

LCRA Transmission Services Corporation

Board Agenda

Wednesday, November 16, 2011

1:00 p.m.

LCRA Board Room

Austin

Items from the Chief Executive Officer

Chief Operating Officer’s Update

Items from the Chief Financial Officer

- 1. Financial Report..... 4

Consent Items

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

Topics

- *3. Conveyance of Easement in Fayette County 9
4. Acquisition of Interests in Real Property - Use of Eminent Domain in Kimble, Schleicher and Sutton Counties 12
5. Capital Improvement Project Approval - Hollmig Substation Addition 22
6. Capital Improvement Project Approval – El Campo-to-Eagle Lake Transmission Line Upgrade 25
7. Capital Improvement Project Approval – El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and Substation Addition 28
8. Capital Improvement Project Approval - Wirtz Substation Upgrade 32

*This agenda item requires the approval of at least 12 members of the Board.

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 Website 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.

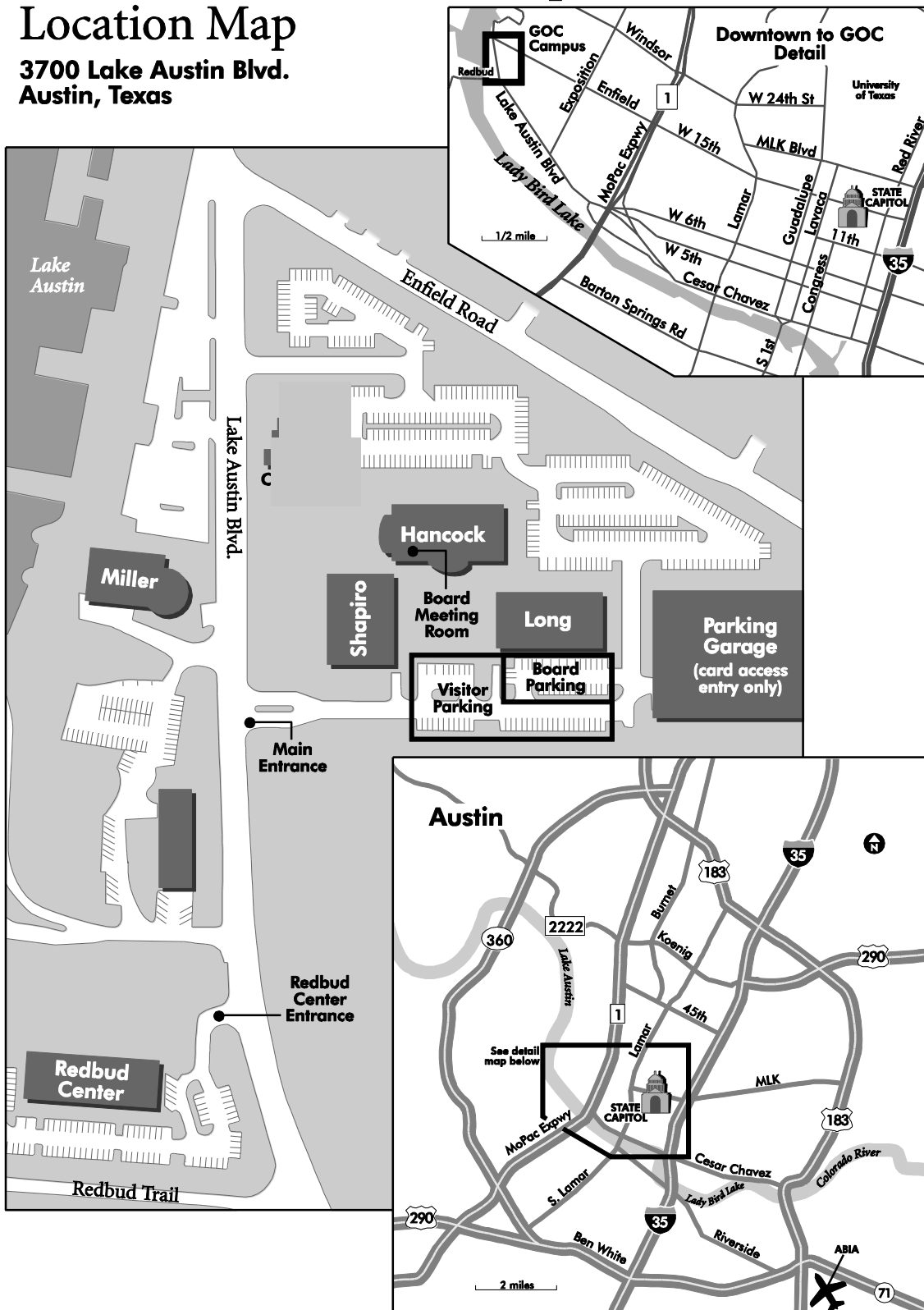
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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 Oct. 19, 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 Oct. 19, 2011, meeting

EXHIBIT A

Minutes Digest
October 19, 2011

- 11-31 Approval of the minutes of the September 21, 2011, meeting.
- 11-32 Approval of the Capital Improvement Project Authorization Request for the Mont Substation Addition Project.
- 11-33 Authorization for the chief executive officer or her designee to submit a transmission cost of service filing for the LCRA Transmission Services Corporation and a Transformation and Metering Tariff change at the Public Utility Commission of Texas.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
October 19, 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 3:16 p.m. on Wednesday, October 19, 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
Arbuckle
Balas
Berger
Dickerson
Franklin
Gill
Johnson
Kibby
Martine
Schrader

Absent: Klein
McHenry
Spears
White

Chair Timmerman convened the meeting at 3:16 p.m. Chief Operating Officer Ross Phillips gave an update on the impact of the wildfires on LCRA TSC transmission systems in Bastrop County and transmission systems reliability. Phillips responded to questions from the Board regarding vegetation management practices related to LCRA TSC's facilities. Phillips also gave an update on the safety record of Transmission Services employees.

Chief Financial Officer Brady Edwards presented the financial report for September 2011. Jim Travis presented the Fiscal Year 2012 Business Plan first quarter update.

The Board next took action on the Consent Agenda.

11-31 Upon motion by Director Balas, seconded by Director Franklin, the Board, by a vote of 11 to 0, unanimously approved the minutes of the October 19, 2011, meeting [Consent Item 3].

11-32 Ross Phillips, Chief Operating Officer, presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit A], that the Board approve the Capital Improvement Project Authorization Request for the Mont Substation Addition Project. Upon motion by Director Johnson, seconded by Director Franklin, the recommendation was unanimously approved by a vote of 11 to 0.

11-33 Henry Eby presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit B], that the Board authorize the chief executive officer or her designee to submit a transmission cost of service filing for the LCRA Transmission Services Corporation and a Transformation and Metering Tariff change at the Public Utility Commission of Texas. After discussion, upon motion by Director Berger, seconded by Director Martine, the recommendation was unanimously approved by a vote of 11 to 0.

There being no further business to come before the Board, the meeting was adjourned at approximately 3:45 p.m.

John W. Rubottom, Secretary
LCRA Transmission Services Corporation

FOR ACTION

3. Conveyance of Easement in Fayette County

Proposed Motion

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.

Board Consideration

LCRA Transmission Services Corporation (LCRA TSC) Board Policy T401 - Land Resources requires that requests for easements across LCRA TSC land be approved by a three-fourths vote of the membership of the TSC Board.

Section 8503.020(b) of the Texas Special Local Laws Code requires the approval of 12 members of the LCRA TSC Board of Directors prior to conveyance of any interest in real property.

Budget Status and Fiscal Impact

The City of Schulenburg will pay \$2,215 for the Sanitary Control Easement. The administrative costs associated with the conveyance of the Sanitary Control Easement will be managed within the operating budget established in the LCRA TSC FY 2012 Business Plan.

Summary

The City of Schulenburg is requesting LCRA TSC to convey to the City a 0.886-acre Sanitary Control Easement on a portion of the Schulenburg Substation that adjoins a 1.881 acre tract of land the City has under contract to purchase from LCRA TSC. The city plans to install a water well on the 1.881 acre tract. The LCRA TSC Board approved the sale of the 1.881 acre tract of land to the City at the September 2008 Board meeting. The LCRA TSC Board also approved the conveyance of an associated 15-foot water line easement containing approximately 0.24 acres that crosses a portion of the same substation property. Delays in obtaining state grants delayed the well project. In 2010 the city determined that a Sanitary Control Easement was needed around the well. The City will pay \$2,215 for the Sanitary Control Easement. This value is based upon assessed values obtained from the Fayette County Appraisal District at the time of the original request in 2008.

LCRA Substation Engineering, Operations, and System Planning and Protection departments have determined that there would be no adverse operational impacts from the conveyance of this easement. However, LCRA TSC will reserve the right to expand the Schulenburg Substation into the Sanitary Control Easement if necessary in the future.

A due-diligence environmental site assessment by LCRA staff revealed no apparent adverse environmental conditions associated with the property.

Presenter(s)

Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

A - Vicinity Map
B - Site Map

EXHIBIT A

Schulenburg Substation

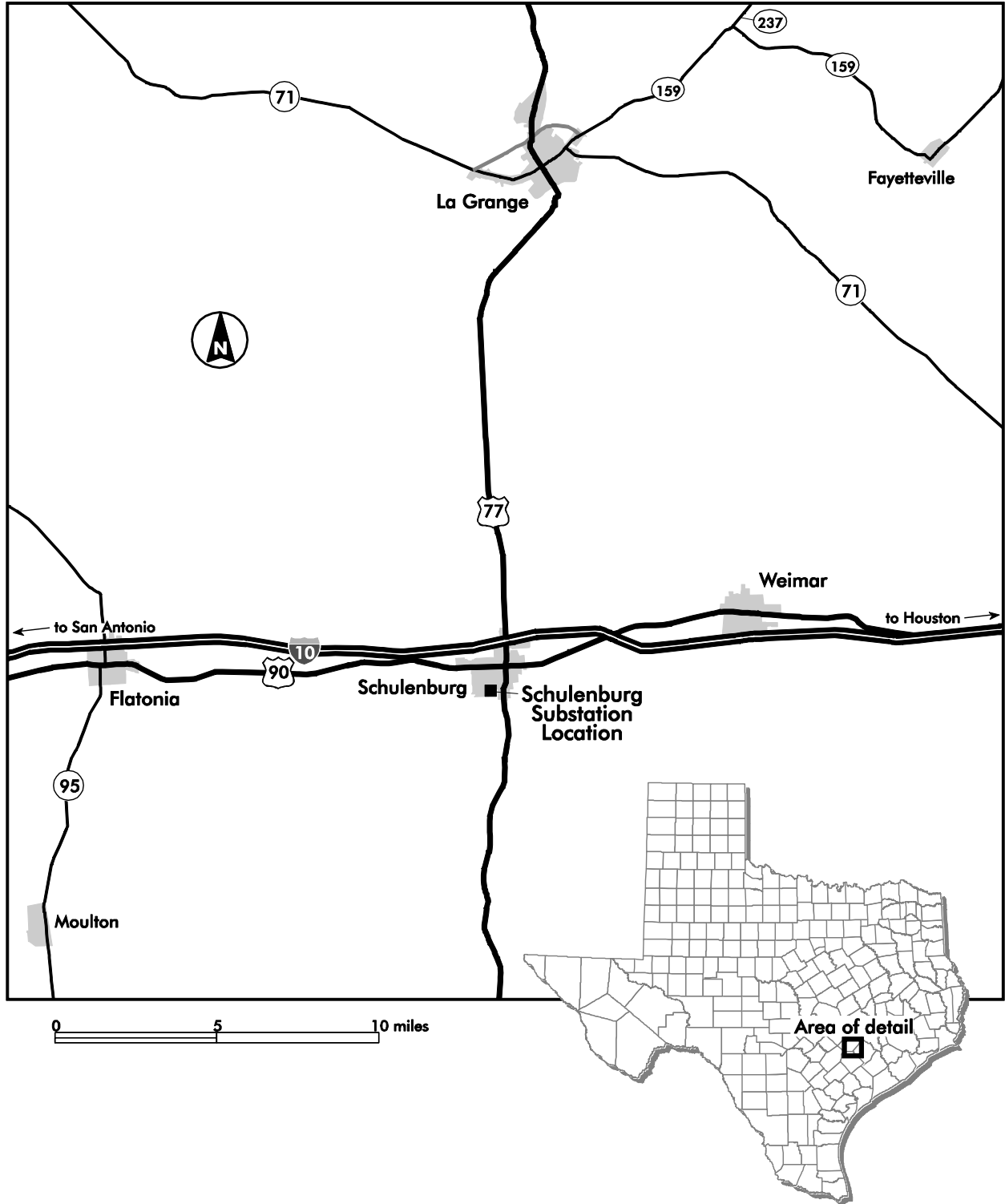
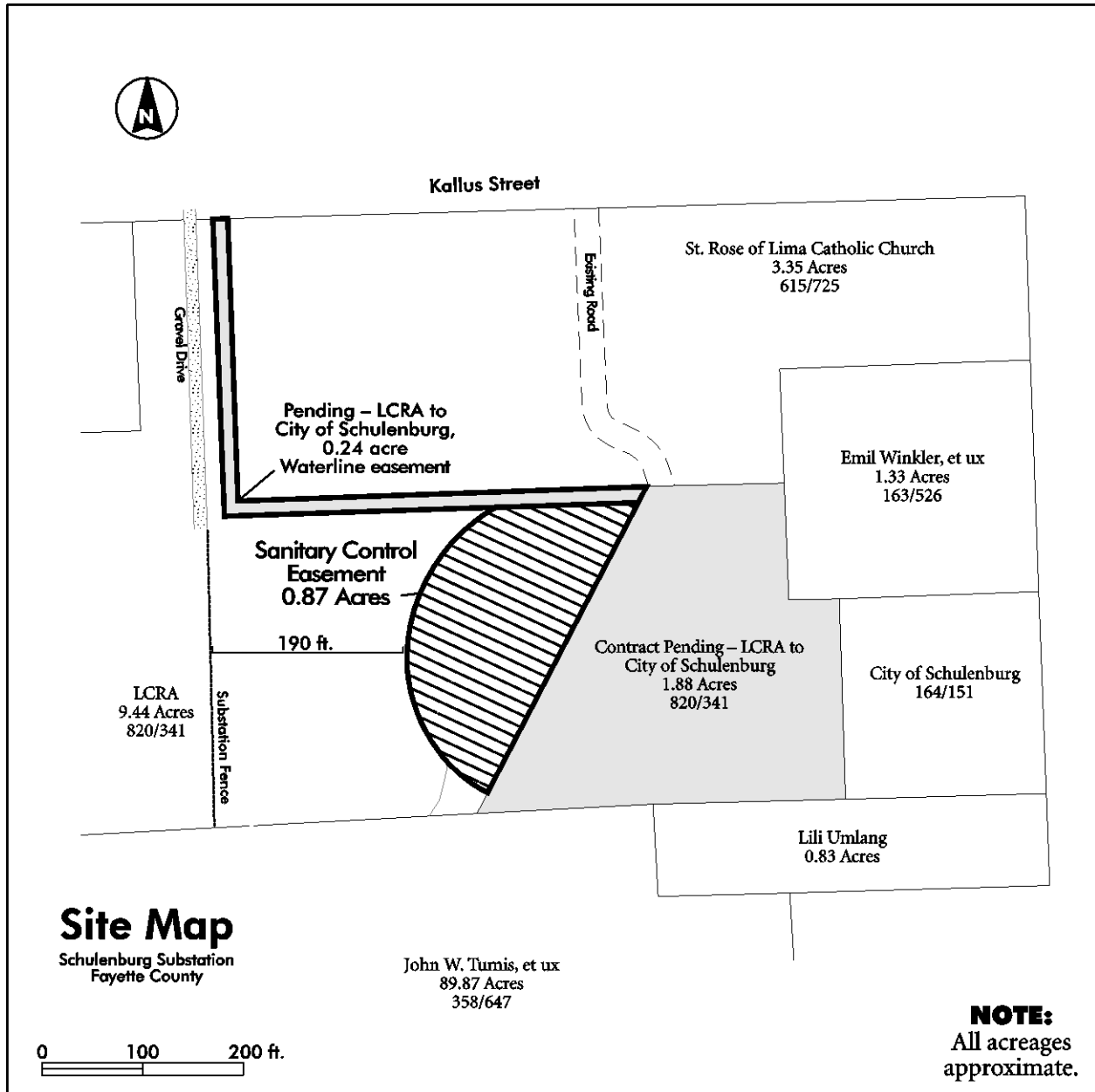


EXHIBIT B



FOR ACTION

4. Acquisition of Interests in Real Property - Use of Eminent Domain in Kimble, Schleicher and Sutton Counties

Proposed Motion

I move that the Board of LCRA Transmission Services Corporation (LCRA TSC) 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.

Board Consideration

LCRA Transmission Services Corporation Board Policy T401 - Land Resources and Section 2206.053 of the Texas Government Code require Board authorization prior to the initiation of eminent domain proceedings.

Section 2206.053 of the Texas Government Code provides that if two or more Board members object to adopting a single resolution for all units, a separate record vote must be taken for each unit of property. If two or more units of real property are owned by the same person, those units may be treated as one unit of property.

Budget Status and Fiscal Impact

The funding and administrative costs associated with the Big Hill-to-Kendall Transmission Line Addition project were originally approved by the LCRA TSC Board as an addendum to the FY 2009 Capital Plan and were amended in February 2011.

Summary

LCRA TSC proposes to construct the Big Hill-to-Kendall Transmission Line Addition project. This 345-kV electric transmission line is approximately 140 miles in length and will connect the Big Hill electric substation located north of Eldorado to the Kendall electric substation located northeast of Comfort. This is a Competitive Renewable Energy Zone project that was assigned to LCRA TSC by the Public Utility Commission of Texas (PUC) in February 2009.

Independent appraisals of the interests in real property to be acquired were performed by Bierschwale Land Company, LLC and Kokel-Oberrender-Wood Appraisal, Ltd. for use in determining just compensation to the landowner.

Staff will make a bona fide offer to acquire the necessary interests in real property voluntarily from the landowners listed on Exhibit C, as required by Sec. 21.0113 of the Texas Property Code. Staff will continue to negotiate for the purchase of the interests in real property. However, in those instances where agreement cannot be reached with the landowners, Board authorization is sought to proceed with condemnation.

Descriptions of the specific easements to be acquired have been provided to the Board under separate cover and will be attached to the resolution.

Environmental and cultural due diligence studies will be performed by LCRA staff, and all concerns will be addressed. An amendment to LCRA TSC's Certificate of Convenience and Necessity for this project was approved by the PUC in January 2011.

Staff requests that the Board adopt the resolution in Exhibit D authorizing the initiation of condemnation proceedings on the first record vote for all units of property.

Presenter(s)

Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

- A - Vicinity map
- B - Site maps
- C - Landowner list
- D - Resolution

EXHIBIT A

Big Hill-to-Kendall Transmission Line Addition

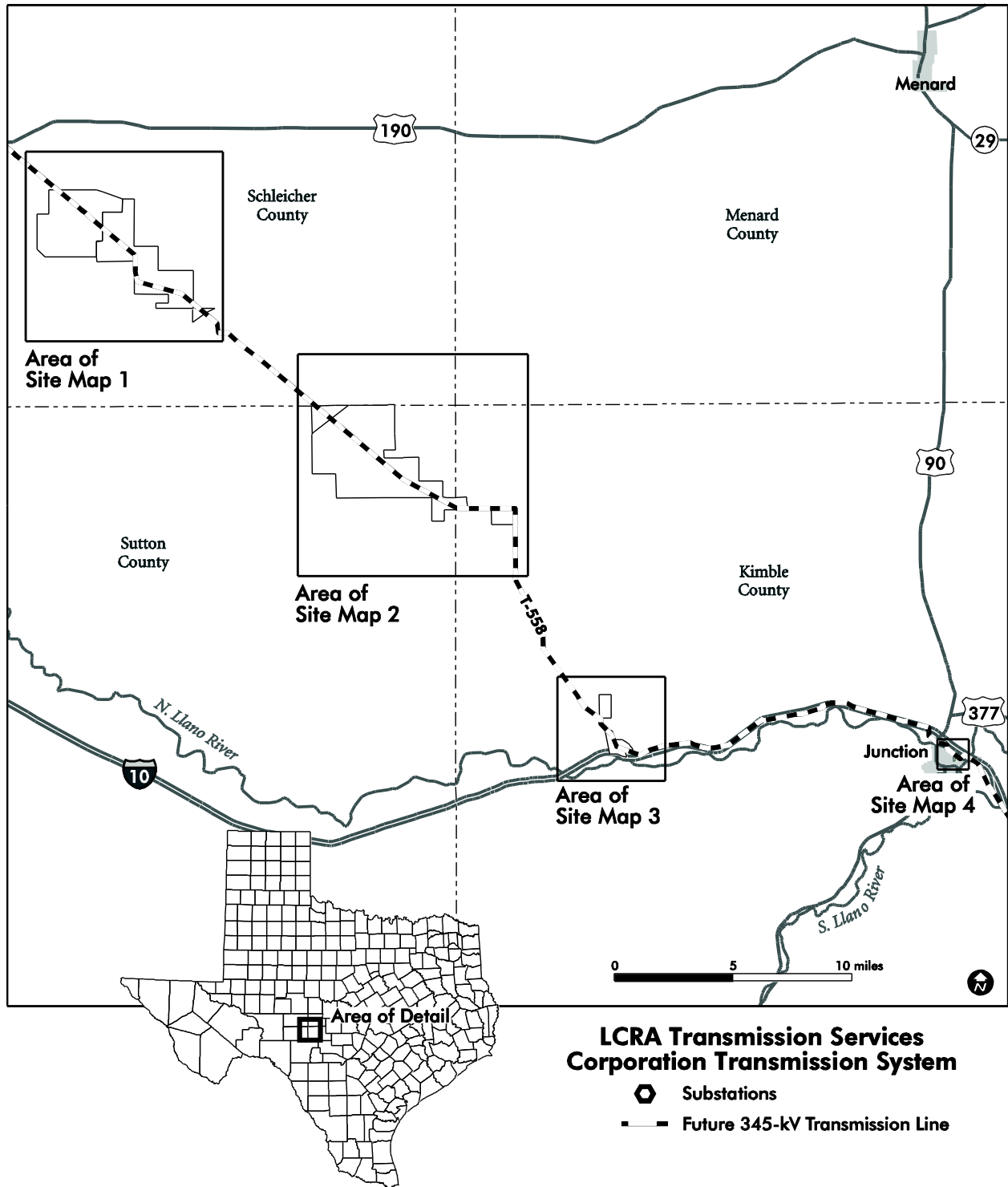


EXHIBIT B

Page 1 of 4

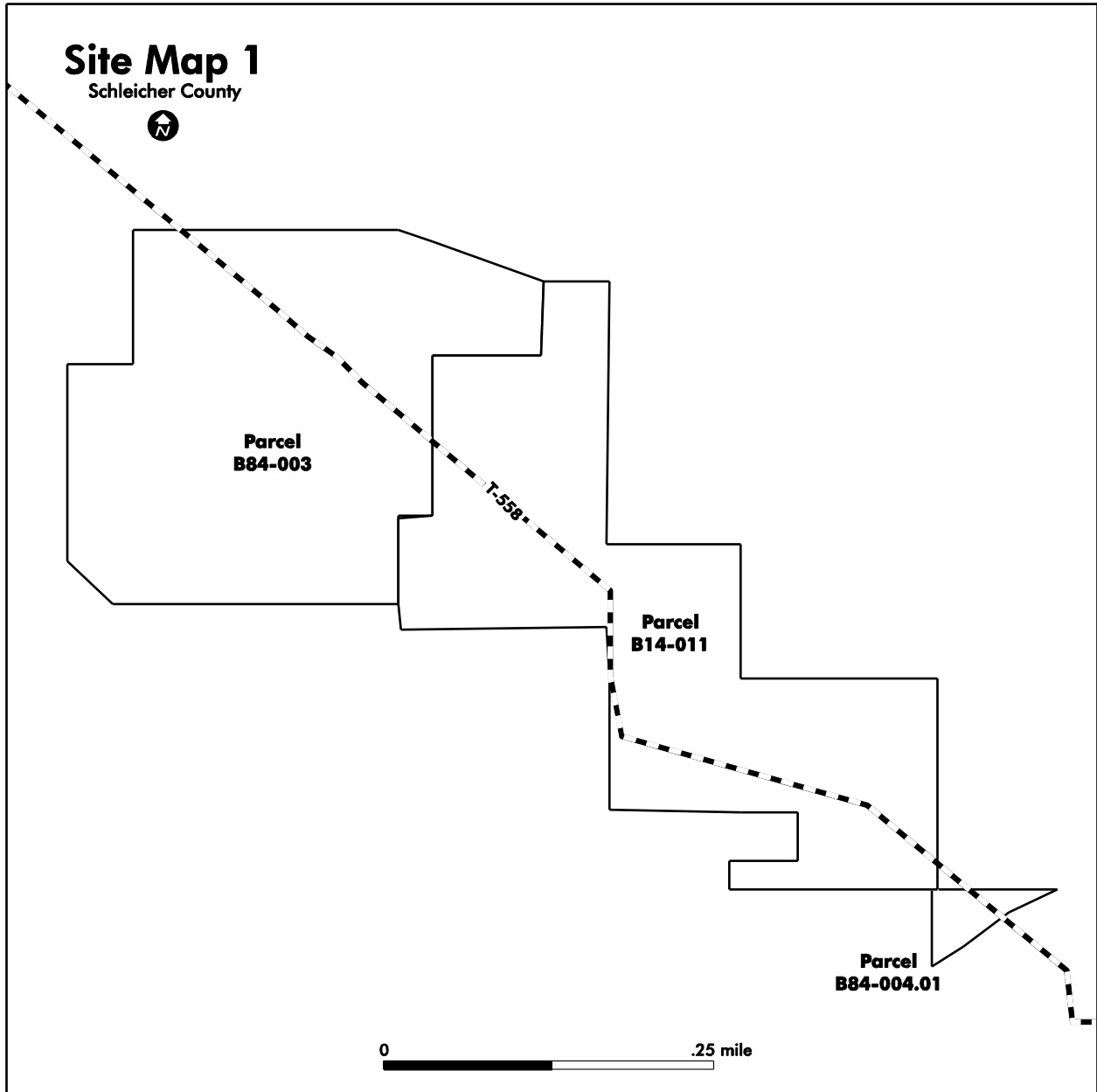


EXHIBIT B

Page 2 of 4

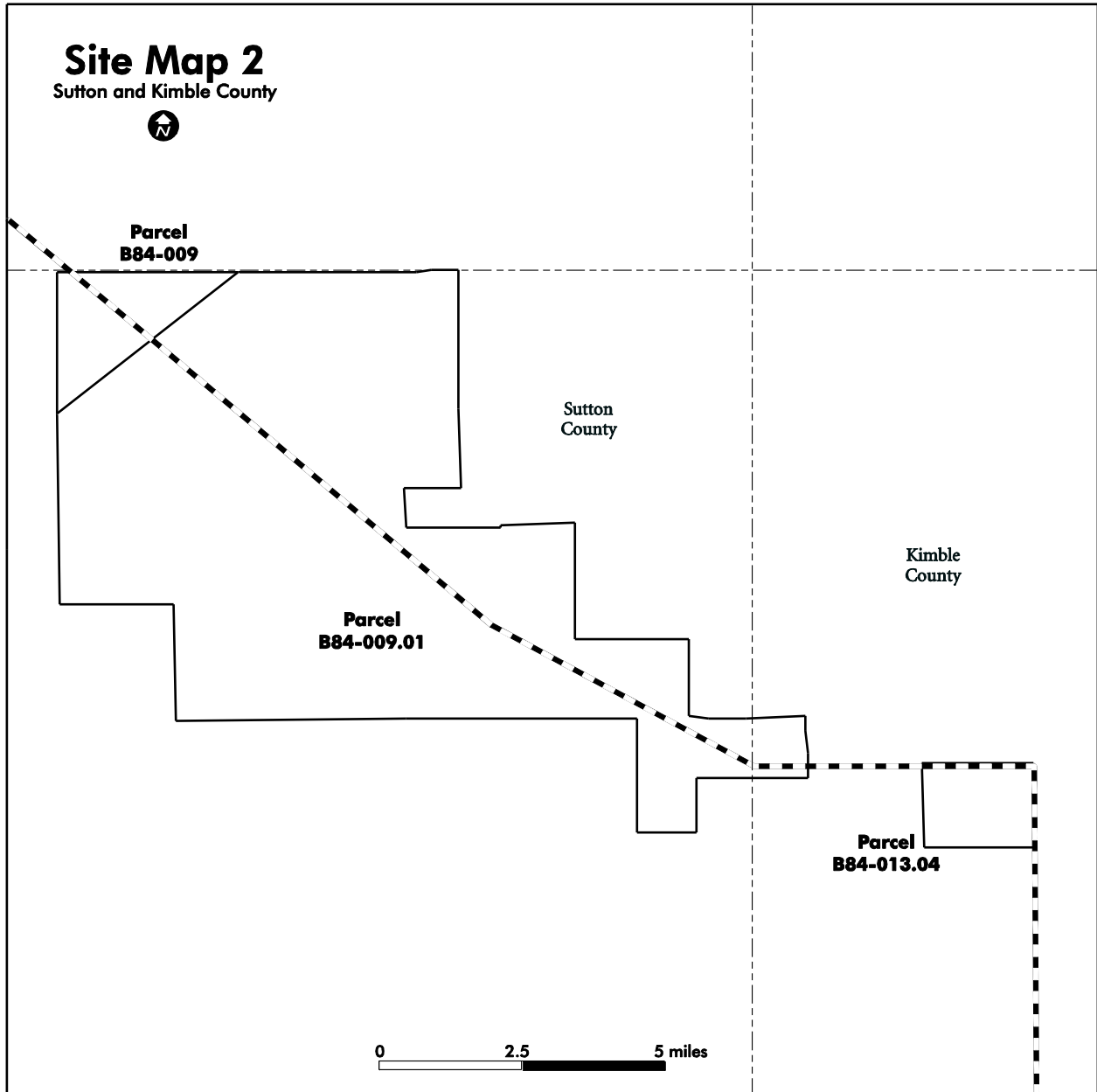


EXHIBIT B

Page 3 of 4

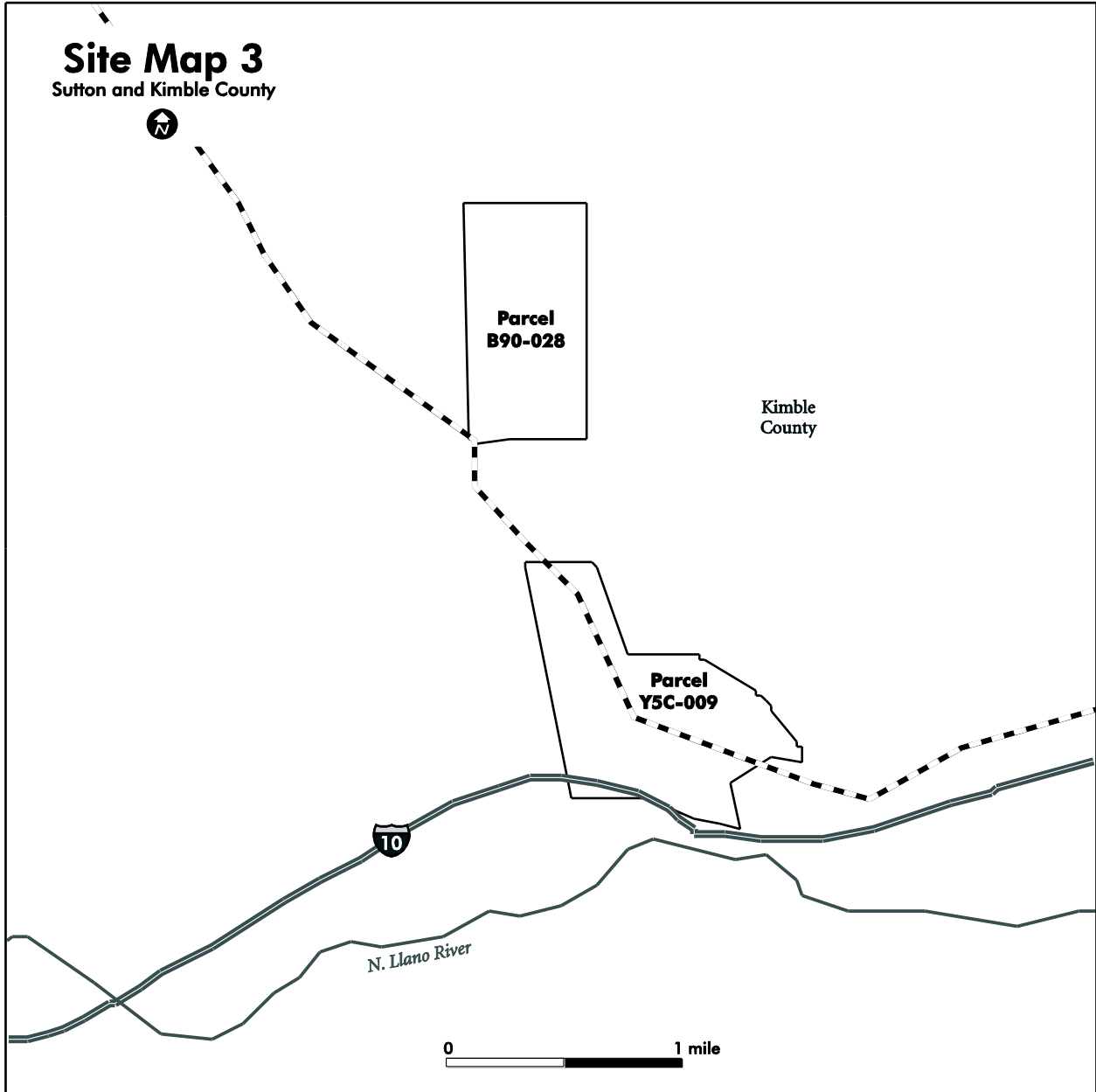


EXHIBIT B

Page 4 of 4

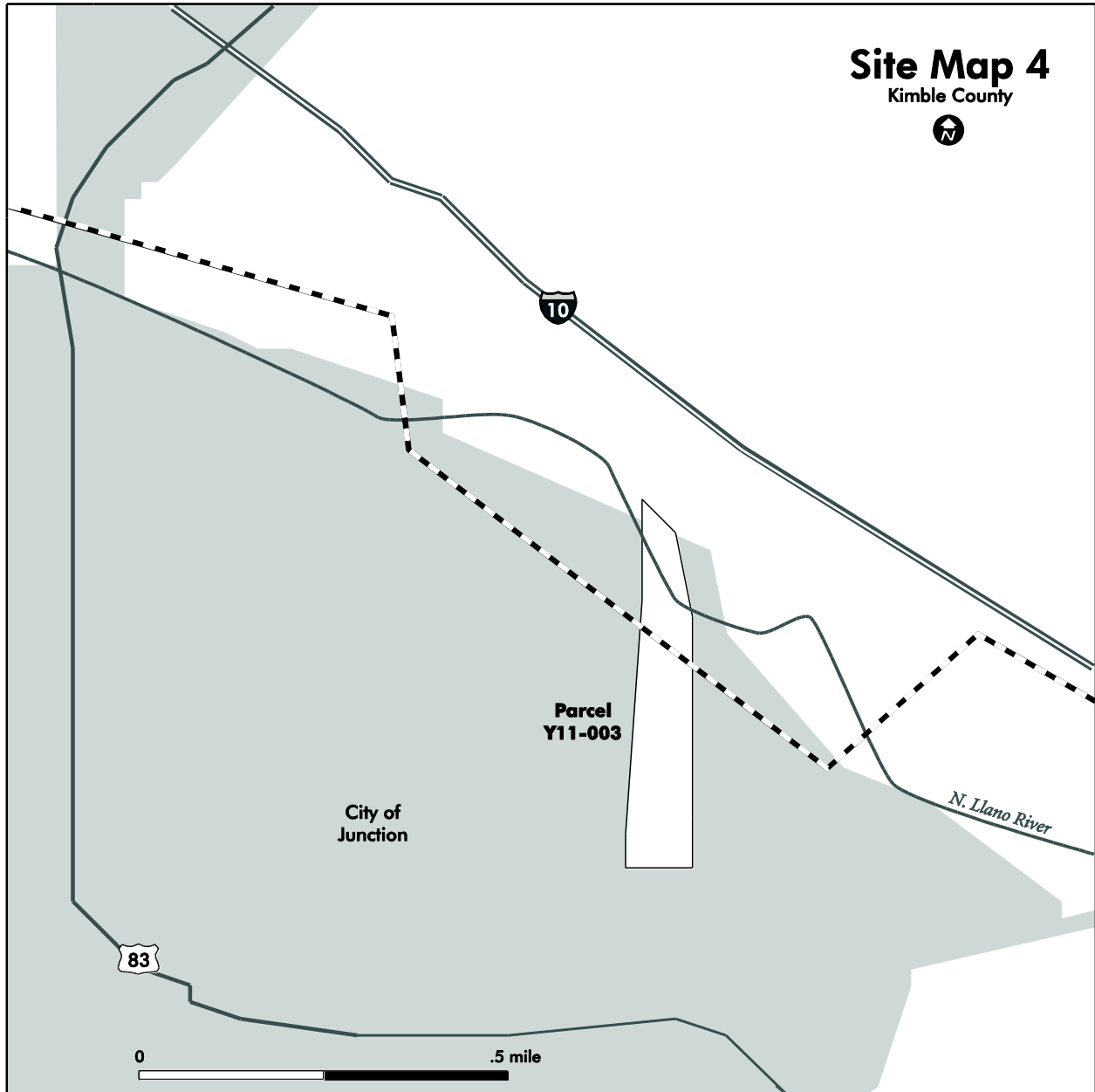


EXHIBIT C

Parcel Number	Landowner Name	Approx. Parent Tract Acreage	Land Rights	Approx. Easement Acreage	County	Appraised Value
B14B-011	Elma D. Russell Spencer Foundation	13,700.44	TL TW TW PA	79.7 10.5 10.1 8.2	Schleicher	\$360,000
B84-003	Charlie Michael Nicholas	4,899.57	TL	36.0	Schleicher	\$186,428
B84-004.01	AC Ranch IV, LTD	697.00	TL	4.7	Schleicher	\$24,465
B84-009	LA-TEX Land, LLC	582.22	TL	12.5	Sutton	\$65,319
B84-009.01	AC Ranch III, LTD	9,517.62	TL TW TA	100.7 9.1 18.0	Sutton & Kimble	\$560,000
B84-013.04	Roybeth B. Savage	496.46	TL	25.0	Kimble	\$140,000
B90-028	Paul & Carole McGarry	320.14	TL TW	0.7 6.6	Kimble	\$30,000
Y5C-009	Paul & Carole McGarry	434.83	TL TW PA	18.0 9.9 4.3	Kimble	\$170,000
Y11-003	H.D. & Belinda Martin, Jr.	20.21	TL	1.9	Kimble	\$61,000
Total						\$1,597,212

Land Rights Legend

TL = Transmission Line Easement
TW = Temporary Workspace Easement
PA = Permanent Access Easement
TA = Temporary Access Easement

Appraised values include the total value for all types of land rights to be acquired from each designated land owner.

EXHIBIT D

PROPOSED MOTION

I MOVE 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.

RESOLUTION

AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY BY CONDEMNATION IN KIMBLE, SCHLEICHER AND SUTTON COUNTIES, INCLUDING ELECTRIC TRANSMISSION LINE EASEMENTS, TEMPORARY WORKSPACE EASEMENTS AND TEMPORARY AND PERMANENT ACCESS EASEMENTS

WHEREAS, the LCRA Transmission Services Corporation has determined the need to acquire the interests in real property necessary for the public purposes of construction, operation, and maintenance of an electric transmission line in Kimble, Schleicher, and Sutton Counties; and

WHEREAS, an independent, professional appraisal 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 interests in real property to be acquired;

NOW, THEREFORE, BE IT RESOLVED that the chief executive officer or her designee is authorized to purchase the interests in real property from the landowners listed in the attached Exhibits B and C for the construction of the Big Hill-to-Kendall Transmission Line Addition project, with the description of the location of and interest in the property that LCRA Transmission Services Corporation seeks to acquire being more particularly described in maps provided to the Board and attached to this Resolution as Exhibit “1”; that the public convenience and necessity requires the acquisition of said interests in real property; that the public necessity requires the condemnation of the interests in real property in order to acquire them for such purposes; that LCRA Transmission Services Corporation does not intend to acquire rights to groundwater or surface water in the land; that LCRA Transmission Services Corporation has made a bona fide offer to acquire the interests in real property from the landowner(s) voluntarily as required by Sec. 21.0113 of the Texas Property Code; and that at such time as LCRA Transmission Services Corporation has determined that the landowner(s) and LCRA Transmission Services Corporation will be unable to reach an agreement on the fair market value of the subject interests in real property and that it should appear that further negotiations for settlement with the landowner(s) would be futile, then the chief executive officer or her designee is authorized and directed to initiate condemnation proceedings against the owner of the property, and against all other owners, lien holders, and other holders of an interest in the property, in order to acquire the

necessary interests in real property, and that this resolution take effect immediately from and after its passage;

BE IT FURTHER RESOLVED that the chief executive officer or her 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 interests in real property that are proper and convenient for the operation of the electric transmission line.

FOR ACTION

5. Capital Improvement Project Approval - Hollmig Substation Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Hollmig 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 was included in the FY 2010-2014 LCRA TSC Capital Plan.
- Approval is sought to increase the total lifetime budget from \$3,113,000 to \$3,700,000 with \$3,513,000 to be spent in FY 2012.
- The proposed lifetime budget for this project includes a contingency of 2 percent.
- Staff believes that this additional spending can be managed within the existing FY 2012 capital spending limit and is not currently requesting to increase the approved capital spending limit for the fiscal year. 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.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary

The Hollmig Substation Addition project was recommended in the FY 2010-2014 Transmission System Improvements Plan and is scheduled for completion by June 2012. This project is required to meet a direct connect customer's need for an additional delivery point in accordance with LCRA TSC's Wholesale Electric Service Policy. In June the Board authorized staff to acquire the Hollmig substation property from the City of Fredericksburg.

After the conceptual design for the Hollmig Substation was completed, it was determined that the lifetime budget for the project would need to be increased due to higher than expected land acquisition, construction, and material costs. The appraised value of the substation property was higher than estimated in the original budget. The labor costs for the project were higher than expected due to increased public relations activities and additional site work not anticipated in the original estimate. Construction and material costs were increased due to the addition of a rock wall. These increases were partially offset by a reduction on capitalized interest and administrative costs as a result of the project being delayed into a fiscal year with lower rates.

The elements driving this request are as follows:

1. Increase in land acquisition costs by \$417,000
2. Increase in project management, survey, design, and environmental costs by \$242,000
3. Increase in materials and construction costs by \$143,000
4. Decrease in capitalized interest and administrative costs by \$215,000

Although the costs associated with this project are higher than originally estimated, after review by the LCRA Transmission Services System Planning department it is still the best alternative to address the reliability of service needs identified in the area. The project is scheduled for completion by June 2012. 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: \$3,700,000

Previous Project Lifetime Budget: \$3,113,000

Additional Lifetime Budget Approval Sought: \$ 587,000

Fiscal Year Budget Impact:

Prior FYs \$ 187,000

FY 2012 \$3,513,000

Total: \$3,700,000

Project Direction

Project Manager: Philip J. Strader

Project Sponsor: W. Brad Bowman

Project Number: 1010636

Presenter(s)

Ross Phillips

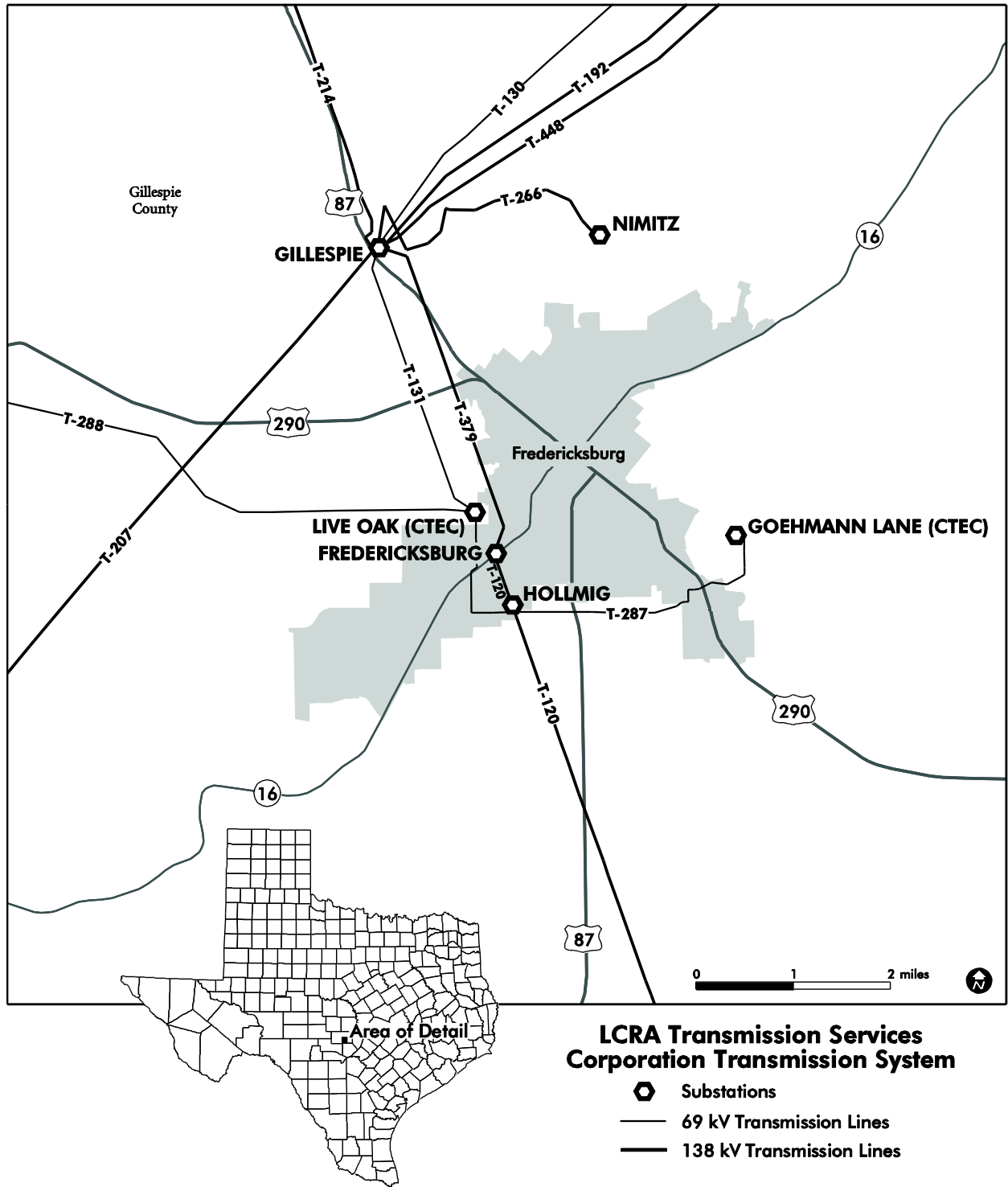
Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - Hollmig Substation Addition

EXHIBIT A

Hollmig Substation Addition



FOR ACTION

6. Capital Improvement Project Approval – El Campo-to-Eagle Lake Transmission Line Upgrade

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the El Campo-to-Eagle Lake 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 2012 LCRA TSC Capital Plan.
- Approval is sought to increase the total lifetime budget from \$7,101,000 to \$11,960,000 with \$11,960,000 to be spent in FY 2012
- The proposed lifetime budget for the project includes a contingency of 4 percent.
- Staff believes that this additional spending can be managed within the existing FY 2012 capital spending limit and is not currently requesting to increase the approved capital spending limit for the fiscal year. 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.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary

The El Campo-to-Eagle Lake Transmission Line Upgrade project was recommended in the FY 2012-2016 Transmission System Improvements Plan. The 69-kilovolt (kV) transmission line was originally constructed in the late 1920s and LCRA TSC acquired the line from American Electric Power (AEP) in 2008. This line was identified for upgrade based on maintenance inspections conducted in FY 2011 by LCRA line operations personnel. This project will replace or upgrade worn transmission structures and hardware to extend the life and improve the reliability of the transmission line. A total of 38 miles of transmission line will be upgraded.

The initial cost estimate for this project was based on recent maintenance projects of similar construction and was intended to replace only specific deteriorated items on this line. However, after additional field data was made available during the design phase, it was determined that all structures require replacement. The increase in estimated costs is also partially caused by 5.7 miles of this transmission line crossing rice fields. Construction in rice fields requires additional precautions and equipment to maintain leveled fields and to protect irrigation canals and berms. The revised budget also includes additional dollars, in the event they are needed for repairing and regrading the rice fields. Additionally, construction complexity increased due to 10 miles of

distribution lines, owned by AEP, attached to the existing LCRA TSC transmission structures. As the sole source of electricity to the area, these AEP distribution lines cannot be de-energized during construction and must be left in place. After receiving the design survey, it was determined that clearances to ground, homes, railroads, distribution lines and other transmission line crossings needed to be brought up to current safety code during the line modification.

The elements driving this request are as follows:

1. Decrease in project management, design, environmental by (\$114,000)
2. Increased material costs by \$504,000
3. Increased construction costs by \$3,050,000
4. Increased construction controls costs for rice fields by \$1,000,000
5. Increase in capitalized interest and administrative costs by \$419,000

Although the costs associated with this project are significantly higher than originally estimated, after review by the LCRA Transmission Services System Planning department it is still the best solution to address the reliability of service needs identified in the area. The project is scheduled for completion by June 2012. 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:	<u>\$11,960,000</u>
Previous Project Lifetime Budget:	\$ 7,101,000
Additional Lifetime Budget Approval Sought:	<u>\$ 4,859,000</u>
FY 2012	\$11,960,000
Total:	<u>\$11,960,000</u>

Project Direction

Project Manager: Mary Beth Nickel
Project Sponsor: Kristian Koellner
Project Number: 1011772

Presenter(s)

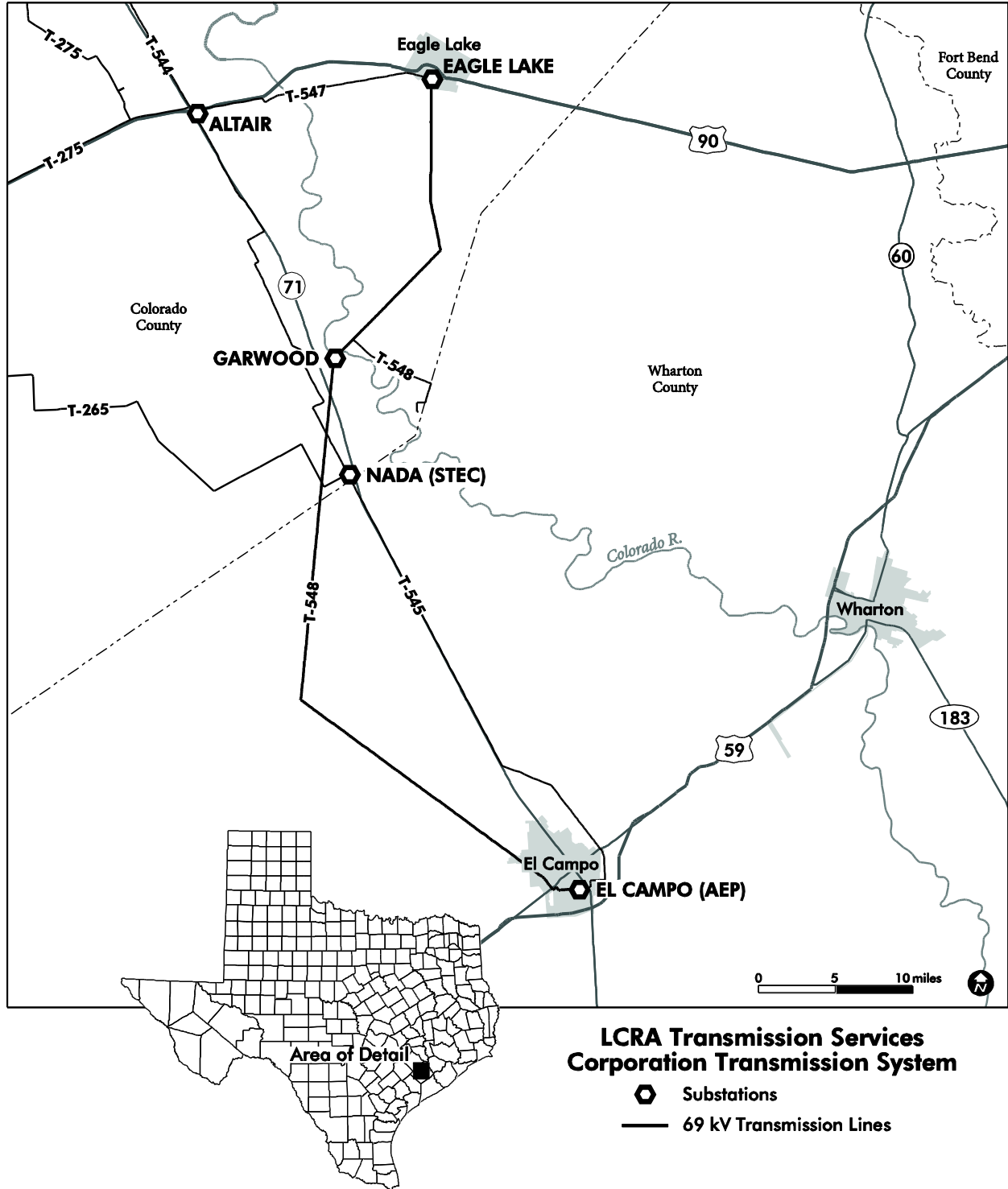
Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - El Campo-to-Eagle Lake Transmission Line Upgrade

EXHIBIT A

El Campo-to-Eagle Lake Transmission Line Upgrade



FOR ACTION

7. Capital Improvement Project Approval – El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and Substation Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and 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 not included in the FY 2012-2016 LCRA TSC Capital Plan.
- Approval is sought for a total lifetime budget of \$12,632,000 and for \$1,165,000 of the project budget expected to be spent in the current fiscal year.
- The proposed lifetime budget for the project includes a contingency of 2 percent.
- Staff believes that this additional spending can be managed within the existing FY 2012 capital spending limit and is not currently requesting to increase the approved capital spending limit for the fiscal year. 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.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas (PUC).

Summary

The El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and Substation Addition project is recommended as an addendum to the FY 2012-2016 Transmission System Improvements Plan.

In September, South Texas Electric Cooperative (STEC) requested to connect their existing transmission facilities to an existing LCRA TSC transmission line located in Wharton County. STEC has received several electric service requests from industrial-type customers resulting in the addition of over 100 Megawatts of load connecting to the area transmission system. STEC has reported some customers have started construction. Similarly, LCRA TSC has recently experienced industrial-type load additions at its Colorado Station located in adjacent Colorado County.

The impacts to LCRA TSC transmission facilities associated with these industrial-type load additions (coupled with the broader area load growth) have been identified in system reliability studies conducted by the Electric Reliability Council of Texas (ERCOT), STEC and LCRA TSC. These reliability studies have indicated the need to expedite construction of system improvements to address the identified impacts to the transmission system.

LCRA TSC and STEC have worked jointly with the ERCOT, PUC and other transmission service providers to develop a regional project in Wharton and Colorado counties to ensure continued reliable transmission service to the area. This project will satisfy legal requirements specified in the Public Utility Regulatory Act and the rules of the PUC. These rules require transmission utilities to provide transmission service to all wholesale market participants.

As part of this regional project, LCRA TSC will:

1. Convert the existing LCRA TSC El Campo-to-Altair 69-kV transmission line to 138-kV operation between AEP's El Campo substation to the point where the line crosses the STEC Nada substation (18 miles). Estimated cost of \$5,784,000.
A portion of this scope - to improve the physical condition of El Campo-to-Altair transmission line - was expected to be in next year's capital plan.
2. Construct and own the 138-kV portion of the new Ricebird Substation and establish a new point of interconnection with STEC. STEC will acquire and own the substation property, install a 138/69-kV auto transformer and other equipment needed to connect the STEC transmission facilities to the new LCRA TSC transmission facilities. Estimated cost of \$1,762,000.
3. Construct and own the 138-kV portion of the STEC Nada Substation expansion, including a 138/69-kV autotransformer. STEC will expand and own the substation site and install other equipment needed to connect the existing STEC transmission facilities to the new LCRA TSC transmission facilities. Estimated cost of \$3,155,000.

These transmission facilities will assist in reliably supporting the long-term area growth as well as the area's ongoing aggressive oil and gas exploration, processing, transportation, and related secondary load that are expected to continue for many years. The project is scheduled for completion by January 2013. The requested funds will be used for project management, engineering, materials, and construction. LCRA TSC will amend the interconnect agreement with STEC to include the Ricebird substation addition and the modifications at Nada substation. 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 anticipated for this project.

Project Recap

Total Project Estimated Cost:	<u>\$12,632,000</u>
Previous Project Lifetime Budget:	\$ 0
Lifetime Budget Approval Sought:	<u>\$12,632,000</u>
FY 2012	\$ 1,165,000
FY 2013	\$11,467,000
 Total:	 <u>\$12,632,000</u>

Project Direction

Project Manager: Mary Moore
 Project Sponsor: Cole Dietert
 Project Number: 1012274

Presenter(s)

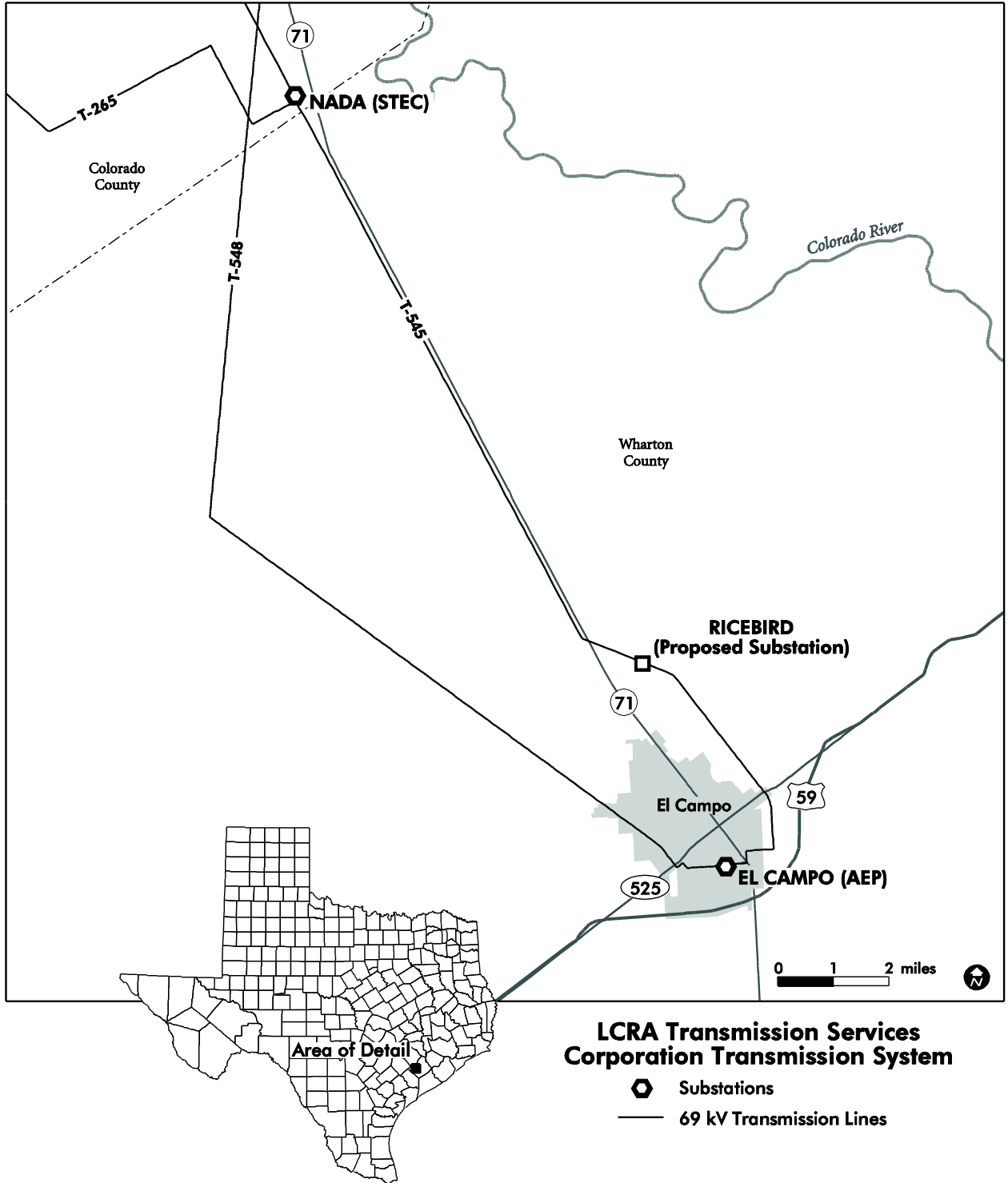
Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and
Substation Addition

EXHIBIT A

El Campo-to-Ricebird-to-Nada Transmission Line Upgrade and Substation Addition



FOR ACTION

8. Capital Improvement Project Approval - Wirtz Substation Upgrade

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Wirtz Substation 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 not included in the FY 2012 LCRA TSC Capital Plan.
- Approval is sought for a total lifetime budget of \$494,000 and for \$494,000 of the project budget expected to be spent in the current fiscal year.
- The proposed lifetime budget for the project includes a contingency of 2 percent.
- Staff believes that this additional spending can be managed within the existing FY 2012 capital spending limit and is not currently requesting to increase the approved capital spending limit for the fiscal year. 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.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary

The Wirtz Substation Upgrade project is recommended as an addendum to the FY 2012-2016 Transmission System Improvements Plan. This project will satisfy requirements stated in LCRA TSC's reliability planning criteria.

During the FY 2012 Capital Plan development process, transmission reliability studies conducted by LCRA staff indicated the need to adjust voltage control settings on the 138/69-kV autotransformer located at the Wirtz Substation. In September, it was found that a key component (load tap changer) on this autotransformer was inoperable and must be replaced. This existing autotransformer is 1940's vintage and repair is not feasible for continued reliable service. The autotransformer and associated load tap changer are needed at the Wirtz Substation to supply service and to stabilize the 69-kV voltage to the Johnson City area in Blanco County. The project consists of replacing the existing autotransformer at the Wirtz Substation with an available spare autotransformer. In addition, a bigger foundation and spill containment facilities will be required at the Wirtz Substation to accommodate this replacement.

The project is scheduled for completion by June 2012. The requested funds will be used for project management, engineering, materials, and construction. 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>\$494,000</u>
Previous Project Lifetime Budget:	\$ 0
Lifetime Budget Approval Sought:	<u>\$494,000</u>
FY 2012	\$494,000
Total:	<u>\$494,000</u>

Project Direction

Project Manager: Natalie Vaughn
Project Sponsor: Charles DeWitt
Project Number: 1012433

Presenter(s)

Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - Wirtz Substation Upgrade

EXHIBIT A

Wirtz Substation Upgrade

