

LCRA Transmission Services Corporation

Board Agenda

Wednesday, December 14, 2011
McKinney Roughs Nature Park
1884 State Highway 71 West
Cedar Creek

Items from the Chair

- 1. Revisions to LCRA Transmission Services Corporation Board Policy T102 - Authority and Responsibilities..... 4

Items from the Chief Financial Officer

- 2. Financial Report..... 11

Consent Items

- 3. Minutes of Prior Meeting..... 12

Legal Notice

The Board may discuss or take action on any item listed in the legal notice. Legal notice is 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 matter 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.

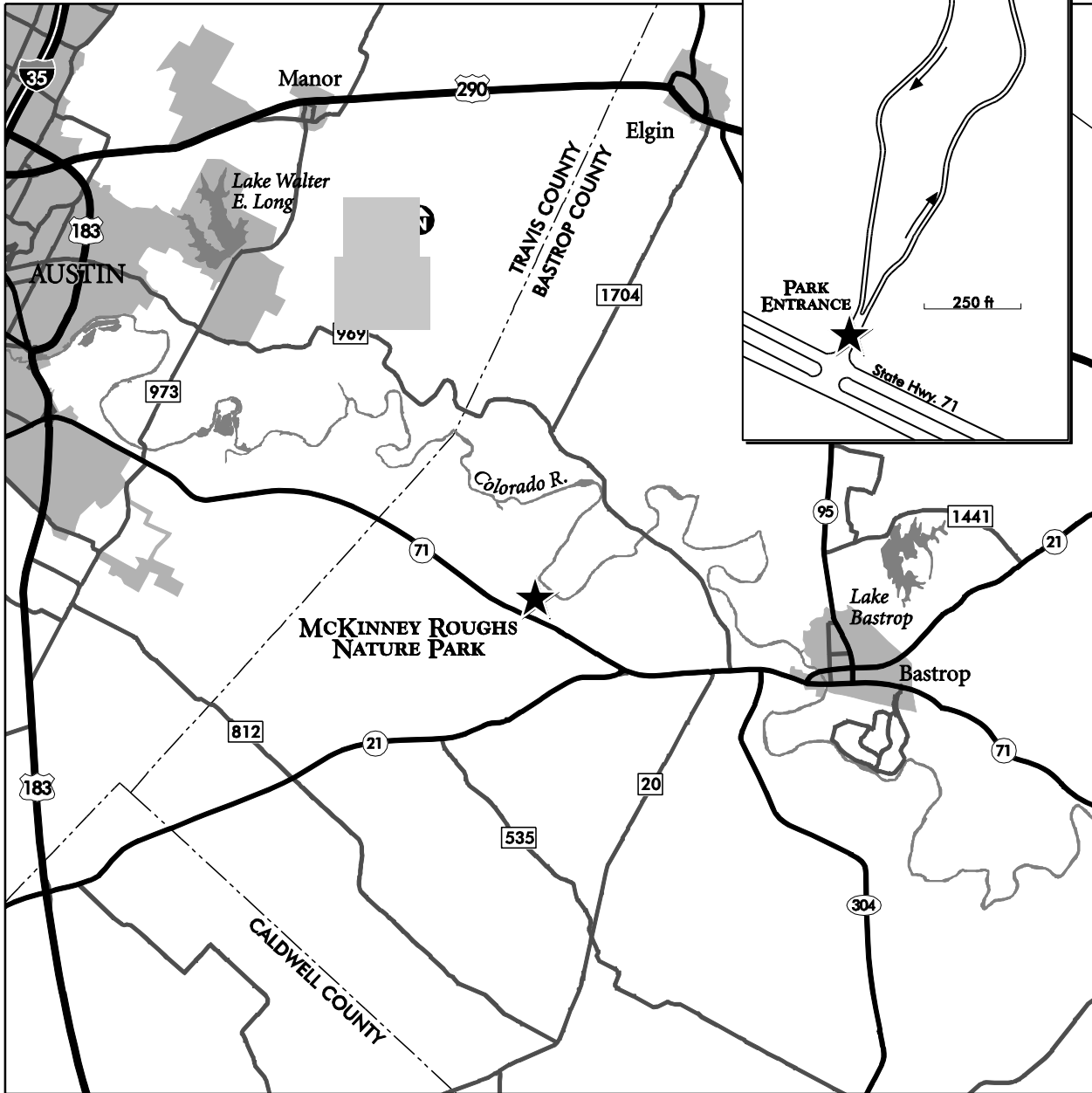
Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA's outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC's Business Plan and of the sale or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

McKinney Roughs Nature Park

1884 State Hwy 71 West
Cedar Creek, TX 78612

McKinney Roughs is located on Hwy 71, 13.2 miles east of Austin-Bergstrom International Airport. The facility's entrance is 8.4 miles west of Bastrop.



FOR DISCUSSION / POSSIBLE ACTION

1. Revisions to LCRA Transmission Services Corporation Board Policy T102 - Authority and Responsibilities

Proposed Motion

Approve revisions to LCRA Transmission Services Corporation (LCRA TSC) Board Policy T102 - Authority and Responsibilities as attached in Exhibits A and B.

Board Consideration

Board approval is required for any changes to LCRA TSC Board policies.

Budget Status and Fiscal Impact

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

Summary

The proposed revisions reflect the ongoing effort to review and streamline all Board policies. Staff reviewed this policy at the Planning and Public Policy Committee meeting earlier this month. The proposed revisions to LCRA TSC Board Policy T102 - Authority and Responsibilities reflect minor cleanup changes. Staff recommends no substantive changes be made to this policy.

Presenter(s)

Timothy Timmerman
LCRA TSC Board Chair

John W. Rubottom
General Counsel

Exhibit(s)

A - Proposed Revisions to LCRA TSC Board Policy T102 - Authority and Responsibilities
B - Proposed Revised LCRA TSC Board Policy T102 - Authority and Responsibilities

EXHIBIT A

LCRA TRANSMISSION SERVICES CORPORATION BOARD POLICY

T102 - AUTHORITY AND RESPONSIBILITIES

~~November 19, 2003~~ December 14, 2011

T102.10 PURPOSE

This policy defines the relationship between the Board of Directors and the management of the LCRA Transmission Services Corporation (LCRA TSC) through the description of responsibilities and expectations and through the establishment of guidelines for the delegation of certain powers and duties.

T102.20 POLICY

T102.201 Responsibilities of the Board of Directors. The Board of Directors (Board) will establish the overall goals and objectives of LCRA TSC, review them on an ongoing basis and ~~issue~~adopt Board Policies setting forth desired direction of management actions to attain such goals and objectives. The Board will ~~adopt~~approve an annual Business Plan that provides funding for the realization of those goals and objectives.

The Board will consider and establish policies in the public interest ~~and retain management personnel with the capabilities to accomplish related policy goals~~. 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 LCRA TSC from perspectives of private gain or personal advantage.

~~The Board will keep the LCRA Board of Directors informed of on-going LCRA TSC activities.~~

T102.202 Delegations to the Chief Executive Officer. The Board of Directors delegates to the CEO all general powers and duties in the LCRA TSC Articles of Incorporation, Bylaws, and Board Policies necessary to accomplish LCRA TSC's purpose, plans and objectives as approved by the Board, except for those specifically reserved for the Board by provisions of applicable laws, Bylaws, Bond Resolutions and other Board policies. Notable exceptions include:

- A. Authorization to borrow money or approve bond resolutions.
- B. Establishment of rates charged for transmission.

- C. Approval of sale of any real property.
- D. Approval of any Services Agreement or modification thereof between LCRA TSC and LCRA.
- E. [Authorization to acquire land rights as provided in Board Policy T401 – Land Resources.](#)
- E.F. Approval of any contracts and purchase orders for consultant services costing in excess of \$50,000 that are not acquired through the Services Agreement between LCRA TSC and LCRA.
- F.G. Approval of any contracts and purchase orders for the acquisition of materials, supplies, equipment, and related services, costing in excess of \$300,000 that are not acquired through the Services Agreement between LCRA TSC and LCRA.
- G.H. Regardless of delegated authority in this or any other LCRA TSC Board Policy, Board approval is required for all decisions where Board policy or direction has not been clearly 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 LCRA TSC may be sold, transferred or conveyed by the CEO for appropriate consideration.

~~The Board will exercise reasonable diligence to ensure that the delegations to the CEO provided for in this policy statement are properly implemented.~~

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.

T102.203 Responsibilities of the CEO. The CEO is responsible for carrying out the business and activities of LCRA TSC according to state law, LCRA TSC's Bylaws, and Board policy.

The CEO each year will present to the Board objectives, goals and priorities for its consideration. These goals will clearly establish the Board's direction in key areas of LCRA TSC affairs.

The CEO will present to the Board an annual business plan that will include operating and capital budgets to carry out the Board's goals and priorities. The business plan will include projections of LCRA TSC's overall financial performance and capital financing plans, describe the projects, programs and the associated revenues and expenditures for the next fiscal year.

Adoption of the business plan authorizes 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 key goals, actual revenues and expenditures compared to budget, future financial performance projections and

status of major capital projects. The resolution adopting the business plan will establish the amount that may not be exceeded without Board approval ~~and the guidelines for approving amendments, reallocations or adjustments to the capital and operating budgets.~~

The CEO will issue appropriate management procedures setting forth desired direction of staff management ~~and other employee actions~~ 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 LCRA TSC operations or leave LCRA TSC 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 LCRA TSC.

EFFECTIVE: August 22, 2001. Amended May 21, 2003, ~~and~~ Nov. 19, 2003, and December 14, 2011.

EXHIBIT B

LCRA TRANSMISSION SERVICES CORPORATION BOARD POLICY

T102 - AUTHORITY AND RESPONSIBILITIES

December 14, 2011

T102.10 PURPOSE

This policy defines the relationship between the Board of Directors and the management of the LCRA Transmission Services Corporation (LCRA TSC) through the description of responsibilities and expectations and through the establishment of guidelines for the delegation of certain powers and duties.

T102.20 POLICY

T102.201 Responsibilities of the Board of Directors. The Board of Directors (Board) will establish the overall goals and objectives of LCRA TSC, 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 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 LCRA TSC from perspectives of private gain or personal advantage.

T102.202 Delegations to the Chief Executive Officer. The Board of Directors delegates to the CEO all general powers and duties in the LCRA TSC Articles of Incorporation, Bylaws, and Board Policies necessary to accomplish LCRA TSC's purpose, plans and objectives as approved by the Board, except for those specifically reserved for the Board by provisions of applicable laws, Bylaws, Bond Resolutions and other Board policies. Notable exceptions include:

- A. Authorization to borrow money or approve bond resolutions.
- B. Establishment of rates charged for transmission.
- C. Approval of sale of any real property.

- D. Approval of any Services Agreement or modification thereof between LCRA TSC and LCRA.
- E. Authorization to acquire land rights as provided in Board Policy T401 – Land Resources.
- F. Approval of any contracts and purchase orders for consultant services costing in excess of \$50,000 that are not acquired through the Services Agreement between LCRA TSC and LCRA.
- G. Approval of any contracts and purchase orders for the acquisition of materials, supplies, equipment, and related services, costing in excess of \$300,000 that are not acquired through the Services Agreement between LCRA TSC and LCRA.
- H. Regardless of delegated authority in this or any other LCRA TSC Board Policy, Board approval is required for all decisions where Board policy or direction has not been clearly 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 LCRA TSC 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.

T102.203 Responsibilities of the CEO. The CEO is responsible for carrying out the business and activities of LCRA TSC according to state law, LCRA TSC's Bylaws, and Board policy.

The CEO each year will present to the Board objectives, goals and priorities for its consideration. These goals will clearly establish the Board's direction in key areas of LCRA TSC affairs.

The CEO will present to the Board an annual business plan that will include operating and capital budgets to carry out the Board's goals and priorities. The business plan will include projections of LCRA TSC's overall financial performance and capital financing plans, describe the projects, programs and the associated revenues and expenditures for the next fiscal year.

Adoption of the business plan authorizes 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 key goals, actual revenues and expenditures compared to budget, future financial performance projections and status of major capital projects. The resolution adopting the business plan will establish the amount that may not be exceeded without Board approval.

The CEO will issue appropriate management procedures setting forth desired direction of staff management 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 LCRA TSC operations or leave LCRA TSC 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 LCRA TSC.

EFFECTIVE: August 22, 2001. Amended May 21, 2003, Nov. 19, 2003, and December 14, 2011.

FOR DISCUSSION

2. 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 ACTION (CONSENT)

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Nov. 16, 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

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

Summary

The minutes of each meeting are presented to the Board for approval at the next regular meeting.

Exhibit(s)

A - Minutes of Nov. 16, 2011, meeting

EXHIBIT A

Minutes Digest
November 16, 2011

- 11-34 Approval of the minutes of the October 19, 2011, meeting.
- 11-35 Authorization for the chief executive officer or her designee to convey a 0.886-acre Sanitary Control Easement in Fayette County to the City of Schulenburg.
- 11-36 Adoption of a resolution and authorization of the power of eminent domain to acquire rights in property for the Big Hill-to-Kendall Transmission Line Addition Project.
- 11-37 Approval of the Capital Improvement Project Authorization Request for the Hollmig Substation Addition Project.
- 11-38 Approval of the Capital Improvement Project Authorization Request for the El Campo-to-Eagle Lake Transmission Line Upgrade Project.
- 11-39 Approval of the Capital Improvement Project Authorization Request for the El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and Substation Addition Project.
- 11-40 Approval of the Capital Improvement Project Authorization Request for the Wirtz Substation Upgrade Project.
- 11-41 Authorization for the chief executive officer or her designee to negotiate for and acquire an electric transmission line easement, a temporary workspace easement, and a temporary access easement from AC Ranch III, LTD, in Sutton and Kimble counties for the Big Hill-to-Kendall transmission line and to pay the landowner a purchase price not to exceed the amount discussed in executive session.
- 11-42 Authorization for the chief executive officer or her designee to acquire an electric transmission line easement from McRae Energy Corp. and Bank of the Hills, a branch of Sterling Bank, for the Rim Rock-to-Jack Furman transmission line and to pay the landowner a purchase price not to exceed the amount discussed in executive session.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
November 16, 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 12:28 p.m. on Wednesday, November 16, 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
White
Arbuckle
Balas
Berger
Dickerson
Franklin
Gill
Johnson
Kibby
Martine
McHenry
Schrader

Absent: Spears

Chair Timmerman convened the meeting at 12:28 p.m. Chief Operating Officer Ross Phillips gave an update on the LCRA TSC rate case filed at the Public Utility Commission of Texas on November 4.

Phillips introduced the next presentation regarding LCRA TSC's management of right-of-ways, focused on public safety, system reliability and North American Electric Reliability Corporation compliance. Bill Hatfield, manager of Transmission Operations, gave a PowerPoint presentation on LCRA TSC's right-of-way maintenance.

Phillips discussed the capital plan review and approval process as described in LCRA TSC Board Policy T304 - Financial Planning Policy. Phillips also discussed the approval of new projects not included in the capital plan, previously approved projects that exceed their lifetime budgets by 10 percent and \$300,000, and amendments to the capital plan.

Chief Financial Officer Brady Edwards presented the financial report for October 2011.

The Board next took action on the Consent Agenda.

11-34 Upon motion by Director Johnson, seconded by Vice Chair Klein, the Board, by a vote of 13 to 0, with Director Schrader absent for voting on this item, unanimously approved the minutes of the October 19, 2011, meeting [Consent Item 2].

11-35 Ross Phillips, Chief Operating Officer, presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], that the Board authorize the chief executive officer or her designee to convey a 0.886-acre Sanitary Control Easement in Fayette County to the City of Schulenburg. Upon motion by Director Balas, seconded by Vice Chair Klein, the recommendation was unanimously approved by a vote of 13 to 0, with Director Schrader absent for voting on this item.

11-36 Ross Phillips, Chief Operating Officer, presented for consideration a staff recommendation, described in Agenda Item 4 - Acquisition of Interests in Real Property - Use of Eminent Domain in Kimble, Schleicher and Sutton Counties [attached hereto as Exhibit B]. Phillips noted a correction on page 19 to reflect the deletion of Parcel Number Y5C due to a settlement reached with landowners Paul and Carole McGarry. Managing Associate General Counsel Christine Rothe explained the new requirements for condemnation established by recent legislation. Director Berger moved, seconded by Director Arbuckle, that the Board of LCRA Transmission Services Corporation adopt the attached resolution; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the property described in Exhibit "1" to the resolution for the Big Hill-to-Kendall Transmission Line Addition Project and that the first record vote applies to all units of property to be condemned. The motion was unanimously approved by a record vote of 13 to 0, with Director McHenry absent for voting on this item.

11-37 Ross Phillips, Chief Operating Officer, presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the Hollmig Substation Addition Project. Upon motion by Director Gill, seconded by Director Berger, the recommendation was unanimously approved by a vote of 14 to 0.

Stuart Nelson, manager of Asset Development, provided historical background information on the joint development agreement between LCRA TSC and American Electric Power (AEP Swap), and presented agenda items 6 and 7 that involve the AEP Swap.

11-38 Stuart Nelson presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit D], that the Board approve the Capital Improvement Project Authorization Request for the El Campo-to-Eagle Lake Transmission Line Upgrade Project. Staff responded to questions from the Board on this item. After discussion, upon motion by Director Dickerson, seconded by Vice Chair Klein, the recommendation was unanimously approved by a vote of 13 to 0, with Director Kibby absent for voting on this item.

11-39 Stuart Nelson presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit E], that the Board approve the Capital Improvement

Project Authorization Request for the El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and Substation Addition Project. Upon motion by Director Berger, seconded by Vice Chair Klein, the recommendation was unanimously approved by a vote of 13 to 0, with Director Dickerson absent for voting on this item.

11-40 Stuart Nelson presented for consideration a staff recommendation, described in Agenda Item 8 [attached hereto as Exhibit F], that the Board approve the Capital Improvement Project Authorization Request for the Wirtz Substation Upgrade Project. Upon motion by Director White, seconded by Director Balas, the recommendation was unanimously approved by a vote of 14 to 0.

Chair Timmerman declared the meeting to be in executive session at 1:28 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 1:43 p.m.

11-41 Director White moved, seconded by Director Berger, that the Board authorize the chief executive officer or her designee to negotiate for and acquire an electric transmission line easement, a temporary workspace easement, and a temporary access easement from AC Ranch III, LTD, in Sutton and Kimble counties for the Big Hill-to-Kendall transmission line and to pay the landowner a purchase price not to exceed the amount discussed in executive session. The motion was unanimously approved by a vote of 14 to 0.

11-42 Vice Chair Klein moved, seconded by Director Martine, that the Board authorize the chief executive officer or her designee to acquire an electric transmission line easement from McRae Energy Corp. and Bank of the Hills, a branch of Sterling Bank, for the Rim Rock-to-Jack Furman transmission line and to pay the landowner a purchase price not to exceed the amount discussed in executive session. The motion was unanimously approved by a vote of 14 to 0.

There being no further business to come before the Board, the meeting was adjourned at approximately 1:47 p.m.

John W. Rubottom, Secretary
LCRA Transmission Services Corporation