

WSC Energy II
Board Agenda
Wednesday, Sept. 21, 2022
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 10 a.m.

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Action Items

- 3. WSC Energy II Board Policy W102 – Authority and Responsibilities..... 8
- 4. Services Agreement Between LCRA and WSC Energy II 12

Executive Session

- 1. Competitive Electric Matters

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

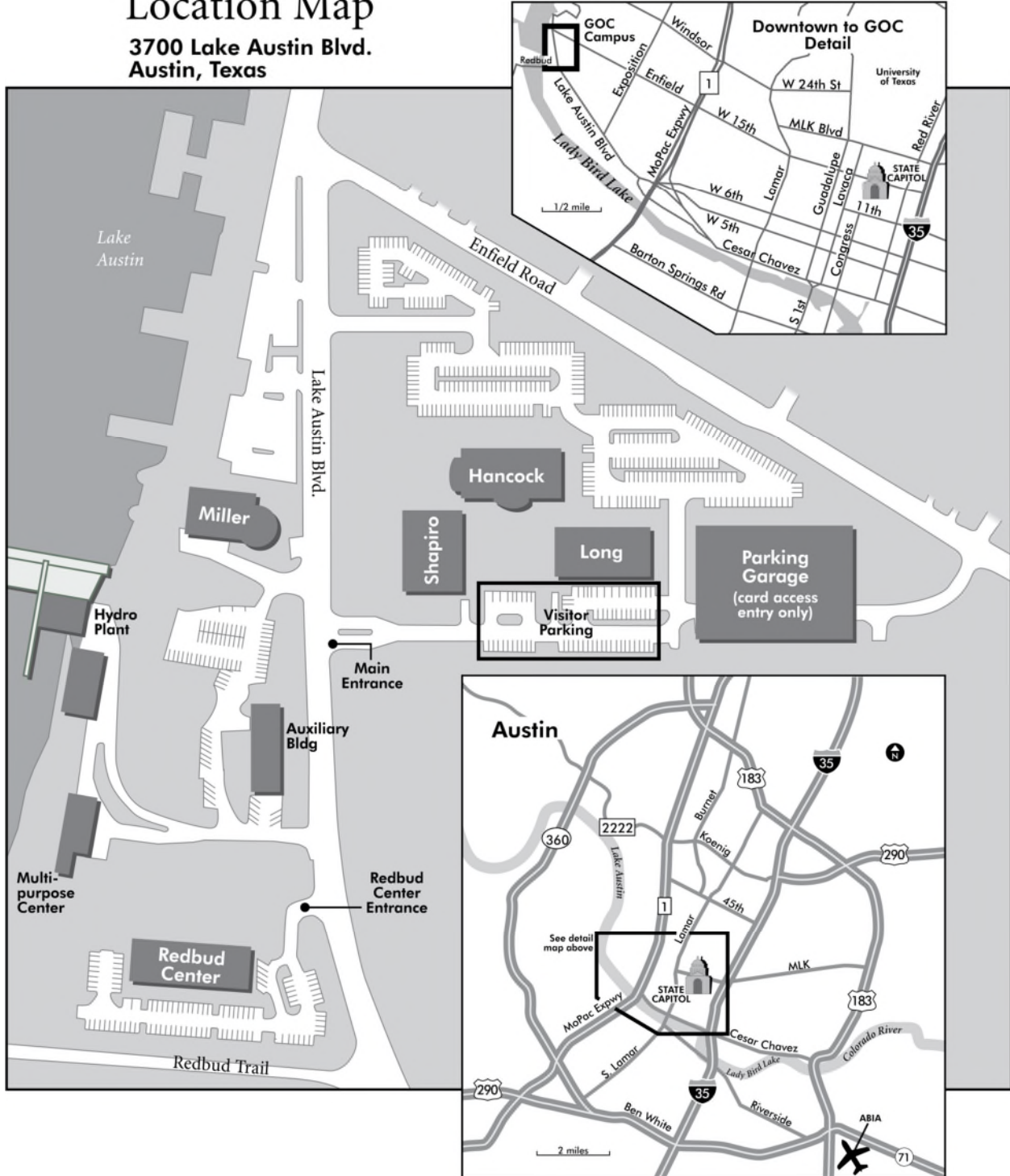
Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at the following link: <https://www.sos.texas.gov/open/index.shtml>

OVERVIEW OF WSC ENERGY II

WSC Energy II is a nonprofit corporation created under Chapter 152 of the Texas Water Code, as amended, and operating under Chapter 32 of the Texas Utilities Code, as amended. The LCRA Board of Directors appoints the WSC Energy II Board of Directors and approves WSC Energy II's annual budget and any WSC Energy II debt. WSC Energy II has no employees, and operations are provided by LCRA employees.

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 WSC Energy II'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. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the May 18, 2022, meeting.

Board Consideration

Section 4.06 of the WSC Energy II 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 May 18, 2022, meeting

EXHIBIT A

Minutes Digest
May 18, 2022

- 22-03 Approval of the minutes of the March 23, 2022, meeting.

- 22-04 Adoption of a resolution approving the WSC Energy II Fiscal Year 2023
Business Plan.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
WSC Energy II
Austin, Texas
May 18, 2022

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of WSC Energy II convened in a regular meeting at 9:06 a.m. Wednesday, May 18, 2022, in the Board Room of the Hancock Building, at the principal office of the Lower Colorado River Authority (LCRA), 3700 Lake Austin Blvd., Austin, Travis County, Texas. The meeting was open to the public, and 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
Joseph M. "Joe" Crane
Laura D. Figueroa
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
Thomas Michael Martine
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten

Absent: Carol Freeman
Raymond A. "Ray" Gill Jr.
Nancy Eckert Yeary

Chair Timmerman convened the meeting at 9:06 a.m.

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

The Board next took action on the consent agenda.

22-03 Upon motion by Director Martine, seconded by Director Crane, the Board unanimously approved the minutes of the March 23, 2022, meeting [Consent Item 2] by a vote of 12 to 0.

22-04 Treasurer and Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], that the Board adopt a resolution approving the WSC Energy II Fiscal Year 2023 Business Plan. Staff presented the plan to the Board at a work session on April 19. Upon motion by Director Crane, seconded by Director Whitten, the recommendation was unanimously approved by a vote of 12 to 0.

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

Leigh Sebastian
Secretary
WSC Energy II

Approved: Sept. 21, 2022

FOR ACTION

3. WSC Energy II Board Policy W102 – Authority and Responsibilities

Proposed Motion

Adopt WSC Energy II Board Policy W102 – Authority and Responsibilities as shown in Exhibit A.

Board Consideration

Under Article II of the WSC Energy II bylaws, WSC Energy II Board members, officers, employees and agents shall be subject to and governed by policies adopted by the Board. Under Article IV of the bylaws, the Board may authorize any officer to enter into contracts in the name of WSC Energy II, and may assign other duties to the officers.

Budget Status and Fiscal Impact

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

Summary

Staff recommends the Board adopt the attached Authority and Responsibilities policy. This policy, which is modeled on similar policies of LCRA, LCRA Transmission Services Corporation and LCRA Wholesale Energy Services Corporation establishes delegations to the chief executive officer to conduct the business of WSC Energy II, allows further delegation from the CEO to other officers and staff, and clearly spells out those items for which authority is not delegated to the CEO but is retained by the Board.

Presenter(s)

Phil Wilson
President and Chief Executive Officer

Exhibit(s)

A – WSC Energy II Board Policy W102 – Authority and Responsibilities

EXHIBIT A

WSC ENERGY II BOARD POLICY

W102 – AUTHORITY AND RESPONSIBILITIES

Sept. 21, 2022

W102.10 PURPOSE

This policy defines the relationship between the WSC Energy II Board of Directors and the management of WSC Energy II through the description of responsibilities and expectations and through the establishment of guidelines for the delegation of certain powers and duties.

W102.20 POLICY

W102.201 Responsibilities of the Board of Directors. The Board of Directors (Board) will establish the overall goals and objectives of WSC Energy II, review them on an ongoing basis and adopt Board policies setting forth desired direction of management actions to attain such goals and objectives. The Board will approve an annual business plan that provides direction and funding for the realization of those goals and objectives.

The Board will consider and establish policies in the public interest. The Board will faithfully discharge its public trust by conducting its affairs in a highly moral, ethical and sound business manner. The Board members, collectively and severally, will not direct the policies and actions of WSC Energy II from perspectives of private gain or personal advantage.

W102.202 Delegations to the Chief Executive Officer. The Board delegates to the CEO all general powers and duties described in Chapter 152, Texas Water Code; Chapter 32, Texas Utilities Code; other applicable laws; and the WSC Energy II Certificate of Formation, bylaws and Board policies necessary to accomplish WSC Energy II's purpose, plans and objectives as approved by the Board, except for those specifically reserved for the Board by provisions of applicable laws, Certificate of Formation, bylaws, bond resolutions and other Board policies. Notable exceptions include:

- A. Authorization to borrow money from sources other than LCRA or to approve bond resolutions.
- B. Approval of sale of any real property.
- C. Approval of any services agreement or material modification thereof between WSC Energy II and LCRA.

- D. Authorization to acquire land rights.
- E. Approval of any contracts and purchase orders for the acquisition of materials, supplies, equipment or services costing in excess of \$300,000 that are not acquired through a services agreement between WSC Energy II and LCRA.
- F. Approval of any contracts and purchase orders for the purchase or sale of energy, capacity and/or ancillary services with terms exceeding five years from delivery start date or that, in aggregate, total more than 500,000 megawatt-hours (MWhs) per year.
- G. Regardless of delegated authority in this or any other Board policy, Board approval is required for all decisions where Board policy or direction has not clearly been established.

Surplus personal property with a fair market value of less than \$500,000 that is no longer necessary, convenient or of beneficial use to the business of WSC Energy II may be sold, transferred or conveyed by the CEO for appropriate consideration.

The Board will articulate clear and coherent goals and statements of its expectations through its policies and plans. The CEO is responsible for fulfilling these commitments and managing the organization.

W102.203 Responsibilities of the CEO. The CEO is responsible for carrying out the business and activities of WSC Energy II, according to applicable laws, WSC Energy II's bylaws, and Board policy.

The CEO each year will present an annual business plan to the Board presenting goals, strategy and priorities for its consideration, as well as operating and capital budgets, to carry out such goals and priorities. The business plan will include projections of WSC Energy II's overall financial performance and capital financing plans and describe the projects, programs and associated revenues and expenditures for the next fiscal year. Adoption of these goals, strategies and priorities clearly will establish the Board's direction in key areas of WSC Energy II affairs and authorize the CEO to complete work plans and make associated expenditures within budgets as provided in accordance with Board policies. The CEO will provide quarterly updates that include indicators of performance toward the adopted goals, strategies and priorities, actual financial performance compared with budget, and future financial performance projections. The resolution adopting the business plan will establish the authorizations that may not be exceeded without Board approval.

The CEO will issue appropriate management procedures setting forth desired direction of management staff members to fulfill the policies, goals, objectives and directions of the Board.

The CEO may delegate in writing any general powers, duties and related authorities, as deemed appropriate, to officers and management staff members.

The CEO is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction to WSC Energy II operations or leave WSC Energy II at a disadvantage because of changing conditions. The CEO will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of WSC Energy II.

W102.204 Competitive Market Opportunities. WSC Energy II operates in a competitive electric market where time is of the essence. From time to time, WSC Energy II may be presented with business opportunities that, in the opinion of the CEO, are not likely to remain available or viable until the next Board meeting. In such situations, the CEO is authorized to approve contracts in excess of the limits established in W102.202.F, but not exceeding 1 million MWh per year. Any contract signed by WSC Energy II pursuant to this provision is subject to ratification by the Board at its next scheduled meeting.

EFFECTIVE: Sept. 21, 2022.

FOR ACTION

4. Services Agreement Between LCRA and WSC Energy II

Proposed Motion

Authorize the chief executive officer or his designee to negotiate, execute and modify a services agreement between LCRA and WSC Energy II for LCRA to provide all services needed or desired by WSC Energy II at cost, and to perform all other acts necessary or convenient to carry out the purposes hereof.

Board Consideration

Under Article II of the WSC Energy II bylaws, the WSC Energy II Board members, officers, employees and agents shall be subject to and governed by policies adopted by the Board. Under Article IV of the bylaws, the Board may authorize any officer to enter into contracts in the name of WSC Energy II.

Budget Status and Fiscal Impact

Approval of this item is not expected to have a fiscal impact in fiscal year 2023.

Summary

Staff recommends the Board authorize the chief executive officer or his designee to negotiate, execute and modify a services agreement between LCRA and WSC Energy II. The LCRA Board formed WSC Energy II in October 2015 to serve new wholesale electric customers outside of LCRA's 1975 traditional service territory. WSC Energy II is actively seeking new customers across Texas, and any sales made by WSC Energy II are expected to generate revenues that support LCRA's statutory mission and reduce costs for LCRA's existing wholesale energy customers.

WSC Energy II is controlled by LCRA, and the LCRA Board serves as the Board of Directors for WSC Energy II. WSC Energy II has officers appointed by the Board, but has no employees. Through this services agreement, LCRA would be able to provide all services and resources requested by WSC Energy II at cost, as permitted by Section 152.052 of the Texas Water Code. LCRA also would be able to contract with third party providers to provide services to WSC Energy II. LCRA has used similar service agreements with its other nonprofit corporations, LCRA Transmission Services Corporation, LCRA Wholesale Energy Services Corporation and GenTex Power Corporation, for a number of years. LCRA resources and expertise will be necessary to allow WSC Energy II to meet its goals of finding new customers.

Presenter(s)

Randa Stephenson
Vice President and Chief Operating Officer