

LCRA Transmission Services Corporation

Board Agenda

Tuesday, Dec. 14, 2021

LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 2 p.m.

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

Executive Session

The Board may go into executive session on any item listed above, pursuant to Chapter 551 of the Texas Government Code, including, but not limited to, sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code.

Legal Notice

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

OVERVIEW OF LCRA TRANSMISSION SERVICES CORPORATION

In connection with the implementation of retail competition in the electric utility industry in the state of Texas, LCRA was required by the Texas Legislature in its amendments to the Public Utility Regulatory Act (enacted in 1999 under state legislation known as Senate Bill 7, and referred to as SB 7) to unbundle its electric generation assets from its electric transmission and distribution assets. LCRA conveyed, effective Jan. 1, 2002, all of its existing electric transmission and transformation assets (collectively, the Transferred Transmission Assets) to the LCRA Transmission Services Corporation (LCRA TSC) pursuant to the terms of an Electric Transmission Facilities Contract (the Initial Contractual Commitment), dated Oct. 1, 2001.

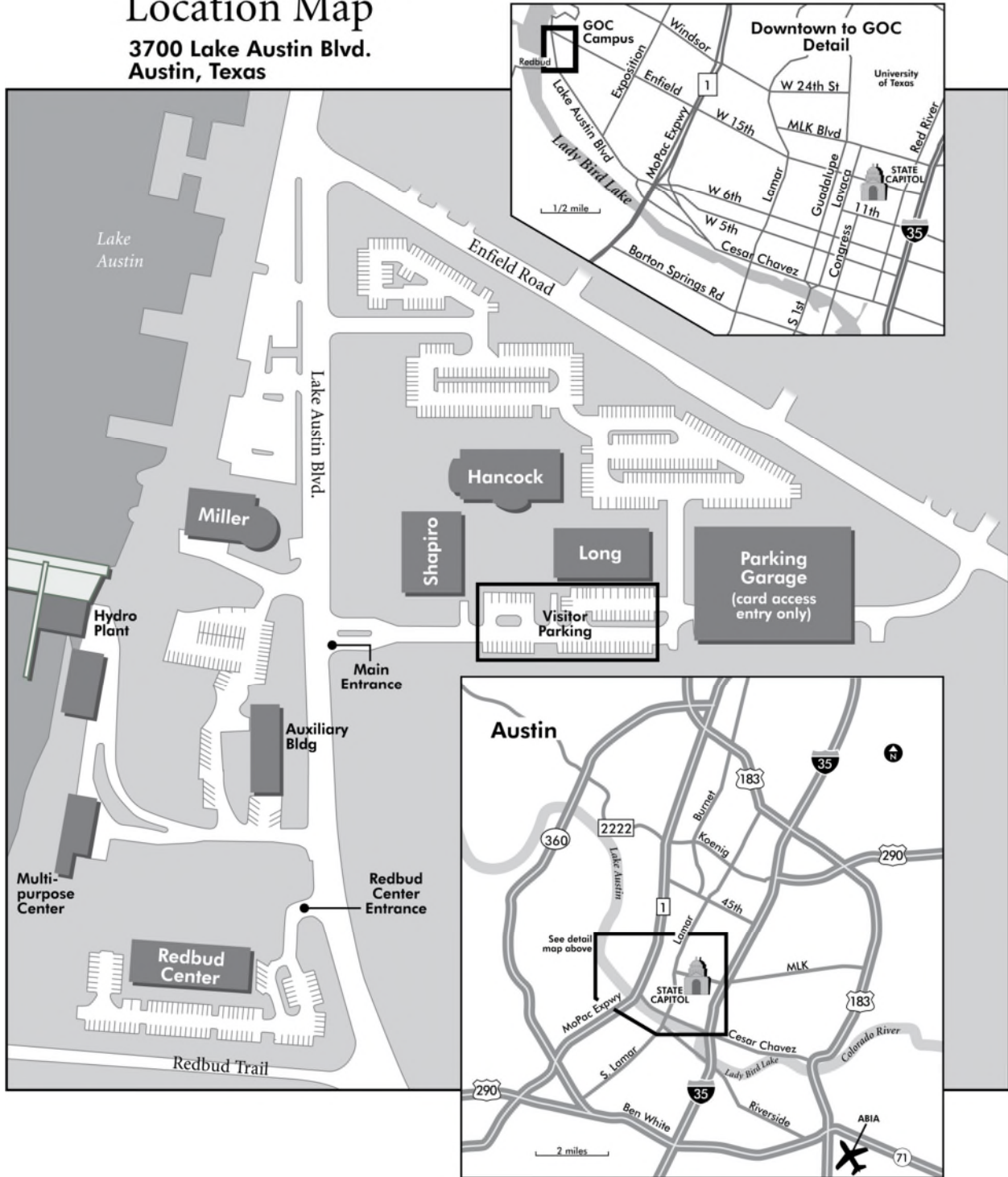
LCRA TSC is a nonprofit corporation created by LCRA to act on LCRA's behalf pursuant to Chapter 152, Texas Water Code, as amended. After Jan. 1, 2002, LCRA TSC engaged in the electric transmission and transformation activities previously carried out by LCRA and assumed LCRA's obligation to provide, and the right to collect revenues for, electric transmission and transformation services. LCRA TSC is an electric transmission service provider (a TSP) under the state's open-access electric transmission regulatory scheme within the approximately 85% area of the state covered by the Electric Reliability Council of Texas (ERCOT). In such capacity, LCRA TSC is entitled to receive compensation from all electric distribution service providers using the electric transmission system within ERCOT. As a TSP in the ERCOT region of the state, the rates that LCRA TSC will charge for transmission services are regulated by the Public Utility Commission of Texas (PUC) and determined pursuant to transmission cost of service rate proceedings filed with and approved by the PUC.

Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services agreement between LCRA TSC and LCRA. This includes procuring goods and services on behalf of LCRA TSC and is reflected in the LCRA Board agenda contracts.

Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA's outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC's business plan and of the sale or disposition of any significant assets of LCRA TSC. The Board of Directors of LCRA TSC (LCRA TSC Board) is appointed by and serves at the will of the LCRA Board. The current membership of LCRA TSC Board is made up entirely of the existing LCRA Board.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR DISCUSSION

1. Comments From the Public

Summary

This part of the meeting is intended for comments from the public on topics under LCRA Transmission Services Corporation's jurisdiction but not related to an item on the Board of Directors agenda. No responses or action may be taken by the Board during public comments.

In order to address the Board, a member of the public is required to sign and complete the registration form at the entrance to the meeting room.

Any member of the public wishing to comment on an item listed on this agenda will be called to make comments at the appropriate time.

FOR ACTION (CONSENT)

2. Sale of Land in Williamson County

Proposed Motion

Declare a 1.56-acre tract of land in Williamson County nonessential, and authorize the president and chief executive officer or his designee to sell the property to the City of Cedar Park.

Board Consideration

LCRA Transmission Services Corporation Board Policy T401 – Land Resources requires at least 12 members of the LCRA TSC Board to declare the land no longer necessary or of beneficial use to the business of LCRA TSC before conveyance. Additionally, LCRA TSC Board Policy T401 requires LCRA TSC Board approval of the terms of all land sales before conveyance.

Budget Status and Fiscal Impact

The administrative costs associated with the sale of this land are contained in the fiscal year 2022 business plan. Proceeds from the sale of land will benefit LCRA TSC.

Summary

In 2018, LCRA TSC acquired a 10.04-acre tract from Diamond K Plus Ltd. to use for the Spanish Oak Substation. Cedar Park requested to purchase a 1.56-acre tract to widen County Road 272 and agreed to a sale price of \$308,170. The sale price is based on an appraisal performed by an independent and certified third-party appraiser.

LCRA TSC representatives will complete environmental and cultural resource due diligence assessments in accordance with Board Policy T401.403 – Land Disposition before the sale of the property.

The property will be sold subject to the following conditions:

1. LCRA TSC will reserve all presently held oil, gas and other mineral rights of every kind or character in, on and under the property, provided that LCRA TSC shall not be permitted to drill or excavate for minerals on the surface of the property.
2. LCRA TSC will reserve the right to use the existing roads for access to the substation land.
3. The conveyance is subject to the access easement previously granted to Pedernales Electric Cooperative, Inc.

Exhibit(s)

- A – Vicinity Map
- B – Site Map

EXHIBIT A



EXHIBIT B



FOR ACTION (CONSENT)

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Nov. 17, 2021, meeting.

Board Consideration

Section 4.06 of the LCRA Transmission Services Corporation bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

Budget Status and Fiscal Impact

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

Summary

Staff presents the minutes of each meeting to the Board for approval.

Exhibit(s)

A – Minutes of Nov. 17, 2021, meeting

EXHIBIT A

Minutes Digest
Nov. 17, 2021

- 21-33 Approval of the minutes of the Oct. 20, 2021, meeting.

- 21-34 Approval of the Capital Improvement Project Authorization Request for the Lampasas Substation Upgrade project.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
Nov. 17, 2021

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of LCRA Transmission Services Corporation (LCRA TSC) convened in a regular meeting at 9:04 a.m. Wednesday, Nov. 17, 2021, in the Board Room of the Hancock Building, at the principal office of the Lower Colorado River Authority, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Stephen F. Cooper, Vice Chair
Michael L. "Mike" Allen
Matthew L. "Matt" Arthur
Melissa K. Blanding
Laura D. Figueroa
Carol Freeman
Raymond A. "Ray" Gill Jr.
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
Thomas Michael Martine
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten

Absent: Joseph M. "Joe" Crane
Nancy Eckert Yeary

Chair Timmerman convened the meeting at 9:04 a.m.

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

The Board next took action on the consent agenda.

21-33 Upon motion by Vice Chair Cooper, seconded by Director Whitten, the Board unanimously approved the minutes of the Oct. 20, 2021, meeting [Consent Item 2] by a vote of 13 to 0.

21-34 Vice President of Transmission Asset Optimization Kristian M. Koellner presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], that the Board approve the Capital Improvement Project Authorization Request for the Lampasas Substation Upgrade project. Upon motion by Director Lewis, seconded by Director Blanding, the recommendation was unanimously approved by a vote of 13 to 0.

There being no further business to come before the Board, the meeting was adjourned at 9:07 a.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation
Approved: Dec. 14, 2021

FOR ACTION

4. Capital Improvement Projects Approval

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the projects and associated lifetime budgets as described in Exhibit A.

Board Consideration

LCRA Transmission Services Corporation Board Policy T301 – Finance requires Board of Directors approval for any project exceeding \$1.5 million.

Budget Status and Fiscal Impact

- All projects recommended for Board approval are within the total annual budget approved in the fiscal year 2022 capital plan.
- Staff will monitor the FY 2022 forecast and will request a fiscal year budget increase if needed.
- The treasurer and chief financial officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas, with the exception of the Columbus Area – Phase 1 Transmission Line Relocation project, which will be third-party funded.

Summary

Staff recommends approval of the capital projects described in Table 1 and Exhibit A. These projects meet legal requirements in the Public Utility Regulatory Act and PUC rules.

Project funds will pay for activities, including but not limited to project management, engineering, materials acquisition, construction and acquisition of necessary land rights. LCRA TSC representatives will perform all necessary regulatory, real estate, environmental and cultural due diligence activities.

Table 1

Dollars in millions

Project Name	Previous Fiscal Years	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Lifetime
Service Reliability Projects							
Gonzales - Hochheim Tap Transmission Line Overhaul	1.9	11.1	11.9	-	-	-	24.9
System Operations Control Center Backup Center System Upgrade	-	0.4	1.7	-	-	-	2.1
System Capacity Projects							
Bluestem Substation Addition	1.2	9.8	-	-	-	-	10.9
Third-Party Funded Projects							
Columbus Area - Phase 1 Transmission Line Relocation	0.5	1.3	-	-	-	-	1.8
Requested Total	3.6	22.6	13.6	-	-	-	39.7

Note: Totals may not equal the sum of numbers shown due to rounding.

Presenter(s)

Kristian M. Koellner
Vice President, Transmission Asset Optimization

Exhibit(s)

A – Project Details

EXHIBIT A

Project Details

Project Name: Gonzales to Hochheim Tap Transmission Line Overhaul

Project Number: 1020411

Lifetime Budget: \$24.9 million

Description: The project will increase the reliability and capacity of transmission facilities on a portion of this 69-kilovolt transmission line in DeWitt and Gonzales counties. The project scope includes performing routine overhaul work intended to meet current LCRA TSC design standards, such as replacing aging and less reliable wood structures with 138-kV-capable equipment, upgrading the conductor to a higher capacity, and adding optical ground wire. The recommended project completion date is June 30, 2023.

Project Name: System Operations Control Center Backup Center System Upgrade

Project Number: 1027164

Lifetime Budget: \$2.1 million

Description: The project will increase the resiliency and reliability of the 24/7 System Operations Control Center by expanding the backup control center room and upgrading situational awareness tools and workspaces for system operators. The project scope includes expanding the physical size of the backup control center and installing equipment, such as consoles and monitors for transmission operations use. The recommended project completion date is Dec. 31, 2022.

Project Name: Bluestem Substation Addition

Project Number: 1023910

Lifetime Budget: \$10.9 million

Description: The project will provide transmission service through the construction of a 69-kV three-breaker substation as part of the Harwood to Thompsonville transmission line in Gonzales County. The project scope includes the installation of 138-kV-capable substation facilities required to interconnect Guadalupe Valley Electric Cooperative's recently approved transmission line to serve its new Delhi Substation. The recommended project completion date is June 30, 2022.

Project Name: Columbus Area – Phase 1 Transmission Line Relocation

Project Number: 1024945

Lifetime Budget: \$1.8 million

Description: The project will relocate and modify transmission facilities on the Bellville South to Glidden 69-kV transmission line in Colorado and Austin counties. This project will support the expansion of Interstate 10 by the Texas Department of Transportation. The project scope includes pouring new foundations, installing a new conductor and structures, and relocating or replacing other equipment as required. The recommended project completion date is May 15, 2022.

FOR ACTION

5. Approve the LCRA Transmission Contract Revenue Notes Series E Note Purchase Agreement, and Authorize Related Agreements

Proposed Motion

Request and approve the adoption by LCRA of the Thirty-eighth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (Controlling Resolution) to authorize the renewal of the note purchase agreement among LCRA, LCRA Transmission Services Corporation (LCRA TSC) and U.S. Bank National Association (U.S. Bank) (Series E NP Agreement) for the LCRA Transmission Contract Revenue Notes, Series E (Series E Notes), and authorize the president and chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to U.S. Bank in an amount up to \$100 million for the Series E Notes.

Board Consideration

A supplemental resolution to the existing Controlling Resolution requires Board of Directors approval. The Series E NP Agreement complies with the covenants of the LCRA Controlling Resolution, the Thirty-first Supplement to the Controlling Resolution that authorized up to \$100 million for the Series E Notes, and LCRA TSC Board Policy T301 – Finance. Section 8503.004(p) of the Texas Special District Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions.

Budget Status and Fiscal Impact

Staff anticipates the renewal of the \$100 million credit facility will result in cost savings because the agreement will reflect current market rates. The Series E NP Agreement will remove Libor as the borrowing index and extend the facility for three more years, among other amendments. This facility will allow LCRA to issue private bank debt on behalf of LCRA TSC to finance the construction of facilities and delay the issuance of long-term bonds, which have higher interest rates in the current market. Staff anticipates LCRA TSC will experience lower debt service costs until long-term bonds are issued.

Summary

Staff recommends the Board request, consent and approve the adoption of the Thirty-eighth Supplemental Resolution authorizing the president and CEO or his designee to negotiate and execute the Series E NP Agreement and other related documents.

LCRA, as the conduit issuer for LCRA TSC, through amendments to the debt programs and bank credit facilities, currently has authorized LCRA TSC to borrow from a \$150 million tax-exempt commercial paper program with JPMorgan and State Street

Bank, a \$200 million private placement Series C Notes with Bank of America, and a \$100 million private placement Series E Notes with U.S. Bank.

Staff now seeks to extend the \$100 million Series E Notes program with U.S. Bank. Each Series E Notes are issued will have a one-year maturity.

The note purchases by U.S. Bank allow LCRA TSC to fund project costs in a similar manner to the existing commercial paper programs. However, the direct purchase facilities with the bank provide an alternative structure that eliminates marketing and remarketing risk that can occur with a public commercial paper program. The private debt facilities do not require public credit ratings to be issued and maintained. The credit facilities allow LCRA TSC to choose the variable interest rate and period to effectively manage the debt.

The Series E Notes are issued on parity with LCRA TSC contract revenue bonds and notes pursuant to the LCRA Controlling Resolution and in compliance with the variable debt limitations in LCRA TSC Board Policy T301 – Finance (25% of the total long-term debt and total equity of LCRA TSC).

Supplements to the restated Transmission Contract Revenue Debt Installment Payment Agreement between LCRA and LCRA TSC, dated March 1, 2003, secures the Series E Notes by obligating LCRA TSC to make all payments related to the notes. The notes may be refunded into long-term debt when the conditions are advantageous to LCRA TSC.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

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RESOLUTION NO. 21-__

RESOLUTION APPROVING ADOPTION BY THE LOWER COLORADO RIVER AUTHORITY OF THE THIRTY-EIGHTH SUPPLEMENTAL RESOLUTION TO THE CONTROLLING RESOLUTION AUTHORIZING AN AMENDMENT AND EXTENSION TO THE NOTE PURCHASE AGREEMENT RELATING TO THE LOWER COLORADO RIVER AUTHORITY TRANSMISSION CONTRACT REVENUE REVOLVING NOTES (LCRA TRANSMISSION SERVICES CORPORATION PROJECT), SERIES E TO BE ENTERED INTO BY AND BETWEEN THE CORPORATION, THE LOWER COLORADO RIVER AUTHORITY AND BANK NAMED THEREIN

WHEREAS, on February 19, 2003, the Board of Directors (the "LCRA Board") of the Lower Colorado River Authority ("LCRA"), on behalf of the LCRA Transmission Services Corporation (the "Corporation"), adopted a "Controlling Resolution Establishing the Lower Colorado River Authority Transmission Contract Revenue Financing Program and Authorizing the Transmission Contract Revenue Debt Installment Payment Agreement with the LCRA Transmission Services Corporation" and, on January 19, 2005, the LCRA Board adopted a resolution amending such resolution (collectively, the "Controlling Resolution"); and

WHEREAS, at the request of the Corporation, on May 20, 2020, the LCRA Board adopted an "Thirty-First Supplemental Resolution to the Transmission Contract Revenue Debt Controlling Resolution Authorizing the Lower Colorado River Authority Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project), Series E" (the "Thirty-First Supplement"), authorizing the LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project), Series E (the "Notes"); and

WHEREAS, capitalized terms used in this resolution and not otherwise defined shall have the meanings given in the Controlling Resolution and the Thirty-First Supplement; and

WHEREAS, in connection with the issuance of the Notes, the Corporation and LCRA have previously entered into a Note Purchase Agreement, dated as of June 1, 2020, among LCRA, the Corporation, U.S. Bank National Association (the "Original Agreement"); and

WHEREAS, the Board of Directors of the Corporation (the "Corporation Board") desires to enter into an amendment to the Original Agreement in the form of an amended and restated agreement (the "Amended Agreement") to (i) extend the term of the Original Agreement, (ii) amend the interest rate provisions applicable to the Notes, (iii) updating pricing provisions and (iv) make certain other amendments.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LCRA TRANSMISSION SERVICES CORPORATION THAT:

SECTION 1. The Amended Agreement, in substantially the form attached hereto as Exhibit A, is hereby approved and the Chair and/or the Vice-Chair of the Corporation Board, the President, Vice Presidents, Chief Financial Officer and/or Treasurer of the Corporation are hereby authorized to complete, modify and execute such Amended Agreement as necessary.

SECTION 2. The Thirty-Eighth Supplement is approved by the Corporation.

SECTION 3. The authorization, execution and delivery of the Amended Agreement and other undertakings and certifications that may be required to effect the issuance of the Notes by LCRA based upon the relevant financing documents are hereby approved.

SECTION 4. The Chair and/or the Vice-Chair of the Corporation Board, the President, Vice Presidents, Chief Financial Officer and/or Treasurer of the Corporation are hereby authorized, empowered and directed to exercise all powers and authority necessary in connection with the authorization and issuance of the Amended Agreement and the transactions contemplated therein or herein, including (i) requesting the board of directors of LCRA to approve the Thirty-Eighth Supplement and the Amended Agreement and (ii) and taking such further actions with respect to the issuance of the Notes as may be deemed appropriate by such officers.

SECTION 5. The purpose and intent of this resolution is to vest in the Chair and the Vice-Chair of the Corporation Board, and any corporate officers of the Corporation all power and authority to complete the execution and delivery of the Amended Agreement, the issuance of the Notes and all related documents and undertakings as described in this resolution without further action by this Corporation Board, including specifically the power to pledge and encumber funds in the amount required to provide payment of the obligations herein authorized to be incurred.

PASSED AND APPROVED this 14th day of December, 2021.