

LCRA FY 2014 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 Craig Sloan, manager, Enterprise Performance Management, LCRA, 3700 Lake Austin Blvd., Austin, Texas 78703.

LCRA Mission Statement

The Lower Colorado River Authority (LCRA) 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 is a Texas conservation and reclamation district operating with no taxing authority.

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.

The New LCRA – A Culture of Continuous Improvement

Improved Structure

The Lower Colorado River Authority (LCRA) has changed substantially in a short amount of time. LCRA previously was divided into five separate business units – each with its own goals and support functions. Positions were duplicated in different groups and the structure didn't lend itself to collaboration. A major reorganization eliminated redundant structures and streamlined the company with shared support groups. The fiscal year (FY) 2014 Business Plan calls for about 500 fewer positions than there were two years ago. The vast majority of those positions were eliminated by not filling open jobs and offering employees the option of participating in two voluntary severance programs (VSP). The result is that LCRA shed more than 20 percent of its positions since Becky Motal became general manager on July 2, 2011.

The two charts below show the change from the FY 2012 Business Plan to the FY 2014 Business Plan in the number of positions and total base pay at LCRA. There have been significant decreases in both areas.

Today, LCRA is a more cost-effective organization with two clear goals – to save money and find water. The same goals exist across the company, and collaboration is a matter of course. LCRA has created a culture of continuous improvement to meet the challenges ahead.

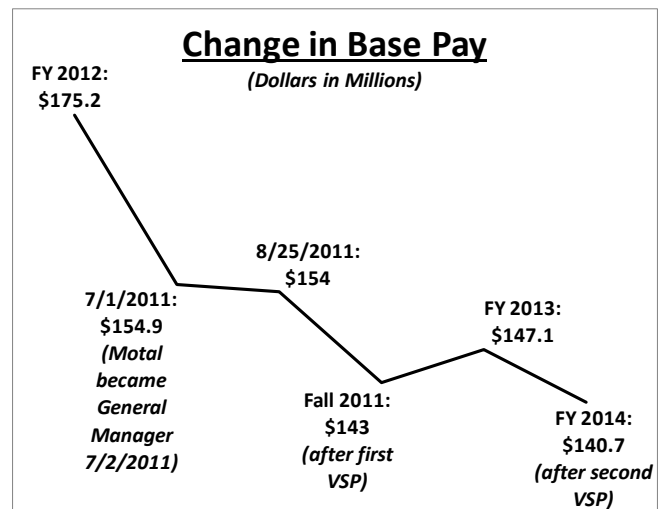
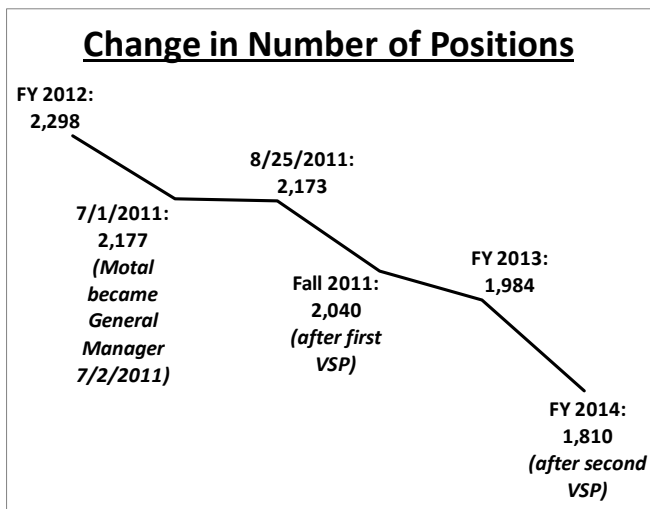
Improved Approach to Talent

Not only has LCRA's structure changed – talent is now accessed across the organization. Previously, LCRA's systems and processes made it difficult for employees to move into new roles or across departments. Today's LCRA has made it easy for employees to take on new opportunities and new challenges in different roles and different departments. Employees whose titles haven't changed also are getting chances to learn something new as the company increases cross-training and implements new technical and leadership training programs. Employees now have more opportunity to grow their careers and have taken on new responsibilities with excellent results. This diversification of talent encourages new ideas and approaches to meeting LCRA's strategic goals.

Looking Ahead

Continuous improvement means that LCRA will continue to look for better and more cost-effective ways to work and structure the organization and retool as circumstances and situations change.

LCRA is poised to continue achieving its goals with a talented group of people in place who have a passion for public service. LCRA has already accomplished several objectives under the goals of saving money and finding water. It has held down costs in areas across the company and taken the first steps to meet the goal of adding 100,000 acre-feet of additional firm water supply by FY 2017. LCRA will continue to focus on the goals set out in this Business Plan through FY 2014 and beyond.



About LCRA

- **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.** LCRA provides reliable services at the most economical cost possible and plans 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 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, the LCRA energy affiliate and nonprofit transmission affiliate 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 2012 have paid more than \$163.5 million in state and local taxes since they first had taxable activity – GenTex in 1999 and LCRA Transmission Services Corporation in 2002. Additionally, LCRA projects that these affiliates will pay more than \$100 million in taxes over the five-year plan period.
- **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 region.

Strategic Issues Facing LCRA

LCRA's two goals of saving money and finding water are directly tied to the needs of LCRA's customers and stakeholders in Central and South Texas.

Water Supply and Drought

Water supply issues are a concern for many Texans. The population in Texas is expected to increase and put further strain on water supplies. In the 2012 State Water Plan, the Texas Water Development Board projects that:

- The population in Texas is predicted to increase 82 percent between the years 2010 and 2060.
- The population in Region K – the state's designation for the 14-county water planning region encompassing much of the lower Colorado River basin – is expected to double between 2010 and 2060.
- Water user groups in Region K are anticipated to need 367,671 acre-feet of additional water by 2060 under drought conditions.

The current drought has brought the need for additional water supplies into sharp focus. The Central and South Texas regions are currently in the grip of one of the worst droughts in history. With record-breaking hot and dry weather the past several years, the amount of water flowing into the Highland Lakes has been historically low:

- In 2011, inflows were the lowest ever recorded and only about 10 percent of average.
- In 2012, inflows were the fifth lowest on record.
- Inflows over the past five years have been the lowest of any five-year period, eclipsing even the historic drought of the 1950s that is the state's Drought of Record.

By meeting its goal of adding 100,000 acre-feet of new firm water by 2017, LCRA is doing its part to increase the region's water supply and meet the needs of all of its customers and stakeholders.

Reliable, Cost-effective Power

LCRA's customers and Texas as a whole need reliable, cost-effective power. Officials have expressed concern that Texas' current power supply levels may not be adequate in the future. The North American Electric Reliability Corporation in January 2013 noted that the Electric Reliability Council of Texas (ERCOT) – the independent system operator for most of the Texas electric market – “will need more (power) resources as early as summer 2013 in order to maintain a sufficient reserve margin.”

In an effort to spur new power generation, officials with the Public Utility Commission of Texas (PUC) in 2012 raised the cap on wholesale electricity from \$4,500 per megawatt-hour (MWh) to \$9,000 per MWh by June 2015.

Faced with tight power supplies and rising price caps, LCRA's wholesale electric customers turn to LCRA as a reliable, cost-effective supplier of power. LCRA's customers likely considered how effectively LCRA manages costs when they decided whether to remain customers through 2041. The customers that signed amended and restated contracts through 2041 can take advantage of contract options that allow them to buy a portion of their load from other utilities. With 10 customers departing in 2016 and others potentially choosing to buy some of their power elsewhere, LCRA's generation sales could be about 35 percent lower than current levels after 2016. This business environment makes it critical that LCRA continue its disciplined approach to managing costs.

LCRA has successfully managed costs in multiple areas – from negotiating lower prices on materials and services to eliminating redundant positions – to ensure that LCRA can offer its customers a cost-effective price for reliable power.

The Nexus of Water and Power

LCRA exists to provide water and power – two essential services. It takes water to generate power, and it takes power to deliver water where it's needed. Population increases in the region will continue to put a strain on both water and power resources. This makes it even more important for LCRA to have clear goals and to have the people and resources in place to achieve them.

LCRA's Goals

LCRA in FY 2013 set two simple goals – save money and find water. Those goals remain in place for FY 2014 and beyond. Continued success will require the collective dedication, focus and creativity of everyone at LCRA.

Save Money

In the year since LCRA set this goal, management and employees have found a number of ways to save money without sacrificing safety or reliability.

LCRA has examined its processes and found more cost-effective and more efficient ways of doing our work. This included reorganizing to make sure we're deploying our employees as efficiently as possible. At times it has meant using our own talented staff instead of external resources to achieve the same result or better. LCRA gave its employees new challenges and opportunities to optimize existing skill sets and learn new ones.

This means that LCRA's customers continue to enjoy safe, reliable and cost-effective service.

The goal of saving money is reflected in each product line:

- **Generation:** Maintain a nonfuel wholesale electric rate that is at the FY 2013 level through FY 2016.
- **Transmission:** Manage costs to forgo the need for a transmission cost of service rate case until after FY 2018.
- **Water:** Keep noninterruptible (firm) rates at reasonable levels through FY 2018 while pursuing all available sources of funding for additional water supplies, including grants, loans and cost-sharing.

Find Water

LCRA set a goal in FY 2013 to 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 supply would supplement what LCRA draws from lakes Travis and Buchanan, its major 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.

LCRA is on its way to meeting this goal. The LCRA Board of Directors on Jan. 16, 2013, unanimously approved \$18 million for the first phase of a downstream reservoir project in Wharton County near Lane City. Currently, much of the excess water that enters the river downstream of the Highland Lakes flows to Matagorda Bay unless customers withdraw it from the river for immediate use. In 2012, for instance, more than 800,000 acre-feet of water beyond what is required for environmental needs flowed from the river into Matagorda Bay.

The first phase of the reservoir project entails buying property and beginning the engineering and permitting process. The reservoir will be built to hold about 40,000 acre-feet of water, but could be filled multiple times over a year by capturing excess flows in the river, making it capable of adding at least 90,000 acre-feet of firm water to the region's water supply. That will not only add to downstream supplies but also keep more water in the Highland Lakes.

The Board on Jan. 16, 2013, also approved \$15 million to install new groundwater wells in Bastrop County if the Lost Pines Groundwater Conservation District approves the project. LCRA has applied for a permit with the groundwater district to pump up to 10,000 acre-feet a year to serve the Lost Pines Power Park in Bastrop County.

These two projects meet the goal of adding 100,000 acre-feet of new water supply by FY 2017. During FY 2014 and the coming years, LCRA will implement the projects that are in place to meet its goal. LCRA will also continue to look for new opportunities to increase the region's water supply.

Achieving Goals Depends on People

LCRA is meeting its goals because of the talent and teamwork of its employees. Every change in LCRA's structure or way of working has provided opportunities for employees to shine. Here are just a few of our success stories:

- **Working together toward an additional 100,000 acre-feet** – Finding another 100,000 acre-feet of firm water supply is no small task. For LCRA to have already done so much toward reaching this goal has required collaboration across every part of the company. The list of people that made a contribution is long. Engineers and project managers provided their expertise, as did staff with knowledge of environmental, legal and regulatory matters. Staff in Governmental Affairs, Transmission, Communications and Finance played their part. The results are a tribute to how much people can accomplish by working together.
- **Saving money while increasing operational flexibility** – LCRA asked a cross-functional team of employees to examine a long-term service agreement with an outside vendor. After careful review and effective discussions with the vendor, the team successfully reduced costs for the remainder of the agreement, saving about \$1.5 million a year. On top of the savings, the vendor agreed to remove certain penalties from the agreement that previously hampered LCRA's ability to operate in the most nimble manner. The new arrangement not only gives LCRA more operational flexibility, but also saves a total of more than \$9 million over the remainder of the agreement.
- **Employees working where and when they're needed** – Stories about LCRA employees helping across departments abound. Irrigation staff provided their skills in areas as diverse as power plants and dams. Staff with expertise in water provided inspection services on the Ferguson Replacement Project. LCRA gathered construction workers from across multiple areas to meet a tight construction schedule at one of our facilities. Employees are using their skills in new areas on a daily basis.
- **Providing new opportunities** – One of the many benefits of LCRA's reorganization is that it has created opportunities for employees to grow in their careers. Although LCRA has reduced the number of positions in the company overall, the new structure has led to new positions or changes in current positions. That allows LCRA to provide opportunities to staff who are interested in a different role or a new challenge. Project managers and engineers who used to focus on one area now leverage their skills across multiple areas – whether power, water, facilities, information technology or parks. Employees have risen to the challenge of taking on new roles in these and many other areas.
- **Investing in employees** – LCRA is introducing a new training program to help employees develop companywide in leadership development and craft and technical areas. The program supports LCRA's business goals, increases employees' skills and provides for succession planning. The program is adaptable to changing business needs. It's a way for LCRA to invest in the employees who are responsible for the company's success.

LCRA doesn't take its employees for granted – it invests in them. LCRA provides opportunities for employees to learn and grow in their careers. Those employees in turn provide the knowledge, skill and dedication needed for LCRA to meet its goals.

Cost Drivers

Compensation and Benefits

LCRA's total estimated labor budget for FY 2014 is \$147.1 million, which includes operations and maintenance expenses and capital expenditures. This amount is \$6.3 million (4.1 percent) less than the FY 2013 budget. Budgeted positions for FY 2014 are 1,810, a reduction of 174 positions (8.8 percent) from the FY 2013 budget.

For the FY 2014 Business Plan, LCRA's labor budget for nonfuel operations and maintenance activity is \$108.9 million, \$2.9 million for fuel activity, and \$27.4 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 2014.

Base Pay Increases

The estimated labor budget for FY 2014 includes 4 percent annual base pay increases. Similar increases are assumed through FY 2018.

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 2014 is \$82.4 million or approximately 56 percent of payroll for FY 2014. This is \$24.1 million (41.4 percent) greater than the FY 2013 budget. This increase is primarily the result of increased contributions into LCRA's pension fund.

Because this fund is now closed to new participants, LCRA has implemented a prudent strategy to address the unfunded portion of this plan. LCRA management has decided to make additional pension contributions as part of this Business Plan. The total pension expense for FY 2014 is \$22 million more than the FY 2013 pension budget.

LCRA allocates benefit costs in the same way as labor costs, with some costs paid by Austin Energy. LCRA's share of benefits costs is \$61 million for nonfuel operations and maintenance activity, \$1.6 million for fuel activity and \$15.4 million for capital activity. Austin Energy's share of benefits is \$4.4 million.

Fuel

Total fuel and purchased power costs are approximately 30 percent of LCRA's total use of funds in each fiscal year of this plan. Managing this cost is an important element of LCRA's long-term success. These costs are lower both in real terms and as a percentage of total costs than in previous business plans. This is due to changes in LCRA's load obligation related to generation customers who have breached and defaulted under their Wholesale Power Agreements with LCRA.

Debt Service

While LCRA does use revenue to 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.

Consolidated Look at Revenues and Expenses

LCRA and Affiliates Consolidated Financials

(Dollars in Millions)

	Budgeted Proposed		Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues¹						
Generation	\$ 827.0	697.5	698.8	718.1	707.6	753.6
Transmission	325.0	346.1	372.2	382.8	390.7	397.0
Water	40.4	39.1	43.7	44.5	44.9	45.7
Other	8.9	8.6	8.6	8.5	8.5	8.5
Less Intracompany Eliminations	(6.9)	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)
Subtotal Net Revenue	1,194.4	1,084.5	1,116.5	1,147.1	1,144.9	1,198.1
Revenues Deferred for Debt Paydown	24.2	0.0	0.0	0.0	0.0	0.0
Total Net Revenue	1,218.6	1,084.5	1,116.5	1,147.1	1,144.9	1,198.1
Expenses¹						
Fuel and Power Cost Recovery (F&PCR)	468.5	323.3	319.2	330.0	388.6	414.6
Operations and Maintenance	281.0	297.7	311.1	332.2	328.4	343.8
Total Net Expense	749.4	621.0	630.3	662.1	716.9	758.4
Net Available for Debt Service	469.2	463.5	486.3	485.0	428.0	439.7
Coverage Adjustments ²	24.9	0.1	4.2	1.4	0.9	0.7
Adjusted Net Revenues Available	444.3	463.3	482.1	483.6	427.1	439.0
Debt Service	326.8	346.2	360.1	362.3	318.9	324.2
Debt Service Coverage, Adjusted	1.36x	1.34x	1.34x	1.33x	1.34x	1.35x
Net Revenues After Debt Service³	118.2	117.3	126.2	122.7	109.0	115.4
Less:						
Operating Reserves	11.5	17.7	21.2	21.0	22.8	18.5
Infrastructure Reserve	6.7	6.8	8.8	8.9	8.6	7.3
Revenue Funded Capital	97.1	91.9	86.4	71.6	85.7	102.1
Noncash Revenues	3.1	3.0	3.2	3.4	3.5	3.7
Restricted for Capital/Debt Retirement	1.2	0.0	9.4	21.1	0.0	0.0
CDPP Grants	1.0	1.0	1.0	1.0	1.0	1.0
Plus:						
Infrastructure Reserve Fund Support	0.0	0.0	0.0	0.0	7.7	11.7
Amortization of Enterprise/Minor Capital ⁴	2.4	3.0	3.7	4.4	4.9	5.4
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	97.1	91.9	86.4	71.6	85.7	102.1
Debt Funded	488.8	260.6	199.2	86.3	68.8	25.8
Third Party / Proceeds Funded	15.9	8.4	5.4	0.0	0.0	0.0
Total Capital	\$ 601.8	360.9	291.0	158.0	154.6	127.9

¹ 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.

² Includes adjustments related to GenTex 1 Capital Funding and Reserve Funding.

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

⁴ 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.

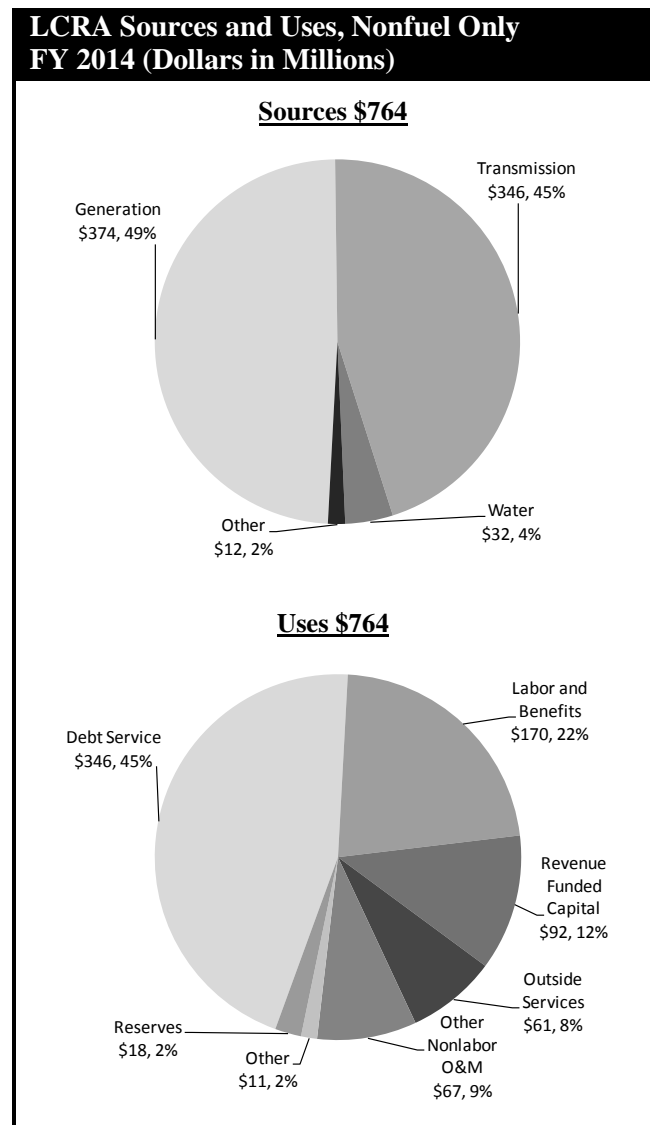
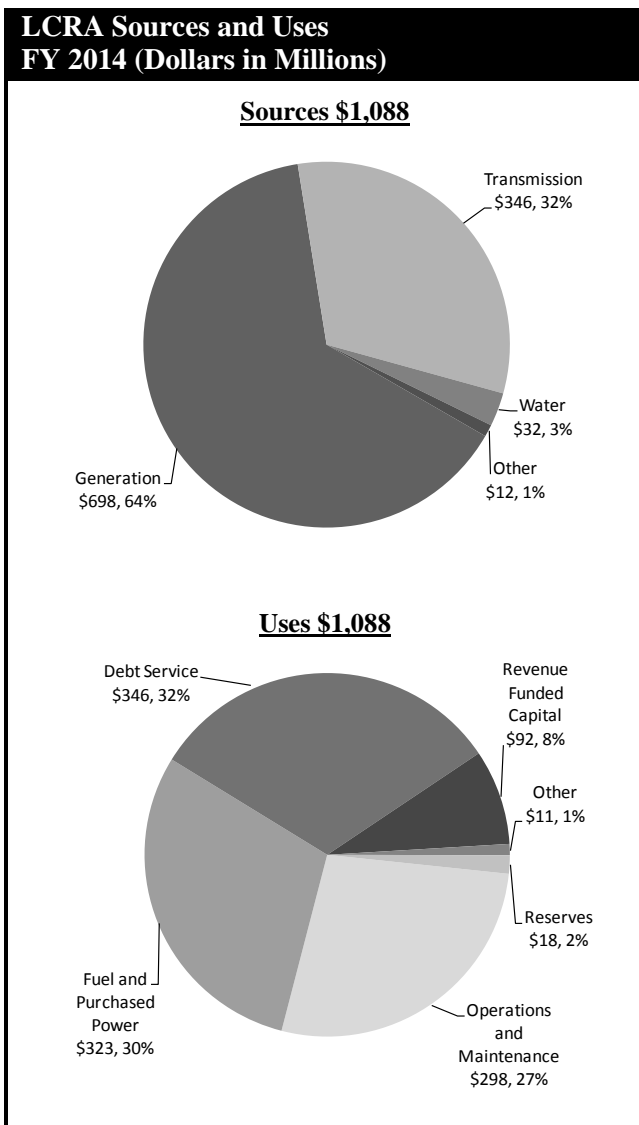
Key Points

- Total LCRA revenue decreases from the FY 2013 budget. Fuel revenues decrease by \$145.2 million (31 percent), and nonfuel revenues increase by \$11.1 million (1.5 percent). Fuel revenues reflect a change in LCRA's load obligation for some of its generation customers.
- Total expense decreases by \$128.4 million (17 percent), due to a reduction in fuel expense of \$145.2 million (31 percent) offset by a \$16.7 million (6 percent) increase to nonfuel operations and maintenance expense. This increase is a result of higher pension costs and budgeted base pay increases offset by reductions in workforce.

- Debt service coverage, a widely used measure of financial performance, is forecast to be 1.34x in FY 2014.
- Net revenues after debt service are projected to be \$117.3 million. Of this, \$17.7 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 (\$91.9 million) and borrowed funds (\$260.6 million) – to pay for capital improvements that will last decades. Another \$8.4 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 2014 and how they will be used during the fiscal year. The total sources include total net revenue plus the amortization of enterprise and minor capital for LCRA Transmission Services Corporation.

The graph on the right also reflects revenues and expenses for FY 2014, 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.



Generation

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 2014, the generation revenue requirement of \$697.1 million is \$152 million, or 18 percent, lower than the FY 2013 budget. This decrease reflects a fuel revenue decrease of \$145.2 million and a nonfuel revenue

decrease of \$6.8 million. For the FY 2016 to FY 2018 horizon, fuel revenue increases are primarily a product of projected higher market prices for fuel. Nonfuel revenue increases for FY 2015 and FY 2016 are the result of increasing operations and maintenance expense and debt

service attributed to projected capital spending in generation.

Operating expenses in FY 2014 of \$425.7 million are \$145.3 million, or 25.4 percent, lower than the FY 2013 budget, and debt service payments of \$171.7 million are \$7.6 million, or 4.6 percent, greater than the FY 2013 budget. Nonfuel operations and maintenance expenses stayed relatively flat compared to the FY 2013 budget. Fuel expense and purchased power decreased \$145.2 million, due primarily to changes in LCRA's market load obligation related to generation customers who have breached and defaulted under their Wholesale Power Agreements with LCRA. Changes in debt service payments throughout this Business Plan horizon reflect the structure of the long-term debt associated with LCRA

capital spending. Additionally, debt service coverage is included in the nonfuel revenue requirement to achieve a targeted 1.25x debt service coverage level. Projected capital expenditures for FY 2014 are \$157.8 million and \$260.2 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 the new plant is anticipated to burn less fuel, produce fewer emissions and require fewer near-term maintenance outages.

Generation and Affiliates Financial Summary, FY 2013 - FY 2018 ¹

(Dollars in Millions)	Budgeted		Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues						
Nonfuel Revenues	\$ 358.4	373.8	379.2	384.8	312.5	331.4
Fuel Revenues	468.5	323.3	319.2	330.0	388.6	414.6
Subtotal Fuel and Nonfuel Revenues	826.9	697.1	698.3	714.8	701.0	746.0
Revenues Deferred for Debt Paydown	22.2	0.0	0.0	0.0	0.0	0.0
Total Revenue	849.1	697.1	698.3	714.8	701.0	746.0
Expenses						
Net F&PCR and Affiliate Fuel Expenses	468.5	323.3	319.2	330.0	388.6	414.6
Total Nonfuel Operations and Maintenance	102.5	102.4	106.6	120.5	109.3	118.6
Total Wholesale Power / Affiliate Expense	571.0	425.7	425.8	450.5	497.9	533.2
Net Operating Margin	278.1	271.4	272.6	264.3	203.1	212.8
Add: Interest Income	0.1	0.3	0.5	3.3	6.6	7.6
Less: Assigned Enterprise Expense	25.5	31.7	35.3	36.8	37.4	38.1
Public Service Fund - Generation	24.7	25.4	26.1	26.7	27.2	27.9
Net Revenues Available for Debt Service	228.0	214.7	211.7	204.2	145.0	154.5
Less:						
Revenues Deferred for Debt Paydown	22.2	0.0	0.0	0.0	0.0	0.0
Coverage Adjustments (GenTex)	0.7	0.1	4.2	1.4	0.9	0.7
Adjusted Net Revenues Available	205.1	214.6	207.5	202.8	144.1	153.8
Total Debt Service	164.1	171.7	166.0	162.3	115.3	123.1
Debt Service Coverage	1.25x	1.25x	1.25x	1.25x	1.25x	1.25x
Net Revenue After Debt Service	41.7	43.1	45.7	41.9	29.7	31.4
Less:						
Operating Reserves	0.0	0.0	0.9	6.5	12.0	9.0
Assigned Enterprise Capital	3.6	3.8	1.8	2.7	3.9	2.0
Revenue Funded Capital	38.1	39.3	33.6	11.5	13.8	20.5
Restricted for Capital/Debt Retirement	0.0	0.0	9.4	21.1	0.0	0.0
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	38.1	39.3	33.6	11.5	13.8	20.5
Debt Funded	241.4	111.1	0.0	0.0	12.3	5.3
Third Party / Proceeds Funded	0.0	7.5	5.4	0.0	0.0	0.0
Total Capital	\$ 279.5	157.8	39.0	11.5	26.1	25.8

¹ Includes affiliate GenTex Power Corporation.

Transmission

Transmission

LCRA’s Transmission Services provides regulated transmission, transformation and metering services required by LCRA Transmission Services Corporation (LCRA TSC). Transmission Services also provides unregulated engineering, construction, project management, maintenance and other services to external customers.

Transmission Rates and Revenues

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, 2012, 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. LCRA TSC accounts for about 15 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).

Rate Increases

LCRA TSC is continuing to seek rate increases as needed to recover its costs of investing significant capital in new transmission facilities. LCRA TSC has two options provided by the PUC to increase rates 1) interim capital additions (ICA) or 2) TCOS rate filing. An ICA is an expedited transmission rate process that is limited to recovery of capital investment and taxes on new assets placed into service. The PUC awards interim rates for an ICA, and the process usually takes less than three months.

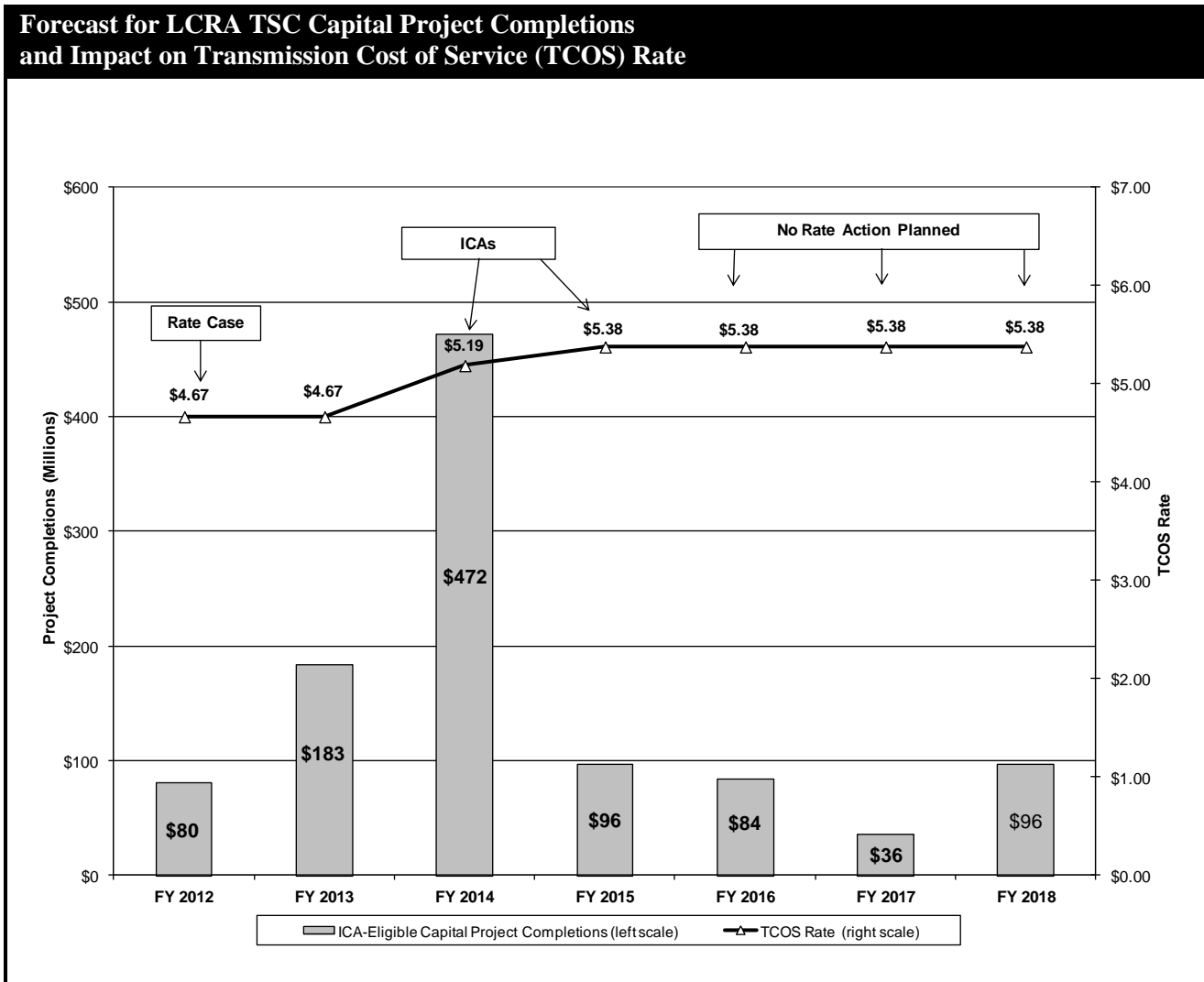
LCRA TSC’s Share of ERCOT Transmission Rate		
<u>Transmission Service Provider (TSP)</u>	<u>Annual Transmission Rate</u>	<u>% of Total</u>
Oncor Electric Delivery	\$9.99	32%
LCRA TSC	\$4.67	15%
CenterPoint Energy	\$3.95	13%
AEP Texas Central	\$2.06	7%
San Antonio City Public Service	\$1.62	5%
Brazos Electric Cooperative	\$1.51	5%
Austin Energy	\$1.00	3%
AEP Texas North	\$0.96	3%
Texas Municipal Power Agency	\$0.66	2%
Other TSPs	\$4.52	15%
Total ERCOT Transmission Rate	\$30.95	100%

A TCOS rate case filing is the PUC process for establishing or changing rates by filing a detailed historical accounting, including updates, of a recent year's operating, tax and debt service costs. TCOS rate cases typically require eight months or more to complete.

LCRA TSC plans two interim rate increases during the five-year plan period in order to recover ongoing investment in Competitive Renewable Energy Zones (CREZ) and other transmission system improvements.

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

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 2014 to FY 2018 forecast of LCRA TSC rate actions and the resulting rate increases that are assumed in this Business Plan.



Financial Summary

The FY 2014 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 \$338.5 million in FY 2014 for the provision of regulated transmission, transformation and metering services. This represents an increase of \$20.3 million, or 6.4 percent, from the FY 2013 budget. In addition to regulated revenues, LCRA is budgeting \$7.4 million in revenues from unregulated services.

Total expenses of \$90 million for FY 2014 increase by \$6.5 million (7.8 percent), compared to FY 2013's budget. The primary drivers for the increase are base pay increases, pension costs, property taxes and the capital charge (LCRA TSC's share of transmission minor capital and enterprise capital).

Transmission Services expects to spend \$503.8 million on capital projects over the coming five-year period. This includes \$492.7 million in LCRA TSC capital and \$11.1 million for unregulated minor capital.

Over the next five years, LCRA TSC plans to bring approximately \$784 million in new transmission system facilities into service, including approximately \$329 million in support of the PUC's CREZ initiatives.

Transmission Financial Summary, FY 2013 - FY 2018

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
LCRA Transmission Services Corporation						
Revenues	\$ 318.2	338.5	364.3	373.1	378.9	384.7
Operations and Maintenance	78.1	84.1	89.3	92.6	95.0	99.0
Net Operating Margin	240.1	254.4	275.0	280.6	283.9	285.7
Transmission Customer Services						
Revenues	6.8	7.4	7.6	7.6	7.6	7.6
Operations and Maintenance	5.5	5.9	6.0	6.0	6.0	6.0
Net Operating Margin	1.4	1.6	1.6	1.6	1.6	1.6
Total Transmission Services						
Revenues	325.0	345.9	371.9	380.8	386.5	392.3
Operations and Maintenance	83.5	90.0	95.4	98.6	101.0	105.0
Net Operating Margin	241.4	256.0	276.6	282.2	285.5	287.3
Add: Interest Income	0.1	0.2	0.3	2.0	4.1	4.7
Less: Assigned Enterprise Expense	26.7	35.1	37.3	38.9	39.6	39.2
Public Service Fund	9.7	10.4	11.2	11.4	11.6	11.8
Net Revenues Available for Debt Service	205.0	210.6	228.4	233.9	238.5	241.0
Debt Service	148.7	160.6	174.9	177.4	175.8	170.1
Debt Service Coverage	1.38x	1.31x	1.31x	1.32x	1.36x	1.42x
Net Revenue After Debt Service	56.3	50.1	53.5	56.5	62.7	71.0
Less:						
Operating Reserves	11.3	12.7	14.0	7.9	4.0	1.9
Assigned Enterprise Capital	6.4	5.0	3.8	3.8	3.3	2.0
Revenue Funded Capital	41.0	35.4	39.3	49.2	60.2	72.4
Plus:						
Amortization of Enterprise/Minor Capital ¹	2.4	3.0	3.7	4.4	4.9	5.4
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded ²	40.0	35.4	39.3	49.2	60.2	72.4
Debt Funded	240.3	115.9	92.2	12.0	11.4	15.6
Third Party / Proceeds Funded	14.6	0.0	0.0	0.0	0.0	0.0
Total Capital	\$ 294.8	151.3	131.6	61.2	71.7	88.0

¹ 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.

² 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 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.

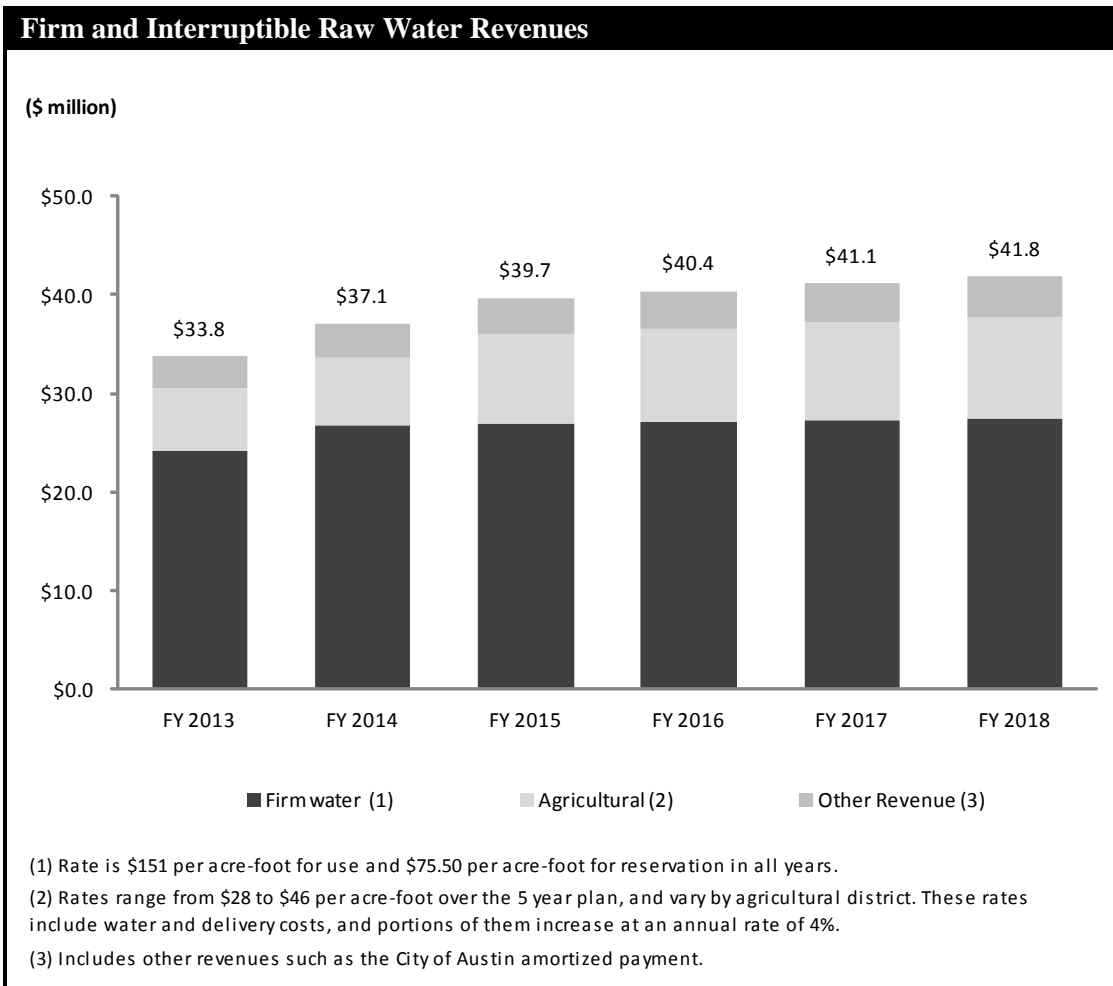
Raw Water Rates

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 \$6.50 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 the current cost of 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 2014 under a five-year rate increase schedule approved by the Board in FY 2009. This plan continues that increase through FY 2018 in an effort to keep pace with inflationary increases.



Financial Summary

In FY 2014 total raw water revenues of \$37.1 million are greater than the FY 2013 budget by \$1.3 million (3.6 percent). The FY 2014 revenues reflect the curtailment of most interruptible water sales in calendar year 2013. This plan assumes interruptible sales resume in full during calendar year 2014. Based on current projections, the current rates assumed in this plan are adequate to fund ongoing operations and capital needs through FY 2016. However, beginning in FY 2017 contributions from LCRA's infrastructure reserve fund are needed to maintain adequate cash flow. This is due to increased debt service caused by capital spending related to new water supply projects.

Total expenses of \$15 million for FY 2014 are greater than the FY 2013 budget by \$2.6 million (21 percent).

Projected raw water capital expenditures are \$35.5 million in FY 2014 and \$270.4 million for the five-year plan period. This plan includes \$221 million in projected spending on new water supply projects. The debt service associated with this spending is projected to cause the total revenue requirement to exceed revenues by FY 2017. LCRA continues to explore all options for funding new water supply projects.

Raw Water Financial Summary, FY 2013 - FY 2018						
	Budgeted		Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
(Dollars in Millions)						
Water Revenues						
Firm water	\$ 24.2	26.8	26.9	27.1	27.2	27.4
Agricultural	6.3	6.8	9.2	9.5	9.9	10.3
Other	3.2	3.4	3.6	3.8	4.0	4.1
Subtotal Water Revenues	33.8	37.1	39.7	40.4	41.1	41.8
Revenues deferred for debt paydown	2.0	0.0	0.0	0.0	0.0	0.0
Total Water Revenues	35.8	37.1	39.7	40.4	41.1	41.8
Operations and Maintenance	12.4	15.0	16.5	16.9	17.3	17.6
Net Operating Margin	23.3	22.1	23.2	23.5	23.9	24.2
Add: Interest Income	0.0	0.0	0.0	0.2	0.4	0.4
Less: Assigned Enterprise Expense	6.2	6.5	5.4	5.0	6.3	8.0
Public Service Fund	1.0	1.1	1.2	1.2	1.2	1.2
Net Revenues Available for Debt Service	16.2	14.5	16.6	17.5	16.7	15.4
Less: Revenues deferred for debt Paydown	2.0	0.0	0.0	0.0	0.0	0.0
Adjusted Net Revenues Available	14.2	14.5	16.6	17.5	16.7	15.4
Debt Service	6.9	7.0	9.5	13.2	19.3	22.1
Debt Service Coverage	2.05x	2.07x	1.75x	1.33x	0.87x	0.69x
Debt Service Coverage, excluding Noncash Revenues	1.61x	1.64x	1.41x	1.07x	0.68x	0.53x
Net Revenue After Debt Service	7.3	7.5	7.1	4.3	(2.6)	(6.8)
Less:						
Operating Reserves	0.0	1.0	0.1	0.0	0.4	0.5
Assigned Enterprise Capital	2.4	1.6	0.9	0.8	0.7	0.6
Revenue Funded Capital	1.9	1.9	2.9	0.1	0.4	0.1
Noncash Revenues	3.1	3.0	3.2	3.4	3.5	3.7
Plus:						
Infrastructure Reserve Fund Support	0.0	0.0	0.0	0.0	7.7	11.7
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	1.9	1.9	2.9	0.1	0.4	0.1
Debt Funded	4.9	33.6	107.0	74.3	45.1	4.9
Third Party / Proceeds Funded	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital	\$ 6.7	35.5	109.9	74.5	45.5	5.0

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;
- An operations and maintenance agreement with Corix Infrastructure, Inc. for the systems being purchased by Corix, until completion of the Sale Transfer Merger process;
- Continued ownership of the Tahitian Village Wastewater System beyond FY 2018; and
- Continued use of Public Service Funds to maintain cash flow during the planning period.

Water and wastewater revenues of \$2 million are \$4.6 million, or 70 percent, lower than the FY 2013 budget due to the ongoing divestiture process.

Expenses of \$1.9 million are \$2 million (51 percent) lower than the FY 2013 budget as the result of the ongoing divestiture process.

Projected water and wastewater capital expenditures are \$1 million in FY 2014 and \$0 for the remaining four years of the five-year plan period. This includes 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 2013 - FY 2018

(Dollars in Millions)

	Budgeted		Proposed		Forecast	
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Total Revenue	\$ 6.6	2.0	4.0	3.9	3.4	3.4
Operations and Maintenance	3.9	1.9	0.1	0.1	0.1	0.1
Net Operating Margin	2.7	0.1	3.8	3.8	3.3	3.3
Add: Interest Income	0.0	0.0	0.0	0.0	0.0	0.0
Less: Assigned Enterprise Expense	1.1	0.2	0.2	0.2	0.2	0.2
Public Service Fund	0.2	0.1	0.1	0.1	0.1	0.1
Net Revenues Available for Debt Service	1.5	(0.2)	3.5	3.5	3.0	3.0
Debt Service	2.6	0.8	4.1	4.3	3.8	3.9
Debt Service Coverage	0.57x	-0.21x	0.86x	0.82x	0.78x	0.77x
Net Revenue After Debt Service	(1.1)	(1.0)	(0.6)	(0.8)	(0.8)	(0.9)
Less:						
Operating Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Assigned Enterprise Capital	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Funded Capital	0.8	0.0	0.0	0.0	0.0	0.0
Impact Fees Used to Defeas Debt	0.0	0.0	0.0	0.0	0.0	0.0
Restricted for Capital/Debt Retirement	0.2	0.0	0.0	0.0	0.0	0.0
Plus:						
Public Service Fund Assistance	2.2	1.0	0.6	0.8	0.9	1.0
Water and Wastewater Divestiture Proceeds	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	0.8	0.0	0.0	0.0	0.0	0.0
Impact Fee Funded	0.0	0.0	0.0	0.0	0.0	0.0
Debt Funded	2.2	0.0	0.0	0.0	0.0	0.0
Third Party / Proceeds Funded	1.3	1.0	0.0	0.0	0.0	0.0
Total Capital	\$ 4.4	1.0	0.0	0.0	0.0	0.0

Enterprise Costs

Enterprise Costs

Enterprises costs consist of functions that provide general support and oversight to the entire organization. These costs include legal, financial, regulatory and other operational support activities that benefit LCRA's product lines. They are assigned to each LCRA product line for rate development and financial evaluation.

Financial Summary

Enterprise costs total \$105.6 million in FY 2014, offset by \$11.1 million in telecommunications revenue. The net

expense of \$94.5 million is further offset by charges to Austin Energy (AE) of \$5.1 million for services LCRA provides related to the partnership in the Fayette Power Project. The remaining \$89.4 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.

Projected capital expenditures are \$12.8 million in FY 2014 and \$43.4 million for the five-year plan period.

Enterprise Costs, FY 2013 - FY 2018

(Dollars in Millions)	Budgeted	Proposed	Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Total Revenue	\$ 5.0	11.1	4.2	4.2	4.2	4.2
Gross Enterprise Costs	94.1	105.6	102.9	106.0	109.2	111.6
Net Enterprise Costs	89.1	94.5	98.6	101.8	105.0	107.3
Cost Assignment						
Generation - Nonfuel	25.5	31.7	35.3	36.8	37.4	38.1
Generation - Fuel	6.0	1.7	1.9	2.0	2.0	2.1
Transmission	26.7	35.1	37.3	38.9	39.6	39.2
Water	7.2	6.7	5.6	5.2	6.5	8.2
Public Service Fund Activities	6.4	7.0	7.4	7.6	7.9	8.0
Capital / AE / Other	17.3	12.3	11.2	11.3	11.6	11.6
Total	89.1	94.5	98.6	101.8	105.0	107.3
Capital Expenditures						
Revenue Funded	14.1	12.8	7.8	8.5	8.9	5.4
Debt Funded	0.0	0.0	0.0	0.0	0.0	0.0
Third Party / Proceeds Funded	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital	14.1	12.8	7.8	8.5	8.9	5.4

Public Service Fund

The Public Service Fund 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 fund 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, water and wastewater, 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 2013 - FY 2018

(Dollars in Millions)	Budgeted	Proposed	Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Sources:						
Generation	\$ 23.0	23.8	24.3	24.8	25.3	25.9
GenTex	1.7	1.6	1.9	1.9	2.0	2.0
Transmission	9.7	10.4	11.2	11.4	11.6	11.8
Water	1.2	1.2	1.3	1.3	1.3	1.3
Subtotal	35.7	36.9	38.6	39.4	40.2	41.0
Uses:						
PSF Activities	26.8	29.2	29.2	29.7	30.7	32.8
Water & Wastewater Utility Support	2.2	1.0	0.6	0.8	0.9	1.0
Infrastructure Reserve	6.7	6.8	8.8	8.9	8.6	7.3
Subtotal	35.7	36.9	38.6	39.4	40.2	41.0
Net Available Public Service Funds:	\$ 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. They also provide community development assistance to the surrounding communities. These services generate some revenue but require support from the fund to cover the total operations and maintenance, enterprise support and capital costs that support these activities.

Total revenues are projected to be \$8.6 million for FY 2014 and to stay relatively flat through FY 2018.

Total operating expenses of \$31.3 million, which includes \$7 million of enterprise costs, are projected for FY 2014, increasing by \$4.1 million to \$35.4 million by FY 2018. The increase is primarily driven by labor cost increases assumed at 4 percent annually.

Projected capital expenditures are \$2.5 million in FY 2014 and \$13.8 million for the five-year plan period.

In addition to the items listed above, the total funding requirement from the Public Service Fund includes \$1 million annually for the Community Development Partnership Program.

Public Service Fund Activities, FY 2013 - FY 2018						
(Dollars in Millions)	Budgeted Proposed		Forecast			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenue						
Public Services	\$ 2.3	2.2	2.2	2.1	2.1	2.1
Water Quality	0.5	0.5	0.5	0.5	0.5	0.5
Public Safety	0.7	0.7	0.7	0.7	0.7	0.7
Environmental Lab	5.5	5.2	5.2	5.2	5.2	5.2
Total Revenue	8.9	8.6	8.6	8.5	8.5	8.5
Operations and Maintenance						
Public Services	15.0	13.8	14.1	14.4	14.8	15.1
Water Quality	3.5	4.0	4.1	4.2	4.4	4.5
Public Safety	6.4	7.7	8.2	8.5	8.9	9.2
Environmental Lab	5.7	5.8	6.0	6.2	6.4	6.6
Total Operating Expense	30.6	31.3	32.4	33.3	34.5	35.4
Operating Funding Requirement	21.6	22.7	23.8	24.8	26.0	26.9
Capital Spending	2.2	2.5	2.9	2.3	2.4	3.7
Assigned Enterprise Capital	1.7	2.5	1.2	1.2	1.0	0.8
Reserves	0.3	0.6	0.3	0.3	0.3	0.2
CDPP	1.0	1.0	1.0	1.0	1.0	1.0
Total Funding Requirement	26.8	29.2	29.2	29.5	30.7	32.7
Capital Expenditures						
Revenue Funded	2.2	2.5	2.9	2.3	2.4	3.7
Debt Funded	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital	\$ 2.2	2.5	2.9	2.3	2.4	3.7

Departmental Analysis

Departmental Analysis

Each of the teams reporting to LCRA's general manager serves a critical role in the successful implementation of LCRA's mission and strategic goals. LCRA's organizational structure eliminates redundancies and costs, and improves efficiencies and quality of service delivery.

The budget for each of the teams shown below 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, each of the general manager's direct reports can monitor and evaluate costs more effectively throughout the year.

Departmental Budgets, FY 2013 - FY 2015

(Dollars in Millions)				
<u>Costs</u>		Budgeted	Proposed	
		FY 2013	FY 2014	FY 2015
DGM (Operations)	\$	304.6	314.1	324.0
DGM (Regulatory & Resource Management)		22.1	23.0	23.8
Audit		1.2	1.3	1.3
Chief Financial Officer		33.6	36.7	37.7
Employee & Communication Services		7.0	7.9	8.0
GM and Staff		1.4	1.6	1.7
Governmental Affairs		5.3	4.4	4.6
Legal Services		5.8	6.9	6.9
Total Costs	\$	381.1	396.0	408.0
Less Costs Other than Nonfuel Operations and Maintenance:				
Capitalized Labor	\$	36.0	38.9	39.9
Costs Assigned to Austin Energy		28.8	28.8	24.7
Capitalized Enterprise Costs		12.3	7.3	6.0
Costs Assigned to Fuel		14.5	9.9	10.5
Enterprise Revenues		5.0	11.1	4.2
Other		3.5	2.3	11.5
Total Nonfuel Operations and Maintenance	\$	281.0	297.7	311.1

DGM = Deputy General Manager

Key Points

- Total FY 2014 spending including capitalized labor is \$396 million.
- Total spending for FY 2015 is \$408 million, an increase of \$12 million (3 percent), primarily due to an assumed labor adjustment increase of 4 percent.

- Included in the total FY 2014 cost of \$396 million is \$98.3 million in forecasted expenditures that are not classified as LCRA consolidated nonfuel operations and maintenance expense. Those specific costs are listed above.

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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 and manager, Capital Planning, LCRA, 3700 Lake Austin Blvd., 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 of Directors approval of this Capital Plan authorizes the initiation of all recommended projects at their individually stated lifetime budgets as shown in the plan. The plan includes 67 new recommended projects with lifetime budgets totaling \$191.5 million, which if approved, will be added to the \$1.5 billion in lifetime budgets previously approved by the Board.

Board approval of this plan also authorizes the proposed \$372 million budget for fiscal year (FY) 2014 capital spending, which includes \$79 million for recommended projects and \$293 million for projects that the Board has previously approved.

Capital spending anticipated in FY 2014 is \$115 million (45 percent) higher than the FY 2014 projection from last year's Capital Plan.

Over the coming five-year period (FY 2014 to FY 2018), the LCRA Capital Plan forecasts recommended, approved and future capital project spending of about \$1.1 billion to respond to growth, reliability, environmental and regulatory compliance, and other public service needs in LCRA's service area. Considering only recommended and approved project spending of \$554 million over the five-year planning horizon, approximately 66 percent will be for projects that the Board has previously approved.

FY 2014 - FY 2018 Capital Spending for Recommended, Approved and Future Projects LCRA Total (Including Austin Energy and the City of San Marcos' Share) (Dollars in Thousands)

Status	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year Total	Lifetime
Recommended Projects		79,048	92,271	12,446	910	934	185,609	191,450
Approved Projects		292,946	42,586	18,296	7,947	6,362	368,137	1,505,778
Subtotal Recommended and Approved		371,994	134,857	30,742	8,857	7,296	553,746	1,697,228
Future Projects		-	162,409	130,858	147,008	120,985	561,260	696,590
Total FY 2014 Capital Plan		371,994	297,266	161,600	155,865	128,281	1,115,006	2,393,818
Less: Partners Share		11,061	6,210	3,603	1,249	346	22,468	37,877
LCRA Share		360,933	291,056	157,997	154,616	127,935	1,092,538	2,355,941
Comparison to Previous Plan								
Total FY 2013 Capital Plan (with partners)	601,764	257,413	171,425	124,356	108,453		1,263,411	2,421,396
Difference*	n/a	114,581	125,841	37,244	47,412	n/a	(148,405)	(27,578)

*Difference for 5-Year Total is based on a rolling five-year comparison, i.e. FY 2014 - 2018 spending from the current plan, compared to FY 2013 - 2017 from last year's plan.

LCRA developed this Capital Plan in accordance with LCRA Board Policy 304 – Financial Planning Policy and LCRA Transmission Services Corporation (LCRA 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.

The plan presents projects based on one of three status designations:

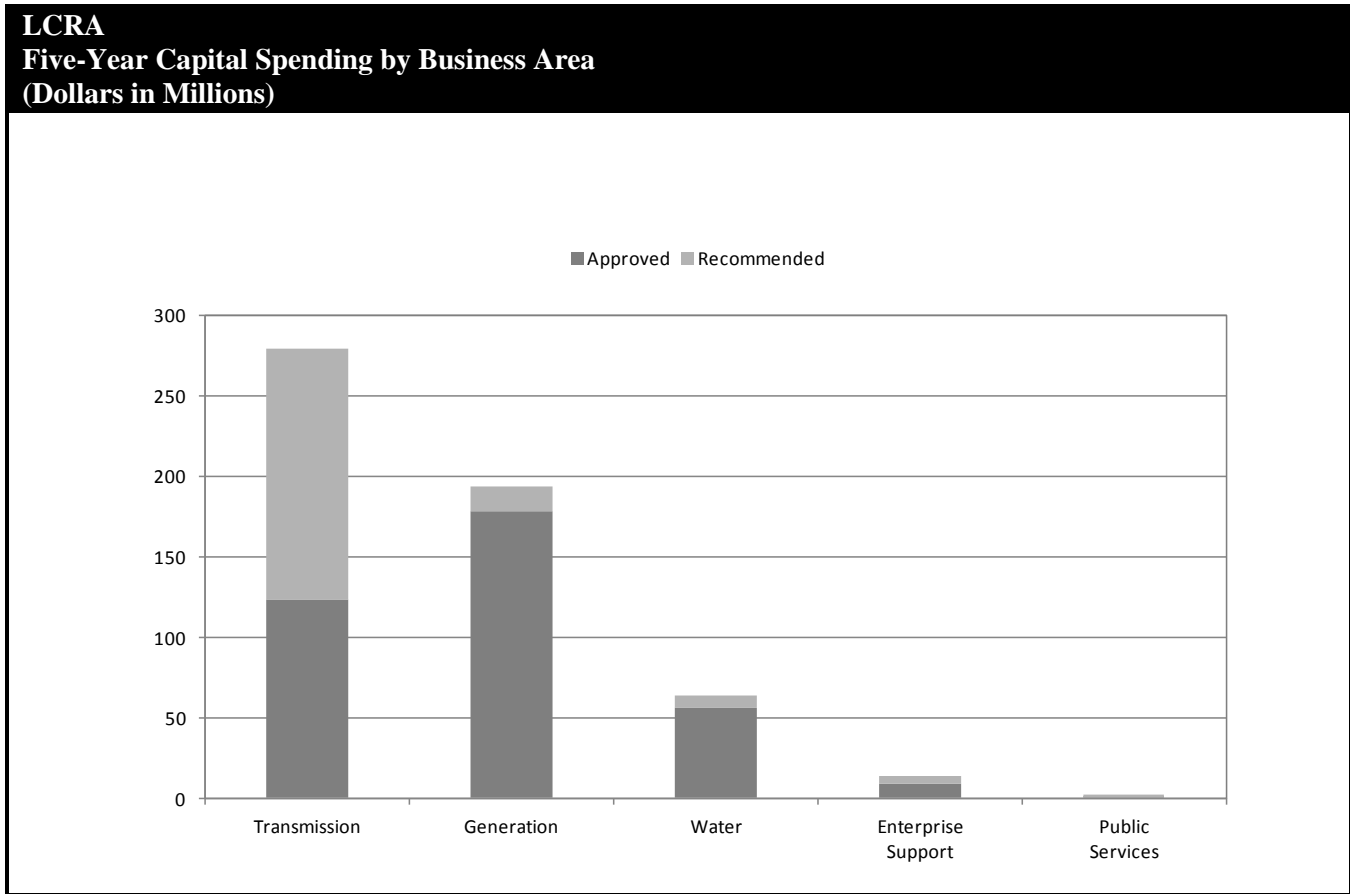
- **Recommended** projects have been reviewed by management and are recommended for Board approval.
- **Approved** projects have been previously approved by the Board.
- **Future** projects may be recommended for Board approval in the next five years.

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 \$554 million in capital spending for recommended and approved projects

(including Austin Energy and the City of San Marcos’ share) over the next five years. Transmission and generation projects will account for \$280 million (50 percent) and \$194 million (35 percent) of the LCRA total, respectively. Water projects will total \$64 million (12 percent). Enterprise support projects will total \$14 million (3 percent) and public services, with capital spending of \$3 million, will account for less than 1 percent of the anticipated capital spending for recommended and approved projects during the coming five years.

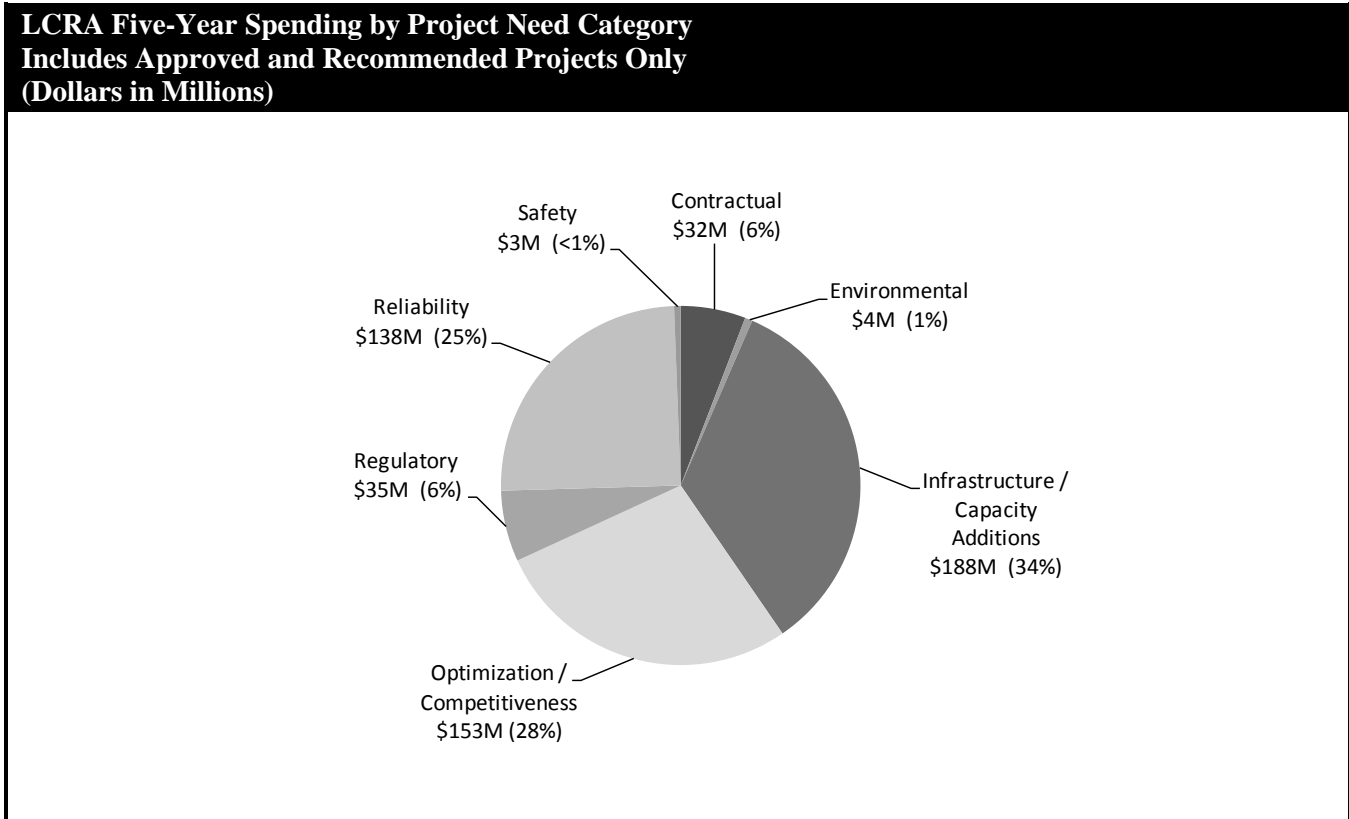


Capital Project Needs

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 and 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 utility service demand, technology, telecommunications and facilities requirements, or public demand for parks and recreation areas.
- **Optimization and 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 of Texas, the Electric Reliability Council of Texas (ERCOT), the North American Electric Reliability Corporation (NERC), the U.S. Environmental Protection Agency, the Texas Commission on Environmental Quality 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

LCRA includes projects in the FY 2014 Capital Plan 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. Each project undergoes 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); and **future** (projects that may 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. LCRA will bring projects that are designated for initiation after FY 2014 back to the Board for approval. Future projects are listed in Appendix A.

Determining Need and Financial Analysis

Projects included in the FY 2014 Capital Plan must support the goals of the FY 2014 Business Plan and be within financial parameters established by the LCRA Board and the chief financial officer.

LCRA includes projects 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.

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. Executive management reviews each project 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.

LCRA generally recommends projects to the Board for approval using a budgetary estimate. LCRA may recommend some projects 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 require that LCRA and LCRA TSC bring previously authorized projects to the Board for additional review and approval if the projects are expected to exceed 10 percent and \$300,000 over the Board-approved lifetime budget.

Project Prioritization

LCRA reviews and prioritizes its projects based on criteria that may include safety, financial, reliability, competitiveness and environmental considerations, and other factors. The appropriate executive manager reviews staff recommendations.

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. LCRA designates these projects as highest priority because they could have substantial financial, health or safety impacts to customers or stakeholders. LCRA also assigns higher priority 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 is not unimportant to LCRA or to stakeholders. Staff may assign lower priority rankings to 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

LCRA brings each capital project recommended to begin in the next fiscal year to the LCRA Board for approval with this plan. Board approval authorizes projects and delegates the authority to LCRA's executive officers to release funds to execute the identified projects. Executive management may authorize funding in stages or at once for the entire project.

Project management provides quarterly capital project status reports on approved projects to LCRA's executive officers. Reports include cost variances, estimated completion dates, 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. From time to time, conditions change rapidly and may result in a need for immediate action. In these cases, LCRA identifies new projects, adjusts the plan and presents the new projects to the Board for approval. 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.

Capital Project Estimating Levels

Preliminary Estimate	Budgetary Estimate	Final Estimate
Level of Project Definition		
<p>Basic need and objective</p> <p>A general solution to meet the objective</p>	<p>Refinement of the general solution with more specific deliverables and quantities</p> <p>Refinement of projected costs for identified deliverables</p> <p>Refinement of risks and alternatives analysis</p>	<p>Complete detailed design, specifications and requirements</p>
Information Used To Develop the Estimate		
<p>Comparison to similar projects</p> <p>Broad industry standard costs for conceptual quantities (for example, \$10 per linear foot times the expected amount of linear feet)</p> <p>Budgetary allowance assigned to tasks based on assumptions regarding risk and scope</p>	<p>Budgetary pricing of more known deliverables</p> <p>More definitive estimating using unit prices multiplied by the proposed number of units</p> <p>Some quotes or recent historical data</p> <p>Engineer's opinion of probable cost based on preliminary design elements</p>	<p>Itemized quotes or bids</p> <p>Final project plans with deliverables</p> <p>Engineer's opinion of probable cost based on actual design elements</p>
Purpose of the Estimate		
<p>Defines concept or feasibility study</p> <p>Provides planning of future capital needs</p> <p>Included as future projects in the Capital Plan</p> <p>Inclusion as a future project does not establish a lifetime budget</p> <p>Some projects with preliminary estimates may be included as recommended projects in the Capital Plan</p>	<p>Allows further refinement of the project estimate based on more specific information</p> <p>Initiates budgetary authorization within LCRA capital guidelines</p> <p>Included as recommended projects in the Capital Plan</p> <p>Board approval of the Capital Plan establishes the project lifetime budget</p>	<p>Refines final project costs and contingency within approved funding authorization</p> <p>Validates that estimate remains within thresholds established by lifetime budgets for approved projects</p> <p>Projects would be brought to the Board if final estimate exceeds 10 percent and \$300,000 over the approved lifetime budget</p>
Expected Accuracy Range		
<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 estimates and manages many different types of projects, including major generation facilities, new electric transmission lines, dam and hydroelectric upgrades, water utilities, 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. Staff discloses contingency for each recommended, approved and future project to the chief financial officer during the annual planning process. The Capital Plan submitted for Board review and approval includes the contingency amount in each recommended project lifetime budget. The amount of contingency included in each recommended project is 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 is essentially ready to be placed in service upon delivery, such as fleet assets.

Board approval of this plan also authorizes the proposed \$372 million budget for FY 2014 capital spending.

LCRA incorporates spending projections in the FY 2014 Capital Plan into the financial performance and rate impacts shown in the FY 2014 Business Plan. Upon approval and throughout FY 2014, LCRA will provide the Board 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. LCRA is not seeking Board approval for future projects at this time. LCRA will bring any future project that is determined to require initiation in FY 2014 to the Board individually for approval.

LCRA FY 2014 Capital Plan Tables

Generation Projects

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, respond to ERCOT system needs, meet projected area load growth, respond to existing customer needs, and connect new generators to the LCRA TSC electric system.

Transmission recommended and approved projects total \$151 million in FY 2014 and \$280 million over the next five years through FY 2018. This total does not include future projects listed in Appendix A.

FY 2014 LCRA TSC Recommended Projects

- **Avery Ranch-to-Jollyville Transmission Line Upgrade** – Increase the capacity of the transmission line and associated terminal equipment between the Avery Ranch and Jollyville substations in Williamson County. This project is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2015.
- **Bastrop West-to-Sim Gideon Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 6.8-mile 138-kilovolt (kV) transmission line in Bastrop County to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Battery Replacements Substation Upgrade** – Replace existing battery banks at the Plum Substation in Fayette County and the Marion Substation in Guadalupe County, and replace the battery bank and battery charger in the Red Rock Substation in Bastrop County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Bevo Substation Addition** – Construct transmission facilities to provide a transmission point of interconnection with South Texas Electric Cooperative at its new Bevo Substation located in Dimmit County. This project is required to meet reliability performance requirements of the transmission network. Recommended completion is Dec. 2, 2014.
- **Bluebonnet-to-Wyldwood Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 2.4-mile 138-kV transmission line in Bastrop County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Buchanan-to-Burnet Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 11.4-mile 69-kV transmission line in Burnet County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Circuit Breaker Operator Upgrades – Substation Upgrade** – Replace three circuit breaker operators at the Zorn Substation in Guadalupe County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Circuit Breaker Replacements – Phase 2 – Substation Upgrade** – Replace two 138-kV circuit breakers at the Ferguson Substation in Llano County and the Hunt Substation in Kerr County, and replace one 15-kV circuit breaker at the Marion Substation in Guadalupe County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Circuit Switcher Replacement Program – Phase 7 – Substation Upgrade** – Replace existing underrated circuit switchers at the Bastrop City Substation in Bastrop County, Paleface Substation in Travis County and Verde Creek Substation in Kerr County. This project is required to increase the reliability of the substation equipment. Recommended completion is June 30, 2014.
- **Clear Fork Power Transformer Addition** – Add a new power transformer to the Clear Fork Substation in Caldwell County to meet customer-projected load additions. Recommended completion is June 30, 2015.

- **Control House Replacements – Substation Upgrade** – Replace deteriorated control houses at the Luling Magnolia and Magnolia Mercer substations in Caldwell County. This project is required to increase the reliability of substation equipment. Recommended completion is June 30, 2014.
- **Cuero Hydro-to-Hochheim Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 10.7-mile 69-kV transmission line in Caldwell, Dewitt and Gonzales counties. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2015.
- **Dimmit Substation Addition** – Construct a new substation to provide a transmission point of interconnection with American Electric Power at its new Dimmit Substation located in Dimmit County. Recommended completion is March 30, 2014.
- **Eckert-to-Sandstone Mountain Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 23-mile 69-kV transmission line in Gillespie and Llano counties. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Elroy-to-Mendoza Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 12.9-mile 138-kV transmission line in Caldwell and Travis counties. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Elroy-to-Wolf Lane Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 3.8-mile 138-kV transmission line in Caldwell and Travis counties. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Flatonia Power Transformer Addition** – Add a new power transformer to the Flatonia Substation in Fayette County to meet customer-projected load additions. Recommended completion is June 30, 2014.
- **Fort Mason-to-Gillespie Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 14.2-mile 138-kV transmission line in Gillespie County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **General Additions** – Required but unplanned system improvements to accommodate load increases, failed equipment, substation reliability enhancement and changing system conditions as they occur through June 30, 2014.
- **Geronimo Substation Upgrade** – Provide a transmission point of interconnection at the Geronimo Substation in Guadalupe County connecting transmission facilities owned by Guadalupe Valley Electric Cooperative. This project is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2014.
- **Harwood Substation Upgrade** – Increase the reliability of substation equipment at the Harwood Substation in Gonzales County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Henne Substation Upgrade** – Increase the reliability of substation equipment at the Henne Substation in Comal County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Highway 46 West Circuit Breaker Addition** – Add four 138-kV circuit breakers at the Highway 46 West Substation in Comal County. This project is required to improve the reliability of transmission service to loads that exceed 20 MW during peak loading conditions. Recommended completion is June 30, 2015.
- **Highway 46 West Power Transformer Addition** – Provide necessary metering equipment to support New Braunfels Utilities' new power transformer at the Highway 46 West Substation located in Comal County. Recommended completion is June 30, 2014.

- **Kenedy Switch-to-Guadalupe Transmission Line Upgrade** – Increase the capacity of the transmission lines and associated terminal equipment between the Kenedy Switch and Cuero substations, and construct a new Guadalupe Substation. This project will take place in Karnes and DeWitt counties. This joint project between LCRA TSC, Guadalupe Valley Electric Cooperative and American Electric Power is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2015.
- **Kenedy Switch-to-Nixon-to-Seguin Transmission Line Upgrade** – Increase the capacity of the transmission lines and associated terminal equipment between the Kenedy Switch, Nixon and Seguin substations, and construct a new substation to provide a transmission point of interconnection with Guadalupe Valley Electric Cooperative at LCRA TSC's new Deer Creek Substation. This project will take place in Karnes, Gonzales and Guadalupe counties. This joint project of LCRA TSC, American Electric Power, South Texas Electric Cooperative and Guadalupe Valley Electric Cooperative is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2016.
- **Kokernot Substation Addition** – Provide necessary metering and remote terminal unit equipment to support Guadalupe Valley Electric Cooperative's power transformer at its new Kokernot Substation located in Gonzales County. Recommended completion is June 30, 2014.
- **Laguna-to-Naval Base Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 3.1-mile 69-kV transmission line in Nueces County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.
- **Marshall Ford-to-Lago Vista Transmission Line Upgrade** – Increase the capacity of the transmission line and associated terminal equipment between the Marshall Ford and Lago Vista substations in Travis County. This project is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2015.
- **McNeil-to-Marshall Ford Transmission Line Upgrade** – Rebuild transmission lines and associated terminal equipment between the McNeil and Marshall Ford substations in Travis County. This project is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2015.
- **Menger Creek Transmission Line Addition** – Add a second circuit from the Menger Creek Tap to the Menger Creek Substation, and add three 138-kV circuit breakers at the Menger Creek Substation in Kendall County. This project is required to improve the reliability of transmission service to loads that exceed 20 MW during peak loading conditions. Recommended completion is June 30, 2014.
- **NERC Substation Upgrades** – Add cyber and intruder security equipment at eight 345-kV substations to comply with new North American Electric Reliability Corporation standards. Recommended completion is March 31, 2014.
- **Nopal Substation Addition** – Construct the new LCRA TSC Gillett Tap on the LCRA TSC Nixon-to-Kenedy Switch 138-kV transmission line. This tap will provide a new transmission point of interconnection for Guadalupe Valley Electric Cooperative's new transmission line constructed to serve at its new load-serving Nopal Substation. This project is located in Gonzales and DeWitt counties. Recommended completion is June 30, 2015.
- **Plum-to-Flatonia Transmission Line Upgrade** – Increase the capacity of the transmission lines and associated terminal equipment between the Plum and Flatonia substations in Fayette County. This project is required to meet reliability performance requirements of the transmission network. Recommended completion is June 30, 2014.
- **Seawillow Substation Addition** – Construct facilities and provide necessary equipment to connect a new Bluebonnet Electric Cooperative load-serving substation to the LCRA TSC Lockhart-to-Luling 138-kV transmission line in Caldwell County. Recommended completion is June 30, 2014.

- **Swiftex Circuit Breaker Addition** – Add two 138-kV circuit breakers at the Swiftex Substation in Bastrop County. This project is required to improve the reliability of transmission service to loads that exceed 20 MW during peak loading conditions. Recommended completion is June 30, 2014.

- **Wolf Lane-to-Wyldwood Transmission Line Overhaul** – Perform inspections and replace deteriorated wood poles and structures, crossarms and braces on the 5.6-mile Wolf Lane-to-Wyldwood 138-kV transmission line in Bastrop County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion is June 30, 2014.

FY 2014 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 2014 Capital Plan Approved and Recommended Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)

Project Name	Contingency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Recommended								
Avery Ranch - Jollyville Transmission Line Upgrade	5%	236	1,724	-	-	-	1,960	1,960
Bastrop West - Sim Gideon Transmission Line Overhaul	10%	687	-	-	-	-	687	687
Battery Replacements Substation Upgrade	2%	215	-	-	-	-	215	215
Bevo Substation Addition	4%	282	2,345	-	-	-	2,627	2,627
Bluebonnet - Wyldwood Transmission Line Overhaul	10%	420	-	-	-	-	420	420
Buchanan - Burnet Transmission Line Overhaul	10%	445	-	-	-	-	445	445
Circuit Breaker Operator Upgrades - Substation Upgrade	2%	410	-	-	-	-	410	410
Circuit Breaker Replacements Phase II - Substation Upgrade	2%	667	-	-	-	-	667	667
Circuit Switcher Replacement Program Phase VII - Substation Upgrade	2%	604	-	-	-	-	604	604
Clear Fork Power Transformer Addition	2%	88	1,971	-	-	-	2,059	2,059
Control House Replacements - Substation Upgrade	2%	530	-	-	-	-	530	530
Cuero Hydro - Hochheim Transmission Line Overhaul	10%	117	6,465	-	-	-	6,582	6,582
Dimmitt Substation Addition	6%	1,459	-	-	-	-	1,459	1,459
Eckert - Sandstone Mountain Transmission Line Overhaul	10%	3,000	-	-	-	-	3,000	3,000
Elroy - Mendoza Transmission Line Overhaul	10%	292	-	-	-	-	292	292
Elroy - Wolf Lane Transmission Line Overhaul	10%	425	-	-	-	-	425	425
Flatonia Power Transformer Addition	2%	1,659	-	-	-	-	1,659	1,659
Fort Mason - Gillespie Transmission Line Overhaul	10%	886	-	-	-	-	886	886
General Additions -Transmission Services Corporation - FY 2014	0%	4,000	-	-	-	-	4,000	4,000

FY 2014 Capital Plan Approved and Recommended Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)

Project Name	Contingency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Recommended								
Geronimo Substation Upgrade	2%	331	-	-	-	-	331	331
Harwood Substation Upgrade	2%	215	-	-	-	-	215	215
Henne Substation Upgrade	2%	333	-	-	-	-	333	333
Highway 46 West Circuit Breaker Addition	2%	82	1,452	-	-	-	1,534	1,534
Highway 46 West Power Transformer Addition	2%	5	82	-	-	-	87	87
Kenedy Switch - Guadalupe Transmission Line Upgrade	8%	1,167	22,996	-	-	-	24,163	24,163
Kenedy Switch - Nixon - Seguin Transmission Line Upgrade	8%	6,546	19,401	11,560	-	-	37,507	37,507
Kokernot Substation Addition	2%	287	-	-	-	-	287	287
Laguna - Naval Base Transmission Line Overhaul	10%	8,618	-	-	-	-	8,618	8,618
Marshall Ford - Lago Vista Transmission Line Upgrade	10%	383	7,663	-	-	-	8,046	8,046
McNeil - Marshall Ford Transmission Line Upgrade	9%	681	19,406	-	-	-	20,087	20,087
Menger Creek Transmission Line Addition	7%	4,145	-	-	-	-	4,145	4,145
NERC Substation Upgrades	10%	660	-	-	-	-	660	660
Nopal Substation Addition	4%	250	2,176	-	-	-	2,426	2,426
Plum - Flatonia Transmission Line Upgrade	10%	8,811	-	-	-	-	8,811	8,811
Seawillow Substation Addition	3%	5,001	-	-	-	-	5,001	5,001
Swiftex Circuit Breaker Addition	2%	791	-	-	-	-	791	791
Wolf Lane - Wyldwood Transmission Line Overhaul	10%	1,260	-	-	-	-	1,260	1,260
Recommended Subtotal		55,988	85,681	11,560	-	-	153,229	153,229

FY 2014 Capital Plan Approved and Recommended Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Approved							
Airline - Laguna - Naval Base Transmission Line Upgrade	189	-	-	-	-	189	347
Altair - Nada Transmission Line Upgrade	3,866	-	-	-	-	3,866	4,857
Bakersfield Substation Addition	362	-	-	-	-	362	6,089
Big Hill - Kendall Transmission Line Addition	11,640	-	-	-	-	11,640	345,150
Big Hill Substation Addition	745	-	-	-	-	745	28,360
Blumenthal Substation Addition	583	1,349	2,627	4,214	5,923	14,696	15,054
Buttercup - Whitestone Transmission Line Upgrade	99	-	-	-	-	99	121
Canyon Power Transformation Addition	63	-	-	-	-	63	72
Clear Fork (Maxwell) Substation Addition	2,564	-	-	-	-	2,564	3,064
Clear Springs Substation Upgrade Project	638	-	-	-	-	638	4,878
CTEC Buchanan - Pittsburg Transmission Line Upgrade	2,727	-	-	-	-	2,727	3,461
Cushman - Highway 123 Transmission Line Addition	10,734	2,168	-	-	-	12,902	17,632
E C Mornhinweg Substation Addition	3,500	2,971	1,203	-	-	7,674	9,692
Elgin - Sim Gideon Transmission Line Upgrade	2,916	-	-	-	-	2,916	3,361
Flatonia - Yoakum Gartner Road Transmission Line Upgrade	303	-	-	-	-	303	20,425
Georgetown Circuit Breaker Addition	253	-	-	-	-	253	739
Georgetown - Rivery Transmission Line Upgrade	1,332	-	-	-	-	1,332	1,642
Gillespie - Eckert Transmission Line Upgrade	2,590	-	-	-	-	2,590	3,258

FY 2014 Capital Plan Approved and Recommended Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Approved							
Glidden - Colorado - Nada Transmission Line Upgrade	4,928	-	-	-	-	4,928	8,457
Goldthwaite Substation Upgrade	220	-	-	-	-	220	643
Kendall Auto Upgrade	226	-	-	-	-	226	25,426
Kendall Substation Upgrade	9,000	-	-	-	-	9,000	12,638
Kerrville Stadium - Raymond F Barker Transmission Line Upgrade	5,985	3,750	-	-	-	9,735	11,235
Kerrville Travis Circuit Breaker Addition	1,096	305	-	-	-	1,401	1,985
Lehigh Power Transformation Addition	39	-	-	-	-	39	44
Lockhart - Luling Transmission Line Upgrade	1,032	-	-	-	-	1,032	1,343
Mico Substation Addition	2	2	2	805	-	811	838
Mobile Transformer Low-Side Hookup Switches Substation Upgrade	264	-	-	-	-	264	1,072
Mockingbird Substation Addition	706	-	-	-	-	706	1,411
North McCamey Autotransformer Addition	362	-	-	-	-	362	30,752
North McCamey Substation Upgrade	5	-	-	-	-	5	2,659
Protection System Upgrades - FY 2012 Substation Upgrade	1,593	72	-	-	-	1,665	2,337
Protection System Upgrades - FY 2013 Substation Upgrade	474	-	-	-	-	474	1,374
RTU Additions Substation Upgrade	38	-	-	-	-	38	777
Salem Autotransformer Replacement Project	6,379	-	-	-	-	6,379	8,641
Salem Substation Upgrade Project	5,851	-	-	-	-	5,851	7,491

FY 2014 Capital Plan Approved and Recommended Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Approved							
Sattler Power Transformation Addition	68	-	-	-	-	68	77
Sherwood Shores Circuit Breaker Addition	2	659	2,278	-	-	2,939	3,897
SOCC Energy Management System Upgrade III	2,437	1,046	-	-	-	3,483	7,727
Southern 69kV Loop Substation Upgrade	967	777	-	-	-	1,744	2,804
Switch Replacement - Phase II Substation Upgrade	259	-	-	-	-	259	703
Switch Replacements Substation Upgrade	977	440	431	-	-	1,848	3,426
Transmission Easements Project - FY 2006 - Transmission Line Upgrade	500	-	-	-	-	500	3,375
Transmission Line Easement Enhancement Program - FY 2013 Transmission Line Upgrade	1,441	-	-	-	-	1,441	1,917
Trans-Rupter Upgrades Substation Upgrade	399	-	-	-	-	399	421
Warda - Giddings Transmission Line Upgrade	2,099	-	-	-	-	2,099	2,501
Weimar Substation Upgrade	354	-	-	-	-	354	595
Approved Subtotal	92,807	13,539	6,541	5,019	5,923	123,829	614,768
Total LCRA TSC Recommended and Approved	148,795	99,220	18,101	5,019	5,923	277,058	767,997

**FY 2014 Capital Plan Approved and Recommended Projects
 Unregulated Transmission and Total Transmission
 (Dollars in Thousands)**

Project Name	Contingency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Recommended								
Minor Capital - Transmission Services	0%	2,565	-	-	-	-	2,565	2,565
Total Transmission Recommended and Approved		151,360	99,220	18,101	5,019	5,923	279,623	770,562

Water Projects

Water projects in the FY 2014 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 Infrastructure Inc., 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 in keeping with LCRA's goal to develop an additional 100,000 acre-feet of new firm water supply within the next five years. The Board in January 2013 approved two projects related to this goal, which are included in the table on the following page. They include a groundwater supply project in Bastrop County (10,000 acre-feet per year of firm yield development) and the purchase of land and permitting and engineering for an off-channel reservoir system in the lower basin near Lane City (90,000 acre-feet per year of firm yield development). LCRA will seek all funding opportunities for construction of the lower basin reservoir, which is included in future projects in Appendix A, including grants, loans, cost-sharing and other outside funding.

Water recommended and approved projects total \$36 million in FY 2014 and \$64 million over the next five years through FY 2018. This total does not include future projects listed in Appendix A.

FY 2014 Recommended Projects

- **Mansfield Dam Paradox Gates – Phase 2** – This project follows Phase 1, which the Board approved in the FY 2012 Capital Plan. Phase 2 will include testing, analysis and rehabilitation of the remaining 22 gates.
- **Buchanan Dam Spalling – Phase 2** – This project follows Phase 1, which was approved by the Board in the FY 2012 LCRA Capital Plan. Phase 2 will include testing, analysis and rehabilitation of four arches at the dam for concrete spalling and corrosion of subsurface reinforcement.
- **Garwood River Plant Discharge Piping and Gate** – The discharge flap gates and discharge piping have deteriorated to a degree that puts the facility at risk to operate and decreases LCRA's ability to reliably provide water to its customers. All discharge gates and discharge piping for pumps 1 and 2 at the Garwood River Plant will be replaced.
- **General Additions** – Various projects to maintain infrastructure and improve reliability and efficiency.
 - Irrigation System
 - Water and Wastewater
- **Minor Capital** – Purchases of equipment that is essentially ready to be placed in service upon delivery.
 - Irrigation
 - Hydromet

FY 2014 Capital Plan Approved and Recommended Projects

Water

(Dollars in Thousands)

Project Name	Contingency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Recommended								
Raw Water								
Buchanan Dam Spalling Concrete Rehabilitation Phase 2	9%	2,100	-	-	-	-	2,100	2,100
Garwood River Plant Discharge Piping	8%	375	-	-	-	-	375	375
General Additions - Irrigation Districts FY14	0%	500	-	-	-	-	500	500
Mansfield Dam Paradox Gate Rehabilitation Phase 2	7%	985	860	886	910	934	4,575	10,416
Minor Capital Hydromet - FY14	0%	69	-	-	-	-	69	69
Minor Capital Irrigation - FY14	0%	20	-	-	-	-	20	20
Water Utility								
General Additions Water and Wastewater - FY14	0%	75	-	-	-	-	75	75
Recommended Subtotal		4,124	860	886	910	934	7,714	13,555
Approved								
Raw Water								
Buchanan Floodgate Rehab Phase 2		5,956	8,811	7,639	2,521	30	24,957	50,072
Lower Basin Reservoir		16,000	-	-	-	-	16,000	18,000
New Water Supply - Groundwater		9,500	5,000	-	-	-	14,500	15,000
Water Utility								
Tow Water Supply System		233	-	-	-	-	233	410
Water Wastewater Utility Divestiture		680	-	-	-	-	680	4,450
Approved Subtotal		32,369	13,811	7,639	2,521	30	56,370	87,932
Total Water Recommended and Approved		36,493	14,671	8,525	3,431	964	64,084	101,487

Public Services 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 44 parks on more than 16,400 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 and approved projects total \$3 million in FY 2014 and over the next five years through FY 2018. This total does not include future projects listed in Appendix A.

FY 2014 Recommended Projects

- **General Additions – Parks** – Various projects to maintain infrastructure and improve safety. This project is recommended at a preliminary level.
- **Minor Capital** – Purchases of equipment that is essentially ready to be placed in service upon delivery.
 - Environmental Lab
 - Parks

FY 2014 Capital Plan Approved and Recommended Projects Public Services (Dollars in Thousands)

Project Name	Contingency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Recommended								
Environmental Lab								
Minor Capital Environmental Lab - FY14	0%	250	-	-	-	-	250	250
Parks								
General Additions - Parks - FY14	0%	1,800	-	-	-	-	1,800	1,800
Minor Capital - Parks - FY14	0%	15	-	-	-	-	15	15
Recommended Subtotal		2,065	-	-	-	-	2,065	2,065
Approved								
Parks								
Matagorda Bay Nature Park Boat Ramp		450	-	-	-	-	450	650
Approved Subtotal		450	-	-	-	-	450	650
Total Public Services Recommended and Approved		2,515	-	-	-	-	2,515	2,715

Enterprise Support Projects

Enterprise support capital projects provide the facility, telecommunications 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, LCRA adjusts enterprise support priorities throughout the year to stay within the approved Capital Plan budget for each fiscal year instead of seeking additional funding authority from the Board.

Need for enterprise support capital projects can arise based on assessing existing facility conditions and reliability and the effectiveness and obsolescence of technology and telecommunications assets.

Enterprise support recommended and approved projects total \$13 million in FY 2014 and \$14 million over the next five years through FY 2018. 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 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 seeks to leverage outsourced solutions for its nonmission-critical technology needs where appropriate. 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.

Telecommunications 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 telecommunications 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 security requirements set by NERC, ERCOT and other organizations.

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 Elof Soderberg System Operations Control Center, the Telecommunications Operations 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 2014 Recommended Projects

Facilities Projects

- **General Additions – Facilities** – Various projects to save money and improve safety.

Information Technology Projects

- **General Additions – Information Technology** – Various projects to maintain infrastructure and improve reliability. This project is recommended at a preliminary estimating level.
- **Minor Capital – Information Technology** – Purchases of equipment that is essentially ready to be placed in service upon delivery. This project is recommended at a preliminary estimating level.

Telecommunications Projects

- **Microwave Radio Upgrade – T1 to Ethernet** – The current LCRA microwave radio transport system includes some older time-division multiplexing (TDM) radios. The vendor has discontinued these models of microwave radios and no longer supports any upgrades or repairs. The radios have obsolete technology that makes the system susceptible to viruses and security gaps. In addition to greater security, some benefits of migrating from TDM to Ethernet include bandwidth efficiency and lower cost. LCRA is upgrading the current radio system to newer models that can support both TDM and Ethernet technologies. Ethernet is a standard platform in the industry that supports multiple end-user technologies. This project will replace the remaining TDM radios.
- **General Additions – Telecommunications** – Various projects to maintain infrastructure and improve reliability.
- **Minor Capital – Telecommunications** – Purchases of equipment that is essentially ready to be placed in service upon delivery.

FY 2014 Capital Plan Approved and Recommended Projects
Enterprise Support
(Dollars in Thousands)

Project Name	Contingency	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Recommended								
Facilities								
General Additions - Facilities FY14	0%	415	-	-	-	-	415	415
Information Technology								
General Additions - IT - FY14	0%	1,480	-	-	-	-	1,480	1,480
Minor Capital - IT - FY14	0%	725	-	-	-	-	725	725
Telecommunications								
General Additions - Telecommunications FY14	0%	1,065	-	-	-	-	1,065	1,065
Microwave Radio Upgrade (T1 to Ethernet Upgrade)	8%	270	330	-	-	-	600	600
Minor Capital - Telecom - FY14	0%	277	-	-	-	-	277	277
Recommended Subtotal		4,232	330	-	-	-	4,562	4,562
Approved								
Information Technology								
Enterprise Network Upgrades		201	-	-	-	-	201	1,770
GenDesk Cyber Security		50	-	-	-	-	50	250
Generation Management System Replacement		1,034	-	-	-	-	1,034	1,773
RiverWare Phase 3		76	76	-	-	-	152	860
Telecommunications								
900MHz Radio System Migration		4,731	-	-	-	-	4,731	19,500
CREZ Telecom Legion to Junction SONET Addition		10	-	-	-	-	10	350
Peters Tower Relocation		20	-	-	-	-	20	1,000
Transport Network Upgrade - Phase 2		1,880	650	-	-	-	2,530	7,100
Voice System Migration		564	-	-	-	-	564	2,315
Approved Subtotal		8,566	726	-	-	-	9,292	34,918
Total Enterprise Support Recommended and Approved		12,798	1,056	-	-	-	13,854	39,480

Appendix A: Future Projects

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 2014 Capital Plan Future Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)**

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Bellville North Circuit Breaker Addition	-	-	-	950	-	950	950
Boerne Cico - Comfort Transmission Line Upgrade	-	-	370	5,397	-	5,767	5,767
Cedar Park West CCN Transmission Line Addition	-	570	895	1,345	1,975	4,785	10,465
Chappell Hill Substation Addition	-	-	2,443	-	-	2,443	2,443
Colton Circuit Breaker Addition	-	-	-	950	-	950	950
Concan Substation CCN Transmission Line Addition	-	981	1,202	3,427	9,146	14,756	59,300
Cuero Power Transformer Upgrade	-	1,146	-	-	-	1,146	1,146
Cypress Creek Circuit Breaker Addition	-	1,097	-	-	-	1,097	1,097
FM 758 (NBU) Substation Addition	-	73	-	-	-	73	73
Garfield Cut-In (AE IA) Substation Addition	-	-	-	-	3,600	3,600	3,600
General Additions - Transmission Services Corporation - Future	-	4,000	4,000	4,000	4,000	16,000	16,000
Hallettsville - Hallettsville City Transmission Line Addition	-	-	-	363	4,992	5,355	5,355
Hays Energy Substation	-	2,835	-	-	-	2,835	2,835
Leander - Round Rock Transmission Line Addition	-	1,284	1,924	14,505	22,247	39,960	39,960
Lockhart - Seguin Split Sub and Transmission Line Addition	-	981	1,202	3,427	9,146	14,756	69,300

Appendix: FY 2014 Capital Plan Future Projects
LCRA Transmission Services Corporation
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Melvin Substation Addition	-	87	-	-	-	87	87
Menger Creek T1 Power Transformer Upgrade	-	-	-	-	2,000	2,000	2,000
Menger Creek T2 Power Transformer Addition	-	-	-	-	2,000	2,000	2,000
Merrelltown Substation Addition	-	-	2,831	-	-	2,831	2,831
Minor Capital - TSC - Future	-	-	350	350	350	1,050	1,050
Mountain Home Substation Addition	-	-	-	-	73	73	73
Paige Circuit Breaker Addition	-	-	-	-	950	950	950
Pflugerville South Substation Addition	-	-	-	3,234	-	3,234	3,234
Santa Clara Substation Addition	-	-	281	-	-	281	281
Swiftex Power Transformer Upgrade	-	-	-	2,000	-	2,000	2,000
Transmission Line Overhauls	-	16,677	25,595	22,718	11,721	76,711	76,711
Twin Buttes Autotransformer Addition	-	-	-	2,050	7,886	9,936	9,936
Total LCRA TSC Future	-	29,731	41,093	64,716	80,086	215,626	320,394

**Appendix: FY 2014 Capital Plan Future Projects
Transmission
(Dollars in Thousands)**

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Minor Capital - TSBU - Future	-	2,678	2,000	2,000	2,000	8,678	8,678

Appendix: FY 2014 Capital Plan Future Projects
Water
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Raw Water							
Buchanan Dam Spalling Concrete Rehabilitation Phase 3	-	3,000	3,000	3,000	3,000	12,000	36,000
Dam Instrumentation Phase 3	-	-	340	292	297	929	929
Garwood Spare Pumping Capacity 60,000 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 - Pumps 1 and 2	-	-	700	-	-	700	700
Irrigation SCADA	-	-	235	257	-	492	492
Lakeside Canal Easement Acquisition	-	-	-	500	-	500	500
Lower Basin Reservoir - Future	-	91,427	59,397	37,176	-	188,000	188,000
Minor Capital - Hydromet (Future)	-	167	167	167	167	668	668
Minor Capital - Irrigation (Future)	-	230	221	221	221	893	893
Water Utility							
General Additions Water and Wastewater - Future	-	35	12	12	12	71	71
Total Water Future	-	95,234	65,947	42,100	4,072	207,353	231,353

Appendix: FY 2014 Capital Plan Future Projects
Public Services
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Environmental Lab							
Minor Capital - Future - Environmental Lab	-	325	242	305	220	1,092	1,092
Other							
Minor Capital - Other - Future	-	247	105	50	-	402	402
Parks							
General Additions - Parks - Future	-	1,800	1,800	1,800	1,800	7,200	7,200
Lake Travis- Shaffer Bend Recreation Area Tier 2	-	-	-	-	1,500	1,500	4,000
McKinney Roughs Visitor Center Stabilization	-	350	-	-	-	350	350
Minor Capital - Parks - Future	-	141	153	247	167	708	708
Total Public Services Future	-	2,863	2,300	2,402	3,687	11,252	13,752

Appendix: FY 2014 Capital Plan Future Projects
Enterprise Support
(Dollars in Thousands)

Project Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5-Year	Lifetime
Facilities							
General Additions - Facilities - Future	-	500	500	500	500	2,000	2,000
Minor Capital - Facilities - Future	-	300	300	300	150	1,050	1,050
Information Technology							
Enterprise Resource Planning System	-	-	2,544	2,544	-	5,088	5,088
General Additions - Information Technology - Future	-	1,200	1,200	1,200	1,200	4,800	4,800
Generation Billing System	-	-	-	1,400	600	2,000	2,000
Minor Capital - IT - Future	-	750	750	750	750	3,000	3,000
Telecommunications							
General Additions - Telecommunications - Future	-	840	840	840	840	3,360	3,360
Minor Capital - Telecom - Future	-	360	360	360	360	1,440	1,440
Security System	-	1,000	1,000	-	-	2,000	2,000
Tower Replacement	-	1,000	1,000	1,000	1,000	4,000	8,000
Transport Upgrade Project - Phase 3	-	755	-	-	-	755	755
Total Enterprise Future	-	6,705	8,494	8,894	5,400	29,493	33,493

Appendix B: Contingency

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

Contingency Defined

LCRA has implemented certain standards for contingency. 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

LCRA develops cost estimates for capital projects 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 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. Staff adds contingency 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, staff adds higher contingency to project estimates based on a higher 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 Board approves the project. Individual project managers manage contingency amounts included in the lifetime budget in accordance with LCRA standards as part of the overall budget for the project. LCRA staff monitors the status of contingency on all projects and provides reports at least quarterly to executive management.

Contingency and "Rebaselining" Projects

LCRA recommends projects 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.)

LCRA tracks projects against a baseline that represents an accurate expectation of costs over time to allow financial performance to be measured. Projects that are large 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. LCRA considers 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 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.

LCRA has established these project budget and management controls 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 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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