



ENERGY • WATER • COMMUNITY SERVICES

**LCRA FY 2015 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 U.S. Securities and Exchange Commission. The information in this report and within each of the documents referred to applies only as of the report’s 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 Foundation Values

Safety: Safety always comes first at LCRA. We strive to perform every job or task safely and without incident. We develop and improve processes to promote the safety of all employees and all others affected by our operations.

Customer Service: We enjoy strong relationships with our customers. We work together with our customers on solutions that will solve the region's power and water challenges. We listen and respond to external and internal customers, stakeholders, business partners and the communities we serve, seeking to understand and consider their needs and interests in conducting our business.

Employees: We are the very best in class at what we do. We set high standards and achieve those standards. Our employees have the tools and resources they need to achieve their goals. We attract, engage and retain quality employees by providing opportunities for professional and personal development and by offering competitive compensation and benefits.

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

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

Customer Service – At the Forefront of Everything We Do

Customer Service

Aspiring to exceptional customer service is at the forefront of everything we do at the Lower Colorado River Authority (LCRA).

Our commitment to exceptional customer service is evident across all of our product lines. Whether it's contributing reliable power to the Electric Reliability Council of Texas (ERCOT) market, making sure that power is delivered through our more than 5,150 miles of transmission lines, or working to increase and preserve the water supply for more than a million people, LCRA's goal is to provide excellent service day in and day out.

At LCRA, we believe outstanding customer service begins by listening to our customers. We seek to understand the challenges our customers face and the goals they strive to achieve. By fully understanding and meeting our customers' needs, we seek to earn their business each and every day.

Wholesale Power

Working closely with the Rates and Resources Council – a representative group of wholesale electric customers – we found ways to reduce costs of \$148 million over the five-year period in this Business Plan through actions such as:

- Modifying Wholesale Power contributions to the Public Service Fund.
- Changing the way we fund compensation in order to keep labor budgets flat for the next two years.
- Keeping contingency reserve funds at an appropriate level.
- Reducing LCRA's use and reservation of stored water from lakes Buchanan and Travis for generation resources.

These and other customer-focused actions will enable us to keep our nonfuel wholesale rate at the fiscal year (FY) 2012 level through FY 2017.

Transmission

The customers of LCRA Transmission Services Corporation (LCRA TSC) are spread across the broad ERCOT region of Texas. Every year, LCRA TSC plans for new projects and maintenance activities that enable LCRA TSC to provide safe, reliable, environmentally responsible and cost-effective transmission services. Over the next five years, LCRA TSC will manage costs to avoid the need for a transmission cost of service rate case for the foreseeable future, while putting about \$652 million in new transmission system facilities into service that will:

- Address LCRA TSC electric system reliability requirements.
- Respond to ERCOT system needs.
- Meet forecasted area load growth.
- Respond to existing customer needs.
- Connect new generators to the LCRA TSC electric system.

Water

LCRA manages the water supply for more than a million people in the lower Colorado River basin, as well as businesses, industries, agriculture and the environment. To help meet the water needs of a growing population, LCRA is pursuing a new reservoir in Wharton County that could add as much as 90,000 acre-feet a year to the region's water supply. The reservoir, expected to be completed in early 2017, would:

- Reduce demand on the Highland Lakes.
- Improve agricultural reliability and efficiency.
- Help reduce the risk of firm water curtailment.

Our pursuit of new water supplies does not end with the downstream reservoir. We will continue to search for low-cost, innovative ways to pay for new water supplies that benefit the basin.

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 service 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 in a cost-effective manner 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 and land conservation on 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 TSC, which owns and develops all LCRA-related transmission operations and infrastructure, through December 2013 have paid more than \$186.4 million in state and local taxes since they first had taxable activity – GenTex in 1999 and LCRA TSC 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 throughout the Electric Reliability Council of Texas region.

LCRA's Goals and Strategies

Focusing on customer service, LCRA will serve its mission and accomplish its goals over this five-year plan.

LCRA

Goal: While minimizing costs for our customers, explore new business opportunities and increase current revenue streams.

Wholesale Power

Goal: Provide our wholesale electric customers with reliable, low-cost power.

Strategies:

- Hold the nonfuel wholesale rate set in FY 2012 constant through FY 2017.
- Minimize the fluctuations of the wholesale fuel rate for FY 2015.
- Maximize the value of all of LCRA's generating facilities.
 - Sustain a high standard of safety.
 - Maintain the reliability of each unit.
 - Operate each unit in a cost-conscious manner.
 - Seek to increase the flexibility of each unit in order to increase its value.
- Achieve operational excellence in all areas of Wholesale Power.
- Consistently comply with all applicable environmental laws, rules and regulations.

Transmission

Goal: LCRA TSC will provide safe, reliable, environmentally responsible and cost-effective transmission services throughout the state of Texas.

Strategies:

- Manage costs to avoid the need for a transmission cost of service rate case for the foreseeable future.
- Perform operations and maintenance activities that will enable LCRA TSC to achieve its availability and efficiency goals.
- Construct transmission projects that are needed to serve new and increasing demand for electricity in ERCOT and improve the efficiency of ERCOT market operations.

Water

Goal: Work to increase and preserve the region's water supplies.

Strategies:

- Achieve full cost recovery for firm water with rates effective Jan. 1, 2015, and make substantial progress toward achieving full cost recovery for interruptible water rates. (*Pending approval by the LCRA Board of Directors.*)
- Achieve significant progress toward expansion of the region's water supply, including pursuing the downstream reservoir and building groundwater wells, and identify additional future water development opportunities.
- Minimize cost to customers for new sources of water supply by pursuing low-cost, innovative ways to pay for new water supplies, including grants and loans.
- Preserve the region's water supply through the current drought by working with the Texas Commission on Environmental Quality and customer groups.
- Continue LCRA's focus on water conservation through programs such as:
 - Partnering with municipal customers on cost-share grants for conservation projects.
 - Providing irrigation evaluations for domestic water users.
 - Providing technical assistance and review of customer water conservation and drought contingency plans.

Cost Drivers

Debt Service

While LCRA uses revenue to fund a portion of its capital program, LCRA issues long-term tax-exempt debt to fund the majority of capital spending. Annual debt service is between 31 and 34 percent of LCRA's total use of funds in each fiscal year. It 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 and an estimate of the debt service related to funding capital projects in upcoming fiscal years.

Fuel and Power

Fuel and purchased power costs are approximately 30 percent of LCRA's total use of funds in each fiscal year of this plan. These costs consist of fuel commodity costs, fuel transportation costs and power costs. Managing this cost is an important element of LCRA's long-term success.

Compensation

LCRA will develop and manage compensation packages that hold the estimated labor budget flat from the FY 2014 level until FY 2017. Rather than budgeting annual base pay increases for those years, LCRA will fund its compensation system with savings achieved by operating more efficiently and finding new ways to generate additional revenue. This approach provides an innovative way for LCRA to reward high-performing employees. After holding the labor budget flat for two years, the five-year plan includes a 4 percent base pay increase budgeted for FY 2017. The plan then assumes a flat labor budget from the FY 2017 level through FY 2019.

LCRA's total estimated labor budget for FY 2015 is \$145 million, including operations and maintenance expenses and capital expenditures. This amount is \$2.1 million, or 1.4 percent, less than the FY 2014 budget. Budgeted positions for FY 2015 are 1,814, an increase of four positions, or less than 1 percent, from the FY 2014 budget. The compensation strategy and position control efforts directly reflect LCRA's goal to reduce costs and improve operational efficiency.

For the FY 2015 Business Plan, LCRA's labor budget is \$107.6 million for nonfuel operations and maintenance activity, \$3.1 million for fuel activity and \$27.3 million for capital activity. LCRA's partners, including Austin Energy, which owns 50 percent of units 1 and 2 at the Fayette Power Project (FPP), and the City of San Marcos, which owns a portion of the Ferguson facility, pay a portion of the labor costs for their respective shares of the work at those facilities – \$7 million in FY 2015.

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 2015 is \$67.4 million, or approximately 46.5 percent of payroll for FY 2015. This is \$15 million, or 18.2 percent, lower than the FY 2014 budget. This decrease is primarily the result of decreased contributions into LCRA's pension fund. The total pension contribution for the five-year plan is fixed at \$20.2 million each year. The amount of contribution remains sufficient to properly fund the plan based on actuarial estimates.

LCRA allocates benefit costs in the same way as labor costs, with some costs paid by its partners. LCRA's share of benefits costs is \$50 million for nonfuel operations and maintenance activity, \$1.4 million for fuel activity and \$12.7 million for capital activity. LCRA partners' share of benefits is \$3.3 million.

Consolidated Look at Revenues and Expenses

LCRA and Affiliates Consolidated Financials

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues¹						
Wholesale Power	\$ 697.5	654.4	649.8	566.0	602.7	606.6
Transmission	346.1	375.3	389.6	405.5	415.3	422.2
Water	39.1	47.1	53.4	56.0	58.5	59.9
Other	8.6	3.3	3.3	3.3	3.3	3.3
Less Intracompany Eliminations	(6.8)	(6.0)	(6.2)	(6.2)	(6.0)	(5.8)
Total Net Revenue	1,084.5	1,074.2	1,089.9	1,024.6	1,073.8	1,086.2
Expenses¹						
Fuel and Power Cost Recovery (F&PCR)	323.3	325.6	313.2	292.0	300.8	313.7
Operations and Maintenance	297.7	282.5	276.1	288.4	299.8	295.5
Total Net Expense	621.0	608.1	589.3	580.3	600.6	609.3
Net Available for Debt Service	463.4	466.1	500.6	444.2	473.2	476.9
Consolidation adjustments (GenTex) ²	(0.1)	(2.0)	(1.3)	(1.1)	(1.0)	(0.1)
Adjusted Net Revenues Available	463.3	464.0	499.4	443.1	472.2	476.8
Debt Service	346.2	346.6	375.1	322.1	328.3	344.9
Debt Service Coverage, Adjusted	1.34x	1.34x	1.33x	1.38x	1.44x	1.38x
Net Revenues After Debt Service³	117.3	119.5	125.6	122.1	144.9	131.9
Less:						
Operating Reserves	14.6	36.4	47.6	8.5	10.4	13.8
Infrastructure Reserve	6.8	6.9	7.7	5.5	6.7	6.4
Resource Development Fund	0.0	1.8	2.1	1.7	0.0	0.7
Revenue Funded Capital	91.9	62.3	52.0	89.3	109.8	69.9
Noncash Revenues	3.0	3.2	3.4	3.5	3.7	3.9
Restricted for Capital/Debt Retirement	0.0	7.8	11.7	12.6	13.8	36.3
CDPP Grants	1.0	1.0	1.0	1.0	1.0	1.0
Plus:						
Use of Resource Development Fund	0.0	0.0	0.0	0.0	0.5	0.0
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	91.9	62.3	52.0	89.3	109.8	69.9
Debt Funded	260.6	237.7	242.5	176.5	38.1	64.8
Third Party / Proceeds Funded	8.4	7.1	0.9	0.4	0.0	0.0
Total Capital	\$ 360.9	307.1	295.4	266.2	147.9	134.8

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.

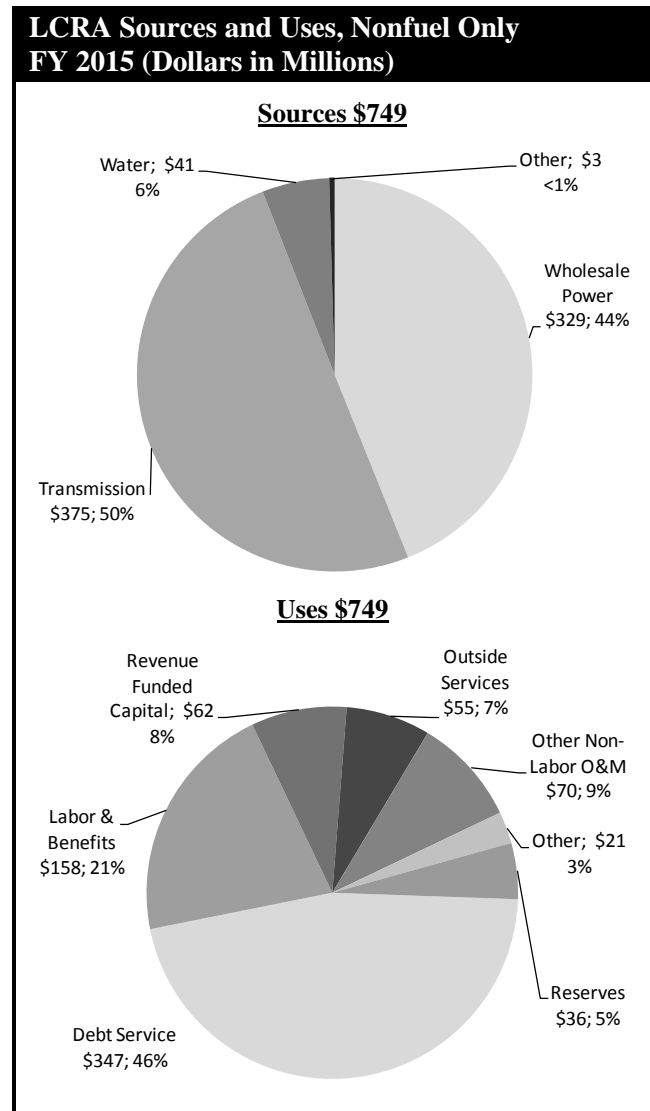
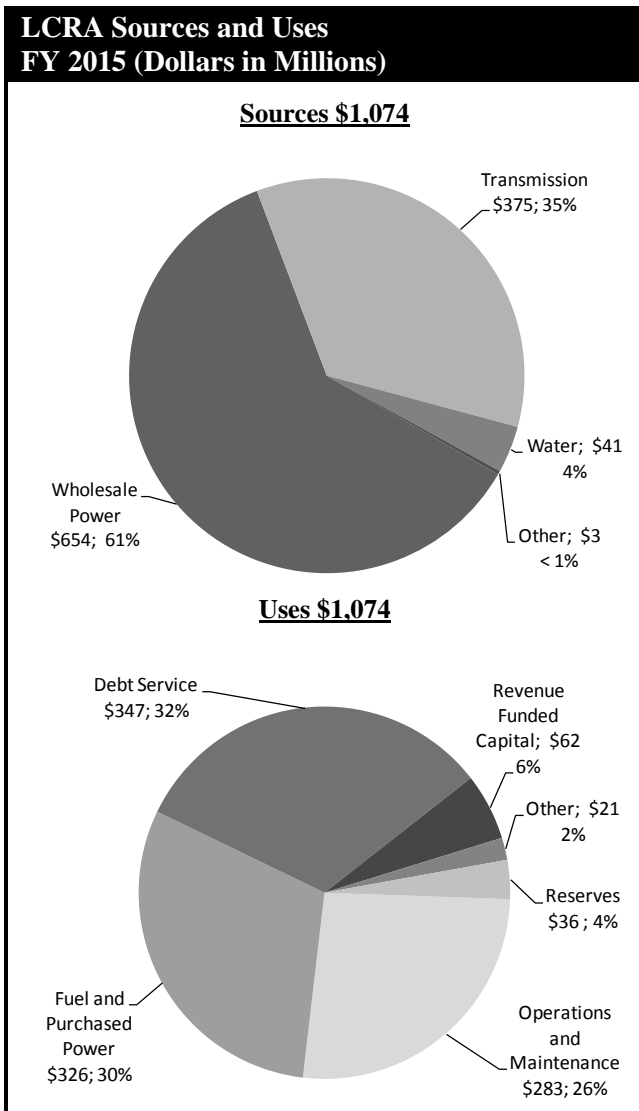
Key Points

- Total LCRA revenue decreases from the FY 2014 budget by \$10.3 million, or 1 percent. Wholesale Power revenues decrease by \$43.1 million, or 6.2 percent, and Transmission revenues increase by \$29.2 million, or 8.4 percent.
- Operations and maintenance expense decreases by \$15.2 million, or 5.1 percent.
- Debt service coverage, a widely used measure of financial performance, is forecast to be 1.34x in FY 2015.

- Net revenues after debt service are projected to be \$119.5 million. Of this, \$36.4 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 of \$62.3 million and borrowed funds of \$237.7 million – to pay for capital improvements that will last decades. Another \$7.1 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 2015 and how they will be used during the fiscal year. The total sources include total net revenue.

The graph on the right also reflects revenues and expenses for FY 2015, 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.



Wholesale Power

Wholesale Power

LCRA combines both fuel and nonfuel rate components into a time-of-use rate structure. This rate structure is designed to recover LCRA's reasonable and necessary costs of providing services to all wholesale customers while ensuring a sustainable Wholesale Power business for 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/Energy 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 (purchases and sales)
- 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
- Debt service and debt service coverage
- Assigned enterprise costs
- Contributions to the Public Service Fund
- Other nonfuel costs

Financial Summary

In FY 2015, the Wholesale Power revenue requirement of \$653.8 million is \$43.3 million, or 6.2 percent, lower than the FY 2014 budget. This reflects a fuel revenue increase of \$2.3 million and a nonfuel revenue decrease of \$45.5 million.

Total expenses in FY 2015 of \$422.7 million are \$3 million, or 0.7 percent, lower than the FY 2014 budget. Debt service payments of \$160.2 million are \$11.5 million, or 6.7 percent, lower than the FY 2014 budget. Nonfuel operations and maintenance expenses are \$5.3 million, or 5.2 percent, lower than the FY 2014 budget. Contributions to the Public Service Fund are \$14.2 million, or 56 percent, lower than the FY 2014 budget.

Debt service payments throughout this Business Plan horizon reflect the structure of the existing long-term debt and funding of LCRA's Wholesale Power capital spending during the planning period. This Business Plan keeps the nonfuel rate flat at the FY 2012 level through FY 2017.

Projected capital expenditures are \$28.6 million for FY 2015 and \$102.6 million over the five-year plan.

LCRA will continue long-term power supply planning to analyze and improve LCRA's competitive position in the ERCOT market. 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 provides a long-term hedge against rising power and gas costs.

Wholesale Power and Affiliates Financial Summary, FY 2014 - FY 2019 ¹

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues						
Nonfuel Revenues	\$ 373.8	328.3	335.1	269.6	294.8	285.0
Fuel Revenues	323.3	325.6	313.2	292.0	300.8	313.7
Total Revenue	697.1	653.8	648.3	561.5	595.7	598.8
Expenses						
Net F&PCR and Affiliate Fuel Expenses	323.3	325.6	313.2	292.0	300.8	313.7
Total Nonfuel Operations and Maintenance	102.4	97.1	88.9	94.3	101.7	91.6
Total Wholesale Power / Affiliate Expense	425.7	422.7	402.0	386.3	402.6	405.4
Net Operating Margin	271.4	231.2	246.3	175.3	193.1	193.4
Add: Interest Income	0.3	0.6	1.5	4.4	7.0	7.8
Less: Assigned Enterprise Expense	31.7	31.2	32.1	32.9	33.2	34.4
Public Service Fund	25.4	11.2	11.4	9.4	10.1	9.6
Net Revenues Available for Debt Service	214.7	189.3	204.4	137.5	156.9	157.2
Less:						
Consolidation adjustments (GenTex)	(0.1)	(2.0)	(1.3)	(1.1)	(1.0)	(0.1)
Adjusted Net Revenues Available	214.6	187.3	203.1	136.4	155.8	157.1
Total Debt Service	171.7	160.2	167.5	116.8	124.7	125.6
Debt Service Coverage	1.25x	1.17x	1.21x	1.17x	1.25x	1.25x
Net Revenue After Debt Service	43.1	29.1	36.9	20.7	32.2	31.5
Less:						
Operating Reserves	0.0	24.7	28.8	0.0	4.2	2.5
Assigned Enterprise Capital	3.8	2.9	5.2	6.8	4.1	2.3
Revenue Funded Capital	39.3	1.5	2.8	13.8	23.6	4.9
Restricted for Capital/Debt Retirement	0.0	0.0	0.0	0.0	0.3	21.8
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	39.3	1.5	2.8	13.8	23.6	4.9
Debt Funded	111.1	25.1	12.5	16.1	0.0	0.0
Third Party / Proceeds Funded	7.5	1.9	0.2	0.0	0.0	0.0
Total Capital	\$ 157.8	28.6	15.6	29.9	23.6	4.9

¹ Includes affiliate GenTex Power Corporation.

Transmission

Transmission

LCRA Transmission Services Corporation provides regulated transmission, transformation and metering services. Transmission Services also provides unregulated engineering, construction, project management, maintenance and other services.

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 48 ERCOT TSPs based on proven 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 has final approval of the transmission cost of service expenses and must determine them to be “reasonable and necessary” for them to be recoverable costs. The PUC staff, along with intervening parties in a case, examines proposed costs and accounting methods for reasonableness. An administrative law judge will recommend or accept the appropriate costs to be included in the new rates to be charged for providing service.

Transmission rates are determined by dividing the TSP’s approved TCOS by the four-month coincident peaks, known as “4CP,” in effect at the time of the TCOS filing. The 4CP 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 interim capital addition (ICA), from November 2013, by the ERCOT 4CP in effect at the time of filing produces the current LCRA TSC transmission rate of \$5.32.

The ERCOT “postage stamp rate” refers to the sum of all TSP rates. LCRA TSC accounts for about 13 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 transmission service provider 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 \$5.32).

Rate Increases

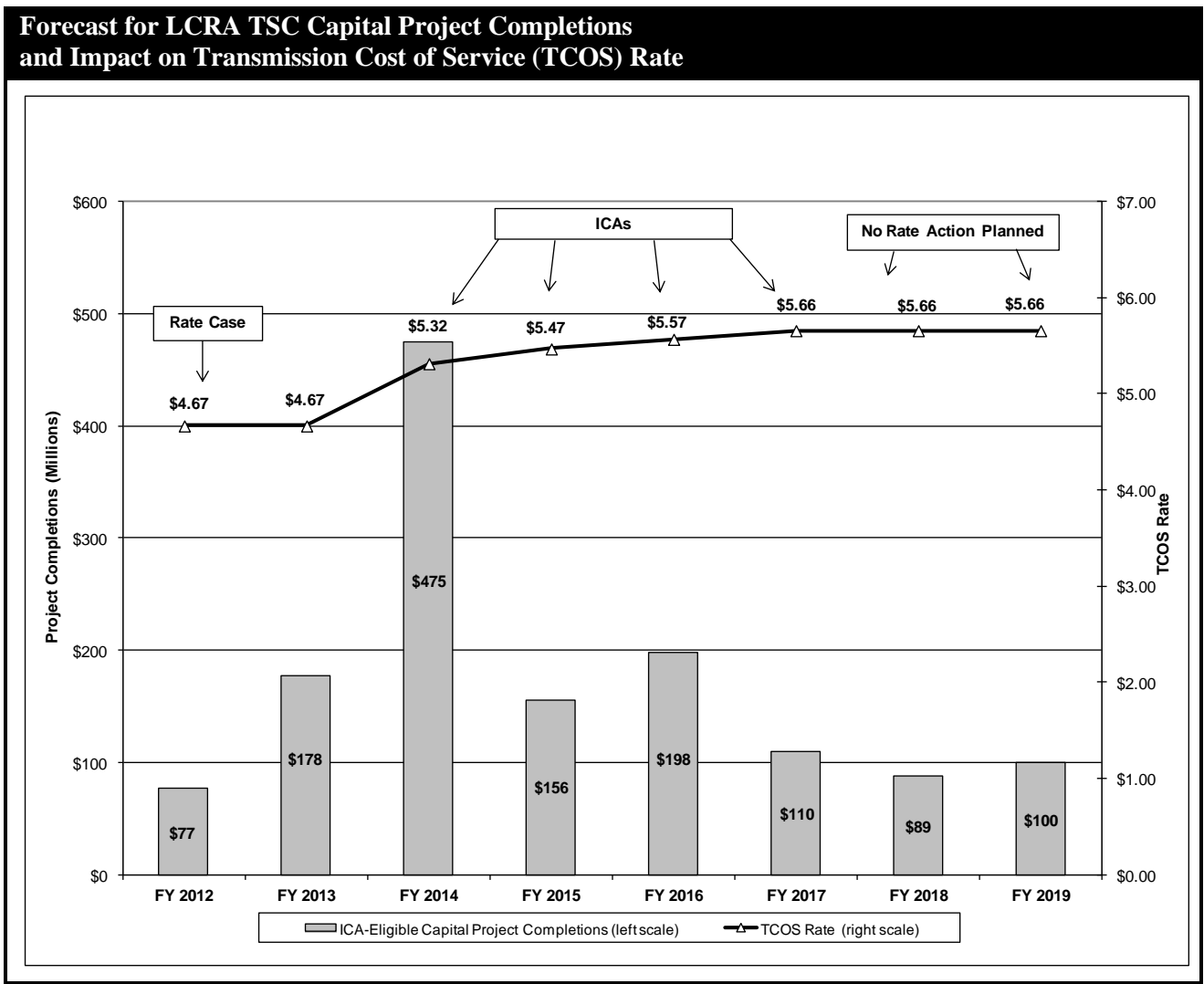
LCRA TSC is continuing to seek rate increases as needed to recover its costs of investing significant capital in new transmission facilities. LCRA TSC has two filing options available from the PUC to increase rates: interim capital additions or a transmission cost of service. An ICA is an expedited transmission 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. The process usually takes less than three months.

LCRA TSC’s Share of ERCOT Transmission Rate		
Transmission Service Provider (TSP)	Annual Transmission Rate	% of Total
Oncor Electric Delivery	\$11.49	28%
LCRA TSC	\$5.32	13%
CenterPoint Energy	\$3.95	10%
Electric Transmission Texas	\$3.55	9%
AEP Texas Central	\$2.09	5%
Wind Energy Transmission Texas	\$1.70	4%
San Antonio City Public Service Board	\$1.62	4%
Sharyland	\$1.58	4%
Brazos Electric Cooperative	\$1.57	4%
Lone Star	\$1.57	4%
Other TSPs	\$6.63	16%
Total ERCOT Transmission Rate	\$41.08	100%

A transmission cost of service rate case filing is the PUC process for establishing or changing rates charged by LCRA TSC. This consists of filing a detailed historical accounting, as previously discussed in the Transmission Rate section on the prior page. Transmission cost of service rate cases typically require eight months or more to complete.

After these interim capital addition 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 2015 to FY 2019 forecast of LCRA TSC rate actions and the resulting rate increases that are assumed in this Business Plan.

LCRA TSC plans three interim rate increases during the five-year plan period in order to recover ongoing investment in transmission system improvements.



Financial Summary

The FY 2015 Business Plan reflects LCRA TSC's goal to provide safe, reliable, environmentally responsible and cost-effective transmission services throughout the state of Texas.

LCRA TSC projects collecting \$370.4 million in FY 2015 for the provision of regulated transmission, transformation and metering services. This represents an increase of \$31.9 million, or 9.4 percent, from the FY 2014 budget. In addition to regulated revenues, LCRA

is budgeting \$4.5 million in revenues from unregulated services. Total expenses of \$86.3 million for FY 2015 decrease by \$3.7 million, or 4.1 percent, compared to the FY 2014 budget.

Transmission Services expects to spend \$740 million on capital projects over the coming five-year period, of which 34 percent will be funded with revenue.

Over the next five years, LCRA TSC plans to bring approximately \$652 million in new transmission system facilities into service.

Transmission Financial Summary, FY 2014 - FY 2019

(Dollars in Millions)

	Budgeted		Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
LCRA Transmission Services Corporation						
Revenues	\$ 338.5	370.4	383.9	397.1	404.9	410.9
Operations and Maintenance	84.1	82.8	84.8	87.3	90.7	92.9
Net Operating Margin	254.4	287.6	299.2	309.8	314.1	318.0
Transmission Customer Services						
Revenues	7.4	4.5	4.5	4.5	4.5	4.5
Operations and Maintenance	5.9	3.5	3.5	3.4	3.5	3.5
Net Operating Margin	1.6	1.0	1.0	1.1	1.0	1.0
Total Transmission Services						
Revenues	345.9	374.9	388.4	401.6	409.4	415.4
Operations and Maintenance	90.0	86.3	88.2	90.8	94.2	96.4
Net Operating Margin	256.0	288.6	300.2	310.9	315.2	319.0
Add: Interest Income	0.2	0.4	1.2	3.8	6.0	6.7
Less: Assigned Enterprise Expense	35.1	39.2	39.8	41.0	41.2	41.4
Public Service Fund	10.4	11.3	11.7	12.1	12.4	12.6
Resource Development Fund	0.0	7.4	7.7	7.9	8.1	8.2
Net Revenues Available for Debt Service	210.6	231.1	242.2	253.6	259.5	263.6
Debt Service	160.6	163.1	184.8	186.2	183.7	198.8
Debt Service Coverage	1.31x	1.42x	1.31x	1.36x	1.41x	1.33x
Net Revenue After Debt Service	50.1	68.0	57.4	67.4	75.7	64.9
Less:						
Operating Reserves	12.7	11.1	18.0	7.1	4.7	9.3
Assigned Enterprise Capital	5.0	4.7	5.0	5.4	3.6	3.0
Revenue Funded Capital	35.4	48.5	31.5	53.5	69.2	51.8
Transfer to LCRA Resource Development Fund ¹	0.0	7.1	7.1	6.5	4.1	7.3
Plus:						
Amortization of Enterprise/Minor Capital ²	3.0	3.5	4.2	5.0	5.9	6.5
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded ³	35.4	48.5	31.5	53.5	69.2	51.8
Debt Funded	115.9	119.9	144.6	118.8	38.1	62.7
Third Party / Proceeds Funded	0.0	1.3	0.0	0.0	0.0	0.0
Total Capital	\$ 151.3	169.7	176.1	172.4	107.3	114.5

¹ An equity transfer of \$7.1 million from LCRA TSC to LCRA was authorized by the LCRA and LCRA TSC Boards of Directors in April 2014. Under the Initial Contractual Commitment entered into by LCRA and LCRA TSC, the Board must make an annual determination to authorize each year's equity transfer. Such annual transfers are payable only if all other financial commitments have been met as required by LCRA TSC's financial policies.

² 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.

³ 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

LCRA water customers fall primarily into two categories: firm and interruptible. Firm customers (cities, power plants and industries) pay a higher rate to receive water every year, subject to pro rata curtailment only during severe drought. Interruptible customers (primarily rice farming, but also turf grass, row crops, hay/pasture, aquaculture and wildlife habitat) pay a lower rate for water that can be curtailed or cut off in times of drought. Interruptible rates also vary by irrigation operation.

Raw Water Rates

The LCRA firm water rate structure is comprised of a rate for water used, currently \$151 per acre-foot, and a reservation rate for all water contractually reserved but not used that is equal to one-half of the use rate, or currently \$75.50 per acre-foot.

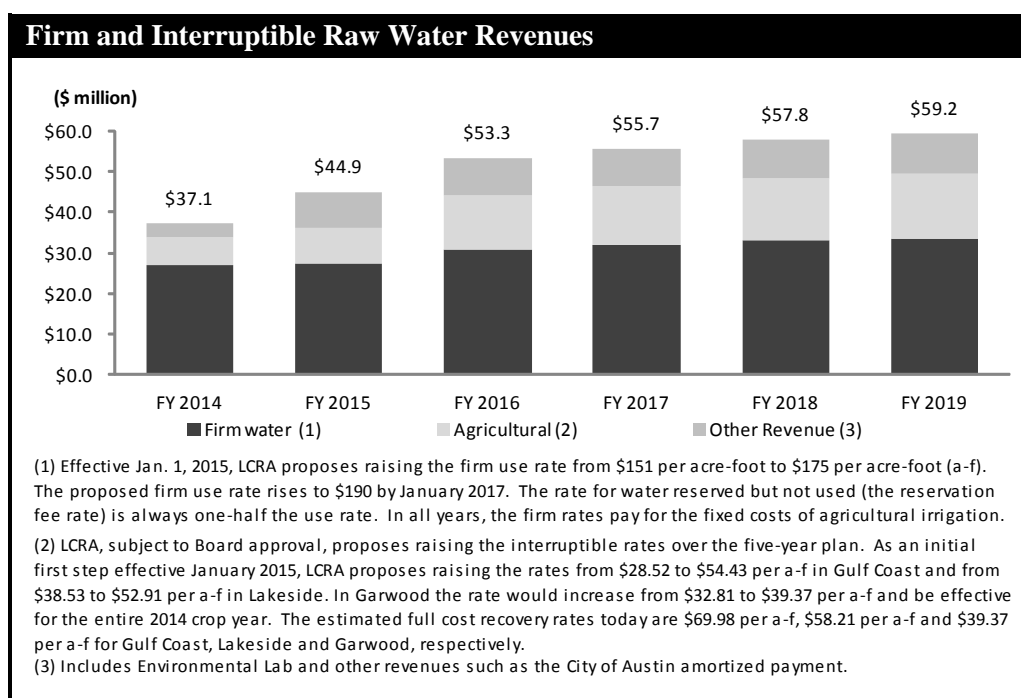
The FY 2015 Business Plan assumes the firm water use rate will rise to about \$175 per acre-foot effective Jan. 1, 2015, and continue to rise to \$190 in January 2017 and stay at that level through the remaining plan period. Reservation rates are assumed to remain at 50 percent of the use rate during this time period. The firm rate will pay for the river management costs as well as the fixed costs of the irrigation operations. River management costs include daily river operations, existing water supply maintenance and upgrades, conservation, flood control, Hydromet system operation and new water supply development. In years when interruptible water is delivered, monies collected from interruptible customers will accrue to the benefit of firm customers.

Interruptible rates pay for the physical delivery of water through LCRA's irrigation canal system. Interruptible rates for Gulf Coast and Lakeside customers also reflect an allocated share of river management costs. The FY 2015 Business Plan makes significant progress toward full cost recovery for interruptible rates in the five-year period, after an initial increase in all irrigation operations.

The water rates are not expected to be impacted by the cost of the new downstream reservoir, and LCRA will continue to manage these costs to minimize any impact for the foreseeable future.

Transportation Rates

The interruptible customers and a few industrial customers pay for the physical delivery of water through LCRA's irrigation canal system. In addition, Gulf Coast and Lakeside customers pay for an allocated portion of the cost of the water service itself. Subject to Board approval, interruptible customers will begin paying a volumetric-only rate instead of the current two-part rate structure. In the FY 2015 Business Plan, interruptible rates make significant progress toward full cost recovery. As an initial first step, rates are expected to increase by 91 percent, 37 percent and 20 percent in Gulf Coast, Lakeside and Garwood, respectively. The rate increase for Garwood would be to full cost recovery and effective for the entire 2014 crop year, while the rates for Gulf Coast and Lakeside would be effective January 2015.



Financial Summary

In FY 2015 total raw water revenues of \$44.9 million are greater than the FY 2014 budget by \$7.8 million, or 21 percent. The FY 2015 revenues reflect the curtailment of most interruptible water sales in calendar year 2014. This plan assumes the resumption of interruptible sales in full during calendar year 2015. There is potential that the drought conditions will continue and that interruptible stored water from lakes Buchanan and Travis will not be available for most of the interruptible customers in calendar year 2015. If this occurs, the firm water revenues are expected to be sufficient to cover the fixed costs of the Gulf Coast and Lakeside irrigation operations during curtailment. As noted above, interruptible revenues, if realized, will accrue to the benefit of firm water customers.

Total operations and maintenance expenses of \$19.9 million for FY 2015 are higher than the FY 2014 budget by \$4.9 million, or 32.7 percent.

Projected raw water capital expenditures are \$96.2 million in FY 2015 and \$245.9 million for the five-year plan period. This plan includes \$192.7 million in projected spending on new water supply projects.

Funds used to support raw water through the five-year Business Plan include support from the Resource Development Fund.

Raw Water Financial Summary, FY 2014 - FY 2019						
	Budgeted		Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
(Dollars in Millions)						
Water Revenues						
Firm water	\$ 26.8	27.5	30.6	32.0	33.2	33.4
Agricultural	6.8	8.6	13.6	14.4	15.3	16.2
Other	3.4	8.8	9.0	9.2	9.4	9.5
Total Water Revenues	37.1	44.9	53.3	55.7	57.8	59.2
Operations and Maintenance	15.0	19.9	20.4	20.9	21.1	23.4
Net Operating Margin	22.1	25.0	32.9	34.7	36.7	35.7
Add: Interest Income	0.0	0.0	0.1	0.4	0.7	0.8
Less: Assigned Enterprise Expense	6.5	5.6	5.8	6.8	7.7	7.8
Public Service Fund	1.1	1.3	1.6	1.7	1.7	1.8
Net Revenues Available for Debt Service	14.5	18.1	25.6	26.7	28.0	26.9
Debt Service	7.0	18.1	18.5	16.3	16.6	17.5
Debt Service Coverage	2.07x	1.00x	1.38x	1.63x	1.68x	1.54x
Debt Service Coverage, excl. Noncash Rev.	1.64x	0.83x	1.20x	1.42x	1.46x	1.32x
Net Revenue After Debt Service	7.5	0.1	7.1	10.3	11.3	9.4
Less:						
Operating Reserves	1.0	0.2	0.2	0.4	0.3	0.6
Assigned Enterprise Capital	1.6	0.7	0.8	0.8	0.6	0.6
Revenue Funded Capital	1.9	0.8	3.8	5.8	5.9	4.5
Restricted for Capital/Debt Retirement	0.0	7.8	11.7	12.6	13.5	14.6
Noncash Revenues	3.0	3.2	3.4	3.5	3.7	3.9
Plus:						
Resource Development Funding	0.0	12.7	12.7	12.7	12.7	14.8
Net Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures						
Revenue Funded	1.9	0.8	3.8	5.8	5.9	4.5
Debt Funded	33.6	92.7	85.4	41.6	0.0	2.1
Third Party / Proceeds Funded	0.0	2.6	0.4	0.4	0.0	0.0
Total Capital	\$ 35.5	96.2	89.5	47.7	5.9	6.6

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:

- An operations and maintenance agreement with Corix Utilities (Texas) Inc. for the systems being purchased by Corix until completion of the Sale Transfer Merger process;
- Continued ownership of the Tahitian Village wastewater system through FY 2015; and
- Use of Public Service Funds to maintain cash flow during FY 2015.

Water and wastewater revenues of \$2.2 million are about \$0.2 million, or 10 percent, higher than the FY 2014 budget.

Operations and maintenance expenses of \$1.9 million are the same as the FY 2014 budget.

Projected water and wastewater capital expenditures are \$1.2 million in FY 2015 and \$1.5 million for the five-year plan period. This includes spending for required improvements on the systems being purchased by Corix. LCRA will manage and fund these projects but will be reimbursed in accordance with the purchase agreement. This Business Plan forecasts the water and wastewater systems will be fully divested by the end of FY 2015.

Water and Wastewater Utilities Financial Summary, FY 2014 - FY 2019

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Revenue	\$ 2.0	2.2	0.0	0.0	0.0	0.0
Operations and Maintenance	1.9	1.9	0.0	0.0	0.0	0.0
Net Operating Margin	0.1	0.3	0.0	0.0	0.0	0.0
Add: Interest Income	0.0	0.0	0.0	0.0	0.0	0.0
Less: Assigned Enterprise Expense	0.2	0.2	0.0	0.0	0.0	0.0
Public Service Fund	0.1	0.1	0.0	0.0	0.0	0.0
Net Revenues Available for Debt Service	(0.2)	0.0	0.0	0.0	0.0	0.0
Debt Service	0.8	0.3	0.0	0.0	0.0	0.0
Debt Service Coverage	-0.21x	0.12x	N/A	N/A	N/A	N/A
Net Revenue After Debt Service	(1.0)	(0.3)	(0.0)	(0.0)	(0.0)	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0
Plus:						
Public Service Fund Assistance	1.0	0.3	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	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0
Third Party / Proceeds Funded	1.0	1.2	0.3	0.0	0.0	0.0
Total Capital	\$ 1.0	1.2	0.3	0.0	0.0	0.0

Enterprise Costs

Enterprise Costs

Enterprise 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 \$97.3 million in FY 2015, offset by \$5.1 million in revenues. The net expense of \$92.2 million is further offset by charges to Austin Energy (AE) of \$4.5 million for services LCRA provides related to the Fayette Power Project. The remaining \$87.7 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 \$9.2 million in FY 2015 and \$50.5 million for the five-year plan period.

Enterprise Costs, FY 2014 - FY 2019

(Dollars in Millions)	Budgeted	Proposed	Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Revenue	11.1	5.1	5.1	5.1	5.1	5.1
Gross Enterprise Costs	105.6	97.3	98.8	102.1	103.8	105.5
Net Enterprise Costs	94.5	92.2	93.7	97.0	98.7	100.4
Cost Assignment						
Wholesale Power - Nonfuel	31.7	31.2	32.1	32.9	33.2	34.4
Wholesale Power - Fuel	1.7	1.8	1.9	1.9	1.9	2.0
Transmission	35.1	39.2	39.8	41.0	41.2	41.4
Water	6.7	5.7	5.8	6.8	7.7	7.8
Public Service Fund Activities	7.0	3.6	3.7	3.8	3.9	3.9
Capital / AE / Other	12.3	10.7	10.5	10.7	10.8	10.8
Total	94.5	92.2	93.7	97.0	98.7	100.4
Capital Expenditures						
Revenue Funded	12.8	9.2	11.8	13.9	9.0	6.6
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	12.8	9.2	11.8	13.9	9.0	6.6

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 these programs. An element of the cost of service for LCRA's Wholesale Power, Transmission and Water operations includes contributions to this fund.

Beginning in FY 2015, Wholesale Power contributes 3 percent of budgeted revenues, excluding separately billed net fuel revenues. 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 total budgeted revenues. Water and wastewater, and raw water rates contribute 3 percent of total budgeted revenues. Transmission contributes 5 percent of total budgeted revenues to the Public Service and Resource Development funds. Intracompany revenues associated with pass-through transactions from service providers are excluded from these calculations.

Public Service Funds, FY 2014 - FY 2019

(Dollars in Millions)

	Budgeted	Proposed	Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Sources:						
Wholesale Power	\$ 23.8	9.2	9.5	7.5	8.3	8.0
Less: Due from defaulting customers ¹	(5.9)	(1.5)	(1.5)	-	-	-
GenTex	1.6	2.0	1.9	1.8	1.8	1.6
Transmission	10.4	11.3	11.7	12.1	12.4	12.6
Water	1.2	1.4	1.6	1.7	1.7	1.8
Subtotal	31.0	22.5	23.2	23.1	24.2	23.9
Uses:						
Public Service Fund Activities ²	29.2	16.7	17.0	17.6	17.4	17.6
Water & Wastewater Utility Support	1.0	0.3	0.0	0.0	0.0	0.0
Infrastructure Reserve	0.9	5.4	6.2	5.5	6.7	6.4
Subtotal	31.0	22.5	23.2	23.1	24.2	23.9
Net Available Public Service Funds:	\$ 0.0	0.0	0.0	0.0	0.0	0.0

¹ FY 2013 amount of \$4.2 million not collected from defaulting customers will be reflected in the ending PSF receivable cumulative balance. Total PSF receivable balance at the end of FY 2014 will be \$10.1 million.

² Beginning in FY 2015 Public Safety and Environmental Lab are no longer funded by PSF dollars.

Public Service Fund Activities

Public Service Fund monies are used to support parks, natural science centers and natural resource protection. 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 \$3.3 million for FY 2015 and stay relatively flat through FY 2019.

Total operating expenses of \$16 million, which includes \$3.6 million of enterprise costs, are projected for FY 2015, increasing by \$1 million to \$17 million by FY 2019. Beginning in FY 2015 the revenues and expenses for the Environmental Lab have moved to Water and those for Public Safety are now included in Enterprise costs.

Projected capital expenditures are \$2.2 million in FY 2015 and \$11 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 2014 - FY 2019						
(Dollars in Millions)	Budgeted Proposed		Forecast			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue						
Public Services	\$ 2.2	2.0	2.0	2.0	2.0	2.0
Water Quality	0.5	1.3	1.3	1.3	1.3	1.3
Public Safety	0.7	0.0	0.0	0.0	0.0	0.0
Environmental Lab	5.2	0.0	0.0	0.0	0.0	0.0
Total Revenue	8.6	3.3	3.3	3.3	3.3	3.3
Operations and Maintenance						
Public Services	13.8	12.2	12.3	12.6	12.8	12.9
Water Quality	4.0	3.8	3.9	4.0	4.0	4.1
Public Safety	7.7	0.0	0.0	0.0	0.0	0.0
Environmental Lab	5.8	0.0	0.0	0.0	0.0	0.0
Total Operating Expense	31.3	16.0	16.2	16.6	16.8	17.0
Operating Funding Requirement	22.7	12.7	12.9	13.3	13.5	13.7
Capital Spending	2.5	2.2	2.2	2.2	2.2	2.2
Assigned Enterprise Capital	2.5	0.8	0.8	0.9	0.7	0.7
Reserves	0.6	0.0	0.0	0.1	0.0	0.0
CDPP	1.0	1.0	1.0	1.0	1.0	1.0
Total Funding Requirement	29.2	16.7	17.0	17.6	17.4	17.6
Capital Expenditures						
Revenue Funded	2.5	2.2	2.2	2.2	2.2	2.2
Debt Funded	0.0	0.0	0.0	0.0	0.0	0.0
Prior-Year Available Funds	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital	\$ 2.5	2.2	2.2	2.2	2.2	2.2

Departmental Overview

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

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)			
Costs	Budgeted	Proposed	
	FY 2014	FY 2015	FY 2016
Transmission	\$ 148.4	134.7	135.8
Wholesale Power	105.5	100.7	102.7
Chief Administrative Officer	74.4	70.8	72.1
Water	32.1	32.2	31.7
Legal and Regulatory	12.2	12.7	12.3
Chief Financial Officer	12.8	11.4	11.6
Public Affairs	7.8	6.7	6.7
General Manager	1.6	1.7	1.7
Audit	1.3	1.2	1.2
Total Costs	\$ 396.0	372.2	375.7

Key Points

- Total FY 2015 spending including capitalized labor is \$372.2 million.
- Total spending for FY 2016 is \$375.7 million, an increase of \$3.5 million (1 percent).
- Included in the total FY 2015 cost of \$372.2 million is \$89.7 million in forecasted expenditures that are not

classified as LCRA consolidated nonfuel operations and maintenance expense. Those costs include capitalized labor, costs assigned to fuel and costs paid by LCRA’s partners.

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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 U.S. Securities and Exchange Commission. The information in this report and within each of the documents applies only as of the report's 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 Wholesale Power 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 73 new recommended projects with lifetime budgets totaling \$209 million, which, if approved, will be added to the \$1.2 billion in lifetime budgets previously approved by the Board.

Board approval of this plan also authorizes the proposed \$244 million budget for fiscal year (FY) 2015 capital spending, which includes \$73 million for recommended projects and \$171 million for projects that the Board has previously approved. The \$171 million for previously approved projects includes the completion of the Ferguson Replacement Project, new water source projects and transmission projects, which account for \$11 million (6 percent), \$13 million (8 percent) and \$121 million (71 percent), respectively.

Capital spending in FY 2015 is approximately \$13 million (4 percent) higher than the FY 2015 projection from last year's Capital Plan. This includes the future project spending for the Lower Basin Reservoir Phase 2, which is included for planning purposes but will need additional Board authorization after this plan is approved.

Over the next five-year period (FY 2015 to FY 2019), the LCRA Capital Plan forecasts nearly \$1.2 billion in recommended, approved and future capital project spending to respond to growth, reliability, environmental and regulatory compliance, and public service needs in LCRA's service area. Recommended and previously approved projects total \$399 million (34 percent) of that total. Future projects, which are included for planning purposes, account for the remaining \$766 million (66 percent) of that total. The future projects amount is primarily attributed to transmission and new water projects of \$441 million (58 percent) and \$180 million (23 percent), respectively.

FY 2015 - FY 2019 Capital Spending for Recommended, Approved and Future Projects LCRA Total (Including Austin Energy's Share and the City of San Marcos' Share) (Dollars in Thousands)

Status	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year	
							Total	Lifetime
Recommended Projects		73,131	45,196	26,972	25,444	16,802	187,545	208,545
Approved Projects		171,004	26,544	5,479	7,369	1,202	211,598	1,228,407
Subtotal Recommended and Approved		244,135	71,740	32,451	32,813	18,004	399,143	1,436,952
Future Projects		65,800	227,165	237,200	116,935	118,714	765,814	901,129
Total FY 2015 Capital Plan		309,935	298,905	269,651	149,748	136,718	1,164,957	2,338,081
Less: Partners Share		2,803	3,516	3,445	1,832	1,966	13,562	37,692
LCRA Share		307,132	295,389	266,206	147,916	134,752	1,151,395	2,300,389
Comparison to Previous Plan								
Total FY 2014 Capital Plan (with partners)	371,994	297,266	161,600	155,865	128,281		1,115,006	2,393,818
Difference*	n/a	12,669	137,305	113,786	21,467	n/a	49,951	(55,737)

*Difference is based on a rolling five-year comparison, i.e. FY 2015 - 2019 spending from the current plan, compared to FY 2014 - 2018 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 over the next five years.

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.

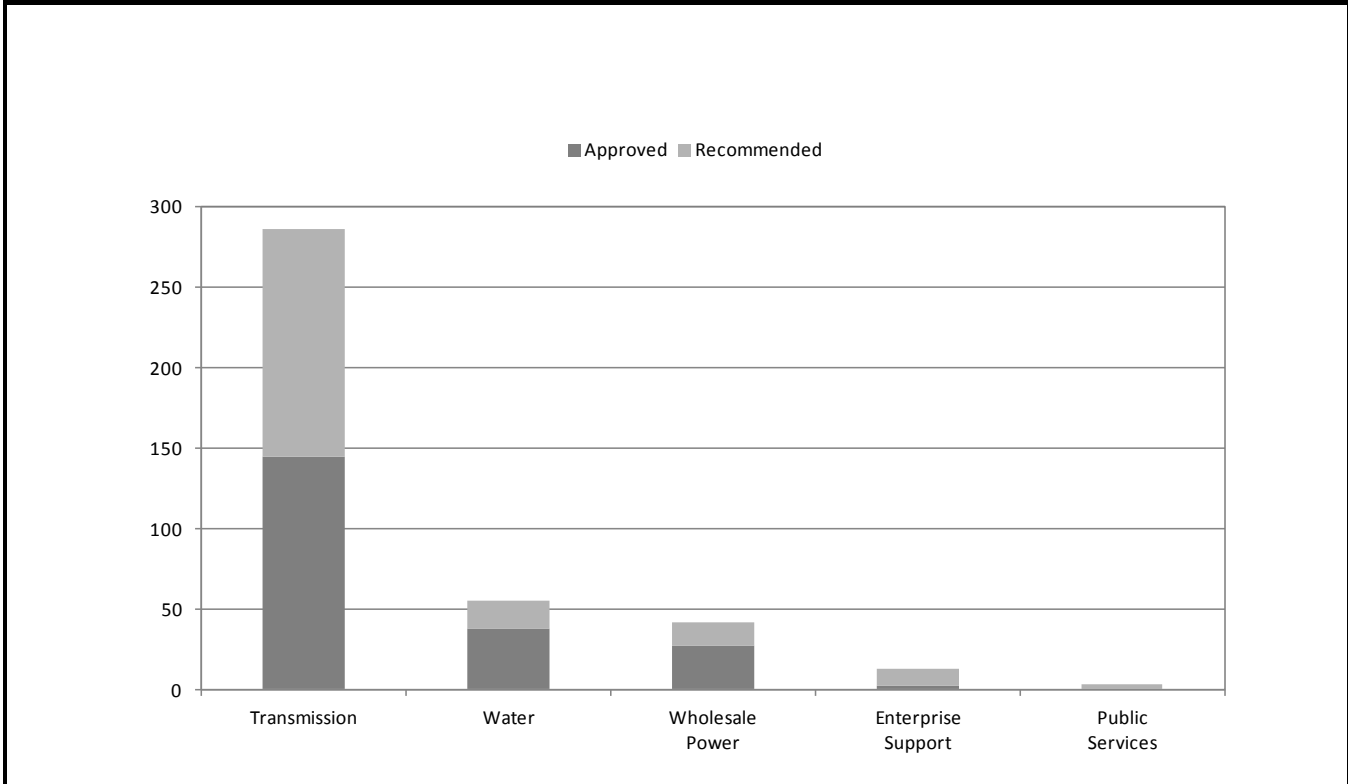
Staff does not submit future projects for Board approval at this time and includes them in this document only for strategic planning purposes. Appendix A shows future projects, which are not included in this document’s tables and graphs, except where specifically noted.

Capital Spending Across LCRA

The chart below shows LCRA’s electric operations will account for most of the \$399 million in capital spending for recommended and approved projects (including

Austin Energy’s share and the City of San Marcos’ share) over the next five years. Transmission and Wholesale Power projects will account for \$286 million (72 percent) and \$42 million (11 percent) of the LCRA total, respectively. Water projects will total \$55 million (14 percent). Enterprise support projects will total \$13 million (3 percent) and public services projects, 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.

**LCRA Five-Year Capital Spending by Business Area
(Dollars in Millions)**

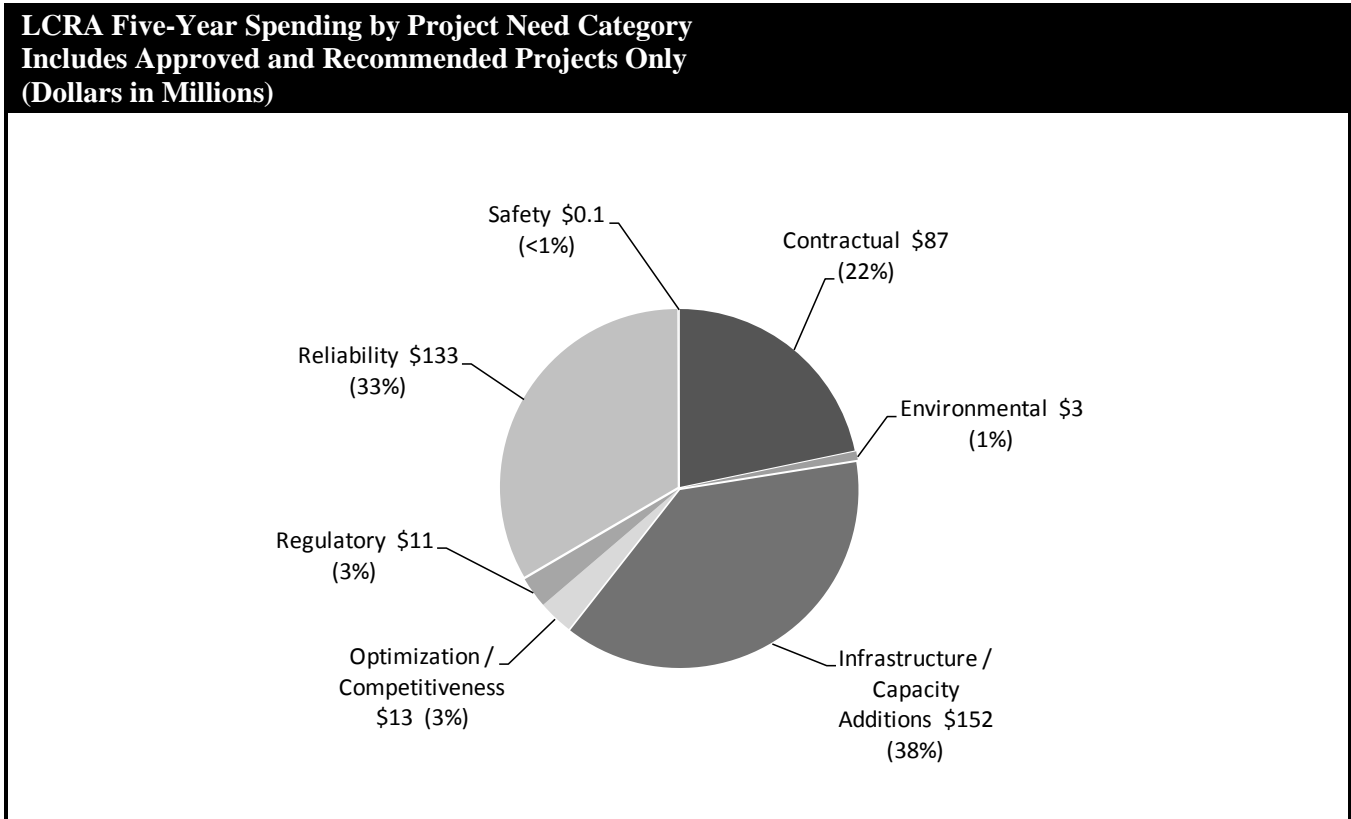


Capital Project Needs

LCRA has distinct processes to plan for different types of capital improvements required to provide a range of services. Project needs for the capital projects in this plan include the following categories:

- **Safety** – A safety improvement to protect the public or LCRA employees.
- **Contractual** – Terms of a contract with an external customer.
- **Environmental** – An environmental improvement.
- **Infrastructure and Capacity Additions** – A needed response to growth in demand for utility services, public services or internal services.
- **Optimization and Competitiveness** – Project reduces operational cost of the system.
- **Regulatory** – 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 end of life of aging assets or systems.

The following chart shows capital spending for LCRA over the five-year planning horizon for recommended and approved projects by project need.



Capital Planning Approach

LCRA includes projects in the FY 2015 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 management and staff members who separate the projects into three categories: **recommended** (projects that management has reviewed and recommended for Board approval); **approved** (projects the Board previously approved); and **future** (projects that staff may recommend implementing within 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 future projects, which are listed in Appendix A, back to the Board for approval.

Determining Need and Financial Analysis

FY 2015 Capital Plan projects must support the goals of the FY 2015 Business Plan within financial parameters established by LCRA's Board and 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.

Staff has rigorously reviewed and analyzed the recommended projects. The project criteria may vary but all 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 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

LCRA staff develops project cost estimates using one of three estimating levels: preliminary, budgetary or final.

An estimate's accuracy 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 is available.

The capital planning cycle involves these steps:

- Developing and refining a list of business needs based on planning criteria and asset owner input.
- Defining the scope and approach necessary to address those needs.
- Performing business analyses and cost estimates 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 in the project description.

The table on page 6 describes key aspects of the estimating levels and represents the estimated life cycle of a project. This information helps 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 the progressive levels of accuracy, the purpose of each estimate type, and some 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 staff expects the projects 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 include safety, cost, reliability, competitiveness, environmental considerations, and other factors. The appropriate executive manager reviews staff recommendations.

Projects 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 receive the highest priority. The highest priority projects could have substantial financial, health or safety impacts to customers or stakeholders. LCRA also assigns higher priority to projects with regulatory issues that 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.

Medium priority projects include those in progress that have a moderate financial impact associated with stopping them, 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 lower priority project 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 all at once for the entire project.

Project management provides to LCRA's executive officers quarterly capital project status reports on approved projects. 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 create 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.

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 alternative analyses.</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 multiplied by 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>Project 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 a project's spending estimate to address items that are unknown when the estimate is prepared. This dollar amount is often based on a percentage of total construction or project costs, and the percentage is often based on 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 wholesale power facilities, new electric transmission lines, dam and hydroelectric upgrades, water delivery and utilities, telecommunications facilities, software system installations, park development projects and facility improvements. 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. Appendix B describes the standards in detail.

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. LCRA submits the Capital Plan, including the contingency amount in each recommended project lifetime budget, for Board review and approval. Project tables in the following pages show the contingency amount included in each recommended project.

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. These recommended projects include annual budgets for general additions and minor capital. General additions are small capital additions or replacement projects not to exceed \$300,000. Minor capital budgets purchase equipment that is essentially ready to be placed in service upon delivery, such as fleet assets or Information Technology hardware.

Board approval of this plan also authorizes the proposed \$244 million budget for FY 2015 capital spending for recommended and approved projects.

LCRA incorporates spending projections in the FY 2015 Capital Plan into the financial performance and rate impacts shown in the FY 2015 Business Plan. Upon approval and throughout FY 2015, LCRA will provide to the Board regular reports on project progress and compliance with the project budgets and fiscal year spending constraints established in the plan.

The following pages include specific project details and proposed lifetime budgets for recommended projects, as well as annual spending projections for approved projects. Appendix A contains financial information for future projects. At this time, LCRA is not seeking Board approval for future projects. LCRA will bring any future project determined to require initiation in FY 2015 to the Board individually for approval.

LCRA FY 2015 Capital Plan Tables

Wholesale Power Projects

Information about Wholesale Power 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. LCRA's Capital Plan also includes transmission minor capital purchases. 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 \$170 million in FY 2015 and \$286 million over the next five years through FY 2019. This total does not include future projects listed in Appendix A.

FY 2015 LCRA TSC Recommended Projects

- **Altair-to-Eagle Lake Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Altair-Eagle Lake 8.4-mile, 69-kilovolt (kV) transmission line in Colorado County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Autotransformer Monitoring Additions Substation Upgrade** – Install transformer monitoring equipment and upgrade communications at the Zorn and Marion substations in Guadalupe County and the Fayetteville Substation in Fayette County. This project is required to increase the reliability of the transmission network. Recommended completion date is June 30, 2015.
- **Bastrop West-to-Bluebonnet Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Bastrop West-Bluebonnet 6.1-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 date is June 30, 2015.
- **Bergheim Capacitor Bank Addition** – Install a capacitor bank and related equipment at the Bergheim Substation in Kendall County. This project is required to increase reliability of the transmission network. Recommended completion date is Nov. 30, 2015.
- **Canyon-to-Goforth Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Canyon-Goforth 7-mile, 138-kV transmission line in Hays County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Canyon-to-San Marcos Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Canyon-San Marcos 2.8-mile, 138-kV transmission line in Hays County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Chief Brady-Rivery Transmission Line Storm Hardening** – Upgrade one transmission line structure on the Chief Brady-Rivery 4.2-mile, 138-kV transmission line in Williamson County. This project is required to meet National Electric Safety Code storm hardening requirements. Recommended completion date is June 30, 2015.
- **Circuit Breaker Operator Upgrades-Phase 2 Substation Upgrade** – Increase the reliability of the Garfield Substation equipment in Bastrop County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Circuit Breaker Replacements-Phase 3 Substation Upgrade** – Increase the reliability of substation equipment at the Fayette Power Project yards 1 and 2 substations in Fayette County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Circuit Switcher Replacement Program-Phase 8 Substation Upgrade** – Increase the reliability of substation equipment at the Cuero Substation in DeWitt County, La Grange Substation in Fayette County and Seguin West Substation in Guadalupe County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.

- **Fayetteville-to-Glidden Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Fayetteville-to-Glidden 20-mile, 138-kV transmission line in Colorado and Fayette counties. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Ferguson-to-Sandy Creek-to-Pittsburg Transmission Line Upgrade** – Increase the capacity of the transmission line and associated terminal equipment between the Ferguson to Sandy Creek to Pittsburg substations. This project will take place in Llano County. This project is required to meet the reliability performance requirements of the transmission network. Recommended completion date is June 30, 2015.
- **General Additions** – Fund unplanned system improvements to accommodate unanticipated load increases, failed equipment, substation reliability enhancement and changing system conditions as needed through June 30, 2015.
- **Goforth-to-Turnersville Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Goforth-to-Turnersville 6.7-mile, 138-kV transmission line in Hays County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Hilltop-Strahan Transmission Line Storm Hardening** – Upgrade three transmission line structures on the Hilltop-Strahan 0.8-mile, 138-kV transmission line in Hays County. This project is required to meet National Electric Safety Code storm hardening requirements. Recommended completion date is June 30, 2015.
- **Leander-Parmer-Round Rock Transmission Line Addition** – Construct a new 138-kV transmission line to provide a source to a new Pedernales Electric Cooperative load-serving substation in Williamson County. This project is driven by load growth in the project area. A Certificate of Convenience and Necessity (CCN) will be required for this project. Recommended completion date is Dec. 31, 2018.
- **Lockhart-to-Luling Transmission Line Upgrade** – Increase the capacity of the transmission line and associated terminal equipment between the Lockhart and Luling substations in Caldwell County. This project is required to meet the reliability performance requirements of the transmission network. Recommended completion date is June 30, 2017.
- **Lockhart-to-Mendoza Transmission Line Overhaul** – Replace deteriorated wood poles, structures, crossarms, braces and dampers on the Lockhart-to-Mendoza 9.3-mile, 138-kV transmission line in Caldwell County. This project is required to maintain the safe and reliable operation of the transmission network. Recommended completion date is June 30, 2015.
- **Mesa View Circuit Breaker Addition** – Install circuit breakers and related equipment at the Mesa View Substation in Pecos County. This project is required to meet increased area load and maintain the reliability of the transmission network. Recommended completion date is June 30, 2016.
- **Metering CCVT Upgrades Substation Upgrade** – Replace the CCVTs with PTs to increase reliability at the following locations: Bitter Creek Substation in Nolan County; Clear Springs Substation in Guadalupe County; Divide Substation in Coke County; Garfield Substation in Bastrop County; Gasconades Creek Substation in Sterling County; and, Kendall Substation in Kendall County. This project is required to meet regulatory requirements for metering points of interconnections with generators. Recommended completion date is June 30, 2015.
- **Mobile Transformer Power Transformer Addition** – Procure a new mobile transformer unit. This project is required to replace a unit that failed in 2013. It will be used in construction projects, maintenance activity and substation emergencies. Recommended completion date is June 30, 2016.
- **Paige Circuit Breaker Addition** – Install circuit breakers and related equipment at the Paige Substation in Bastrop County. This project is required to meet increased area load and maintain the reliability of the transmission network. Recommended completion date is Dec. 31, 2015.

- **Pilot Grove Circuit Breaker Addition** – Install circuit breakers and related equipment at the Pilot Grove Substation in Lavaca County. This project is required to meet increased area load and maintain the reliability of the transmission network. Recommended completion date is June 30, 2015.
- **Pleasant Farms Circuit Breaker Addition** – Install circuit breakers and related equipment at the Pleasant Farms Substation in Midland County. This project is required to meet increased area load and maintain the reliability of the transmission network. Recommended completion date is June 30, 2016.
- **Protective System Upgrades-Substation Upgrade** – Increase reliability at 14 substations by upgrading obsolete electrical and relaying equipment. This project is required to meet the reliability performance requirements of the transmission network. Recommended completion date is June 30, 2019.
- **Twin Buttes Autotransformer Addition** – Add a new autotransformer at the Twin Buttes Substation in Tom Green County to meet projected load growth in the area. Recommended completion date is Dec. 30, 2016.
- **Zorn-to-Seguin Transmission Line Upgrade** – Increase the capacity of the transmission line and associated terminal equipment between the Zorn and Seguin substations. This project will take place in Guadalupe County. This project is required to meet the reliability performance requirements of the transmission network. Recommended completion date is June 30, 2016.

FY 2015 Unregulated Transmission Recommended Project

- **Minor Capital – Transmission** – Purchase fleet vehicles, heavy equipment and tools to provide regulated transmission services to LCRA Transmission and unregulated customers.

LCRA Transmission Services Corporation
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Recommended								
Altair - Eagle Lake Transmission Line Overhaul	10%	6,922	-	-	-	-	6,922	6,922
Autotransformer Monitoring Additions Substation Upgrade	0%	300	-	-	-	-	300	300
Bastrop West - Bluebonnet Transmission Line Overhaul	10%	2,514	-	-	-	-	2,514	2,514
Bergheim Capacitor Bank Addition	2%	251	500	-	-	-	751	751
Canyon - Goforth Transmission Line Overhaul	10%	2,979	-	-	-	-	2,979	2,979
Canyon - San Marcos Transmission Line Overhaul	10%	1,349	-	-	-	-	1,349	1,349
Chief Brady - Rivery Transmission Line Storm Hardening	10%	259	-	-	-	-	259	259
Circuit Breaker Operator Upgrades - Phase 2 Substation Upgrade	0%	273	-	-	-	-	273	273
Circuit Breaker Replacements – Phase 3 Substation Upgrade	2%	1,665	-	-	-	-	1,665	1,665
Circuit Switcher Replacement Program – Phase 8 Substation Upgrade	2%	1,326	-	-	-	-	1,326	1,326
Fayetteville - Glidden Transmission Line Overhaul	10%	3,459	-	-	-	-	3,459	3,459
Ferguson - Sandy Creek - Pittsburg Transmission Line Upgrade	10%	3,854	-	-	-	-	3,854	3,854
General Additions - Transmission Services Corporation - FY 2015	0%	4,000	-	-	-	-	4,000	4,000
Goforth - Turnersville Transmission Line Overhaul	10%	2,970	-	-	-	-	2,970	2,970
Hilltop - Strahan Transmission Line Storm Hardening	10%	369	-	-	-	-	369	369
Leander - Parmer - Round Rock Transmission Line Addition	10%	2,000	3,200	7,700	18,967	12,000	43,867	43,867
Lockhart - Luling Transmission Line Upgrade	10%	820	3,588	8,256	-	-	12,664	12,664

LCRA Transmission Services Corporation
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Recommended								
Lockhart - Mendoza Transmission Line Overhaul	10%	2,041	-	-	-	-	2,041	2,041
Mesa View Circuit Breaker Addition	2%	550	4,025	-	-	-	4,575	4,575
Metering CCVT Upgrades Substation Upgrade	0%	1,287	-	-	-	-	1,287	1,287
Mobile Transformer Power Transformer Addition	5%	200	1,953	-	-	-	2,153	2,153
Paige Circuit Breaker Addition	2%	482	2,253	-	-	-	2,735	2,735
Pilot Grove Circuit Breaker Addition	2%	1,974	-	-	-	-	1,974	1,974
Pleasant Farms Circuit Breaker Addition	2%	550	1,921	-	-	-	2,471	2,471
Protection System Upgrades – Substation Upgrade	0%	400	1,500	1,500	1,500	1,225	6,125	6,125
Twin Buttes Autotransformer Addition	2%	1,050	7,933	4,000	-	-	12,983	12,983
Zorn - Seguin Transmission Line Upgrade	10%	2,400	11,280	-	-	-	13,680	13,680
Recommended Subtotal		46,244	38,153	21,456	20,467	13,225	139,545	139,545
Approved								
Avery Ranch - Jollyville Transmission Line Upgrade		1,533	-	-	-	-	1,533	1,960
Benedum Substation Addition		1,572	-	-	-	-	1,572	5,527
Bevo Substation Addition		2,008	-	-	-	-	2,008	2,627
Big Hill - Kendall Transmission Line Addition		100	-	-	-	-	100	345,150
Blumenthal Substation Addition		692	7,136	3,088	3,193	-	14,109	15,054
Buchanan - Burnet Transmission Line Overhaul		276	-	-	-	-	276	445
Canyon Power Transformation Addition		5	5	5	47	-	62	72

LCRA Transmission Services Corporation
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Approved								
Control House Replacements - Substation Upgrade		230	-	-	-	-	230	530
Cuero Hydro - Hochheim Transmission Line Overhaul		5,694	-	-	-	-	5,694	6,582
Dimmit Substation Addition		519	-	-	-	-	519	1,459
EC Mornhinweg Substation Addition		6,971	-	-	-	-	6,971	9,692
Eckert - Sandstone Mountain Transmission Line Overhaul		2,946	-	-	-	-	2,946	3,000
Frame Relay Access Device Substation Upgrade		815	-	-	-	-	815	1,249
Georgetown - Rivery Transmission Line Upgrade		1,326	-	-	-	-	1,326	1,642
Highway 46 West Circuit Breaker Addition		1,437	-	-	-	-	1,437	1,534
Highway 46 West Power Transformer Addition		46	-	-	-	-	46	87
Kenedy Switch - Guadelupe Transmission Line Upgrade		20,152	-	-	-	-	20,152	24,163
Kenedy Switch - Nixon - Seguin Transmission Line Upgrade		20,509	5,159	13	-	-	25,681	37,507
Kerrville Stadium - Raymond F Barker Transmission Line Upgrade		7,143	-	-	-	-	7,143	11,235
Kerrville Travis Circuit Breaker Addition		976	-	-	-	-	976	1,985
Kokernot Substation Addition		240	-	-	-	-	240	287
Marion Substation Upgrade		4,662	-	-	-	-	4,662	5,012
Marshall Ford - Lago Vista Transmission Line Upgrade		7,444	-	-	-	-	7,444	8,046
McElmurray Substation Upgrade		3,012	627	-	-	-	3,639	4,004
McNeil - Marshall Ford Transmission Line Upgrade		17,760	-	-	-	-	17,760	20,087

LCRA Transmission Services Corporation
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Approved								
Mico Substation Addition		5	5	5	817	-	832	838
Nopal Substation Addition		2,333	-	-	-	-	2,333	2,426
Sattler Power Transformation Addition		5	64	-	-	-	69	77
Seawillow Substation Addition		4,196	382	-	-	-	4,578	5,001
Sherwood Shores Circuit Breaker Addition		5	5	637	2,244	-	2,891	3,897
SOCC Energy Management System Upgrade III		1,063	-	-	-	-	1,063	7,727
Southern 69-kV Loop Substation Upgrade		885	-	-	-	-	885	2,804
Switch Replacements Substation Upgrade		472	-	-	-	-	472	3,426
Taylor County Load Interconnection		1,598	-	-	-	-	1,598	1,773
Warda - Giddings Transmission Line Upgrade		2,150	-	-	-	-	2,150	2,501
Approved Subtotal		120,780	13,383	3,748	6,301	-	144,212	539,406
Total LCRA TSC Recommended and Approved		167,024	51,536	25,204	26,768	13,225	283,757	678,951

Unregulated Transmission and Total Transmission
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Recommended								
Minor Capital - Transmission	0%	2,715	-	-	-	-	2,715	2,715
Total Transmission Recommended and Approved		169,739	51,536	25,204	26,768	13,225	286,472	681,666

Water Projects

Water projects in the FY 2015 Capital Plan include capital improvements for managing and delivering raw water and for water utilities. 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 plan also 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.

The Board approved two projects related to this goal in January 2013, which are included as approved projects in the table on the following page. They include a groundwater supply project in Bastrop County and the initial planning phase for an off-channel reservoir system in the lower basin near Lane City. Appendix A shows the final phase of the project, including reservoir construction, as a future project. LCRA will seek all funding opportunities for construction of the lower basin reservoir, including grants, loans and other outside funding.

Water recommended and approved projects total \$32 million in FY 2015 and \$56 million over the next five years through FY 2019. This total does not include future projects listed in Appendix A.

FY 2015 Recommended Projects

- **Buchanan Dam Spalling Concrete Rehabilitation Phase 3** – The dam's 52 arches have experienced delamination of the concrete, also known as spalling. Project Phases 1 and 2 developed a repair procedure and applied it to four arches. Phase 3 will include the rehabilitation of the remaining 48 arches.
- **Gulf Coast Markham and Buckeye Gates** – Install 21 automated gates at the Markham and Buckeye canals to deliver water more efficiently. The gates' remote operation will reduce costs.
- **Alleyton Wastewater Treatment Plant (WWTP)** – The existing Alleyton WWTP has reached the end of its useful life and cannot meet the Texas Commission on Environmental Quality (TCEQ) new permit limits. This project will add a new 25,000-gallons-per-day plant that complies with TCEQ's amended permit limits.
- **Bonanza Beach Water Supply System** – Install a filtration system to remove naturally occurring radionuclides from the water. This will bring the system into compliance with U.S. Environmental Protection Agency regulations.
- **General Additions** – Various projects to maintain infrastructure and improve reliability and efficiency.
 - Irrigation System
 - Raw Water
 - Hydromet
 - Water and Wastewater
- **Minor Capital** – Purchases for equipment that is essentially ready to be placed in service upon delivery.
 - Environmental Lab
 - Hydromet

**Raw Water
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)**

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Raw Water								
Recommended								
Buchanan Dam Spalling Concrete Rehabilitation Phase 3	7%	3,000	3,000	3,000	3,000	3,000	15,000	36,000
General Additions - Hydromet FY15	0%	85	-	-	-	-	85	85
General Additions - Irrigation System FY15	0%	380	-	-	-	-	380	380
General Additions - Raw Water - FY15	0%	330	-	-	-	-	330	330
Gulf Coast Markham and Buckeye Gates	5%	400	-	-	-	-	400	400
Minor Capital - Environmental Lab - FY15	0%	345	-	-	-	-	345	345
Minor Capital - Hydromet - FY15	0%	83	-	-	-	-	83	83
Subtotal		4,623	3,000	3,000	3,000	3,000	16,623	37,623
Approved								
Buchanan Floodgate Rehab Phase 2		11,711	7,950	279	2	-	19,942	50,072
Lower Basin Reservoir Phase 1		10,600	-	-	-	-	10,600	35,000
Mansfield Dam Paradox Gate Rehabilitation Phase 2		1,199	856	1,072	681	959	4,767	10,416
New Water Supply - Groundwater		2,206	-	-	-	-	2,206	15,000
Water Rights Amendment Phase 2		8	-	-	-	-	8	200
Subtotal		25,724	8,806	1,351	683	959	37,523	110,688
Total Raw Water Recommended and Approved		30,347	11,806	4,351	3,683	3,959	54,146	148,311

**Water Utility and Total Water
 FY 2015 Capital Plan Approved and Recommended Projects
 (Dollars in Thousands)**

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Water Utility								
Recommended								
Alleyton Wastewater Treatment Plant	10%	450	265	-	-	-	715	715
Bonanza Beach Water Supply System	11%	350	-	-	-	-	350	350
General Additions Water and Wastewater - FY15	0%	115	-	-	-	-	115	115
Subtotal		915	265	-	-	-	1,180	1,180
Approved								
Water Wastewater Utility Divestiture		320	-	-	-	-	320	4,450
Subtotal		320	-	-	-	-	320	4,450
Total Water Utility Recommended and Approved		1,235	265	-	-	-	1,500	5,630
Total Water Recommended and Approved		31,582	12,071	4,351	3,683	3,959	55,646	153,941

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.

LCRA's public services funding aims to keep pace with the growing Central Texas population and expected increases in park visitation; protect natural resources and water quality along the Colorado River; and develop facilities that help achieve LCRA's cost-recovery goals for parks.

Public services recommended and approved projects total \$2.2 million in FY 2015 and \$2.5 million over the next five years through FY 2019. This total does not include future projects listed in Appendix A.

FY 2015 Recommended Projects

- **Muleshoe Bend Boat Ramp** – Construct a boat ramp with an accessible route to parking and a future restroom at this popular 920-acre LCRA Lake Travis recreation area. There are no other public boat ramps nearby. Staff expects the addition of the boat ramp to increase visitation and discourage visitors from using a nearby private ramp.
- **Pedernales River Nature Park Restrooms** – Install an accessible restroom to support the pavilions and day-use activities in this 222-acre riverfront park. This will help LCRA comply with the Americans With Disabilities Act and eliminate the cost of portable toilet rental.
- **General Additions** – Various projects to maintain infrastructure and improve safety. Staff recommends these projects at a preliminary cost-estimating level.
 - Parks
 - Other
- **Minor Capital** – Purchases of equipment that is essentially ready to be placed in service upon delivery.
 - Parks
 - Other

Public Services
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Recommended								
Parks								
General Additions - Parks - FY15	0%	1,600	-	-	-	-	1,600	1,600
Minor Capital - Parks - FY15	0%	81	-	-	-	-	81	81
Muleshoe Bend Boat Ramp	16%	370	-	-	-	-	370	370
Pedernales River Nature Park Restrooms	9%	30	240	-	-	-	270	270
Other PSF								
General Additions - Other - FY15	0%	60	-	-	-	-	60	60
Minor Capital - Other - FY15	0%	106	-	-	-	-	106	106
Total Public Services Recommended		2,247	240	-	-	-	2,487	2,487

Enterprise Support Projects

Enterprise support capital projects provide the facility, telecommunications and information technology infrastructure that support the business operations of the organization. LCRA's power, transmission and water rates fund the projects, making predicting costs to include in LCRA's rates especially 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 \$9 million in FY 2015 and nearly \$13 million over the next five years through FY 2019. 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 information from technology systems for making decisions. LCRA's technology systems also help with critical operations such as monitoring and controlling electrical substations, transmission lines, dams, water management infrastructure and power generation plants. These systems provide information used to make decisions for employee benefits, financial performance, customer billing, project management and engineering. LCRA's increasing dependence on technology requires reliable, available and secure information systems. Where appropriate, LCRA seeks to leverage outsourced solutions for technology needs that are not considered critical to the organization's mission. This can affect future budgets.

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

The telecommunications planning approach conforms to LCRA's Board Policy 220 – Telecommunications, requiring LCRA to satisfy its telecommunications requirements in the most cost-effective manner and upgrading or constructing telecommunication systems as technology and business demands change. LCRA's operational areas use telecommunications systems for delivery services in critical areas such as monitoring and controlling electrical substations, transmission lines, dams, electric generating plants and irrigation districts. These telecommunications systems also support various networks, mobile radios and telephones throughout the entire LCRA service area. In addition, LCRA's telecommunications systems support reliability and security requirements set by the North American Electric Reliability Corporation, Electric Reliability Corporation of Texas and other organizations.

LCRA's telecommunications investments include mobile radio and telephone systems that support communication requirements. Microwave and fiber systems provide the transport for key operation systems at the Etof 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 2015 Recommended Projects

Facilities Projects

- **General Additions – Facilities** – Various projects to save money and improve safety.
- **Minor Capital – Facilities** – Purchases of equipment that is essentially ready to be placed in service upon delivery.

Information Technology Projects

- **eDiscovery** – Electronic Discovery (eDiscovery) refers to the discovery in litigation and open records requests related to electronic files. LCRA performs this process manually, which is expensive. The project's goal is to use an application that will automate many of these processes.
- **Electronic Document Management System** – Replace the current Electronic Document Management System that has reached or is close to reaching its end of life in several technical areas. This system manages the engineering drawings associated with LCRA's infrastructure and all permanent LCRA documents.
- **LCRA Enterprise Historian** – Implement an enterprise historian and replace local power plant historians with updated hardware and software. Historians are database software applications that log time-based process data that is generated from plant control systems. Implementing an enterprise historian will enable LCRA to establish performance monitoring that will increase power plant heat-rate efficiency, reliability and availability. This software also will retire the current software that has reached its end of life.
- **General Additions – Information Technology** – Various projects to maintain infrastructure and improve reliability. These projects are recommended at a preliminary cost estimating level.
- **Minor Capital – Information Technology** – Purchases of equipment that is essentially ready to be placed in service upon delivery.

Public Safety Projects

- **Minor Capital – Public Safety** – Purchases of equipment that is essentially ready to be placed in service upon delivery.

Telecommunications Projects

- **Digital Cross-Connect System – Telecommunications Upgrade** – Maintain the reliability of the telecommunications system. Replace the existing Tellabs Digital Cross-Connect System (TDACS) network electronics equipment in the Dalchau Service Center's RF Building with a new digital cross-connect system at the System Operations Control Center (SOCC). The current TDACS is obsolete with no parts, service or support available from the manufacturer.
- **DSC Diverse Fiber Entrance – Fiber Addition** – Maintain the reliability of the telecommunications system by installing fiber connections at the Dalchau Service Center between the SOCC and a main transport fiber. The project will reduce the risk for a single point of failure on critical telecommunications transport systems that terminate at the Service Center.
- **DVM Microwave – Telecommunications Upgrade** – Maintain the reliability of the telecommunications system. Replace the digital versatility microwave radio equipment. The manufacturer no longer supports the microwave radios. These radios have been in service nearly 20 years. As radios begin to fail, prolonged outages are possible as parts, support and standard updates are no longer available from the manufacturer.
- **Stratum Clock – Telecommunications Upgrade** – Maintain the reliability of the telecommunications system. Install a backup timing source in the Dalchau Service Center's RF Building. All LCRA telecommunications equipment that requires a timing source depends on only one clock. A failure of the existing clock would cause a significant failure in the LCRA telecommunications network.
- **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.

**Enterprise Support
FY 2015 Capital Plan Approved and Recommended Projects
(Dollars in Thousands)**

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Recommended								
Facilities								
General Additions - Facilities - FY15	0%	310	-	-	-	-	310	310
Minor Capital - Facilities - FY15	0%	119	-	-	-	-	119	119
Information Technology								
eDiscovery	10%	500	-	-	-	-	500	500
Electronic Document Management System	10%	1,000	800	-	-	-	1,800	1,800
General Additions - Information Technology - FY15	0%	660	-	-	-	-	660	660
LCRA Enterprise Historian	10%	468	360	38	-	-	866	866
Minor Capital - Information Technology - FY15	0%	1,240	-	-	-	-	1,240	1,240
Public Safety								
Minor Capital - Public Safety - FY15	0%	173	-	-	-	-	173	173
Telecommunications								
Digital Cross-Connect System Telecommunications Upgrade	10%	189	-	-	-	-	189	189
DSC Diverse Fiber Entrance Fiber Addition	10%	70	-	-	-	-	70	70
DVM Microwave Telecommunications Upgrade	10%	578	578	578	577	577	2,888	2,888
General Additions - Telecommunications - FY15	0%	1,000	-	-	-	-	1,000	1,000
Minor Capital - Telecommunications - FY15	0%	216	-	-	-	-	216	216
Stratum Clock Telecommunications Upgrade	10%	102	-	-	-	-	102	102
Recommended Subtotal		6,625	1,738	616	577	577	10,133	10,133

**Enterprise Support
 FY 2015 Capital Plan Approved and Recommended Projects
 (Dollars in Thousands)**

Project Name	Contingency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Approved								
Telecommunications								
900MHz Radio System Migration		687	-	-	-	-	687	19,500
Microwave Radio Upgrade (T1 to Ethernet Upgrade)		258	-	-	-	-	258	600
Transport Network Upgrade - Phase 2		1,597	-	-	-	-	1,597	7,100
Approved Subtotal		2,542	-	-	-	-	2,542	27,200
Total Enterprise Support Recommended and Approved		9,167	1,738	616	577	577	12,675	37,333

Appendix A: Future Projects

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

LCRA Transmission Services Corporation
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Bakersfield-Big Hill Cut-in	-	4,500	20,500	-	-	25,000	25,000
CPS Tie	-	3,000	7,000	18,000	29,210	57,210	104,210
Fayetteville Autotransformer Addition	-	1,700	8,900	-	-	10,600	10,600
Garfield Cut-in (AE IA) Substation Addition	-	-	-	3,600	-	3,600	3,600
Glidden Area Projects	-	3,000	11,422	19,800	-	34,222	34,222
Goldthwaite to Lampasas Transmission System Upgrade	-	15,000	45,140	-	-	60,140	60,140
Hallettsville to Hallettsville City Transmission Line Addition	-	-	600	500	1,000	2,100	5,355
Hays Energy Substation	-	-	2,835	-	-	2,835	2,835
Lockhart-Seguin Split Sub and Transmission Line Addition	-	981	1,202	3,427	9,146	14,756	69,300
Menger Creek T2 Power Transformer Addition	-	-	-	-	300	300	2,000
Merriltown Substation Addition	-	-	-	-	400	400	2,831
Meter Upgrades	-	204	260	-	-	464	464
Minor Capital - TSC - Future	-	350	350	350	350	1,400	1,400
Mountain Home	-	-	-	-	100	100	100
Pflugerville South Substation Addition	-	-	-	400	2,834	3,234	3,234
Power Lane	-	-	2,000	4,000	7,000	13,000	37,035
Rosita Creek CB Addition	-	450	1,185	-	-	1,635	1,635

LCRA Transmission Services Corporation
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Santa Clara Substation Addition	-	-	-	-	281	281	281
Transmission Line Overhauls - FY 2016	-	75,550	-	-	-	75,550	75,550
Transmission Line Overhauls - FY 2017	-	-	33,263	-	-	33,263	33,263
Transmission Line Overhauls - FY 2018	-	-	-	23,448	-	23,448	23,448
Transmission Line Overhauls - FY 2019	-	-	-	-	44,142	44,142	44,142
General Additions - Transmission Services Corporation - Future	-	4,000	4,000	4,000	4,000	16,000	16,000
Twin Buttes Substation Upgrade	-	2,400	5,000	-	-	7,400	7,400
Zorn Autotransformer Addition	-	9,902	-	-	-	9,902	9,902
Total LCRA TSC Future	-	121,037	143,657	77,525	98,763	440,982	573,947

Transmission
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Minor Capital - TSBU - Future	-	3,500	3,500	3,000	2,500	12,500	12,500

Raw Water
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Raw Water							
Dam Instrumentation Phase 3	-	340	292	297	-	929	929
General Additions - Irrigation Districts (Future)	-	640	575	575	575	2,365	2,365
General Additions Hydromet - (Future)	-	90	-	-	-	90	90
Gulf Coast Plant No. 1 - Pumps 1 and 2	-	-	-	700	-	700	700
Gulf Coast STP and Oyster Lake Gates	-	-	370	-	-	370	370
Gulf Coast Wadsworth Gates	-	365	-	-	-	365	365
Irrigation SCADA	-	235	257	-	-	492	492
Lakeside Canal Easement Acquisition	-	-	500	-	-	500	500
Lakeside Lake Plant Variable Frequency Drive (VFD) and Switchgear Building	-	-	-	-	500	500	500
Lakeside Prairie Plant Automated Trash Rack	-	-	-	-	300	300	300
Lower Basin Reservoir Phase 2	65,800	75,100	39,000	-	-	179,900	179,900
Mansfield Bridge	-	-	1,700	-	-	1,700	1,700
Mansfield Dam Dehumidification System	-	-	-	-	500	500	500
Mansfield Floodgate Hydraulic Piping	-	260	-	-	-	260	260
Minor Capital Environmental Lab - (Future)	-	259	305	240	380	1,184	1,184
Minor Capital - Hydromet (Future)	-	167	167	167	167	668	668
Minor Capital - Irrigation (Future)	-	221	221	221	221	884	884
Total Raw Water Future	65,800	77,677	43,387	2,200	2,643	191,707	191,707

Water Utility
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Water Utility							
General Additions Water and Wastewater - (Future)	-	12	12	12	12	48	48
Total Water Utility Future	-	12	12	12	12	48	48

Public Services
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
Parks							
Camp Creek Recreation Area Restroom	-	-	150	250	-	400	400
General Additions - Parks - (Future)	-	1,335	1,120	1,510	1,750	5,715	5,715
Lake Bastrop North Shore Pavilion	-	15	225	-	-	240	240
McKinney Roughs Equestrian Camping	-	-	-	-	250	250	500
McKinney Roughs Highway 71 Restroom	-	30	240	-	-	270	270
McKinney Roughs Pope Bend Restroom	-	30	240	-	-	270	270
McKinney Roughs Visitor Center Stabilization	-	350	-	-	-	350	350
Minor Capital - Parks - (Future)	-	166	247	167	159	739	739
Shaffer Bend Recreation Area Restroom	-	-	25	240	-	265	265
Total Public Services Future	-	1,926	2,247	2,167	2,159	8,499	8,749

Enterprise Support
Appendix: FY 2015 Capital Plan Future Projects
(Dollars in Thousands)

Project Name	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Five-Year Total	Lifetime
<u>Facilities</u>							
General Additions - Facilities - (Future)	-	500	500	500	500	2,000	2,000
Minor Capital - Facilities - Future	-	300	300	150	150	900	900
<u>Information Technology</u>							
Asset and Work Management (Maximo)	-	-	800	500	-	1,300	1,300
Billing System Consolidation	-	-	1,500	1,500	-	3,000	3,000
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 Management System	-	-	-	-	600	600	600
Minor Capital - Information Technology - Future	-	1,000	900	500	500	2,900	2,900
Physical Access Control Legacy Migration	-	1,500	1,500	1,000	-	4,000	4,000
SharePoint PMIS 2016	-	-	-	800	-	800	800
Trade Management Consolidation (Allegro Aline)	-	-	1,000	-	-	1,000	1,000
<u>Public Safety</u>							
Minor Capital - Other - (Future)	-	180	227	138	184	729	729
<u>Telecommunications</u>							
FPP Diverse Fiber Entrance	-	750	750	-	-	1,500	1,500
General Additions - Telecommunications - (Future)	-	1,000	1,000	1,000	1,000	4,000	4,000
Megastar Replacement	-	400	400	400	800	2,000	2,000
Minor Capital - Telecommunications - Future	-	360	360	360	360	1,440	1,440
Tower Upgrades	-	350	350	350	700	1,750	1,750
Total Enterprise Future	-	10,084	13,331	8,398	5,994	37,807	37,807

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 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 to estimate and disclose 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 should be tracked by the project office and must be specifically authorized for release by the project office’s manager 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 the project requires additional budget authorization from the Board. If staff requests additional lifetime budget authorization from the Board, the contingency amount included will be specified within the Board agenda item.



Lower Colorado River Authority
P.O. Box 220
Austin, Texas 78767-0220
800-776-5272

www.lcra.org