

LCRA Transmission Services Corporation

Board Agenda

Wednesday, March 23, 2011

LCRA Board Room

Item from the Chair

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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.

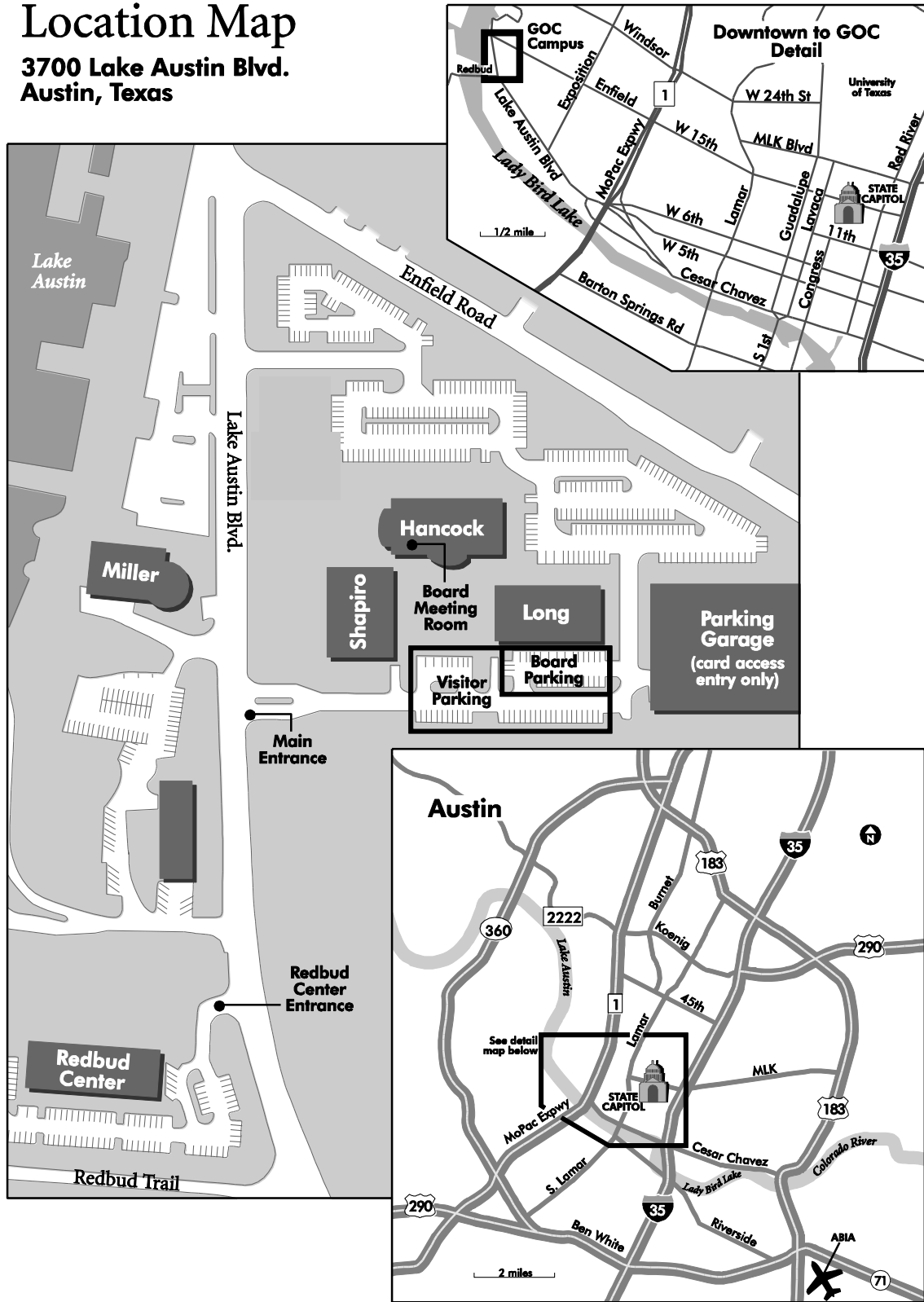
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services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

1. Revised LCRA Transmission Services Corporation Board Policy T601 - Transmission and Transformation Service Policy

Proposed Motion

Approve revisions to LCRA Transmission Services Corporation (LCRA TSC) Board Policy T601 - Transmission and Transformation Service Policy as attached in Exhibit A.

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 to provide for a higher level and more strategically-directed set of policies for the Board. Staff reviewed this policy at the Planning and Public Policy Committee meeting earlier this month.

The proposed revisions to LCRA TSC Board Policy T601, now entitled “Wholesale Electric Service Policy,” reflect changes to clarify that the policy relates to providing wholesale electric services in accordance with state and national obligatory requirements, add guiding principles and include relevant definitions. The proposed revisions also reflect the removal of process and procedural details that are more appropriately contained in internal transmission procedures.

The Association of Wholesale Customers Transmission Planning Committee was provided an opportunity to comment and give input on proposed revisions to the policy. The committee had no substantive changes.

Presenter(s)

Timothy Timmerman
LCRA TSC Board Chair

John Rubottom
General Counsel

Exhibit(s)

- A - Proposed Revised LCRA TSC Board Policy T601 - Transmission and Transformation Service Policy (now entitled “Wholesale Electric Service Policy”)
- B - Clean Version of Proposed Revised LCRA TSC Board Policy T601 - Transmission and Transformation Service Policy (now entitled “Wholesale Electric Service Policy”)

EXHIBIT A

LCRA TRANSMISSION SERVICES CORPORATION

BOARD POLICY

T601 - ~~WHOLESALE ELECTRIC TRANSMISSION AND TRANSFORMATION SERVICE~~ POLICY

~~December 18, 2002~~ March 23, 2011

T601.10 PURPOSE

The purpose of this policy is to ~~outline the Corporation's policy~~ provide direction to LCRA TSC in for providing ~~transmission and transformation~~ wholesale electric services within the State of Texas.

T601.20 DEFINITIONS

~~Area of Planning Responsibility—The term "Area of Planning Responsibility" means the geographic area served directly or indirectly by the Lower Colorado River Authority on January 1, 1975.~~

~~Customer – Any customer of LCRA TSCransmission Services Corporation, including transmission service providers, distribution service providers, river authorities, municipally-owned utilities, electric cooperatives, power generation companies, retail electric providers, federal power marketing agencies, exempt wholesale generators, qualifying facilities, power marketers, or other person whom the PUCT has determined to be eligible to be a transmission service customer. The term "customer" means the customers of the LCRA Transmission Services Corporation (the Corporation), consisting primarily of load entities, generation entities, and transmission and distribution service providers within the State of Texas.~~

~~Direct Connect Customer—The term "Direct Connect Customer" (DCC) means a Customer within the geographic territory served by the Lower Colorado River Authority on January 1, 1975, whose distribution system is directly connected to transmission or transformation facilities owned or operated by the Corporation. The systems of the Corporation and the DCC's have been cooperatively planned and operated pursuant to historical arrangements.~~

ERCOT – Electric Reliability Council of Texas.

~~Line Extension—The term "line extension" means the addition of transmission lines and/or substations to provide one or more of the following types of transmission service:~~

- ~~1. Service to a requesting customer, including a load interconnection requested by a load entity; and generation interconnections requested by a generation entity.~~
- ~~2. Service to address reliability concerns associated with area load growth.~~

3. ~~Service to relieve ERCOT identified transmission constraints.~~
4. ~~Delivery of wholesale electricity at distribution voltages.~~

~~Planning Criteria—The term "planning criteria" means the guidelines by which the transmission and transformation systems are planned, and consist of the impacted customer's planning criteria, the Corporation's planning criteria, and the regional planning criteria (i.e. ERCOT, Southwest Power Pool, etc.).~~

Metering Facilities - Facilities planned, designed, constructed and/or operated necessary to meter the amount of energy delivered.

NERC – North American Electric Reliability Corporation

PUCT – Public Utility Commission of Texas.

~~Transformation Service Facilities— The term "transformation service" means the facilities planned, designed, constructed and/or operated at voltage levels below 60 kilovolts necessary to deliver wholesale power to distribution voltages.~~

~~Transmission Service Facilities – The term "transmission service" means the facilities planned, designed, constructed and/or operated at voltage levels above 60 kilovolts which are necessary to allow economical and efficient utilization of generation resources to reliably serve loads.~~

~~Transmission System Improvements Plan—The term "Transmission System Improvements Plan" (TSIP) means the annual long range plans developed by the Corporation, which identify system improvements required over the next five year period.~~

~~Transmission System Planning Task Force—The term "Transmission System Planning Task Force" means a task force composed of Corporation representatives, the Association of Wholesale Customers (AWC) Power Supply and Transmission Planning Committee (PSTP), and designated representatives of DCC's. Each DCC may designate a representative.~~

~~Transformation System Upgrades—The term "transformation system upgrades" means the improvement and/or upgrade of existing transformation service facilities to provide the types of service specified above in the line extension definition.~~

~~Transmission System Upgrades—The term "transmission system upgrades" means the improvement and/or upgrade of existing transmission service facilities to provide the types of service specified above in the line extension definition.~~

Wholesale Electric Service - The provision of transmission, transformation and / or metering facilities to provide one or more of the following types of service to a Customer:

1. Service to a requesting Customer, including a load interconnection requested by a load-serving entity and a generation interconnection requested by a generation entity.
2. Service to improve electric system reliability.
3. Service to relieve ERCOT-identified transmission constraints.

4. Delivery of wholesale electricity at distribution voltages within a substation.
5. Service in response to a PUCT order or directive.

T601.30 POLICY

~~It is the policy of the Corporation to~~ LCRA TSC shall furnish nondiscriminatory wholesale electric ~~transmission~~ service and open access in accordance with PUCT rules, applicable Tariffs, and ERCOT requirements, applicable NERC Reliability Standards, and other LCRA TSC requirements. ~~Transmission or transformation additions or upgrades outside the Corporation's planning area of responsibility will be through contractual agreement with the transmission utility otherwise authorized to provide such service.~~

~~Transmission line extensions and transmission and/or transformation system upgrades will be developed through a cooperative process involving the customers and, where applicable, ERCOT.~~ In addition, LCRA TSC shall ensure the following:

1. Costs for wholesale electric service desired by a Customer in excess of that recommended by the applicable criteria will be the responsibility of the Customer.
2. LCRA TSC will require ~~Appropriate financial security is furnished when from a Customer requests when LCRA TSC is requested to provide wholesale electric service or modification to existing facilities.~~
3. Facilities LCRA TSC will be jointly constructed facilities with a Customer only if joint construction:
 - a) will result in significant economic and/or environmental benefits;
 - b) does not adversely impact transmission line construction, operation, or maintenance; and
 - c) is agreed upon by both LCRA TSC and the Customer
4. Project plans for the addition of Customer facilities that are to be included in the Transmission Facilities and Premises Lease shall be reviewed through a process that includes all Customers that have leased facilities.

~~T601.301 Corporation Responsibilities~~

~~The Corporation shall have the responsibility for the planning of transmission and transformation service within its planning area, and for participating in the ERCOT planning processes. The line extensions and transmission and transformation system upgrades required to meet the needs of the Corporation's customers shall be in accordance with the Corporation's Planning Criteria and/or the ERCOT Planning Criteria.~~

~~T601.302 Customer Responsibilities~~

~~A customer requesting transmission service, shall identify the transmission service project upgrade or line extension required with sufficient lead time to allow for, but not be limited to (1) approval by the Corporation's Board of Directors, (2) regulatory approval (if required), and (3) design and construction.~~

~~T601.303 Transmission Service Approval~~

~~Transmission service additions shall be considered for approval by the Corporation's Board of Directors.~~

~~T601.304 Requirements~~

~~Requirements for the quality and level of transmission service will be determined utilizing the appropriate planning criteria. All costs for transmission service desired by a customer in excess of that recommended by the planning criteria will be the responsibility of the customer.~~

~~T601.305 Joint Construction~~

~~The use of joint construction with another transmission utility or an electric customer shall occur in circumstances that:~~

- ~~1. Show significant economic and/or environmental benefits, and~~
- ~~2. Do not adversely impact transmission line construction, operation, or maintenance.~~
- ~~3. Are agreed upon by both the Corporation and the electric customer~~

~~T601.306 Transmission Line Capacity~~

~~Transmission lines will be installed with sufficient capacity to meet the anticipated needs of the system during a reasonable planning horizon and will provide future transmission capacity for system upgrades. The addition of transmission facilities to serve new points of service will be recommended based upon a comparative analysis of known options to ensure the most effective, economical and environmentally sound solution for serving the Corporation's customer.~~

~~T601.40 PROVISIONS FOR SERVICE TO DCC's~~

~~In addition to the above, the following shall apply for transmission and transformation service to DCC's.~~

~~T601.401 Corporation Responsibilities~~

~~The Corporation shall have the responsibility of planning the transmission facilities required to meet the needs of the Corporation's DCC's in accordance with the Corporation's Transmission Planning Criteria. The Corporation shall receive requests from the DCC's for new points of delivery or upgrades of facilities serving existing points of delivery and determine the optimum solution for meeting the DCC's requirements.~~

~~The Corporation shall establish a Transmission Planning Task Force, which shall include the AWC Power Supply and Transmission Planning Committee to review the proposed transmission system improvements prior to the development of the Corporation's annual Transmission System Improvements Plan. The purpose of the task force is to include the DCC's in the Corporation's transmission planning to efficiently and economically satisfy its DCC's needs for reliable electric service.~~

~~The task force shall serve as an advisory committee to the Corporation in the Corporation's annual preparation of its proposed transmission system improvements.~~

~~The Corporation will submit the transmission system improvements in the Corporation's annual Transmission System Improvements Plan for consideration and approval by the Corporation's Board of Directors.~~

~~The Corporation shall be primarily responsible for the design and construction of new transmission facilities unless economic and/or environmental benefits can be realized through DCC construction or joint participation with another transmission utility or electric power customer. Examples of joint participation would be use of common rights-of-way or joint use of structures.~~

~~T601.402 DCC Responsibilities~~

~~The DCC's of the Corporation shall be responsible for planning their respective distribution systems. Requirements for new points of delivery or upgrades to existing points of delivery to meet projected requirements should be identified with sufficient lead time to allow for, but not limited to, the following: (1) Inclusion in the Corporation's Transmission Planning process, (2) Receive review by the Transmission Planning Task Force, (3) Approval by the Corporation's Board of Directors in the Corporation's Transmission System Improvements Plan, (4) Regulatory approval (if required), and (5) Design and construction.~~

~~The Association of Wholesale Customers (AWC) Power Supply and Transmission Planning Committee shall initially review and consider for recommendation any proposed transmission line relocations which are to be performed by the Corporation for the benefit of an individual DCC of the Corporation. Additionally, any DCC may designate a DCC representative to participate either through the Transmission Planning Task Force or individually, as appropriate, in the annual review of the proposed transmission improvements prior to the submission of the Corporation's Transmission System Improvements Plan to the Corporation's Board of Directors for approval.~~

~~T601.403 Line Extension Approval~~

~~New points of delivery and associated transmission facilities additions shall be considered for approval by the Corporation's Board of Directors as part of the Corporation's Transmission Systems Improvements Plan after receiving Corporation and DCC review utilizing the Administrative Process described in this policy.~~

~~The Corporation will provide at the Corporation's expense a new point of delivery to a DCC, including new radial transmission facilities, when the following conditions can be demonstrated:~~

- ~~1. DCC requirements are projected to exceed the capability of existing transmission and/or distribution facilities, and~~
- ~~2. The addition of a new point of delivery and/or related transmission facilities proves to be most economically, and/or environmentally superior to other solutions.~~

~~T601.404 Requirements~~

~~Requirements for the quality and level of transmission service will be determined utilizing the Transmission Planning Criteria and the DCC advisory process specified herein. All costs for transmission service desired by the DCC in excess of that recommended by the Transmission Planning Criteria will be the responsibility of the DCC. Examples are situations where DCC's may wish to provide duplicate service for reliability purposes to a specific retail end-user.~~

~~T601.405 Substation Locations~~

~~The following guidelines should be considered in siting new substations to provide points of delivery to DCC's:~~

- ~~1. Multiple DCC points of delivery should be investigated and encouraged to minimize the number of substations and associated costs. All existing substations should be considered first.~~
- ~~2. A public involvement process should be developed and used in cooperation with the DCC's to acquire optimum locations with regard to local citizen concerns.~~

~~T601.406 DCC Owned Facilities~~

~~At the sole option of the DCC, improvements of facilities owned by a DCC, or line extensions that connect solely to a DCC's facilities, may be constructed by the DCC at DCC expense. If such improvements or additions have been recommended through the Administrative Process as described in this policy and have been approved by the Corporation's Board, such improvements or additions will either be included in the Transmission Facilities Lease or, if the Corporation and the DCC owning the facilities agree, the Corporation will build, fund, and own the new facilities. In the event that a DCC constructs new facilities which are to be included in the Transmission Facilities Lease, the DCC must provide original booked costs and in-service dates for all equipment in sufficient detail to apply the Corporation approved depreciation rates in the annual payment recalculation~~

~~described below. At the request of the (AWC) Power Supply and Transmission Committee, the Corporation shall audit or cause to be audited the booked cost information, provided by the DCC.~~

~~**T601.407 Lease of Facilities**~~

~~The Corporation shall provide facilities, as described in this policy, through ownership or lease of facilities, except that transformation facilities will be included in the Lease at the option of the owner of the facilities. Prior to approval by the parties to the lease, any lease or modification of an existing lease of DCC owned facilities shall be reviewed by the AWC Power Supply and Transmission Committee.~~

~~**T601.408 Joint Construction**~~

~~The use of joint construction with another transmission utility or a Corporation DCC may occur in circumstances that:~~

- ~~1. Show significant economic and/or environmental benefits; and~~
- ~~2. Do not adversely impact transmission line construction, operation, or maintenance.~~
- ~~3. Are agreed upon by both the Corporation and the electric customer.~~

~~**T601.409 Transmission Line Capacity**~~

~~Transmission lines will be installed with sufficient capacity to meet the anticipated needs of the system during a reasonable planning horizon and will provide future transmission capacity for system upgrades. The addition of transmission facilities to serve new points of delivery will be recommended based upon a comparative analysis of known options to ensure the most, economical, and environmentally sound solution for serving the Corporation's DCC load.~~

~~**T601.410 Service Requirements**~~

~~A. Corporation's Service Requirements~~

~~The Corporation shall be responsible for providing electric service in accordance with the Transmission Planning Criteria to the substation distribution buses) to the DCC. The Corporation shall work with each DCC to determine the most economical voltage to be utilized in the delivery of power and energy to the DCC's end users. Metering shall be provided by the Corporation at the point of distribution bus connection.~~

~~B. Customer Requirements~~

~~The DCC shall be required to provide distribution voltage circuit protection and connection to a Corporation provided voltage regulated substation distribution bus. The DCC shall provide and operate the distribution circuit breakers for protection of the distribution system facilities.~~

~~T601.411 Line Relocations~~

~~Transmission line relocations will be evaluated to determine if the project is beneficial to the Corporation or if the project is beneficial solely to the specific DCC. Projects will be evaluated to determine the cost to the requesting party either wholly or partially. The AWC Power Supply and Transmission Planning Committee shall review these projects prior to the projects being included in the proposed Corporation's annual Transmission System Improvements Plan.~~

~~T601.412 Time Schedule Requirements~~

~~DCC requests for new transmission facilities will require DCC commitment with sufficient lead time to ensure adequate time for design, analysis, regulatory certification, right-of-way procurement, and construction. Inclusion of projects in the Corporation's planning process will enable the Corporation to meet system and DCC requirements in a timely, systematic manner. DCC proposals for any transmission line extension with a lead time of less than four years or any substation with a lead time of less than two years may be at risk and may not be completed within the time available.~~

~~T601.413 Administrative Process~~

~~Transmission system improvements will be developed by the Corporation or through joint efforts of the DCC's and the Corporation. Annually, upon development of the proposed transmission improvements, the Transmission Planning Task Force shall review these proposed improvements with the Corporation. After review by the Transmission Planning Task Force, the transmission system improvements shall be included in the Corporation's annual Transmission System Improvements Plan and submitted for approval to the Corporation's Board of Directors. Upon approval of the plan by the Corporation's Board of Directors, the plan will be scheduled for completion and all aspects of the plan commenced.~~

EFFECTIVE: December 18, 2002. Amended March 23, 2011.

EXHIBIT B

LCRA TRANSMISSION SERVICES CORPORATION BOARD POLICY

T601 - WHOLESALE ELECTRIC SERVICE POLICY

March 23, 2011

T601.10 PURPOSE

The purpose of this policy is to provide direction to LCRA TSC in providing wholesale electric services within the State of Texas.

T601.20 DEFINITIONS

Customer – Any customer of LCRA TSC, including transmission service providers, distribution service providers, river authorities, municipally-owned utilities, electric cooperatives, power generation companies, retail electric providers, federal power marketing agencies, exempt wholesale generators, qualifying facilities, power marketers, or other person whom the PUCT has determined to be eligible to be a transmission service customer.

ERCOT – Electric Reliability Council of Texas.

Metering Facilities – Facilities planned, designed, constructed and/or operated necessary to meter the amount of energy delivered.

NERC – North American Electric Reliability Corporation

PUCT – Public Utility Commission of Texas.

Transformation Facilities – Facilities planned, designed, constructed and/or operated at voltage levels below 60 kilovolts necessary to deliver wholesale power to distribution voltages.

Transmission Facilities – Facilities planned, designed, constructed and/or operated at voltage levels above 60 kilovolts which are necessary to allow economical and efficient utilization of generation resources to reliably serve loads.

Wholesale Electric Service – The provision of transmission, transformation and/or metering facilities to provide one or more of the following types of service to a Customer:

1. Service to a requesting Customer, including a load interconnection requested by a load-serving entity and a generation interconnection requested by a generation entity.
2. Service to improve electric system reliability.
3. Service to relieve ERCOT-identified transmission constraints.

4. Delivery of wholesale electricity at distribution voltages within a substation.
5. Service in response to a PUCT order or directive.

T601.30 POLICY

LCRA TSC shall furnish nondiscriminatory wholesale electric service and open access in accordance with PUCT rules, applicable Tariffs, ERCOT requirements, applicable NERC Reliability Standards, and other LCRA TSC requirements.

In addition, LCRA TSC shall ensure the following:

1. Costs for wholesale electric service desired by a customer in excess of that recommended by the applicable criteria will be the responsibility of the customer.
2. Appropriate financial security is furnished when a customer requests LCRA TSC to provide wholesale electric service or modification to existing facilities.
3. Facilities will be jointly constructed with a customer only if joint construction:
 - a) will result in significant economic and/or environmental benefits;
 - b) does not adversely impact transmission line construction, operation, or maintenance; and
 - c) is agreed upon by both LCRA TSC and the Customer
4. Project plans for the addition of customer facilities that are to be included in the Transmission Facilities and Premises Lease shall be reviewed through a process that includes all customers that have leased facilities.

EFFECTIVE: December 18, 2002. Amended March 23, 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

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FOR CONSENT

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Feb. 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

None.

Summary

Each meeting the Board approves the minutes of previous meetings.

Exhibit(s)

A - Minutes of Feb. 16, 2011, meeting

EXHIBIT A

Minutes Digest
February 16, 2011

- 11-03 Authorization for the chief executive officer or his designee to acquire an electric transmission line easement from New Interport LTD for the Clear Springs-to-TXU Electric Delivery Salado transmission line in Travis County and to pay the negotiated purchase price for the easement.
- 11-04 Approval of the minutes of the January 19, 2011, meeting.
- 11-05 Approval of the Capital Improvement Project Authorization Request for the Airline-to-Laguna-to-Naval Base Transmission Line Upgrade Project.
- 11-06 Approval of the Capital Improvement Project Authorization Request for the Transmission Line Upgrades - FY 2011.
- 11-07 Approval of the Capital Improvement Project Authorization Request for the Big Hill (McCamey D)-to-Kendall Transmission Line Addition Project.
- 11-08 Approval of nine Capital Improvement Project Authorization Requests associated with the Public Utility Commission of Texas Competitive Renewable Energy Zones Project.
- 11-09 Approval of an amendment to the FY 2011 LCRA Transmission Services Corporation Capital Plan to decrease authorization for capital spending in FY 2011 from \$276.7 million to \$207.3 million.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
February 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 12:38 p.m. on Wednesday, February 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
Berger
Carter
Dickerson
Johnson
Martine
McCasland
McHenry
Schrader
Spears
Wallace
White

Absent: Balas
Klein
Raun

Chair Timmerman convened the meeting at 12:38 p.m. Chief Operating Officer Ross Phillips gave an update on the February 2 rolling blackouts and the impact on LCRA TSC's transmission systems. Phillips next gave an update on the following Competitive Renewable Energy Zones (CREZ) projects pending before the Public Utility Commission of Texas (PUC): 1) the Big Hill (McCamey D)-to-Kendall project, including LCRA TSC's upcoming meetings scheduled with landowners affected by the project; and 2) the PUC staff's recommendation to reimburse \$1.6 million dollars to LCRA TSC for its costs incurred in the City of Garland and South Texas Electric Cooperative (STEC) McCamey A-to-Odessa and McCamey C-to-McCamey A project, which is scheduled on the February 24 PUC open meeting agenda. Phillips also gave an update on the preliminary report concerning the damaged poles on the Clear Springs-to-Hutto transmission line. The report is expected to be finalized on February 18.

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

Chair Timmerman declared the meeting to be in executive session at 12:56 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 1:33 p.m.

11-03 Director Johnson made a motion that the Board authorize the chief executive officer or his designee to acquire an electric transmission line easement from New Interport LTD [described on Exhibit A attached hereto] for the Clear Springs-to-TXU Electric Delivery Salado transmission line in Travis County and to pay the negotiated purchase price for the easement as discussed in executive session; and further authorize the chief executive officer or his designee to do all things necessary to accomplish the purposes hereof. The motion, seconded by Director Spears, was unanimously approved by a vote of 12 to 0.

11-04 Upon motion by Director Dickerson, seconded by Director McHenry, the Board, by a vote of 12 to 0, unanimously approved the minutes of the January 19, 2011, meeting. [Consent Item 2].

11-05 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit B], that the Board approve the Capital Improvement Project Authorization Request for the Airline-to-Laguna-to-Naval Base Transmission Line Upgrade Project. Upon motion by Director Spears, seconded by Director Carter, the recommendation was unanimously approved by a vote of 12 to 0.

11-06 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the Transmission Line Upgrades - FY 2011. Upon motion by Director Wallace, seconded by Director Johnson, the recommendation was unanimously approved by a vote of 12 to 0.

11-07 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit D], that the Board approve the Capital Improvement Project Authorization Request for the Big Hill (McCamey D)-to-Kendall Transmission Line Addition Project. Upon motion by Director Berger, seconded by Director Carter, the recommendation was unanimously approved by a vote of 12 to 0.

11-08 Ross Phillips presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit E], that the Board approve nine Capital Improvement Project Authorization Requests associated with the Public Utility Commission of Texas Competitive Renewable Energy Zones Project [including the cancellation of six approved projects and approval of three new projects]. Upon motion by Director White, seconded by Director Wallace, the recommendation was unanimously approved by a vote of 12 to 0.

11-09 Brady Edwards presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit F], that the Board approve an amendment to the FY 2011 LCRA Transmission Services Corporation Capital Plan to decrease authorization for capital spending in FY 2011 from \$276.7 million to \$207.3 million. Upon motion by Director Dickerson, seconded by Director Carter, the recommendation was unanimously approved by a vote of 12 to 0.

There being no further business to come before the Board, the meeting was adjourned at 1:51 p.m.

John W. Rubottom, Secretary
LCRA Transmission Services Corporation

FOR ACTION

4. Capital Improvement Project Approval - Fort Mason-to-Pitsburg Transmission Line Upgrade

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Fort Mason-to-Pitsburg Transmission Line Upgrade 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 the FY 2011-2015 LCRA TSC Capital Plan.
- Approval is sought to increase the total lifetime project budget from \$22,594,000 to \$26,305,000 with \$19,322,000 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 additional spending can be managed within the amended FY 2011 capital budget and is not 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 of Texas.

Summary

The Fort Mason-to-Pitsburg Transmission Line Upgrade project was one of 10 additional Competitive Renewable Energy Zones projects approved as an addendum to the FY 2009-2013 LCRA TSC Capital Plan. This project upgrades an existing 69-kilovolt (kV) transmission line between Pitsburg and Fort Mason substations to a 138-kV line with new structures and conductor that will improve transmission reliability and reduce existing transmission congestion issues in the Electric Reliability Council of Texas (ERCOT).

The current LCRA TSC Capital Plan budget was prepared in October 2008 based on ERCOT's high-level scope and historical project costs. The original budget of \$22,594,000 is based on a typical installation of direct imbedded steel poles. More recent soil boring tests revealed granite rock formations over an extended portion of the line, which changed the foundation and structure design because directly imbedding steel poles in the granite is impractical. As part of this project, LCRA TSC acquired the American Electric Power (AEP) Texas North's Castell to Fort Mason line. The existing easements on AEP Texas North Company line did not include the right to upgrade the line. The costs to obtain revised landowner easement agreements on this line were not anticipated nor included in the original project budget. The project costs have been refined from the original budget to include these additional costs.

Funding changes for the project are as follows:

1. Increase in real estate easement acquisition in the amount of \$1,110,000
2. Increases related to changes in foundation design:
 - a. engineering costs in the amount of \$123,000
 - b. material costs in the amount of \$248,000
 - c. construction costs in the amount of \$3,006,000
3. Increase in substation material and construction costs in the amount of \$157,000
4. Decrease in capitalized interest cost in the amount of \$1,252,000
5. Increase in general and administrative costs in the amount of \$319,000

Although the costs associated with this project are significantly higher than originally estimated, a review by the LCRA Transmission Services System Planning department determined this upgrade is still the best solution. It provides significant savings over the new transmission line originally proposed by ERCOT. The project is scheduled for completion by December 2011. Environmental and cultural due-diligence studies will be performed by LCRA staff, and all identified concerns will be addressed. An amendment to LCRA TSC's Certificate of Convenience and Necessity is not required for this project.

Project Recap

Total Project Estimated Cost: \$26,305,000

Previous Project Lifetime Budget: \$22,594,000

Additional Lifetime Budget Approval Sought: \$ 3,711,000

Fiscal Year Budget Impact:

Prior FYs \$ 1,274,000

FY 2011 \$19,322,000

FY 2012 \$ 5,709,000

Total: \$26,305,000

Project Direction

Project Manager: Rodney Dent

Project Sponsor: Sergio Garza

Project Number: 1010350

Presenter(s)

Ross Phillips

Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - Fort Mason-to-Pittsburg Transmission Line Upgrade

EXHIBIT A

Fort Mason-to-Pittsburg Transmission Line Upgrade

