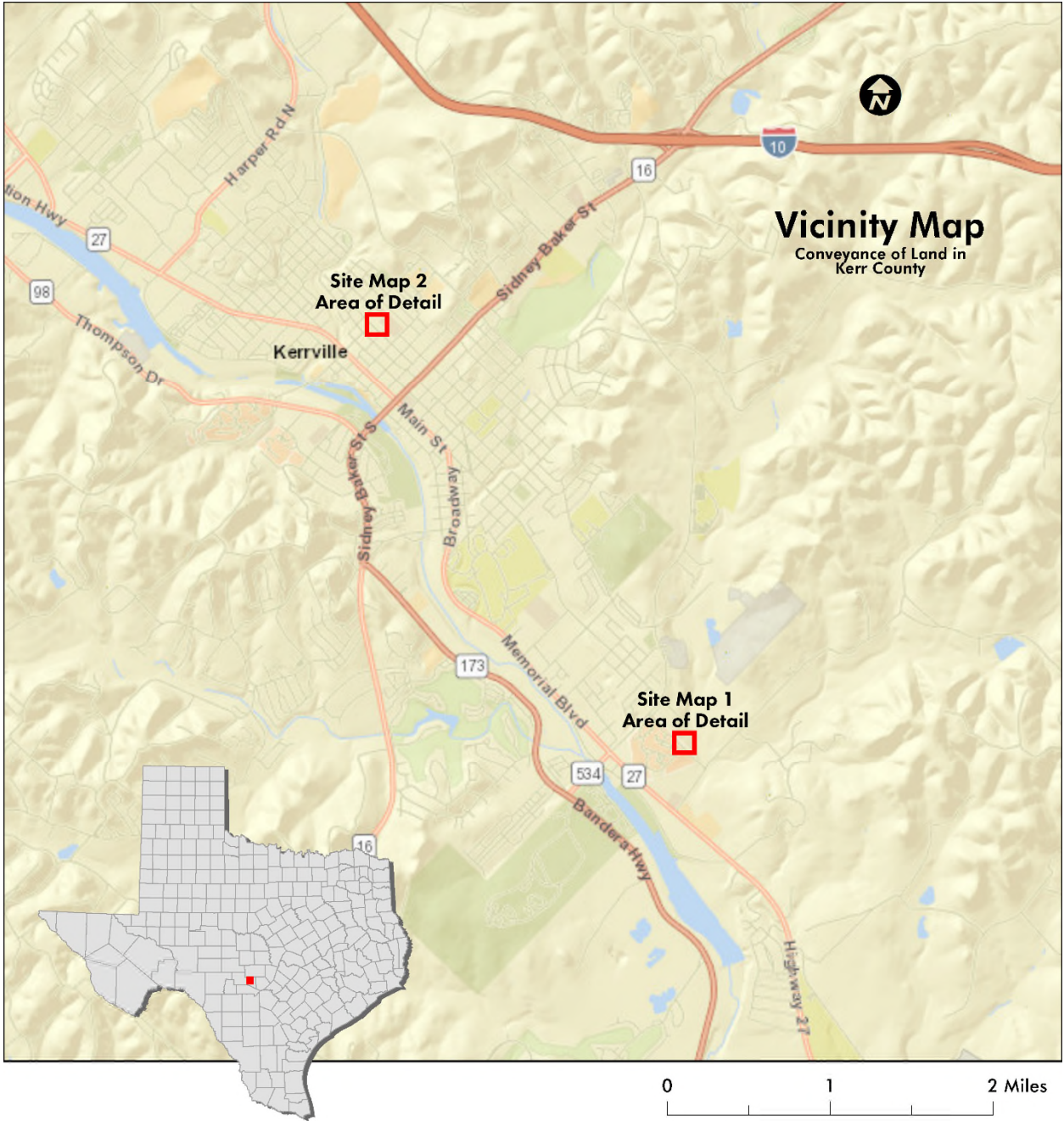


EXHIBIT B
Page 1 of 2





FOR ACTION (CONSENT)

4. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Dec. 11, 2018, meeting.

Board Consideration

Section 4.06 of the LCRA Transmission Services Corporation bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

Budget Status and Fiscal Impact

Approval of this item will have no budgetary or fiscal impact.

Summary

Staff presents the minutes of each meeting to the Board for approval.

Exhibit(s)

A – Minutes of Dec. 11, 2018, meeting

EXHIBIT A

Minutes Digest
Dec. 11, 2018

- 18-54 Authorization for the chief executive officer or his designee to convey to the City of Seguin a sanitary sewer line easement containing 0.053 of an acre across the LCRA Transmission Services Corporation Jim Briley Substation property in Guadalupe County.
- 18-55 Approval of the minutes of the Oct. 17, 2018, meeting.
- 18-56 Approval of the resolution delegating authority to the president and chief executive officer on a short-term basis to approve additional funding for capital projects expected to exceed a lifetime budget by 10 percent and \$300,000.
- 18-57 Approval of the resolution delegating authority to the president and chief executive officer on a short-term basis to approve capital projects associated with generation interconnection projects not included in the approved capital plan, in each case only after the generator has provided appropriate financial security to LCRA Transmission Services Corporation for its expenses.
- 18-58 Approval of the Capital Improvement Project Authorization Request for the Marble Falls Double-Circuit Transmission Line Upgrade project.
- 18-59 Adoption of a resolution authorizing the use of the power of eminent domain in Williamson County 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.
- 18-60 Authorization for the president and chief executive officer or his designee to negotiate and acquire electric transmission line easements for the Leander to Round Rock Transmission Line Addition project in Williamson County; and further authorization for the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.
- 18-61 Declaration of three tracts of land totaling 33.89 acres in Williamson County nonessential, and authorization for the president and chief executive officer or his designee to sell the property using sealed bids, broker listings, and other public and private sale methods; and further authorization for the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
Dec. 11, 2018

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the LCRA Transmission Services Corporation (LCRA TSC) convened in a regular meeting at 1:11 p.m. Tuesday, Dec. 11, 2018, in the Board Room of the Hancock Building, at the principal office of the Lower Colorado River Authority, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Thomas Michael Martine, Vice Chair
Lori A. Berger
Stephen F. "Steve" Cooper
Joseph M. "Joe" Crane
Pamela Jo "PJ" Ellison
Laura D. Figueroa
Raymond A. "Ray" Gill Jr.
Charles B. "Bart" Johnson
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
George W. Russell
Franklin Scott Spears Jr.
Martha Leigh M. Whitten
Nancy Eckert Yeary

Chair Timmerman convened the meeting at 1:11 p.m. and led the Board in pledges of allegiance to the American and Texas flags. Director Spears provided an invocation.

President and Chief Executive Officer Phil Wilson gave the Board updates on LCRA TSC's capital plan spending and forecast, and how the transmission system fared during the historic flooding in October.

Vice President and Chief Operating Officer Kristen Senechal provided information regarding LCRA TSC's operational performance, including reliability metrics and congestion costs. She discussed LCRA TSC's storm-hardening plan and efforts to help reduce the risk of damage to substation and transmission facilities. Senechal concluded her update by recognizing the Maintenance team members for their exceptional work and dedication. She discussed the tremendous volume of work they perform and shared examples.

The Board next took action on the consent agenda. Upon motion by Director Berger, seconded by Director Spears, the Board unanimously approved consent items 1 and 2 included on the Dec. 11, 2018, consent agenda by a vote of 15 to 0 as follows:

18-54 Authorization for the chief executive officer or his designee to convey to the City of Seguin a sanitary sewer line easement containing 0.053 of an acre across the LCRA Transmission Services Corporation Jim Briley Substation property in Guadalupe County, as recommended by staff in Consent Item 1 [attached hereto as Exhibit A].

18-55 Approval of the minutes of the Oct. 17, 2018, meeting [Consent Item 2].

18-56 Treasurer and Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit B], that the Board approve the resolution delegating authority to the president and chief executive officer on a short-term basis to approve additional funding for capital projects expected to exceed a lifetime budget by 10 percent and \$300,000. Upon motion by Director Ellison, seconded by Director Whitten, the recommendation was unanimously approved by a vote of 15 to 0.

18-57 Treasurer and Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit C], that the Board approve the resolution delegating authority to the president and chief executive officer on a short-term basis to approve capital projects associated with generation interconnection projects not included in the approved capital plan, in each case only after the generator has provided appropriate financial security to LCRA Transmission Services Corporation for its expenses. Upon motion by Director Cooper, seconded by Director Spears, the recommendation was unanimously approved by a vote of 15 to 0.

18-58 Vice President of Transmission Planning Kristian Koellner presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit D], that the Board approve the Capital Improvement Project Authorization Request for the Marble Falls Double-Circuit Transmission Line Upgrade project. Upon motion by Director Russell, seconded by Director Gill, the recommendation was unanimously approved by a vote of 15 to 0.

18-59 Director of Real Estate Services Steven Brown presented for consideration a staff recommendation, described in Agenda Item 6 – Acquisition of Interests in Real Property – Use of Eminent Domain in Williamson County [attached hereto as Exhibit E]. Director Berger moved, seconded by Director Lewis, that the 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. The Board unanimously approved the motion by a record vote of 15 to 0.

Chair Timmerman declared the meeting to be in executive session at 1:31 p.m., pursuant to sections 551.071 and 551.072 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 1:48 p.m.

18-60 Director Ellison moved, seconded by Director Cooper, that the Board authorize the president and chief executive officer or his designee to negotiate and acquire electric transmission line easements for the Leander to Round Rock Transmission Line Addition project in Williamson County as discussed in executive session; and further authorize the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof. The Board unanimously approved the motion by a vote of 15 to 0.

18-61 Director Gill moved, seconded by Director Whitten, that the Board declare three tracts of land totaling 33.89 acres in Williamson County nonessential (no longer necessary, convenient or of beneficial use to the business of LCRA TSC), and authorize the president and chief executive officer or his designee to sell the property using sealed bids, broker listings, and other public and private sale methods as discussed in executive session; and further authorize the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof. The Board unanimously approved the motion by a vote of 15 to 0.

There being no further business to come before the Board, the meeting was adjourned at 1:49 p.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation

Approved: Jan. 23, 2019

FOR ACTION

5. FY 2019 LCRA Transmission Services Corporation Capital Plan Amendment

Proposed Motion

Approve an amendment to the Fiscal Year 2019 LCRA Transmission Services Corporation Capital Plan to increase authorization for capital spending in FY 2019 from \$295.6 million to \$436.5 million.

Board Consideration

LCRA Transmission Services Corporation Board Policy T301 – Finance requires annual approval of a capital plan by the LCRA TSC Board. The policy states that if annual expenditures for operations or capital are expected to exceed Board-authorized levels, additional approval from the Board will be required.

Budget Status and Fiscal Impact

The proposed amendment to increase LCRA TSC's capital budget authorization in FY 2019 will have no impact on LCRA TSC's rates for provision of regulated transmission services. All of these costs will be recoverable in either the FY 2019 or future interim capital addition or full rate case process.

Summary

Because LCRA TSC anticipates exceeding the capital spending budget, staff is seeking approval to increase the FY 2019 capital budget. The additional FY 2019 funding will cover costs for materials and construction to keep approved projects on schedule.

The LCRA TSC Board of Directors approved the FY 2019 LCRA TSC Capital Plan in May 2018 establishing a capital spending limit for FY 2019 of \$295.6 million. The current fiscal year-end forecast for capital spending is \$436.5 million. This is an increase of \$140.9 million or 47.7 percent.

The increase in FY 2019 capital spending is primarily the result of:

- A Board approved amendment, primarily driven by real estate costs and customer-initiated changes for the Leander-to-Round Rock Transmission Line Addition project (\$57.0 million).
- Spending originally planned to occur in FY 2018 (\$20.4 million).
- Additional changes in project scope, customer-initiated changes and ERCOT outage constraints (\$16.4 million).
- New approved projects including unbudgeted requests for interconnections, (\$15.5 million).
- Estimated pre-spending on future projects to begin in FY 2020 (\$10.8 million).
- System acquisitions (\$10.6 million).
- Estimated impact of severe weather (\$10.2 million)

The Public Utility Commission of Texas establishes LCRA TSC's rates for regulated transmission services based on the actual costs of capital projects. This amendment does not increase the lifetime budget for any individual capital project, but amends the spending limit established for FY 2019 to reflect changes to LCRA TSC's expectation of spending within the current fiscal year. The additional capital spending in FY 2019 will be recovered in future interim capital addition or full rate case filings.

Presenter(s)

Kristen Senechal
Vice President and Chief Operating Officer

FOR ACTION

6. New Capital Improvement Project Approval – Rio Grande Electric Cooperative Transmission Facilities Acquisition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Rio Grande Electric Cooperative Transmission Facilities Acquisition Project and authorize the president and chief executive officer, or his designee, to (i) negotiate and execute a purchase agreement to acquire RGEC's electric transmission facilities and related real property currently located in ERCOT and to acquire RGEC's electric transmission facilities and related real property currently located in WECC if and when they are integrated into ERCOT; and (ii) do all things reasonably necessary to accomplish the purposes hereof.

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 LCRA TSC's fiscal year 2019 capital plan.
- Staff seeks approval for a total lifetime budget of \$6,285,000, of which staff expects to spend \$265,000 this fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- The FY 2019 LCRA TSC Capital Plan Amendment agenda item includes the forecast increase for the current fiscal year spending anticipated on this project.
- 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 RGEC Transmission Facilities Acquisition project located in RGEC's Texas service territory as an addendum to the FY 2019 capital plan.

RGEC has transmission facilities in the Electric Reliability Council of Texas and the Western Electricity Coordinating Council. RGEC owns and maintains 143 miles of transmission lines, of which about 86 miles are located within ERCOT and about 57 miles are located in WECC.

LCRA TSC will purchase the ERCOT portion of RGEC's transmission facilities, including the associated real estate. LCRA TSC will pay RGEC the net book value of the transmission facilities as calculated at closing. The current net book value of the existing transmission facilities is estimated to be approximately \$6 million.

If and when RGEC's WECC load and transmission facilities are integrated into ERCOT, LCRA TSC will acquire those assets and pay RGEC their then-current net book value, which today totals approximately \$1.6 million. This Board item does not include the amount of this future payment in the lifetime budget.

The planned project completion date is December 2019. The project funds will pay for the purchase of the RGEC assets at net book value and LCRA project management, engineering, real estate activities and necessary land rights. The project will require the filing of a Certificate of Convenience and Necessity transfer application.

Project Recap

| | | |
|---|--------------|--------------------|
| Total Project Estimated Cost | | <u>\$6,285,000</u> |
| Previous Project Lifetime Budget: | | \$ 0 |
| Additional Lifetime Budget Approval Sought: | | <u>\$6,285,000</u> |
| FY 2019 | \$ 265,000 | |
| FY 2020 | \$ 6,020,000 | |
| Total: | | <u>\$6,285,000</u> |

Project Direction

Project Manager: Kim Gifford
Project Sponsor: Kristian M. Koellner, P.E.
Project Number: 1020220

Presenter(s)

Clint Harp
Vice President, Transmission Strategic Services

Exhibit(s)

A – Vicinity Maps – RGEC Transmission Facilities Acquisition

EXHIBIT A
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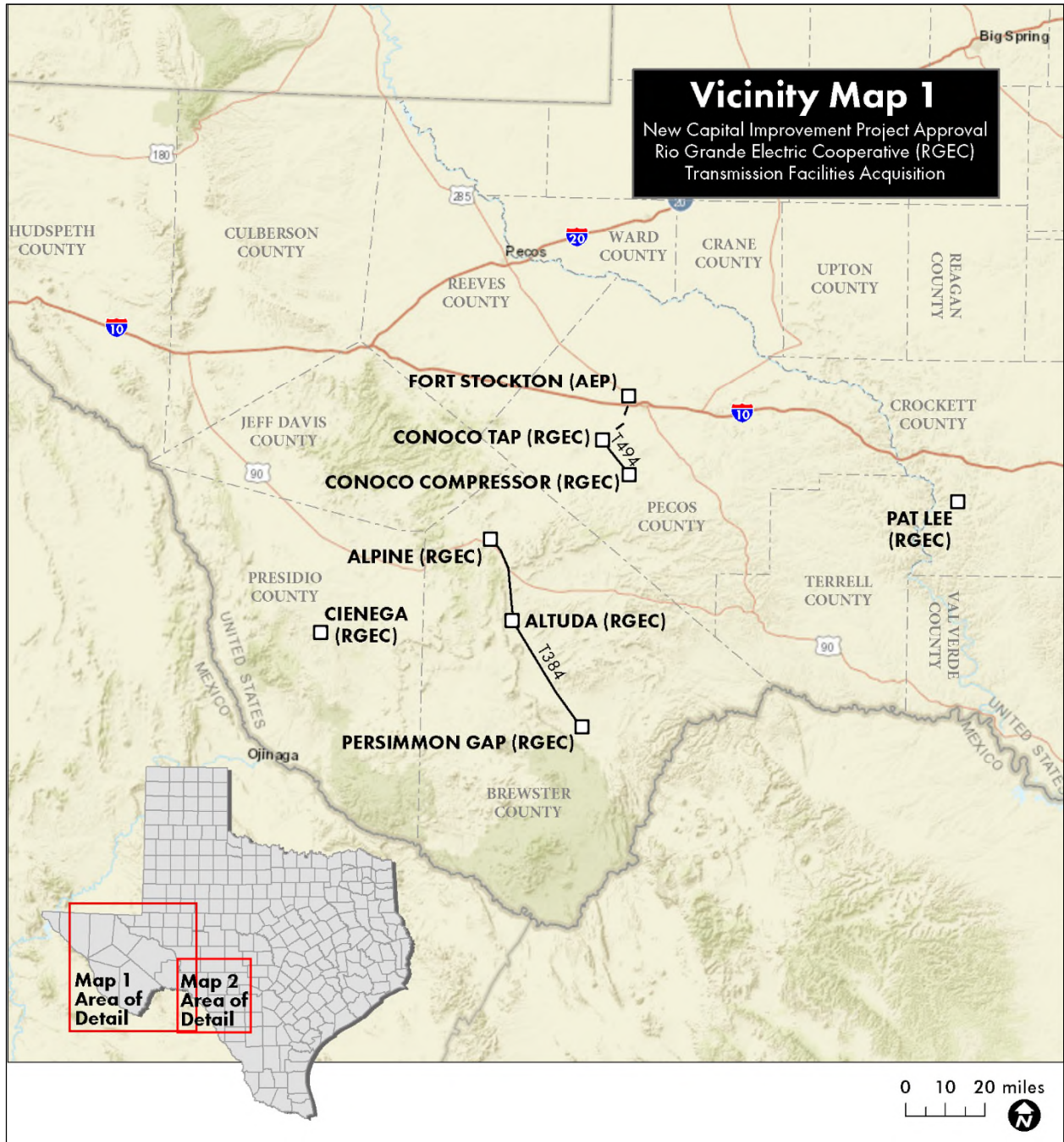
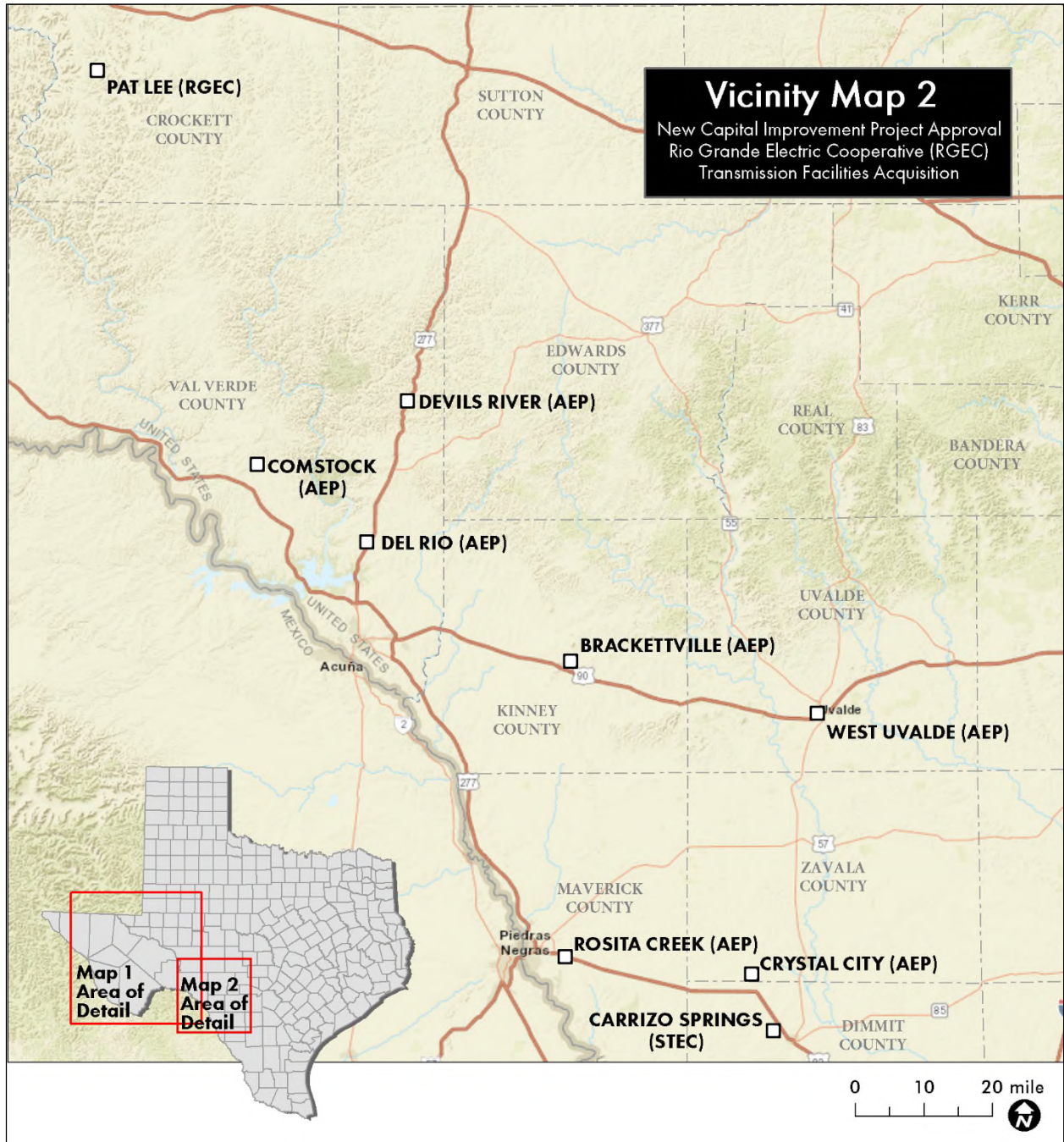


EXHIBIT A
Page 2 of 2



FOR ACTION

7. New Capital Improvement Project Approval – Hayter Ranch Substation Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Hayter Ranch 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 LCRA TSC's fiscal year 2019 capital plan.
- Staff seeks approval for a total lifetime budget of \$2,968,000 all of which staff expects to spend this fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- The FY 2019 LCRA TSC Capital Plan Amendment agenda item includes the forecast increase for the current fiscal year spending anticipated on this project.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary

Staff recommends the Hayter Ranch Substation Addition project located in Pecos County as an addendum to the FY 2019 capital plan. The project will meet legal requirements in the Public Utility Regulatory Act and PUC rules. The rules require transmission utilities to provide transmission service, including constructing new facilities and modifying existing ones, to serve wholesale market participants.

Rio Grande Electric Cooperative requested LCRA TSC construct a new point of transmission interconnection to accommodate RGEC load growth. LCRA TSC will provide a point of interconnection by constructing an initial 138-kilovolt substation to be located in-line to an existing 138-kV American Electric Power transmission line that will serve RGEC oil and gas industry customer load while the permanent LCRA TSC substation is constructed. This project is for the initial substation facilities, including system protection, meter enclosure, communication and property acquisition.

The required project completion date is May 2019. The project funds will pay for project management, regulatory activities, engineering, materials, real estate activities and necessary land rights. LCRA TSC representatives will perform environmental and cultural due diligence studies and address all identified concerns. The project will not require a Certificate of Convenience and Necessity.

Project Recap

| | |
|---|--------------------|
| Total Project Estimated Cost | <u>\$2,968,000</u> |
| Previous Project Lifetime Budget: | \$ 0 |
| Additional Lifetime Budget Approval Sought: | <u>\$2,968,000</u> |
| FY 2019 \$ 2,968,000 | |
| Total: | <u>\$2,968,000</u> |

Project Direction

Project Manager: Manny Garcia
Project Sponsor: Kristian M. Koellner, P.E.
Project Number: 1020850

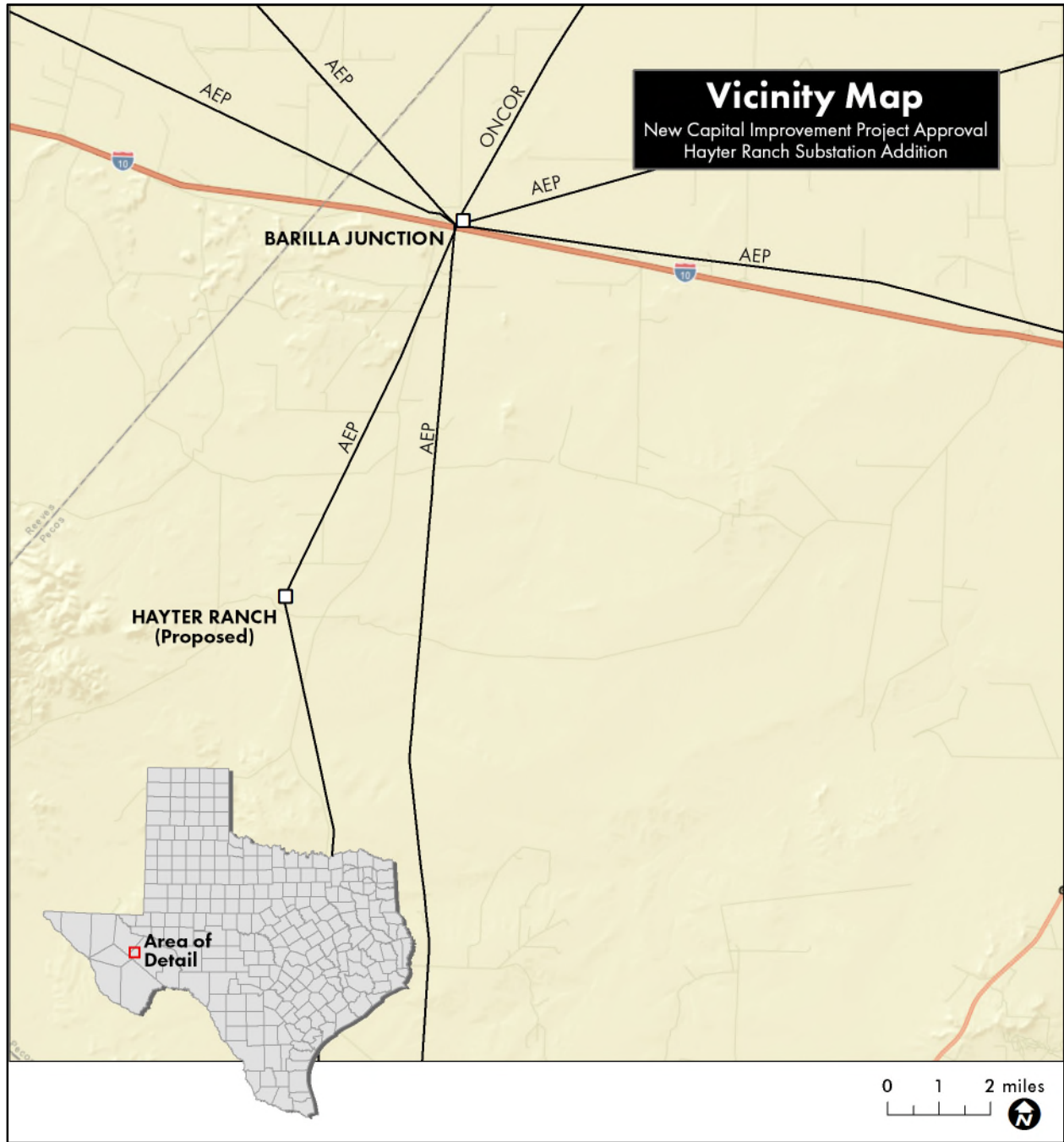
Presenter(s)

Kristian M. Koellner, P.E.
Vice President, Transmission Planning

Exhibit(s)

A – Location Map – Hayter Ranch Substation Addition

EXHIBIT A



FOR ACTION

8. 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 Transmission Services Corporation 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 a description of the specific properties to be acquired and will attach the description to the resolution.

LCRA TSC representatives performed environmental and cultural due diligence studies and did not identify any 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 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

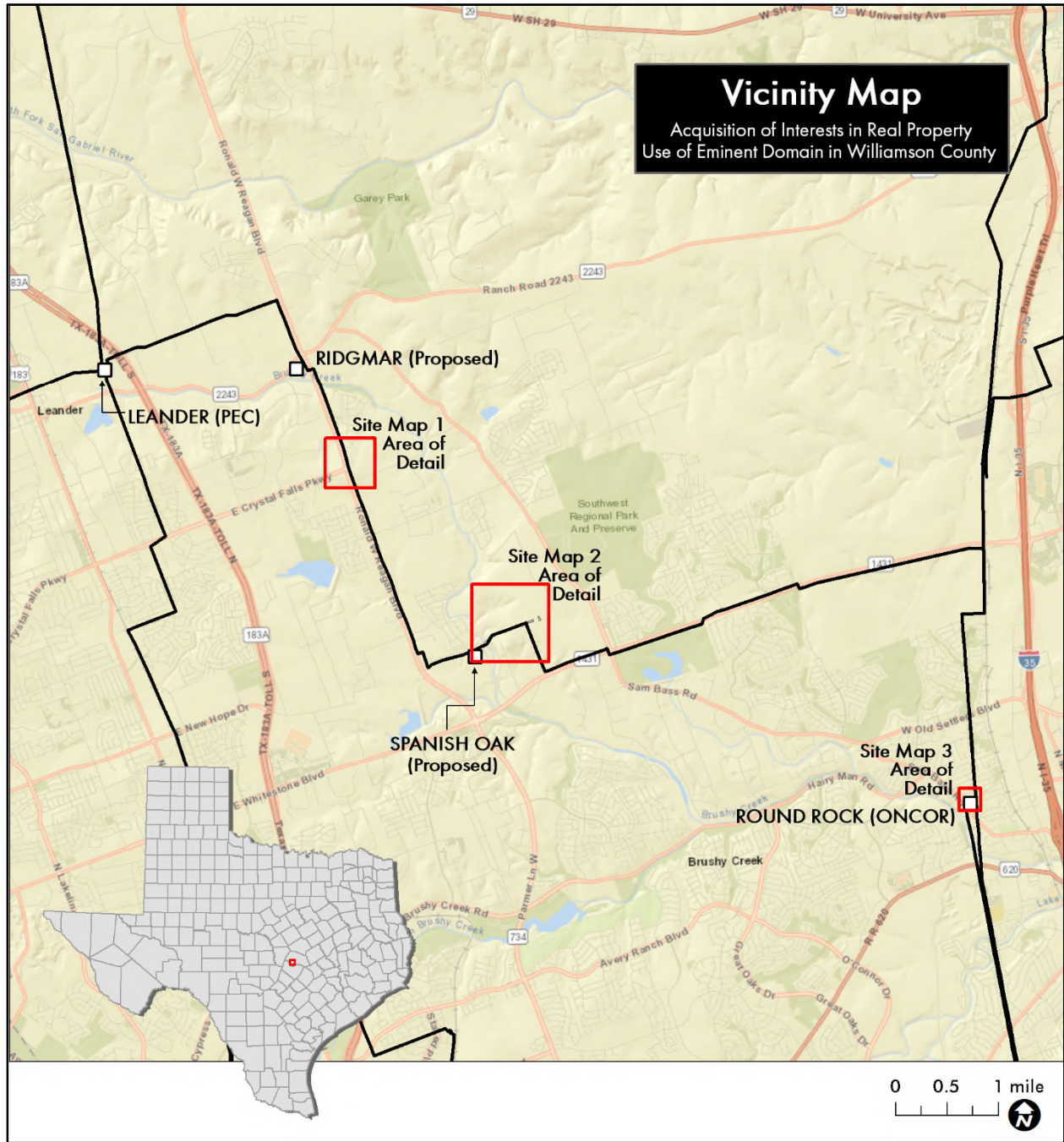








EXHIBIT C

| Landowners | Approximate Parent Tract Acreage | Land Rights | Approximate Acquisition Acreage | County | Diminution in Value of Remainder | Value of Proposed Easement | Total Approximate Value |
|--|---|---------------------------------|--|---------------|---|-----------------------------------|--------------------------------|
| Pinehurst Builders | 10.21 acres | Easement | 0.25 acre | Williamson | \$390,000 | \$44,000 | \$434,000 |
| Reagan & FM 2243 LTD. | 2.93 acres | Easement | 0.49 acre | Williamson | \$182,000 | \$163,000 | \$345,000 |
| Lee A. Jackson | 33.688 acres | Easement | 0.42 acre | Williamson | \$144,000 | \$115,000 | \$259,000 |
| John A. Behrens | 7.322 acres | Easement | 0.34 acre | Williamson | \$167,000 | \$94,000 | \$261,000 |
| Rockpointe Church, a Texas Non-profit Organization | 9.843 acres | Easement | 0.05 acre | Williamson | \$18,000 | \$12,000 | \$30,000 |
| Everlasting Impressions, Inc. | 1.73 acres | Easement | 0.20 acre | Williamson | \$96,000 | \$55,000 | \$151,000 |
| ANT Savings Corporation, a Florida Corporation | 1.670 acres | Easement | 0.27 acre | Williamson | \$116,000 | \$77,000 | \$193,000 |
| Jimmy W. Moore | 6.045 acres | Easement | 1.13 acres | Williamson | \$0.00 | \$150,000 | \$150,000 |
| Russell Austin Burleson | 214.57 acres | Easement Temporary Workspace | 4.23 acres 1 acre | Williamson | \$647,000 | \$393,000 | \$1,040,000 |
| Jose Roberto Flores and Vanessa M. Flores | 0.47 acres | Easement Temporary Workspace | 0.15 acre 0.1 acre | Williamson | \$0.00 | \$25,000 | \$25,000 |

EXHIBIT D

Page 1 of 2

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;

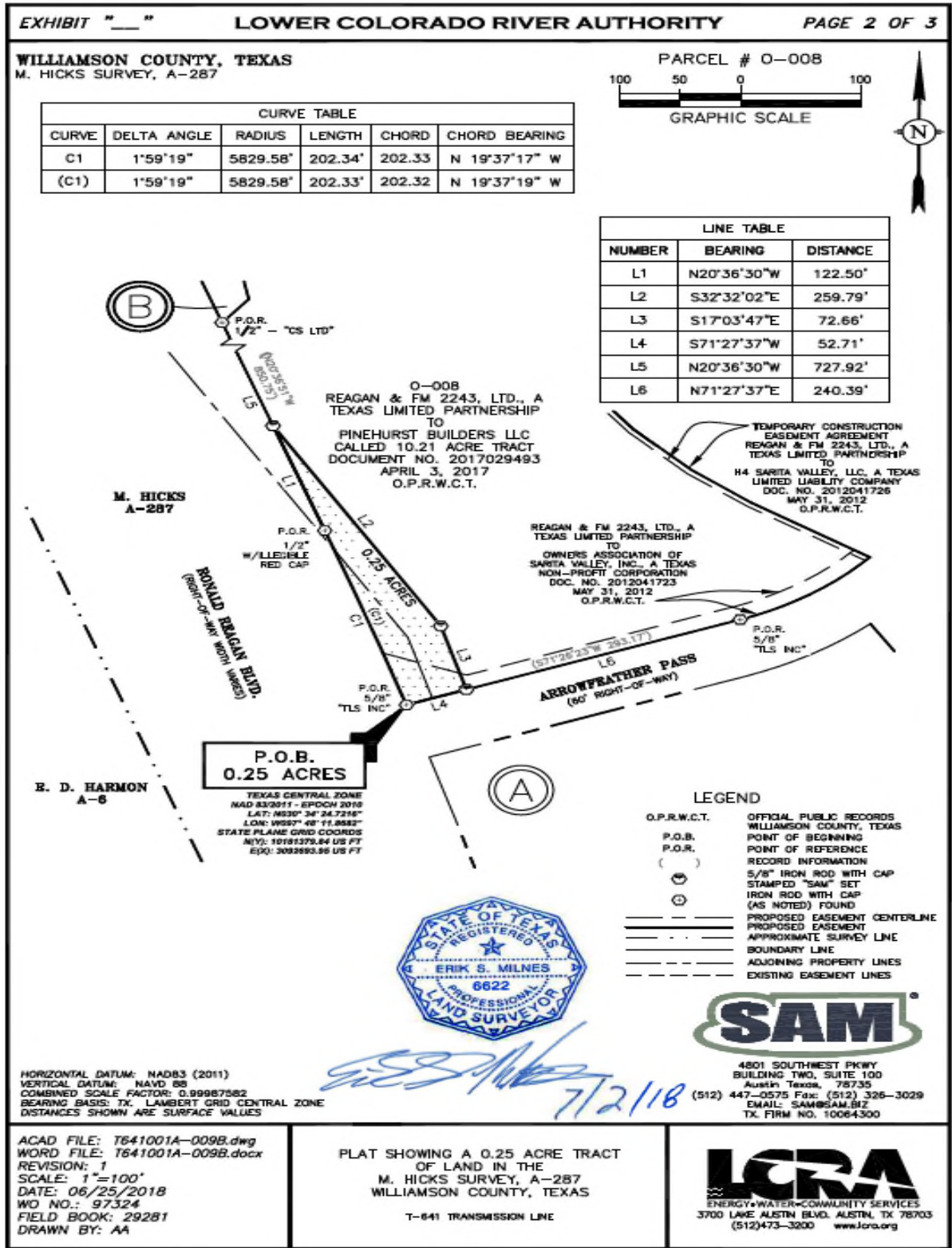
NOW, THEREFORE, BE IT RESOLVED that the president and chief executive officer or his designee is authorized to purchase the interests in real property from the landowner(s) listed in the attached Exhibit C for the Leander to Round Rock Transmission Line Addition project and substation site, with the 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

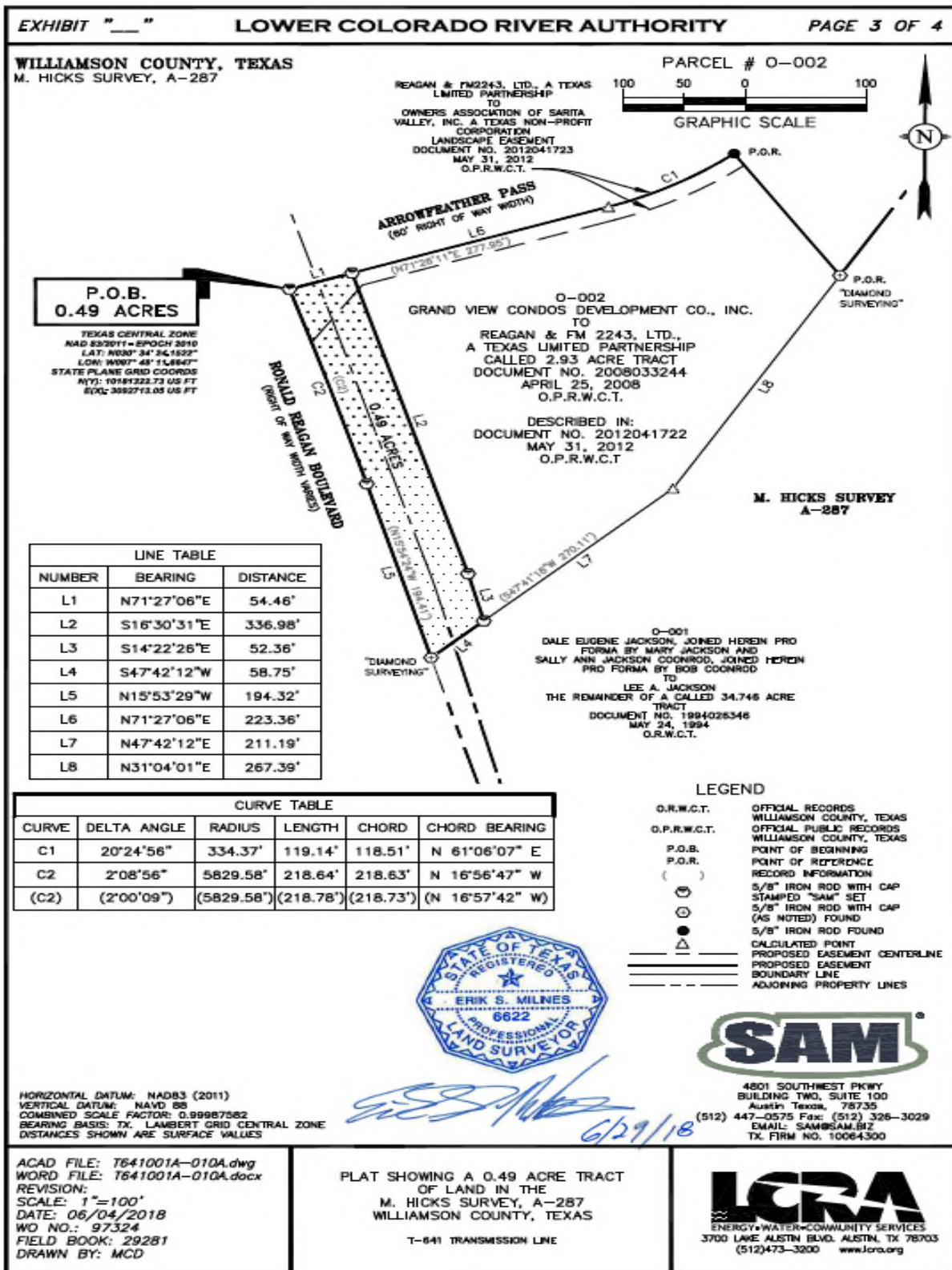
EXHIBIT D

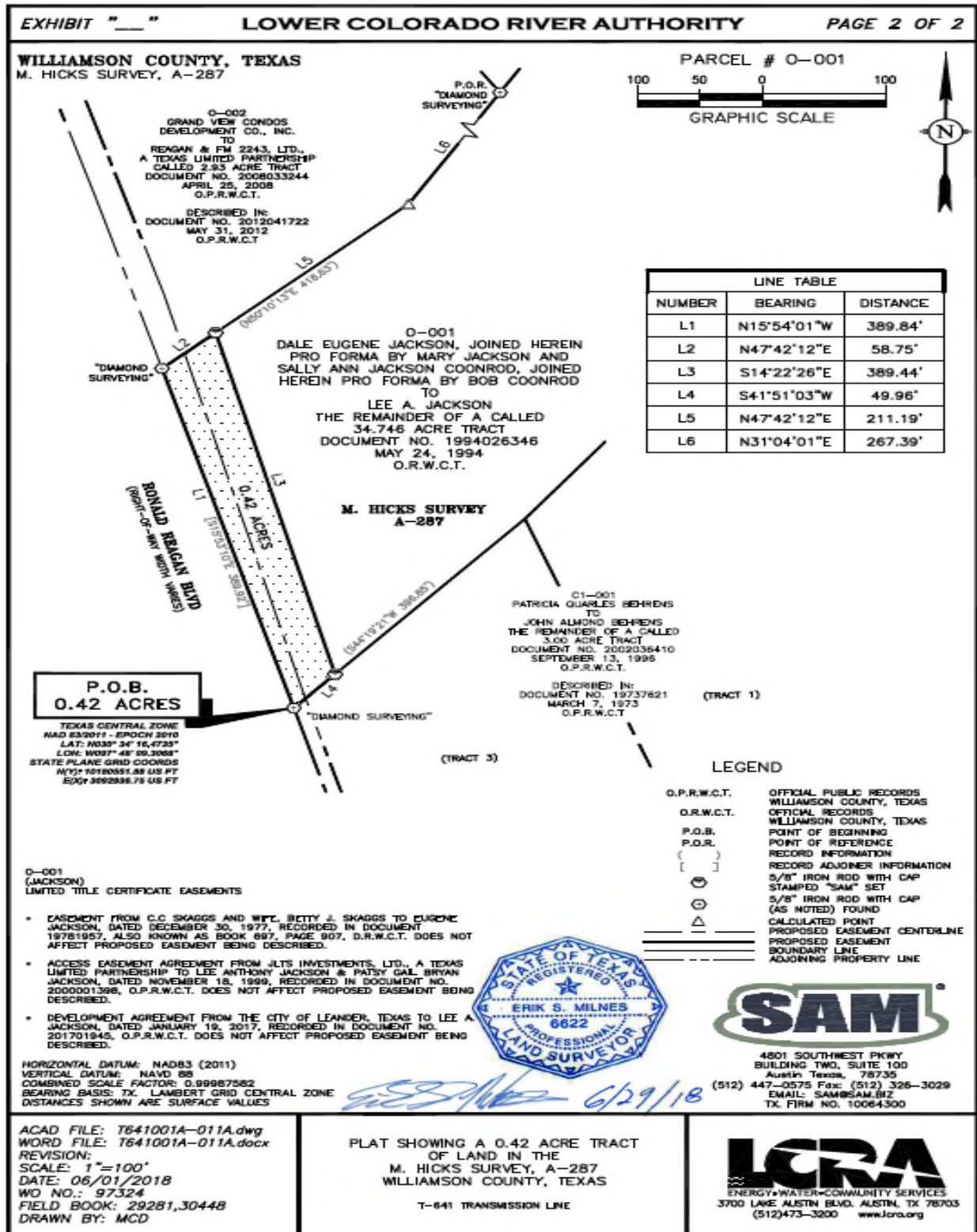
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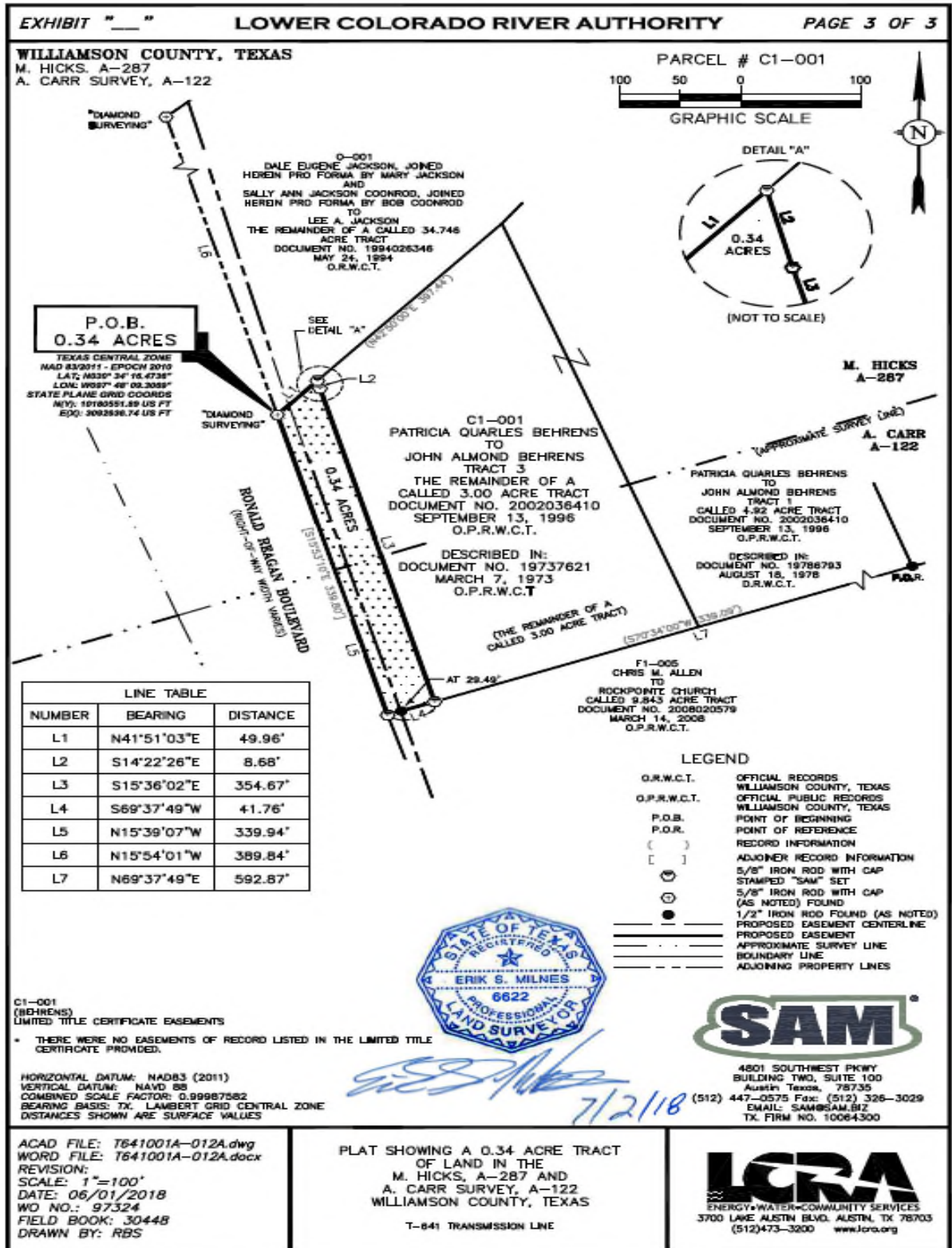
owner of the property, and against all other owners, lien holders, and other holders of an interest in the property, in order to acquire the necessary interests in real property; and that this resolution take effect immediately from and after its passage;

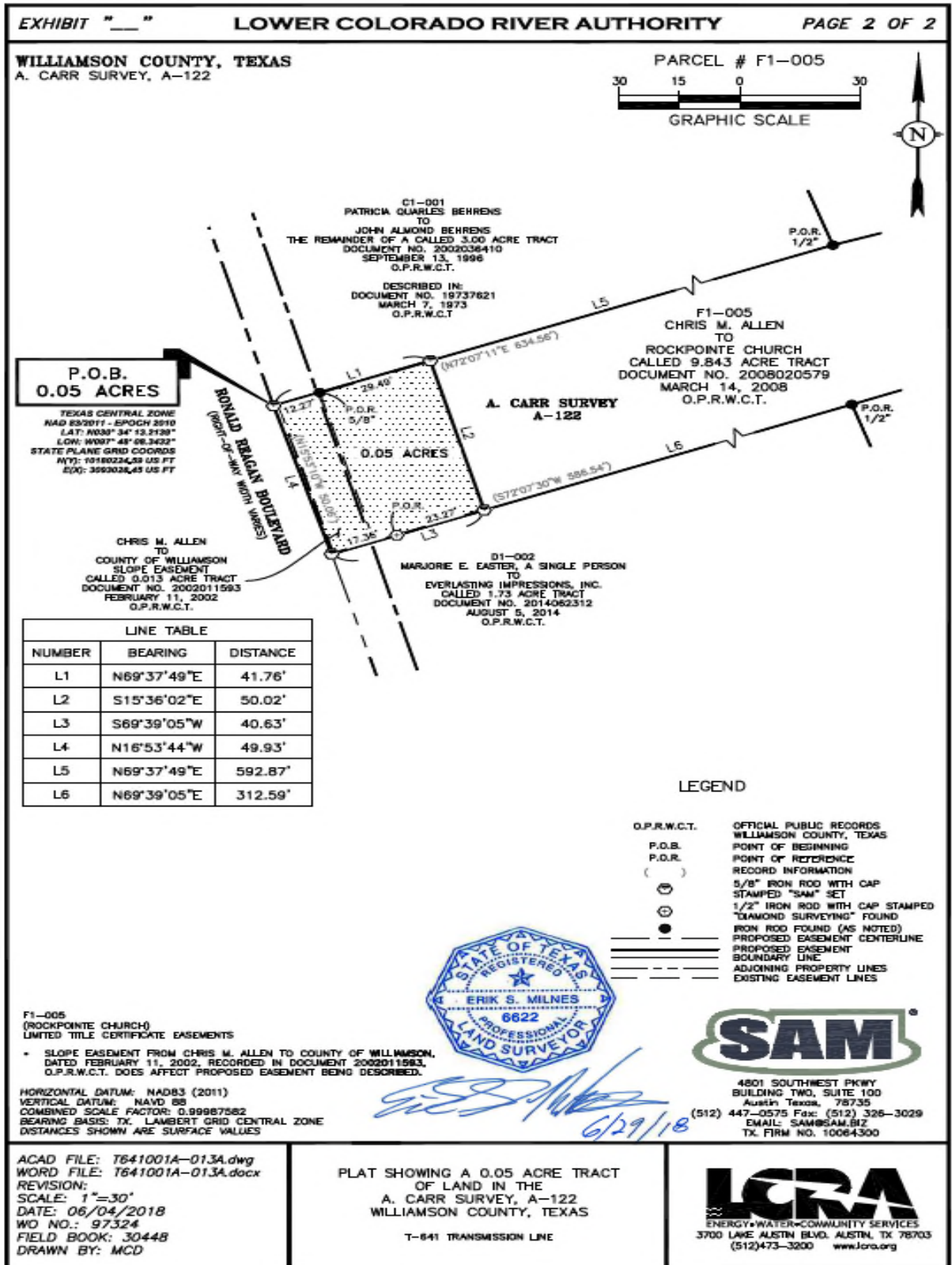
BE IT FURTHER RESOLVED that the president and chief executive officer or his designee is hereby authorized to do all things necessary and proper to carry out the intent and purpose of this resolution, including determination and negotiation of the interests in real property that are proper and convenient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

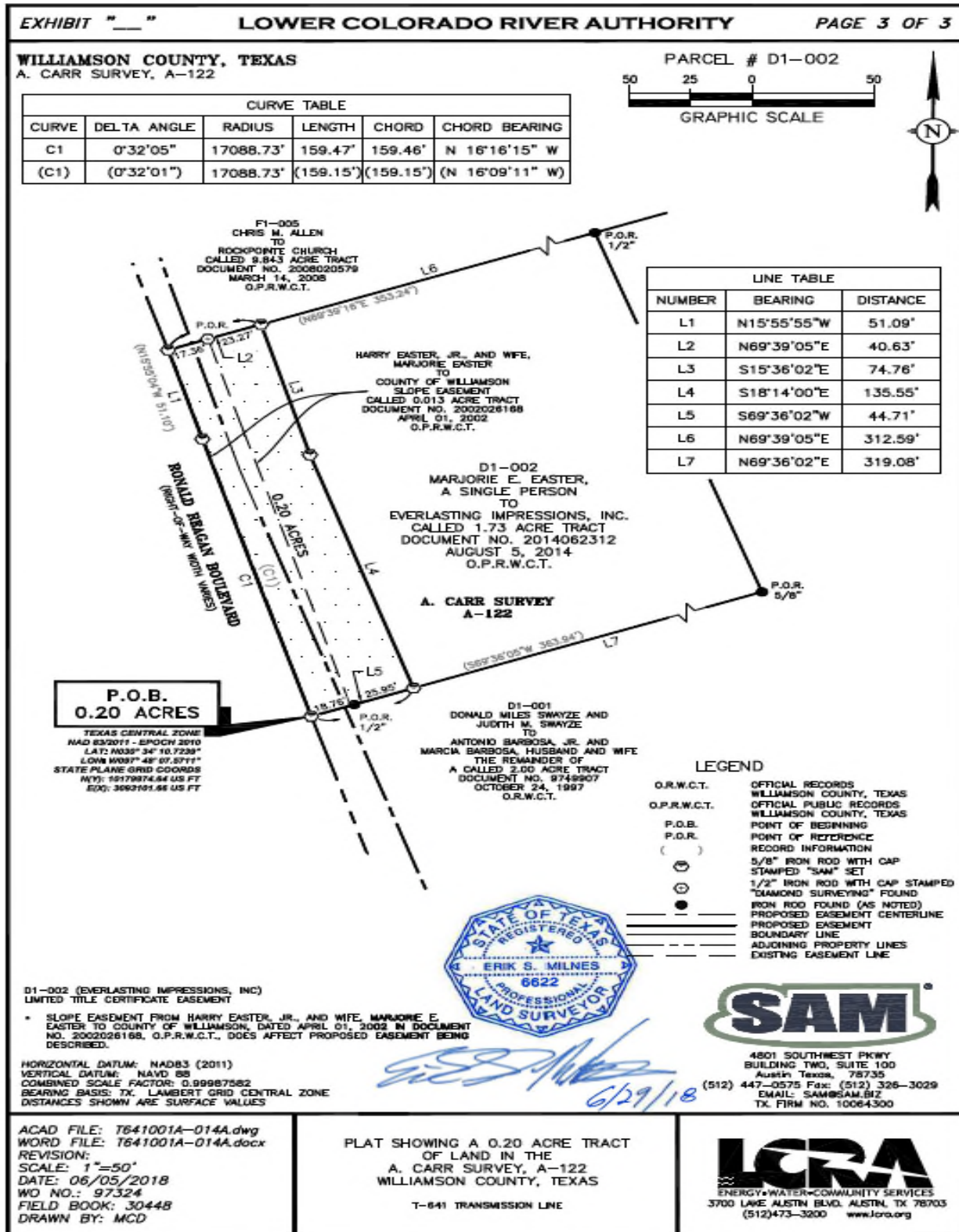












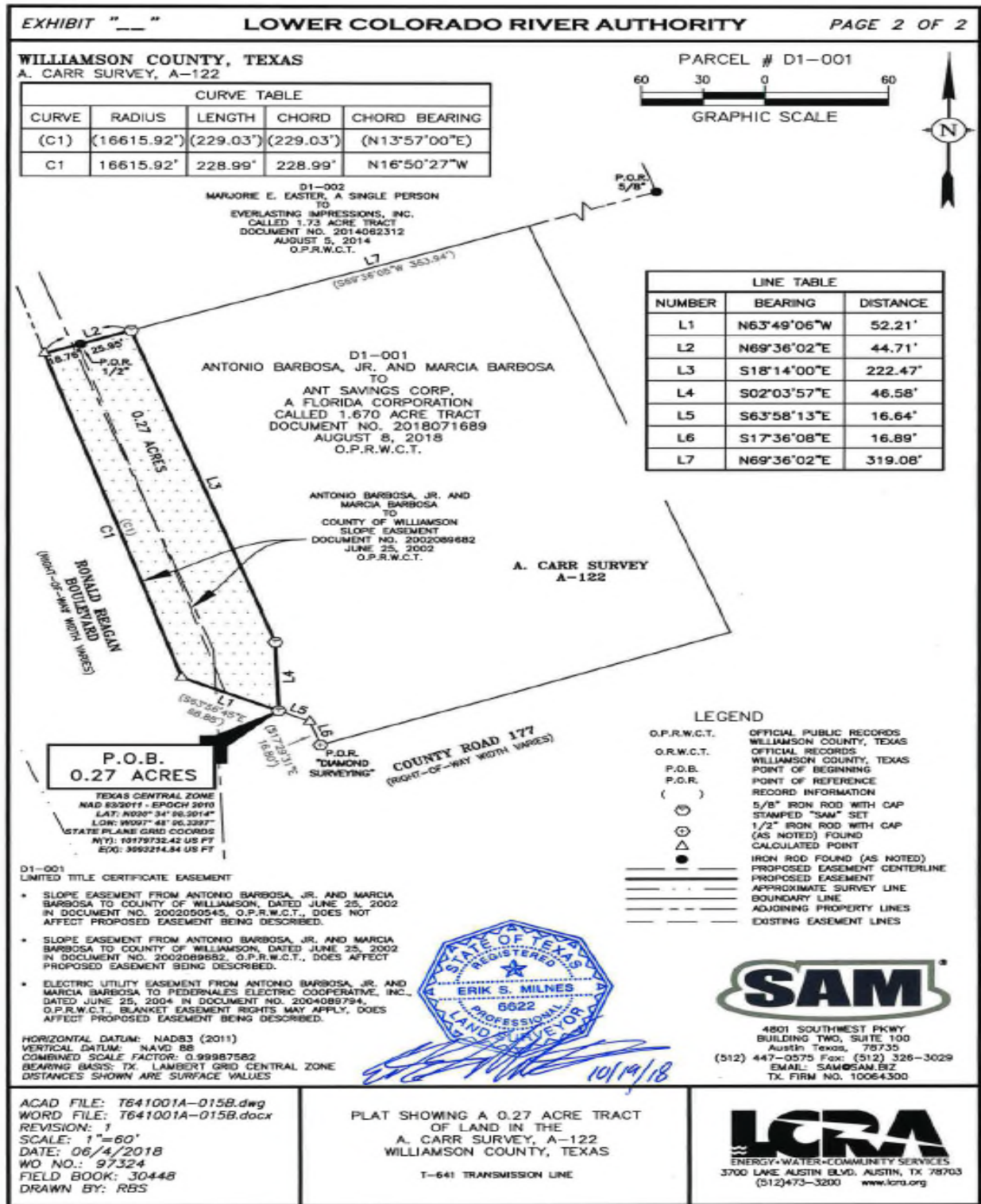
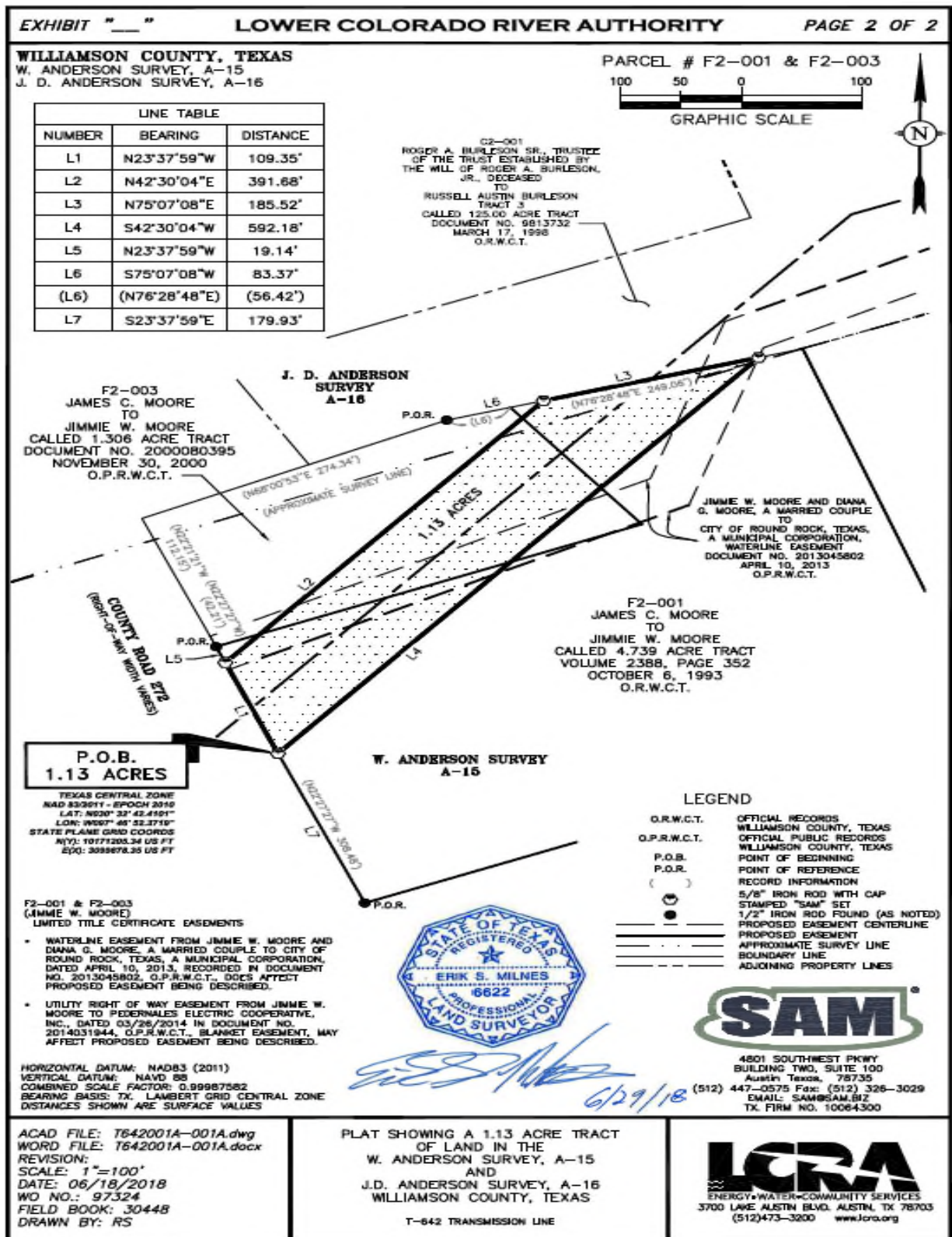
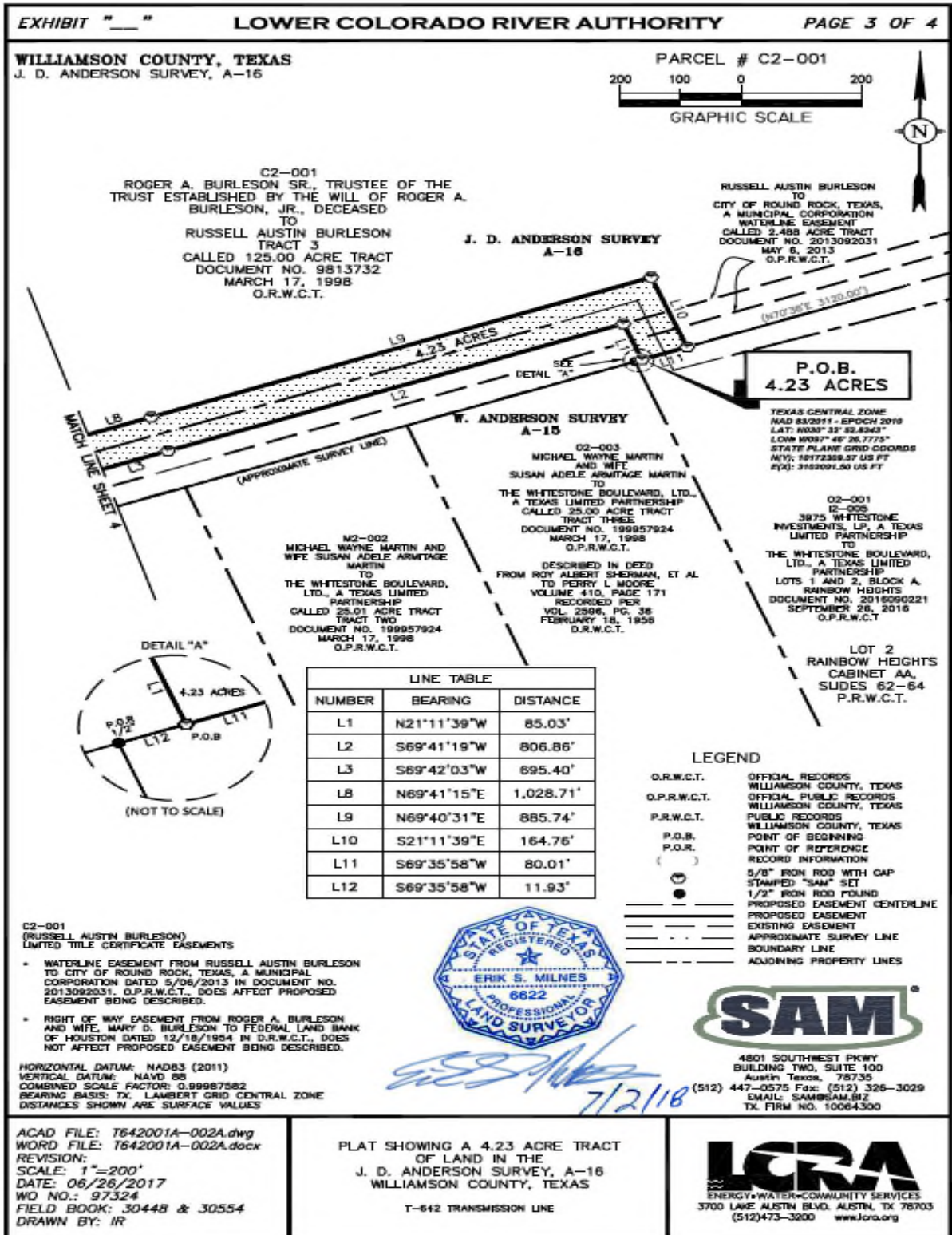
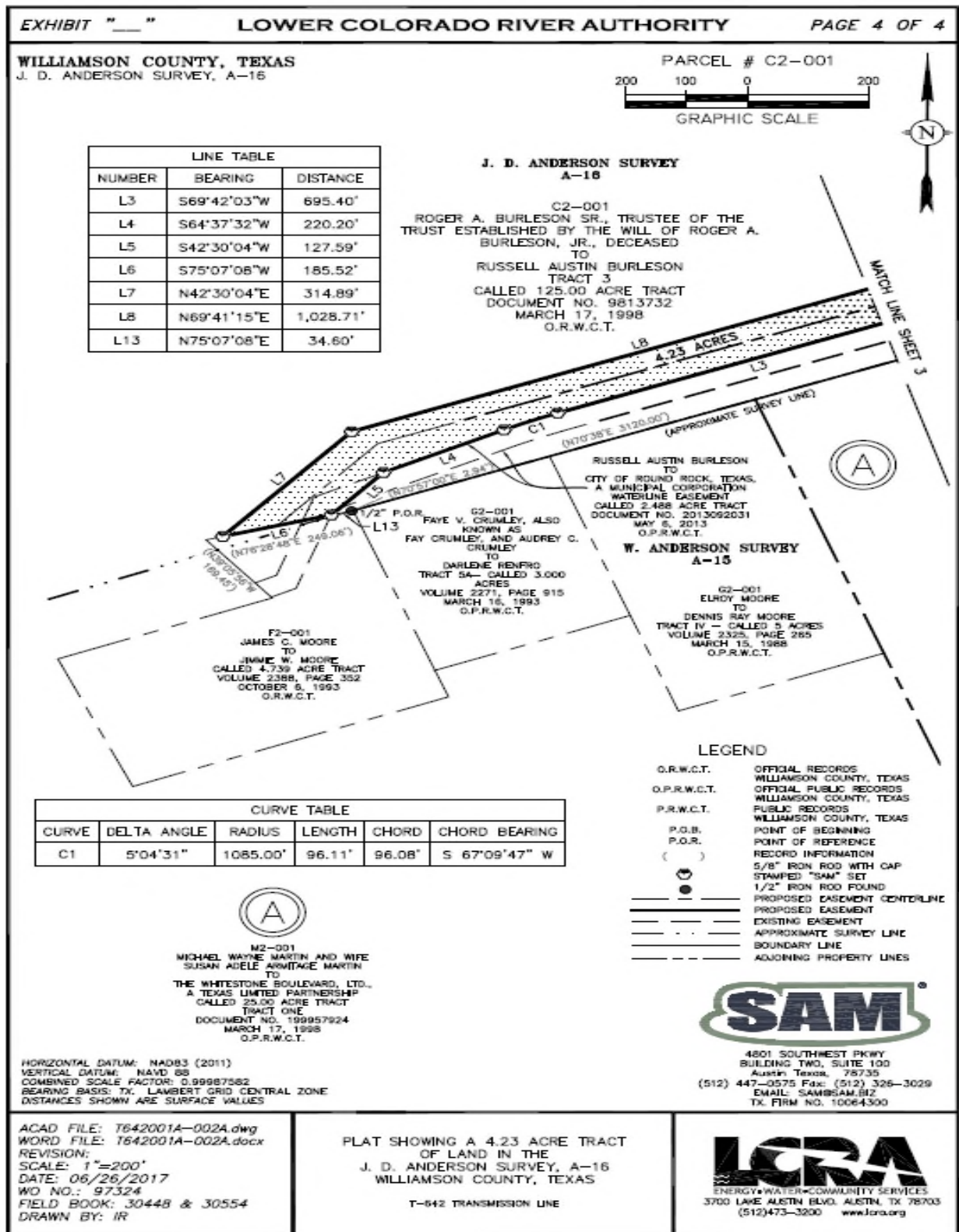


EXHIBIT 1
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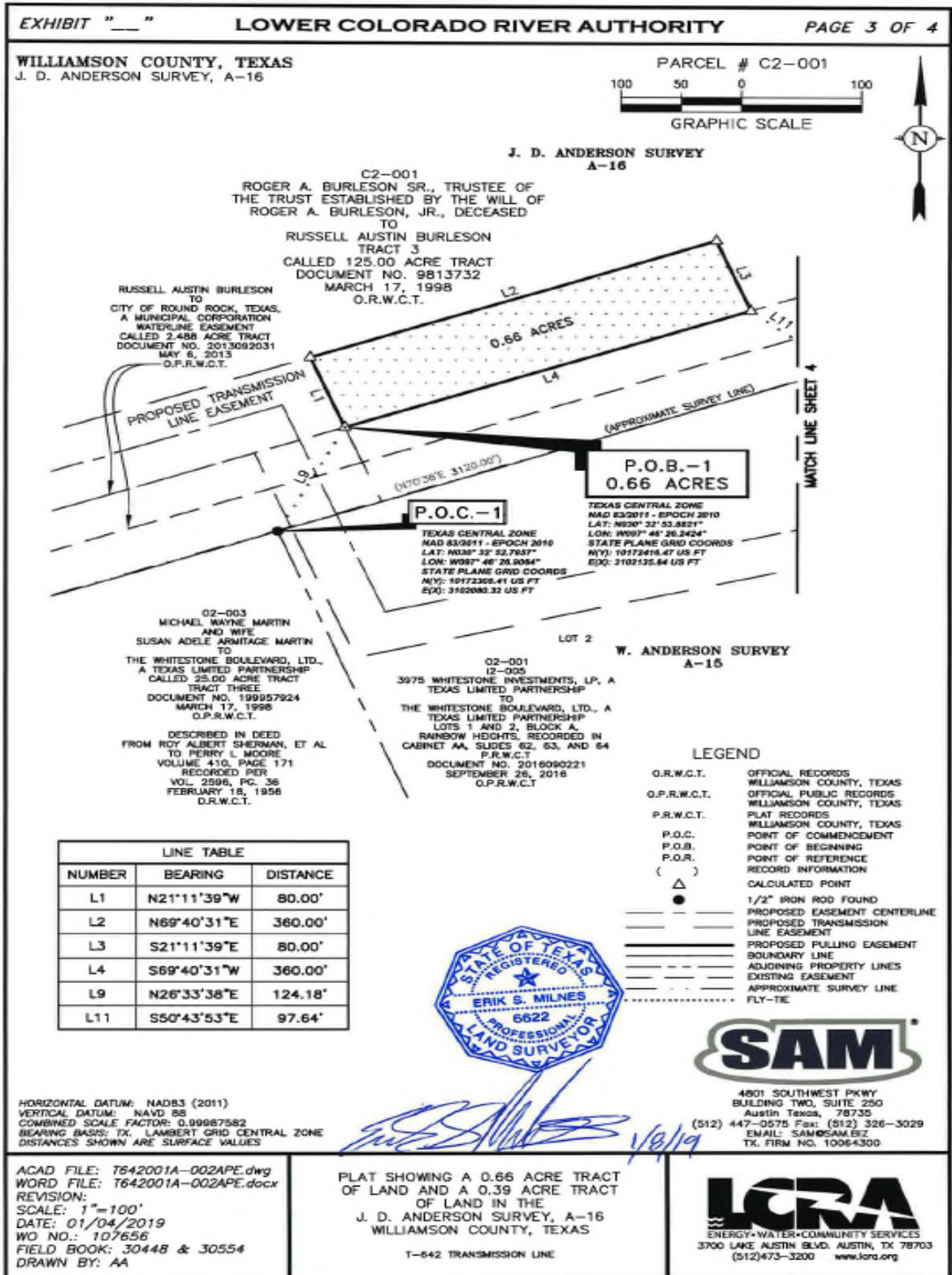
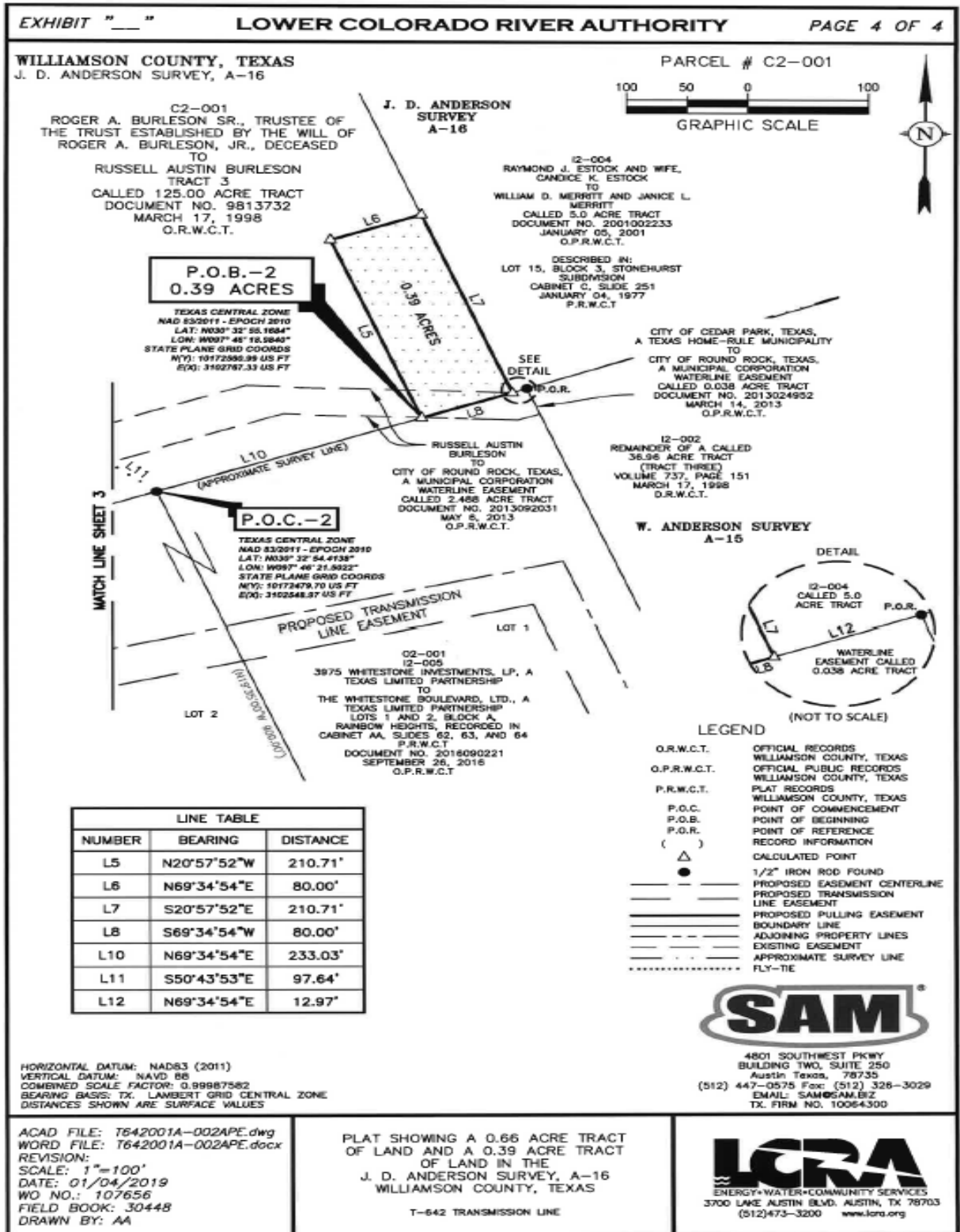
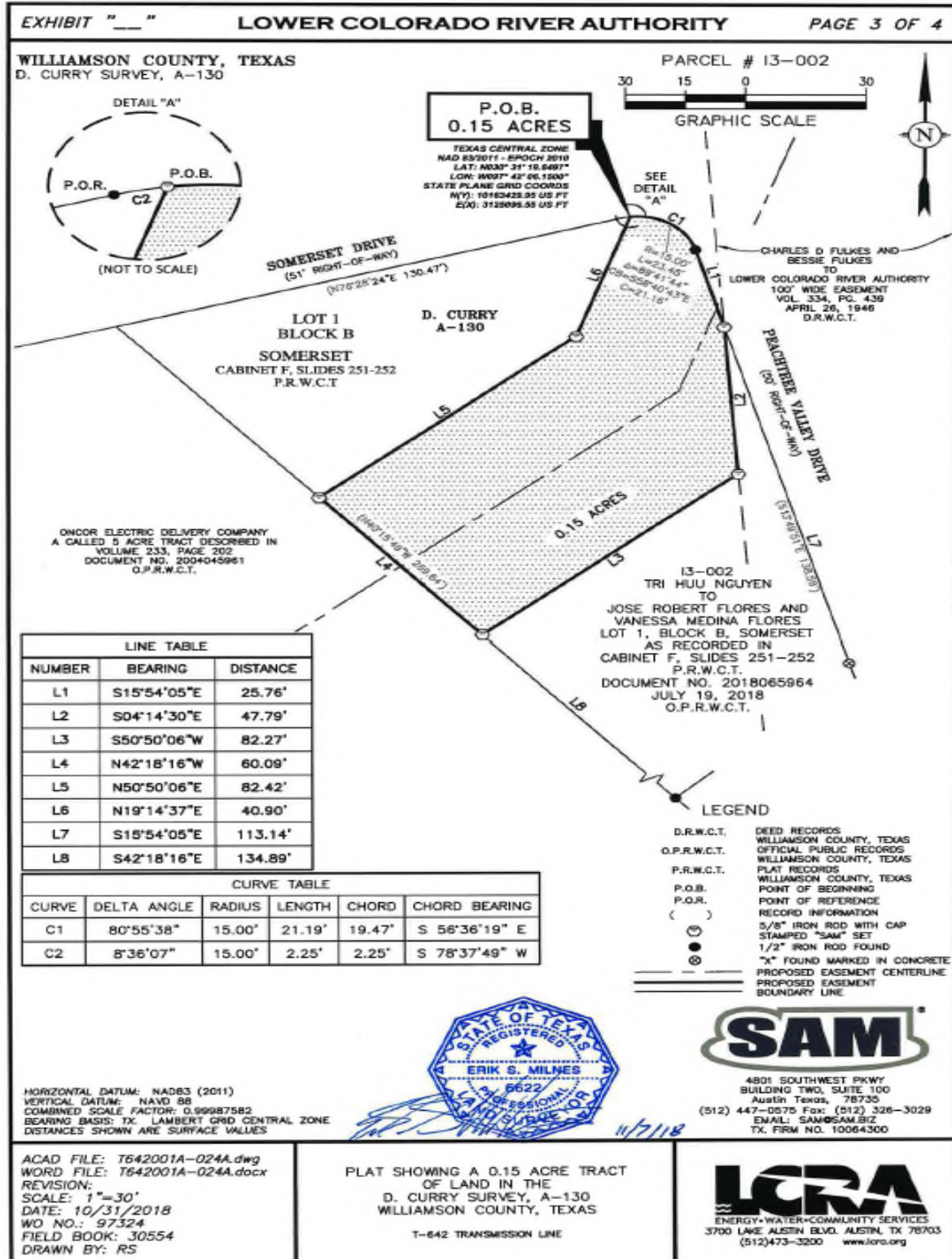
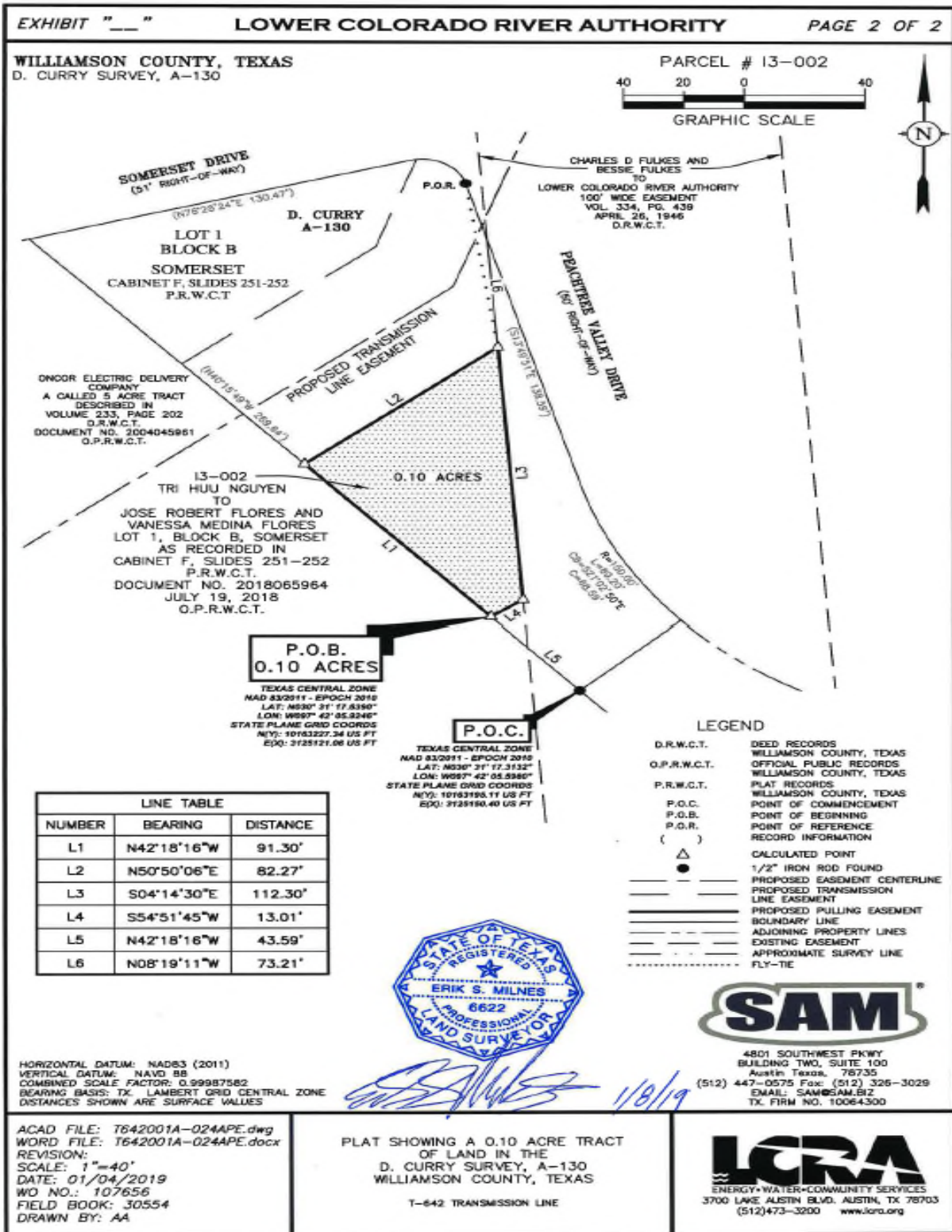


EXHIBIT 1
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