

LCRA Transmission Services Corporation

Board Agenda

Wednesday, January 19, 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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- 2. LCRA Transmission Services Corporation FY 2011 Business Plan Second Quarter Update..... 5

Consent Item

- 3. Minutes of Prior Meeting..... 7

Topic

- 4. Capital Improvement Project Approval - Big Hill (McCamey D) Substation Addition 11

LCRA Transmission Services Corporation

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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.

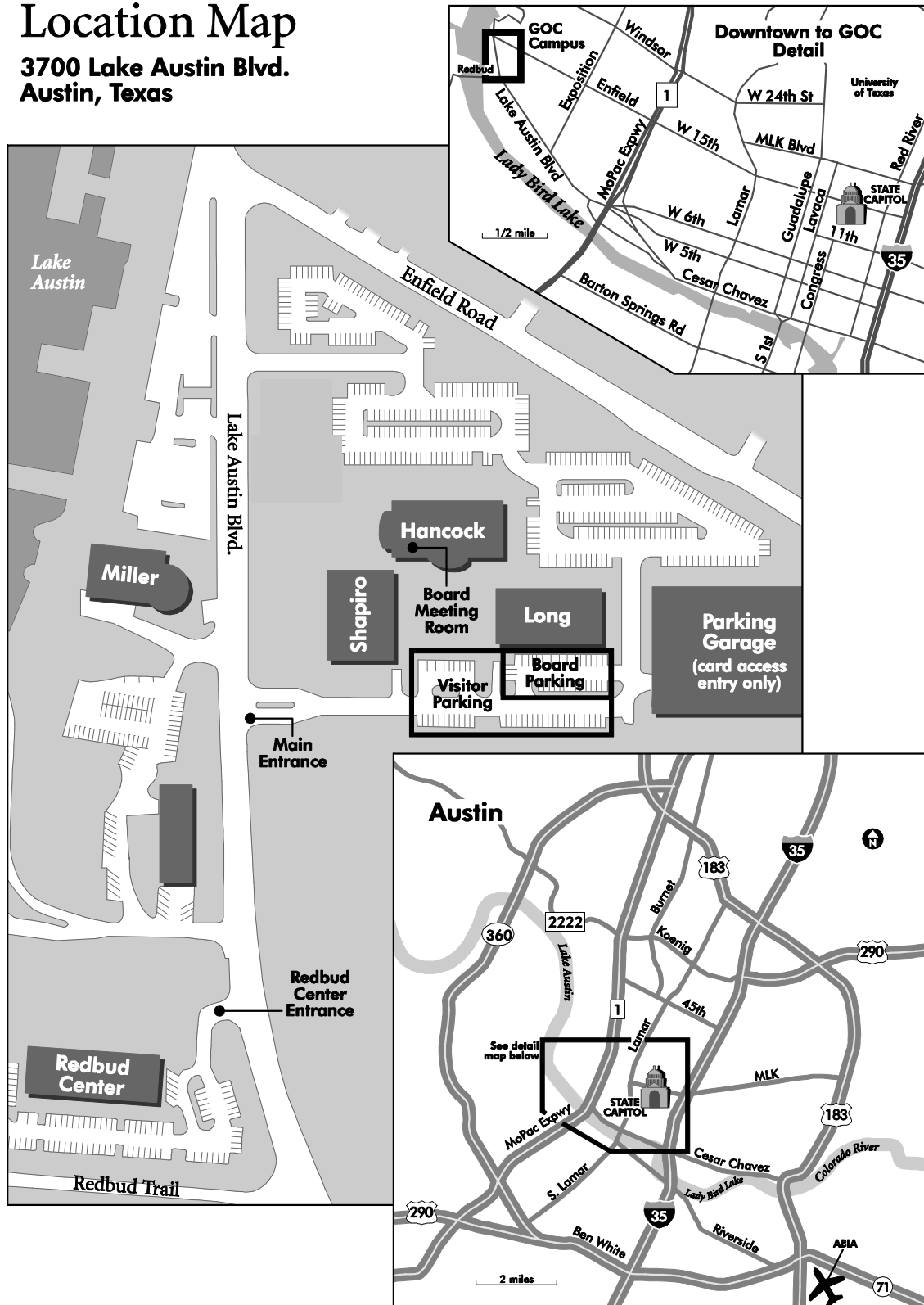
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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 Second Quarter Update**

Board Consideration

This update is presented quarterly to the Board for discussion.

Summary

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

Presenter(s)

Jim Travis
Treasurer

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FOR CONSENT

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Dec. 15, 2010, 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 Dec. 15, 2010, meeting

EXHIBIT A

Minutes Digest
December 15, 2010

- 10-38 Approval of the minutes of the November 17, 2010, meeting.
- 10-39 Approval of the Capital Improvement Project Authorization Request for the Elroy Substation Addition Project.
- 10-40 Approval of a revised motion adopting a resolution authorizing the chief executive officer or his designee to negotiate and acquire all necessary land and land rights by purchase or condemnation for an electric substation expansion in Kerr County.
- 10-41 Adoption of a resolution authorizing the chief executive officer or his designee to negotiate and acquire all necessary land and land rights by purchase or condemnation for electric transmission line easement amendments in Mason County.
- 10-42 Authorization for the chief executive officer or his designee to acquire an electric transmission line easement in Travis County for the Clear Springs-to-TXU Electric Delivery Salado Transmission Line Addition Project and to pay the negotiated purchase price for the easement as discussed in executive session; and further authorization for the chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
December 15, 2010

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 11:03 a.m. on Wednesday, December 15, 2010, 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:

Klein
Timmerman
Balas
Berger
Carter
Dickerson
Martine
McCasland
McHenry
Raun
Schrader
Scott
Spears
Wallace
White

Chair Klein convened the meeting at 11:03 a.m. Chief Operating Officer Ross Phillips gave an update on LCRA TSC operations and activities, including a report related to the recent pole failure on the Clear Springs-to-Hutto transmission line and a proposal for decision expected in the McCamey D-to-Kendall-to-Gillespie Competitive Renewable Energy Zone transmission line project pending before the Public Utility Commission of Texas.

Chief Financial Officer Brady Edwards presented the financial report for November 2010.

10-38 Upon motion by Director Raun, seconded by Director Balas, the Board, by a vote of 15 to 0, unanimously approved the minutes of the November 17, 2010, meeting [Consent Item 2].

10-39 Ross Phillips 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 Elroy Substation Addition Project. Upon motion by Vice Chair Timmerman, seconded by Director Scott, the recommendation was unanimously approved by a vote of 15 to 0.

10-40 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], and asked the Board to approve a revised motion adopting a resolution authorizing the chief executive officer or his designee to negotiate and acquire all necessary land and land rights by purchase or condemnation for an electric substation expansion in Kerr County. Upon motion by Director Dickerson, seconded by Director McHenry, staff's recommendation as revised was unanimously approved by a vote of 15 to 0.

10-41 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board adopt a resolution authorizing the chief executive officer or his designee to negotiate and acquire all necessary land and land rights by purchase or condemnation for electric transmission line easement amendments in Mason County. Phillips noted a change to Exhibit C - landowner list to reflect the deletion of Parcel 22 (First Mason II, Ltd.). Upon motion by Director McHenry, seconded by Director Scott, staff's recommendation (including revised Exhibit C) was unanimously approved by a vote of 14 to 0 [Director Spears was absent for voting on this item.].

Chair Klein declared the meeting to be in executive session at 11:34 a.m., pursuant to sections 551.071 and 551.072 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Klein declared the meeting to be in public session at 11:40 a.m.

10-42 Upon motion by Director Balas, seconded by Director McHenry, the Board, by a vote of 15 to 0, unanimously authorized the chief executive officer or his designee to acquire an electric transmission line easement in Travis County for the Clear Springs-to-TXU Electric Delivery Salado Transmission Line Addition Project and to pay the negotiated purchase price for the easement as discussed in executive session; and further authorized the chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.

There being no further business to come before the Board, the meeting was adjourned at 11:41 a.m.

John W. Rubottom, Secretary
LCRA Transmission Services Corporation

FOR ACTION

4. Capital Improvement Project Approval - Big Hill (McCamey D) Substation Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Big Hill (McCamey D) Substation Addition project.

Board Consideration

LCRA Transmission Services Corporation (LCRA TSC) Board Policy T304 - Financial Planning Policy requires Board approval of any project not included in the annual capital plan or any previously approved project that is expected to exceed its lifetime budget by 10 percent and \$300,000.

Budget Status and Fiscal Impact

- Project is included in FY 2009-2013 LCRA TSC Capital Plan Addendum.
- Approval is sought to increase the total lifetime budget from \$18.93 million to \$28.36 million with \$2.457 million to be spent in the current fiscal year.
- The proposed lifetime budget for this project includes a contingency of 2 percent.
- Staff believes that this change in spending can be managed within the amended FY 2011 capital budget and is not currently requesting additional fiscal year capital budget authorization.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission (PUC).

Summary

The Big Hill (McCamey D) Substation Addition project was one of 10 Competitive Renewable Energy Zones (CREZ) projects approved as an addendum to the FY 2009-2013 LCRA TSC Capital Plan. This project was designated as a priority project by the PUC to immediately improve transmission reliability and to reduce existing transmission congestion issues in the Electric Reliability Council of Texas (ERCOT) system. This project will construct a new 345-kilovolt (kV) substation. The current LCRA TSC Capital Plan budget was prepared in October 2008 based on a high-level scope and historical project costs for new 345-kV substations. The recent completion of the ERCOT CREZ Reactive Study, ERCOT's issuance of CREZ Facility Protection and Control Requirements, refinement of grounding requirements due to soil conditions at the site, and the final requirements of the interconnect agreement with Electric Transmission Texas, LLC (ETT) have increased the total estimated cost for this project. Additional funding for the project is required as follows:

1. ERCOT requirement for additional equipment to improve system performance \$5.994 million;
2. Install a more extensive station grounding grid \$798,000;
3. Requirements associated with the ETT generation interconnection \$1.753 million; and
4. Increase in capitalized interest and general and administrative \$884,400.

Although the costs associated with this project are higher than the original estimate, based upon further review by the LCRA Transmission Services System Planning Department, it is still the best solution to address recent additional ERCOT requirements as well as future interconnections arrangements with ETT. The project is scheduled for completion by December 2013. This project includes the purchase of land and land rights. Environmental and cultural due diligence studies will be performed by LCRA staff and all identified concerns will be addressed. A Certificate of Convenience and Necessity is not required for this project.

Project Recap

Total Project Estimated Cost:		<u>\$28,360,000</u>
Previous Project Lifetime Budget:		\$18,930,000
(Additional) Lifetime Budget Approval Sought:		<u>\$ 9,430,000</u>
FY 2011	\$ 2,457,000	
FY 2012	\$12,623,000	
FY 2013	\$12,970,000	
FY 2014	\$ 42,000	
Total:		<u>\$28,360,000</u>

Project Direction

Project Manager: Jerry B. Insall
Project Sponsor: Brad Woods
Project Number: 1010446

Presenter(s)

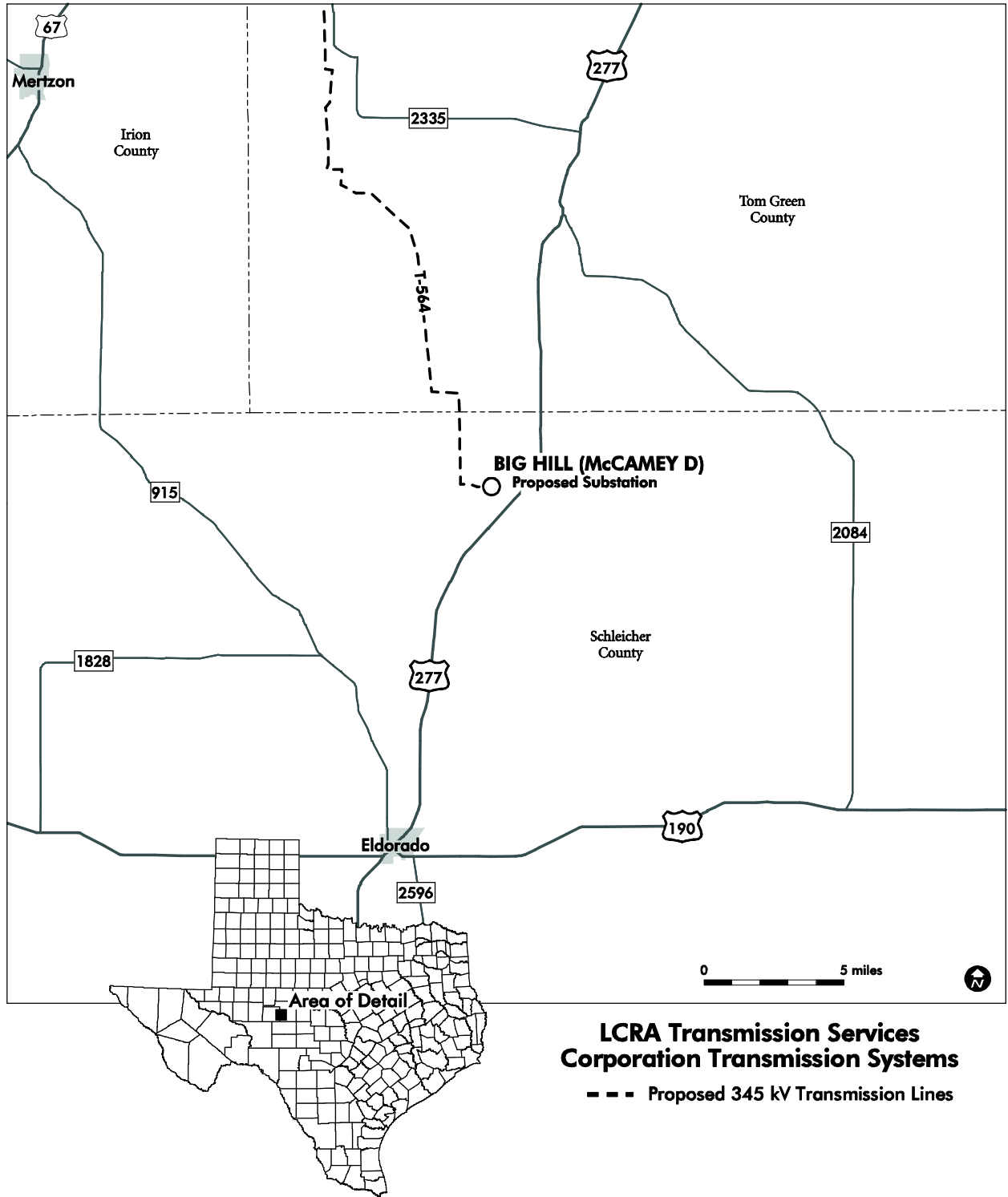
Ross Philips
Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - Big Hill (McCamey D) Substation Addition

EXHIBIT A

Big Hill (McCamey D) Substation Addition



LCRA Transmission Services Corporation

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 867 transmission orders in October, 620 transmission orders in November, and 565 transmission orders in December. 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 30 percent in October, 8.3 percent in November, and 0.0 percent in December.

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 2.71 in October, 6.43 in November, and 2.03 in December. 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 0.00 minutes for transmission and 0.00 minutes for transformation in October, 0.65 minutes for transmission and 1.11 minutes for transformation in November, and 0.00 minutes for transmission and 0.44 minutes for transformation in December.

The following table shows the past six months of history.

Index	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Six Month Average
Transmission Orders	663	811	710	867	620	565	706
PRS percent misoperations (misoperations/ total operations)	6.5%	3.7%	7.7%	30.0%	8.3%	0.0%	9.4%
LFI (faults/100 miles of line)	6.43	6.76	3.04	2.71	6.43	2.03	4.57
SAIDI - Transmission	0.00	1.60	1.69	0.00	0.65	0.00	0.66
- Transformation	0.68	0.00	0.00	0.00	1.11	0.44	0.37
- Total (average minutes/customer)	0.68	1.60	1.69	0.00	1.77	0.44	1.03

System Availability at the end of Q2 for FY 2011: 99.998%

Outages Due to Events Originating at LCRA TSC Facilities

Acronyms

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

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
11/03/10 14:15	Yorktown	AEP GVEC	Foreign Interference	Transmission	39 minutes
11/16/10 09:37	Pittsburg	City of Llano	Human Error	Transmission	36 minutes
11/27/10 10:46	Harwood	City of Gonzales	Sub Equipment Failure	Transformation	1 hour and 57 minutes

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

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
11/02/2010 05:12	Mustang Island	AEP	Weather	Transmission	1 hour and 56 minutes
	North Padre	AEP	Weather	Transmission	2 hours and 11 minutes
12/02/10 20:16	Sheridan	SBEC	Sub Equipment Failure	Transformation	1 hour and 17 minutes
12/18/2010 06:49	Red Rock	BBEC	Human Error	Transformation	46 minutes
12/28/2010 11:14	Hext	Sharyland Utilities	Line Equipment Failure	Transmission	1 hour and 10 minutes

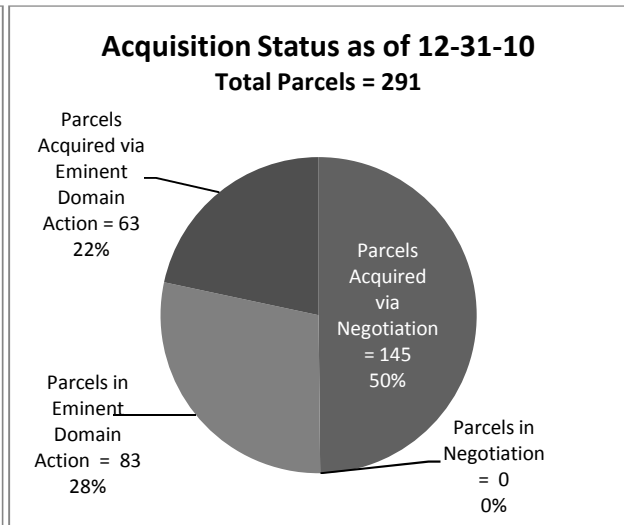
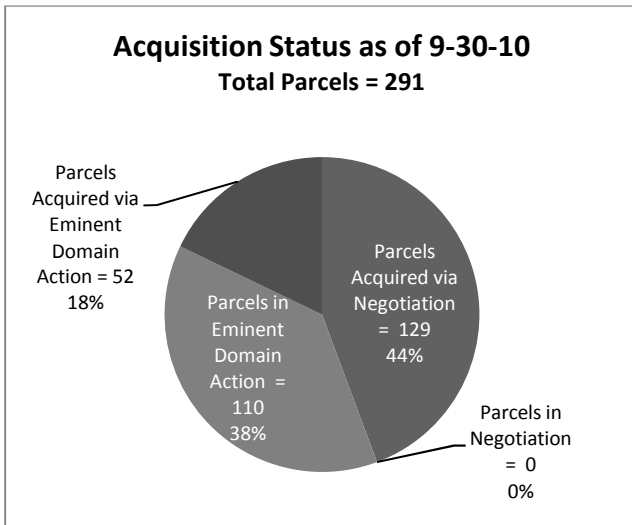
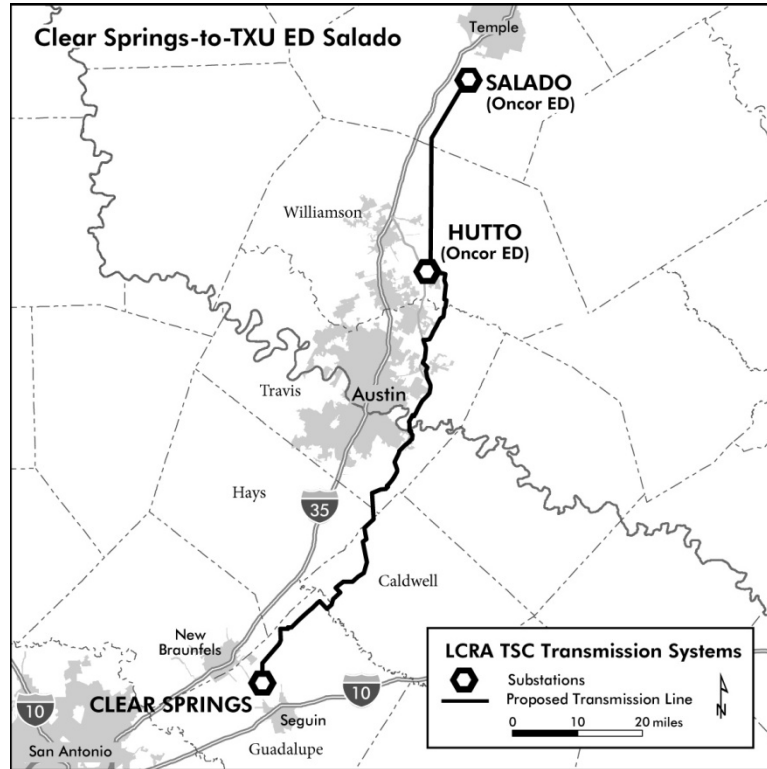
Real Estate Services

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

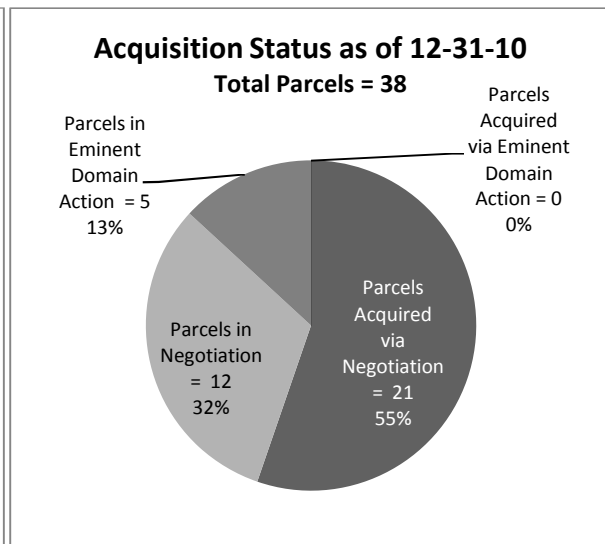
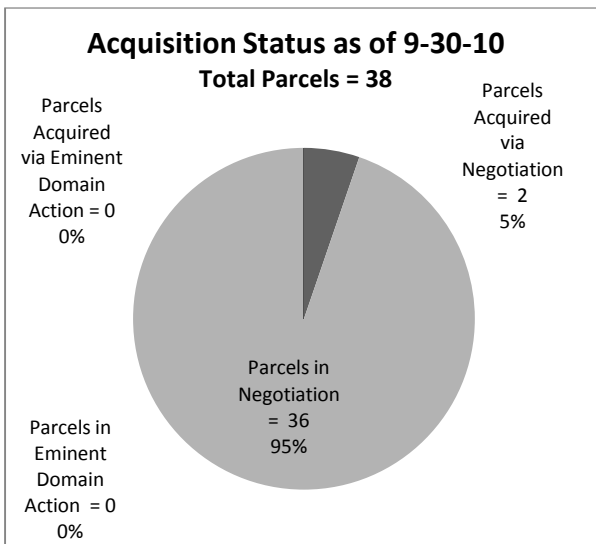
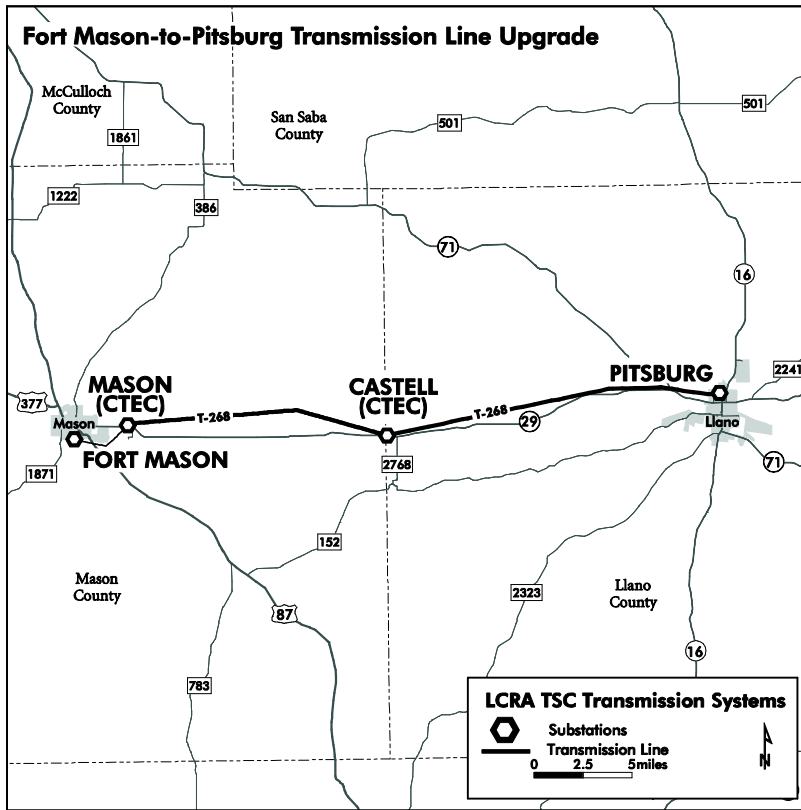
To support LCRA TSC projects, LCRA’s Real Estate Services staff acquires property rights necessary to construct, operate, and maintain transmission line and substation facilities. The acquisition process includes these steps:

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.

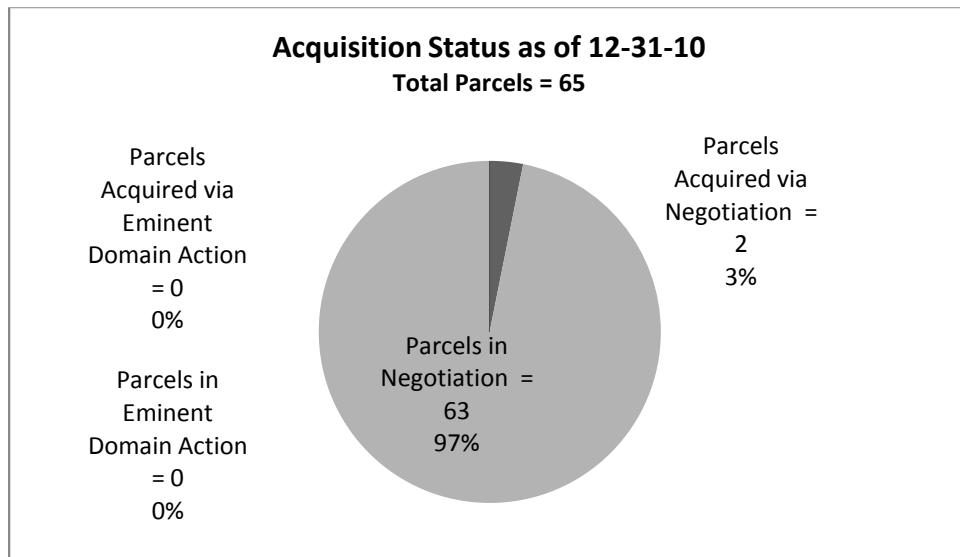
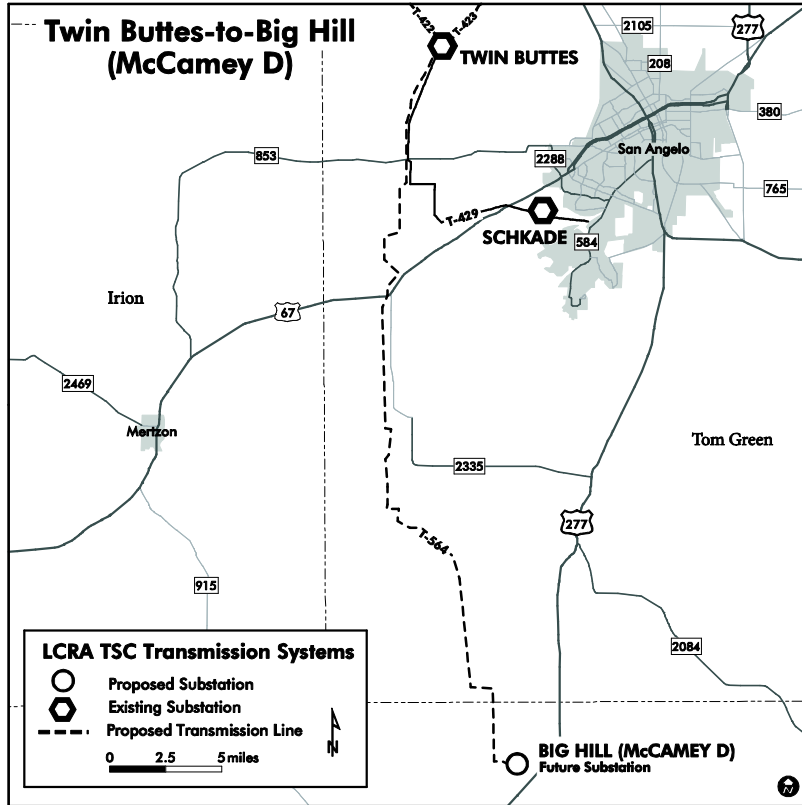
Real Estate Services is in the process of acquiring land rights by purchase or condemnation for the following projects:



Parcels in Eminent Domain Action (Includes 83 Possession and Use agreements Signed)	83
Eminent Domain Hearings Scheduled	14
Eminent Domain Hearings Completed	51
Eminent Domain Cases Settled Prior to Hearing	55



Parcels in Eminent Domain Action (Includes 0 Possession and Use agreements Signed)	5
Eminent Domain Hearings Scheduled	0
Eminent Domain Hearings Completed	0
Eminent Domain Cases Settled Prior to Hearing	0



Parcels in Eminent Domain Action (Includes 0 Possession and Use agreements Signed)	0
Eminent Domain Hearings Scheduled	0
Eminent Domain Hearings Completed	0
Eminent Domain Cases Settled Prior to Hearing	0

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