

# LCRA FY 2013 Business and Capital Plans



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This Business Plan presents a long-term vision for LCRA and affiliates and a summary of their operational plans. The Business Plan should not be used as a basis for making a financial decision with regard to LCRA or any of its securities or other obligations. This Business Plan is intended to satisfy the official intent requirements set forth in Section 1.150-2 of the Treasury Regulations. For more complete information on LCRA and its obligations, please refer to LCRA's annual financial report, the official statements relating to LCRA's bonds, and the annual and material event disclosures filed by LCRA with the nationally recognized municipal securities information repositories and the State Information Depository pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The information in this report and each of the documents referred to speaks only as of its date. The Business Plan includes forecasts based on current assumptions that are used for planning purposes only and are subject to change. Copies of the documents referred to above or elsewhere in this report may be obtained from James Travis, Treasurer, LCRA, 3700 Lake Austin Boulevard, Austin, Texas 78703.



## **LCRA Mission**

The Lower Colorado River Authority provides reliable, cost-effective electric, water and other public services of value and is a responsible steward of the river and the basin's natural resources.

## **LCRA Vision**

We will manage the river and lakes to provide a safe and reliable water supply for the lower Colorado River basin.

We will provide reliable energy and other public services to our customers and our region.

We will manage our lands and the river to preserve the resources of which we are stewards.

We will provide the services in a cost-effective manner, using sound business practices, and in collaboration with our customers and communities to enhance the economic health and well-being of our region.

## **Foundation Values**

LCRA's work and culture are shaped by five foundation values that serve as guiding principles for how we conduct our business:

**Safety:** Safety always comes first at LCRA. We develop and improve processes to promote the safety of all employees and all others affected by our operations.

**Customer Service:** We listen and respond to external and internal customers, business partners and the communities we serve, seeking to understand and consider their needs and interests in conducting our business.

**Employee Focus:** We attract, engage and retain quality employees by providing opportunities for professional and personal development and by offering competitive compensation and benefits.

**Diversity:** We provide a diverse workplace in which all employees and business partners are respected and valued as we work together to accomplish our mission and goals and continually improve our business.

**Environmental Leadership:** LCRA seeks to lead by example in protecting the Colorado River basin's natural resources.



# LCRA FY 2013 Business Plan

## Addresses Unique Challenges and Opportunities

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LCRA's FY 2013 Business Plan represents a new direction for LCRA. This plan is a step toward addressing several challenges that lay ahead in the next few years:

- Extreme drought (sometimes exceeding the intensity of historic droughts) and the growing demands of our region have pointed to the need for LCRA to consider additional water supplies.
- LCRA could lose as much as half of its current electric load by FY 2017, due to the departure of some wholesale customers as well as contract options that allow the remaining customers to place a portion of their load with other utilities.
- Retail electric providers are under pressure to keep rates as low as possible. LCRA must likewise lower its costs and keep its wholesale generation rates flat for the next few years.

The outcome of these challenges will strongly influence the kind of organization LCRA will be in FY 2017. While formidable, we believe those challenges will be met through the achievement of our strategic goals of increasing our water supply by 100,000 acre-feet, and keeping our nonfuel generation rates flat. (See "LCRA's Strategic Goals: FY 2013-2017" on page 5.)

Meeting these goals is the focus on this Business Plan.

### **A New Structure and a New Approach**

The FY 2013 Business Plan reflects the new management structure and approach implemented by General Manager Becky Motal to make LCRA more flexible and proactive in decision-making and running its operations.

One of the more significant results of these changes is the commitment to "rate-based" budgeting, which is reflected in this plan. Using this approach, revenues available under specific rate assumptions are known and the organization will prioritize expenditures accordingly. This directly supports LCRA's strategic goal of keeping its nonfuel generation rate flat through FY 2017. Under this approach firm raw water rates are assumed to remain flat while LCRA analyzes ways to pay for the addition of new water supplies. Transmission Services is also managing costs and projected rate increases resulting from its ongoing capital expansion projects.

To support these rate goals, LCRA's reporting structure has been reorganized by consolidating similar processes and positions that were isolated under the old structure.

These and other realignments have eliminated processes and positions that were redundant, consolidated debt-service costs for similar business processes, and created opportunities for synergy among different operations that serve our same customers. That, in turn, has enabled managers to achieve cost efficiencies that are required by the budgeting approach reflected in this plan.

### **Challenges Ahead**

The FY 2013 Business Plan lays the groundwork for meeting these long-term challenges:

- This plan reflects an organization that is structured to deliver immediate cost savings and, over the long term, provide greater flexibility in limiting or offsetting potential cost increases. This strategy will help us reach our goal in keeping LCRA's nonfuel rates flat.
- Nearly everybody agrees that our basin needs additional water supplies. Options for the additional water include, building off-channel reservoirs to store Colorado River floodwaters, groundwater, aquifer storage and desalination. The challenge will be providing that supply at a cost-effective price.

These challenges are not simple, but they are achievable. In perspective, they are no more daunting than LCRA's original challenges of building the chain of Highland Lakes dams and establishing a public-power generation and transmission network. LCRA met those challenges and created a water and electric infrastructure that has served the region well for more than 70 years.

This Business Plan will carry forward that success and reaffirm LCRA's reputation as a valued partner to the people we serve.

# Key Facets of LCRA Operations

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- **LCRA is governed by a 15-member Board of Directors appointed by the governor and confirmed by the Texas Senate.** LCRA is accountable to its customers and a number of stakeholders, including the Texas Legislature that created it. The Board chair is selected by the governor and communicates regularly with state policymakers and stakeholders. LCRA's energy, water and public services activities fall under a variety of state, federal and local regulatory authorities. As a public entity, LCRA conducts its business and sets policies in open meetings and is subject to public information laws.
- **LCRA is a wholesale provider of electricity and raw water,** with a focus on providing these services reliably and at the most economical cost possible, as well as planning for long-term power generation, transmission and water-supply needs. LCRA also has responsibilities to provide certain public services as spelled out in its enabling legislation.
- **LCRA neither collects nor receives taxes but must operate on the rates and fees it charges for its services.** Most of LCRA's revenues come from its electric generation and transmission operations.
- **A small portion of LCRA's electric and water revenues helps fund its public service activities.** This enables LCRA to carry out these services that have been authorized or mandated in LCRA's enabling legislation. These services include economic and community development, parks and recreation, land conservation and public safety on waters and lands managed by LCRA; they do not generate enough revenues to cover their costs. Because LCRA has no taxing authority and does not receive state appropriations, it uses a small portion of its electric and water revenues to pay for these services. LCRA's enabling statute and related laws allow LCRA to fund these activities in this manner.
- **Two LCRA-related organizations pay taxes.** While LCRA, as a political subdivision of the state, is exempt from paying state and local taxes, its energy affiliate and nonprofit transmission corporation pay state and local sales and property taxes. GenTex Power Corporation, which owns the Lost Pines 1 Power Project in Bastrop County, and LCRA Transmission Services Corporation, which owns and develops all LCRA-related transmission operations and infrastructure, through December 2011 have paid more than \$137 million in state and local sales and property taxes since inception.
- **LCRA Transmission Services Corporation works with other transmission providers, distribution providers and electric generators** to provide reliable and cost-effective electric transmission services in Central Texas and throughout the Electric Reliability Council of Texas (ERCOT) region.



# Recent Events Affecting LCRA

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Here is a summary of recent major events that will play a role in LCRA's operations and the development of the FY 2013 Business Plan:

- **Wholesale Power Agreements:** As of July 2011, 33 of LCRA's 43 wholesale electric customers had extended their wholesale power agreements through June 2041. These customers represent about 64 percent of LCRA's total energy sales. LCRA will continue to serve the remaining 10 customers through their existing agreements that will terminate in 2016.
- **The Drought:** Calendar year 2011 was the driest year and second hottest year on record for Texas, according to the National Weather Service. That year saw record low inflows into the Highland Lakes. By the end of the year, combined storage in lakes Travis and Buchanan, LCRA's water-supply reservoirs, had dropped to 37 percent. Rains in early 2012 provided much needed water and raised the combined storage to 49 percent; but as of late March, much of the lower Colorado River basin remained in moderate or severe drought conditions, according to the U.S. Drought Monitor.
- **Water Curtailments:** Most coastal farmers will not receive supplies of "interruptible" water for irrigation this year, the result of a state-approved emergency drought relief order, which amends LCRA's Water Management Plan. Under the order, LCRA halted such shipments to most farmers because combined storage in lakes Travis and Buchanan was below 850,000 acre-feet on March 1. (The highest amount in the two lakes that day was 847, 324 acre-feet.) The emergency relief was sought after LCRA staff collaborated with stakeholders representing LCRA's water customers, lake and environmental interests. Curtailments to LCRA's firm water customers are possible if dry condition return and LCRA's combined storage from lakes Travis and Buchanan drop below 600,000 acre-feet. Contingencies include pro rata curtailments to its firm water customers in accordance with LCRA's state-approved Water Management Plan.
- **Water Resource Management and Planning:** In February 2012 LCRA's Board of Directors approved a revised Water Management Plan that will provide LCRA greater flexibility in managing the water supply in lakes Travis and Buchanan, especially during drought conditions. The revision, which was developed by LCRA staff with input from a stakeholder advisory committee, awaits approval by the Texas Commission on Environmental Quality. The Board also unanimously approved a resolution to increase LCRA's water supply by at least 100,000 acre-feet within five years, supporting a key LCRA strategic goal (See "LCRA Strategic Goals: FY 2013-2017," page 5).
- **Water and Wastewater Utility Divestitures:** As of April 2012, LCRA had reached agreements to sell 29 of its 32 water and wastewater utilities, carrying out a November 2010 directive from the LCRA Board of Directors. Corix Infrastructure Inc., which operates more than 220 water and wastewater systems in North America, had agreed to purchase 20 of the utilities, while local customers and communities had agreed to purchase nine utilities. On March 19, LCRA transferred operations of the West Travis County Regional Water and Wastewater systems to the West Travis County Public Utility Agency. All of the buyers satisfied criteria set by LCRA of being able to (1) provide reliable, quality utility services; (2) invest capital for additional necessary water and wastewater utility infrastructure; (3) meet applicable regulatory requirements; and (4) compensate LCRA for its investments in the systems.
- **Transmission Rate Case Settlement:** LCRA Transmission Services Corporation (LCRA TSC) officially settled its rate case in March 2012 by unanimous consent of the Public Utility Commission of Texas. The settlement enabled LCRA TSC to recover much of the \$306 million in expenses that had been requested in the November 2011 filing and also enabled LCRA TSC to implement the new rates two months earlier than originally anticipated. This will provide LCRA TSC with adequate and effective cost recovery and financial performance and is consistent with established long-term rate goals.
- **Voluntary Employee Severance Program:** In November 2011, LCRA offered voluntary severance packages to employees. Roughly 130 employees accepted the offer, reducing LCRA's head count and lowering related labor costs by an estimated \$20 million for FY 2013.
- **LCRA Reorganization:** During FY 2012 LCRA reorganized into nine executive departments from five distinct business units. This organizational change was made to eliminate redundancies, and

increase LCRA's efficiency in serving its customers. Resulting key changes include:

- Hydroelectric activity is now part of LCRA's operations department and is managed as part of LCRA's generation portfolio. As a result, hydroelectric activities are no longer accounted for as an intracompany transaction but remain a component of the wholesale electric generation rate.
- Raw water activities now directly include irrigation operations. This change is driven by the fact that these irrigation assets were acquired in most cases largely for their associated water rights which provide a long-term benefit for all users within the basin. Raw

water rates are developed to charge wholesale water customers for either noninterruptible or interruptible water supply. Transportation rates are charged to interruptible water supply customers and some firm customers who receive delivery through LCRA's canals.

- Shared support activities and associated expenditures are no longer identified as "corporate" but are now included in several of the newly formed departments. Additionally, support functions that were spread throughout the organization have been directly assigned to a specific department. This approach has eliminated redundant support costs and increased effectiveness of those activities.

# LCRA Strategic Goals FY 2013 – 2017

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## Strategic Goal 1: Water Supply

**Develop and begin implementation of projects by the end of fiscal year 2017 to secure 100,000 acre-feet of additional firm water supply.**

*The additional water would supplement what LCRA draws from lakes Travis and Buchanan, its major supply reservoirs, and its other water rights, to meet growing demands from customers and other stakeholders throughout the lower Colorado River basin, especially during drought periods.*

### Strategies include:

- Build new storage capacity.
- Develop strategies for conjunctive use of groundwater and surface water supplies.
- Develop aggressive conservation strategies.
- Evaluate desalination and other new technologies.
- Develop new water funding strategies.
- Develop priorities for new supplies.

### Goal Achievement:

Making funding available for additional water supply project(s) is a primary focus in FY 2013. This plan provides that initial funding through two different sources, Raw Water revenues and LCRA's Infrastructure Reserve. Under assumptions in this plan, \$8.7 million has been identified in FY 2013 as available for funding for the evaluation and implementation of new water supplies. Raw Water revenues represent \$2 million of this amount (see page 14) and will be deferred until the revenues are used. The remaining \$6.7 million originates from contributions to the Infrastructure Reserve by the LCRA Public Service Fund (see page 18). As presented in this plan, these annual sources can support the estimated debt service on a \$125 - \$150 million capital project. These capital expenditures will serve as the initial step in meeting this goal.

## Strategic Goal 2: Cost Management

**Manage LCRA's costs to achieve a nonfuel wholesale electric rate that is at the FY 2012 level through FY 2017.**

*Managing its costs and maintaining a flat nonfuel electric rate will enable LCRA to provide electricity at competitive prices and demonstrate to current and potential customers that it offers valued, cost-effective services.*

### Strategies include:

- Optimize plant operations (construction and maintenance) to provide maximum long-term value to LCRA's customers.
- Determine which LCRA programs and services can be eliminated or outsourced.
- Streamline and standardize processes, reporting and systems across LCRA for most efficient and consistent operations.
- Assess LCRA's capital program for affordability and rate impact.
- Continue ongoing assessment of staffing needs and take appropriate action.

### Goal Achievement:

The FY 2013 budget and its inherent assumptions establish the foundation for achievement of this long-term goal. Current cost reductions and ongoing evaluation of operational activity across the organization have produced the opportunity to reduce electric nonfuel rates for the upcoming fiscal year when compared to the nonfuel rates that had been previously forecast for FY 2013. Additionally, it provides LCRA the opportunity to take prudent actions to ensure the long-term financial health of the organization.

# Consolidated Look at Revenues and Expenses

## LCRA and Affiliates Consolidated Financials

(Dollars in Millions)

	Budgeted Proposed		Forecast			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Revenues<sup>1</sup></b>						
Generation	\$ 858.1	827.0	883.0	924.5	972.7	691.7
Transmission	290.9	325.0	349.7	378.8	384.6	390.4
Water	103.4	40.4	43.4	38.5	43.3	39.6
Other	8.2	8.9	8.8	9.0	9.1	9.3
Less Intracompany Eliminations	(34.3)	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)
<b>Sub-Total Net Revenue</b>	<b>1,226.4</b>	<b>1,194.4</b>	<b>1,278.1</b>	<b>1,343.9</b>	<b>1,402.8</b>	<b>1,124.1</b>
Revenues Deferred for Debt Paydown	0.0	24.2	18.4	15.6	11.6	6.0
<b>Total Net Revenue</b>	<b>1,226.4</b>	<b>1,218.6</b>	<b>1,296.5</b>	<b>1,359.6</b>	<b>1,414.5</b>	<b>1,130.3</b>
<b>Expenses<sup>1</sup></b>						
Fuel and Power Cost Recovery (F&PCR)	492.6	468.5	509.3	539.0	573.8	372.5
Operations and Maintenance	296.7	281.0	297.4	314.7	324.0	314.6
<b>Total Net Expense</b>	<b>789.2</b>	<b>749.4</b>	<b>806.7</b>	<b>853.7</b>	<b>897.9</b>	<b>687.1</b>
<b>Net Available for Debt Service</b>	<b>437.2</b>	<b>469.2</b>	<b>489.8</b>	<b>505.9</b>	<b>516.6</b>	<b>443.2</b>
Coverage Adjustments <sup>2</sup>	3.3	24.9	19.9	16.0	12.0	6.2
<b>Adjusted Net Revenues Available</b>	<b>433.8</b>	<b>444.3</b>	<b>469.9</b>	<b>490.0</b>	<b>504.6</b>	<b>437.1</b>
<b>Debt Service</b>	<b>321.1</b>	<b>326.8</b>	<b>345.5</b>	<b>356.7</b>	<b>365.6</b>	<b>306.8</b>
<b>Debt Service Coverage, Adjusted</b>	<b>1.35x</b>	<b>1.36x</b>	<b>1.36x</b>	<b>1.37x</b>	<b>1.38x</b>	<b>1.42x</b>
<b>Net Revenues After Debt Service<sup>3</sup></b>	<b>116.1</b>	<b>118.2</b>	<b>125.9</b>	<b>133.7</b>	<b>139.5</b>	<b>130.4</b>
Less:						
Operating Reserves	11.1	11.5	26.3	18.2	11.3	1.6
Infrastructure Reserve	4.5	6.7	5.8	9.0	9.1	10.0
Revenue Funded Capital	94.5	97.1	90.6	104.1	108.9	100.2
Noncash Revenues	2.9	3.1	3.2	3.3	3.4	3.6
Restricted for Capital/Debt Retirement	0.6	1.2	2.1	2.1	10.7	19.6
GenTex Price Stabilization Reserve Fund	1.5	0.0	0.0	0.0	0.0	0.0
PSF Activities Net Proceeds and Grants	1.0	1.0	1.0	1.0	1.0	1.0
Water/Wastewater Divestiture Funding	0.5	0.0	0.0	0.0	0.0	0.0
Plus:						
Amortization of Enterprise/Minor Capital <sup>4</sup>	0.5	2.4	3.1	4.2	5.0	5.6
<b>Net Cash Flow</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Capital Expenditures</b>						
Revenue Funded	94.5	97.1	90.6	104.1	108.9	100.2
Debt Funded	484.8	488.8	166.4	61.9	10.1	8.3
Third Party / Proceeds Funded	5.3	15.9	0.4	5.4	5.4	0.0
<b>Total Capital</b>	<b>\$ 584.6</b>	<b>601.8</b>	<b>257.4</b>	<b>171.4</b>	<b>124.4</b>	<b>108.5</b>

<sup>1</sup> Total Net Revenues and Total Net Expenses are net of intracompany transfers. Total Revenues include interest income. Operations and maintenance expense excludes the TSC Capital Charge, which is a capital expense for LCRA consolidated.

<sup>2</sup> Includes adjustments related to GenTex 1 Capital Funding and Reserve Funding as well as deferred revenue for Generation and Water.

<sup>3</sup> GenTex 1 Capital Funding and Reserve Funding are available after debt service and used for that purpose.

<sup>4</sup> In FY 2012, Transmission Services began funding minor capital and its share of Enterprise Capital with current year revenues, but will include an amortization of the amount in each year to recover in rates.

## Key Points

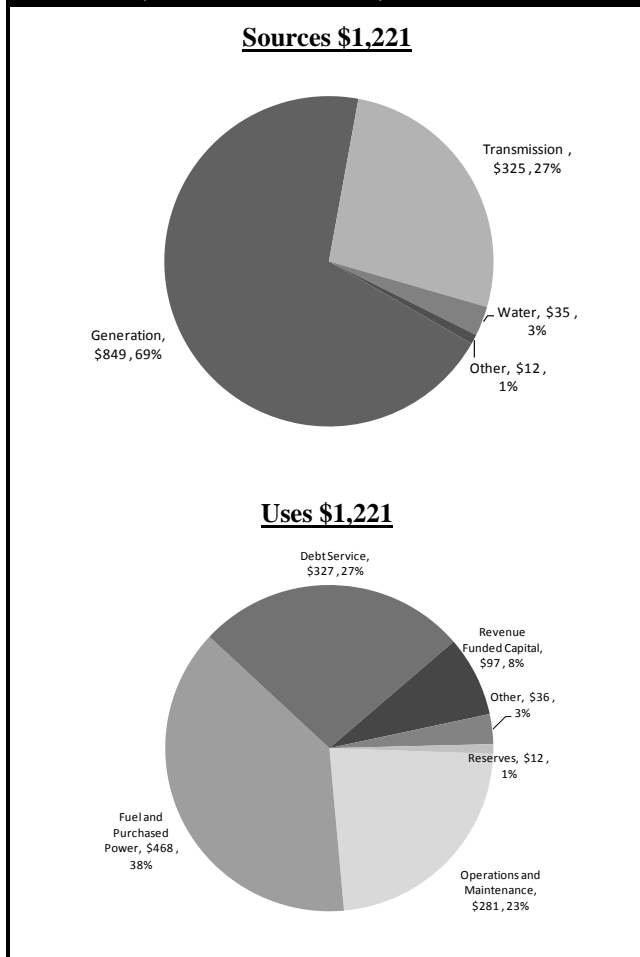
- Total LCRA Revenue decreases from the FY 2012 budget. Fuel revenues decrease by \$24.1 million (4.9 percent), and nonfuel revenues increase by \$16.3 million (2.2 percent). Nonfuel revenues reflect the addition of deferred revenues for Generation and Water, increased debt service of \$5.7 million, offset by the divestiture of water and wastewater utility systems, curtailment of interruptible customers, and reductions in operations and maintenance expense.
- Total expense decreases by \$39.8 million (5 percent), due to a reduction in fuel expense of \$24.1 million (4.9 percent) and \$15.7 million (5.3 percent) in reductions to nonfuel Operations and Maintenance expense achieved mainly through labor cost reductions.

- Debt service coverage, a widely used measure of financial performance, is forecast to be 1.36x in FY 2013 and increasing to 1.42x in FY 2017.
- Net Revenues After Debt Service are projected to be \$118.2 million. Of this, \$11.5 million is for liquidity reserves, which are used to pay expenses if revenues are interrupted.
- Capital Project Expenditures are funded by two major sources – Current Revenues (\$97.1 million) and Borrowed Funds (\$488.8 million) – to pay for projects that will last decades. Another \$15.9 million is capital projected to be funded by reserves from previous years or entities other than LCRA.

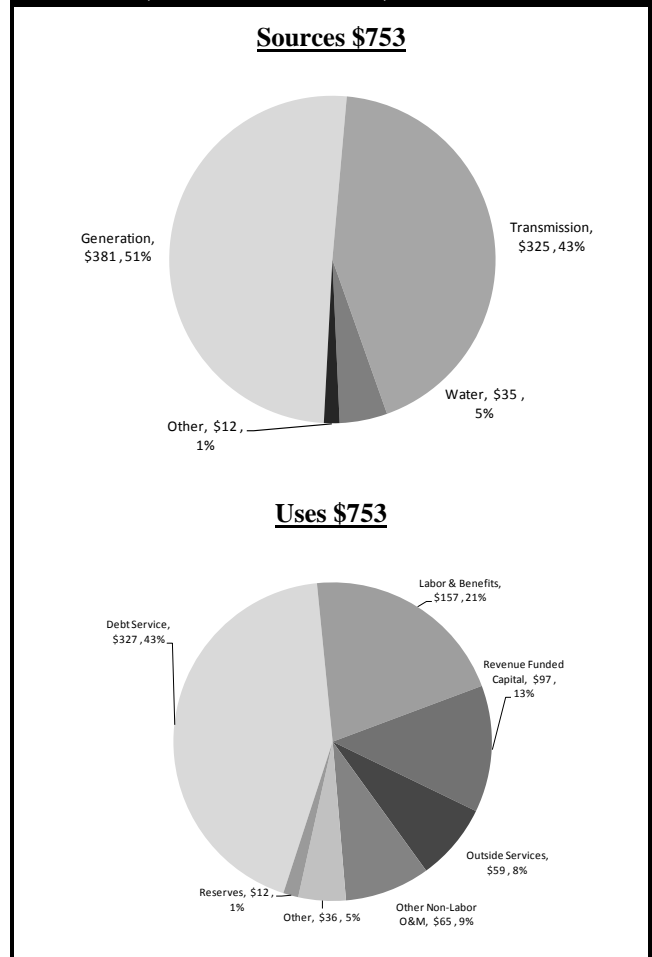
The chart on the left summarizes the sources of LCRA's total projected revenues for FY 2013 and how they will be used during the fiscal year. The total sources include Total Net Revenue plus the Amortization of Enterprise/Minor Capital for LCRA Transmission Services Corporation.

The graph on the right also reflects revenues and expenses for FY 2013, but it excludes fuel and purchased power revenues and expense. This provides a more detailed look at nonfuel expenses forecast for the upcoming fiscal year.

**LCRA Sources and Uses  
FY 2013 (Dollars in Millions)**



**LCRA Sources and Uses, Nonfuel Only  
FY 2013 (Dollars in Millions)**



# Generation

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## Generation

LCRA combines both fuel and nonfuel rates into a time-of-use pricing structure. This pricing structure is designed to recover LCRA's reasonable and necessary costs of providing services to all wholesale customers while ensuring the long term financial health of LCRA. Each customer pays the same price for energy based on when it is used (more for peak times such as summer afternoons, less for off-peak times such as the middle of the night).

## Fuel Rate

Covers costs including:

- Fuel (natural gas and coal) used to generate electricity
- Managing and transporting fuel to power plants and fuel storage facilities
- Purchased power
- ERCOT market settlement

- Labor for fuel-related activity, power sales and purchases, and risk management

LCRA adjusts the fuel rate periodically to reflect changing fuel, fuel transportation and purchased power costs.

## Nonfuel Rate

Covers costs including:

- Labor for nonfuel-related activity
- Operations and maintenance, including hydroelectric operations.
- Debt service, debt service coverage, and debt retirement.
- Assigned Enterprise costs
- Contributions to Public Service Fund
- Other nonfuel costs

## Financial Summary

In FY 2013, the generation revenue requirement of \$849 million is \$7.5 million, or 1 percent, lower than last year's budget. This decrease reflects a fuel revenue decrease of \$24.1 million and a nonfuel revenue increase of \$16.5 million, including \$22.2 million of deferred revenues for the paydown of long-term debt. For the FY 2014 to 2016 horizon, fuel revenue increases are primarily a product of forecasted higher market prices for fuel and purchased power. Nonfuel revenue increases over this same period are the result of increasing operations and maintenance

expense and debt service attributed to projected capital spending in generation.

Operating expenses in FY 2013 of \$571 million are \$60 million, or 9.5 percent, lower than last year's budget, and debt service payments of \$164.1 million are \$21.2 million, or 14.8 percent, greater than last year's plan. Nonfuel operations and maintenance expenses decreased 26 percent from last year's budget. Fuel expense and purchased power decreased \$24.1 million due primarily to lower fuel prices. Increases in debt service payments throughout this business plan horizon reflect capital spending associated with LCRA's investment in the Sandy Creek Energy Station and the Ferguson

Replacement Project. Additionally, debt service coverage is included in the nonfuel revenue requirement to achieve a targeted 1.25x debt service coverage level. Some revenues are budgeted to be deferred to pay down or avoid future debt in order to preserve LCRA's balance sheet and ensure its long term financial health. Projected capital expenditures for FY 2013 are \$279.5 million and \$530.6 million over the five-year plan period.

LCRA will continue long-term generation resource planning to analyze and improve LCRA's competitive

position in the ERCOT system. While investments in projects like the replacement of the Thomas C. Ferguson Power Plant increase nonfuel revenue requirements, management believes this investment helps LCRA improve its competitive position over the long term, as a new power plant is anticipated to burn less fuel, produce fewer emissions and require fewer near-term maintenance outages.

### Generation Financial Summary, FY 2012 – 2017 <sup>1</sup>

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Revenues</b>						
Nonfuel Revenues	\$ 364.1	358.4	373.0	380.5	393.7	314.2
Fuel Revenues	492.6	468.5	509.3	539.0	573.8	372.5
<b>Sub-Total Fuel and Nonfuel Revenues</b>	<b>856.6</b>	<b>826.9</b>	<b>882.4</b>	<b>919.5</b>	<b>967.5</b>	<b>686.8</b>
Revenues Deferred for Debt Paydown	0.0	22.2	15.4	9.5	9.5	0.0
<b>Total Revenue</b>	<b>856.6</b>	<b>849.1</b>	<b>897.8</b>	<b>929.0</b>	<b>977.0</b>	<b>686.8</b>
<b>Expenses</b>						
Net F&PCR and Affiliate Fuel Expenses	492.6	468.5	509.3	539.0	573.8	372.5
Total Nonfuel Operations and Maintenance	138.7	102.5	108.4	121.8	122.7	107.4
<b>Total Wholesale Power / Affiliate Expense</b>	<b>631.2</b>	<b>571.0</b>	<b>617.7</b>	<b>660.8</b>	<b>696.5</b>	<b>479.9</b>
Net Operating Margin	225.4	278.1	280.0	268.2	280.5	206.9
Add: Interest Income	1.5	0.1	0.7	5.0	5.1	4.9
Less: Assigned Enterprise Expense	20.7	25.5	27.1	29.4	30.8	31.3
Public Service Fund - Generation	24.1	24.7	25.9	26.5	27.2	27.8
<b>Net Revenues Available for Debt Service</b>	<b>182.0</b>	<b>228.0</b>	<b>227.6</b>	<b>217.3</b>	<b>227.6</b>	<b>152.7</b>
Less:						
Revenues Deferred for Debt Paydown	0.0	22.2	15.4	9.5	9.5	0.0
Coverage Adjustments (GenTex)	3.3	0.7	1.5	0.5	0.5	0.2
<b>Adjusted Net Revenues Available</b>	<b>178.7</b>	<b>205.1</b>	<b>210.7</b>	<b>207.4</b>	<b>217.6</b>	<b>152.5</b>
<b>Total Debt Service</b>	<b>142.9</b>	<b>164.1</b>	<b>166.9</b>	<b>165.2</b>	<b>172.9</b>	<b>121.6</b>
<b>Debt Service Coverage</b>	<b>1.25x</b>	<b>1.25x</b>	<b>1.25x</b>	<b>1.25x</b>	<b>1.25x</b>	<b>1.25x</b>
<b>Net Revenue After Debt Service</b>	<b>39.1</b>	<b>41.7</b>	<b>45.3</b>	<b>42.6</b>	<b>45.2</b>	<b>31.1</b>
Less:						
Operating Reserves	0.0	0.0	12.1	11.3	9.3	0.7
Assigned Enterprise Capital	4.1	3.6	10.1	4.8	4.1	2.3
Revenue Funded Capital	33.4	38.1	23.1	26.4	23.2	24.2
GenTex Rate Stabilization Fund	1.5	0.0	0.0	0.0	0.0	0.0
Debt Paydown	-	0.0	0.0	0.0	8.6	4.0
<b>Net Cash Flow</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Capital Expenditures</b>						
Revenue Funded	33.4	38.1	23.1	26.4	23.2	24.2
Debt Funded	254.4	241.4	122.6	20.7	0.0	0.0
Third Party / Proceeds Funded	-	0.0	0.0	5.4	5.4	0.0
<b>Total Capital</b>	<b>\$ 287.8</b>	<b>279.5</b>	<b>145.7</b>	<b>52.6</b>	<b>28.6</b>	<b>24.2</b>

<sup>1</sup> Includes affiliate GenTex Power Corporation.

# Transmission

## Transmission Rates and Revenues

LCRA Transmission Services Corporation (LCRA TSC) is regulated by the Public Utility Commission of Texas (PUC). Accordingly, the PUC administers the rate-making and rate-approval processes for LCRA TSC and all other transmission service providers (TSPs) in ERCOT.

### Transmission Rate

The PUC establishes rates for 37 ERCOT TSPs based on prior expenses. The rate-making process requires the TSP to provide the PUC with a transmission cost of service (TCOS) - the actual, historical cost of owning, operating, maintaining and financing its transmission facilities for a recent 12-month period. The PUC scrutinizes the TCOS expenses and must find them “reasonable and necessary” for them to be recoverable costs.

Transmission rates are determined by dividing the TSP’s approved TCOS by the “4CP” in effect at the time of the TCOS filing. The 4CP, or four-month coincident peaks, is the average of the peak ERCOT electrical demands (measured in kilowatts) during the most recent June, July, August and September calendar months. The PUC averages these four ERCOT system peaks each year to establish a 4CP for the following calendar year.

Dividing LCRA TSC’s most recently approved TCOS (March 8 PUC order) by the ERCOT 4CP in effect at the time of filing produces the current LCRA TSC transmission rate of \$4.67.

The ERCOT “postage stamp rate” refers to the sum of all TSP rates and LCRA TSC accounts about for 16 percent of the total rate.

### Billing Unit

The 4CP is also the billing unit for transmission service in ERCOT. Each of the 81 distribution service providers (DSPs) in ERCOT pays each TSP an amount based on the TSP’s rate multiplied by the DSP’s portion of the previous summer’s 4CP. DSPs use their retail rates to pass these transmission costs through to each end-use electric customer in the ERCOT region.

Each month every DSP pays LCRA TSC an amount equal to 1/12 of the DSP’s portion of the ERCOT 4CP times the LCRA TSC transmission rate (currently \$4.67).

### LCRA TSC’s Share of ERCOT Transmission Rate

<u>Transmission Service Provider (TSP)</u>	<u>Annual Transmission Rate</u>	<u>% of Total</u>
Oncor Electric Delivery	\$9.51	32%
<b>LCRA TSC</b>	<b>\$4.67</b>	<b>16%</b>
CenterPoint Energy	\$3.83	13%
AEP Texas Central	\$2.04	7%
San Antonio City Public Service	\$1.62	6%
Brazos Electric Cooperative	\$1.45	5%
Austin Energy	\$1.00	3%
AEP Texas North	\$0.96	3%
Texas Municipal Power Agency	\$0.66	2%
Other TSPs	\$3.78	13%
<b>Total ERCOT Transmission Rate</b>	<b>\$29.52</b>	<b>100%</b>

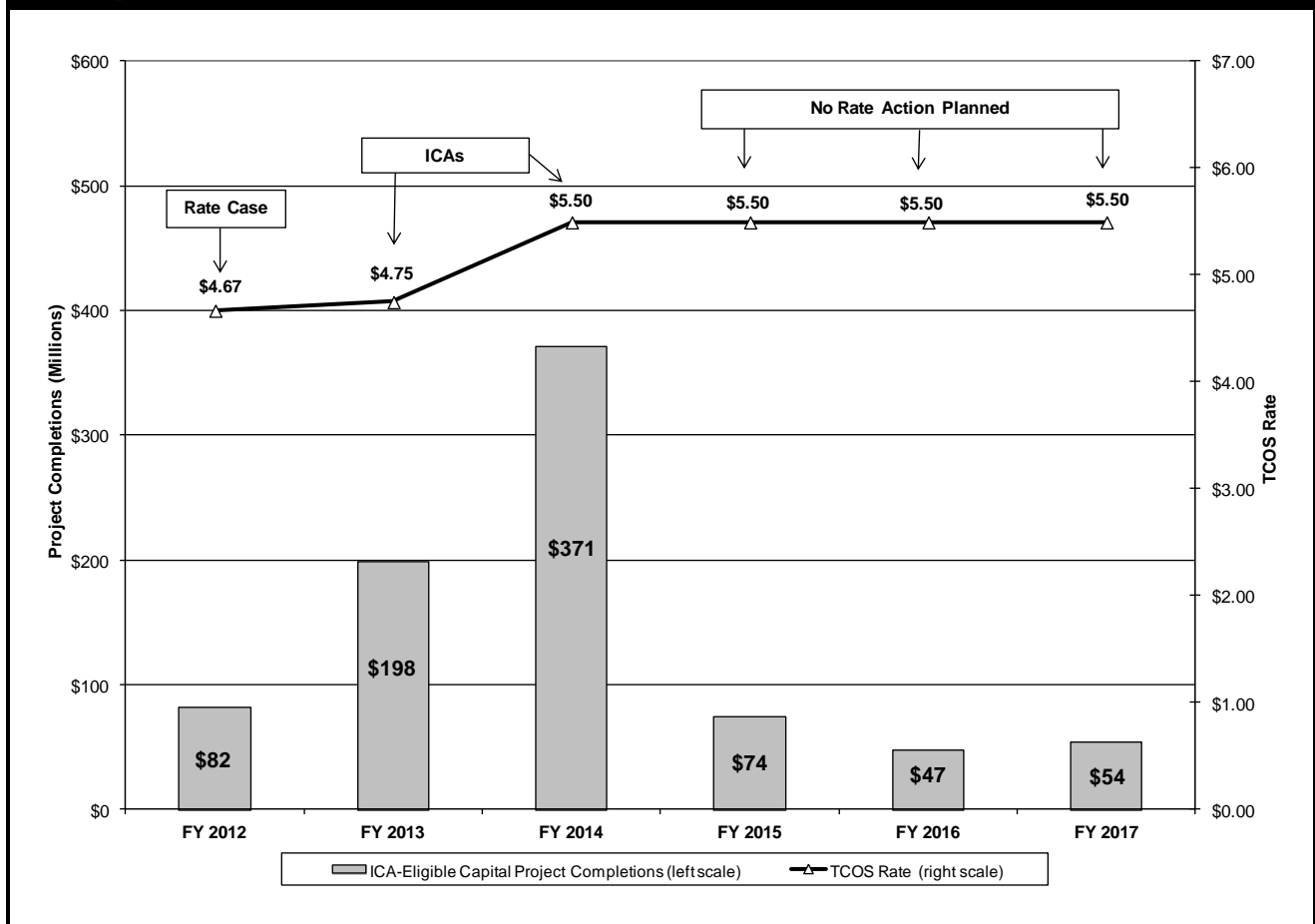


LCRA TSC is continuing its approach of seeking rate increases as needed to recover its costs of investing significant capital in new transmission facilities. LCRA TSC will fulfill this strategy by pursuing either interim capital additions or TCOS rate filings overseen by the PUC. LCRA TSC recently completed a TCOS rate case filing with rates effective in March 2012. LCRA TSC plans two additional interim rate increases in January and October 2013 in order to recover ongoing investment in Competitive Renewable Energy Zones (CREZ) and other transmission system improvements.

will be LCRA TSC’s largest 345-kilovolt transmission line construction project both in terms of length and lifetime budget. After these interim capital additions filings are completed, LCRA TSC has no plans for additional rate increases for the remainder of the five-year planning horizon, and will manage costs to achieve this goal. See the chart below for the FY 2013 to 2017 forecast of LCRA TSC rate actions and the resulting rate increases that are assumed in this Business Plan.

The second of these interim rate increases will incorporate debt service on the Big Hill-to-Kendall project, which

**Forecast for LCRA TSC Capital Project Completions and Impact on Transmission Cost of Service (TCOS) Rate**



## Financial Summary

The FY 2013 Business Plan continues LCRA TSC's mission to provide safe, reliable and cost-effective transmission services while investing in new facilities to serve needs across ERCOT.

LCRA TSC projects collecting \$318.2 million in FY 2013 for the provision of regulated transmission, transformation and metering services. This represents an increase of \$35.3 million, or 12.5 percent, from the FY 2012 budget. In addition to regulated revenues, LCRA is budgeting \$6.8 million in revenues from unregulated services.

Total expenses of \$83.5 million for FY 2013 increase by \$8.1 million (10.7 percent), compared to FY 2012's budget.

LCRA TSC expects to spend \$594.2 million over the coming five-year period. However, capital activity in FY 2013 is projected to use almost one-half of that total amount, or \$294.8 million.

Over the next five years, LCRA TSC plans to bring approximately \$610 million in new transmission system facilities into service, including approximately \$451 million in support of the PUC's CREZ initiatives.

### Transmission Financial Summary, FY 2012-2017

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>LCRA Transmission Services Corporation</b>						
Revenues	\$ 282.9	318.2	342.4	369.1	375.0	380.8
Operations and Maintenance	69.5	78.1	81.8	87.6	92.0	94.1
Net Operating Margin	213.4	240.1	260.6	281.5	282.9	286.7
<b>Transmission Customer Services</b>						
Revenues	7.1	6.8	6.9	6.8	6.8	6.8
Operations and Maintenance	5.9	5.5	5.5	5.5	5.5	5.5
Net Operating Margin	1.1	1.4	1.4	1.3	1.3	1.3
<b>Total Transmission Services</b>						
Revenues	290.0	325	349.3	375.9	381.8	387.5
Operations and Maintenance	75.4	84	87.3	93.1	97.5	99.6
Net Operating Margin	214.6	241	262.1	282.8	284.2	288.0
Add: Interest Income	0.9	0.1	0.3	2.8	2.9	2.9
Less: Assigned Enterprise Expense	24.2	26.7	31.8	31.1	31.7	32.2
Public Service Fund	8.7	9.7	10.5	11.3	11.5	11.6
<b>Net Revenues Available for Debt Service</b>	<b>182.6</b>	<b>205.0</b>	<b>220.1</b>	<b>243.3</b>	<b>243.9</b>	<b>247.0</b>
<b>Debt Service</b>	<b>137.3</b>	<b>148.7</b>	<b>161.8</b>	<b>173.0</b>	<b>174.5</b>	<b>171.6</b>
<b>Debt Service Coverage</b>	<b>1.33x</b>	<b>1.38x</b>	<b>1.36x</b>	<b>1.41x</b>	<b>1.40x</b>	<b>1.44x</b>
<b>Net Revenue After Debt Service</b>	<b>45.3</b>	<b>56.3</b>	<b>58.3</b>	<b>70.3</b>	<b>69.4</b>	<b>75.4</b>
Less:						
Operating Reserves	8.4	11.3	13.6	6.5	1.6	0.5
Enterprise Capital	6.8	6.4	8.3	5.0	4.4	2.7
Assigned Transmission Minor Capital	1.8	0.0	0.4	0.4	0.4	0.4
Revenue Funded Capital	28.8	40.0	37.1	60.6	66.1	63.9
Restricted for Capital/Debt Retirement	0.0	0.0	0.0	0.0	0.0	11.6
Transmission Customer Service Support	0.0	1.0	2.0	2.0	2.0	2.0
Plus:						
Amortization of Enterprise/Minor Capital <sup>1</sup>	0.5	2.4	3.1	4.2	5.0	5.6
Net Cash Flow	0.0	0.0	0.0	0.0	(0.0)	0.0
<b>Capital Expenditures</b>						
Revenue Funded <sup>2</sup>	30.6	40.0	37.4	61.0	66.4	64.2
Debt Funded	205.7	240.3	35.4	29.5	3.1	2.0
Third Party / Proceeds Funded	0.0	14.6	0.0	0.0	0.0	0.0
Total Capital	\$ 236.4	294.8	72.8	90.4	69.5	66.2

<sup>1</sup> In FY 2012, Transmission Services will begin funding minor capital and its share of Enterprise Capital with current year revenues, but will include an amortization of the amount in each year to recover in rates.

<sup>2</sup> The Transmission Services Consolidated Capital table includes LCRA TSC capital spending and spending for Transmission Services Minor Capital which is used by LCRA TSC and Transmission Customer Services.

# Raw Water

Rates charged to LCRA’s water customers are varied and are dependent on the product or service provided, such as stored water, transportation and reservation for firm water customers, and services for customers of LCRA’s interruptible water.

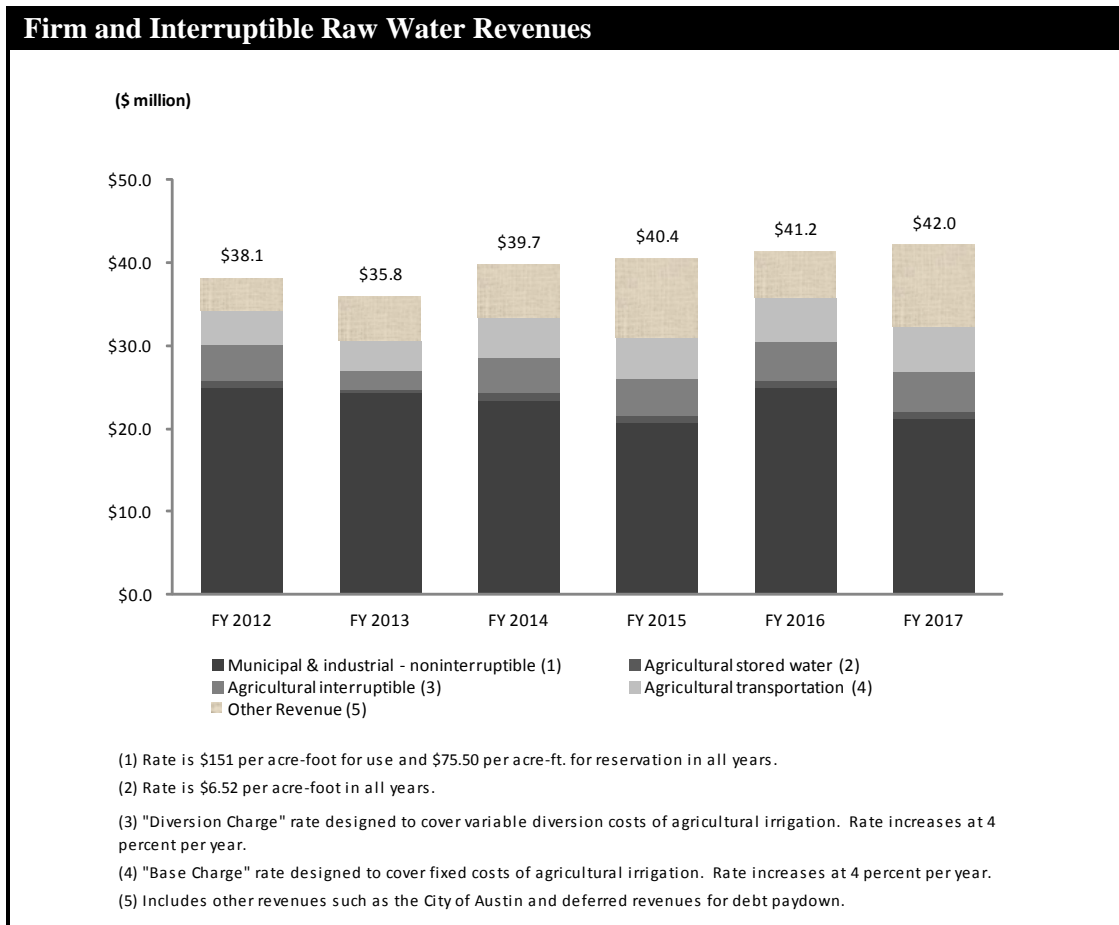
## Raw Water Rates

The LCRA raw water rate structure includes components for noninterruptible (firm) and interruptible customers as well as a rate for reservation of water. The current rate for firm customers who use water is \$151 per acre-foot. Those customers also pay for water reserved but not used at half the firm rate (\$75.50 per acre-foot). The rate for interruptible customers, primarily agricultural users, is \$6.52 per acre-foot. Current projections in this business plan do not forecast a change in the firm raw water rate, associated reservation rate or interruptible rate. These rates are adequate to pay for LCRA’s stewardship of the river, including flood and daily river management and water conservation.

However, this Business Plan does not make assumptions regarding potential rate impacts for the addition of any potential new water supplies.

## Transportation Rates

In addition to the rate charged for actual water used, interruptible customers and a few industrial customers also pay for transportation through rates developed to recover the fixed and variable costs of water delivery. For interruptible customers, these rates reflect the cost of service for delivery of both run-of-river and interruptible stored water. The fixed portion is collected through a “base charge” rate applied to each acre farmed. The variable cost, primarily electricity, is collected through a “diversion charge” applied through a per acre-foot rate. Both rates are forecast to increase 4 percent in FY 2013 under a five-year rate increase schedule approved by the Board in FY 2009. This plan continues that increase through 2017 in an effort to keep with pace with inflationary increases.



## Financial Summary

Total Raw Water revenues of \$35.8 million are lower than FY 2012 by \$2.3 million (6 percent), primarily due to curtailment assumptions for the interruptible customers. However, the revenue projection includes \$2.0 million of deferred revenue for the paydown of debt, or capital related to future water supplies. Based on current projections, the current rates assumed in this plan are adequate to fund ongoing operations and capital needs, including the ongoing rehabilitation of the floodgates at Buchanan Dam.

Total expenses of \$12.4 million for FY 2013 are lower by \$5.4 million (30 percent), compared to FY 2012's budget. The reduction in costs is the result of curtailment assumptions as well as overall reductions in labor across LCRA.

The raw water rates and expense management assumed in this business plan produce funds available to support new water supply infrastructure and are assumed deferred until used for either expenses or capital spending associated with such project. The forecast amount available, when combined with forecast funds available in LCRA's Infrastructure Reserve, are estimated to be able to fund the debt service of a capital project in the \$125 - \$150 million range. LCRA will continue evaluating options for a larger project as part of the stated goals for FY 2013.

Projected raw water capital expenditures are \$6.7 million in FY 2013 and \$40.8 million for the five-year plan period. However, these capital expenditures do not include an estimate for future water supply.

### Raw Water Financial Summary, FY 2012-2017

(Dollars in Millions)	Budgeted	Proposed	Forecast			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Water Revenues</b>						
Municipal & industrial - noninterruptible	\$ 25.0	24.2	23.5	20.7	25.0	21.2
Agricultural stored water	0.7	0.4	0.7	0.7	0.7	0.7
Agricultural interruptible	4.2	2.3	4.3	4.5	4.7	4.9
Agricultural transportation	4.1	3.6	4.7	4.9	5.1	5.4
Other	4.0	3.2	3.4	3.5	3.6	3.8
<b>Sub-Total Water Revenues</b>	38.1	33.8	36.7	34.4	39.2	36.0
Revenues deferred for debt paydown	0.0	2.0	3.0	6.0	2.0	6.0
<b>Total Water Revenues</b>	38.1	35.8	39.7	40.4	41.2	42.0
Operations and Maintenance	17.8	12.4	14.0	14.4	14.7	15.1
Net Operating Margin	20.3	23.3	25.6	26.1	26.5	27.0
Add: Interest Income	0.1	0.0	0.0	0.2	0.2	0.2
Less: Assigned Enterprise Expense	5.2	6.2	6.1	6.2	6.2	6.4
Public Service Fund	1.1	1.0	1.1	1.0	1.2	1.1
Net Revenues Available for Debt Service	14.0	16.2	18.4	19.0	19.3	19.7
Less: Revenues deferred for debt Paydown	0.0	2.0	3.0	6.0	2.0	6.0
<b>Adjusted Net Revenues Available</b>	14.0	14.2	15.4	13.0	17.3	13.7
Debt Service	6.7	6.9	6.9	7.6	7.9	5.3
Debt Service Coverage	2.11x	2.05x	2.23x	1.71x	2.19x	2.61x
Debt Service Coverage, excluding Noncash Revenues	1.67x	1.61x	1.77x	1.28x	1.75x	1.93x
Net Revenue After Debt Service	7.4	7.3	8.5	5.4	9.4	8.5
Less:						
Operating Reserves	0.3	0.0	0.4	0.1	0.1	0.1
Enterprise Capital	2.1	2.4	2.5	0.7	0.6	0.4
Revenue Funded Capital	5.0	1.9	2.5	1.3	5.2	2.5
Restricted for Capital/Debt Retirement	0.0	0.0	0.0	0.0	0.0	1.8
Noncash Revenues	2.9	3.1	3.2	3.3	3.4	3.6
Plus:						
Public Service Fund Assistance	3.0	-	-	-	-	-
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
<b>Capital Expenditures</b>						
Revenue Funded	5.0	1.9	2.5	1.3	5.2	2.5
Debt Funded	4.4	4.9	5.9	7.0	3.9	5.9
Third Party / Proceeds Funded	0.6	0.0	0.0	0.0	0.0	0.0
Total Capital	\$ 10.0	6.7	8.4	8.3	9.1	8.3

# Water and Wastewater Utilities

This Business Plan assumes the current status of the sale, operations and related agreements for LCRA's water and wastewater utilities, including:

- The debt payment schedule with the West Travis County Public Utility Agency;
- Completion of the sale of the Rollingwood Wastewater System to the City of Rollingwood;
- An operations and maintenance agreement with Corix Infrastructure for the systems being purchased by Corix, until completion of the Sale Transfer Merger process;
- Continued ownership of the Westlake Hills Wastewater and Tahitian Village Wastewater Systems beyond FY 2017; and
- Continued use of Public Service Funds to maintain cash flow during the planning period.

Water and Wastewater revenues of \$6.6 million are \$32.5 million (83 percent) lower than FY 2012, due to the ongoing divestiture process.

Expenses of \$3.9 million are \$11 million (74 percent) lower than FY 2012, also the result of the ongoing divestiture process.

The FY 2013 Business Plan includes some capital spending for required improvements at the systems being purchased by Corix. LCRA will manage and fund these projects but will be reimbursed in accordance with the purchase agreement. This plan demonstrates LCRA's continued commitment of providing vital utility services and planning for future water needs in a cost-conscious manner.

## Water and Wastewater Utilities Financial Summary, FY 2012-2017

(Dollars in Millions)

	Budgeted		Forecast			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total Revenue	\$ 39.1	6.6	6.8	4.1	4.1	3.5
Operations and Maintenance	14.9	3.9	4.0	0.2	0.2	0.2
Net Operating Margin	24.2	2.7	2.8	3.9	3.8	3.3
Add: Interest Income	0.1	0.0	0.0	0.0	0.0	0.0
Less: Assigned Enterprise Expense	3.8	1.1	1.1	0.2	0.2	0.2
Public Service Fund	0.9	0.2	0.2	0.1	0.1	0.1
Net Revenues Available for Debt Service	19.5	1.5	1.4	3.6	3.5	3.0
Debt Service	17.1	2.6	2.9	4.1	4.1	3.5
Debt Service Coverage	1.14x	0.57x	0.50x	0.88x	0.86x	0.85x
Net Revenue After Debt Service	2.3	(1.1)	(1.4)	(0.5)	(0.6)	(0.5)
Less:						
Operating Reserves	0.0	0.0	0.1	0.0	0.0	0.0
Enterprise Capital	0.5	0.0	0.1	0.1	0.1	0.0
Revenue Funded Capital	4.3	0.8	0.9	0.0	0.0	0.0
Restricted for Capital/Debt Retirement	0.6	0.2	0.2	0.2	0.2	0.2
Plus:						
Public Service Fund Assistance	3.1	2.2	2.7	0.8	0.8	0.8
Net Cash Flow	0	0.0	0.0	0.0	0.0	0.0
<b>Capital Expenditures</b>						
Revenue Funded	0.7	0.8	0.9	-	-	-
Impact Fee Funded	3.6	0.0	0.0	-	-	-
Debt Funded	4.3	2.2	0.2	-	-	-
Third Party/ Proceeds Funded	0.6	1.3	0.4	-	-	-
Total Capital	\$ 9.2	4.4	1.5	-	-	-

# Enterprise Costs

## Enterprise Costs

Functions that provide general support and oversight to the organization are now embedded in several of the departments created by the reorganization, and these departments continue to execute those responsibilities in a more cost-efficient manner. These enterprise costs were previously considered part of the corporate cost structure or were embedded in multiple business units. The current structure has eliminated those redundancies. Regardless of departmental assignment, the associated costs are assigned to each LCRA product for rate development and financial evaluation. Enterprise costs total \$94.1 million in FY 2013, offset by \$5.0 million in revenue. The net expense cost of \$89.1 million is further offset by charges to Austin Energy (AE) of \$5.1 million for services LCRA provides to them related to the partnership in the Fayette Power Project. The remaining \$84.0 million is assigned to each product line as an element of its cost of service as

shown in the cost assignment below, or as an element of capital project costs.

## Financial Summary

Enterprise revenue of \$5.0 million represents telecommunication revenue and is used to offset total enterprise costs. Total expense of \$94.1 million represents the total costs of providing enterprise services such as legal, financial, and other operational support activities that benefit LCRA's product lines. The resulting net operating cost of \$89.1 million is then assigned to the product lines as part of their specific revenue requirement. Additionally, a portion of enterprise costs are related to capital or other activities and are therefore assigned to those areas for funding.

Projected capital expenditures are \$14.1 million in FY 2013 and \$86 million for the five-year plan period.

### Enterprise Costs, FY 2013-2017

(Dollars in Millions)	Proposed	Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total Revenue	\$ 5.0	\$ 5.2	\$ 5.0	\$ 5.0	\$ 5.1
Gross Enterprise Costs	94.1	95.3	96.8	96.8	99.4
<b>Net Enterprise Costs</b>	<b>89.1</b>	<b>90.1</b>	<b>91.8</b>	<b>91.8</b>	<b>94.3</b>
<b>Cost Assignment</b>					
Generation	25.5	27.1	29.4	30.8	31.3
Transmission	26.7	31.8	31.1	31.7	32.2
Water	7.2	7.3	6.4	6.4	6.6
PSF Activities	6.4	6.4	6.5	6.7	6.8
Capital / AE / Other	23.3	17.4	18.4	16.1	17.4
<b>Total</b>	<b>89.1</b>	<b>90.1</b>	<b>91.8</b>	<b>91.8</b>	<b>94.3</b>
<b>Capital Expenditures</b>					
Revenue Funded	14.1	24.2	12.6	10.8	6.1
Debt Funded	0.0	2.3	4.8	3.2	0.4
Third Party / Proceeds Funded	0.0	0.0	0.0	0.0	0.0
<b>Total Capital</b>	<b>14.1</b>	<b>26.5</b>	<b>17.4</b>	<b>14.0</b>	<b>6.5</b>

# Cost Drivers

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## Compensation and Benefits

LCRA's total estimated labor budget for FY 2013 is \$153.3 million, which includes operations and maintenance expense and capital expenditures. This amount is \$21.9 million (12.5 percent) less than the FY 2012 budget. Headcount for FY 2012 totals 1,984, which is a reduction of 314 positions (14 percent) from the FY 2012 budget.

For the FY 2013 Business Plan, LCRA's labor budget for nonfuel operations and maintenance activity is \$116.0 million, \$3.6 million for fuel activity, and \$25.8 million for capital activity.

A portion of the labor costs is charged to Austin Energy for its share of the work at the Fayette Power Project, which equals \$7.9 million in FY 2013.

## Base Pay Increases

The estimated labor budget for FY 2013 includes 4 percent annual base salary increases. Similar increases are assumed through FY 2017.

## Benefits

In addition to compensation, LCRA provides employees a range of benefits such as health plans, life insurance and retirement and retiree health plans.

The estimated total benefits budget for FY 2013 is \$58.3 million, or approximately 38 percent of payroll for FY 2013. This is \$1.3 million (2.2 percent) less than the FY 2012 budget. The savings in benefit costs resulting from staff reductions are partially offset by an increase in retiree health plan costs, as many of the reductions were associated with employees eligible for retirement benefits that include retiree health plans.

Benefit costs follow labor expenditures, with LCRA's share being \$44.1 million for nonfuel operations and maintenance, \$1.4 million for fuel activity, \$9.8 million for capital activity, and \$3.0 million charged to Austin Energy.

## Fuel

Total fuel and purchased power costs are approximately 40 percent of LCRA's total use of funds in each fiscal year. Managing this cost is an important element of LCRA's long-term success.

## Debt Service

While LCRA does revenue fund a portion of its capital program, LCRA also issues long-term tax-exempt debt to fund the majority of capital spending. Annual debt service is a component of the cost of providing services to customers and is included in the development of rates and the annual planning process. The projected debt service included in this plan includes existing annual payments on outstanding bonds and commercial paper, as well as an estimate of the financing costs related to debt-funded capital projects in the upcoming fiscal years.

Additionally, as funds are available, LCRA will pay down outstanding debt to lower total costs and for the long-term financial health of the organization.

# Public Service Fund

The Public Service Fund (PSF) is the mechanism LCRA uses to fund statutory programs that do not generate sufficient revenues to fully recover their costs and for other uses at the Board's discretion. The PSF is directed through Board Policy 301 – Financial Policy, which establishes the fund parameters, and Board Policy 403 – Community Services, which establishes the guidelines for developing and carrying out LCRA's Public Services programs. An element of the cost of service for LCRA's generation, transmission and water operations includes contributions to this fund.

Based on a negotiated contractual arrangement with LCRA's wholesale electric customers, Generation contributions are adjusted each year at a rate indexed to average load growth. Contributions from GenTex 1 (the portion of Lost Pines 1 Power Project capacity that GenTex Power Corporation sells directly to LCRA's wholesale customers) are based on 3 percent of budgeted revenues. Annually, Transmission and Raw Water rates contribute 3 percent of the total budgeted revenues. Intracompany revenues associated with pass-through transactions from service providers are excluded from the calculation.

## Public Service Funds, FY 2012-2017

(Dollars in Millions)

	Budgeted Proposed		Forecast			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Sources:</b>						
Generation	\$ 22.4	23.0	23.8	24.3	24.9	25.5
GenTex	1.7	1.7	2.1	2.1	2.3	2.4
Transmission	8.7	9.7	10.5	11.3	11.5	11.6
Water	2.1	1.2	1.3	1.2	1.3	1.2
Subtotal	34.9	35.7	37.7	38.9	40.0	40.6
<b>Uses:</b>						
PSF Activities	23.8	26.8	29.2	29.1	30.1	29.8
Water & Wastewater Utility Equity	3.1	2.2	2.7	0.8	0.8	0.8
Infrastructure Reserve	4.5	6.7	5.8	9.0	9.1	10.0
Irrigation Support	3.0	0.0	0.0	0.0	0.0	0.0
Water/Wastewater Divestiture Funding	0.5	0.0	0.0	0.0	0.0	0.0
Subtotal	34.9	35.7	37.7	38.9	40.0	40.6
<b>Net Available Public Service Funds:</b>	\$ 0.0	0.0	0.0	0.0	0.0	0.0



## Public Service Fund Activities

Public Service Fund monies are used to support parks, natural science centers, public safety activities, natural resource protection and LCRA's Environmental Lab and to provide economic development assistance to the surrounding communities. These services generate some revenue but require support from the PSF to cover the total operations and maintenance, enterprise support and capital costs that support these activities. Prior to FY 2009, Water Quality activities had been funded wholly or in part by the PSF. During FY 2009-2012, Water Quality activities were paid for by raw water revenues, but an evaluation of PSF sources and uses initiated during FY 2012 resulted in the inclusion of LCRA's Water Quality activities as a recipient of PSF support in the FY 2013 Business Plan.

Total revenues are projected at \$8.9 million for FY 2013 and increasing by \$0.4 million to \$9.3 million by FY 2017, primarily from increased revenue from the Environmental Lab.

Total operating expenses of \$30.6 million, which includes \$6.4 million of Enterprise Costs, are projected for FY 2013, increasing by \$3.5 million to \$34.1 million by FY 2017, primarily driven by labor costs increasing assumed at 4 percent annually.

Projected capital expenditures are \$2.2 million in FY 2013 and \$13.8 million for the five-year plan period.

In addition to the items listed above, the Total Funding Requirement from the PSF includes \$1 million annually for the Community Development Partnership Program.

<b>Public Service Fund Activities, FY 2013-2017</b>					
(Dollars in Millions)	<b>Proposed</b>	<b>Forecast</b>			
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Revenue</b>					
Public Services	\$ 2.3	2.3	2.4	2.2	2.2
Water Quality	0.5	0.2	0.2	0.2	0.2
Public Safety	0.7	0.7	0.7	0.7	0.7
Environmental Lab	5.5	5.6	5.7	6.0	6.2
<b>Total Revenue</b>	<b>8.9</b>	<b>8.8</b>	<b>9.0</b>	<b>9.1</b>	<b>9.3</b>
<b>Operations and Maintenance</b>					
Public Services	15.0	15.3	15.6	16.0	16.4
Water Quality	3.5	3.5	3.6	3.7	3.8
Public Safety	6.4	6.6	6.8	7.1	7.4
Environmental Lab	5.7	5.9	6.1	6.3	6.5
<b>Total Operating Expense</b>	<b>30.6</b>	<b>31.3</b>	<b>32.1</b>	<b>33.2</b>	<b>34.1</b>
<b>Operating Funding Requirement</b>	<b>21.6</b>	<b>22.4</b>	<b>23.1</b>	<b>24.0</b>	<b>24.7</b>
Capital Spending	2.2	2.4	2.8	3.2	3.2
Rev. Funded Enterprise Capital	1.7	3.2	2.0	1.6	0.6
Reserves	0.3	0.2	0.2	0.3	0.2
CDPP	1.0	1.0	1.0	1.0	1.0
<b>Total Funding Requirement</b>	<b>26.8</b>	<b>29.2</b>	<b>29.1</b>	<b>30.1</b>	<b>29.8</b>
<b>Capital Expenditures</b>					
Revenue Funded	2.2	2.4	2.8	3.2	3.2
Debt Funded	0.0	0.0	0.0	0.0	0.0
<b>Total Capital</b>	<b>\$ 2.2</b>	<b>2.4</b>	<b>2.8</b>	<b>3.2</b>	<b>3.2</b>

# Departmental Analysis

## Departmental Analysis

Each of the nine executive departments in which LCRA has been realigned serves a critical role in the successful implementation of LCRA's mission and strategic goals. The structure has been established to eliminate redundancies and costs, as well as improving efficiencies and quality of service delivery.

The budget for each of the departments provides a more complete representation of the total costs required to achieve the goals of the organization. Each of these budgets includes not only the expenses to operate and maintain facilities and provide necessary support services, but also the cost of labor for execution of LCRA's capital activities. With this view, costs can be more effectively monitored and evaluated throughout the year.

### Departmental Budgets, FY 2013-2014

(Dollars in Millions)	Proposed	
	FY 2013	FY 2014
<b>Costs</b>		
General Manager	\$1.4	\$1.5
Auditing Services	\$1.2	\$1.2
Legal Services	\$5.8	\$6.0
Transmission	\$113.3	\$117.4
Operations	\$174.5	\$178.7
Employee & Communication Services	\$7.0	\$7.2
Chief Financial Officer	\$33.6	\$34.5
Environmental & Regulatory	\$14.4	\$14.8
External Affairs	\$29.7	\$35.1
<b>Total Costs</b>	<b>\$381.1</b>	<b>\$396.4</b>
<b>Less Costs Other than Nonfuel Operations and Maintenance:</b>		
Capitalized Labor	\$36.0	\$37.3
Austin Energy Share of Nonfuel	\$23.7	\$24.4
Capitalized Enterprise Costs	\$12.2	\$5.7
Department Costs Assigned to Fuel	\$7.3	\$7.5
Enterprise Costs Assigned to Fuel	\$6.0	\$6.5
Enterprise Costs Assigned to Austin Energy	\$5.1	\$5.1
Enterprise Revenues (Telecom)	\$5.0	\$5.2
Transmission Facilities Capital Charge	\$4.5	\$6.9
Other	\$0.3	\$0.3
<b>Total Nonfuel Operations and Maintenance</b>	<b>\$281.0</b>	<b>\$297.4</b>

## Key Points

- Total spending, including capitalized labor in FY 2013 is \$381.1 million.
- Total spending for FY 2014 is \$396.4 million, an increase of \$17.1 million (4.5 percent), primarily due to an assumed labor adjustment increase of 4 percent.

- Included in the Total Cost of \$381 million are \$100 million of forecast expenditures that are not classified as nonfuel operations and maintenance expense.





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This Capital Plan should not be used as a basis for making a financial decision with regard to LCRA or any of its securities or other obligations. The Capital Plan is intended to satisfy the official intent requirements set forth in Section 1.150-2 of the Treasury Regulations. For more complete information on LCRA and its obligations, please refer to LCRA's annual financial report, the official statements relating to LCRA's bonds, and the annual and material event disclosures filed by LCRA with the nationally recognized municipal securities information repositories and the State Information Depository pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The information in this report and each of the documents referred to speaks only as of its date. Copies of the documents referred to above or elsewhere in this report may be obtained from James Travis, Treasurer, LCRA, 3700 Lake Austin Boulevard, Austin, Texas 78703.



# Executive Summary

**Some information about generation capital projects included in the Capital Plan is considered confidential and has been removed from this version of the document.**

LCRA Board approval of this Capital Plan authorizes the initiation of all recommended projects at their individually stated lifetime budgets as shown in the plan. Projects with lifetime budgets totaling \$101 million are recommended for approval in this plan and, if approved, will be added to the nearly \$1.9 billion in lifetime budgets previously approved by the Board.

Board approval of this plan also authorizes the proposed \$609 million budget for fiscal year (FY) 2013 capital spending, which includes \$62 million for recommended projects and \$547 million for projects that the Board has previously approved. Capital spending anticipated in FY 2013 is lower by nearly \$32 million (5 percent), compared to the fiscal year projection from last year's capital plan.

Over the coming five-year period (FY 2013 to 2017), the LCRA Capital Plan forecasts recommended, approved and future capital project spending of nearly \$1.3 billion to respond to growth, reliability, environmental and regulatory compliance, and other public service needs in LCRA's service area. The five-year forecast is lower by \$667 million (34 percent), compared to the five-year total in last year's plan. This is primarily attributable to the reprioritization of certain projects at the Fayette Power Project, the acceleration of some spending for CREZ transmission projects into FY 2012, and the divestiture of water and wastewater utilities during FY 2012.

Considering only recommended and approved project spending of \$896 million over the five-year planning horizon (FY 2013 to 2017), approximately 89 percent will be for projects that have been previously approved by the Board.

## FY 2013 - 2017 Capital Spending for Recommended, Approved and Future Projects LCRA Total (Including Austin Energy's Share) (Dollars in Thousands)

Status	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year Total	Lifetime
Recommended Projects		61,757	36,457	2,152	-	-	100,366	101,044
Approved Projects		547,185	169,421	55,266	12,075	11,918	795,865	1,851,389
Subtotal Recommended and Approved		608,942	205,878	57,418	12,075	11,918	896,231	1,952,433
Future Projects		-	64,601	115,537	119,028	103,145	402,311	518,883
<b>Total FY 2013 Capital Plan</b>		<b>608,942</b>	<b>270,479</b>	<b>172,955</b>	<b>131,103</b>	<b>115,063</b>	<b>1,298,542</b>	<b>2,471,316</b>
Less: Austin Energy's (AE) Share		7,178	13,066	1,530	6,747	6,610	35,131	49,920
LCRA Share		601,764	257,413	171,425	124,356	108,453	1,263,411	2,421,396
<b>Comparison to Previous Plan</b>								
Total FY 2012 Capital Plan (with AE)	587,734	640,944	323,782	208,891	203,856		1,965,207	3,572,896
Difference*	n/a	(32,002)	(53,303)	(35,936)	(72,753)	n/a	(666,665)	(1,101,580)

\*Difference for 5-Year Total is based on a rolling five-year comparison, i.e. FY 2013 - 2017 spending from the current plan, compared to FY 2012 - 2016 from last year's plan.

This capital plan has been developed in accordance with LCRA Board Policy 304 – Financial Planning Policy and LCRA Transmission Services Corporation (TSC) Board Policy T304 – Financial Planning Policy.

These policies direct LCRA staff to submit annually for Board approval a plan describing the projects required during the upcoming five-year time period.

Projects in the plan are presented based on one of three status designations:

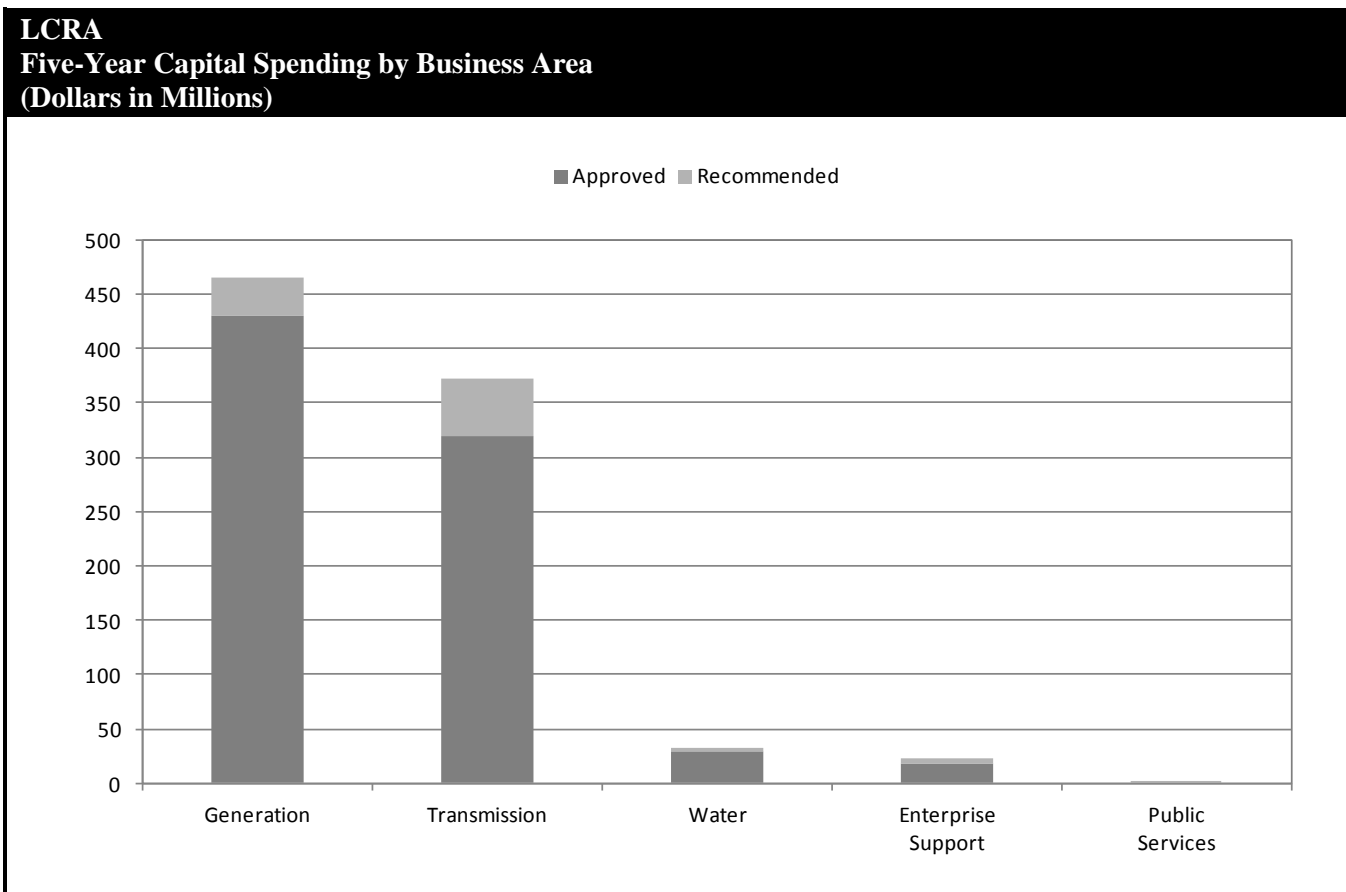
- **Recommended** projects have been reviewed by management and are recommended for Board approval.

- **Approved** projects have been previously approved by the Board.
- **Future** projects are expected to be recommended for Board approval in the next five years.

Future projects are not submitted for Board approval at this time and are included in this document only for strategic planning purposes. Future projects are shown in Appendix A and, except where specifically noted, are excluded from the tables and graphs in this document.

### Capital Spending Across LCRA

As the chart below shows, LCRA’s electric operations will account for the bulk of the \$896 million in capital spending for recommended and approved projects (including Austin Energy’s share) over the next five years. Generation and transmission projects will account for \$465 million (52 percent) and \$373 million (41 percent) of the LCRA total, respectively. Water projects will spend \$32.5 million (4 percent). Enterprise support projects will total \$23.5 million (3 percent), and public services, with capital spending of \$2 million, will account for less than 1 percent of the anticipated capital spending for recommended and approved projects during the coming five years.



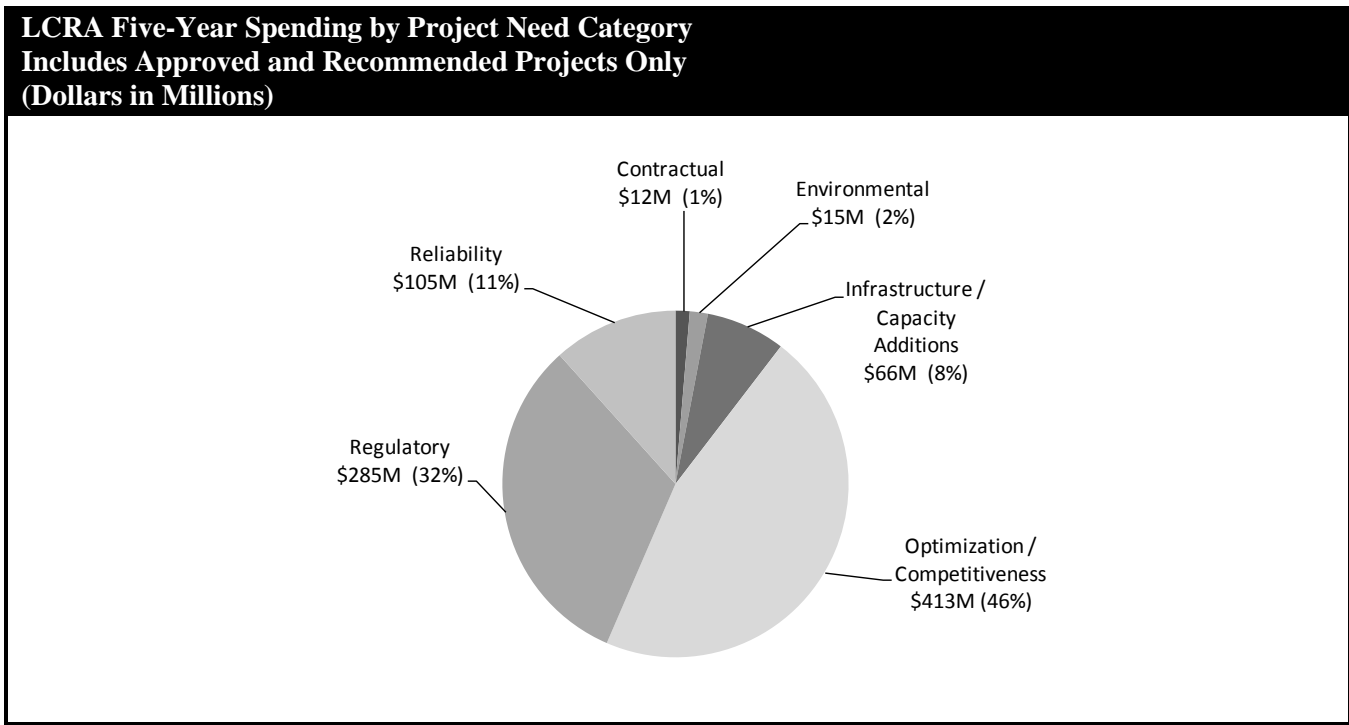


## Capital Project Needs

LCRA has distinct processes to plan for different types of capital improvements required to provide a range of services. The need for each of the capital projects included in this capital plan was driven by one of the following common factors:

- **Safety** – Project need is driven by an internally initiated safety improvement to protect the public or LCRA employees.
- **Contractual** – Project need is driven by terms of a contract with an external customer.
- **Environmental** – Project need is driven by an internally initiated environmental improvement.
- **Infrastructure/Capacity Additions** – Project is driven by a need to respond to growth in demand for utility services, public services or internal services, including electric load growth, water and wastewater service demand, technology, telecommunications and facilities requirements, or public demand for parks and recreation areas.
- **Optimization/Competitiveness** – Project reduces operational cost of the system.
- **Regulatory** – Project need is driven by a written requirement of a federal, state or local government agency, such as the Public Utility Commission, the Electric Reliability Council of Texas (ERCOT), the North American Electric Reliability Corporation (NERC), the U.S. Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ) or the Occupational Safety and Health Administration.
- **Reliability** – Project is designed to improve performance or proactively address obsolescence of aging generation, transmission or water facilities, as well as aging internal information technology or telecommunications systems.

The chart below shows capital spending for LCRA over the five-year planning horizon for recommended and approved projects by the categories listed above.



## Capital Planning Approach

All capital projects are determined with the goal of ensuring that LCRA can continue to offer its customers energy, water and public services in a reliable, competitively priced, environmentally responsible and safe manner.

Projects in the FY 2013 Capital Plan were selected after a thorough review by staff and management. The projects are separated into three categories: **recommended** (projects that have been reviewed by management and are recommended for Board approval); **approved** (projects previously approved by the Board of Directors); and **future** (projects that likely will be recommended for implementation in the next five years).

The cost and timing of future projects presented in this document could change. For this reason, LCRA repeats the capital planning process annually and updates the plan as necessary. All future projects that are designated for initiation after FY 2013 would be brought back to the LCRA Board of Directors for approval. Future projects are listed in Appendix A.

## Determining Need and Financial Analysis

Projects selected for the FY 2013 Capital Plan must support the goals of the FY 2013 Business Plan and be within financial parameters established by the LCRA Board, the chief financial officer (CFO) and the chief operations officers (COO).

Projects are selected based on multiple factors, such as current and anticipated demand for LCRA's services and the need to maintain or build facilities or infrastructure to meet those demands. Other factors include compliance with applicable state or federal regulations, safety and security needs, potential for increased revenues, and better management and protection of natural resources.

Projects undergo a number of financial analyses before they are presented in the capital plan. Recommended projects have undergone rigorous project review and analysis. The criteria may vary by type of project but will involve either a "payback period" test, net present value analysis or other analyses to ensure that the project is the most cost-effective approach. Each project is reviewed and evaluated by the project sponsor and executive management to ensure that the project warrants funding and inclusion in the capital plan. When appropriate, affected customers and stakeholders have the opportunity to review and comment on the proposed project scope and budget.

## Developing Project Estimates

As part of the capital planning process, LCRA staff develops project cost estimates using one of three estimating levels: preliminary, budgetary or final.

The accuracy of an estimate is based on identifying the work and resources necessary to complete the project objectives. Cost estimates are revised and become more accurate as more information regarding the scope and deliverables becomes known.

The capital planning cycle involves these steps:

- Developing and refining a list of business needs based on planning criteria and customer input.
- Defining the scope and approach necessary to address those needs.
- Performing business analysis and cost estimating to establish a proposed project budget and evaluate affordability, economic viability and portfolio prioritization.
- Seeking approval of the capital plan to validate strategic direction, establish lifetime and fiscal-year budgets, and allow business planning for the future.

An LCRA project is generally recommended to the Board for approval using a budgetary estimate. Some projects, such as information technology projects, may be recommended using preliminary estimates because of the timing in determining the specific technology that would be implemented. Projects recommended in this plan at a preliminary estimate are noted as such in the project description.

The table on page 6 describes key aspects of the estimating levels and is representative of the estimating life cycle of a project. This information is intended to help define a reasonable expectation of the level of accuracy associated with each type of estimate. The table also illustrates the type of information needed to produce these progressive levels of accuracy, the purpose of each type of estimate, and some representative examples of methods used to produce estimates.

Regardless of the estimating level or the method used to generate the cost estimate, LCRA Board Policy 304 – Financial Planning Policy and LCRA TSC Board Policy T304 – Financial Planning Policy requires that previously authorized projects be brought to the Board for additional review and approval if they are expected to exceed 10 percent and \$300,000 over the Board-approved lifetime budget.

## **Project Prioritization**

LCRA staff reviews and prioritizes its projects, based on criteria that may include safety, financial, reliability, competitiveness and environmental considerations; regional impact; and other factors. Staff recommendations are reviewed by the appropriate executive manager.

Projects receiving the highest priority are those that are essential to ensure the continued reliable and cost-effective delivery of LCRA services, concern public safety (including loss of life or property) or limit interruption of services. These projects are designated highest priority because they could have substantial financial, health or safety impacts to customers or stakeholders. Higher priority is also reserved for projects that have regulatory issues and may result in substantial financial impacts for noncompliance, projects already in progress that have a substantial cost to stop, and projects with contractual requirements that could have substantial financial impacts to LCRA.

Projects that have medium priority include those that are in progress but the financial impact of stopping is moderate or those that have contractual, regulatory or reliability issues that would have a moderate to minimal financial or health and safety impact to LCRA, customers and stakeholders.

A project that receives a lower priority ranking does not mean that the project is unimportant to LCRA or to stakeholders. Lower priority rankings could indicate projects that have a more moderate monetary or

stakeholder impact and would have minimal impacts to safety, the environment, contractual obligations or revenue if they were stopped or delayed.

## **Project Approval and Monitoring**

Each capital project recommended to begin in the next fiscal year is brought to the LCRA Board for approval with this plan. This approval authorizes projects and delegates the authority to LCRA's executive officers to release funds to execute the identified projects. Funding may be authorized in stages or at once for the entire project.

Project managers provide monthly capital project status reports to the managers of the project offices. Reports include cost variances, estimated completion dates, a comparison of work completed to budget spent, fiscal year spending forecast and project estimate at completion compared to the current capital plan. The reports also highlight any significant changes to the capital program, including project cancellations, delays and budget-to-actual expenditures. Staff must request Board approval of additional funding for any project that is expected to exceed its Board-approved lifetime budget by 10 percent and \$300,000.

The project services department provides quarterly capital program updates to LCRA's executive officers. From time to time, conditions change rapidly and may result in a need for immediate action. In these cases, the plan is adjusted, and new projects are identified and presented for Board approval.

## Capital Projects Estimating Levels

Preliminary Estimate	Budgetary Estimate	Final Estimate
<b>Level of Project Definition</b>		
<p>Basic need and objective is known A general solution to meet the objective is known</p>	<p>Refinement of the general solution with more specific deliverables and quantities Refinement of projected costs for identified deliverables Refinement of risks and alternatives analysis</p>	<p>Complete detailed design, specifications and requirements</p>
<b>Information Used To Develop the Estimate</b>		
<p>Comparison to similar projects Broad industry standard costs for conceptual quantities (for example, \$10 per linear foot times the expected amount of linear feet) Budgetary allowance assigned to tasks based on assumptions regarding risk and scope</p>	<p>Budgetary pricing of more known deliverables More definitive estimating using unit prices multiplied by the proposed number of units Some quotes or recent historical data Engineer's opinion of probable cost based on preliminary design elements</p>	<p>Itemized quotes or bids Final project plans with deliverables Engineer's opinion of probable cost based on actual design elements</p>
<b>Purpose of the Estimate</b>		
<p>Defines concept or feasibility study Provides planning of future capital needs Included as <b>Future Projects</b> in the capital plan Inclusion as a <b>Future Project</b> does not establish a lifetime budget Some projects with preliminary estimates may be included as <b>Recommended Projects</b> in the capital plan</p>	<p>Allows further refinement of the project estimate based on more specific information Initiates budgetary authorization within LCRA capital guidelines Included as <b>Recommended Projects</b> in the capital plan Board approval of the capital plan establishes the project lifetime budget</p>	<p>Refines final project costs and contingency within approved funding authorization Validates that estimate remains within thresholds established by lifetime budgets for <b>Approved Projects</b> Projects would be brought to the Board if final estimate exceeds 10 percent and \$300,000 over the approved lifetime budget</p>
<b>Expected Accuracy Range</b>		
<p>Actual cost could range from 25 percent under the estimate to 75 percent over the estimate</p>	<p>Actual cost could range from 10 percent under the estimate to 25 percent over the estimate</p>	<p>Actual cost could range from 5 percent under the estimate to 10 percent over the estimate</p>

## Contingency

Contingency refers to a dollar amount added to an estimate of project spending that is intended to address items that are unknown at the time the estimate is prepared. This dollar amount is often derived as a percentage of total construction or project costs, and the percentage is often determined by the amount of planning and scope definition available at the time of the estimate. LCRA staff members estimate and manage many different types of projects, including major generation facilities, new electric transmission lines, dam and hydroelectric upgrades, water utilities and associated collection and transmission pipelines, software system installations, park development projects, and office building and facility improvements, among others. Despite this diversity of project types, LCRA has arrived at certain standards for estimating, reporting and managing contingency for all of LCRA's capital projects. The standards are described in detail in Appendix B.

LCRA's Capital Policy requires disclosure in the capital plan of contingency amounts incorporated into project estimates. Contingency for each recommended, approved and future project is disclosed to the CFO during the annual planning process. The contingency amount is included in the recommended project lifetime budget at the time of Board review and approval of the capital plan. The amount of contingency included in each recommended project and the amount remaining in each approved project are shown in the project tables in the following pages of this Capital Plan.

## Capital Plan Approval and Reporting

LCRA Board approval of this capital plan authorizes the initiation of all recommended projects at their individually stated lifetime budgets as shown in the plan. Included in these recommended projects are annual budgets for general additions and minor capital. General additions are small capital additions or replacements not to exceed \$300,000. Minor capital budgets are for purchases of equipment that are essentially ready to be placed in service upon delivery, such as fleet assets.

Board approval of this plan also authorizes the proposed \$609 million budget for fiscal year (FY) 2013 capital spending.

Spending projections in the FY 2013 Capital Plan are incorporated into the financial performance and rate impacts shown in the FY 2013 Business Plan. The capital plan will be discussed by the Board at a planning work session in April. Upon approval and throughout FY 2013, the Board will be provided with regular reports on progress toward achievement of the projects approved in the plan and compliance with the project budgets and fiscal year spending constraints established in the plan.

Specific project details and proposed lifetime budgets for recommended projects, as well as annual spending projections for approved projects, are included in the following pages of the plan. Financial information for future projects is contained in Appendix A. Staff is not seeking Board approval for future projects at this time. Any future project that is determined to require initiation in FY 2013 will be brought to the Board individually for approval.

# LCRA FY 2013 Capital Plan Tables

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## Generation Projects

Some information about generation capital projects included in the Capital Plan is considered confidential and has been removed from this version of the document.

## Transmission Projects

The LCRA Capital Plan includes all capital projects approved separately in the LCRA TSC Capital Plan by the LCRA TSC Board of Directors. It also includes transmission minor capital purchases not owned by LCRA TSC and therefore not included in the LCRA TSC Capital Plan. The transmission projects address transmission electric system reliability requirements, responds to ERCOT system needs, meets forecast area load growth, responds to existing customer needs, and connects new generators to the LCRA TSC electric system.

Transmission recommended and approved projects total \$295 million in FY 2013 and \$373 million over the next five years through FY 2017. This total does not include future projects listed in Appendix A.

### FY 2013 LCRA TSC Recommended Projects

- **Altair-to-Nada Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 13.6-mile Altair-to-Nada 69-kilovolt (kV) transmission line in Colorado County to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2014.
- **Avery Ranch-to-Jollyville Transmission Line Upgrade** - Install optical ground wire and related substation work on the 138-kV transmission line T-483, Avery Ranch-to-Jollyville in Williamson County, to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2013.
- **CTEC Buchanan-to-Buchanan Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 2.8-mile CTEC (Central Texas Electric Cooperative) Buchanan-to-Buchanan 69-kV transmission line in Llano County to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2013.
- **CTEC Buchanan-to-Pittsburg Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 14.6-mile CTEC Buchanan-to-Pittsburg 69-kV transmission line in Llano County to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2014.
- **DeWitt County Capacitor Bank Additions** - LCRA TSC will add a 7.8-MVAR (megavolt ampere reactive) capacitor bank at the Lost Creek Substation in DeWitt County and a 7.8-MVAR capacitor bank at Nordheim West Substation in Dewitt County to increase voltage support for the area. Recommended project completion is Aug. 31, 2012.
- **Ferguson Substation Upgrade** - Negotiate an interconnect agreement with a generator to connect new generation facilities to LCRA TSC's transmission system at the existing Ferguson Substation in Llano County, where LCRA TSC will construct two new 138-kv transmission line bays with circuit breakers. Recommended project completion is July 31, 2013.
- **General Additions FY 2013 - Transmission Services Corporation** - Maintain funding for required but unforeseen system improvements to accommodate load increases, failed equipment, substation reliability enhancement or changing system conditions as they occur during FY 2013.
- **Georgetown Circuit Breaker Addition** - LCRA TSC will convert the Georgetown Substation in Williamson County from an in-line station to a breaker station to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2014.
- **Gillespie-to-Eckert Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 36.3-mile Gillespie-to-Eckert 69-kV transmission line in Gillespie and Llano counties to maintain the safe and reliable operations of the transmission network. Recommended project completion is June 30, 2013.
- **Gillespie-to-Kerrville Stadium Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 23-mile Gillespie-to-Kerrville Stadium 138-kV transmission line in Gillespie and Kerr counties to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2013.
- **Glidden-to-Colorado-to-Nada Transmission Line Upgrade** - San Bernard Electric Cooperative, South Texas Electric Cooperative and LCRA TSC will upgrade existing 69-kV transmission facilities (approximately 50 miles) between the Glidden and Nada substations in Colorado County. This upgrade, reviewed through the ERCOT Regional Planning Group, is necessary to reliably serve load additions

associated with the Eagle Ford Shale gas and oil exploration. Recommended project completion is April 30, 2013.

- **Goldthwaite Substation Upgrade** - Negotiate an interconnect agreement with a wind generation developer to connect new generation facilities to LCRA TSC's transmission system at the existing Goldthwaite Substation in Mills County, where LCRA TSC will construct a new 138-kv transmission line bay equipped with a circuit breaker. Recommended project completion is Nov. 30, 2012. During the final review of this Capital Plan, the generation developer indicated uncertainty in this project's in-service date. LCRA TSC will continue to work with this generation developer to establish an appropriate project implementation date.
  - **Hallettsville-to-Yoakum Gartner Road Transmission Line Upgrade** - Replace deteriorated wood poles/structures, cross arms and braces on the 16-mile Hallettsville-to-Yoakum 138-kV transmission line in DeWitt and Lavaca counties to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2013.
  - **Live Oak-to-Gillespie and Fredericksburg-to-Gillespie Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 3.0-mile Live Oak-to-Gillespie 69-kV transmission line and the 3.4-mile Fredericksburg-to-Gillespie 138-kV transmission lines in Gillespie County to maintain the safe and reliable operations of the transmission network. Recommended project completion is June 30, 2013.
  - **Load Tap Changer Upgrades Substation Upgrade** - Increase the reliability of load-serving substation equipment at the Georgetown, Rim Rock, Seguin and Swiftex substations in Bastrop, Guadalupe, Kerr and Williamson counties. Recommended project completion is June 30, 2013.
  - **Lockhart-to-Luling Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 15.7-mile Lockhart-to-Luling 69-kV transmission line in Caldwell County to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2014.
  - **Nebo Substation Addition** - Provide a transmission point of interconnection by expanding the existing Nebo site for the interconnection of the CTEC Nebo Substation on the LCRA TSC Gillespie-to-Sandstone
- Mountain 69-kV transmission line (T-130) in Gillespie County. Recommended project completion is Dec. 1, 2012.
- **Protection System Upgrades** – LCRA TSC will increase the reliability performance of four transmission lines, three autotransformers and one transmission bus in Caldwell, Fayette, Guadalupe, Hays, Llano, Travis and Williamson counties. Recommended project completion is June 30, 2014.
  - **Skywest Substation Addition** - Construct a new substation to provide a new point of interconnection to Sharyland Utilities in Midland County. Recommended project completion is Feb. 28, 2013.
  - **SOCC Energy Management System Upgrade 3** - Upgrade the System Operations Control Center's (SOCC) existing Energy Management System (EMS). The EMS allows transmission operators to monitor and control energy flows on the transmission grid. The existing system hardware and software are approaching the end of their useful life, after which hardware and software support become increasingly difficult and expensive. Recommended project completion is June 30, 2014.
  - **SOCC Uninterruptible Power Supply Upgrade** - Replace the existing Uninterruptible Power Supply (UPS) system at the SOCC with smaller, more efficient UPS modules to improve redundancy in the critical power paths. Recommended project completion is June 30, 2013.
  - **Southern 69-kV Loop Substation Upgrade** - Increase the reliability of substation equipment at Luling, Nixon South, Altair, Eagle Lake, Glidden, Cuero and Lockhart substations in Caldwell, Colorado, DeWitt and Gonzales counties by replacing substation equipment. Recommended project completion is June 30, 2015.
  - **Switch Replacement - Phase 2 Substation Upgrade** - Replace three 345-kV switches at Marion Substation, replace 33 138-kV switches at Sim Gideon Substation, and remove two 138-kV switches at Sim Gideon Substation to increase safety and reliability in Bastrop and Guadalupe counties. Recommended project completion is June 30, 2014.
  - **Terminal Equipment Upgrades - Phase 6 Substation Upgrade** - Increase the substation terminal equipment capacity by upgrading the jumpers at McCarty Lane Substation on Zorn-to-McCarty Lane 138-kV transmission line to 2,000



amps in Hays County. Recommended completion is June 30, 2013.

- **Transmission Line Easement Enhancement Program-2013 Transmission Line Upgrade** - Acquire new and amend existing transmission line easements to help ensure the safe, efficient and reliable operation and maintenance of LCRA TSC's transmission system. LCRA TSC may also replace and/or add structures to reduce easement width requirements instead of acquiring additional right-of-way width. The 44 miles of 69-kV transmission line addressed as part of this project are located in Caldwell, DeWitt, Gonzales and Guadalupe counties. Recommended completion is June 30, 2014.
- **Transrupter Upgrades Substation Upgrade** - Increase the reliability of substation equipment at the Dale and Evant substations in Caldwell and Lampasas counties. Recommended completion is June 30, 2014.
- **Waller Substation Upgrade** - Increase the reliability of substation equipment at the Waller Substation in Waller County. Recommended completion is June 30, 2013.
- **Warda-to-Giddings Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 9.7-mile Warda-to-

Giddings 69-kV transmission line in Fayette and Lee counties to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2014.

- **Weimer Substation Upgrade** - Increase service reliability to the Weimer Substation in Colorado County by upgrading the low-voltage facilities and installing an additional feeder bay on the portion of the Weimar Substation serving Fayette Electric Cooperative. Recommended completion is June 30, 2014.
- **Winchester-to-Giddings Transmission Line Upgrade** - Replace deteriorated wood poles/structures, crossarms and braces on the 10.5-mile Winchester-to-Giddings 138-kV transmission line in Fayette and Lee counties to maintain the safe and reliable operation of the transmission network. Recommended project completion is June 30, 2013.

#### **FY 2013 Unregulated Transmission Recommended Project**

- **Minor Capital – Transmission Services** – Purchase fleet vehicles, heavy equipment and tools for use in providing regulated transmission services to LCRA Transmission Services and unregulated customer service.

**FY 2013 Capital Plan Approved and Recommended Projects**  
**LCRA Transmission Services Corporation**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Recommended</b>								
Altair - Nada Transmission Line Upgrade	10%	260	4,597	-	-	-	4,857	4,857
Avery Ranch-Jollyville Transmission Line Upgrade	2%	215	-	-	-	-	215	215
CTEC Buchanan - Buchanan Transmission Line Upgrade	10%	284	-	-	-	-	284	284
CTEC Buchanan - Pittsburg Transmission Line Upgrade	10%	3,461	-	-	-	-	3,461	3,461
DeWitt County Capacitor Bank Additions	2%	1,249	-	-	-	-	1,249	1,249
Ferguson Substation Upgrade	2%	931	395	-	-	-	1,326	1,326
General Additions - Transmission Services Corporation	0%	4,000	-	-	-	-	4,000	4,000
Georgetown Circuit Breaker Addition	2%	99	640	-	-	-	739	739
Gillespie - Eckert Transmission Line Upgrade	10%	3,258	-	-	-	-	3,258	3,258
Gillespie - Kerrville Stadium Transmission Line Upgrade	10%	2,072	-	-	-	-	2,072	2,072
Glidden-Colorado-Nada Transmission Line Upgrade	10%	6,412	-	-	-	-	6,412	6,412
Goldthwaite Substation Upgrade	2%	643	-	-	-	-	643	643
Hallettsville - Yoakum Gartner Road Transmission Line Upgrade	10%	1,790	-	-	-	-	1,790	1,790
Live Oak - Gillespie & Fredericksburg - Gillespie Transmission Line Upgrade	10%	563	-	-	-	-	563	563
Load Tap Changer Upgrades Substation Upgrade	2%	312	-	-	-	-	312	312
Lockhart - Luling Transmission Line Upgrade	10%	265	1,078	-	-	-	1,343	1,343
Nebo Substation Addition	2%	643	-	-	-	-	643	643
Protection System Upgrades - FY2013 Substation Upgrade	2%	485	889	-	-	-	1,374	1,374

**FY 2013 Capital Plan Approved and Recommended Projects**  
**LCRA Transmission Services Corporation**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Recommended</b>								
Skywest Substation Addition	2%	2,458	-	-	-	-	2,458	2,458
SOCC Energy Management System Upgrade III	10%	2,444	1,699	357	-	-	4,500	4,500
SOCC Uninterruptible Power Supply Upgrade	7%	742	-	-	-	-	742	742
Southern 69kV Loop Substation Upgrade	2%	988	1,111	705	-	-	2,804	2,804
Switch Replacement - Phase II Substation Upgrade	2%	50	653	-	-	-	703	703
Terminal Equipment Upgrades - Phase VI Substation Upgrade	2%	52	-	-	-	-	52	52
Transmission Line Easement Enhancement Program-2013 Transmission Line Upgrade	10%	374	1,543	-	-	-	1,917	1,917
Trans-Rupter Upgrades Substation Upgrade	2%	202	219	-	-	-	421	421
Waller Substation Upgrade	2%	281	-	-	-	-	281	281
Warda - Giddings Transmission Line Upgrade	10%	219	2,282	-	-	-	2,501	2,501
Weimer Substation Upgrade	2%	10	65	520	-	-	595	595
Winchester - Giddings Transmission Line Upgrade	10%	882	-	-	-	-	882	882
Recommended Subtotal		35,644	15,171	1,582	-	-	52,397	52,397
<b>Approved - CREZ</b>								
Bakersfield Substation Addition	10%	4,423	678	-	-	-	5,101	6,089
Big Hill Substation Addition	19%	3,244	-	-	-	-	3,244	28,360
Big Hill-Kendall Transmission Line Addition	9%	154,654	12,215	-	-	-	166,869	345,150
Divide Station-CREZ Phase	12%	523	-	-	-	-	523	1,401

**FY 2013 Capital Plan Approved and Recommended Projects**  
**LCRA Transmission Services Corporation**  
(Dollars in Thousands)

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Approved - CREZ</b>								
Kendall Autotransformer Addition	11%	790	-	-	-	-	790	11,850
Kendall-Miller Creek-Paleface Transmission Line Upgrade	4%	18,603	-	-	-	-	18,603	33,710
North McCamey Autotransformer Addition	14%	18,203	-	-	-	-	18,203	30,752
North McCamey Substation Upgrade	9%	2,040	227	-	-	-	2,267	2,659
Twin Buttes-Big Hill Transmission Line Addition	3%	6,200	-	-	-	-	6,200	79,453
<b>Approved - Other</b>								
Airline-to-Laguna-to-Naval Base Transmission Line Upgrade	1%	305	-	-	-	-	305	347
Bertram Power Transformation Addition	8%	139	-	-	-	-	139	164
Blanco Power Transformer Addition	0%	73	-	-	-	-	73	76
Blumenthal Substation Addition	7%	388	1,103	3,133	1,939	7,218	13,781	15,054
Burnet-Lampasas Transmission Line Upgrade	21%	439	-	-	-	-	439	601
Buttercup - Whitestone Transmission Line Upgrade	4%	1	100	-	-	-	101	121
Canyon Power Transformation Addition	14%	1	60	-	-	-	61	72
Clear Springs-to-TXU ED Salado Transmission Line Addition	2%	1,500	-	-	-	-	1,500	222,207
Cushman to Highway 123 Transmission Line Addition	7%	2,801	7,941	-	-	-	10,742	12,976
E C Mornhinweg Substation Addition	8%	657	1,702	4,714	853	-	7,926	9,692
El Campo-Ricebird-Nada Transmission Line Upgrade and Substation Addition	5%	8,998	-	-	-	-	8,998	12,632
Flatonia-Yoakum Gartner Road Transmission Line Upgrade	3%	16,990	-	-	-	-	16,990	20,425
FM 239 Nordheim - Substation Addition	7%	201	-	-	-	-	201	2,518

**FY 2013 Capital Plan Approved and Recommended Projects**  
**LCRA Transmission Services Corporation**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Approved - Other</b>								
Henne Power Transformer Addition	0%	10	103	-	-	-	113	142
Kerrville Stadium - Raymond F Barker Transmission Line Upgrade	6%	431	4,022	5,639	-	-	10,092	11,235
Kerrville Travis Circuit Breaker Addition	9%	16	1,127	645	-	-	1,788	1,985
Kimbro Substation Addition	5%	2,883	-	-	-	-	2,883	3,574
Laguna - Naval Base Transmission Line Upgrade	8%	2,386	-	-	-	-	2,386	3,289
Lehigh Power Transformation Addition	8%	1	35	-	-	-	36	44
Maxwell Substation Addition	12%	1	1	1,135	-	-	1,137	1,305
Metering Additions - FY2009	62%	133	-	-	-	-	133	1,628
Mico Substation Addition	3%	1	1	1	805	-	808	838
Mobile Transformer Low-Side Hookup Switches Substation Upgrade	4%	599	83	-	-	-	682	1,072
Odlaw Substation Addition	5%	804	-	-	-	-	804	3,613
Protection System Upgrades - FY 2012 Substation Upgrade	0%	1,647	-	-	-	-	1,647	2,337
Rim Rock-to-Jack Furman Transmission Line Addition	2%	600	-	-	-	-	600	24,032
RTU Additions Substation Upgrade	5%	40	-	-	-	-	40	777
Sattler Power Transformation Addition	10%	1	67	-	-	-	68	77
Sherwood Shores Circuit Breaker Addition	11%	1	1	710	2,743	-	3,455	3,897
Switch Replacements Substation Upgrade	3%	499	677	747	735	-	2,658	3,426
Transmission Easements Project FY2006 - Transmission Line Upgrade	3%	709	-	-	-	-	709	3,375

**FY 2013 Capital Plan Approved and Recommended Projects**  
**LCRA Transmission Services Corporation**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Approved - Other</b>								
Welfare Circuit Breaker Addition	15%	402	-	-	-	-	402	1,065
Zorn Autotransformer Addition	16%	5,773	-	-	-	-	5,773	15,012
Approved Subtotal		258,110	30,143	16,724	7,075	7,218	319,270	919,032
<b>Total LCRA TSC Recommended and Approved</b>		<b>293,754</b>	<b>45,314</b>	<b>18,306</b>	<b>7,075</b>	<b>7,218</b>	<b>371,667</b>	<b>971,429</b>

**FY 2013 Capital Plan Approved and Recommended Projects**  
**Transmission**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Recommended</b>								
Minor Capital - Transmission Services	0%	1,056	-	-	-	-	1,056	1,056
<b>Total Transmission Recommended and Approved</b>		<b>294,810</b>	<b>45,314</b>	<b>18,306</b>	<b>7,075</b>	<b>7,218</b>	<b>372,723</b>	<b>972,485</b>

## Water Projects

Water projects in the FY 2013 Capital Plan include capital improvements for managing and delivering raw water, and water utilities. This Capital Plan assumes the current status of the sale agreements for LCRA's water and wastewater utilities. Therefore it only includes water utility capital expenditures that support the continued reliable operation of, or fulfill regulatory requirements for, the remaining systems and the systems being purchased by Corix pending completion of the Sale Transfer Merger Process. This plan focuses resources on managing the river and planning to meet the basin's future water needs.

Water recommended and approved projects total \$11 million in FY 2013 and \$33 million over the next five years through FY 2017. This total does not include future projects listed in Appendix A.

### FY 2013 Recommended Projects

- **General Additions – Raw Water Facilities** – Various projects to improve and enhance reliability and safety at the Lometa Raw Water Facility.
- **General Additions - Irrigation System** - Various projects to improve and enhance reliability and safety.
- **Lakeside 1, 2 and 4 Intake Pipe Replacement** – Replace or refurbish the failing bell sections on pumps 1 and 2 and the intake pipe on Pump 4 at Lakeside River Plant. This will extend the life of the plant and ensure reliable service for customers.
- **Minor Capital – Irrigation**
- **Minor Capital – Hydromet**
- **Water Rights Amendment, Phase 2** - Amend downstream water rights to authorize the storage of water, including authorization to construct storage reservoirs. This will increase water use efficiency, allow more water to remain in the Highland Lakes and provide greater operational flexibility.
- **General Additions - Hill Country Region** – Various projects to improve and enhance reliability and safety.
- **Lake Buchanan Regional Water System Expansion, Phase 2** – Install a new water treatment unit at the existing plant, which will increase capacity from 350 gallons per minute (GPM) to 525 GPM to meet TCEQ regulatory requirements.
- **Spicewood Beach Water System Reliability Improvements** - Secure additional water supply sources for the Spicewood Beach Regional Water System. Existing well yields have declined due to the severe drought and are inadequate for current demands.
- **Alleyton Wastewater Treatment Plant Replacement** – Construct a new 25,000 gallon-per-day (GPD) treatment plant on the existing site, and demolish the old plant, which has reached the end of its useful life. The primary benefits of this project are to provide safe, reliable wastewater treatment and reduce the risk of service interruption and regulatory penalties in the case of catastrophic failure of existing steel tankage.
- **Camp Swift Membrane Replacement** - Replace the failing membrane units for the 350,000-GPD rated membrane bioreactor (MBR) portion of the Camp Swift Wastewater Treatment Plant. The MBR plant has been out of service for several months, and 100 percent of the flow has been diverted to the pond system. New membranes will be required to bring the plant back online and keep the system in compliance with TCEQ regulations.
- **General Additions - Southeast Region** - Various projects to improve and enhance reliability.

**FY 2013 Capital Plan Approved and Recommended Projects**  
**Water**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Recommended</b>								
<b>Raw Water</b>								
General Additions - Raw Water Facilities	0%	10	-	-	-	-	10	10
General Additions - Irrigation Districts	0%	438	-	-	-	-	438	438
Lakeside 1, 2 and 4 Intake Pipe Replacement	15%	373	-	-	-	-	373	373
Minor Capital - Irrigation	0%	73	-	-	-	-	73	73
Minor Capital - Hydromet	0%	94	-	-	-	-	94	94
Water Rights Amendment Phase 2	20%	100	100	-	-	-	200	200
<b>Water Utility</b>								
<b>Hill Country Region</b>								
General Additions - Hill County Region	0%	225	-	-	-	-	225	225
Lake Buchanan Regional Water System Expansion Phase 2	15%	775	94	-	-	-	869	869
Spicewood Beach WS Reliability Improvements	12%	180	-	-	-	-	180	180
<b>Southeast Region</b>								
Alleyton WWTP Replacement	13%	425	283	-	-	-	708	708
Camp Swift Membrane Replacement	14%	550	-	-	-	-	550	550
General Additions - Southeast Region	0%	150	-	-	-	-	150	150
Recommended Subtotal		3,393	477	-	-	-	3,870	3,870



**FY 2013 Capital Plan Approved and Recommended Projects**  
**Water**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Approved</b>								
<b>Raw Water</b>								
Buchanan Dam Spalling Concrete Rehabilitation Phase 1	10%	90	-	-	-	-	90	210
Buchanan Floodgate Rehab Phase 2	15%	5,000	5,275	5,450	5,000	4,700	25,425	50,072
Dam Instrumentation Phase 2	10%	145	-	-	-	-	145	500
Mansfield Dam Paradox Gate Rehabilitation Phase 1	10%	410	-	-	-	-	410	510
<b>Hill Country Region</b>								
Ridge Harbor Water System Improvements Phase 2	10%	570	-	-	-	-	570	713
<b>Southeast Region</b>								
Camp Swift WW Property Lease Purchase	0%	33	33	-	-	-	66	498
Matagorda Dunes Ground Storage Tank	6%	93	-	-	-	-	93	105
Windmill Ranch Wastewater System Membrane Addition	8%	83	-	-	-	-	83	123
<b>West Travis County</b>								
Westlake Hills Collection System Phase 2	0%	930	-	-	-	-	930	18,620
<b>Other Water / Wastewater</b>								
Water Wastewater Utility Divestiture	10%	410	410	-	-	-	820	1,895
Approved Subtotal		7,764	5,718	5,450	5,000	4,700	28,632	73,246
<b>Total Water Recommended and Approved</b>		<b>11,157</b>	<b>6,195</b>	<b>5,450</b>	<b>5,000</b>	<b>4,700</b>	<b>32,502</b>	<b>77,116</b>

## Public Service Projects

Acting under its legislative authority and Board direction, LCRA develops and manages parks, recreation facilities and natural science centers in its statutory district, providing public recreation and water access along the Colorado River and its tributaries and LCRA's power plant reservoirs. LCRA's public park system includes 43 parks on more than 16,600 acres. The parks and natural science centers enhance the public's use and enjoyment of LCRA lands and provide diverse outdoor recreation and education opportunities.

The objectives of the LCRA park system include keeping pace with the growing Central Texas population and expected increases in park visitation; establishing water-based public recreation in each statutory county; protecting natural resources and water quality along the Colorado River; and developing facilities that help achieve LCRA's cost-recovery goals for parks.

Public Services recommended projects total \$2 million in FY 2013 and over the next five years through FY 2017. This total does not include future projects listed in Appendix A.

## FY 2013 Recommended Projects

- **General Additions - Environmental Lab** – Projects to upgrade or replace the lab facility or equipment.
- **Minor Capital – Environmental Lab**
- **Minor Capital - Other**
- **General Additions – Parks** – This annual budget is for small capital improvement projects as needed during the fiscal year. Typical improvements include upkeep on recreation facilities, restrooms, roads, supporting infrastructure, trails, conservation and fencing, as well as sales and acquisition of property to resolve encroachment issues or other small real-estate concerns.
- **Minor Capital - Parks**
- **Park System Infrastructure** - Small capital improvements that have been identified through short- and long-range planning to protect assets, ensure public safety and increase revenue to advance the parks' cost-recovery goals.

**FY 2013 Capital Plan Approved and Recommended Projects**  
**Public Services**  
(Dollars in Thousands)

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Recommended</b>								
<b>Environmental Lab</b>								
General Additions - Environmental Lab - FY13	0%	85	-	-	-	-	85	85
Minor Capital FY13 - Environmental Lab	0%	200	-	-	-	-	200	200
<b>Other Public Services</b>								
Minor Capital FY13 - Other	0%	51	-	-	-	-	51	51
<b>Parks</b>								
General Additions FY13 - Parks	0%	300	-	-	-	-	300	300
Minor Capital - Parks - FY13	0%	56	-	-	-	-	56	56
Park System Infrastructure FY13	10%	1,500	-	-	-	-	1,500	1,500
<b>Total Public Services Recommended</b>		<b>2,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,192</b>	<b>2,192</b>

## Enterprise Support Projects

Enterprise Support capital projects provide the facility, telecommunication and information technology infrastructure that support the business operations of the organization and are funded by LCRA's generation, transmission and water rates. Therefore, predictability of costs to be included in LCRA's rates is important. Unless an emergency arises, Enterprise Support priorities are adjusted throughout the year to stay within the approved capital plan budget for each fiscal year instead of seeking additional funding authority from the Board of Directors.

Need for Enterprise Support capital projects can arise from specific requests, by assessing office space requirements and existing facility conditions, and by evaluating the reliability, effectiveness and obsolescence of technology and telecommunication assets.

Enterprise Support recommended and approved projects total \$14 million in FY 2013 and \$24 million over the next five years through FY 2017. This total does not include future projects listed in Appendix A.

## Facility Infrastructure

Facility Services constructs, operates and maintains LCRA facilities in an efficient and cost-effective manner while providing a safe environment for employees, customers and visitors.

## Information Technology

LCRA operations depend on technology to provide information for decision-making and to assist in the delivery of services in critical areas such as the monitoring and control of electrical substations, transmission lines, dams, power generation plants and irrigation divisions. These systems also provide information for decision-making in the areas of employee benefits, financial performance, customer billing, project management and engineering. LCRA's increasing dependence on technology requires reliable, available and secure information systems. LCRA is leveraging more outsourced solutions for its nonmission-critical technology needs. Implementation of these solutions is an operating expense, resulting in fewer technology-related projects in the capital plan.

LCRA's technology investments include networks that connect customers, suppliers, employees and the public; data centers that house the servers, storage and infrastructure for LCRA's technology systems; servers that provide processing and data storage; and software applications that support service delivery and decision-making.

## Telecommunication Infrastructure

As LCRA's systems become more complex, LCRA relies more on technology for effective management and operations. LCRA's increasing dependence on technology requires reliable, available and secure telecommunication systems.

LCRA's operational areas use telecommunications systems for service delivery in critical areas such as the monitoring and control of electrical substations, transmission lines, dams, power generation plants and irrigation divisions. These systems also support network, mobile radio and phones throughout the entire LCRA service area. In addition, the telecommunications systems support NERC, ERCOT and other security requirements.

LCRA's telecommunications investments include mobile radio and telephone systems that support communication requirements and microwave and fiber systems that provide the transport for key operations systems at the Etof Soderberg System Operations Control Center, the Telecommunications Operations Control Center, the Hydroelectric Operations Control Center, electrical substations, dams, generation management systems, power plants, wastewater treatment plants, irrigation divisions and LCRA's corporate systems.

## FY 2013 Recommended Projects

### Facility Projects

- **General Additions - Facilities** - Funds for general additions are used to replace or augment capital equipment necessary to maintain LCRA facilities. Examples of general additions projects include building additions, remodeling work, air-conditioning equipment, roofing, energy conservation improvements, paving, general site improvements and utility upgrades.

## Information Technology Projects

- **GenDesk Cyber Security** – This project will implement measures to achieve compliance with the latest NERC Critical Infrastructure Protection standards for Generation Desk Cyber Security. These measures will update LCRA processes and procedures, and establish physical security perimeters and electronic security perimeters to secure the Generation Desk and its supporting infrastructure. This project is recommended at a preliminary estimating level.
- **General Additions – Information Technology** - Funds for general additions are used to replace or augment capital equipment necessary to maintain the reliability, availability and capacity of IT systems. This includes servers, storage, switches, software and other IT infrastructure equipment. This project is recommended at a preliminary estimating level.
- **Minor Capital – Information Technology** – This project is recommended at a preliminary estimating level.
- **NERC Access Control Upgrade** – This project will purchase, install and configure a secondary Physical Access Security System that will be used to control access to the 16 NERC defined critical areas within LCRA – 15 of which are in Transmission Services. The goal of the new system is to implement a more modern system to meet regulatory requirements.

## Telecommunication Projects

- **CREZ Telecom Legion-to-Junction SONET Addition** – This project is to add telecommunications electronics for connectivity between the Legion microwave repeater site and Junction radio site. This segment is required to provide communications on the CREZ transmission lines.
- **General Additions – Telecommunications** - Funds for general additions are used to replace or augment capital equipment necessary to maintain the reliability, availability and capacity of telecommunications systems, including telephone, fiber and microwave network, and trunked radio system. This includes electronics, cabling, towers, radio system equipment, software and other telecommunications infrastructure equipment.
- **Minor Capital - Telecommunications**
- **Peters Tower Relocation** - This project is to build a new tower on the LCRA-owned Peters Substation property to minimize long-term costs and offer more control of this major backbone transport and mobile radio site. Currently, we lease space on a CenterPoint Energy tower that has become structurally unsafe. CenterPoint has opted to move to a new tower that will not accommodate LCRA's requirements.

**FY 2013 Capital Plan Approved and Recommended Projects**  
**Enterprise Support**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Recommended</b>								
<b>Facilities</b>								
General Additions - Facilities - FY13	0%	500	-	-	-	-	500	500
<b>Information Technology</b>								
GenDesk Cyber Security	10%	250	-	-	-	-	250	250
General Additions - IT - FY13	0%	950	-	-	-	-	950	950
Minor Cap - IT - FY13	0%	500	-	-	-	-	500	500
NERC Access Control Upgrade	10%	506	-	-	-	-	506	506
<b>Telecommunications</b>								
CREZ Telecom Legion to Junction SONET Addition	10%	350	-	-	-	-	350	350
General Additions - Telecom - FY13	0%	840	-	-	-	-	840	840
Minor Cap - Telecom - FY13	0%	225	-	-	-	-	225	225
Peters Tower Relocation	8%	1,000	-	-	-	-	1,000	1,000
Recommended Subtotal		5,121	-	-	-	-	5,121	5,121

**FY 2013 Capital Plan Approved and Recommended Projects**  
**Enterprise Support**  
**(Dollars in Thousands)**

Project Name	Contingency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Approved</b>								
<b>Facilities</b>								
GOC East Campus Site Improvements	10%	-	714	-	-	-	714	750
Western Maintenance Facility	10%	50	-	-	-	-	50	8,640
<b>Information Technology</b>								
CREMS Phase 4	5%	451	-	-	-	-	451	1,027
Enterprise Network Upgrades	10%	615	-	-	-	-	615	1,770
RiverWare Phase 3	10%	120	120	31	-	-	271	860
<b>Telecommunications</b>								
900MHz Radio System Migration	5%	4,300	5,500	-	-	-	9,800	19,500
Kendall to Mountain Top OPGW Addition	5%	970	-	-	-	-	970	1,000
Transport Network Upgrade - Phase 2	10%	1,380	2,500	-	-	-	3,880	7,100
Voice System Migration	5%	1,108	564	-	-	-	1,672	2,315
Approved Subtotal		8,994	9,398	31	-	-	18,423	42,962
<b>Total Enterprise Support Recommended and Approved</b>		<b>14,115</b>	<b>9,398</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>23,544</b>	<b>48,083</b>

## Appendix A: Future Projects

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Information about future generation capital projects included in Appendix A of the Capital Plan is considered confidential and has been removed from this version of the document.



**Appendix: FY 2013 Capital Plan Future Projects**  
**LCRA Transmission Services Corporation**  
(Dollars in Thousands)

Project Name	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
Avery Ranch to Jollyville Transmission Line Upgrade	-	-	-	1,466	-	1,466	1,466
Bergheim Substation Upgrade	-	-	-	73	-	73	73
Blanco Substation Upgrade	-	-	487	-	-	487	487
Cedar Park West CCN Transmission Line Addition	-	977	1,182	1,378	3,000	6,537	12,869
Chappell Hill Substation Upgrade	-	-	-	2,443	-	2,443	2,443
Colorado Substation Upgrade	-	74	-	-	-	74	74
Concan Sub CCN Transmission Line Addition	-	977	1,182	3,332	9,059	14,550	47,647
Cuero Hydro Substation Upgrade	-	-	532	-	-	532	532
FM 758 Substation Upgrade	-	-	73	-	-	73	73
General Additions - Transmission Services Corporation - Future	-	4,000	4,000	4,000	4,000	16,000	16,000
Highway 46 Substation Upgrade	-	-	73	-	-	73	73
Kenedy - Cuero Transmission Line Upgrade	-	1,044	10,717	-	-	11,761	11,761
Kenedy Switch - Nixon Transmission Line Upgrade	-	1,283	17,538	-	-	18,821	18,821
Lakeway Substation Upgrade	-	-	73	-	-	73	73
Las Lomas Substation Upgrade	-	2,443	-	-	-	2,443	2,443
Leakey Substation Capacitor Bank Addition	-	-	473	-	-	473	473
Lockhart to Seguin Split CCN Transmission Line Addition	-	977	1,182	3,332	9,059	14,550	47,647

**Appendix: FY 2013 Capital Plan Future Projects**  
**LCRA Transmission Services Corporation**  
(Dollars in Thousands)

Project Name	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
Marshall Ford – Lago Vista Transmission Line Upgrade	-	-	731	6,987	-	7,718	7,718
McQueeney-Geronimo Transmission Line Upgrade	-	74	-	-	-	74	74
Melvin Substation Upgrade	-	-	87	-	-	87	87
Menger Creek Transmission Line Upgrade	-	489	731	1,710	-	2,930	2,930
Merrelltown Substation Upgrade	-	2,831	-	-	-	2,831	2,831
Minor Capital - TSC - Future	-	350	350	350	350	1,400	1,400
Mountain Home CCN Transmission Line Addition	-	-	-	-	73	73	73
NERC CIP Substation Upgrades	-	622	-	-	-	622	622
Parmer CCN Transmission Line Addition	-	977	1,182	1,622	2,775	6,556	18,886
Santa Clara Substation Upgrade	-	-	-	281	-	281	281
Transmission Line Upgrades–FY2014	-	8,391	-	-	-	8,391	8,391
Transmission Line Upgrades–FY2015	-	-	29,528	-	-	29,528	29,528
Transmission Line Upgrades–FY2016	-	-	-	28,446	-	28,446	28,446
Transmission Line Upgrades–FY2017	-	-	-	-	28,700	28,700	28,700
Zorn-McCarty Lane Transmission Line Upgrade	-	-	-	5,005	-	5,005	5,005
<b>Total LCRA TSC Future</b>	-	25,509	70,121	60,425	57,016	213,071	297,927

**Appendix: FY 2013 Capital Plan Future Projects  
Transmission  
(Dollars in Thousands)**

Project Name	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
Minor Capital - Transmission Services - Future	-	2,000	2,000	2,000	2,000	8,000	8,000

**Appendix: FY 2013 Capital Plan Future Projects**  
**Water**  
**(Dollars in Thousands)**

<b>Project Name</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>5-Year</b>	<b>Lifetime</b>
<b>Raw Water</b>							
Buchanan Dam Spalling Concrete Rehabilitation Phase 2	-	400	400	400	400	1,600	1,600
Dam Instrumentation Phase 3	-	250	250	-	-	500	500
General Additions - Raw Water Facilities - Future	-	10	10	10	10	40	40
Mansfield Dam Dehumidification System	-	-	500	-	-	500	500
Mansfield Dam Paradox Gate Rehabilitation Phase 2	-	885	885	885	885	3,540	3,540
Minor Capital - Hydromet - Future	-	167	167	167	167	668	668
Garwood River Plant Discharge Piping	-	-	-	-	700	700	700
Garwood Spare Pumping Capacity 6000 GPM	-	-	-	1,500	-	1,500	1,500
General Additions - Irrigation Districts - Future	-	375	375	375	375	1,500	1,500
Gulf Coast Plant 3 Discharge Pipes 3 and 4	-	-	-	-	100	100	100
Gulf Coast Plant No 1 Rehab or Replace Pumps 1 and 2	-	700	-	-	-	700	700
Irrigation SCADA	-	-	-	235	257	492	492
Lakeside Canal Easement Acquisition	-	-	-	-	500	500	500
Lakeside Prairie Plant Automated Trash Rack	-	-	-	300	-	300	300
Minor Capital - Irrigation - Future	-	221	221	221	221	884	884
Subtotal	-	3,008	2,808	4,093	3,615	13,524	13,524

**Appendix: FY 2013 Capital Plan Future Projects  
Water  
(Dollars in Thousands)**

Project Name	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
<b>Water Utility</b>							
<b>Hill Country Region</b>							
General Additions - Hill Country Region - Future	-	225	-	-	-	225	225
Subtotal	-	225	-	-	-	225	225
<b>Southeast Region</b>							
General Additions - Southeast Region - Future	-	150	-	-	-	150	150
Windmill Ranch WW System Membrane Addition Ph 2	-	350	-	-	-	350	350
Subtotal	-	500	-	-	-	500	500
<b>Total Water Future</b>	-	<b>3,733</b>	<b>2,808</b>	<b>4,093</b>	<b>3,615</b>	<b>14,249</b>	<b>14,249</b>

**Appendix: FY 2013 Capital Plan Future Projects  
Public Services  
(Dollars in Thousands)**

Project Name	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	5-Year	Lifetime
General Additions - Parks - Future	-	300	300	300	300	1,200	1,200
Lake Bastrop North Shore Park Improvements	-	-	-	1,000	1,000	2,000	2,000
McKinney Roughs Visitor Center Stabilization	-	-	350	-	-	350	350
Minor Capital - Environmental Lab - Future	-	257	325	245	305	1,132	1,132
Minor Capital - Other - Future	-	170	42	13	-	225	225
Minor Capital - Parks - Future	-	203	286	114	105	708	708
Park System Infrastructure Future	-	1,500	1,500	1,500	1,500	6,000	6,000
<b>Total Public Services Future</b>	-	<b>2,430</b>	<b>2,803</b>	<b>3,172</b>	<b>3,210</b>	<b>11,615</b>	<b>11,615</b>

**Appendix: FY 2013 Capital Plan Future Projects  
Enterprise Services  
(Dollars in Thousands)**

<b>Project Name</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>5-Year</b>	<b>Lifetime</b>
Data Center Facility	-	1,500	6,000	4,000	500	12,000	12,000
Data Center Technology Infrastructure	-	1,000	1,000	1,000	-	3,000	3,000
Energy Trade and Risk Mgmt System (Allegro)	-	500	-	-	-	500	500
ERP System Replacement	-	3,000	3,000	3,000	-	9,000	9,000
General Additions - Facilities - Future	-	500	500	500	500	2,000	2,000
General Additions - Information Technology - Future	-	1,200	1,200	1,200	1,200	4,800	4,800
General Additions - Telecommunications - Future	-	840	840	840	840	3,360	3,360
Generation Billing System Replacement	-	1,400	600	-	-	2,000	2,000
Generation Management System Replacement	-	2,000	-	-	-	2,000	2,000
GOC Paving Replacement	-	1,000	-	-	-	1,000	1,000
GOC Switchgear	-	500	-	-	-	500	500
IT Business Operations Projects - Future	-	1,000	1,000	1,000	1,000	4,000	4,000
IT Compliance & Security Projects	-	300	300	300	300	1,200	1,200
IT Infrastructure Projects	-	1,000	1,000	1,000	1,000	4,000	4,000
Minor Capital - Facilities - Future	-	300	300	300	300	1,200	1,200
Minor Capital - IT - Future	-	500	500	500	500	2,000	2,000
Minor Capital - Telecom - Future	-	360	360	360	360	1,440	1,440
T1 to Ethernet Radio Upgrade	-	200	-	-	-	200	200
Transport Upgrade Project - Phase 3	-	-	755	-	-	755	755
<b>Total Enterprise Support Future</b>	<b>-</b>	<b>17,100</b>	<b>17,355</b>	<b>14,000</b>	<b>6,500</b>	<b>54,955</b>	<b>54,955</b>

## Appendix B: Contingency

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The following section describes LCRA's approach to estimating and managing contingency in capital project budgets.

### Contingency Defined

Certain standards for contingency have been implemented by staff with input from LCRA's chief financial officer and internal auditor. LCRA staff adopted the following from the American Association of Cost Engineering's Manual on Cost Engineering Terminology as LCRA's common definition for contingency:

Contingency is the amount added to a project estimate to allow for items, conditions, or events for which the state, occurrence, or effect is uncertain and that experience shows will likely result, in aggregate, in additional costs.

Contingency covers costs that can reasonably be expected to occur but are not specifically known on a given project. These "project unknowns" usually include, but are not limited to, planning and estimating errors and omissions, minor price fluctuations (other than general escalation), design developments and changes within the scope, and variations in market and environmental conditions.

Contingency usually excludes major scope changes such as changes in end product specification, capacities, building sizes and location of the asset or project; management reserves; and general cost escalation or currency effects.

### Estimating Contingency

Cost estimates for LCRA capital projects are developed using a range of estimating tools, techniques and industry-specific information regarding expected costs. These estimates include LCRA staff's best effort to determine the current cost of a completed project, using the current cost of labor, materials and other cost components. Staff may use vendor quotes, statistical analysis or historical information from previous project costs. Past experience, professional judgment and the amount of planning and project definition at the time of the estimate typically guide staff's decisions about the appropriate level of contingency to add to an individual project estimate. Contingency is added either as a single percentage on the whole, additional dollars added to individual line item costs, or a combination of both percentage adder and line item costs. In the event that contingency is added to line items, those contingencies are disclosed in the budget.

Staff may add contingency to project estimates in varying amounts. In general, higher contingency is added to

project estimates based on the level of unknowns and risks for an individual project.

LCRA staff uses one of three methods for estimating and disclosing project contingency:

- Contingency is added to the project estimate as a single percentage addition to the total estimate of installed cost of materials for all project components.
- Contingency is added to certain line items in the project estimate and then summed to arrive at a percentage for disclosure.
- Contingency is added to certain line items in the project estimate, and then additional contingency is included as a percentage to the total estimate of installed cost for all project components plus the line item contingency. Disclosure is based on the sum of all contingency amounts as a percentage of the total estimate for all project components.

### Managing and Reporting on Contingency

The total project estimate developed by staff becomes the lifetime budget for the recommended project if the project is approved by the Board of Directors. Contingency amounts included in the lifetime budget are managed by individual project managers in accordance with LCRA standards as part of the overall budget for the project. Beginning in FY 2011, LCRA staff began monitoring and reporting quarterly to executive management on the status of contingency on all projects.

### Contingency and "Rebaselining" Projects

LCRA projects are recommended for Board approval with a budgetary level estimate of -10 to +25 percent (unless otherwise specified), which establishes the Board-approved lifetime budget for the project. The lifetime budget establishes the baseline against which a project is measured. As the project progresses, LCRA staff continues to define information about the project and refine the project budget. (See page 6 in the Executive Summary for definitions of LCRA's estimating levels.)

Projects are tracked against a baseline that represents an accurate expectation of costs over time to allow financial performance to be measured. Projects that are large and/or span multiple years may need to be "rebaselined." These rebaselined budgets include contingency amounts, although typically at lower percentage levels because there are fewer unknowns for the project. The total project budget may not have changed, but contingency

has been allocated more specifically to budget line items as costs become known. Consideration is given to re-establishing the project baseline when the expected cost to deliver the project is under by 10 percent and \$300,000 of the Board-approved lifetime budget. Additional Board approval is required if the expected cost to deliver the project exceeds 10 percent and \$300,000 of the Board-approved lifetime budget.

Guidelines for when to evaluate the need to rebaseline a project include the following:

- When all major project contracts have been awarded.
- When a major reduction in scope occurs.
- When more information is available, design is completed, and the cost of major project equipment and materials is known.

If the new baseline budget is less than the previous budget, the difference becomes an unused or surplus budget amount. LCRA staff may seek Board approval to lower a lifetime budget that is materially reduced by a re-estimate. Additionally, the chief financial officer has the ability to lower a budget.

A project budget re-estimate might use a lower contingency percentage because the project is by now more clearly defined and carries fewer unknowns. The re-estimate has potentially created an amount of “unused or surplus budget authorization” for the project. Unused

budget authorization is defined as the difference between the Board-approved lifetime budget and the project’s new budget baseline. This unused budget authorization is not available as contingency to be spent by the project manager. Unused budget authorization is to be tracked by the project office and must be specifically authorized for release by the manager of the project office or designee before being spent on the project.

These project budget and management controls are established to enable LCRA to capture project cost savings where available, allow for better financial forecasting and ensure that projects do not include unapproved scope. Rebaselining is a management tool that can assist in bringing projects into service at a lower cost than the lifetime budget used to originally establish the project’s economic benefit.

In some cases, the rebaseline could indicate that a project may exceed the Board-approved lifetime budget. If a project is re-estimated, and the available information indicates higher costs, this amount must be compared to the 10 percent and \$300,000 thresholds established in Board Policy 301 – Financial Planning Policy and LCRA TSC Board Policy T304 – Financial Planning Policy to determine if additional budget authorization from the Board of Directors is required. If additional lifetime budget authorization is requested from the Board, the contingency amount included will be specified within the Board agenda item.







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