

LCRA Transmission Services Corporation

Board Agenda

Wednesday, Jan. 20, 2021

Earliest start time: 11 a.m.

**MEMBERS OF THE PUBLIC WILL NOT BE PERMITTED TO ATTEND IN PERSON.
THE MEETING WILL BE LIVESTREAMED AT
<https://www.lcra.org/about/leadership/stream/>**

Items From the Chair

- 1. Comments From the Public 3

Items From the Chief Financial Officer

- 2. Financial Highlights 4

Consent Items

- *3. Conveyance of Easement Rights Across Portion of Hornsby Substation
Addition Project in Travis County 5
- 4. Minutes of Prior Meeting 8

Action Items

- 5. Capital Improvement Projects Approval 13
- 6. Approve LCRA’s Adoption of the Thirty-fourth Supplemental Resolution
to the LCRA Transmission Contract Revenue Financing Program
Regarding Issuance of LCRA Transmission Services Corporation
Series 2021 Refunding Revenue Bonds, and Authorize Related
Agreements 16
- 7. Approve LCRA’s Adoption of the Thirty-fifth Supplemental Resolution
to the LCRA Transmission Contract Revenue Financing Program
Regarding LCRA Transmission Services Corporation Commercial Paper
Program Tax-Exempt Series, and Authorize Related Agreements 19
- 8. Approve the LCRA Transmission Contract Revenue Notes Series F Note
Purchase Agreement and Authorize Related Agreements 21

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

Executive Session

The Board may go into Executive Session to receive advice from legal counsel on any item listed above and discuss any real estate-related item listed above, pursuant to Chapter 551 of the Texas Government Code.

Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at www.sos.state.tx.us/open.

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 (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 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.

FOR DISCUSSION

1. Comments From the Public

Summary

Consistent with Gov. Abbott's March 16, 2020, temporary suspension of various provisions of the Open Meetings Act, the public will not be able to attend the meeting in person but may view the open session portions of the meeting via livestream at: <https://www.lcra.org/about/leadership/stream/> and make comments to the Board of Directors via telephone.

The Board will take all public comments at the beginning of the meeting. Members of the public who would like to address the Board must register by calling the number below between 10 a.m. and 10:45 a.m. on the day of the meeting.

Phone number: 833-548-0282 (toll free)

Meeting ID: 6442096404##

FOR DISCUSSION

2. Financial Highlights

Summary

Staff will present financial highlights for LCRA Transmission Services Corporation covering the month and fiscal year to date.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

LCRA Transmission Services Corporation
Financial Highlights
December 2020

LCRA Transmission Services Corporation
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Key term:

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

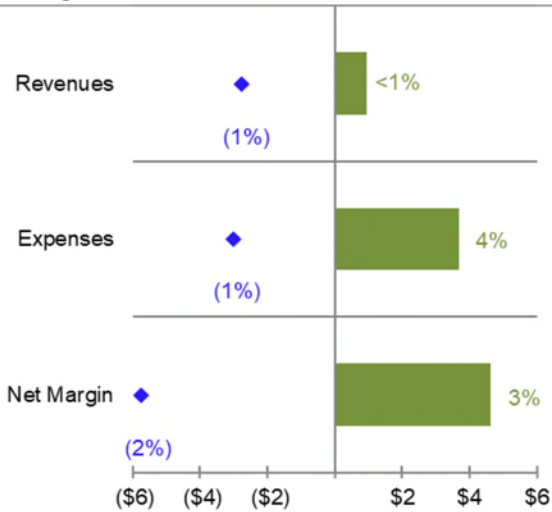
LCRA Transmission Services Corporation

Dec. 31, 2020

(Dollars in Millions)

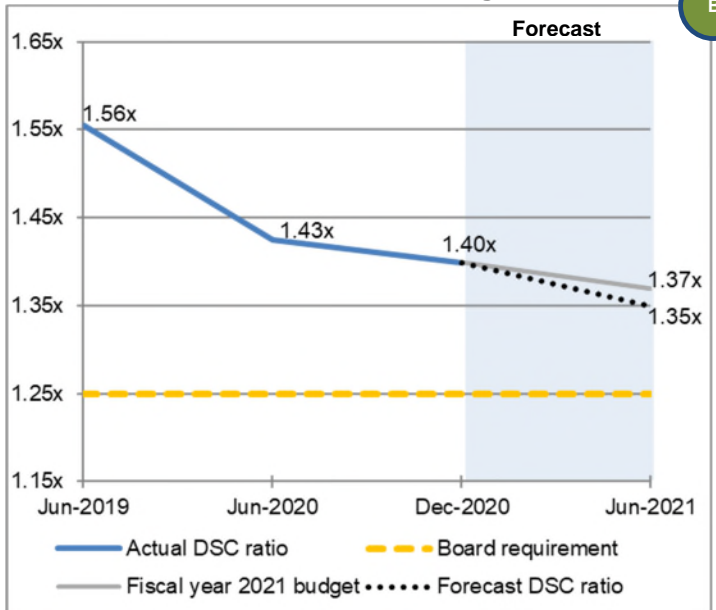
Budget-to-Actual Highlights

Net Margin Fiscal Year-to-Date Variances



% = Variance from budget ♦ FY 2021 fiscal year-end forecast

Debt Service Coverage



Key takeaways:

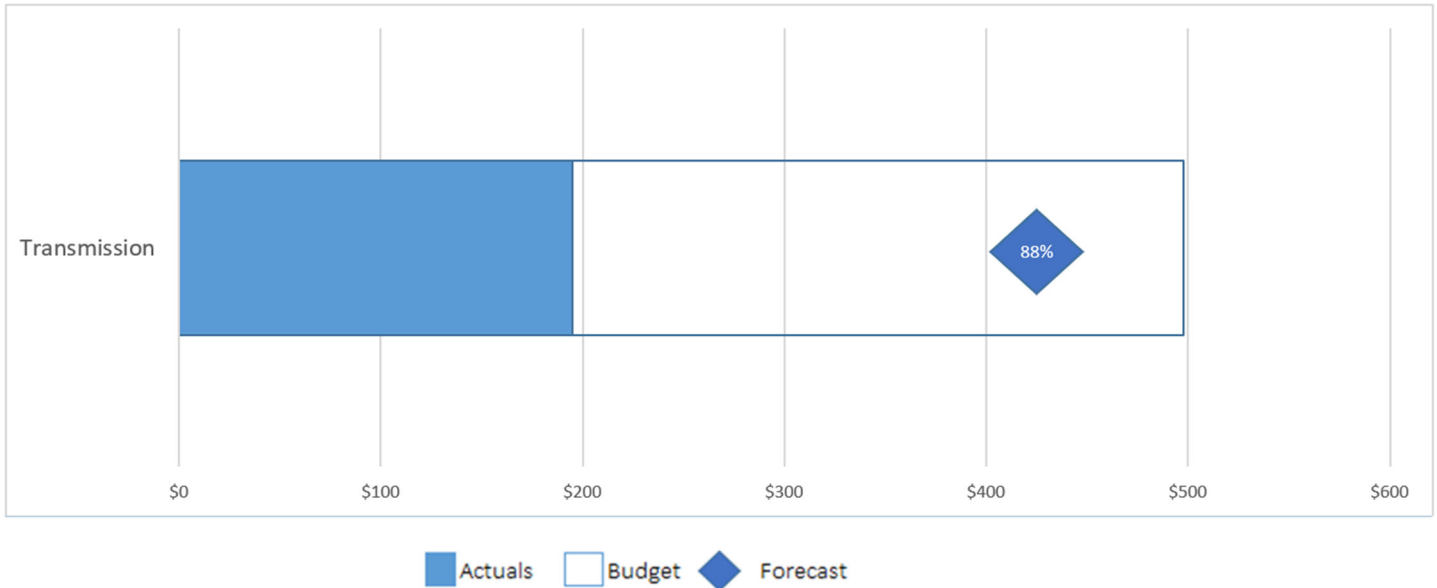
- Lower-than-budgeted expenses and higher-than-budgeted miscellaneous revenues primarily drove year-to-date performance.
- Lower-than-budgeted transmission cost-of-service revenues and interest income, combined with higher-than-budgeted enterprise costs due to lower-than-budgeted capital credits, are primarily driving the year-end forecast.
- The lower-than-budgeted net margin, partially offset by lower-than-budgeted debt service, is primarily driving the lower-than-budgeted debt service coverage projection.

LCRA Transmission Services Corporation

Dec. 31, 2020

(Dollars in Millions)

Capital Forecast



Key takeaways:

- LCRA TSC currently is projecting capital spending for FY 2021 will be \$59.9 million under the capital plan budget of \$497.7 million.
- The primary drivers for the current FY 2021 favorable forecast variance are:
 - Hilltop projects cost shifts (\$19 million).
 - Generation interconnection reductions (\$18 million).
 - Canceled acquisitions (\$16 million).
 - Shifts in active projects (\$15 million).
 - Other changes to future projects (\$6 million).
 - Offset by the addition of the Hornsby project \$14 million.

General Manager Project Approvals:

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the president and chief executive officer to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA TSC Board Policy T301 – Finance. Additionally, the LCRA TSC Board delegated authority to the president and CEO to approve new generation interconnection projects and additional funding for capital projects expected to exceed a lifetime budget by 10% and \$300,000. The president and CEO approved the following seven budget resets this quarter:
 - Bakersfield-Solstice Transmission Line Addition from \$78.1 million to \$87.8 million.
 - Gabriel-Glasscock Transmission Line Storm Hardening from \$2.1 million to \$5.7 million.
 - Hi Cross-Turner Transmission Line Storm Hardening from \$2.9 million to \$6.1 million.
 - Horse Crossing-Rio Pecos Transmission Line Addition from \$2.4 million to \$5.1 million.
 - New Bremen Circuit Breaker Addition \$4.3 million to \$6.0 million.
 - Rattler Substation Addition from \$4.6 million to \$5.9 million.
 - Riverside Circuit Breaker Addition from \$8.5 million to \$9.5 million.

LCRA Transmission Services Corporation

Dec. 31, 2020

(Dollars in Millions)

General Manager Project Approvals (continued):

The president and CEO approved the following eight new projects this quarter:

- Asherton to Bevo Transmission Line Relocation for \$501,000.
- Evant Low-side Substation Upgrade for \$444,000.
- Fort Mason Circuit Breaker Addition for \$3.3 million.
- Gilleland Creek Circuit Breaker Addition for \$2.7 million.
- Grounding – FY 2021 Substation Upgrade for \$1.2 million.
- King Mountain Substation Upgrade for \$3.8 million.
- Lakeway to Marshall Ford Transmission Line Upgrade for \$903,000.
- Wingarten Substation Upgrade for \$416,000.

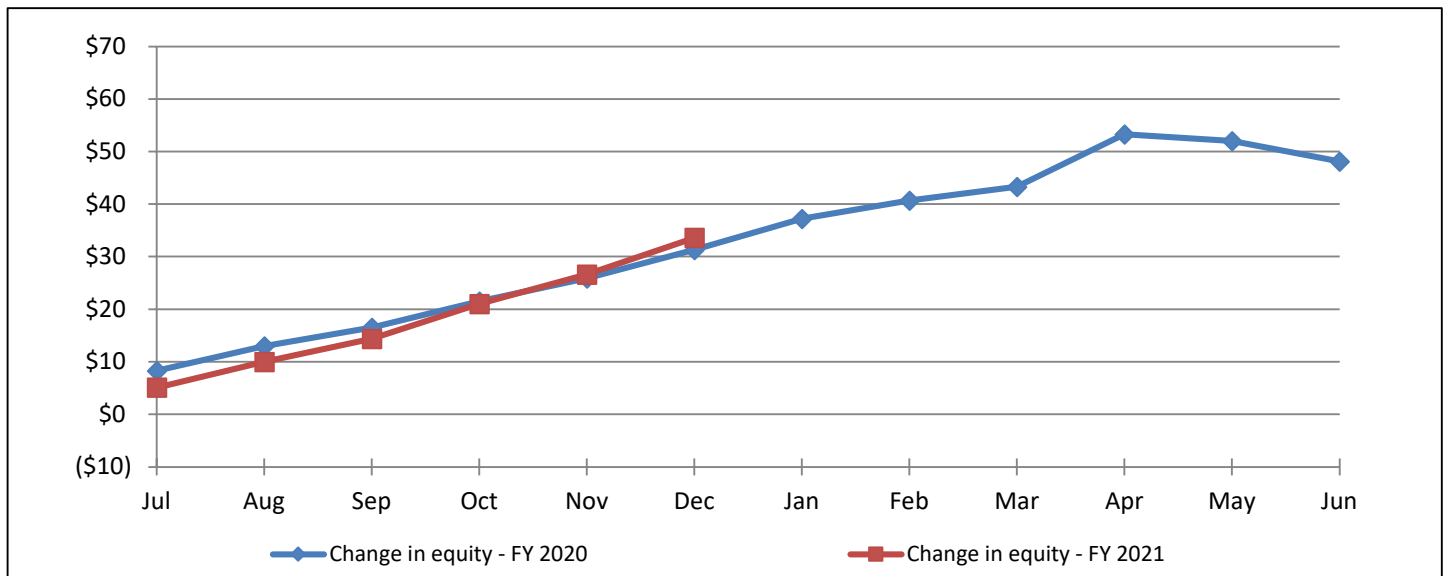
LCRA Transmission Services Corporation

Dec. 31, 2020
(Dollars in Millions)

Board Metrics

Board Metric	Description	Compliant
Equity Ratio	LCRA TSC will attempt to maintain a long-term average 30% equity ratio. At no time will the equity ratio fall below 20% without specific Board approval in the business plan.	✓
Debt Service Reserves	LCRA TSC will covenant debt service reserves in the amount of six months of maximum annual debt service requirements on outstanding debt. Debt service reserves may be collected through rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.	✓
Operating Reserves	LCRA TSC will build and maintain appropriate target levels of operating reserves as follows: Six months of average debt service on all outstanding LCRA TSC debt and other obligations to LCRA; and two months of average operating and maintenance expenses, including those billed by LCRA. If at any time the level of reserves are less than the target levels set forth in this policy, the Board will promptly implement a plan, to be recommended by staff, to increase rates, reduce costs, or otherwise cause there to be sufficient revenues to replenish the level of reserves to such target levels within 12 months.	✓

Income Statement Trends Cumulative Fiscal Year to Date



Key takeaway:

- Year-to-date net income in FY 2021 is in line with FY 2020.

LCRA Transmission Services Corporation

Dec. 31, 2020

(Dollars in Millions)

Condensed Balance Sheets

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Assets		
Cash and cash equivalents	\$ 217.5	\$ 110.6
Current assets	<u>163.7</u>	<u>240.4</u>
Total current assets	<u>381.2</u>	<u>351.0</u>
Capital assets	3,272.1	2,956.3
Long-term assets	<u>226.1</u>	<u>208.3</u>
Total long-term assets	<u>3,498.2</u>	<u>3,164.6</u>
Total Assets	<u>\$ 3,879.4</u>	<u>\$ 3,515.6</u>
Liabilities		
Bonds, notes and loans payable	\$ 247.3	\$ 185.8
Current liabilities	<u>104.7</u>	<u>99.0</u>
Total current liabilities	<u>352.0</u>	<u>284.8</u>
Bonds, notes and loans payable	2,647.1	2,433.6
Long-term liabilities	<u>62.4</u>	<u>29.7</u>
Total long-term liabilities	<u>2,709.5</u>	<u>2,463.3</u>
Equity		
Total equity	<u>817.9</u>	<u>767.5</u>
Total Liabilities and Equity	<u>\$ 3,879.4</u>	<u>\$ 3,515.6</u>

Key takeaway:

- Assets and liabilities are trending higher compared with December 2020 due to construction activities related to the capital plan.

LCRA Transmission Services Corporation

Dec. 31, 2020

(Dollars in Millions)

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	<u>2021</u>	<u>2020</u>
Operating Revenues		
Transmission	\$ 234.5	\$ 217.5
Transformation	7.3	7.1
Other	1.4	0.8
Total Operating Revenues	<u>243.2</u>	<u>225.4</u>
Operating Expenses		
Operations	79.1	73.6
Maintenance	7.3	4.7
Depreciation and amortization	46.3	60.3
Total Operating Expenses	<u>132.7</u>	<u>138.6</u>
Operating Income	<u>110.5</u>	<u>86.8</u>
Nonoperating Revenues (Expenses)		
Interest on debt	(47.0)	(49.9)
Other expenses	(29.9)	(5.6)
Total Nonoperating Revenues (Expenses)	<u>(76.9)</u>	<u>(55.5)</u>
Change in Equity	33.6	31.3
Equity - Beginning of Period	<u>784.3</u>	<u>736.2</u>
Equity - End of Period	<u>\$ 817.9</u>	<u>\$ 767.5</u>

LCRA Transmission Services Corporation

Dec. 31, 2020

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2021	2020
Cash Flows From Operating Activities		
Received from customers	\$ 228.7	\$ 224.3
Payments	(104.6)	(75.4)
Net cash provided by operating activities	124.1	148.9
Cash Flows From Noncapital Financing Activities	(12.0)	(10.5)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(195.8)	(193.0)
Debt principal payments	(1.2)	(1.9)
Other capital and financing activities	104.6	105.1
Net cash used in capital and financing activities	(92.4)	(89.8)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	61.8	54.0
Purchase of investment securities	(48.5)	(123.5)
Note payments and interest received	1.7	3.8
Net cash provided by (used in) investing activities	15.0	(65.7)
Net Increase (Decrease) in Cash and Cash Equivalents	34.7	(17.1)
Cash and Cash Equivalents - Beginning of Period	183.0	127.9
Cash and Cash Equivalents - End of Period	\$ 217.7	\$ 110.8

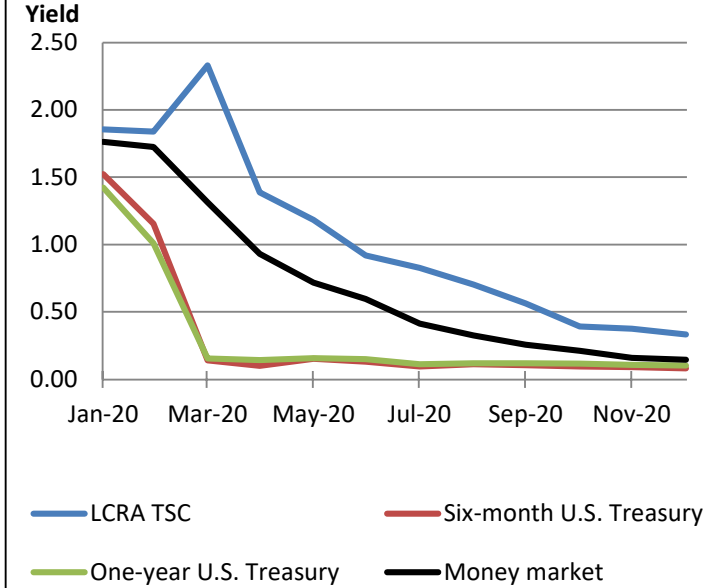
LCRA Transmission Services Corporation

Dec. 31, 2020

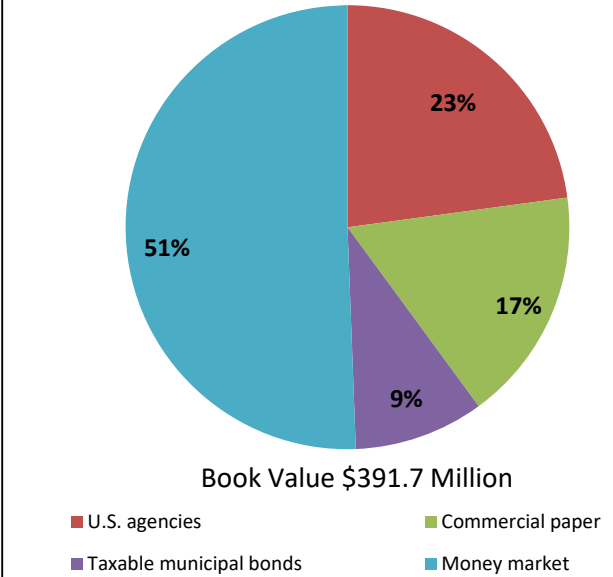
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Investments and Debt

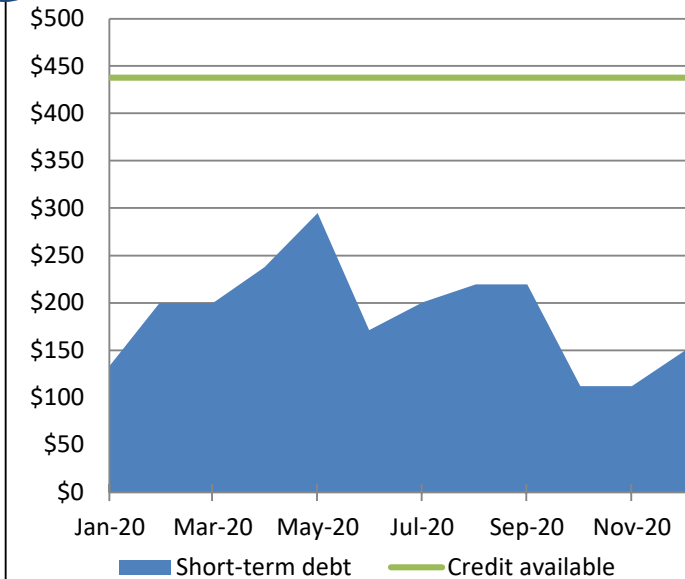
Investment Portfolio Yield



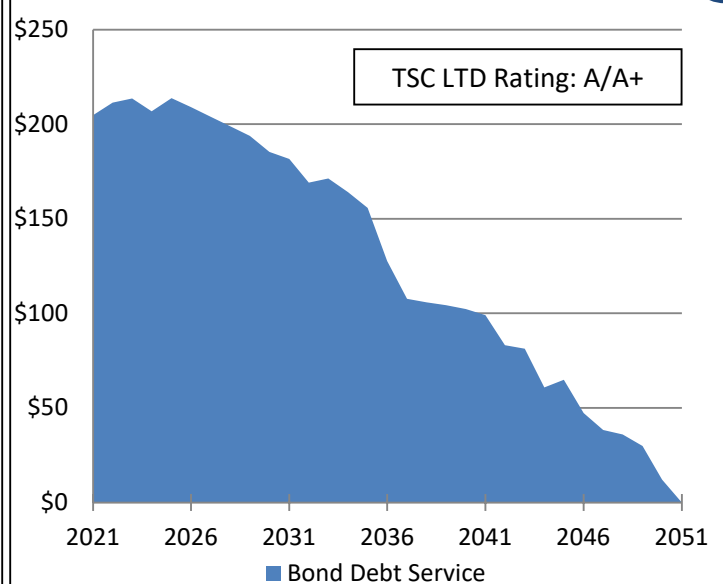
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

- The Federal Open Market Committee (FOMC) reiterated its intention to keep interest rates near zero through 2022. The next meeting of the FOMC is Jan. 26.

3. Conveyance of Easement Rights Across Portion of Hornsby Substation Addition Project in Travis County

Proposed Motion

Authorize the president and chief executive officer or his designee to assign to Austin Energy easement rights across a portion of LCRA Transmission Services Corporation's Hornsby Substation Addition project property in Travis County.

Board Consideration

LCRA TSC Board Policy T401 – Land Resources requires the declaration, terms of conveyance and requests for easements across LCRA TSC land be approved by 12 members of the LCRA TSC Board of Directors.

Budget Status and Fiscal Impact

The administrative costs associated with the conveyance of this easement are contained in the Board-approved Hornsby Substation Addition project.

Summary

Staff requests the Board authorize the assignment of easement rights to Austin Energy to allow Austin Energy to access, operate and maintain its interconnection equipment to be located at the planned Phase I Hornsby Substation.

LCRA TSC is in negotiations to obtain easement rights for the Phase I Hornsby Substation from the landowner. Austin Energy will provide interconnection services and equipment to LCRA TSC at the Phase I Hornsby Substation. As part of those interconnection services, Austin Energy has requested that LCRA TSC partially assign its easement rights to Austin Energy. LCRA TSC will not charge Austin Energy for the easement assignment, and the assignment will terminate on or before the termination of LCRA TSC's easement rights.

LCRA TSC representatives will complete environmental and cultural resource due diligence assessments in accordance with Board Policy T401 – Land Resources before the assignment of the easements.

Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A

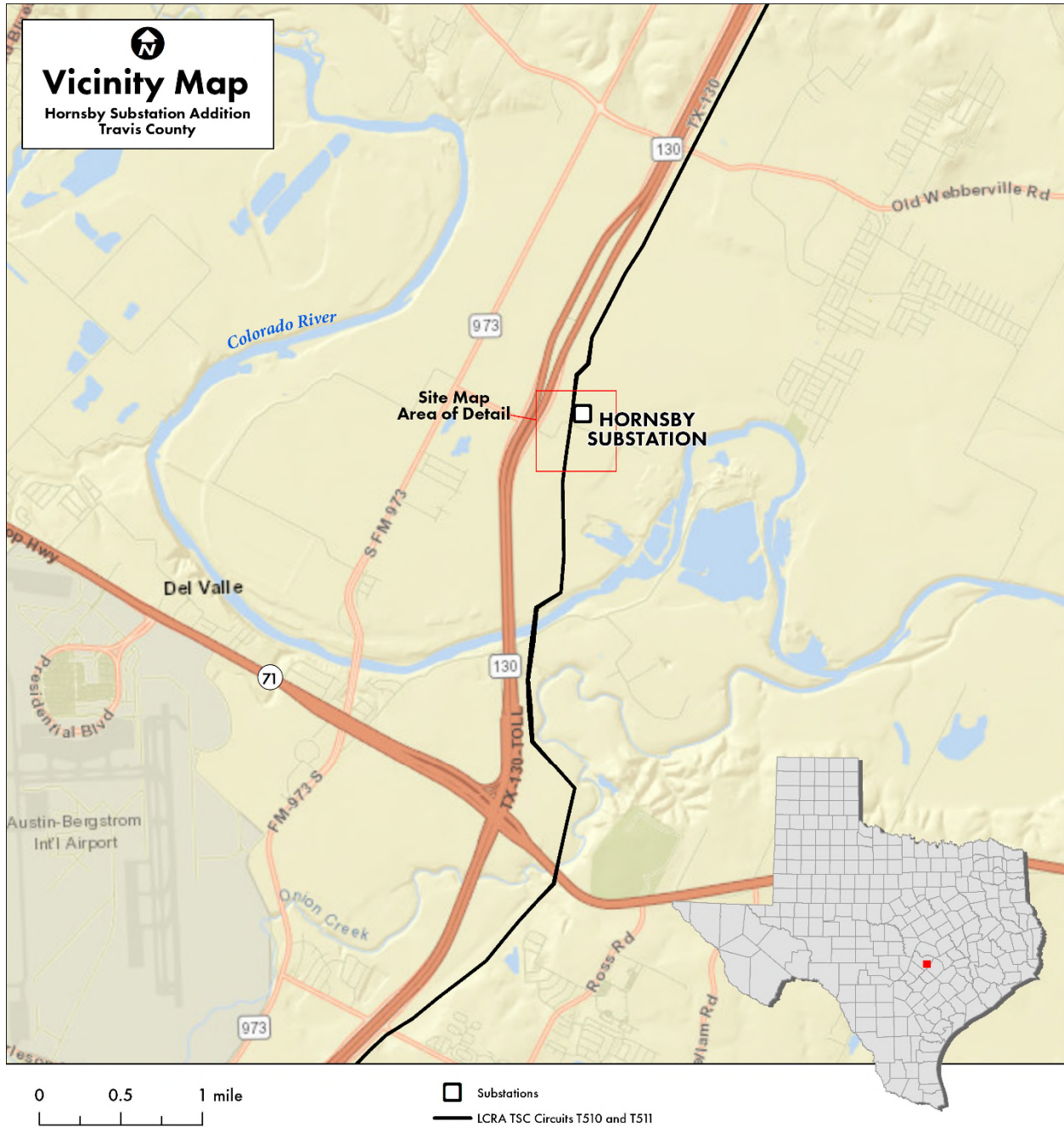
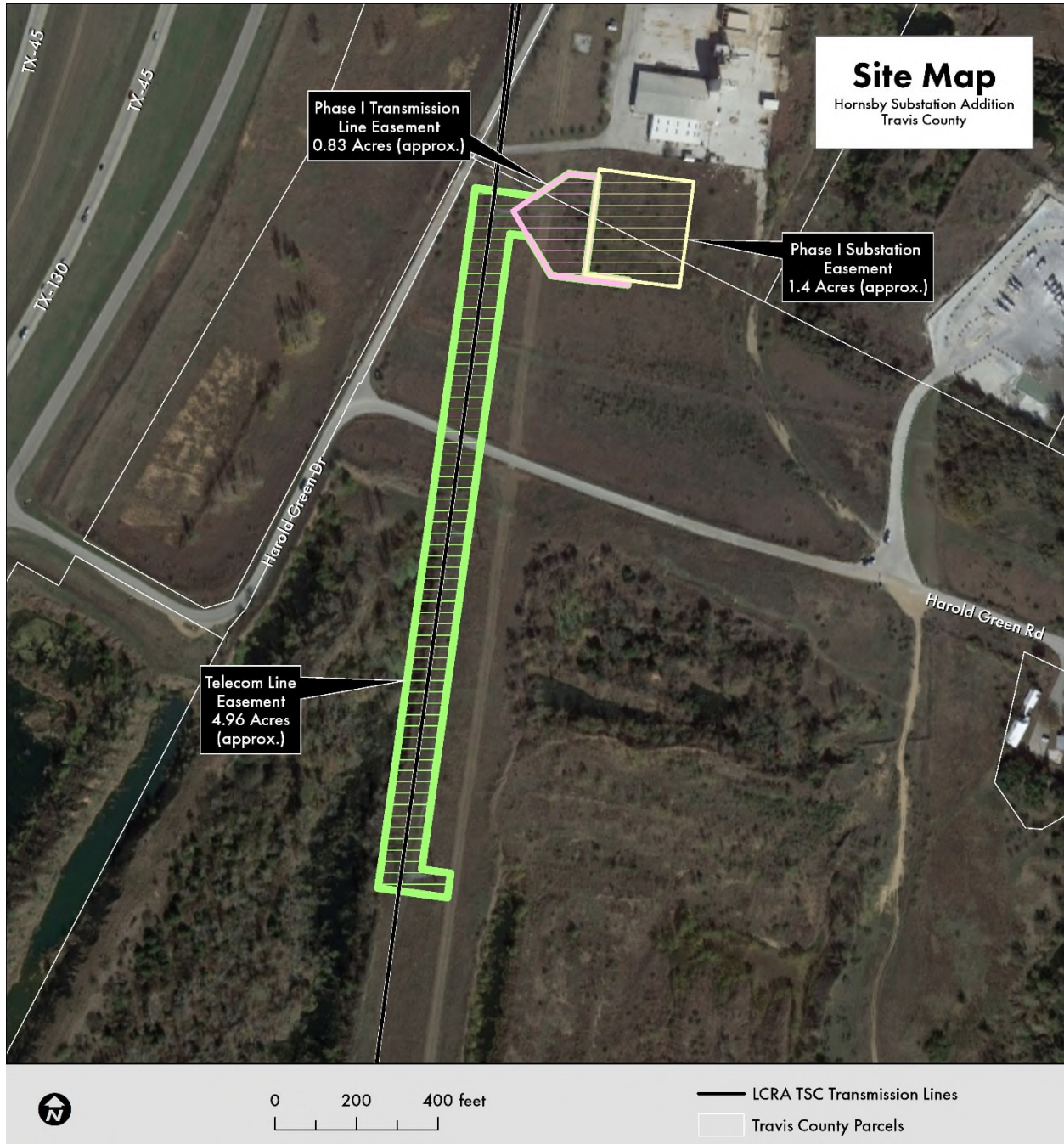


EXHIBIT B



FOR ACTION (CONSENT)

4. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Dec. 15, 2020, 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. 15, 2020, meeting

EXHIBIT A

Minutes Digest
Dec. 15, 2020

- 20-31 Authorization for the president and chief executive officer or his designee to convey to the City of Austin a transmission line easement containing 1.991 acres across a portion of LCRA Transmission Services Corporation's Winchester Substation property in Fayette County.
- 20-32 Approval of the minutes of the Oct. 21, 2020, meeting.
- 20-33 Approval of amendments to LCRA Transmission Services Corporation Board Policy T301 – Finance.
- 20-34 Approval of the Capital Improvement Project Authorization Request for the following projects and associated lifetime budgets: Hortontown Substation Upgrade, Physical Security – FY 2021 Substation Upgrade, Protective Relaying – FY 2021 System Upgrade, Red Rock to Tahitian Village Transmission Line Overhaul and Warda to Winchester Transmission Line Upgrade.
- 20-35 Authorization for the president and chief executive officer or his designee to negotiate and acquire all necessary land rights for an electric transmission line easement amendment and a temporary construction easement for the Camp Wood to Leakey Transmission Line Overhaul project in Real County; and further authorization for the president and chief executive officer or his designee to do all things reasonably necessary to accomplish the purposes hereof.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
LCRA TRANSMISSION SERVICES CORPORATION
Horseshoe Bay, Texas
Dec. 15, 2020

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of LCRA Transmission Services Corporation (LCRA TSC) convened in a regular meeting at 2:06 p.m. Tuesday, Dec. 15, 2020, in the Granite Ballroom at the Horseshoe Bay Resort, 200 Hi Circle North, Horseshoe Bay, Llano County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Michael L. "Mike" Allen
Lori A. Berger
Laura D. Figueroa
Raymond A. "Ray" Gill Jr.
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
Thomas Michael Martine
George W. Russell
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten
Nancy Eckert Yeary

Absent: Stephen F. Cooper, Vice Chair
Joseph M. "Joe" Crane
Charles B. "Bart" Johnson

Chair Timmerman convened the meeting at 2:06 p.m. and led the Board in pledges of allegiance to the American and Texas flags. Director Whitten provided an invocation.

There were no public comments during the meeting [Agenda Item 1].

Vice President and Chief Operating Officer Kristen Senechal gave the Board an update, including a summary of LCRA Transmission Safety Week activities. She gave an update on the Bakersfield to Solstice Transmission Line Addition, Pinnacle Circuit Breaker Addition and Giddings to Warda Transmission Line Upgrade projects. She highlighted LCRA core values – focus on safety, take initiative, focus on service and show respect. Senechal shared stories about employees' contributions and LCRA TSC accomplishments relating to the recent approval and authorization of LCRA TSC's new wholesale transmission rate; Telecom Operations shifting their schedules in order to minimize impacts to essential work; and completion of the Data Visualization project.

The Board next took action on the consent agenda. Upon motion by Director Berger, seconded by Director Lewis, the Board unanimously approved consent items 2 and 3 included on the Dec. 15, 2020, consent agenda by a vote of 12 to 0 as follows:

20-31 Authorization for the president and chief executive officer or his designee to convey to the City of Austin a transmission line easement containing 1.991 acres across a portion of LCRA Transmission Services Corporation's Winchester Substation property in Fayette County, as recommended by staff in Consent Item 2 [attached hereto as Exhibit A].

20-32 Approval of the minutes of the Oct. 21, 2020, meeting [Consent Item 3].

20-33 Vice President and Chief Operating Officer Kristen Senechal presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve amendments to LCRA Transmission Services Corporation Board Policy T301 – Finance. Upon motion by Director Russell, seconded by Director Yearly, the recommendation was unanimously approved by a vote of 12 to 0.

20-34 Vice President of Transmission Asset Optimization Kristian M. Koellner presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the following projects and associated lifetime budgets: Hortontown Substation Upgrade, Physical Security – FY 2021 Substation Upgrade, Protective Relaying – FY 2021 System Upgrade, Red Rock to Tahitian Village Transmission Line Overhaul and Warda to Winchester Transmission Line Upgrade. Upon motion by Director Lewis, seconded by Director Figueroa, the recommendation was unanimously approved by a vote of 12 to 0.

Chair Timmerman declared the meeting to be in executive session at 2:25 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 2:35 p.m.

20-35 Director Berger moved, seconded by Director Lewis, that the Board authorize the president and chief executive officer or his designee to negotiate and acquire all necessary land rights for an electric transmission line easement amendment and a temporary construction easement for the Camp Wood to Leakey Transmission Line Overhaul project in Real County as discussed in executive session; and further authorize the president and chief executive officer or his designee to do all things reasonably necessary to accomplish the purposes hereof. The Board unanimously approved the motion by a vote of 12 to 0.

There being no further business to come before the Board, the meeting was adjourned at 2:36 p.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation
Approved: Jan. 20, 2021

FOR ACTION

5. Capital Improvement Projects Approval

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the projects and associated lifetime budgets as described in Exhibit A.

Board Consideration

LCRA Transmission Services Corporation Board Policy T301 – Finance requires Board of Directors approval for any project exceeding \$1.5 million. The Board has delegated authority to the president and CEO to approve all capital projects associated with generation interconnection projects not previously authorized by the Board.

Budget Status and Fiscal Impact

- All projects recommended for Board approval are within the total annual budget approved in the fiscal year 2021 capital plan.
- Staff will monitor the FY 2021 forecast and will request a fiscal year budget increase if needed. The treasurer and chief financial officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas.

Summary

Staff recommends approval of the capital projects described in Table 1 and Exhibit A. These projects meet legal requirements in the Public Utility Regulatory Act and PUC rules.

Project funds will pay for activities, including but not limited to project management, engineering, materials acquisition, construction and acquisition of necessary land rights. LCRA TSC representatives also will perform all necessary regulatory, real estate, environmental and cultural due diligence activities.

Table 1

Dollars in millions

Project Name	Previous	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Lifetime
	Fiscal Years						
Service Reliability Projects							
Coronado-Fairland Transmission Line Upgrade	-	1.1	6.6	-	-	-	7.6
Fairland-Lago Vista Transmission Line Upgrade	0.1	0.6	2.9	10.4	-	-	13.7
Ferguson-Wirtz Transmission Line Storm Hardening	0.1	4.4	-	-	-	-	4.4
Requested Total	\$ 0.1	\$ 5.9	\$ 9.4	\$ 10.4	\$ -	\$ -	\$ 25.6

Note: Totals may not equal the sum of numbers shown due to rounding.

Presenter(s)

Kristian M. Koellner
Vice President, Transmission Asset Optimization

Exhibit(s)

A – Project Details

EXHIBIT A

Project Approvals Sought

Project Name: Coronado to Fairland Transmission Line Upgrade

Project Number: 1023802

Lifetime Budget: \$7.6 million

Description: The project will improve the reliability of transmission facilities on the 12.4-mile, 138-kilovolt T110 Coronado to Fairland transmission line in Burnet and Llano counties by replacing aging conductor and structures with 138-kV-capable components that meet the latest design standards. The recommended project completion date is May 15, 2022.

Project Name: Fairland to Lago Vista Transmission Line Upgrade

Project Number: 1023803

Lifetime Budget: \$13.7 million

Description: The project will improve the reliability of transmission facilities on the 21-mile, 138-kV T414 Fairland to Lago Vista transmission line in Burnet and Travis counties by replacing aging conductor and structures with 138-kV-capable components that meet the latest design standards. The recommended project completion date is May 15, 2023.

Project Name: Ferguson to Wirtz Transmission Line Storm Hardening

Project Number: 1023805

Lifetime Budget: \$4.4 million

Description: The project will improve the safety and reliability of the transmission network by replacing structures on the 9.3-mile, 138-kV T187 Ferguson to Sherwood Shores transmission line from Ferguson Substation to Wirtz Substation in Burnet and Llano counties to meet PUC storm hardening requirements. The recommended project completion date is May 15, 2021.

FOR ACTION

6. Approve LCRA's Adoption of the Thirty-fourth Supplemental Resolution to the LCRA Transmission Contract Revenue Financing Program Regarding Issuance of LCRA Transmission Services Corporation Series 2021 Refunding Revenue Bonds, and Authorize Related Agreements

Proposed Motion

Staff recommends the Board of Directors request and approve the adoption by LCRA of the Thirty-fourth Supplemental Resolution (Thirty-fourth Supplement) to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (Controlling Resolution) authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2021 (Bonds) in an amount not to exceed \$600 million for the following purposes: (i) currently refund 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; (ii) currently refund certain outstanding long-term Transmission Contract Debt; (iii) fund a debt service reserve fund for the Bonds; and (iv) pay for issuance costs of the Bonds.

This motion also will:

1. Approve related documents in substantially final form, including the escrow agreement, the paying agent/registrar agreement, the Preliminary Official Statement and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (2021 Installment Payment Agreement Supplement). Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the president and chief executive officer and/or the treasurer and 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/prepayment/ 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.
 - d. Approve the terms of the sale of the Bonds to an underwriting team lead by BofA Securities.

- e. 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 2021 LCRA TSC business plan anticipates the refunding of LCRA TSC Series 2011A and 2011B 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 currently refunding certain LCRA TSC commercial paper, revolving notes and bonds in an amount not to exceed \$600 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.

Background. The Thirty-fourth 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 Thirty-fourth Supplement authorizes the Bonds; approves the forms of the ancillary agreements relating to such bonds; and delegates to the president and chief executive officer and/or the treasurer and 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 Thirty-fourth Supplement also requires an officer of LCRA TSC to agree to the specific terms of the Bonds. The Controlling Resolution, the Thirty-fourth 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 2021 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 arm's-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. BofA Securities will be the senior manager of the underwriting team for the Bonds.

The Paying Agent/Registrar Agreement is the contract between LCRA, LCRA TSC and The Bank of New York Mellon Trust Company NA setting forth the rights, duties and obligations of the 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 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.

Baker Tilly US 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. Staff periodically 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 no later than April 15, 2021, 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

7. Approve LCRA's Adoption of the Thirty-fifth Supplemental Resolution to the LCRA Transmission Contract Revenue Financing Program Regarding LCRA Transmission Services Corporation Commercial Paper Program Tax-Exempt Series, and Authorize Related Agreements

Proposed Motion

Staff recommends the Board of Directors request and approve the adoption by LCRA of the Thirty-fifth Supplemental Resolution (Thirty-fifth Supplement) to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (Controlling Resolution) authorizing the renewal of the \$150 million Transmission Services Tax-Exempt Commercial Paper Program (Tax-Exempt Series CP) credit facility, and authorize the president and chief executive officer or his designee to negotiate and execute certain related agreements, including the amendments to the Amended and Restated Letter of Credit Reimbursement Agreement among LCRA; LCRA Transmission Services Corporation (LCRA TSC); JPMorgan Chase Bank, National Association; and State Street Bank and Trust Company (Amended and Restated Reimbursement Agreement), setting forth the terms and conditions governing the issuance of the direct-pay letter of credit securing the tax-exempt commercial paper program for LCRA TSC (Letter of Credit) in the amount of \$150 million.

Board Consideration

The Thirty-fifth Supplement, which approves the extension of the credit facility for the Tax-Exempt Series CP and authorizes the supporting amendments to the Amended and Restated Reimbursement Agreement and the related Letter of Credit, requires Board authorization. The three-year extension of the credit facility complies with the covenants of the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program and LCRA TSC Board Policy T301 – Finance. Section 8503.004(p) of the Texas Special District Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions.

Budget Status and Fiscal Impact

Staff anticipates the proposed agreements will allow LCRA to issue commercial paper on behalf of LCRA TSC to finance the construction of facilities and delay the issuance of long-term bonds, which have higher interest rates in the current market. As a result, staff anticipates LCRA TSC will experience lower debt service costs until long-term bonds are issued.

Summary

With this action, the Board will request, consent and approve the adoption by LCRA of the Thirty-fifth Supplement and the negotiation and execution of the related amendments to the Amended and Restated Reimbursement Agreement and Letter of Credit. The amount of the bank commitment will remain \$150 million. The Board also will authorize the president and chief executive officer or his designee to negotiate and execute such an amendment and all related documents.

Background. In March 2003, the LCRA Board, on behalf of LCRA TSC, adopted the Fourth Supplemental Resolution, which authorized the issuance of the commercial paper notes in an amount of principal and interest not to exceed \$150 million and a Reimbursement Agreement and Letter of Credit to secure such commercial paper. In April 2012, the Fourth Supplemental Resolution was amended to allow an increase in the program up to \$200 million. The credit facility has been amended several times over the years, in different amounts and with different banks participating. JPMorgan Chase Bank is the acting agent under the Reimbursement Agreement.

The Thirty-fifth Supplement extends this commercial paper notes program at \$150 million for three years to the spring of 2024 to give LCRA TSC capacity in its short-term debt facility, delaying long-term financing of outstanding commercial paper notes, and also authorizes certain related agreements. LCRA, LCRA TSC and the banks are proposing the amendments to the Amended and Restated Reimbursement Agreement supporting the commercial paper notes that will reflect the current terms of the agreement and specify the current bank group, market pricing and amount of the credit facility. The extended agreement will be in the amount of \$150 million, with JPMorgan Chase Bank and State Street Bank and Trust each having a \$75 million commitment. With this action, the Board will authorize the president and chief executive officer or his designee to negotiate and execute such an amendment and all related documents.

LCRA issues the commercial paper notes on behalf of LCRA TSC to reimburse for eligible expenses and maintains a level of short-term debt until such time as market conditions are favorable for refunding that short-term debt with long-term bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the LCRA dealer for the commercial paper program. The Bank of New York Mellon Trust Company is the paying agent for the notes.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

FOR ACTION

8. Approve the LCRA Transmission Contract Revenue Notes Series F Note Purchase Agreement and Authorize Related Agreements

Proposed Motion

Request and approve the adoption by LCRA of the Thirty-sixth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (Controlling Resolution) to authorize the renewal of the note purchase agreement among LCRA, LCRA Transmission Services Corporation (LCRA TSC) and Bank of America NA, (Series F FNP Agreement) for the LCRA Transmission Contract Revenue Notes, Series F and Taxable Series F (Series F NP Agreement), and authorize the president and chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to Bank of America in an amount up to \$50 million for the Series F Notes.

Board Consideration

A supplemental resolution to the existing Controlling Resolution requires Board approval. The Series F NP Agreement complies with the covenants of the LCRA Controlling Resolution, the Thirty-sixth Supplement to the Controlling Resolution that authorized up to \$50 million for the Series F Notes, and with LCRA TSC Board Policy T301 – Finance. Section 8503.004(p) of the Texas Special District Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions.

Budget Status and Fiscal Impact

Staff anticipates the renewal of the \$50 million credit facility will result in cost savings because the agreement will reflect current market rates. The Series F replaced a portion a facility that expired in June 2020. Market rates were higher at that time due to the COVID-19 pandemic disrupting financial markets. The one-year agreement put in place in June 2020 allowed for the cancellation of the facility after six months. Bank of America has offered a renewal at lower rates for a new one-year term. This facility will allow LCRA to issue private bank debt on behalf of LCRA TSC to finance the construction of facilities and delay the issuance of long-term bonds, which have higher interest rates in the current market. Staff anticipates LCRA TSC will experience lower debt service costs until long-term bonds are issued.

Summary

Staff recommends the Board request, consent and approve the adoption of the Thirty-sixth Supplemental Resolution authorizing the president and CEO or his designee to negotiate and execute the Series F NP Agreement and other related documents.

LCRA, as the conduit issuer for LCRA TSC, through amendments to the debt programs and bank credit facilities, currently has authorized LCRA TSC to enter into a

\$150 million tax-exempt commercial paper program with JPMorgan and State Street Bank, a \$150 million Series C Notes with Bank of America, a \$100 million Series E with U.S. Bank and a \$50 million Series F Notes with Bank of America.

Staff now seeks to renew the \$50 million Series F Notes program with Bank of America. The Series F program will have a one-year maturity and potential consolidation with the Series C Notes with Bank of America maturing in late 2021.

The note purchases by Bank of America allow LCRA TSC to fund project costs in a similar manner to the existing commercial paper programs. However, the direct purchase facilities with the bank provide an alternative structure that eliminates marketing and remarketing risk that can occur with a public commercial paper program. The private debt facilities do not require public credit ratings to be issued and maintained. The credit facilities allow LCRA TSC to choose the variable interest rate and period to effectively manage the debt. Credit terms and fees are higher than existing commercial paper credit facilities due to current market conditions.

The Series F Notes are issued on parity with LCRA TSC contract revenue bonds and notes pursuant to the LCRA Controlling Resolution and in compliance with the variable debt limitations in LCRA TSC Board Policy T301 – Finance (25% of the total long-term debt and total equity of LCRA TSC).

Supplements to the restated Transmission Contract Revenue Debt Installment Payment Agreement between LCRA and LCRA TSC, dated March 1, 2003, secure the Series F Notes by obligating LCRA TSC to make all payments related to the notes. The notes may be refunded into long-term debt when the conditions are advantageous to LCRA TSC.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer