

**LCRA Transmission Services Corporation**

**Board Agenda**

Wednesday, April 20, 2011  
LCRA Board Room  
Austin

**Items from the Chief Executive Officer**

Chief Operating Officer’s Update

**Items from the Chief Financial Officer**

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**For Action (Consent) Item**

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**Topics**

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**LCRA Transmission Services Corporation**

- Quarterly Operations Report ..... 16

**Legal Notice**

Although this is the expected agenda, the Board may discuss or take action on any item listed in the legal notice, which may include some items not currently on the Board agenda. Legal notices are available on the Texas Secretary of State Web site 72 hours prior to the meeting at the following link: <http://www.sos.state.tx.us/open/>.

**Executive Session**

The Board may go into executive session for deliberation on the matters listed in the legal notice posted pursuant to Chapter 551 of the Texas Government Code.

The Board may take final action on any of the executive session matters upon reconvening in open session pursuant to Chapter 551 of the Texas Government Code.

## 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 percent 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.

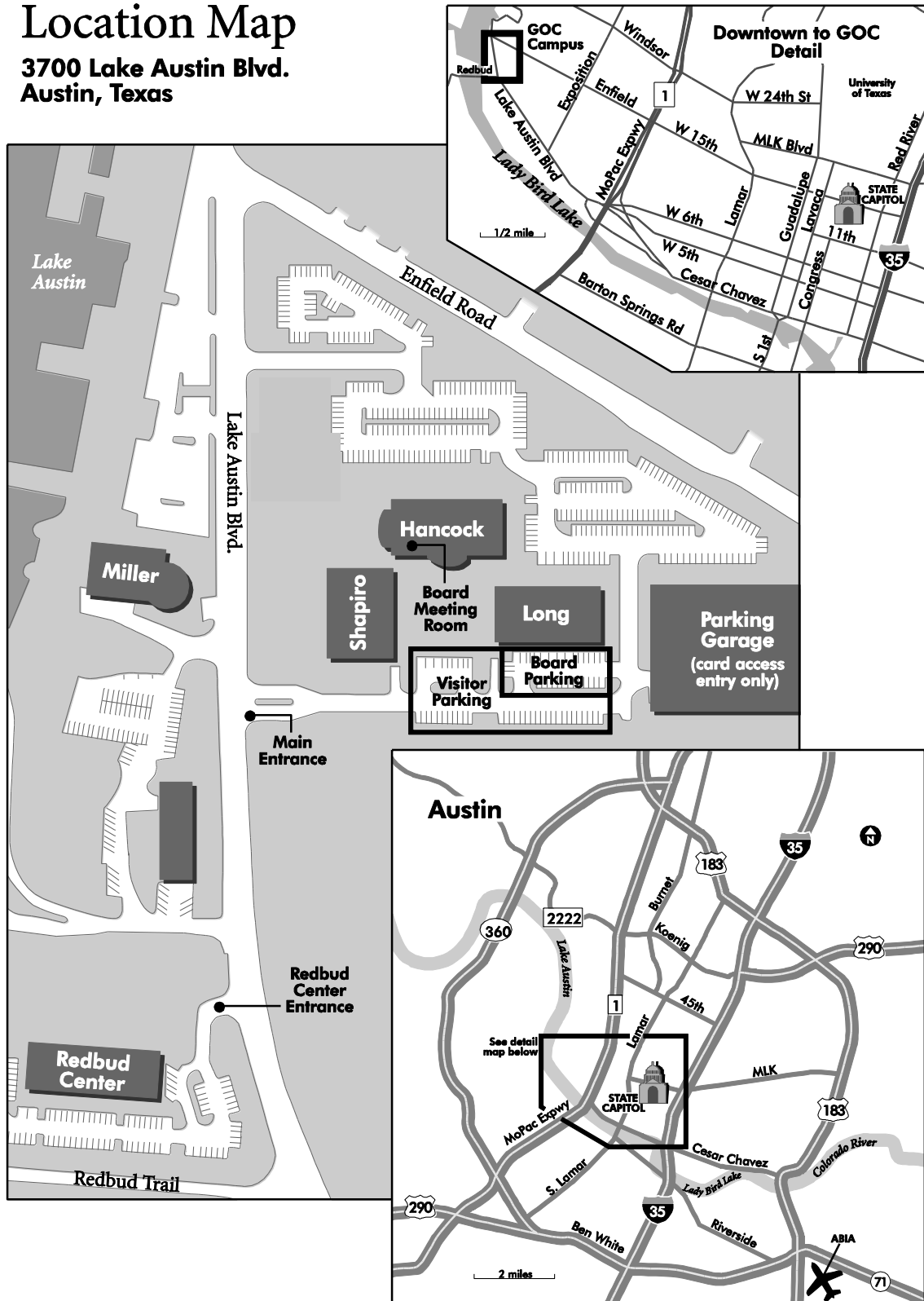
Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA's outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC's Business Plan and of the sale or 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.

The LCRA TSC Board Policy on Authority and Responsibilities directs that the Business Plan of the affiliate include for approval a schedule of capital projects proposed for the fiscal year. The policy also states that only deviations from the approved plan will be brought before LCRA TSC Board. As such, the LCRA TSC Board agenda will not include consent items to approve specific capital projects, unless the project scope or budget changes significantly from what was originally approved.

# LCRA General Office Complex

## Location Map

3700 Lake Austin Blvd.  
Austin, Texas



## **FOR DISCUSSION**

# **1. Financial Report**

### **Board Consideration**

This report is presented monthly to the Board for discussion.

### **Summary**

The financial report for LCRA Transmission Services Corporation covers the month and fiscal year to date.

### **Presenter(s)**

Brady Edwards  
Chief Financial Officer and Treasurer

**FOR DISCUSSION**

**2. LCRA Transmission Services Corporation FY 2011  
Business Plan Third Quarter Update**

**Board Consideration**

This update is presented to the Board for discussion.

**Summary**

The update includes LCRA Transmission Services Corporation's financial and operational performance for the third quarter of FY 2011.

**Presenter(s)**

Jim Travis  
LCRA Treasurer

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**FOR ACTION (CONSENT)**

### **3. Minutes of Prior Meeting**

**Proposed Motion**

Approve the minutes of the March 23, 2011, meeting.

**Board Consideration**

Section 4.06 of the LCRA Transmission Services Corporation bylaws provides that the Secretary will keep minutes of all meetings of the Board.

**Budget Status and Fiscal Impact**

None.

**Summary**

Each meeting the Board approves the minutes of previous meetings.

**Exhibit(s)**

A - Minutes of March 23 2011, meeting

## **EXHIBIT A**

Minutes Digest  
March 23, 2011

- 11-10 Approval of revisions to LCRA Transmission Services Corporation Board Policy T601 – Transmission and Transformation Service Policy (now entitled “Wholesale Electric Service Policy”).
- 11-11 Approval of the minutes of the February 16, 2011, meeting.
- 11-12 Approval of the Capital Improvement Project Authorization Request for the Fort Mason-to-Pittsburg Transmission Line Upgrade Project.

MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LCRA TRANSMISSION SERVICES CORPORATION  
Austin, Texas  
March 23, 2011

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the LCRA Transmission Services Corporation (LCRA TSC) convened in a regular meeting at 1:39 p.m. on Wednesday, March 23, 2011, at the principal office of the Lower Colorado River Authority, 3700 Lake Austin Boulevard, Hancock Building, Board Room, Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timmerman  
Klein  
Berger  
Carter  
Dickerson  
Johnson  
Martine  
McCasland  
McHenry  
Raun  
Schrader  
White

Absent: Balas  
Spears  
Wallace

Chair Timmerman convened the meeting at 1:39 p.m., and introduced the first item - LCRA TSC Board Policy T601 - Transmission and Transformation Service Policy.

11-10 General Counsel John Rubottom presented for consideration a recommendation, described in Agenda Item 1 [attached hereto as Exhibit A], that the Board approve revisions to LCRA Transmission Services Corporation Board Policy T601 – Transmission and Transformation Service Policy (now entitled “Wholesale Electric Service Policy”). He noted that staff had reviewed this item with directors during a recent committee meeting. Upon motion by Director Berger, seconded by Director McHenry, the recommendation was unanimously approved by a vote of 12 to 0.

Chief Operating Officer Ross Phillips next gave an update describing the steps staff is taking to attempt recovery of costs incurred in the Gillespie-to-Newton Competitive Renewable Energy Zone (CREZ) project at the Public Utility Commission of Texas.

Chief Financial Officer Brady Edwards presented the financial report for February 2011. [Director Berger left the meeting at approximately 1:47 p.m.]

11-11 Upon motion by Director Dickerson, seconded by Director McHenry, the Board, by a vote of 11 to 0, unanimously approved the minutes of the February 16, 2011, meeting [Consent Item 3].

11-12 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve the Capital Improvement Project Authorization Request for the Fort Mason-to-Pittsburg Transmission Line Upgrade Project. Upon motion by Director Martine, seconded by Director Carter, the recommendation was unanimously approved by a vote of 11 to 0.

Chair Timmerman declared the meeting to be in executive session at 1:55 p.m., pursuant to sections 551.071 and 551.072 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 2:01 p.m.

There being no further business to come before the Board, the meeting was adjourned at 2:01 p.m.

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John W. Rubottom, Secretary  
LCRA Transmission Services Corporation

## **FOR DISCUSSION / POSSIBLE ACTION**

### **4. FY 2012 LCRA Transmission Services Corporation Capital Plan and Transmission System Improvements Plan for FY 2012**

#### **Proposed Motion**

Approve the FY 2012 LCRA Transmission Services Corporation (LCRA TSC) Capital Plan and the Transmission System Improvements Plan (TSIP) for FY 2012.

#### **Board Consideration**

LCRA TSC Board Policy T304 - Financial Planning requires annual approval of a capital plan by the LCRA TSC and LCRA Board. In addition, LCRA TSC Board Policy T601 -Transmission and Transformation Service requires that the TSIP be submitted for approval by the LCRA TSC Board of Directors.

#### **Budget Status and Fiscal Impact**

The capital plan is incorporated into the LCRA TSC FY 2012 Business Plan. Individual projects from the plan will be brought to the LCRA TSC Board for specific approval in accordance with LCRA TSC Board Policy T304 - Financial Planning.

#### **Summary**

The FY 2012 LCRA TSC Capital Plan, provided under separate cover, describes the capital projects and expenditures necessary to carry out key goals and strategies identified in the LCRA TSC business plans and corporate goals. The capital plan includes new projects with lifetime budgets totaling \$71.7 million.

The TSIP is the result of joint studies between LCRA TSC, the Association of Wholesale Customers Power Supply and Transmission Planning Task Force, addressing transmission and transformation system requirements in Central Texas. The TSIP also includes the results of studies conducted jointly with other transmission service providers and the Electric Reliability Council of Texas, addressing needs outside Central Texas.

The TSIP requires approval by the Board to comply with the LCRA TSC Board Policy T601 - Transmission and Transformation Service and to fulfill the requirements of the Facilities and Premises Lease and Operating Agreement resulting from the stipulation of Docket 9427 approved by the Public Utility Commission of Texas. The details of the TSIP are available upon request under separate cover.

Approval of the LCRA TSC FY 2012 Capital Improvement Plan authorizes the following:

- Staff initiation of those projects identified as “Recommended” and their lifetime budgets as included in the Plan.
- The capital spending limit for FY 2012 of \$234.5 million on those projects identified as “Recommended” or “Approved”, as shown in Exhibit A.

For informational purposes, future anticipated projects have been included in the Plan appendix. They are identified as “Future” projects, and the associated forecasted expenditures have been included in the LCRA TSC business plan to estimate future funding requirements and the impact on cost-of-service. “Future” projects are not being recommended for approval or initiation at this time. Any of these projects that are later determined to require initiation in FY 2012 will be brought back

to the Board individually for approval in accordance with LCRA TSC Board Policy T304 - Financial Planning.

**Presenter(s)**

Brady Edwards  
Chief Financial Officer and Treasurer

**Exhibit(s)**

A - FY 2012 LCRA TSC Capital Plan Summary of Board Approval

**EXHIBIT A**

FY 2012 LCRA Transmission Services Corporation (TSC)  
Capital Plan Summary of Board Approval

Approval of this Capital Plan authorizes the initiation of "**Recommended**" projects at their stated lifetime budgets **totaling \$71.7 million.**

**FY 2012 LCRA TSC Capital Plan**

(Dollars in Thousands)

<b>Lifetime Spending Summary</b>		<b>Lifetime Budgets</b>
<b>Recommended Projects</b>	\$	71,655

In addition, approval of this Capital Plan authorizes LCRA TSC to spend the following in FY 2012:

<b>FY 2012 Spending Summary</b>	<b>FY 2012</b>
Recommended Projects	21,631
Approved Projects	212,917
<b>Total FY 2012 LCRA TSC Spending</b>	<b>234,548</b>

**FOR DISCUSSION / POSSIBLE ACTION**

## **5. FY 2012 LCRA Transmission Services Corporation Business Plan**

### **Proposed Motion**

Adopt a resolution (Exhibit A) approving the FY 2012 Business Plan for LCRA Transmission Services Corporation (LCRA TSC).

### **Board Consideration**

LCRA TSC Board Policy T304 - Financial Planning requires approval of a business plan by the LCRA TSC and LCRA Board prior to the start of each fiscal year.

### **Budget Status and Fiscal Impact**

The proposed business plan and the budgets included therein provide targets for revenue, operating and maintenance expenses, and capital spending for FY 2012.

### **Summary**

A draft of the LCRA TSC FY 2012 Business Plan was presented to the Board in a work session on April 12 and 13, 2011. The business plan is the LCRA TSC comprehensive operations plan and budget. Approval of the LCRA TSC FY 2012 Business Plan provides authorization for all expenditures and plans of LCRA TSC.

The formal LCRA TSC FY 2012 Business Plan document, incorporating key policy elements from the April 12 and 13 work sessions, will be completed and available for distribution in May 2011.

### **Presenter(s)**

Brady Edwards  
Chief Financial Officer

### **Exhibit(s)**

A - LCRA Transmission Services Corporation Board Resolution approving the FY 2012 Business Plan for LCRA Transmission Services Corporation

## **EXHIBIT A**

### **LCRA TRANSMISSION SERVICES CORPORATION BOARD RESOLUTION FY 2012 BUSINESS PLAN LCRA Transmission Services Corporation**

BE IT RESOLVED, that the Board hereby adopts and approves the FY 2012 Business Plan for LCRA Transmission Services Corporation.

LCRA Transmission Services Corporation has budgeted FY 2012 operating and capital amounts at approximately \$101.6 million and \$234.5 million, respectively.

The Board recognizes that through its normal agenda process it will approve capital projects and other major expenditures not included in the business plan, and the chief executive officer is instructed to inform the Board when a capital project or other major expenditure is proposed on the agenda that significantly changes or varies from the approved budget in accordance with LCRA Transmission Services Corporation's Financial Policy. Furthermore, the chief executive officer shall provide the Board with monthly financial reports and quarterly business plan updates describing the progress toward the accomplishment of LCRA Transmission Services Corporation's goals within the budgeted amounts approved by the Board.

Adoption of the FY 2012 Business Plan provides authorization for all expenditures and plans in the business plan and approves the budget for LCRA Transmission Services Corporation, as required by state law. Individual purchases and contracts to implement the business plan fall under various state laws and board policies and may require additional approval.

## Quarterly Operations Report

### System Operations Control Center (SOCC)

#### *Transmission Orders*

Transmission orders are issued to field personnel by the SOCC and provide precise instructions for the operation of equipment, for removing equipment from service for construction or maintenance, and to ensure safe and reliable operation of the system. The number of orders issued in a given month is an indication of transmission field construction, maintenance and other operational activities. During the last quarter, Transmission Services issued 746 transmission orders in January, 641 transmission orders in February, and 947 transmission orders in March. This includes verbal dispatches, transmission line holds, switching orders and clearances.

#### *Protective Relay System (PRS) Percent Misoperations*

The PRS percent misoperations value is an indication of how well the protective system is performing to effectively isolate abnormal conditions on the system. PRS percent misoperation rate is determined by dividing the number of misoperations by the total number of operations for the given period. An operation, in this context, indicates an event that caused an automatic protective device to function to clear an abnormal condition to protect the transmission system. A misoperation can occur when these protective systems do not function precisely as designed. During the past quarter, the PRS percent misoperations value was 9.1 percent in January, 0.0 percent in February, and 19.0 percent in March.

#### *Line Fault Index (LFI)*

The LFI is an indicator of the number of momentary interruptions, weather activity and overall transmission line performance. The LFI is the average number of faults per 100 miles of line per year. During the past quarter, the LFI values were 0.67 in January, 4.38 in February, and 3.37 in March. The monthly numbers are annualized to reflect performance as if it were for the entire year.

#### *System Average Interruption Duration Index (SAIDI)*

The SAIDI reflects the overall average number of outage minutes that a typical customer delivery point experienced for the given period due to LCRA transmission or transformation outages. During the past quarter, the SAIDI values were 2.63 minutes for transmission and 0.00 minutes for transformation in January, 3.48 minutes for transmission and 1.58 minutes for transformation in February, and 0.65 minutes for transmission and 0.02 minutes for transformation in March.

#### *Other Significant System Events*

On February 2, sub-freezing temperatures and loss of generation prompted ERCOT to initiate emergency load shedding. From 5:43 a.m. to 2:01 p.m., LCRA Transmission Services executed load shed procedures and coordinated with customers to interrupt load 688 times at 184 different substations. None of the outage counts or duration associated with these rolling outages are reflected in the data or metrics provided below.

The following table shows the past six months of history.

Index	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Six Month Average
Transmission Orders	867	620	565	746	641	947	731
PRS percent misoperations (misoperations/ total operations)	30.0%	8.3%	0.0%	9.1%	0.0%	19.0%	11.1%
LFI (faults/100 miles of line)	2.71	6.43	2.03	0.67	4.38	3.37	3.26
SAIDI - Transmission	0.00	0.65	0.00	2.63	3.48	0.65	1.23
- Transformation	0.00	1.11	0.44	0.00	1.58	0.02	0.52
- Total (average minutes/customer)	0.00	1.77	0.44	2.63	5.06	0.67	1.76

**System Availability at the end of Q3 for FY 2011: 99.996%**

### *Outages Due to Events Originating at LCRA TSC Facilities*

Acronyms

<b>AEP:</b>	<b>American Electric Power</b>	<b>GVEC:</b>	<b>Guadalupe Valley Electric Cooperative</b>
<b>BEC:</b>	<b>Bandera Electric Cooperative</b>	<b>HCEC:</b>	<b>Hamilton County Electric Cooperative</b>
<b>BBEC:</b>	<b>Bluebonnet Electric Cooperative</b>	<b>KPUB:</b>	<b>Kerrville Public Utility Board</b>
<b>CRE:</b>	<b>Cap Rock Energy</b>	<b>NBU:</b>	<b>New Braunfels Utilities</b>
<b>CTEC:</b>	<b>Central Texas Electric Cooperative</b>	<b>SBEC:</b>	<b>San Bernard Electric Cooperative</b>
<b>FEC:</b>	<b>Fayette Electric Cooperative</b>	<b>SMEU:</b>	<b>San Marcos Electric Utility</b>
<b>FPL:</b>	<b>FPL Energy</b>	<b>WPS:</b>	<b>Wholesale Power Services</b>
<b>GPP:</b>	<b>Guadalupe Power Partners</b>		

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
01/09/11 3:39	Yorktown	AEP GVEC	Line Equipment Failure	Transmission	3 hours and 13 minutes
	Nordheim	AEP GVEC	Line Equipment Failure	Transmission	2 hours and 20 minutes
	Runge	AEP GVEC	Line Equipment Failure	Transmission	2 hours and 20 minutes
2/2/2011 11:23	Luling	AEP BBEC City of Luling	Sub Equipment Failure	Transmission	4 hours and 47 minutes

<b>Date/Time</b>	<b>Location</b>	<b>Customer</b>	<b>Event Cause</b>	<b>Outage Type</b>	<b>Outage Duration</b>
2/9/2011 04:03	Runge	AEP	Line Equipment Failure	Transmission	1 hour and 5 minutes
	Nordheim	AEP GVEC	Line Equipment Failure	Transmission	1 hour and 5 minutes
2/9/2011 05:07	Garwood	AEP	Line Equipment Failure	Transmission	38 minutes
	Matthews	AEP	Line Equipment Failure	Transmission	38 minutes
	Lone Star	AEP	Line Equipment Failure	Transmission	38 minutes
	Lakeside Pump	AEP	Line Equipment Failure	Transmission	38 minutes
2/10/2011 9:21	Luling	AEP City of Luling	Human Error	Transformation	1 hour and 24 minutes
3/10/11 4:13	Georgetown	City of Georgetown	Wiring Problem	Transformation	1 hour and 26 minutes
3/11/11 1:39	Garwood	AEP	Line Equipment Failure	Transmission	36 minutes
	Matthews	AEP	Line Equipment Failure	Transmission	36 minutes

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
3/11/11 1:39	Lone Star	AEP	Line Equipment Failure	Transmission	36 minutes
	Lakeside Pump	AEP	Line Equipment Failure	Transmission	36 minutes

***Outages Due to Events Originating at Customer (or other utility) Facilities***

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
2/1/2011 01:53	Kingsland #1	CTEC	Weather	Transmission	1 hour and 27 minutes
2/8/2011 10:52	Eden	Sharyland Utilities	Line Equipment Failure	Transmission	57 minutes
2/9/2011 03:15	Richland Springs	Sharyland Utilities	Line Equipment Failure	Transmission	3 hours and 33 minutes
	Terry	Sharyland Utilities	Line Equipment Failure	Transmission	3 hours and 35 minutes
2/9/2011 12:08	Richland Springs	Sharyland Utilities	Line Equipment Failure	Transmission	3 hours and 22 minutes
	Terry	Sharyland Utilities	Line Equipment Failure	Transmission	3 hours and 27 minutes
2/26/11 10:57	Bluebonnet	BBEC	Low-side Fault	Transformation	1 hour and 42 minutes

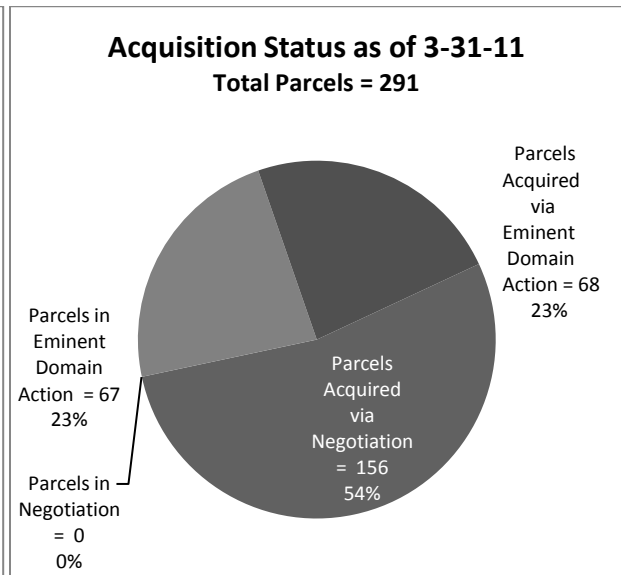
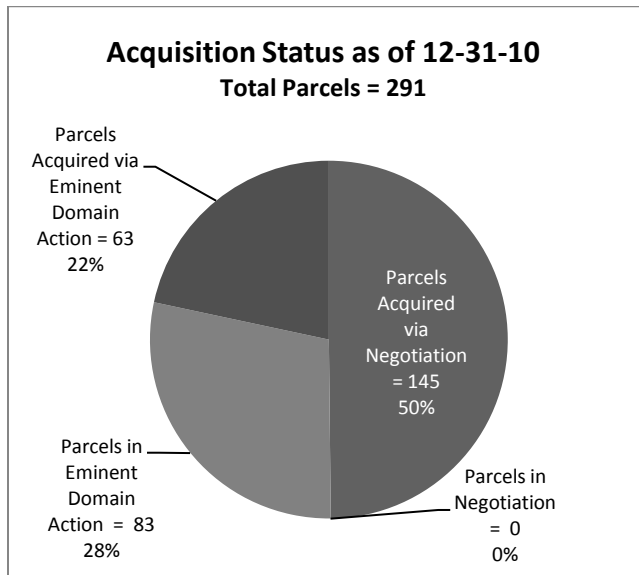
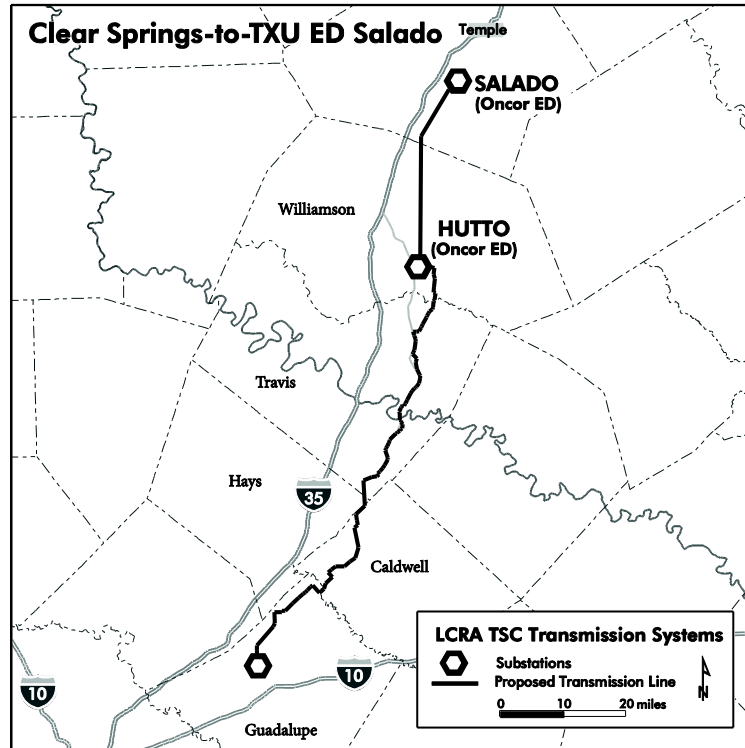
## **Real Estate Services**

LCRA Real Estate Services provides support for all LCRA real estate related activities. This includes the acquisition, sale, or lease of LCRA real property.

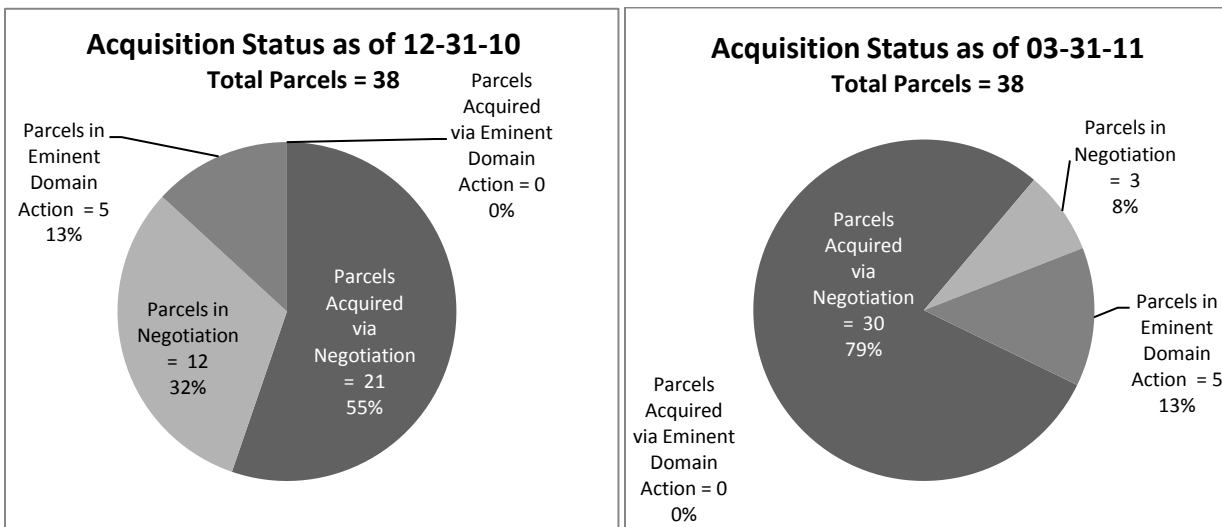
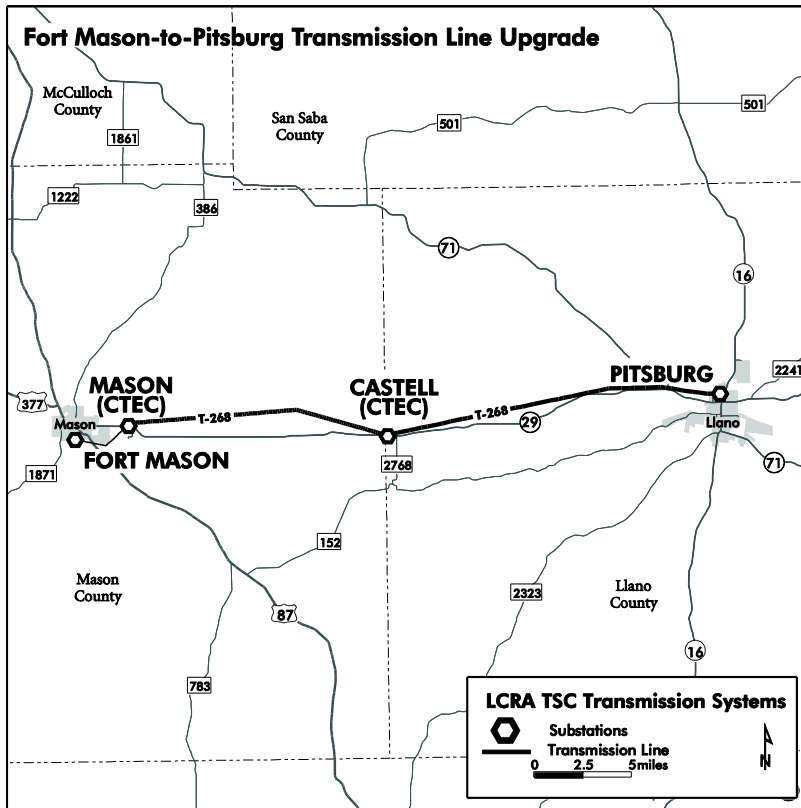
To support LCRA TSC projects, LCRA's Real Estate Services staff acquires land and land rights necessary to construct, operate, and maintain transmission line and substation facilities. The acquisition process includes these steps:

1. Perform land title research to determine ownership and notify affected landowners. This includes the review and verification of county clerk and appraisal district records.
2. Obtain an opinion of fair market values and determine just compensation. This includes cost per acre as well as damage to the remaining tract, if any.
3. Request Board approval to acquire tracts in excess of \$600,000.
4. Make good faith offers and negotiate with landowners.
5. Request Board approval for use of eminent domain authority and initiate eminent domain proceedings, if necessary.
6. Acquire parcels or easements through negotiated agreement (including possession and use agreement) or condemnation hearing.

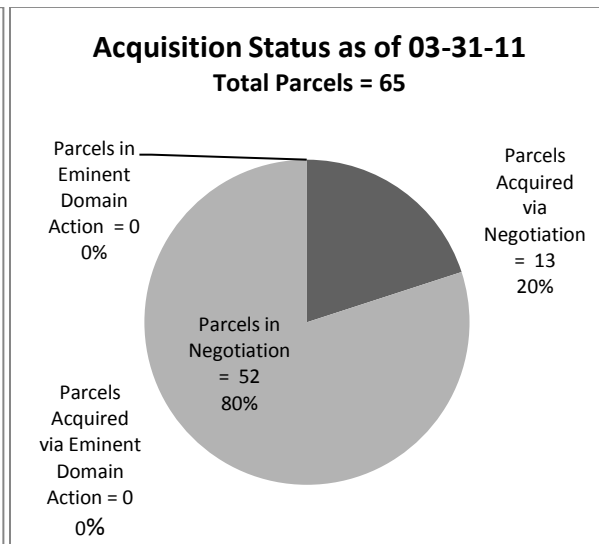
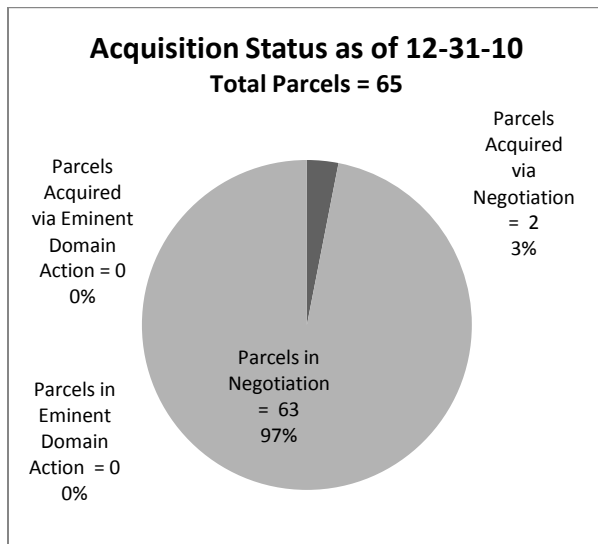
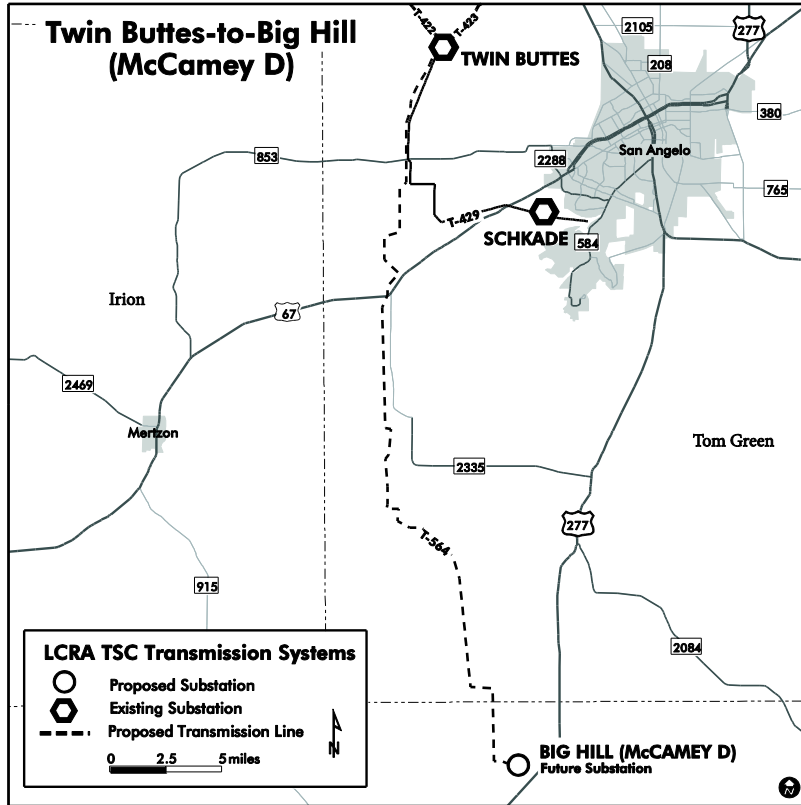
Real Estate Services is in the process of acquiring land rights by purchase or condemnation for the following projects:



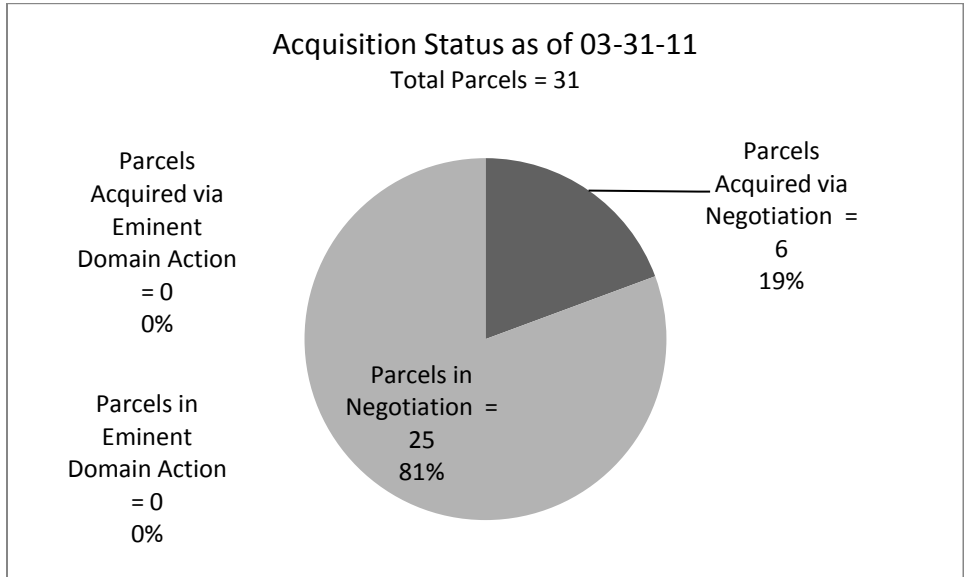
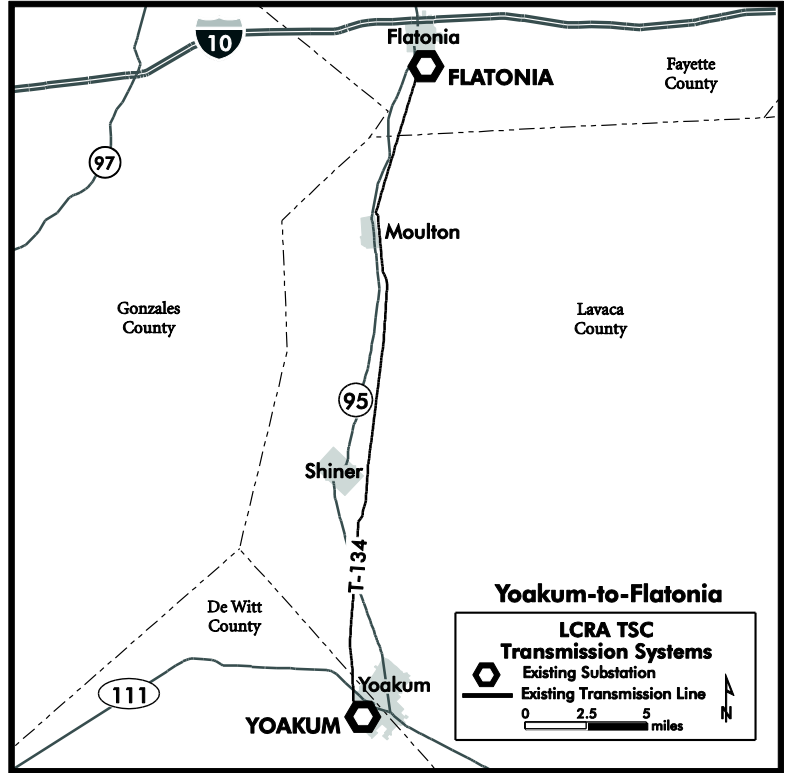
Parcels Remaining in Eminent Domain Action (Includes 35 Possession and Use agreements Signed)	35
Parcels Scheduled for Hearing	5
Parcel Under Appeal	33



Parcels Remaining in Eminent Domain Action (Includes NO Possession and Use agreements Signed)	5
Parcels Scheduled for Hearing	0
Parcels Under Appeal	0



Parcels Remaining in Eminent Domain Action (Includes NO Possession and Use agreements Signed)	0
Parcels Scheduled for Hearing	0
Parcels Under Appeal	0



Parcels Remaining in Eminent Domain Action (Includes NO Possession and Use agreements Signed)	0
Parcels Scheduled for Hearing	0
Parcels Under Appeal	0