



Board Agenda

Wednesday, Oct. 20, 2021
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 9:15 a.m.

Items From the Chair

- 1. Comments From the Public 3

Items From the General Manager

General Manager’s Update

Items From the Chief Financial Officer

- 2. Financial Report 5

Consent Items

- *3. Sale of Land in Llano County (Parcel BW-19) 7
- *4. Sale of Land in Llano County (Parcel BW-01) 10
- 5. LCRA Board Policy 603 – Energy Transactions 13
- 6. Directors’ Fees, Expenses..... 19
- 7. Minutes of Prior Meetings 20

Action Items

- *8. Authorize the Amendment and Extension of the Note Purchase Agreement
Related to the LCRA Revenue Revolving Notes, Series C and Taxable
Series C, and Authorize Related Agreements 31
- 9. LCRA Firm Water Rates 33

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

Executive Session

- 1. Competitive Electric Matters
- 2. Litigation Report

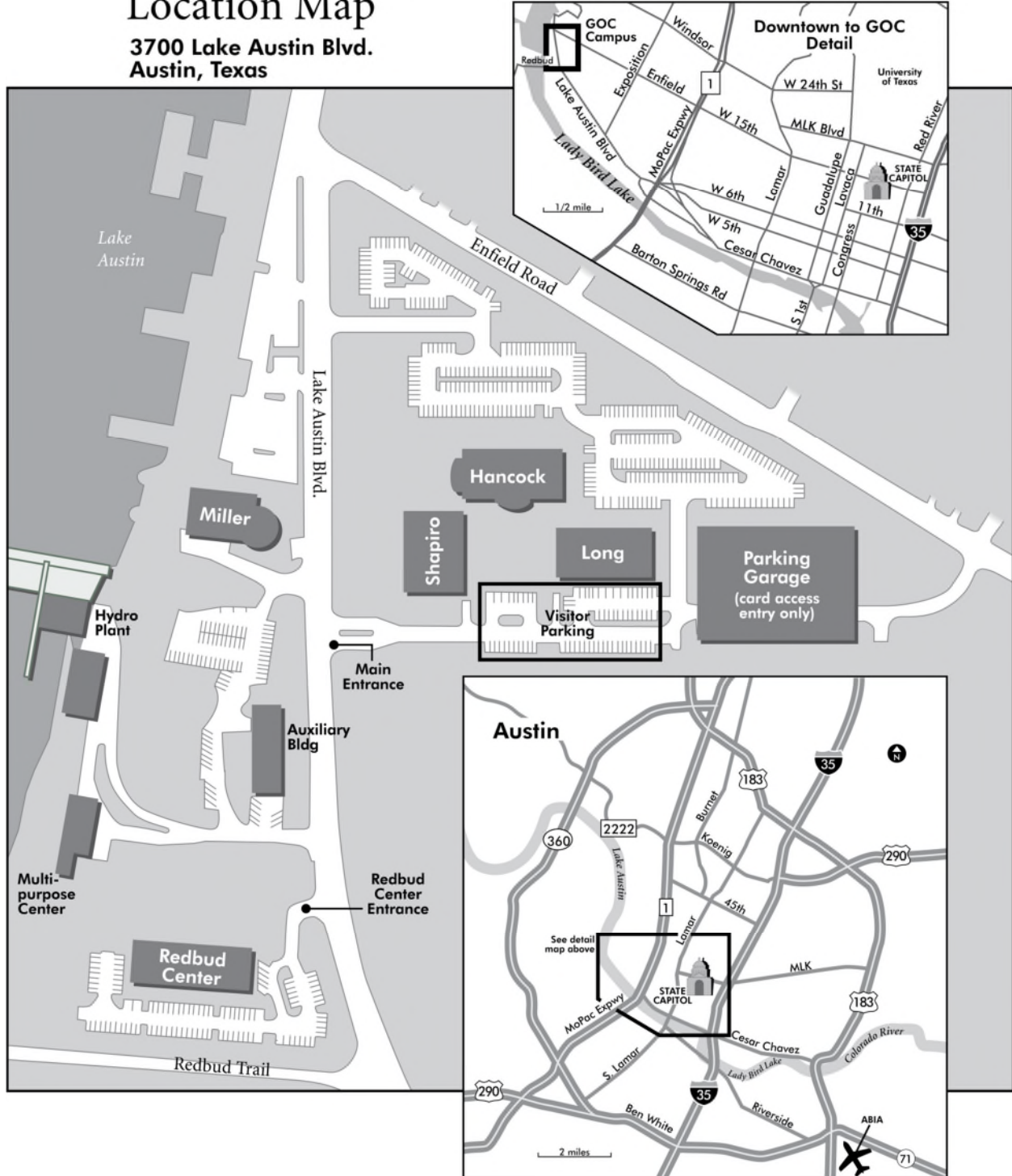
The Board also may go into executive session for advice from legal counsel on any item listed above, pursuant to Chapter 551 of the Texas Government Code.

Legal Notice

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

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's jurisdiction but not related to an item on the Board of Directors 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. Please see the Protocols for Public Communication at Board and Committee Meetings as shown in Exhibit A for details.

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.

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 Report

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
September 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

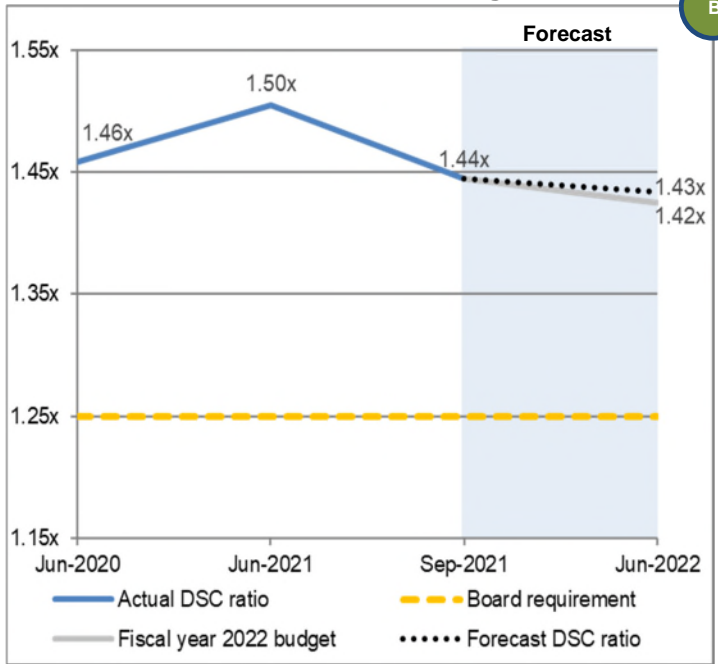
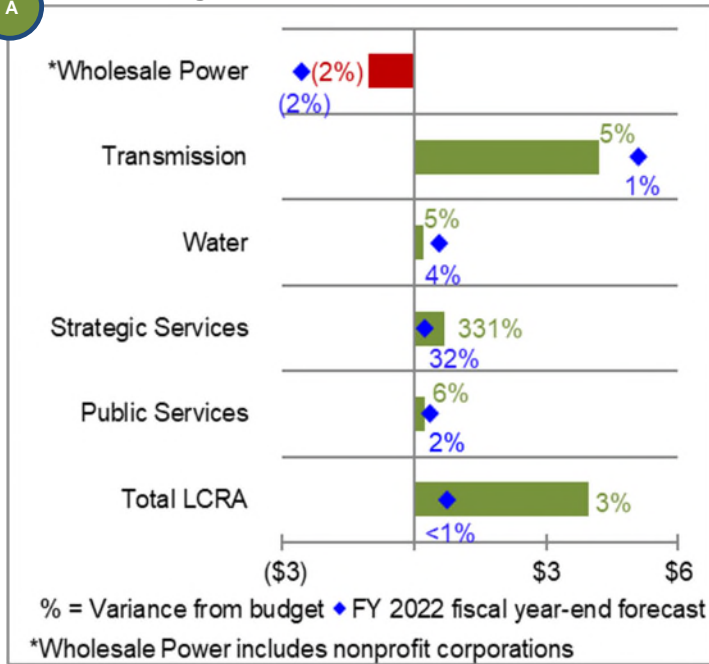
Sept. 30, 2021

(Dollars in Millions)

Budget-to-Actual Highlights

Net Margin Fiscal Year-to-Date Variances

Debt Service Coverage



Key takeaways:

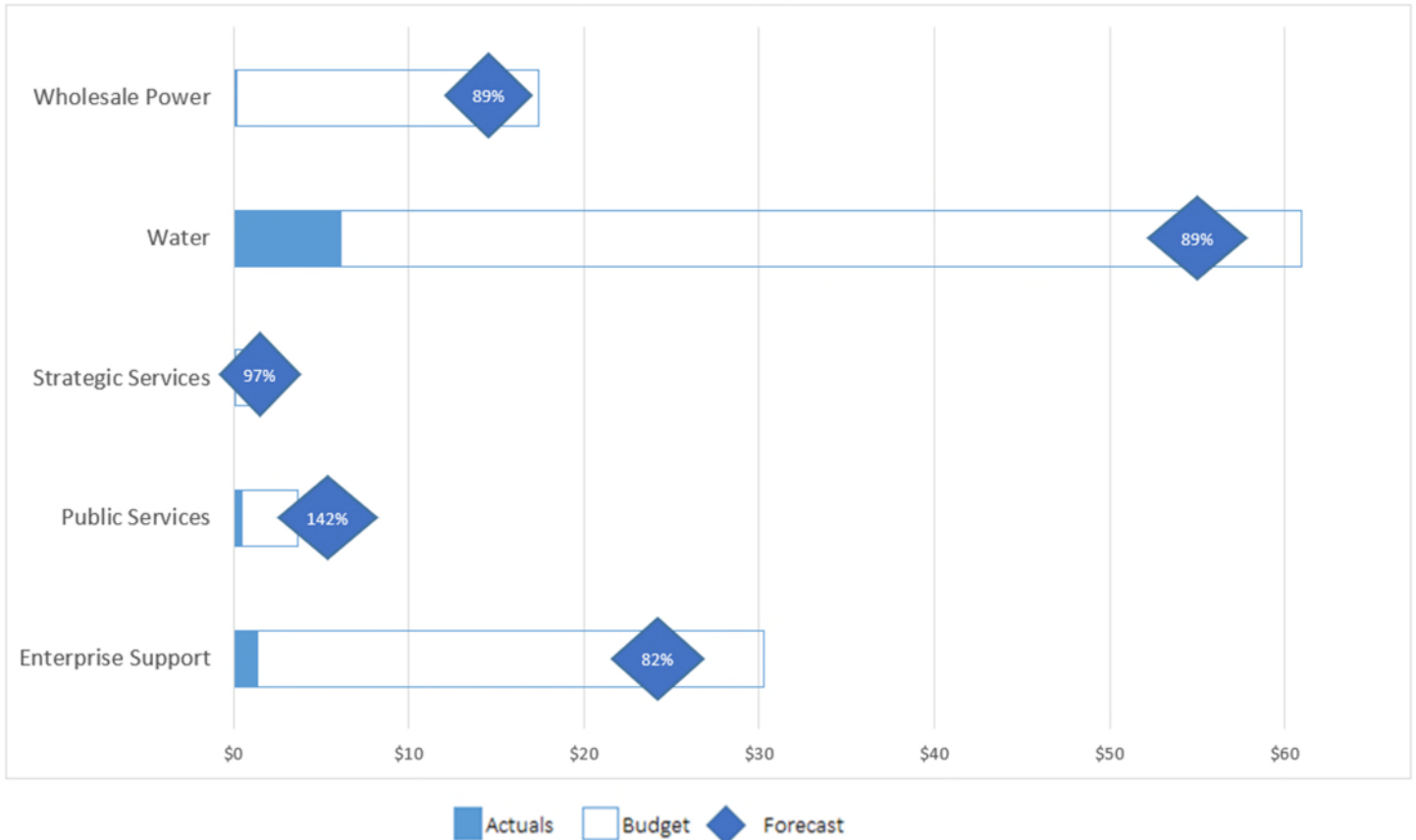
- Lower-than-budgeted revenues from billing units, partially offset by lower-than-budgeted nonfuel expenses, primarily drove Wholesale Power's year-to-date performance. Lower-than-budgeted revenues from billing units and higher-than-budgeted nonfuel expenses primarily drove the year-end forecast.
- Lower-than-budgeted expenses and higher-than-budgeted miscellaneous and cost-of-service revenues primarily drove Transmission's year-to-date performance and the year-end forecast.
- Lower-than-budgeted irrigation and river management expenses, partially offset by lower-than-budgeted irrigation 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 parks expenses primarily drove Public Services' year-to-date performance and year-end forecast.
- The debt service coverage ratio is forecast to be higher than budget primarily due to lower-than-budgeted debt service.

Lower Colorado River Authority

Sept. 30, 2021

(Dollars in Millions)

Capital Forecast



Key takeaways:

- LCRA currently is projecting capital spending for FY 2022 will be \$12.8 million under the capital plan budget of \$113.4 million.
- The primary driver for the current FY 2022 variance is a forecast reduction in fiscal year spending on multiple projects across many business areas.
- The primary driver for the current FY 2022 variance for Public Services is a forecast increase in fiscal year spending for the Matagorda Bay Nature Park Improvements project. The increased spending will be funded by the Public Recreation Conservation Land Acquisition Fund.

General Manager Project Approvals:

- 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:
 - LCRA Broadband Program Easement Curing for \$1.2 million.

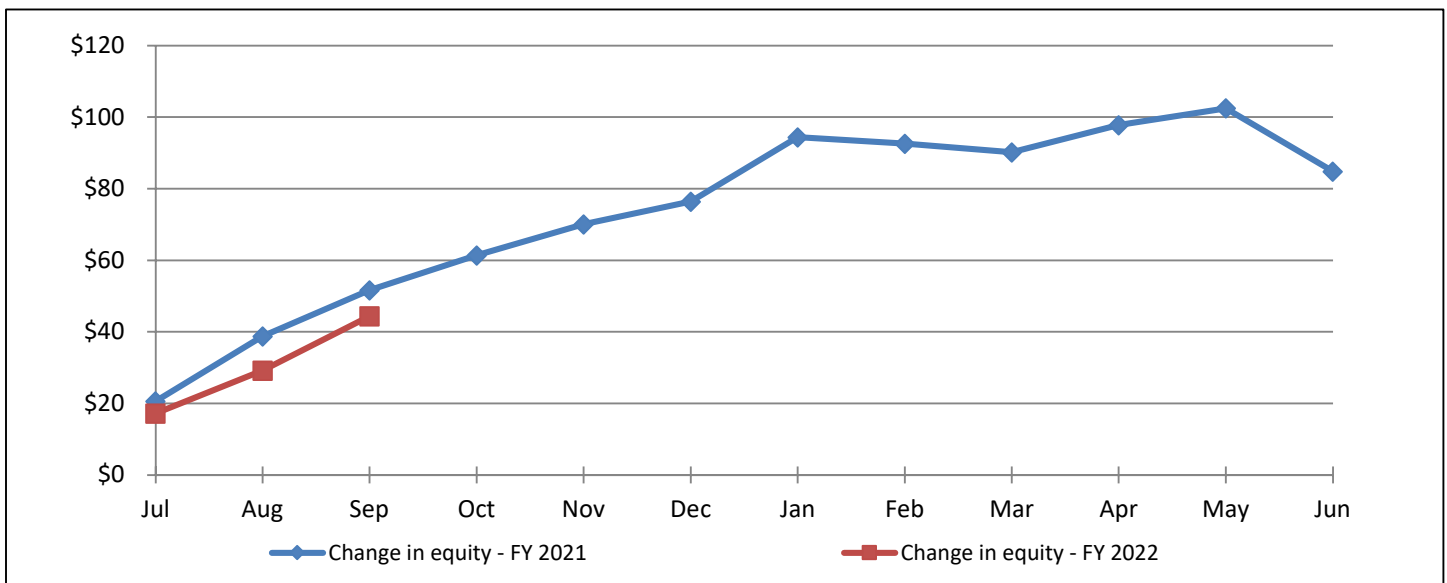
Lower Colorado River Authority

Sept. 30, 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 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 operating reserves to such target levels within 12 months.	✓

Income Statement Trends Cumulative Fiscal Year to Date



Key takeaways:

- Year-to-date net income decreased due to a decrease in the deferral of depreciation and other debt-related expenses. These expenses are recognized as the cost of the assets is included in rates.
- Operating revenues and expenses primarily increased due to higher fuel prices and more purchased power.

Lower Colorado River Authority

Sept. 30, 2021

(Dollars in Millions)

Condensed Balance Sheets

	<u>Sept. 30, 2021</u>	<u>Sept. 30, 2020</u>
Assets		
Cash and cash equivalents	\$ 437.9	\$ 406.6
Current assets	<u>424.3</u>	<u>337.3</u>
Total current assets	<u>862.2</u>	<u>743.9</u>
Capital assets	5,292.7	5,079.6
Long-term assets	<u>911.7</u>	<u>901.2</u>
Total long-term assets	<u>6,204.4</u>	<u>5,980.8</u>
Total Assets	<u>\$ 7,066.6</u>	<u>\$ 6,724.7</u>
Liabilities		
Bonds, notes and loans payable	\$ 602.0	\$ 487.4
Current liabilities	<u>258.9</u>	<u>235.8</u>
Total current liabilities	<u>860.9</u>	<u>723.2</u>
Bonds, notes and loans payable	3,799.4	3,610.3
Pension liability	168.2	207.6
Long-term liabilities	<u>455.3</u>	<u>477.8</u>
Total long-term liabilities	<u>4,422.9</u>	<u>4,295.7</u>
Equity		
Total equity	<u>1,782.8</u>	<u>1,705.8</u>
Total Liabilities and Equity	<u>\$ 7,066.6</u>	<u>\$ 6,724.7</u>

Key takeaway:

- Assets and liabilities have trended steadily upward over the past year due to construction activities related to Transmission's capital plan.

Lower Colorado River Authority

Sept. 30, 2021

(Dollars in Millions)

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2022	2021
Operating Revenues		
Electric	\$ 282.5	\$ 238.6
Water and irrigation	7.1	8.9
Other	10.9	14.1
Total Operating Revenues	300.5	261.6
Operating Expenses		
Fuel	102.0	50.9
Purchased power	29.6	20.3
Operations	24.3	46.8
Maintenance	8.7	9.0
Depreciation, depletion and amortization	44.1	42.9
Total Operating Expenses	208.7	169.9
Operating Income	91.8	91.7
Nonoperating Revenues (Expenses)		
Interest on debt	(33.4)	(33.3)
Other expenses	(14.0)	(6.7)
Total Nonoperating Revenues (Expenses)	(47.4)	(40.0)
Change in Equity	44.4	51.7
Equity - Beginning of Period	1,738.4	1,654.1
Equity - End of Period	\$ 1,782.8	\$ 1,705.8

Lower Colorado River Authority

Sept. 30, 2021

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2022	2021
Cash Flows From Operating Activities		
Received from customers	\$ 411.9	\$ 253.6
Payments	<u>(242.0)</u>	<u>(175.6)</u>
Net cash provided by operating activities	169.9	78.0
Cash Flows From Noncapital Financing Activities	(0.4)	-
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(75.9)	(106.8)
Debt principal payments	-	-
Other capital and financing activities	<u>(22.7)</u>	<u>51.3</u>
Net cash used in capital and financing activities	(98.6)	(55.5)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	48.8	131.8
Purchase of investment securities	(132.0)	(128.2)
Note payments and interest received	<u>0.9</u>	<u>2.6</u>
Net cash provided by (used in) investing activities	(82.3)	6.2
Net Increase (Decrease) in Cash and Cash Equivalents	(11.4)	28.7
Cash and Cash Equivalents - Beginning of Period	<u>511.2</u>	<u>449.1</u>
Cash and Cash Equivalents - End of Period	<u>\$ 499.8</u>	<u>\$ 477.8</u>

Lower Colorado River Authority

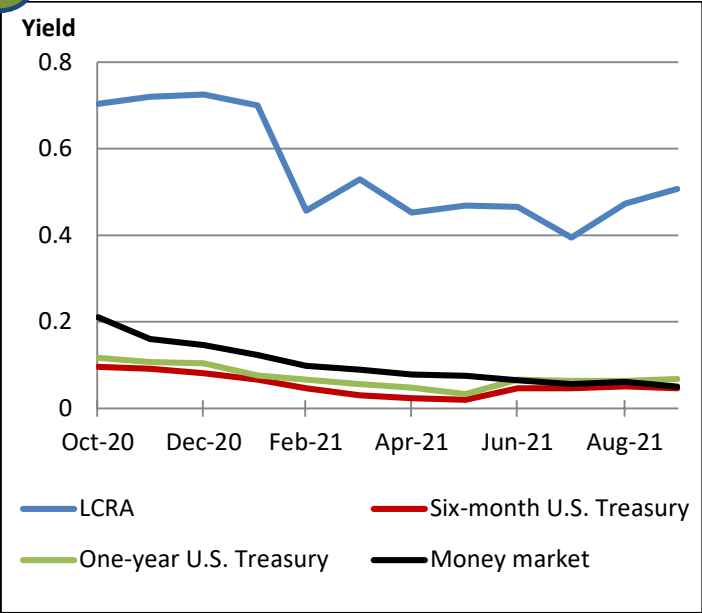
Sept. 30, 2021

(Dollars in Millions)

Investments and Debt

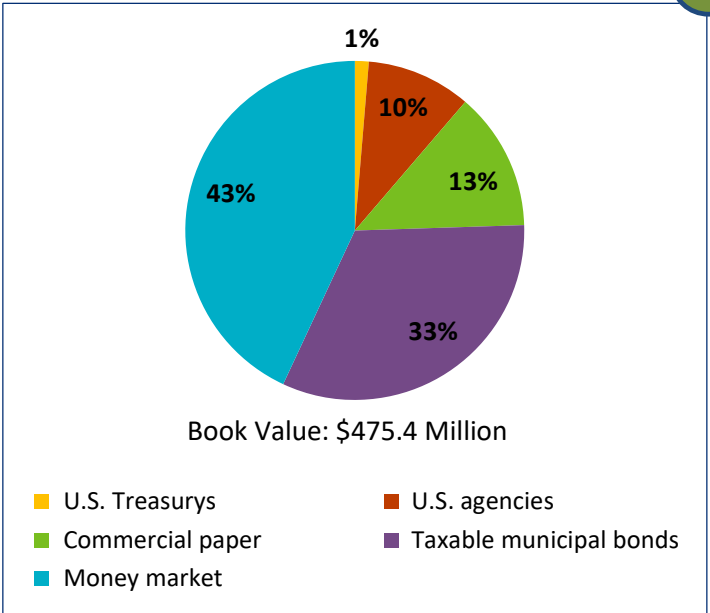
A

Investment Portfolio Yield



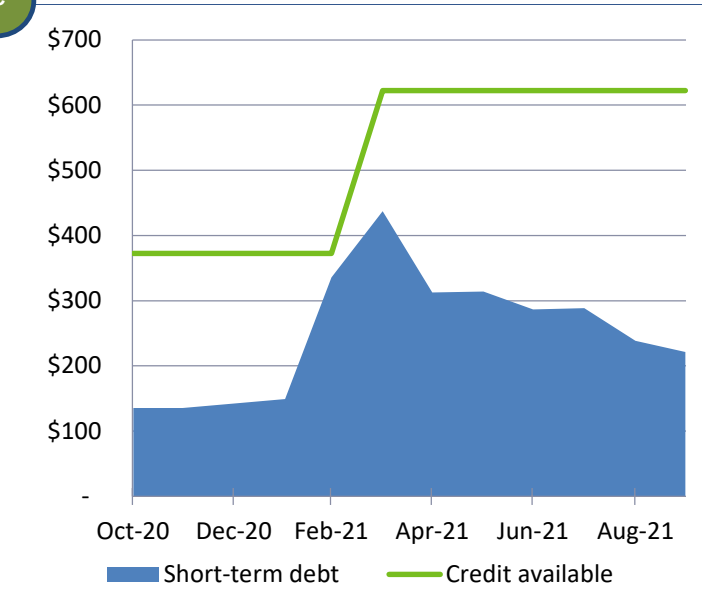
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Investment Portfolio Composition



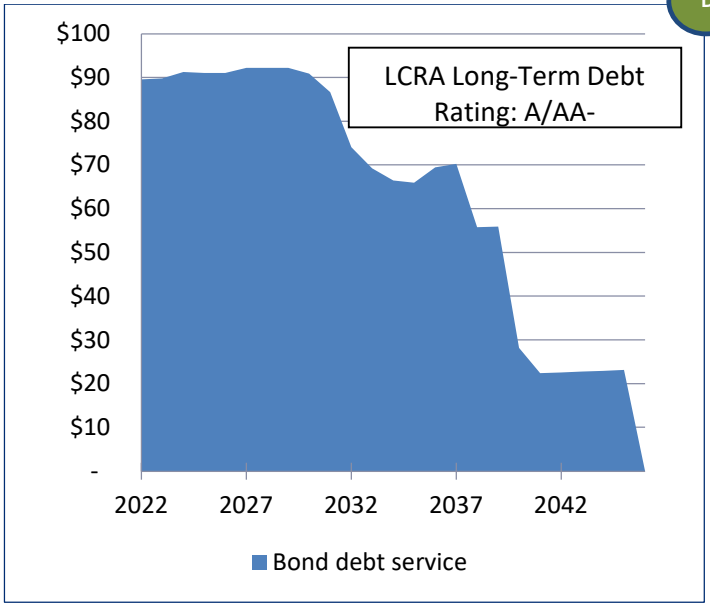
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Short-Term Debt



D

Bond Debt Service



Key takeaways:

- The Federal Reserve indicated it plans to announce at its next meeting on Nov. 3 its plans to trim asset purchases. Chairman Powell has stated that if the economy remains on track, this could mean a gradual tapering process that wraps up by mid-2022.
- Chairman Powell reiterated that “substantial further progress” on the economy was the test for raising the federal funds rate, which is currently at 0-0.25%.

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

FOR ACTION (CONSENT)

3. Sale of Land in Llano County (Parcel BW-19)

Proposed Motion

Declare an approximately 0.486-acre tract of land, being a portion of LCRA Parcel BW-19 in Llano County, nonessential and authorize the general manager or his designee to sell the property to the adjoining landowner.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of at least 12 members of the LCRA Board of Directors to convey any interest in real property. LCRA Board Policy 401 – Land Resources requires at least 12 members of the LCRA Board to declare the land no longer necessary or of beneficial use to the business of LCRA before conveyance. Additionally, Section 8503.020 of the Texas Special District Local Laws Code and LCRA Board Policy 401 require Board approval of the terms of all land sales before conveyance.

Budget Status and Fiscal Impact

The fiscal year 2022 business plan contains the administrative costs associated with the sale of this land. The proceeds of \$75,321 will be credited to the Public Recreation and Conservation Land Acquisition Fund.

Summary

Richard Bunte, the adjacent landowner, has agreed to purchase a 0.486-acre tract encroachment, which will permanently resolve the encroachment. The 0.486-acre tract is priced at \$75,321. Staff determined the price based on the Llano County Appraisal District's assessed values of Bunte's adjacent lot and other nearby waterfront lots.

LCRA staff will complete environmental and cultural resource due diligence assessments in accordance with Board Policy 401.403 – Land Disposition before the sale of the property.

The property will be sold subject to the following reservations and restrictions:

- 1) LCRA 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 shall not be permitted to drill or excavate for minerals on the surface of the property.
- 2) LCRA will retain a 20-foot-wide recreation easement abutting the high-water line of Lake Buchanan for use by the public as required by Section 8503.023(d) of the Texas Special District Local Laws Code.
- 3) LCRA will retain the right to inundate with water all or any part of the property from time to time without any compensation.

Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A

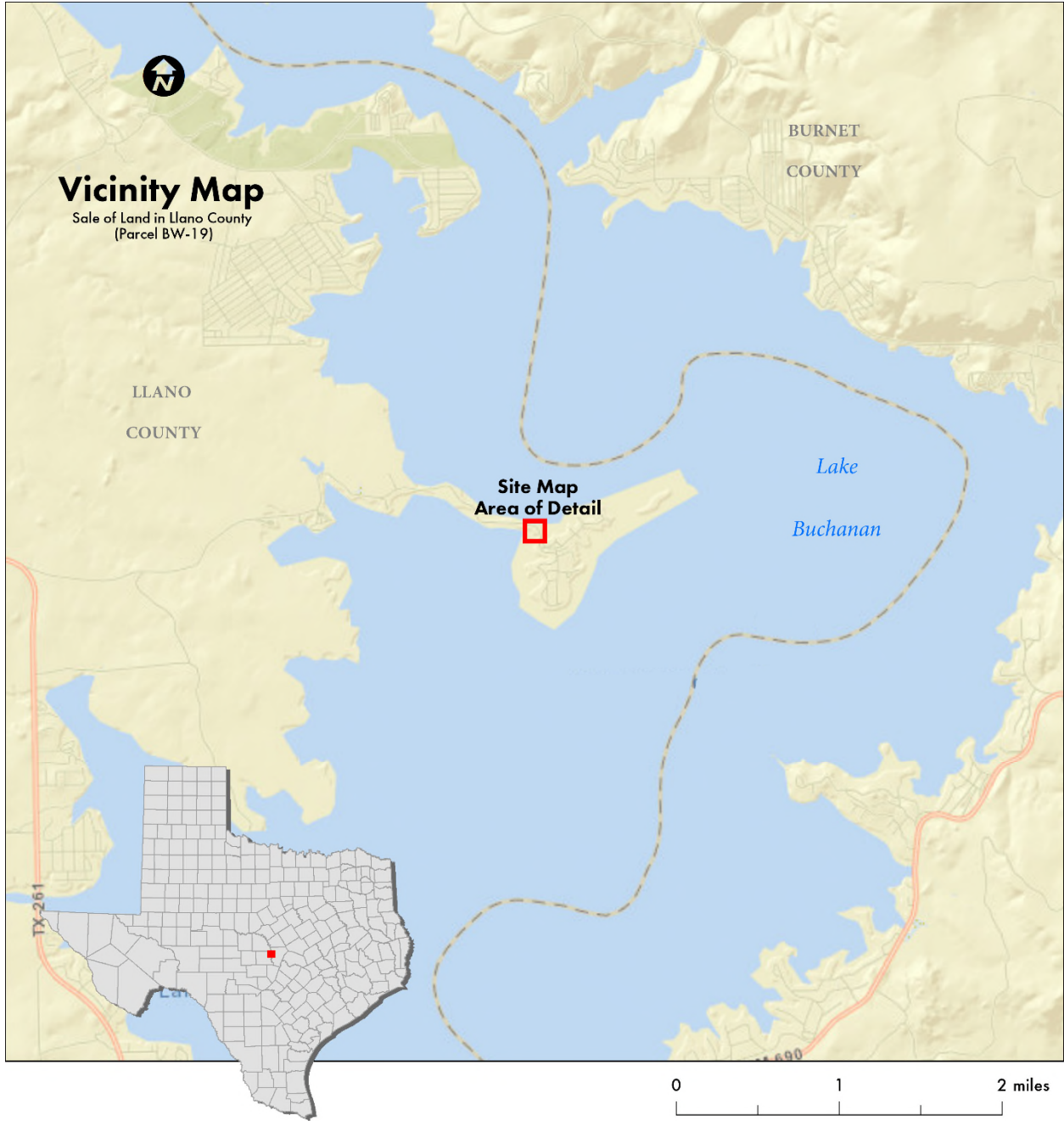


EXHIBIT B



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

FOR ACTION (CONSENT)

4. Sale of Land in Llano County (Parcel BW-01)

Proposed Motion

Declare an approximately 0.023-acre tract of land and a 0.057-acre tract of land, being portions of LCRA Parcel BW-01 in Llano County, nonessential and authorize the general manager or his designee to sell the property to the adjoining landowner.

Board Consideration

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of at least 12 members of the LCRA Board of Directors to convey any interest in real property. LCRA Board Policy 401 – Land Resources requires at least 12 members of the LCRA Board to declare the land no longer necessary or of beneficial use to the business of LCRA before conveyance. Additionally, Section 8503.020 of the Texas Special District Local Laws Code and LCRA Board Policy 401 require Board approval of the terms of all land sales before conveyance.

Budget Status and Fiscal Impact

The fiscal year 2022 business plan contains the administrative costs associated with the sale of this land. The proceeds of \$23,547 will be credited to the Public Recreation and Conservation Land Acquisition Fund.

Summary

Eugene Dawson, the adjacent landowner, has agreed to purchase two encroachment tracts, which will permanently resolve both encroachments. One encroachment tract is 0.023 of an acre and the other encroachment tract is 0.057 of an acre. The 0.023-acre tract is priced at \$9,511 and the 0.057-acre tract is priced at \$14,036. Staff determined the price based on the Llano County Appraisal District's assessed values of Dawson's adjacent lots and other nearby waterfront lots. The combined sales price of the two encroachments is \$23,547.

LCRA staff will complete environmental and cultural resource due diligence assessments in accordance with Board Policy 401.403 – Land Disposition before the sale of the property.

The property will be sold subject to the following reservations and restrictions:

- 1) LCRA 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 shall not be permitted to drill or excavate for minerals on the surface of the property.
- 2) LCRA will retain a 20-foot-wide recreation easement abutting the high-water line of Lake Buchanan for use by the public as required by Section 8503.023(d) of the Texas Special District Local Laws Code.
- 3) LCRA will retain the right to inundate with water all or any part of the property from time to time without any compensation.

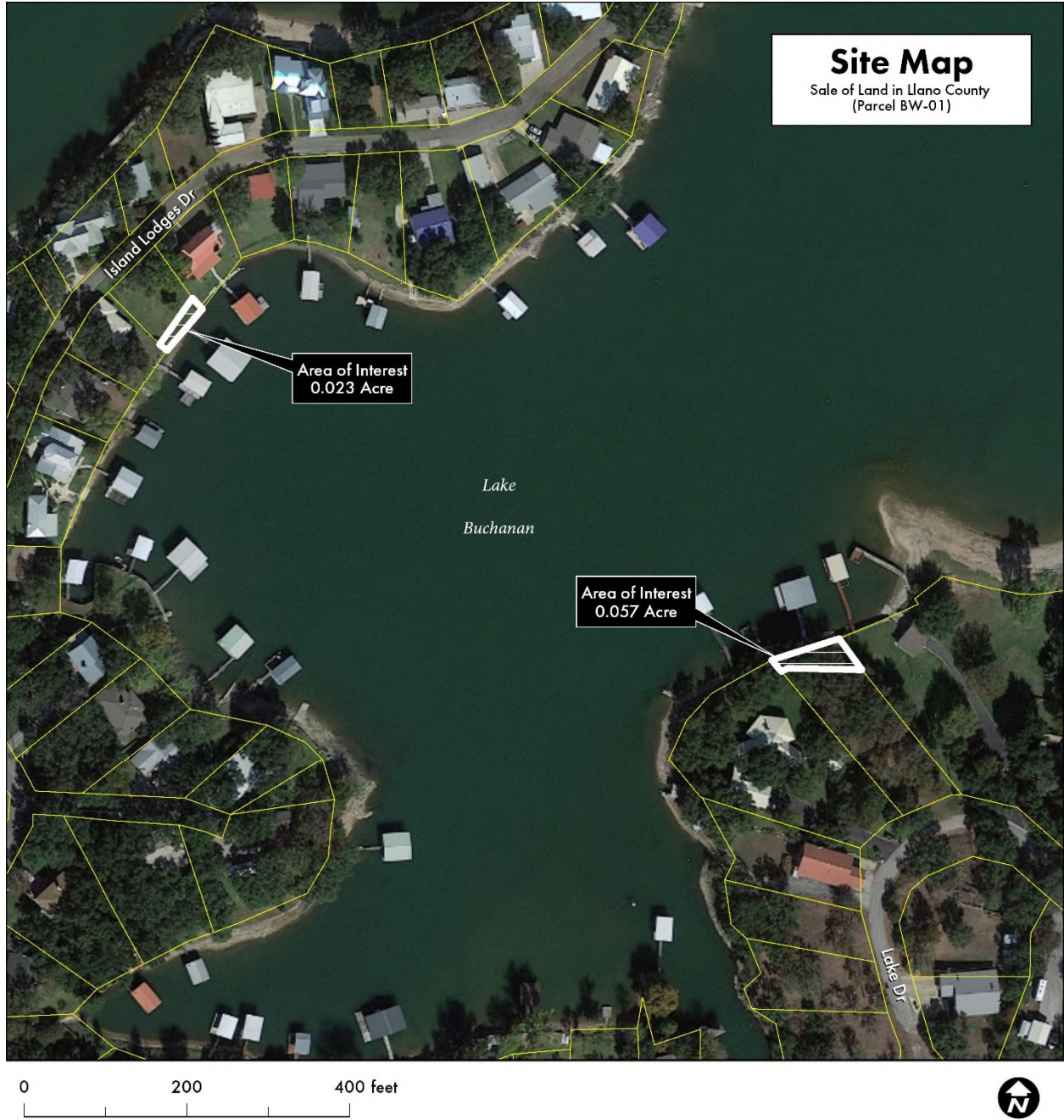
Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A



EXHIBIT B



FOR ACTION (CONSENT)

5. LCRA Board Policy 603 – Energy Transactions

Proposed Motion

Review and approve LCRA Board Policy 603 – Energy Transactions (except for Appendix A, which will be discussed in executive session) as attached in Exhibit A.

Board Consideration

Section 603.80 of Board Policy 603 – Energy Transactions requires the Board of Directors to review the policy annually.

Budget Status and Fiscal Impact

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

Summary

The Board will fulfill the requirement under Section 603.80 of Board Policy 603 to review the policy annually and will approve the policy with no changes from the prior version. Staff has reviewed Board Policy 603 in conjunction with its review of the LCRA Energy Commodity Risk Control Program Policy and recommends no changes to the policy.

An appendix to Board Policy 603 containing competitive electric information will be discussed separately in executive session.

Exhibit(s)

A – LCRA Board Policy 603 – Energy Transactions (without Appendix A)

EXHIBIT A

LCRA BOARD POLICY

603 – ENERGY TRANSACTIONS

~~Oct. 21, 2020~~Oct. 20, 2021

603.10 PURPOSE

This policy will govern the management of LCRA's wholesale power portfolio to ensure the use of those assets, along with appropriate market products, provides a cost-effective, risk-managed supply portfolio for LCRA's wholesale electric customers.

603.20 OVERVIEW

The purchase and sale of fuels, power and other power-related products are necessary to satisfy LCRA's contractual obligations to its wholesale electric customers. These activities expose LCRA to the price fluctuations inherent in the fuel and power markets. LCRA strives to reduce its financial uncertainty driven by market volatility, within established risk tolerances. This policy articulates the objectives, framework and delegation of authorities necessary to govern LCRA's activities related to its Energy Commodity Risk Control Program (program).

LCRA will conduct energy risk management activities in a manner that supports the objectives stated herein. All program objectives, activities, controls and procedures will be conducted in accordance with this policy.

603.30 RISK MANAGEMENT OBJECTIVES

Activities conducted pursuant to the program are intended to decrease financial risks inherent in providing wholesale electrical power and related services in the Electric Reliability Council of Texas (ERCOT) market compared to the financial uncertainty present without a program. The program's objectives are: identifying exposures to movements in energy prices and related market prices; quantifying the impacts of these exposures on LCRA's financial objectives; and mitigating these exposures in line with LCRA's identified level of risk tolerance. LCRA will conduct its program activities solely for appropriate risk mitigation objectives herein and never for purposes of financial speculation.

Risk mitigating activities, including hedging activities permitted by Texas Water Code Section 152.251, include:

Market Risk Mitigation Activities: Given volatile energy markets, manage costs from energy and fuel purchases and revenues from LCRA's generation and purchased

power assets, mitigating potentially unfavorable financial results and promoting financial results that fall within acceptable boundaries.

Transaction Risk Mitigation Activities: Mitigate transactional risk by monitoring execution of the program for compliance with risk program documentation approved by the GM/CEO and measuring the potential impact of commodity price movements with respect to the approved financial objectives of LCRA.

Subject to the program's objectives and risk mitigation activities, activities conducted pursuant to the program also may seek to improve upon LCRA's financial expectations.

603.40 DELEGATION OF AUTHORITY

603.401 General Manager/Chief Executive Officer. The GM/CEO is charged with administration of this policy and is granted authority and responsibilities:

1. To ensure all program activities of LCRA are in accordance with this policy.
2. To approve documentation for the administration of the program.
3. To approve initially, and from time to time modify, LCRA's tolerance for exposure to energy price volatility.
4. To delineate responsibilities and activities assigned to front, middle and back office functions to ensure a clear separation of duties.
5. To approve controls and periodically review the effectiveness of all aspects of the program.
6. To approve contracts and other transactions necessary to implement the program.

603.402 Risk Management Committee. The GM/CEO will create a Risk Management Committee (RMC) comprised of employees of LCRA to monitor program performance and compliance with the program documentation. The RMC will establish and from time to time modify program risk limits consistent with risk tolerances approved by the GM/CEO. Additionally, the RMC will advise the GM/CEO regarding:

1. Creation, amendment, approval and administration of program documentation.
2. Setting risk tolerances.
3. Ensuring all program activities are performed in accordance with the policy and approved program documentation.
4. Material violations or potential material violations of the policy or program requirements.

603.403 Chief Financial Officer. The chief financial officer (CFO) is charged with the daily administration and management of the program and will serve as the chair of the RMC. The CFO, in addition to other duties, will report periodically to the GM/CEO and the LCRA Board of Directors. The CFO will maintain appropriate financial controls, maintain a separation of duties between individuals authorized to execute commodity transactions and those who monitor and report on such transactions, and ensure documents and procedures developed to execute this policy are reviewed periodically.

603.50 ENERGY TRANSACTING AND RISK MANAGEMENT ACTIVITIES

603.501 Energy Transacting and Risk Management Activities. LCRA's energy transacting and risk management activities will comply with this policy, other related Board directives, and all applicable laws, rules and requirements, including those of ERCOT, the Public Utility Commission of Texas (PUC), and the Commodity Futures Trading Commission (CFTC). Energy transacting and risk management activities will include:

1. **Commodity-related transactions** – LCRA may enter into transactions as needed to effectively manage its fuel and power portfolio position. Commodity-related transactions include financial and physical transactions related to the purchase and sale of power and related services, natural gas and associated transportation, coal and associated transportation, instruments necessary to manage transmission and transportation risks, instruments to manage full load requirement risk, including load following and weather products, and transactions related to emissions and renewable energy.
2. **Physical resources** – Consistent with Board Policy 401 – Land Resources, LCRA may construct, purchase, dispose, retire, exchange and/or lease wholesale power resources, including generation resources, energy and fuel storage facilities, transportation systems, pipelines and related equipment, railcars and related equipment, and other facilities.
3. **Credit risk management** – LCRA will integrate credit provisions into contracts as appropriate, evaluate counterparty risk, require collateral as needed and monitor credit-related financial exposure with the goal of preserving LCRA's financial integrity.

603.502 Power and Energy Not Immediately Needed. From time to time, LCRA produces power and energy that is not immediately needed. The Board delegates to the GM/CEO or his or her designee the authority to determine the available amount and to negotiate terms and conditions for the sale of such power and energy.

603.503 Posting of Collateral. The Board finds it is necessary and convenient to the exercise of LCRA's authority to enter into energy transacting and risk management activities for LCRA to be able to post collateral to counterparties to such transactions. The Board authorizes the use of designated reserves, debt or available revenues for such purposes as deemed appropriate by the GM/CEO.

603.504 Transactions Related to Affiliated Corporations. LCRA may enter into energy and risk management transactions on behalf of affiliated corporations, provided that LCRA does so pursuant to an agreement between LCRA and such affiliated corporation, and provided that the GM/CEO or his or her designee determines that such transactions do not materially increase risks to LCRA or otherwise conflict with the objectives of this policy.

603.60 DELEGATION AND PROCUREMENT LIMITS

All transactions under the program will be conducted subject to the following delegation and procurement limits specified in Appendix A (confidential):

1. Approved transacting activities and products.
2. Term/tenor limits.
3. Approved product locations and sources.
4. Approved counterparties.

LCRA will not execute hedges that exceed 100 percent of forecast requirements and “unwinding” (closing a position by executing an offsetting transaction) will be permitted for the purpose of managing collateral risk and mark-to-market losses. Under no circumstances may transactions be executed that are not related to LCRA’s core business objectives.

603.70 STANDARDS

603.701 Standards of Conduct. All LCRA Wholesale Power personnel and others in the procurement, trading, risk management, information technology, and finance and accounting functions who are involved in any program activities will conduct themselves in a manner consistent with sound business practices and LCRA’s Code of Ethics, under standards established in the program documentation to avoid impropriety or the appearance of impropriety. All such employees will be required to annually read and attest in writing to compliance with this policy and the program documentation.

603.702 Standard of Care. The program will be managed in a way that a person of ordinary prudence, discretion and intelligence, exercising the judgment and care under the circumstances then prevailing, would follow in the management of the person’s own affairs, not in regard to speculation but in regard to the permanent disposition of the person’s money considering: (1) the probable income; and (2) the probable safety of the person’s capital.

603.80 REPORTING AND INTERNAL CONTROLS

The GM/CEO will update the Energy Operations Committee at least quarterly on the actions taken pursuant to the policy covering, at a minimum, risk tolerances, program impacts and material changes in program requirements. The Board will review this policy at least annually.

603.90 AUTHORITY

LCRA enabling legislation, Chapter 8503, Texas Special District Local Laws Code
Texas Water Code, Chapter 152
Texas Government Code, Chapter 1371
Texas Utilities Code, Title 2 (Public Utility Regulatory Act)
Clean Air Act, Acid Deposition Control, § 401 et seq.; 42 U.S.C.A. § 7651 et seq.
Code of Federal Regulations, Title 17
Code of Federal Regulations, Title 40, parts 72, 73 and 75

EFFECTIVE: April 19, 1990. Amended July 17, 1991; May 20, 1993; May 18, 1995; Oct. 28, 1998; Dec. 13, 2000; March 20, 2002; Jan. 22, 2003; Feb. 20, 2008; Nov. 18, 2009; Dec. 15, 2010; and April 18, 2012. Replaced Sept. 17, 2014. Amended Aug. 19, 2015; and Sept. 21, 2016. Re-approved Oct. 18, 2017; and Oct. 17, 2018. Amended Oct. 23, 2019. Re-approved Oct. 21, 2020; and Oct. 20, 2021.

FOR ACTION (CONSENT)

6. Directors' Fees, Expenses

Proposed Motion

Approve directors' fees and expense reports.

Board Consideration

LCRA Board Policy 105 – Directors' Fees and Expense Reimbursement and the LCRA bylaws require Board approval for directors' fees and expenses.

Budget Status and Fiscal Impact

Directors' fees and expenses are provided for in the budget in the business plan.

Summary

LCRA Board Policy 105 establishes guidelines for the payment of fees and reimbursement of the expenses that directors incur as they carry out their responsibilities as LCRA Board members.

FOR ACTION (CONSENT)

7. Minutes of Prior Meetings

Proposed Motion

Approve the minutes of the Aug. 18, 2021, and Sept. 22, 2021, meetings.

Board Consideration

Section 2.04 of the LCRA 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 Aug. 18, 2021, meeting

B – Minutes of Sept. 22, 2021, meeting

EXHIBIT A

Minutes Digest
Aug. 18, 2021

- 21-40 Approval of a resolution honoring George W. Russell for his service on the LCRA Board of Directors.
- 21-41 Approval of a resolution honoring Charles B. "Bart" Johnson for his service on the LCRA Board of Directors.
- 21-42 Approval of the proposed LCRA Board and committee meeting dates for calendar year 2022.
- 21-43 Declaration of an approximately 0.309-acre tract of land, being a portion of LCRA Parcel BW-09 in Llano County, nonessential and authorization for the general manager or his designee to sell the property to the adjoining landowner.
- 21-44 Approval of directors' fees and expense reimbursements.
- 21-45 Approval of the minutes of the April 28, 2021, May 19, 2021, and June 16, 2021, meetings.
- 21-46 Authorization for the general manager or his designee to negotiate and execute the following contracts and contract changes: Contract numbers 5838 and 5839 (Delta Star, Inc. and Hyundai Electric America Corporation), Contract No. 5210 (Gregory Geotechnical), Contract No. 5236 (Stephen G. Wright, PE) and Contract No. 4931 (Presidio Networked Solutions Group LLC).
- 21-47 Adoption of a resolution approving the fiscal year 2021 performance evaluation, compensation and FY 2022 performance goals for General Manager Phil Wilson.
- 21-48 Adoption of a resolution approving the fiscal year 2021 performance evaluation, compensation and FY 2022 performance goals for General Auditor Gerry Garcia.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY
Austin, Texas
Aug. 18, 2021

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 9:28 a.m. Wednesday, Aug. 18, 2021, in the Board Room of the Hancock Building, at the principal office of LCRA, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The following directors were present, constituting a quorum:

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

Absent: Stephen F. Cooper, Vice Chair
Melissa K. Blanding

Chair Timmerman convened the meeting at 9:28 a.m.

Chair Timmerman recognized Will Holford from Bluebonnet Electric Cooperative, who was present in the audience.

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

General Manager Phil Wilson gave the Board an update. Focusing on LCRA's safety core value, he discussed LCRA's commitment to safe driving, including training employees on the Smith System. Wilson shared some highlights of how LCRA served Texans in fiscal year 2021, including LCRA's performance during Winter Storm Uri. Wilson concluded his update by reporting on industry awards received by LCRA Fleet Operations and LCRA Communications team members and an award received for Lake Bastrop North Shore Park.

21-40 General Manager Phil Wilson presented for consideration a recommendation that the Board approve a resolution [attached hereto as Exhibit A]

honoring George W. Russell for his service on the LCRA Board of Directors. Upon motion by Director Berger, seconded by Director Crane, the Board unanimously approved the resolution by a vote of 13 to 0.

21-41 General Manager Phil Wilson presented for consideration a recommendation that the Board approve a resolution [attached hereto as Exhibit B] honoring Charles B. “Bart” Johnson for his service on the LCRA Board of Directors. Upon motion by Director Berger, seconded by Director Figueroa, the Board unanimously approved the resolution by a vote of 13 to 0.

Chair Timmerman recessed the meeting at 9:53 a.m. for a break and reconvened the meeting at 10:05 a.m.

Chief Financial Officer Jim Travis presented financial highlights covering fiscal year 2021 [Agenda Item 3].

The Board next took action on the consent agenda. Upon motion by Director Berger, seconded by Director Voelter, the Board unanimously approved consent items 4, 5, 6 and 7 by a vote of 13 to 0 as follows:

21-42 Approval of the proposed LCRA Board and committee meeting dates for calendar year 2022, as recommended in Consent Item 4 [attached hereto as Exhibit C].

21-43 Declaration of an approximately 0.309-acre tract of land, being a portion of LCRA Parcel BW-09 in Llano County, nonessential (not necessary or convenient or of beneficial use to the business of LCRA TSC) and authorization for the general manager or his designee to sell the property to the adjoining landowner, as recommended by staff in Consent Item 5 [attached hereto as Exhibit D].

21-44 Approval of directors’ fees and expense reimbursements, as recommended in Consent Item 6 [attached hereto as Exhibit E].

21-45 Approval of the minutes of the April 28, 2021, May 19, 2021, and June 16, 2021, meetings [Consent Item 7].

21-46 Vice President of Supply Chain Matt Chavez presented for consideration a staff recommendation, described in Agenda Item 8 [attached hereto as Exhibit F], that the Board authorize the general manager or his designee to negotiate and execute the following contracts and contract changes: Contract numbers 5838 and 5839 (Delta Star, Inc. and Hyundai Electric America Corporation), Contract No. 5210 (Gregory Geotechnical), Contract No. 5236 (Stephen G. Wright, PE) and Contract No. 4931 (Presidio Networked Solutions Group LLC). Upon motion by Director Yeary, seconded by Director Gill, the recommendation was unanimously approved by a vote of 13 to 0.

Chair Timmerman declared the meeting to be in executive session at 10:15 a.m., pursuant to sections 418.183(f), 551.071, 551.074, 551.076, 551.086 and 551.089 of the Texas Government Code. Executive session ended, and Chair Timmerman declared the meeting to be in public session at 1:04 p.m.

21-47 Upon motion by Director Lewis, seconded by Director Berger, the Board unanimously adopted a resolution [attached hereto as Exhibit G] approving the fiscal year 2021 performance evaluation, compensation and FY 2022 performance goals for General Manager Phil Wilson by a vote of 12 to 0. [Director Crane was absent for voting on this item in addition to Vice Chair Cooper and Director Blanding, who were absent from the meeting.]

21-48 Upon motion by Director Whitten, seconded by Director Gill, the Board unanimously adopted a resolution [attached hereto as Exhibit H] approving the fiscal year 2021 performance evaluation, compensation and FY 2022 performance goals for General Auditor Gerry Garcia by a vote of 12 to 0. [Director Crane was absent for voting on this item in addition to Vice Chair Cooper and Director Blanding, who were absent from the meeting.]

There being no further business to come before the Board, Chair Timmerman adjourned the meeting at 1:10 p.m.

Joseph M. Crane
Secretary
LCRA Board of Directors
Approved: Oct. 20, 2021

EXHIBIT B

Minutes Digest
Sept. 22, 2021

- 21-49 Approval of the appointment of Thomas L. “Tom” Kelley to serve as chair of the Transmission Committee of the LCRA Board.
- 21-50 Approval of the fiscal year 2021 audited financial statements, and authorization of the filing of the audited financial statements with the executive director of the Texas Commission on Environmental Quality.
- 21-51 Declaration of three facilities within five parcels, totaling approximately 126.53 acres of land in Burnet, Fayette and Travis counties nonessential and authorization for the general manager or his designee to do all things necessary to convey the property to LCRA Transmission Services Corporation. In addition, authorization for the general manager to grant an approximately 1.5-acre easement to LCRA TSC for access to the Western Maintenance Facility.
- 21-52 Authorization for the general manager or his designee to negotiate and execute an amendment to the LCRA-LCRA Transmission Services Corporation Electric Transmission Facilities Contract with LCRA Transmission Services Corporation to provide for prepayment by LCRA TSC of all or a portion of its payments owed to LCRA and to do all things necessary to effectuate the amendment.
- 21-53 Adoption and approval of the Thirty-seventh Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2021A (Bonds) in an amount not to exceed \$250 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and any series of LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project); (ii) funding a debt service reserve fund for the Bonds; and (iii) paying for issuance costs.
- 21-54 Adoption and approval of the Sixty-third Supplemental Resolution to the Master Resolution authorizing the issuance of Refunding Revenue Bonds (Bonds) in one or more series in an amount not to exceed \$400 million for the following purposes: (i) currently refund certain outstanding LCRA revenue bonds; (ii) currently refund portions of the LCRA Commercial Paper Notes and any series of LCRA Revenue Revolving Notes; (iii) fund

the debt service reserve fund or purchase a reserve fund obligation for the Bonds; and (iv) pay for issuance costs of the Bonds.

MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY
Lakeway, Texas
Sept. 22, 2021

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a meeting at 9:27 a.m. Wednesday, Sept. 22, 2021, in the Vistas Ballroom at the Lakeway Resort, 101 Lakeway Drive, Lakeway, Travis County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Stephen F. Cooper, Vice Chair
Joseph M. "Joe" Crane, Secretary
Michael L. "Mike" Allen
Lori A. Berger
Carol Freeman
Raymond A. "Ray" Gill Jr.
Robert "Bobby" Lewis
Thomas Michael Martine
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten
Nancy Eckert Yeary

Absent: Melissa K. Blanding
Laura D. Figueroa
Thomas L. "Tom" Kelley

Chair Timmerman convened the meeting at 9:27 a.m.

The Board heard public comments [Agenda Item 1]. The following speakers addressed the Board and provided comments related to the proposed new Highland Lakes Dredge and Fill Ordinance and updates to the Highland Lakes Watershed Ordinance: Virgil Yanta, a Kingsland resident, and Fermin Ortiz, a Llano County resident representing Texans for Responsible Aggregate Mining.

The following speakers addressed the Board and expressed concerns about water-related issues, including LCRA's proposed water rates for calendar year 2022; decreasing water inflows to the Highland Lakes; the adequacy of water supply and firm yield calculations for the Highland Lakes; water released from storage for use by interruptible customers; and the need for a long-term strategy to ensure an adequate water supply for Central Texas residents: Jim Maury, a Lake Buchanan resident and Central Texas Water Coalition (CTWC) member; Sue Thornton, a Lake Buchanan resident and CTWC member; David Lindsay, a Lake Travis resident and CTWC member; Frank Cooley, a Lakeway resident and CTWC member; and Jo Karr Tedder,

CTWC president [read comments from Peter Carrothers, a Lakeway resident, in support of CTWC].

Kamile Radford, a western Travis County resident, expressed concerns about proposed new development of major housing communities in western Travis County.

21-49 Chair Timmerman presented for consideration a recommendation, described in Agenda Item 2 [attached hereto as Exhibit A], that the Board approve the appointment of Thomas L. "Tom" Kelley to serve as chair of the Transmission Committee. Upon motion by Director Martine, seconded by Director Whitten, the recommendation was unanimously approved by a vote of 12 to 0.

21-50 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 fiscal year 2021 audited financial statements, and authorize the filing of the audited financial statements with the executive director of the Texas Commission on Environmental Quality. Upon motion by Director Whitten, seconded by Director Berger, the recommendation was unanimously approved by a vote of 12 to 0.

21-51 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit C], that the Board declare three facilities within five parcels, totaling approximately 126.53 acres of land in Burnet, Fayette and Travis counties nonessential (not necessary or convenient or of beneficial use to the business of LCRA) and authorize the general manager or his designee to do all things necessary to convey the property to LCRA Transmission Services Corporation. In addition, authorize the general manager to grant an approximately 1.5-acre easement to LCRA TSC for access to the Western Maintenance Facility. Upon motion by Director Martine, seconded by Director Gill, the recommendation was unanimously approved by a vote of 12 to 0.

21-52 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit D], that the Board authorize the general manager or his designee to negotiate and execute an amendment to the LCRA-LCRA Transmission Services Corporation Electric Transmission Facilities Contract with LCRA Transmission Services Corporation to provide for prepayment by LCRA TSC of all or a portion of its payments owed to LCRA and to do all things necessary to effectuate the amendment. Upon motion by Director Gill, seconded by Director Allen, the recommendation was unanimously approved by a vote of 12 to 0.

21-53 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit E], that the Board adopt and approve the Thirty-seventh Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2021A (Bonds) in an amount

not to exceed \$250 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and any series of LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project); (ii) funding a debt service reserve fund for the Bonds; and (iii) paying for issuance costs. [This item requires approval of at least 12 members of the Board.] The resolution also will:

1. Approve related documents, in substantially final form, including the escrow agreement, the paying agent/registrars agreement, the preliminary official statement and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (the 2021A Installment Payment Agreement Supplement). Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the general manager, chief financial officer and/or treasurer 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), principal amounts and maturity schedules, interest rates, redemption provisions and terms of any reserve funds); and
 - d. Approve the terms of the sale of the Bonds to an underwriting team and execute a bond purchase agreement.

Upon motion by Vice Chair Cooper, seconded by Director Martine, the recommendation was unanimously approved by a vote of 12 to 0.

21-54 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit F], that the Board adopt and approve the Sixty-third Supplemental Resolution to the Master Resolution authorizing the issuance of Refunding Revenue Bonds (Bonds) in one or more series in an amount not to exceed \$400 million for the following purposes: (i) currently refund certain outstanding LCRA revenue bonds; (ii) currently refund portions of the LCRA Commercial Paper Notes and any series of LCRA Revenue Revolving Notes; (iii) fund the debt service reserve fund or purchase a reserve fund obligation for the Bonds; and (iv) pay for issuance costs of the Bonds. [This item requires approval of at least 12 members of the Board.] The resolution also will:

1. Approve related documents, including the bond purchase agreement, escrow agreement, paying agent/registrars agreement and the preliminary official statement in substantially final form. Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the general manager, chief financial officer and/or treasurer to:
 - a. Select all or a portion of LCRA's outstanding debt to be refunded and provide for appropriate notices of redemption/defeasance.

- b. Approve any final changes to said documents necessary to facilitate proper issuance of the Bonds.
- c. Establish the terms of the Bonds as provided in the resolution (including issuing such bonds in one or more separate series, principal amounts and maturity schedules, interest rates, whether the bonds are taxable or tax-exempt and redemption provisions).
- d. Approve the terms of the sale of the Bonds to an underwriting team and execute a bond purchase agreement.

Upon motion by Director Allen, seconded by Vice Chair Cooper, the recommendation was unanimously approved by a vote of 12 to 0.

Chair Timmerman declared the meeting to be in executive session at 10:09 a.m., pursuant to sections 551.071 and 551.086 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 10:31 a.m.

There being no further business to come before the Board, Chair Timmerman adjourned the meeting at 10:31 a.m.

Joseph M. Crane
Secretary
LCRA Board of Directors
Approved: Oct. 20, 2021

8. Authorize the Amendment and Extension of the Note Purchase Agreement Related to the LCRA Revenue Revolving Notes, Series C and Taxable Series C, and Authorize Related Agreements

Proposed Motion

Staff recommends the Board of Directors approve the resolution amending and extending the note purchase agreement with U.S. Bank National Association (U.S. Bank) (the Series C Agreement) related to LCRA Commercial Paper Notes, Series C and Taxable Series C (the Series C Notes), and authorizing the general manager, chief financial officer or treasurer to negotiate and execute such amendment. Staff also seeks authorization for the general manager or his designee to negotiate and execute related documents. This agenda item requires the approval of at least 12 members of the Board.

Board Consideration

The extension of the credit facility supporting the Series C Notes requires Board authorization and complies with the covenants of the Master Resolution and with LCRA Board Policy 301 – Finance. Section 8503.004(p) of the Texas Special Districts Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions, including the requirement that 12 members must approve this action.

Budget Status and Fiscal Impact

Staff anticipates the amended and restated credit facility will allow LCRA to issue private bank debt either on a tax-exempt or taxable basis to finance eligible projects and delay the issuance of long-term bonds, which have higher interest rates in the current market. Staff anticipates LCRA will experience lower debt service costs until long-term bonds are issued. The proposed fees for this new facility are in line with current market pricing.

Summary

Staff recommends the Board approve the resolution and authorize the general manager, chief financial officer or treasurer to negotiate and execute an amendment to the Series C Agreement and authorize the general manager or his designee to negotiate and execute any other related documents.

LCRA currently has a \$160 million private placement program for the Series C Notes with U.S. Bank. Staff recommends amending the Series C Agreement to extend it for another three years, among other amendments.

Series C Notes will continue to allow LCRA to sell short-term debt directly to U.S. Bank (up to \$160 million), until January 2025. The direct purchase facility with the bank provides an alternative structure that eliminates marketing and remarketing risk

that can occur with a public market commercial paper program. This private debt facility structure does not require public credit ratings to be issued and maintained. The credit facility allows LCRA to choose between taxable or tax-exempt debt, the variable interest rate, and period to effectively manage the debt.

The Series C Notes will be issued on parity with LCRA revenue bonds and notes pursuant to the Master Resolution and in compliance with the variable debt limitations in LCRA Board Policy 301 – Finance (25% of total capitalization). LCRA's other short-term debt programs include: \$150 million commercial paper program supported by a letter of credit with State Street Bank and Trust Company; \$100 million private revolving notes program supported by a note purchase agreement with JPMorgan N.A.; \$225 million private revolving notes program supported by a note purchase agreement with Bank of America; and two letters of credit with Barclays Bank PLC and Wells Fargo Bank N.A. to provide credit to the Electric Reliability Council of Texas. Similar to LCRA's other short-term debt, Series C Notes will be secured by a pledge of LCRA revenues and may be refunded with long-term debt when it is advantageous.

Presenter(s)

Jim Travis
Chief Financial Officer

FOR ACTION

9. LCRA Firm Water Rates

Proposed Motion

Approve firm rates for water made available to firm customers within LCRA’s water service area, including use, reservation and inverted block rates.

Board Consideration

Consistent with LCRA Board Policy 501 – Water Resources and Section 8503.011 of the Texas Special District Local Laws Code, the Board is required to adopt rates associated with water contracts.

Budget Status and Fiscal Impact

The firm rates reflect the full cost recovery of the firm customers’ allocated share of river management costs and water debt obligation.

Summary

Staff proposes new rates for firm customers as shown below to become effective with the January 2022 billing cycle, exclusive of any remaining reservation fees.

Category	Current Rate (per acre-foot)	Proposed Rate (per acre-foot)
Use (Diversion) Rate	\$145.00	\$155.00
Reservation Rate	\$72.50	\$77.50
Inverted Block Rate	\$290.00	\$310.00

The new proposed firm rates would replace the current rates that have been in effect since the January 2016 billing cycle. The proposed firm rates will pay for the firm customer’s allocated share of river management costs and the water debt obligation. These costs include funding for the ongoing rehabilitation of the existing water supply dam infrastructure, as well as development of new water supplies.

LCRA provided notice and opportunity for comment on the proposed rates through the LCRA website, email communications and meetings with customers. The comments received have been provided to the Board under separate cover.

Presenter(s)

John B. Hofmann
Executive Vice President, Water

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