



LCRA Board Agenda
Wednesday, April 28, 2021
Canyon of the Eagles
Live Oak Room
16942 Ranch Road 2341
Burnet, TX 78611
Earliest start time: 8 a.m.

Items From the Chair

- 1. Comments From the Public 3

Items From the Chief Financial Officer

- 2. Financial Highlights 5

Consent Items

- 3. Appointment of Director to GenTex Power Corporation 7

Action/Discussion Items

- 4. Authorize the Fiscal Year 2021 Extraordinary LCRA Optional Purchase Price Payment From LCRA Transmission Services Corporation 8
- 5. LCRA Fiscal Year 2022 Business and Capital Plans
 - Opening Remarks
 - Wholesale Power Customer Communication (*10 a.m. time certain*)
 - LCRA
 - LCRA Transmission Services Corporation

Executive Session

- 1. Fiscal Year 2022 Business and Capital Plans
 - LCRA (Wholesale Power portion)
 - LCRA WSC Energy
 - WSC Energy II
 - GenTex Power Corporation
- 2. Legislative Update
- 3. Litigation Update

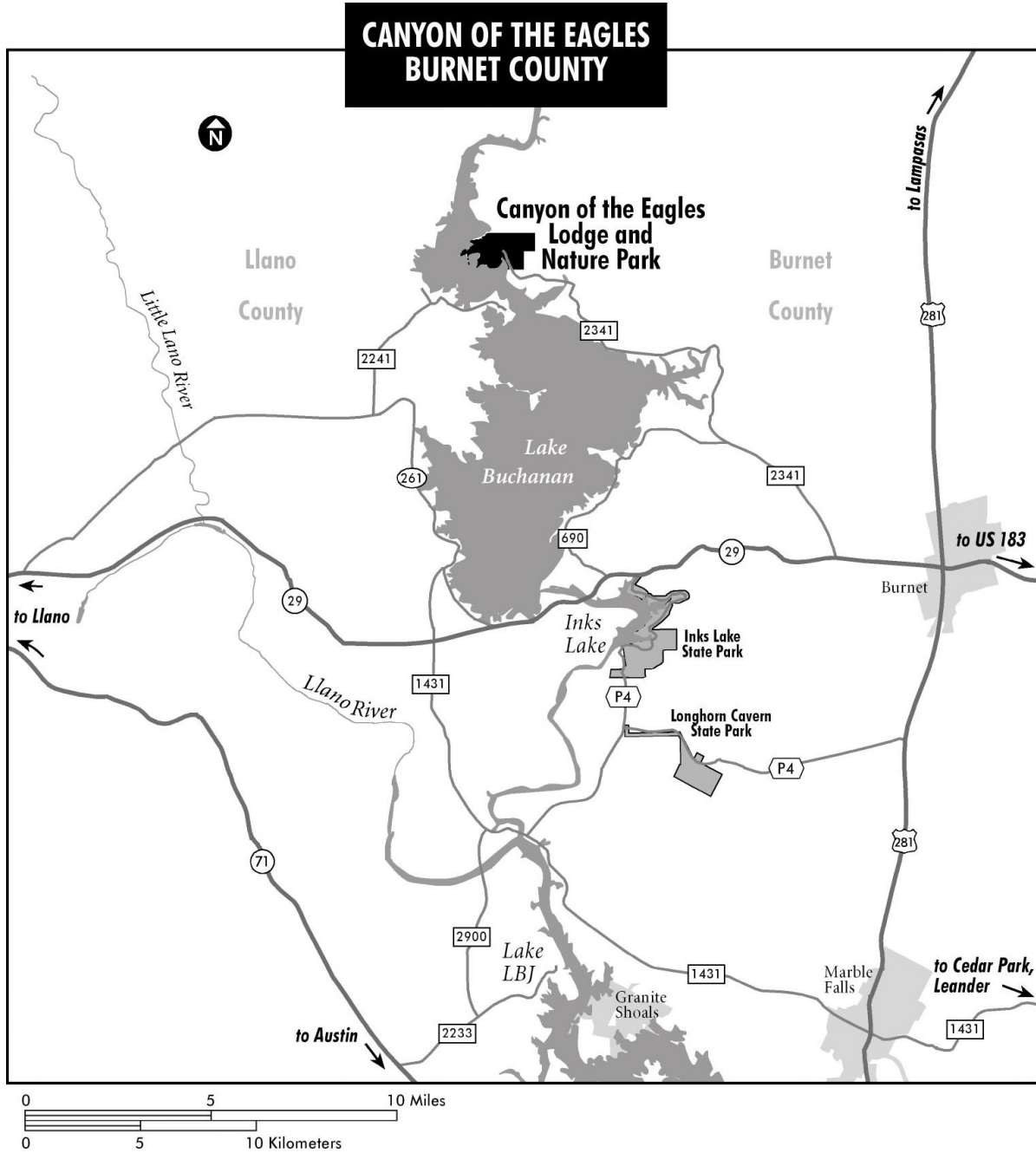
The Board may go into Executive Session to receive advice from legal counsel on any item listed above pursuant to Chapter 551 of the Texas Government Code.

Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at www.sos.texas.gov/open/index.shtml.

Canyon of the Eagles

Live Oak Room
16942 Ranch Road 2341
Burnet, TX 78611



FOR DISCUSSION

1. Comments From the Public

Summary

At this time, the Board will hear comments on topics under LCRA's jurisdiction or on any item listed on this agenda.

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. Please see the Protocols for Public Communication at Board and Committee Meetings as shown in Exhibit A for details.

Please note: Each attendee will be required to wear a face covering in accordance with the Canyon of the Eagles policy.

Exhibit(s)

A – Protocols for Public Communication at Board and Committee Meetings

EXHIBIT A

PROTOCOLS FOR PUBLIC COMMUNICATION AT BOARD AND COMMITTEE MEETINGS

Approved by the LCRA Board of Directors on Dec. 11, 2018

- 1. Oral Presentations on Issues Under LCRA's Jurisdiction.** Any person wishing to make an oral presentation at a Board meeting on any matter under LCRA's jurisdiction must complete a registration form that indicates the agenda item or other topic on which they wish to comment, along with the speaker's name, address and other relevant information. Any person making an oral presentation to the Board may distribute related materials to the Board at the meeting.
- 2. Time Allocation.** The presiding officer may limit the length of time for each speaker. Speakers may not trade or donate time to other speakers without permission from the presiding officer, and repetitive testimony shall be minimized.
- 3. Rules of Decorum.** Speakers and members of the audience must avoid disruptive behavior that interferes with the orderly conduct of a public meeting. Placards, banners, and hand-held signs are not allowed in Board or committee meetings, and speakers and members of the audience must avoid personal affronts, profanity, booing, excessive noise, and other disruptive conduct. The presiding officer may direct that anyone who disrupts a meeting be removed from the room.
- 4. Recording.** Any person making an audio or video recording of all or any part of a Board meeting must do so in a manner that is not disruptive to the meeting. During a meeting, members of the public must remain in or behind the public seating area and are not permitted to record from any other area of the meeting room.
- 5. Committee Meetings.** The protocols outlined in 1-4 above also apply to members of the public wishing to address any LCRA Board committee whose membership comprises the entirety of the LCRA Board on matters within the scope of each of those committees.

FOR DISCUSSION

2. Financial Highlights

Summary

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

Presenter(s)

Jim Travis

Chief Financial Officer

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Lower Colorado River Authority
Financial Highlights
March 2021

Lower Colorado River Authority
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Key term:

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

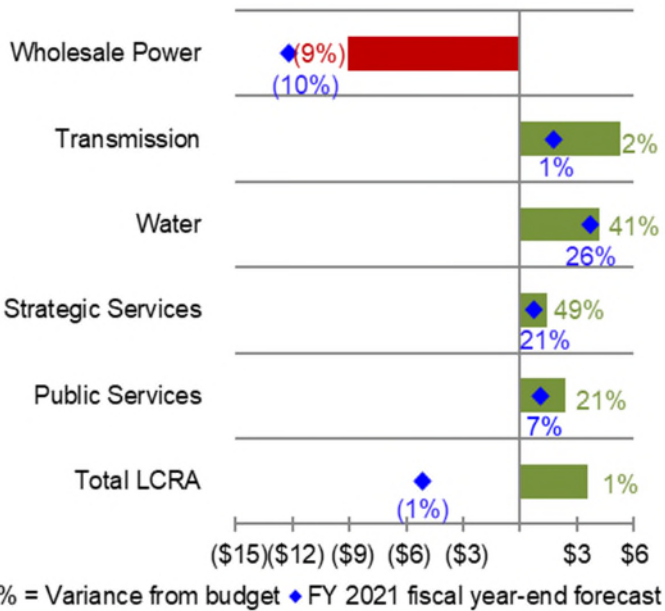
Lower Colorado River Authority

March 31, 2021

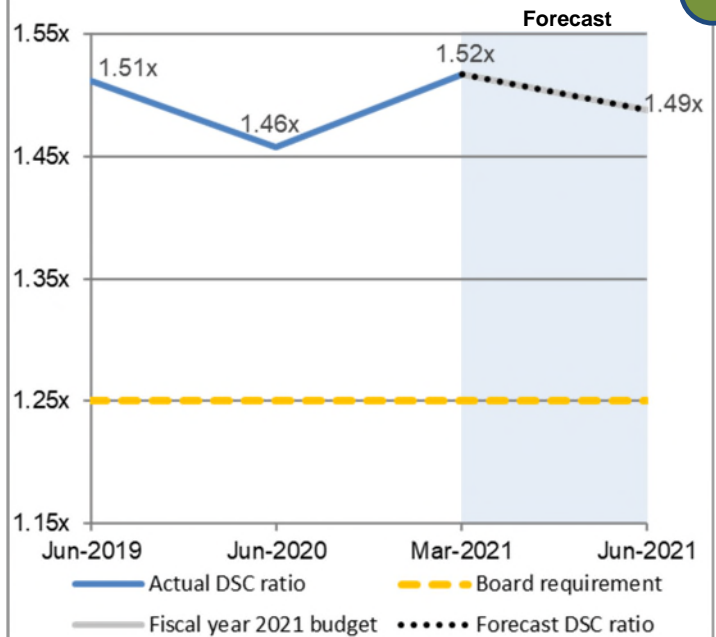
(Dollars in Millions)

Budget-to-Actual Highlights

Net Margin Fiscal Year-to-Date Variances



Debt Service Coverage



Key takeaways:

- Higher-than-budgeted costs to serve load and for nonfuel expenses primarily drove Wholesale Power's year-to-date performance and year-end forecast due to the February 2021 winter storm.
- Lower-than-budgeted expenses primarily drove Transmission's year-to-date performance and year-end forecast.
- Lower-than-budgeted river management and irrigation expenses and higher-than-budgeted river management revenues primarily drove Water's year-to-date performance and year-end forecast.
- Higher-than-budgeted radio sales and services revenues primarily drove Strategic Services' year-to-date performance and year-end forecast.
- Lower-than-budgeted park and water quality expenses and higher-than-budgeted park revenues primarily drove Public Services' year-to-date performance and year-end forecast.
- LCRA's debt service coverage forecast is on target due to lower-than-budgeted debt service offsetting the lower-than-budgeted forecast net margin.

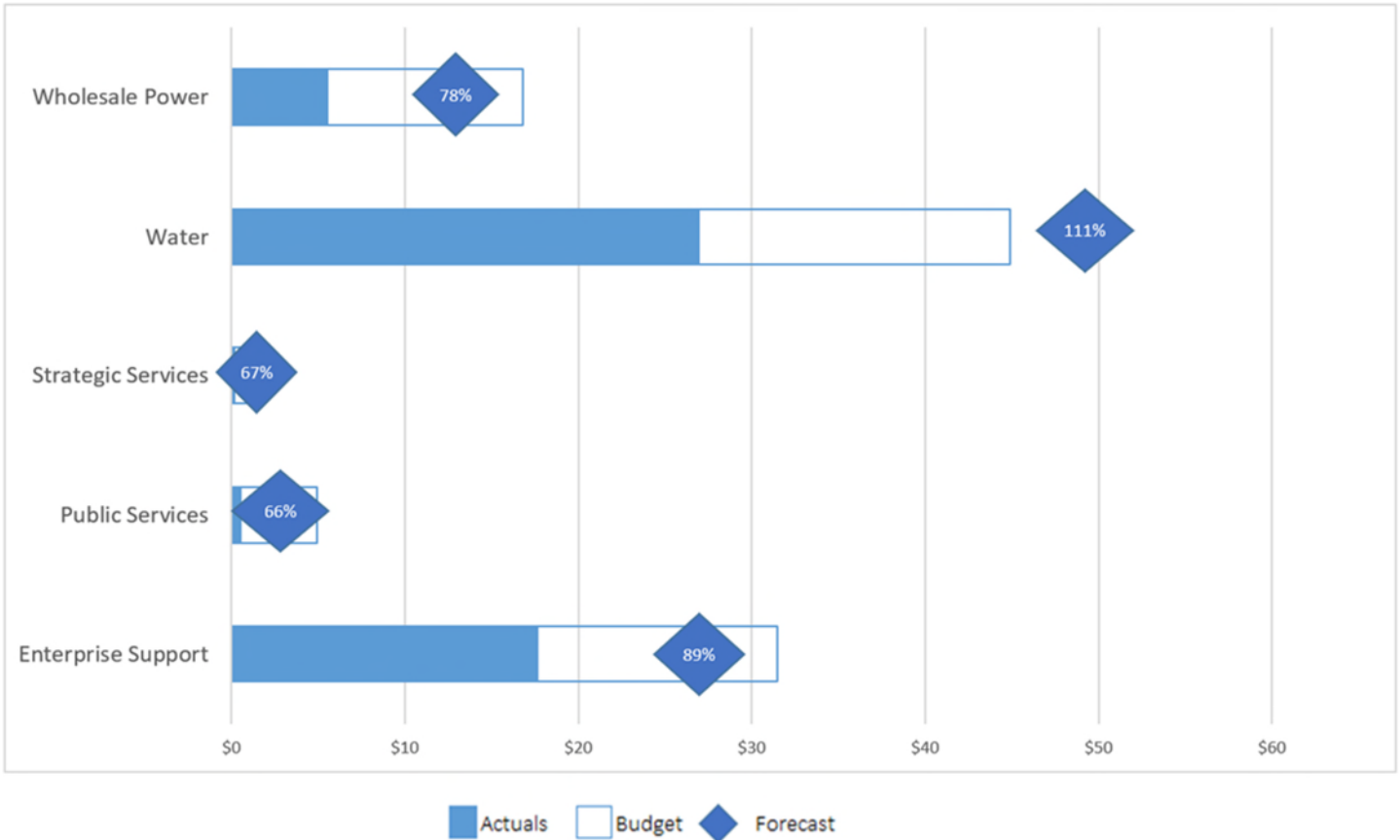
Note: Wholesale Power includes nonprofit corporations.

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(Dollars in Millions)

Capital Forecast



Key takeaways:

- LCRA currently is projecting capital spending for FY 2021 will be \$4.3 million under the capital plan budget of \$99.4 million.
- The primary driver for the current FY 2021 favorable variance is decreased fiscal year spending on multiple projects offset by new general manager approved projects and higher-than-budgeted Arbutle Reservoir Project spending.

General manager project approval:

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the general manager to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA Board Policy 301. The GM approved the following new project this quarter:
 - Lost Pines 1 Power Project Combustion Turbine A and CT B Combustion Dynamics Monitoring System for \$790,000.

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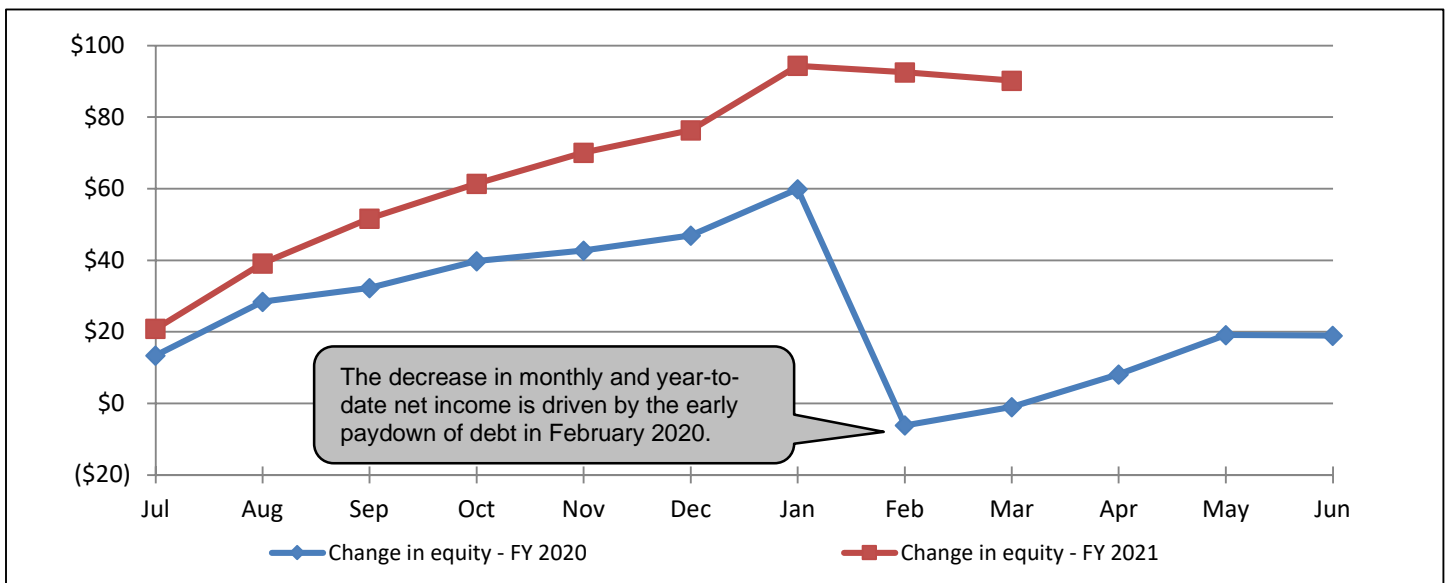
March 31, 2021

(Dollars in Millions)

Board Metrics

Board Metric	Description	Compliant
Equity Ratio	LCRA 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 will covenant debt service reserves in the amount of six months of average annual debt service requirements on outstanding debt. Debt service reserves may be collected through nonfuel rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.	✓
Operating Reserves	LCRA will target three months of average operating and maintenance expense for the purposes of operating liquidity and maintaining reserves for liquidity of two to three months. Compliance will be evaluated at the end of each fiscal year. These reserves will be collected through nonfuel rates. If at any time the level of the operating reserves are projected to fall below the minimum two months established by 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 operating reserves to such target levels within 12 months.	✓

Income Statement Trends Cumulative Fiscal Year to Date



Key takeaways:

- FY 2021 year-to-date operating income includes the effects of the winter storm, resulting in an increase in electric and other (ancillary) revenue offset by the related increase in fuel expense. A decrease in alternate rate option elections by customers primarily caused the large variances in purchased power and operations expense.

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Key takeaways (continued):

- FY 2021 year-to-date nonoperating expenses decreased compared with the prior year due to a decrease in interest expense and the early paydown of LCRA debt in February 2020.

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(Dollars in Millions)

Condensed Balance Sheets

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Assets		
Cash and cash equivalents	\$ 403.5	\$ 260.4
Current assets	<u>715.0</u>	<u>411.3</u>
Total current assets	<u>1,118.5</u>	<u>671.7</u>
Capital assets	5,126.1	4,883.4
Long-term assets	<u>832.5</u>	<u>976.2</u>
Total long-term assets	<u>5,958.6</u>	<u>5,859.6</u>
Total Assets	<u>\$ 7,077.1</u>	<u>\$ 6,531.3</u>
Liabilities		
Bonds, notes and loans payable	\$ 582.6	\$ 446.7
Current liabilities	<u>205.7</u>	<u>218.8</u>
Total current liabilities	<u>788.3</u>	<u>665.5</u>
Bonds, notes and loans payable	3,963.0	3,600.9
Pension liability	207.6	232.3
Long-term liabilities	<u>372.9</u>	<u>397.5</u>
Total long-term liabilities	<u>4,543.5</u>	<u>4,230.7</u>
Equity		
Total equity	<u>1,745.3</u>	<u>1,635.1</u>
Total Liabilities and Equity	<u>\$ 7,077.1</u>	<u>\$ 6,531.3</u>

Key takeaway:

- Assets and liabilities have trended steadily upward over the past year due to construction activities related to Transmission's capital plan. In addition, current assets and liabilities increased in February 2021 due to the winter storm, which impacted Electric Reliability Council of Texas billings and increased gas inventory prices. This led to an increase in both receivables and short-term debt.

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(Dollars in Millions)

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2021	2020
Operating Revenues		
Electric	\$ 878.5	\$ 712.5
Water and irrigation	24.5	21.4
Other	44.2	31.5
Total Operating Revenues	<u>947.2</u>	<u>765.4</u>
Operating Expenses		
Fuel	220.6	183.6
Purchased power	106.8	132.6
Operations	234.7	80.9
Maintenance	37.5	33.2
Depreciation, depletion and amortization	143.3	160.3
Total Operating Expenses	<u>742.9</u>	<u>590.6</u>
Operating Income	<u>204.3</u>	<u>174.8</u>
Nonoperating Revenues (Expenses)		
Interest on debt	(103.9)	(122.3)
Other income (expenses)	<u>(10.2)</u>	<u>(53.5)</u>
Total Nonoperating Revenues (Expenses)	(114.1)	(175.8)
Change in Equity	90.2	(1.0)
Equity - Beginning of Period	<u>1,655.1</u>	<u>1,636.1</u>
Equity - End of Period	<u>\$ 1,745.3</u>	<u>\$ 1,635.1</u>

Lower Colorado River Authority

March 31, 2021

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2021	2020
Cash Flows From Operating Activities		
Received from customers	\$ 620.6	\$ 816.2
Payments	(753.6)	(499.2)
Net cash provided by (used in) operating activities	(133.0)	317.0
Cash Flows From Noncapital Financing Activities	5.2	1.1
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(331.8)	(333.5)
Debt principal payments	-	(23.4)
Other capital and financing activities	433.3	80.6
Net cash provided by (used in) capital and financing activities	101.5	(276.3)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	374.3	561.4
Purchase of investment securities	(328.0)	(690.9)
Note payments and interest received	6.9	12.8
Net cash provided by (used in) investing activities	53.2	(116.7)
Net Increase (Decrease) in Cash and Cash Equivalents	26.9	(74.9)
Cash and Cash Equivalents - Beginning of Period	449.1	408.3
Cash and Cash Equivalents - End of Period	\$ 476.0	\$ 333.4

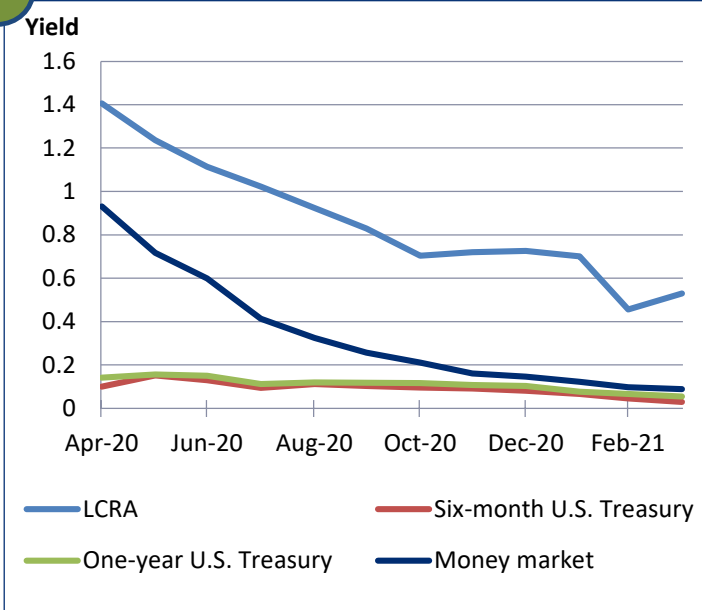
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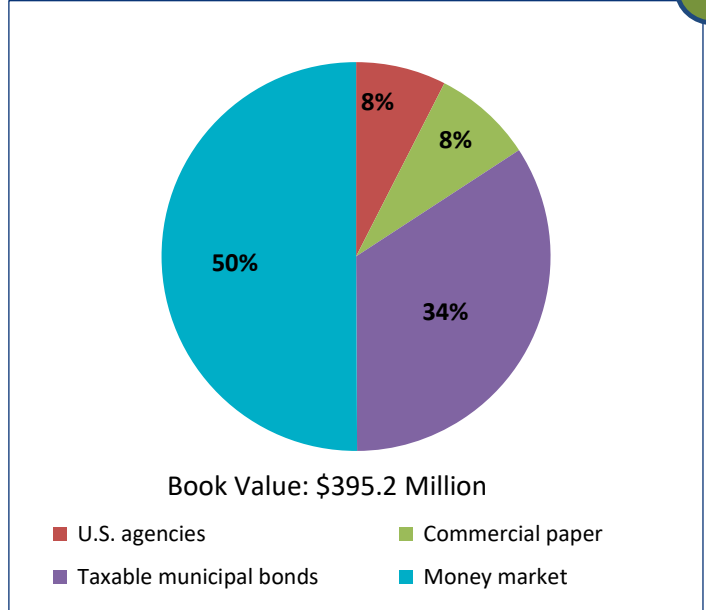
(Dollars in Millions)

Investments and Debt

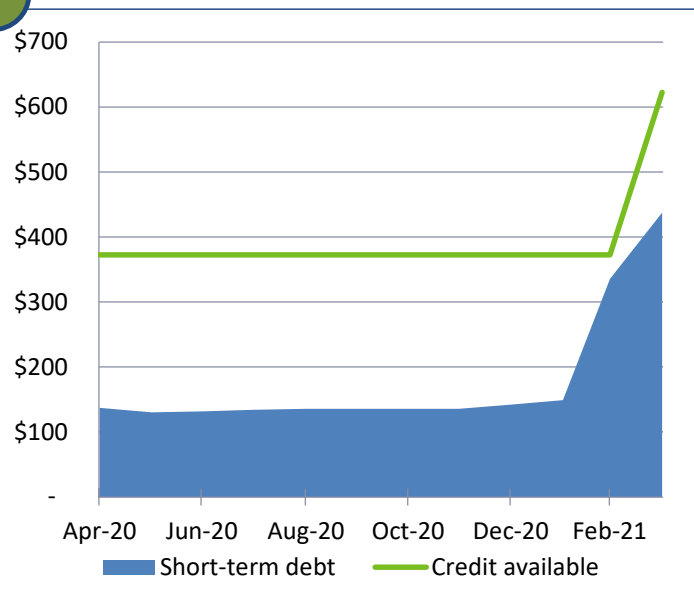
Investment Portfolio Yield



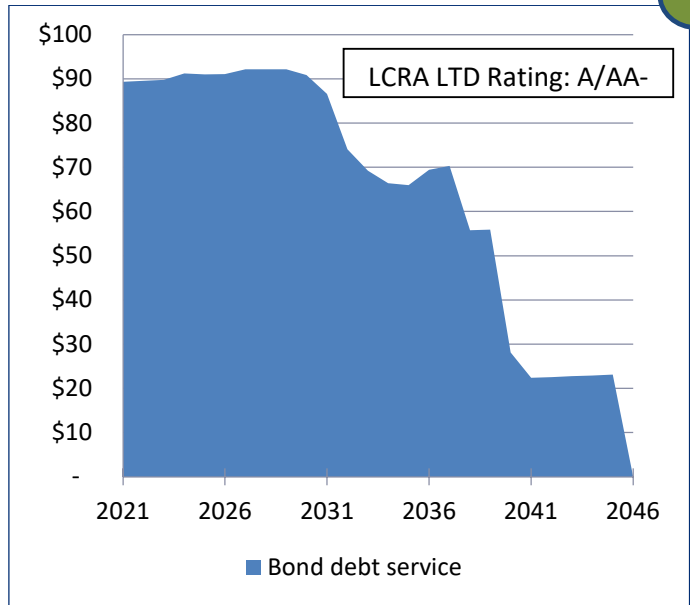
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

- The Federal Open Market Committee will keep loose monetary policy in effect until economic outcomes are achieved, based on minutes from the March meeting.

FOR ACTION (CONSENT)

3. Appointment of Director to GenTex Power Corporation

Proposed Motion

Appoint David Thompson to serve on the GenTex Power Corporation (GenTex) Board of Directors to complete the unexpired term of Julie C. Parsley.

Board Consideration

Section 2.01 of the GenTex bylaws requires that the LCRA Board of Directors appoint two directors representing LCRA's electric cooperative customers to serve two-year terms on the GenTex Board.

Budget Status and Fiscal Impact

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

Summary

Julie C. Parsley, chief executive officer of Pedernales Electric Cooperative, has served on the GenTex Board since April 2018. Her current term expires Dec. 31, 2022. However, she recently resigned from the GenTex Board.

David Thompson, vice president of markets for PEC, will replace Julie C. Parsley on the GenTex Board for the remainder of her term, representing LCRA's electric cooperative customers. Thomson's appointment is effective immediately.

FOR ACTION

4. Authorize the Fiscal Year 2021 Extraordinary LCRA Optional Purchase Price Payment From LCRA Transmission Services Corporation

Proposed Motion

Adopt the attached resolution making determinations regarding the payment from LCRA Transmission Services Corporation of an Extraordinary LCRA Optional Purchase Price Payment for fiscal year 2021 and, when such payment is made, reserve those funds in the LCRA Strategic Reserve.

Board Consideration

Under the terms of the Contractual Commitment, the LCRA Board of Directors is required to determine the amount of the ELOPPP that is due.

Budget Status and Fiscal Impact

The transfer to LCRA was contemplated in the FY 2021 business plan. The initiation of this transfer is being made after ensuring LCRA TSC will meet all financial commitments, including annual expenses for operations and maintenance, debt service, and any other payments required under its financial policies.

Summary

As part of the formation of LCRA TSC and the transfer of LCRA's transmission assets to LCRA TSC, LCRA and LCRA TSC executed the Electric Transmission Facilities Contract (the Contractual Commitment) between LCRA and LCRA TSC dated as of Oct. 1, 2001, to govern that transfer and to obligate LCRA TSC to pay a purchase price for those assets. As required by the Contractual Commitment, LCRA TSC has made, each year since its inception, purchase price payments equal to the LCRA debt service obligation associated with the assets transferred to LCRA TSC. Under Section 4.02 of the Contractual Commitment, the LCRA Board has sole discretion to determine each fiscal year if an annual ELOPPP will be made to LCRA. This determination must be made before the LCRA Board's approval of LCRA TSC's annual budget for the following year. The amount of any ELOPPP is capped at 25% of the amount of LCRA TSC's Contractual Commitment purchase price payments and guarantee reimbursement payments, and is only payable if all other financial commitments of LCRA TSC have been met, including debt, debt service, operations and maintenance, and coverage ratios and reserve funds required by LCRA TSC's financial policies.

Staff determined LCRA TSC has to date met, and is expected to meet, all financial obligations required by any agreement or the financial policies of LCRA TSC for FY 2021.

The amount to be transferred to LCRA will be reserved in the LCRA Strategic Reserve for use in accordance with Board Policy 301 – Finance.

Presenter(s)

Jim Travis
Chief Financial Officer

Exhibit(s)

A – Board Resolution: Extraordinary LCRA Optional Purchase Price Payment

EXHIBIT A

RESOLUTION

WHEREAS, the Lower Colorado River Authority (LCRA) and LCRA Transmission Services Corporation (LCRA TSC) entered into the certain Electric Transmission Facilities Contract (the Contractual Commitment) as of Oct. 1, 2001, as amended; and

WHEREAS, in the Contractual Commitment, LCRA TSC agreed, under certain circumstances, to make an annual payment to LCRA, which is referred to as the Extraordinary LCRA Optional Purchase Price Payment (ELOPPP); and

WHEREAS, the Contractual Commitment provides that the LCRA Board of Directors shall determine if an ELOPPP payment is due and payable for any fiscal year and the amount of such payment; and

WHEREAS, such ELOPPP payment is permitted under the Final Order issued by the Public Utility Commission of Texas in Docket No. 25829 and the stipulation incorporated therein;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby determines that pursuant to Section 4.02 of the Contractual Commitment, an ELOPPP payment is due from LCRA TSC for FY 2021, and the amount of the ELOPPP payment due and payable by LCRA TSC in FY 2021 is \$1.1 million.