

LCRA Transmission Services Corporation

Board Agenda

Wednesday, June 15, 2011
LCRA Board Room
Austin

Items from the Chief Executive Officer

Chief Operating Officer’s Update

Item from the Chief Financial Officer

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Consent Item

- 2. Minutes of Prior Meeting..... 5

Topics

- 3. Capital Improvement Project Approval - Rim Rock-to-Jack Furman Transmission
Line Addition 9
- 4. Acquisition of Land in Gillespie County 12

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.

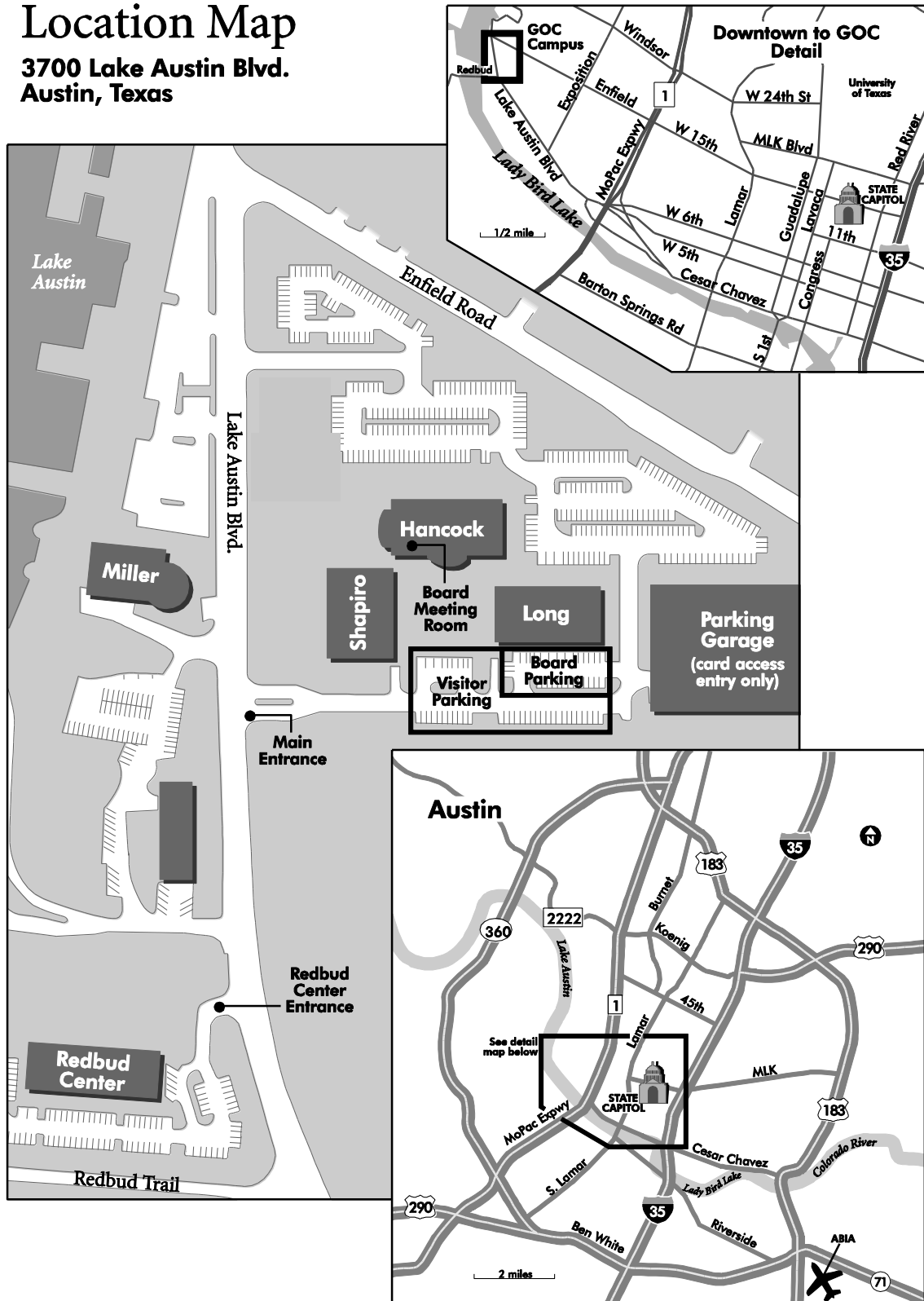
Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA's outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC's Business Plan and of the sale or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

2. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the May 18, 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 May 18, 2011, meeting

EXHIBIT A

Minutes Digest
May 18, 2011

- 11-16 Approval of the minutes of the April 20, 2011, meeting.
- 11-17 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 easements, access easements, temporary construction easements, and temporary access easements in Tom Green and Schleicher counties for the Twin Buttes-to-Big Hill Transmission Line Addition Project.
- 11-18 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 an electric substation and access easement in Ector County for the Pleasant Farms Substation Addition Project.
- 11-19 Declaration of an approximate 0.087-acre tract of land in Kerr County as “nonessential” and authorization for the chief executive officer or his designee to convey by subdivision plat, this land as public street right-of-way in the city of Kerrville.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION

Austin, Texas
May 18, 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 11:39 a.m. on Wednesday, May 18, 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
Arbuckle
Balas
Berger
Franklin
Johnson
Martine
McCasland
McHenry
Schrader
Spears
Wallace

Absent: Dickerson
White

Chair Timmerman convened the meeting at 11:39 a.m. Chief Operating Officer Ross Phillips gave an update on transmission outages caused by the recent storms. Phillips responded to questions from Board members related to the Clear Springs-to-Hutto transmission line pole replacement, and said staff would provide a comprehensive report to the Board on this issue in June.

General Counsel John Rubottom gave a brief update on the appeal of the Public Utility Commission of Texas' (PUC) decision in the Big Hill (McCamey D)-to-Kendall Competitive Renewable Energy Zone transmission line project, filed at the District Court of Travis County by the City of Kerrville, City of Junction, and Kerrville Public Utility Board. Rubottom noted that some affected parties have intervened in support of the PUC's decision on the project and a hearing on the merits of the appeal is scheduled for the first week in August.

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

11-16 Upon motion by Director McHenry, seconded by Director Berger, the Board, by a vote of 13 to 0, unanimously approved the minutes of the April 20, 2011, meeting [Consent Item 2].

11-17 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], 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 easements, access easements, temporary construction easements, and temporary access easements in Tom Green and Schleicher counties. Upon motion by Director Balas, seconded by Director McHenry, the recommendation was unanimously approved by a vote of 13 to 0.

11-18 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], 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 an electric substation and access easement in Ector County. Upon motion by Director Wallace, seconded by Director Berger, the recommendation was unanimously approved by a vote of 13 to 0.

11-19 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board declare an approximate 0.087-acre tract of land in Kerr County as “non-essential” (no longer necessary, convenient or of beneficial use to the business of LCRA TSC) and authorize the chief executive officer or his designee to convey by subdivision plat, this land as public street right-of-way in the city of Kerrville. Upon motion by Director Wallace, seconded by Director Martine, 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 approximately 11:54 a.m.

John W. Rubottom, Secretary
LCRA Transmission Services Corporation

FOR ACTION

3. Capital Improvement Project Approval - Rim Rock-to-Jack Furman Transmission Line Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Rim Rock-to-Jack Furman Transmission Line 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

- The project was originally approved by the LCRA TSC Board of Directors in the FY 2003 Capital Plan and amended in April 2009. The project was completed in FY 2010, and project costs are currently included in LCRA TSC's regulated transmission services rates.
- The project has continued to incur costs after being placed in service, and project spending is now expected to exceed the established lifetime budget by more than 10 percent and \$300,000. Additional project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.
- Approval is sought to increase the total lifetime budget from \$18,031,000 to \$24,032,000 with \$4,381,000 to be spent in FY 2012.
- Currently, staff believes that this additional spending can be managed within the existing FY 2012 capital budget and is not requesting additional fiscal year capital budget authorization. FY 2012 capital spending will be monitored throughout the fiscal year to ensure compliance with the \$234,548,000 limit established by the LCRA TSC Board in the FY 2012 Capital Plan.
- The chief operating officer will release funds as needed.

Summary

The Rim Rock-to-Jack Furman Transmission Line Addition project was recommended in the FY 2003-2012 Transmission System Improvements Plan and placed in service in January 2010. This project addressed transmission reliability issues for the Kerrville Public Utility Board and Central Texas Electric Cooperative. The project constructed a new 6.5 mile transmission line between the Rim Rock substation and the new Jack Furman substation.

The current lifetime budget was developed and approved in April 2009 before the transmission line right-of-way acquisitions were complete and construction activities had begun. The number of easements acquired through eminent domain and the acquisition costs in excess of LCRA TSC's appraised value were higher than normal on this project.

LCRA TSC began negotiations to acquire 27 transmission line easements in December 2008 using market values determined by a third party appraiser. Agreements were reached with 12 landowners who signed the easements and were paid the negotiated value. Agreements were not reached with 15 landowners, and LCRA TSC acquired those easements through eminent domain.

The first eminent domain hearing took place in April 2009 and hearings continued until September 2009. All 15 of the special commissioner’s awards from these hearings were appealed. The appeal process can ultimately result in a jury trial in county or district court and may take several years to complete. LCRA TSC reached a negotiated settlement with nine of those 15 and six cases remain under appeal.

Additional funding for the project is required as follows:

1. The project cost for the purchase of land rights could increase by as much as \$6,220,000, pending the outcome of future negotiations and appeals process. This represents:
 - a. increased costs associated with landowner settlements and special commissioner’s awards that have already occurred (\$2,209,000);
 - b. the maximum amount expected by the six land owners that could be awarded in the remaining appeals (\$3,326,000);
 - c. the LCRA real estate and legal costs associated with these appeals (\$685,000).
2. The project costs for general administrative and capitalized interest costs decreased by \$219,000, due primarily to lower than expected amounts of interest incurred during construction.

Project Recap

Total Project Estimated Cost:	<u>\$24,032,000</u>
Previous Project Lifetime Budget:	\$18,031,000
Additional Lifetime Budget Approval Sought:	<u>\$ 6,001,000</u>
Fiscal Year Budget Impact:	
Prior FYs	\$ 19,120,000
FY 2011	\$ 531,000
FY 2012	\$ 4,381,000
 Total:	 <u>\$24,032,000</u>

Project Direction

Project Manager: Scotta Ann Brooks
 Project Sponsor: Brad Woods
 Project Number: 1002912

Presenter(s)

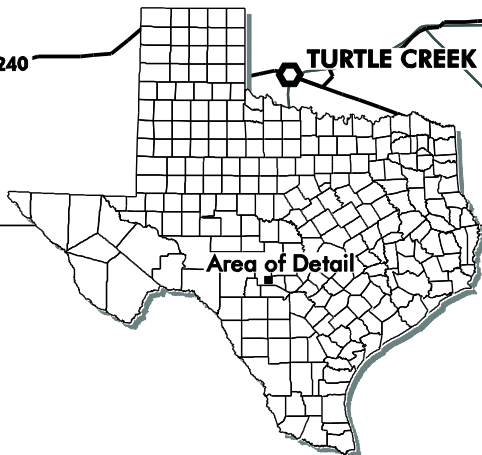
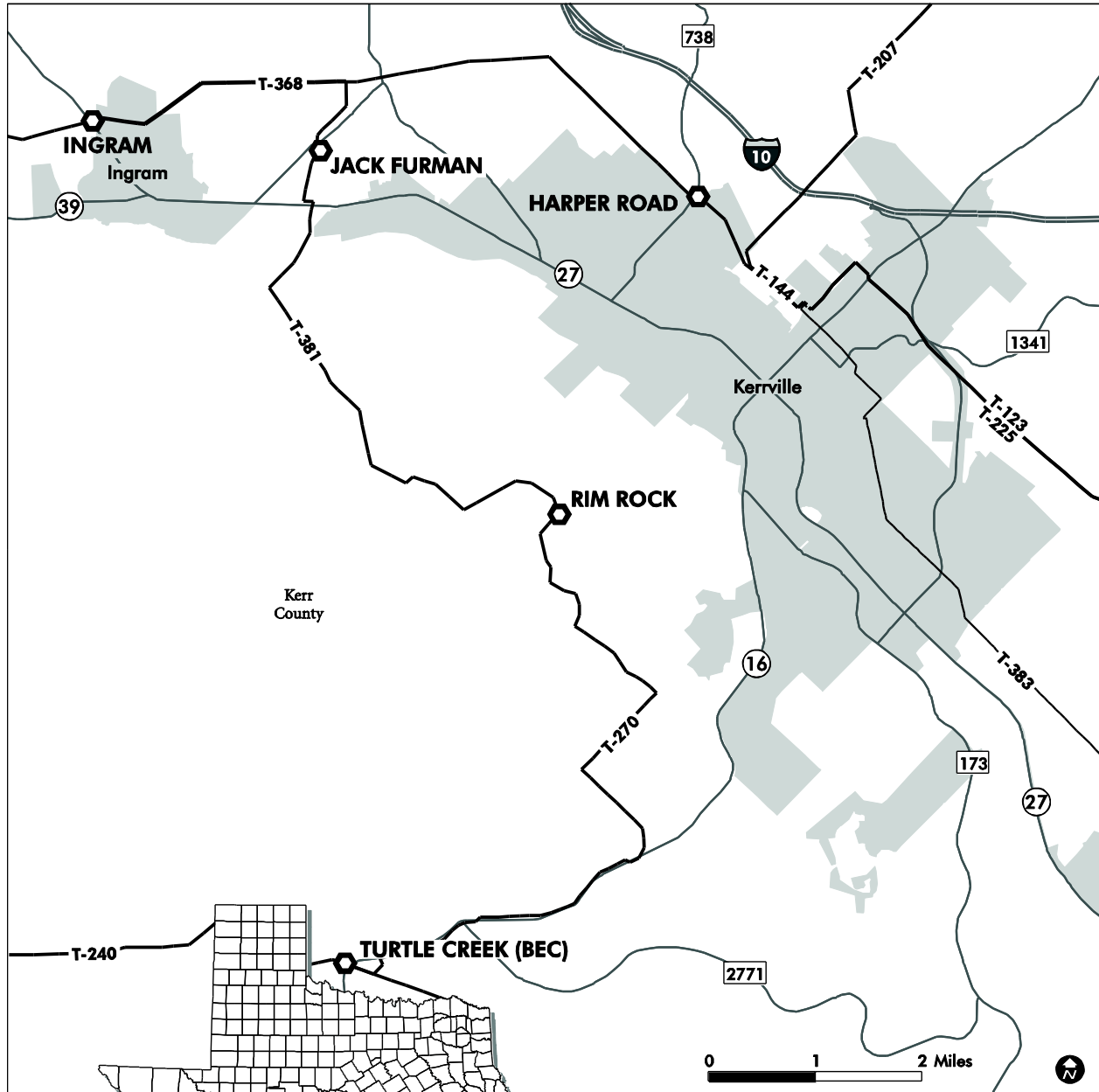
Ross Phillips
 Vice President and Chief Operating Officer




Exhibit(s)

A - Location Map - Rim Rock-to-Jack Furman Transmission Line Addition

EXHIBIT A

Rim Rock-to-Jack Furman Transmission Line Addition



- LCRA Transmission Services Corporation Transmission Systems**
-  Substations
 -  69 kV Transmission Lines
 -  138 kV Transmission Lines

FOR ACTION

4. Acquisition of Land in Gillespie County

Proposed Motion

Adopt the attached resolution authorizing the chief executive officer or his designee to acquire all necessary land by condemnation for an electric substation in Gillespie County.

Board Consideration

LCRA Transmission Services Corporation (LCRA TSC) Board Policy T401 - Land Resources requires Board authorization for the initiation of a condemnation proceeding.

Budget Status and Fiscal Impact

The funding and administrative costs associated with the Hollmig Substation Addition project were approved by the LCRA TSC Board in the FY 2010 Capital Plan.

Summary

LCRA TSC along with Central Texas Electric Cooperative (CTEC) identified a need for a new substation in the Fredericksburg area to meet the growing demands for electricity and to serve the customers of CTEC.

An independent appraisal was performed by Bierschwale Land Company, LLC, Paul Bierschwale, Manager, to determine just compensation for the land in Gillespie County. The City of Fredericksburg owns the parcel described in Exhibits B and C.

Board authorization is sought to proceed with condemnation to acquire the necessary substation site consistent with Fredericksburg City Council action. 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 for this project is not required.

Staff requests that the Board adopt the resolution in Exhibit D authorizing acquisition by condemnation.

Presenter(s)

Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

A - Vicinity Map
B - Site Map
C - Landowner List
D - Resolution

EXHIBIT A

Hollmig Substation Addition

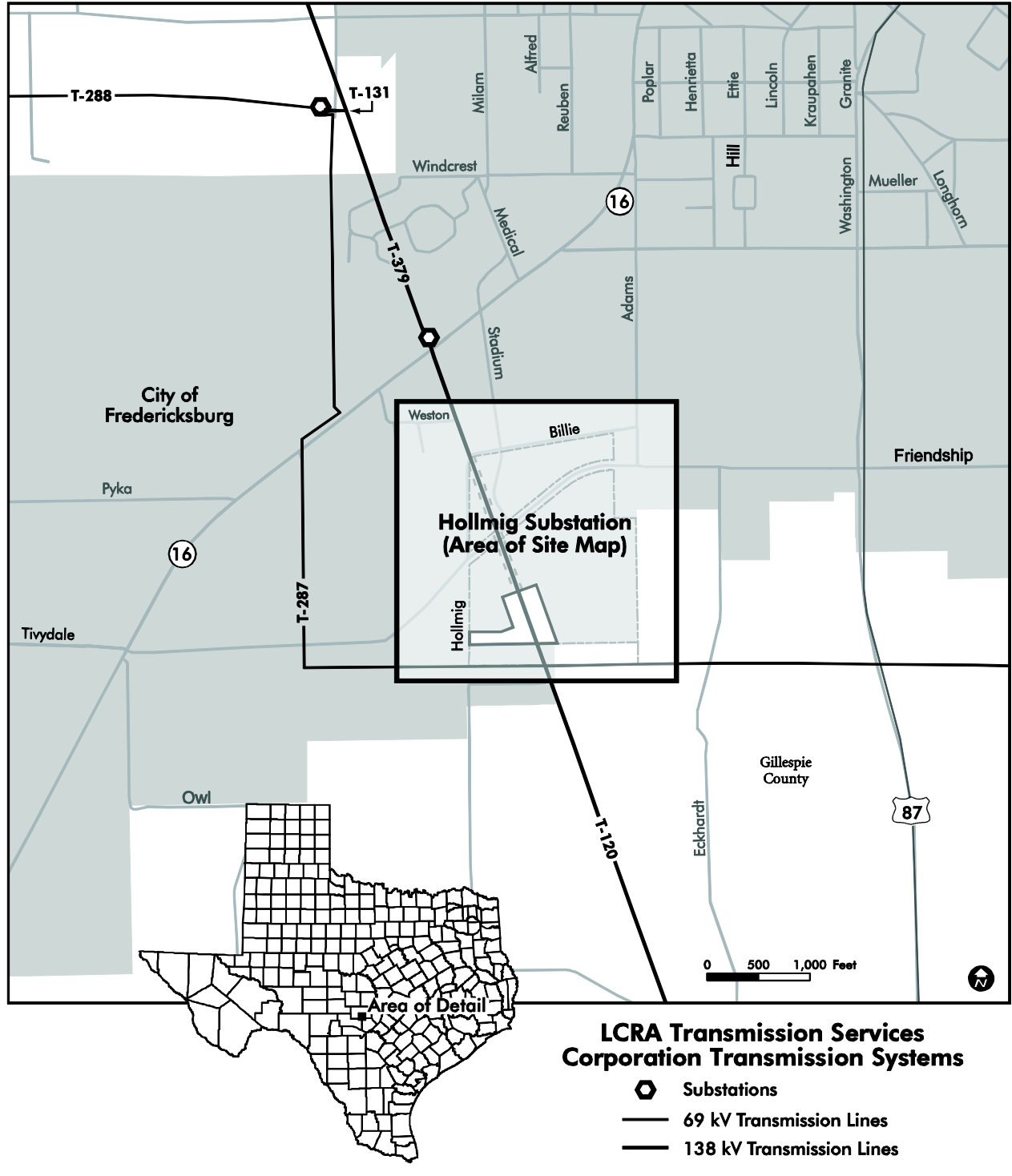


EXHIBIT B

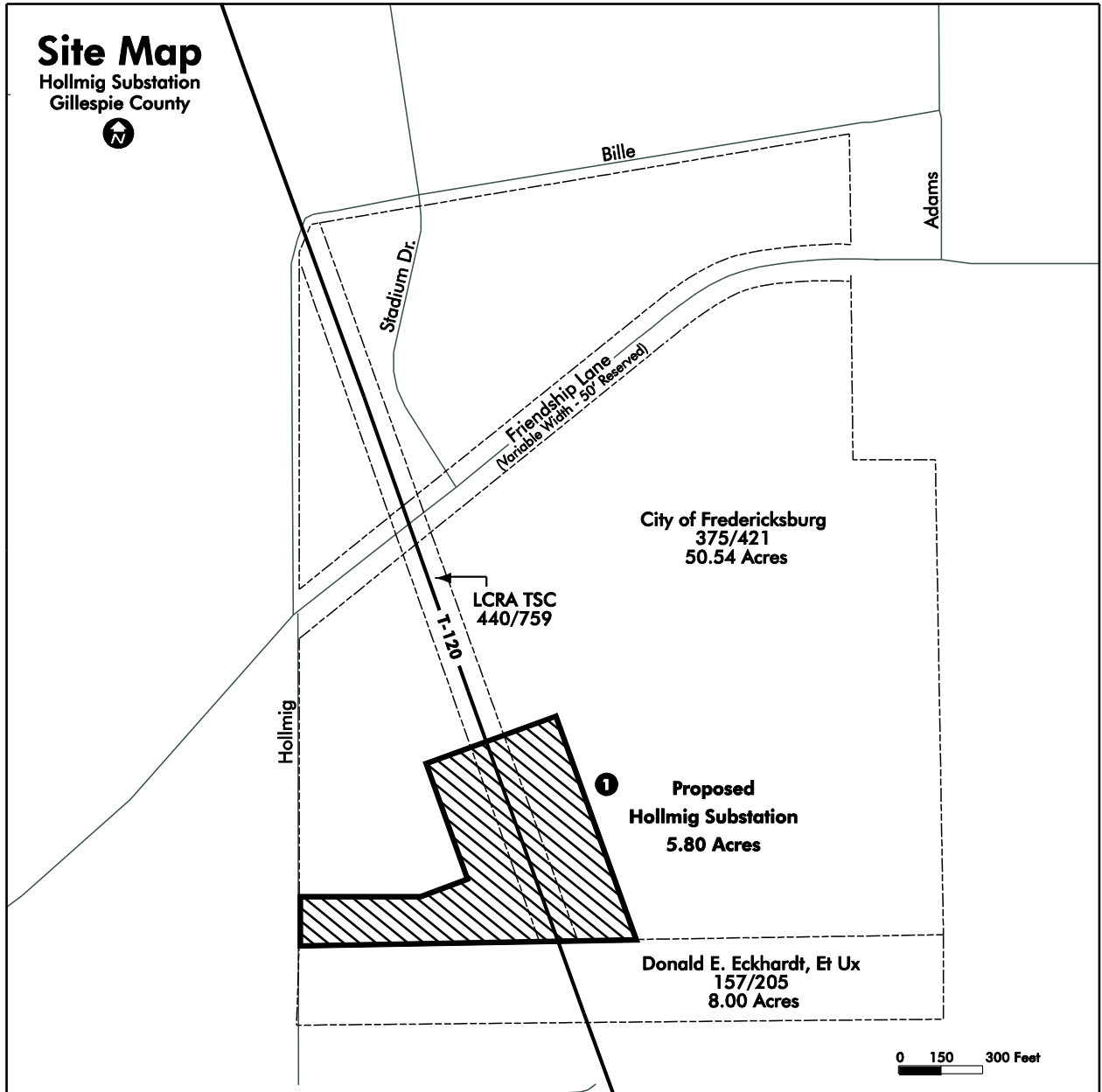


EXHIBIT C

Parcel Number	Landowner Name	Parent Tract Acreage	Land Rights	Approx. Acreage	County	Appraised Value
1	City of Fredericksburg	50.54	Fee Simple	5.80	Gillespie	\$505,000
					TOTAL	\$505,000

EXHIBIT D

RESOLUTION AUTHORIZING ACQUISITION OF LAND BY CONDEMNATION IN GILLESPIE COUNTY FOR AN ELECTRIC SUBSTATION

WHEREAS, the LCRA Transmission Services Corporation has determined the need to acquire the land necessary for the construction, installation and operation of an electric substation in Gillespie County; and

WHEREAS, an independent, professional appraisal report of the subject property has been submitted to the LCRA Transmission Services Corporation, and an amount has been established to be just compensation for the property rights to be acquired;

NOW, THEREFORE, BE IT RESOLVED that the public convenience and necessity requires the acquisition of property for the said electric substation; that the public necessity requires the condemnation of the property in order to acquire it for such purposes; that LCRA Transmission Services Corporation does not intend to acquire rights to groundwater or surface water in the property; and that LCRA Transmission Services Corporation having previously transmitted an official written offer, based on the amount determined to be just compensation to the landowner, the chief executive officer, or his designee, is authorized and directed to institute proceedings in eminent domain against the owner of the property, and against all other owners, lienholders and other holders of an interest in the property, in order to acquire the property rights, and that this resolution take effect immediately from and after its passage;

FURTHER RESOLVED that the chief executive officer or his designee is hereby authorized to do all things necessary and proper to carry out the intent and purpose of this resolution, including determination and negotiation of the property rights that are proper and convenient for operation of the electric substation.