

LCRA Transmission Services Corporation

Board Agenda

Wednesday, October 19, 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
- 2. LCRA Transmission Services Corporation FY 2012 Business Plan
First Quarter Update 5

Consent Items

- 3. Minutes of Prior Meeting..... 6

Topics

- 4. Capital Improvement Project Approval - Mont Substation Addition..... 11
- 5. LCRA Transmission Services Corporation Rate Filing..... 14

Quarterly Reports

- Operations..... 15
- Real Estate Services..... 19

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.

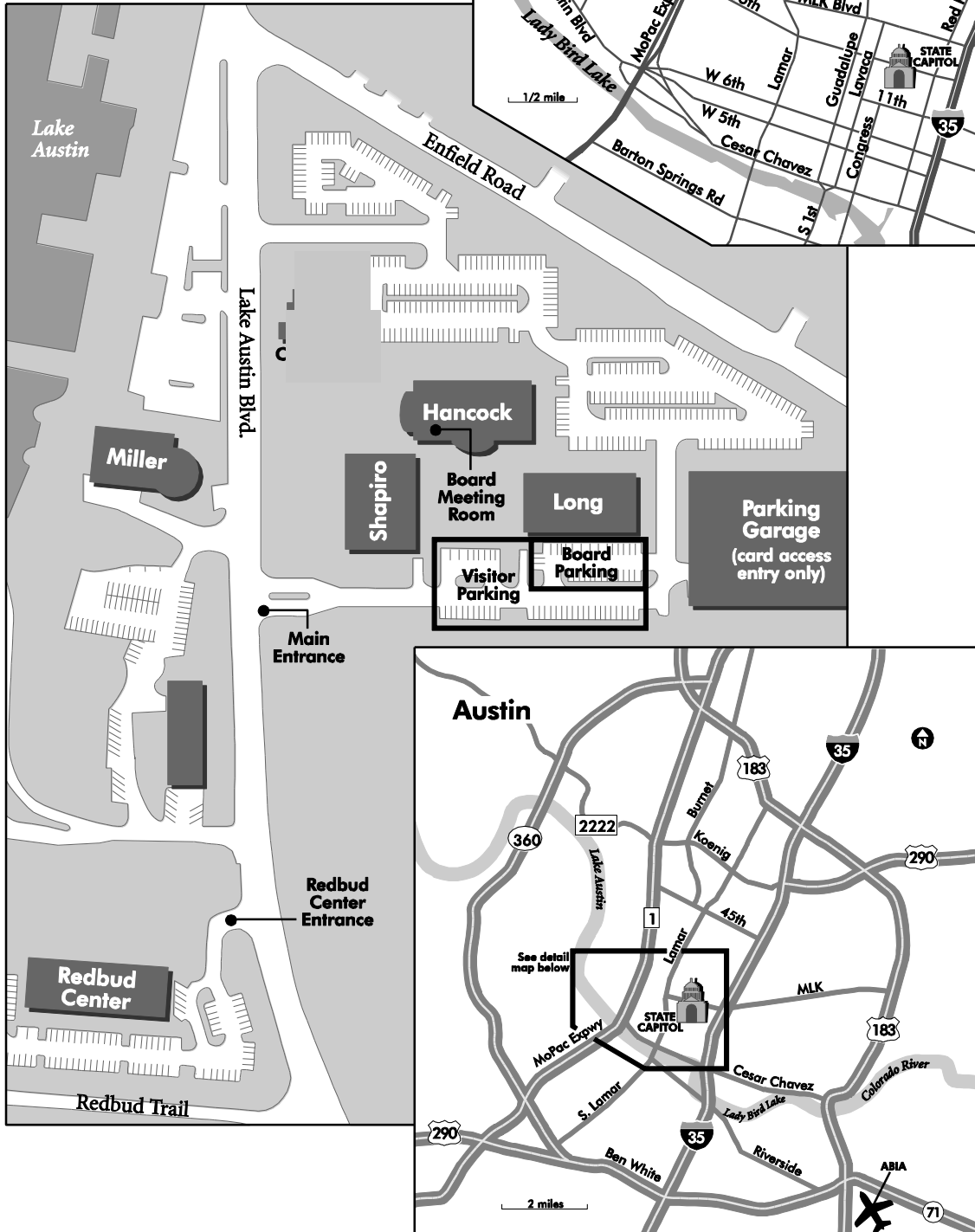
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services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

SEPTEMBER 2011



Controller's Report
October 11, 2011

The financial reports for LCRA Transmission Services Corporation for the month ended September 2011 and 2010 are enclosed. The balance sheets and statements of revenues, expenses, and changes in equity have been prepared in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34. The statements of cash flows has been prepared in accordance with GASB No. 9, as amended by GASB No. 34, which requires the direct method.

LCRA Transmission Services Corporation's revenues and interest income are \$2.5 million above budget and expenses are \$1.3 million below budget for fiscal year-to-date ended September 30, 2011. Net revenues available for debt service are \$3.8 million above budget.

Please contact me at (512) 473-3200, extension 2330 or P.O. Box 220, Austin, Texas 78767, if you have any questions or need additional information.

A handwritten signature in black ink, appearing to read "CS", followed by a long horizontal line extending to the right.

Craig Sloan,
Controller

**LCRA TRANSMISSION SERVICES CORPORATION
MONTHLY FINANCIAL REPORT
TABLE OF CONTENTS**

LCRA Transmission Services Corporation	<u>Page Number</u>
Operating Report	1
Investments and Short-Term Debt	2
Capital Spending Report	3
Balance Sheets	4
Statements of Revenues, Expenses, and Changes in Equity	5
Statements of Cash Flows	6

LCRA TRANSMISSION SERVICES CORPORATION
OPERATING REPORT
SEPTEMBER 30, 2011

(Dollars in Thousands)

Month to Date

	Budget	Actual	Variance	
Revenues	\$ 23,059	\$ 24,799	\$ 1,740	8%
Expenses	5,414	4,835	579	11%
Net Operating Margin	17,645	19,964	2,319	13%
Add: Interest Income	37	(11)	(48)	(130%)
Less: Assigned Corporate Expense	(1,864)	(1,920)	(56)	(3%)
Public Service Fund	(692)	(692)	-	0%
Net Revenues Available for Debt Service	<u>\$ 15,126</u>	<u>\$ 17,341</u>	<u>\$ 2,215</u>	<u>15%</u>

Year to Date

	Budget	Actual	Variance	
Revenues	\$ 69,202	\$ 71,820	\$ 2,618	4%
Expenses	17,457	16,481	976	6%
Net Operating Margin	51,745	55,339	3,594	7%
Add: Interest Income	103	13	(90)	(87%)
Less: Assigned Corporate Expense	(6,189)	(5,886)	303	5%
Public Service Fund	(2,076)	(2,076)	-	0%
Net Revenues Available for Debt Service	<u>\$ 43,583</u>	<u>\$ 47,390</u>	<u>\$ 3,807</u>	<u>9%</u>

**LCRA TRANSMISSION SERVICES CORPORATION
 INVESTMENTS AND SHORT-TERM DEBT
 SEPTEMBER 30, 2011**

INVESTMENTS:

Portfolio Yield Summary

	<u>Total Investments</u>	<u>Portfolio Distribution</u>
Market Value	\$ 189,000,450	Treasury Securities 55%
Portfolio Yield	0.11%	US Agency Securities 0%
Benchmark Yield ⁽¹⁾	0.04%	Repurchase Agreements 0%
Weighted Average Maturity	80 Days	Commercial Paper 0%
		Money Market Fund 45%

SHORT-TERM DEBT:

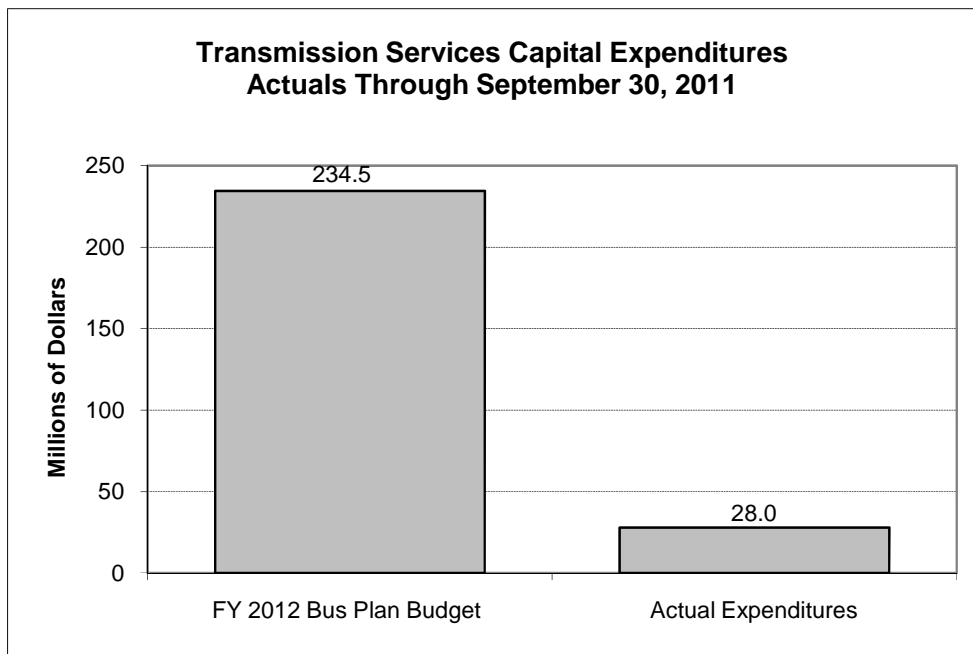
	<u>Tax-Exempt Commercial Paper Series A</u>	<u>Tax-Exempt Commercial Paper Series B</u>
Approved LOC Amount	\$ 150,000,000	\$ 100,000,000
Amount Outstanding	\$ 136,600,000	\$ 91,800,000
Amount Issued	\$ -	\$ -
Amount Retired	\$ -	\$ -
Amount Rolled Over	\$ 24,200,000	\$ 96,300,000
Weighted Average Rate	0.16%	0.25%
Weighted Average Maturity	6 Days	11 Days

⁽¹⁾ The benchmark is obtained by using the current average yield on treasury/agency securities, commercial paper, and money market funds, with weighted distributions and weighted maturities similar to the actual portfolio.

LCRA TRANSMISSION SERVICES CORPORATION
CAPITAL SPENDING REPORT
SEPTEMBER 30, 2011
(Dollars in Millions)

<u>Month to Date</u>	<u>Year to Date</u>	<u>% of Budget Spent</u>	<u>FY 2012 Capital Plan Budget</u>
\$ 11.5	\$ 28.0	12%	\$ 234.5

One capital project was initiated in September 2011 with a fiscal year impact of \$5,000.



LCRA TRANSMISSION SERVICES CORPORATION

BALANCE SHEETS

(Dollars in Thousands)

	September 30, 2011	September 30, 2010
<i>Assets</i>		
Current Assets:		
Cash and cash equivalents	\$ 40,206	\$ 37,606
Unrestricted investments	39,673	47,367
Receivables, net	47,145	34,709
Accrued interest receivable	118	595
Inventories, net	3,722	4,197
Total current assets	<u>130,864</u>	<u>124,474</u>
Long-term Assets:		
Restricted cash and cash equivalents	45,732	532
Restricted investments	423	672
Accounts receivable from LCRA - restricted	67,419	67,290
* Capital assets:		
Depreciable		
Utility plant in service	1,780,530	1,695,449
Less accumulated depreciation	(389,026)	(348,178)
Depreciable capital assets, net	<u>1,391,504</u>	<u>1,347,271</u>
Nondepreciable		
Utility plant in service	166,686	-
Construction work in progress	97,733	200,924
Nondepreciable capital assets	<u>264,419</u>	<u>200,924</u>
Other	15	15
Deferred charges	90,649	72,909
Total long-term assets	<u>1,860,161</u>	<u>1,689,613</u>
Total Assets	<u>\$ 1,991,025</u>	<u>\$ 1,814,087</u>
<i>Liabilities</i>		
Current Liabilities:		
Accounts payable to LCRA	\$ 6,846	\$ 5,173
Interest payable	24,297	21,117
Other current liabilities	9,565	7,646
Bonds, notes, and loans payable	281,095	91,693
Total current liabilities	<u>321,803</u>	<u>125,629</u>
Long-term Liabilities:		
Accounts payable to LCRA from construction fund	9,105	14,519
Accounts payable from restricted assets	160	3,621
Bonds, notes, and loans payable	1,355,869	1,406,908
Deferred credits	430	497
Total long-term liabilities	<u>1,365,564</u>	<u>1,425,545</u>
Total Liabilities	<u>1,687,367</u>	<u>1,551,174</u>
<i>Equity</i>		
Invested in capital assets, net of related debt	207,070	167,683
Unrestricted	96,588	95,230
Total equity	<u>303,658</u>	<u>262,913</u>
Total Liabilities and Equity	<u>\$ 1,991,025</u>	<u>\$ 1,814,087</u>

* Nondepreciable assets for FY 2012 have been updated for GASB 51 adjustments. The monthly implementation of GASB 51 was not implemented for FY 2011, so the affected assets are included in the depreciable asset line items.

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PERIODS ENDING SEPTEMBER 30, 2011
(FISCAL YEAR 2012) and 2010 (FISCAL YEAR 2011)

(Dollars in Thousands)

	<u>FISCAL MONTH TO DATE</u>		<u>FISCAL YEAR TO DATE</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Operating Revenues				
Transmission	\$ 22,111	\$ 19,221	\$ 66,332	\$ 57,563
Transformation	1,249	1,214	3,734	3,628
Other	25	34	99	79
Total Operating Revenues	<u>23,385</u>	<u>20,469</u>	<u>70,165</u>	<u>61,270</u>
Operating Expenses				
Operations	6,223	6,634	20,757	21,033
Maintenance	532	508	1,610	1,856
Depreciation and amortization	3,749	4,212	8,968	9,048
Total Operating Expenses	<u>10,504</u>	<u>11,354</u>	<u>31,335</u>	<u>31,937</u>
Operating Income	<u>12,881</u>	<u>9,115</u>	<u>38,830</u>	<u>29,333</u>
Nonoperating Revenues (Expenses)				
Interest income (expense)	(10)	27	7	81
Loss on disposition of property	(34)	(794)	(104)	(1,304)
Amortization of losses on refundings	(517)	(517)	(1,551)	(1,551)
Interest on debt	(6,262)	(5,634)	(17,943)	(16,213)
Other income (expenses)	722	(565)	(420)	(1,717)
Total Nonoperating Expenses	<u>(6,101)</u>	<u>(7,483)</u>	<u>(20,011)</u>	<u>(20,704)</u>
Income Before Costs to be (Prior Costs)				
Recovered from Revenues, Capital Contributions and Transfers In (Out)	6,780	1,632	18,819	8,629
Costs to be (Prior Costs) Recovered from Revenues	(990)	632	(5,118)	(2,192)
Capital Contributions	117	2	305	218
Transfers In (Out)	(1)	4	5	15
Change in Equity	<u>5,906</u>	<u>2,270</u>	<u>14,011</u>	<u>6,670</u>
Equity - Beginning of Period	<u>297,752</u>	<u>260,643</u>	<u>289,647</u>	<u>256,243</u>
Equity - End of Period	<u>\$ 303,658</u>	<u>\$ 262,913</u>	<u>\$ 303,658</u>	<u>\$ 262,913</u>

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
PERIODS ENDING SEPTEMBER 30, 2011
(FISCAL YEAR 2012) and 2010 (FISCAL YEAR 2011)

(Dollars in Thousands)

	FISCAL MONTH TO DATE		FISCAL YEAR TO DATE	
	2012	2011	2012	2011
Cash Flows From Operating Activities				
Receipts from customers	\$ 17,011	\$ 20,550	\$ 59,555	\$ 58,208
Payments to suppliers	(5,841)	(6,702)	(33,406)	(22,066)
Net cash provided by operating activities	<u>11,170</u>	<u>13,848</u>	<u>26,149</u>	<u>36,142</u>
Cash Flows From Noncapital Financing Activities-Other income (expenses)				
	722	(565)	(421)	(1,717)
Cash Flows From Capital and Related Financing Activities				
Purchases of property, plant and equipment	(5,698)	(16,432)	(33,147)	(60,426)
Capital contributions	118	2	306	218
Issuance costs	(28)	-	(30)	1
Proceeds from commercial paper	-	10,100	62,700	45,100
Interest paid	-	130	-	130
Net cash provided by (used in) capital and financing activities	<u>(5,608)</u>	<u>(6,200)</u>	<u>29,829</u>	<u>(14,977)</u>
Cash Flows From Investing Activities				
Purchase of investments	(10,085)	-	(10,085)	(15,040)
Interest received (paid)	(51)	17	(41)	33
Net cash provided by (used in) investing activities	<u>(10,136)</u>	<u>17</u>	<u>(10,126)</u>	<u>(15,007)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,852)	7,100	45,431	4,441
Cash and Cash Equivalents, Beginning of Period	89,790	31,038	40,507	33,697
Cash and Cash Equivalents, End of Period	<u>\$ 85,938</u>	<u>\$ 38,138</u>	<u>\$ 85,938</u>	<u>\$ 38,138</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 12,881	\$ 9,115	\$ 38,830	\$ 29,333
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,749	4,212	8,968	9,048
Changes in assets and liabilities:				
Accounts receivable	(6,528)	(52)	(10,724)	(3,106)
Inventories	36	22	36	(96)
Other current assets	133	-	(13,946)	-
Current liabilities	750	418	2,876	919
Deferred credits and other long-term liabilities	149	133	109	44
Net cash provided by operating activities	<u>\$ 11,170</u>	<u>\$ 13,848</u>	<u>\$ 26,149</u>	<u>\$ 36,142</u>
Noncash Investing and Capital and Related Financing Activities				
Investment market adjustments	<u>\$ (24)</u>	<u>\$ (117)</u>	<u>\$ (47)</u>	<u>\$ (357)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

FOR DISCUSSION

**2. LCRA Transmission Services Corporation
FY 2012 Business Plan First Quarter Update**

Board Consideration

This update is presented to the Board for discussion.

Summary

The update includes LCRA Transmission Services Corporation's financial and operational performance for the first quarter of FY 2012.

Presenter(s)

Jim Travis
LCRA Treasurer

FOR ACTION (CONSENT)

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Sept. 21, 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 Sept. 21, 2011, meeting

EXHIBIT A

Minutes Digest
September 21, 2011

- 11-26 Approval of the LCRA Transmission Services Corporation Fiscal Year 2011 audited financial statements.
- 11-27 Approval of the minutes of the August 24, 2011, meeting.
- 11-28 Approval of the Capital Improvement Project Authorization Request for the Lost Creek Substation Addition Project.
- 11-29 Approval of the Capital Improvement Project Authorization Request for the Odlaw Substation Addition Project, and authorization for the chief executive officer or her designee to negotiate and execute an agreement with the wind generator to construct new facilities and upgrade existing ones.
- 11-30 Approval of the adoption by LCRA of the Seventeenth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of tax-exempt and/or taxable debt in an amount not to exceed \$900 million (the LCRA TSC 2011 Bonds) for the following purposes: (i) refunding the Transmission Contract Revenue Commercial Paper Notes, Tax-Exempt Series and Tax-Exempt Series B, (ii) refunding certain outstanding long-term Transmission Contract Debt, (iii) funding debt service reserves for the LCRA TSC 2011 Bonds, and (iv) paying for issuance costs.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
September 21, 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 2:26 p.m. on Wednesday, September 21, 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
Dickerson
Franklin
Gill
Johnson
Kibby
Martine
McHenry
Spears
Schrader
White

Chair Timmerman convened the meeting at 2:26 p.m. Chief Operating Officer Ross Phillips gave an update on the cost of service rate case that LCRA TSC expects to file with the Public Utility Commission of Texas on October 27. Phillips also mentioned the recent rolling blackouts over parts of Arizona, Southern California and Northern Mexico that affected millions of people.

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

The Board next took action on the Consent Agenda. Upon motion by Director Dickerson, seconded by Director White, the Board, by a vote of 15 to 0, unanimously approved consent items 2 and 3, included on the September 21, 2011, Board Consent Agenda, as follows:

11-26 The LCRA Transmission Services Corporation Fiscal Year 2011 audited financial statements, as recommended by staff in Consent Item 2 [attached hereto as Exhibit A].

11-27 The minutes of the August 24, 2011, meeting [Consent Item 3].

11-28 Ross Phillips, Chief Operating Officer, presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve the Capital Improvement Project Authorization Request for the Lost Creek Substation Addition Project. Upon motion by Director Berger, seconded by Director Balas, the recommendation was unanimously approved by a vote of 15 to 0.

11-29 Ross Phillips, Chief Operating Officer, presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the Odlaw Substation Addition Project, and authorize the chief executive officer or her designee to negotiate and execute an agreement with the wind generator to construct new facilities and upgrade existing ones. The Board had an extensive discussion on this item, and attorney Paul Shinkawa responded to questions from the Board relating to the agreement with the wind generator and financial security issues. Upon motion by Director McHenry, seconded by Director Johnson, the recommendation was unanimously approved by a vote of 15 to 0.

11-30 Brady Edwards, Chief Financial Officer, presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit D], that the Board approve the adoption by LCRA of the Seventeenth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of tax-exempt and/or taxable debt in an amount not to exceed \$900 million (the LCRA TSC 2011 Bonds) for the following purposes: (i) refunding the Transmission Contract Revenue Commercial Paper Notes, Tax-Exempt Series and Tax-Exempt Series B, (ii) refunding certain outstanding long-term Transmission Contract Debt, (iii) funding debt service reserves for the LCRA TSC 2011 Bonds, and (iv) paying for issuance costs. This motion also will:

1. Approve related documents, including bond purchase agreements, escrow agreements, paying agent/registrar agreements, the Preliminary Official Statement in substantially final form, and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the LCRA TSC 2011 Bonds (the 2011 Installment Payment Agreement Supplement). [Bond counsel has prepared or reviewed all documents.]
2. Delegate authority to the chief executive officer or the chief financial officer:
 - a. to approve any final changes to said documents necessary to facilitate proper issuance of such LCRA TSC 2011 Bonds;
 - b. to establish the terms of the LCRA TSC 2011 Bonds as provided in the resolution (including issuing such bonds in one or more separate series (tax-exempt and/or taxable), the principal amounts and maturity schedules, interest rates, redemption provisions, and terms of any reserve funds); and
 - c. to approve the terms of the sale of the LCRA TSC 2011 Bonds to an underwriting team led by Morgan Stanley & Co. and Barclays Capital, Inc., and to execute bond purchase agreements.

The motion was unanimously approved by a vote of 14 to 0, with Director Dickerson abstaining from voting in order to avoid the appearance of a conflict of interest. Director Dickerson stated that some of his clients may potentially own some of the bonds.

General Counsel John Rubottom gave a brief update on the appeal of the Public Utility Commission of Texas' 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.

There being no further business to come before the Board, the meeting was adjourned at approximately 3:00 p.m.

John W. Rubottom, Secretary
LCRA Transmission Services Corporation

FOR ACTION

4. Capital Improvement Project Approval - Mont Substation Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Mont 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 LCRA TSC Transmission Capital Plan.
- Approval is sought for a total lifetime budget of \$1,901,000 and for \$1,865,000 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 budget and is not currently 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.
- Project cost will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas (PUC).

Summary

The Mont Substation Addition Project is recommended as an addendum to the FY 2012-2016 Transmission System Improvements Plan. 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.

In June Guadalupe Valley Electric Cooperative (GVEC) requested to connect its new Mont Substation to LCRA TSC's Yoakum Gartner Road to Hallettsville 138-kilovolt transmission line. The Mont Substation will provide service to a new industrial load in Lavaca County.

LCRA TSC will construct and own the transmission portion of the substation and establish a point of interconnection with GVEC. GVEC will acquire and own the substation site, power transformers and other non-transmission equipment needed to serve the new industrial load. LCRA TSC will amend its interconnect agreement with GVEC to include the new point of delivery.

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>\$1,901,000</u>
Previous Project Lifetime Budget:	\$ 0
Lifetime Budget Approval Sought:	<u>\$1,901,000</u>
FY 2012	\$1,865,000
FY 2013	\$ 36,000
Total:	<u>\$1,901,000</u>

Project Direction

Project Manager: Dan Normand
Project Sponsor: Reed Hurley
Project Number: 1012216

Presenter(s)

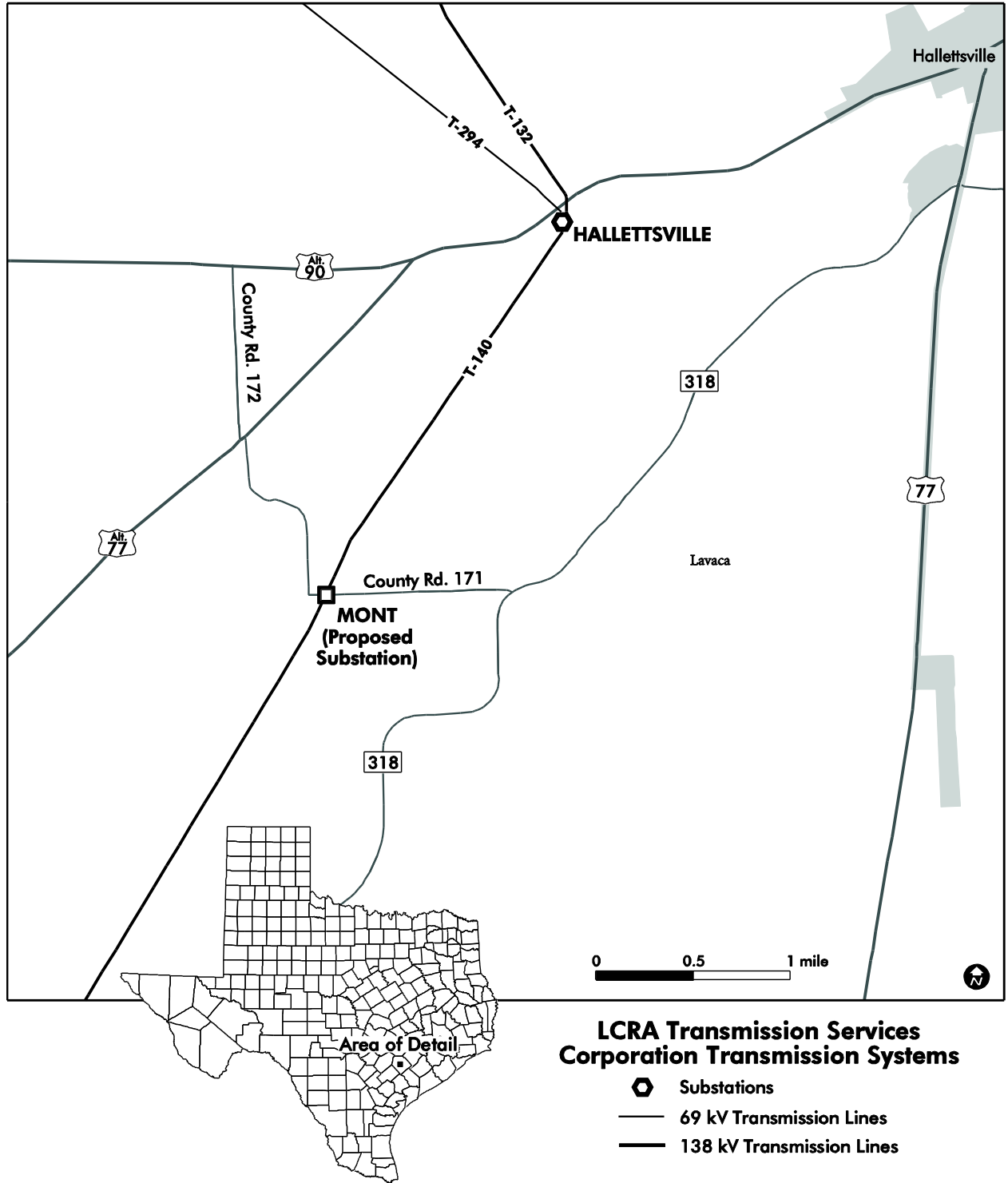
Ross Phillips
Vice President and Chief Operating Officer

Exhibit(s)

A - Location Map - Mont Substation Addition

EXHIBIT A

Mont Substation Addition



FOR ACTION

5. LCRA Transmission Services Corporation Rate Filing

Proposed Motion

Authorize the chief executive officer or her designee to submit a transmission cost of service (TCOS) filing for the LCRA Transmission Services Corporation (LCRA TSC) and a Transformation and Metering Tariff change at the Public Utility Commission of Texas (PUC).

Board Consideration

Staff is seeking approval from the LCRA TSC Board of Directors to file an application with the PUC to increase LCRA TSC's regulated services rates.

Budget Status and Fiscal Impact

This rate filing is projected in the FY 2012 Business Plan to have a minimal impact on FY 2012 LCRA TSC revenues because of the effective date of the new rate.

Summary

LCRA TSC anticipates filing the TCOS rate case in late October 2011 and the resulting rate increase is expected to go into effect in time for FY 2013. LCRA TSC's Business Plan contemplates an increase in its annual revenue requirement for FY 2013 because of capital investment and increased operations and maintenance (O&M) costs. With this TCOS filing, LCRA TSC is seeking to increase its annual revenue to cover the O&M expenses, debt service and debt service coverage requirements associated with LCRA TSC's business.

The final revenue requirement and rates must be approved by the PUC Commissioners and will be determined after PUC staff and any other parties to the case have examined the costs for reasonableness.

In the four years since its last TCOS rate case, LCRA TSC has filed three separate Interim Capital Addition (ICA) transmission filings. The PUC approved these ICAs allowing LCRA TSC to recover approximately \$56 million in additional revenue requirement for debt service and debt service coverage, as well as associated property taxes, on new transmission capital projects placed into service. All costs included in these ICAs, as well as additional O&M and capital costs requested by LCRA TSC, will be reviewed for prudence during the upcoming rate case.

Staff will continue to provide updates to the Board during the pendency of the rate case proceedings.

Presenter(s)

Henry Eby

Executive Manager, Environmental and Regulatory Affairs

LCRA Transmission Services Corporation

Operations

System Operations Control Center (SOCC)

Transmission Orders

Transmission orders are issued to field personnel by the SOCC and provide precise instructions for the operation of equipment, for removing equipment from service for construction or maintenance, and to ensure safe and reliable operation of the system. The number of orders issued in a given month is an indication of transmission field construction, maintenance and other operational activities. During the last quarter, Transmission Services issued 570 transmission orders in July, 703 transmission orders in August, and 821 transmission orders in September. This includes verbal dispatches, transmission line holds, switching orders and clearances.

Protective Relay System (PRS) Percent Misoperations

The PRS percent misoperations value is an indication of how well the protective system is performing to effectively isolate abnormal conditions on the system. PRS percent misoperation rate is determined by dividing the number of misoperations by the total number of operations for the given period. An operation, in this context, indicates an event that caused an automatic protective device to function to clear an abnormal condition to protect the transmission system. A misoperation can occur when these protective systems do not function precisely as designed. During the past quarter, the PRS percent misoperations value was 14.3 percent in July, 19.0 percent in August, and 9.8 percent in September.

Line Fault Index (LFI)

The LFI is an indicator of the number of momentary interruptions, weather activity and overall transmission line performance. The LFI is the average number of faults per 100 miles of line per year. During the past quarter, the LFI values were 3.86 in July, 0.96 in August, and 7.71 in September. The monthly numbers are annualized to reflect performance as if it were for the entire year.

System Average Interruption Duration Index (SAIDI)

The SAIDI reflects the overall average number of outage minutes that a typical customer delivery point experienced for the given period due to LCRA transmission or transformation outages. During the past quarter, the SAIDI values were 0.00 minutes for transmission and 1.14 minutes for transformation in July, 0.11 minutes for transmission and 1.21 minutes for transformation in August, and 1.77 minutes for transmission and 0.00 minutes for transformation in September.

The following table shows the past six months of history.

Index	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Six Month Average
Transmission Orders	819	955	1164	570	703	821	839
PRS percent misoperations (misoperations/ total operations)	16.7%	20.0%	4.8%	14.3%	19.0%	9.8%	14.1%
LFI (faults/100 miles of line)	4.18	1.93	3.86	3.86	0.96	7.71	3.75
SAIDI - Transmission	0.76	2.20	1.41	0.00	0.11	1.77	1.04
- Transformation	1.56	0.28	0.88	1.14	1.21	0.00	0.84
- Total (average minutes/customer)	2.32	2.48	2.29	1.14	1.32	1.77	1.89

System Availability at the end of Q1 for FY 2012: 99.997%

Outages Due to Events Originating at LCRA TSC Facilities

Acronyms:

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

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
7/6/2011 07:44	Magnolia Mercer	BBEC	Maintenance Activity	Transformation	2 hours
7/22/11 11:57	Magnolia	AEP Shell Oil	Foreign Interference	Transmission	2 hours and 27 minutes
8/1/11 04:18	Colorado	SBEC	Animal Contact	Transformation	2 hours and 7 minutes
8/14/11 08:46	Pittsburg	City of Llano	Animal Contact	Transformation	37 minutes

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
8/23/11 22:36	San Marcos	SMEU	Sub Equipment Failure	Transmission	1 hour and 9 minutes
8/26/11 08:25	Hallettsville City	City of Hallettsville	Line Equipment Failure	Transmission	1 hour and 20 minutes
8/29/11 09:46	Sheridan	SBEC	Forced Outage	Transmission	30 minutes
9/5/11 15:15	Wyldwood	BBEC	Forced Outage	Transmission	1 hour and 24 minutes
9/16/11 12:17	Lampasas	City of Lampasas	Low-side Fault	Transformation	1 hour and 46 minutes
9/18/11 05:05	Matthews	AEP	Line Equipment Failure	Transmission	1 hour and 30 minutes
	Lake Side Pump	AEP	Line Equipment Failure	Transmission	1 hour and 30 minutes
	Lone Star	AEP	Line Equipment Failure	Transmission	1 hour and 30 minutes
	Garwood	AEP	Line Equipment Failure	Transmission	1 hour and 30 minutes
9/29/2011 15:08	McCarty Lane	BBEC SMEU	Lightning	Transformation	1 hour and 16 minutes

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

Date/Time	Location	Customer	Event Cause	Outage Type	Outage Duration
7/02/11 17:48	Hext	Sharyland Utilities	Line Equipment Failure	Transmission	32 minutes
7/12/11 04:47	Schaffner	Sharyland Utilities	Animal Contact	Transformation	1 hour and 28 minutes
7/18/11 05:17	Kingsland #2	CTEC	Sub Equipment Failure	Transmission	4 hours and 59 minutes
8/12/11 13:10	Hext	Sharyland Utilities	Line Equipment Failure	Transmission	57 minutes
8/20/11 15:42	Sandy Hill	BBEC	Line Equipment Failure	Transmission	56 minutes
8/26/11 20:50	Henne	NBU	Sub Equipment Failure	Transformation	2 hours and 45 minutes
9/10/11 17:41	Cheapside	GVEC	Foreign Interference	Transformation	1 hour and 33 minutes
9/18/11 16:32	Schaffner	Sharyland	Lightning	Transmission	33 minutes
	Brady North	City of Brady	Lightning	Transmission	33 minutes
9/18/11 16:53	Hext	Sharyland Utilities	Line Equipment Failure	Transmission	51 minutes
9/18/11 05:17	Loop 337	NBU	Low-side Fault	Transformation	49 minutes

LCRA Transmission Services Corporation

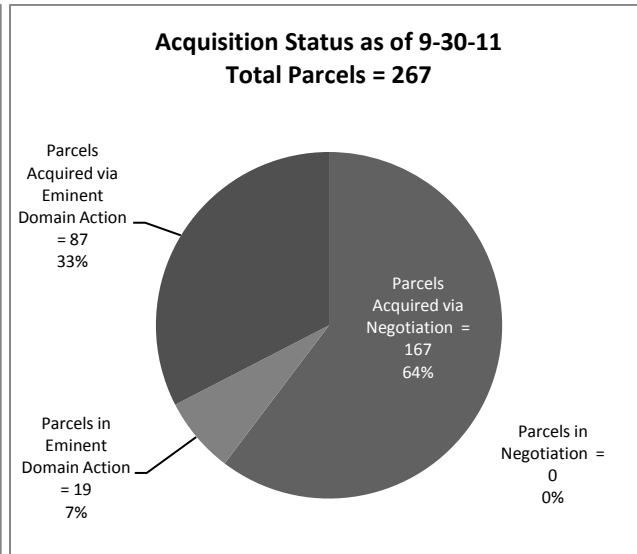
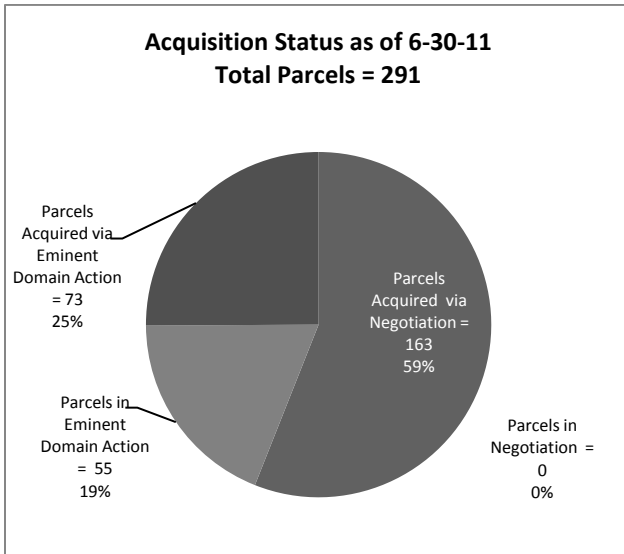
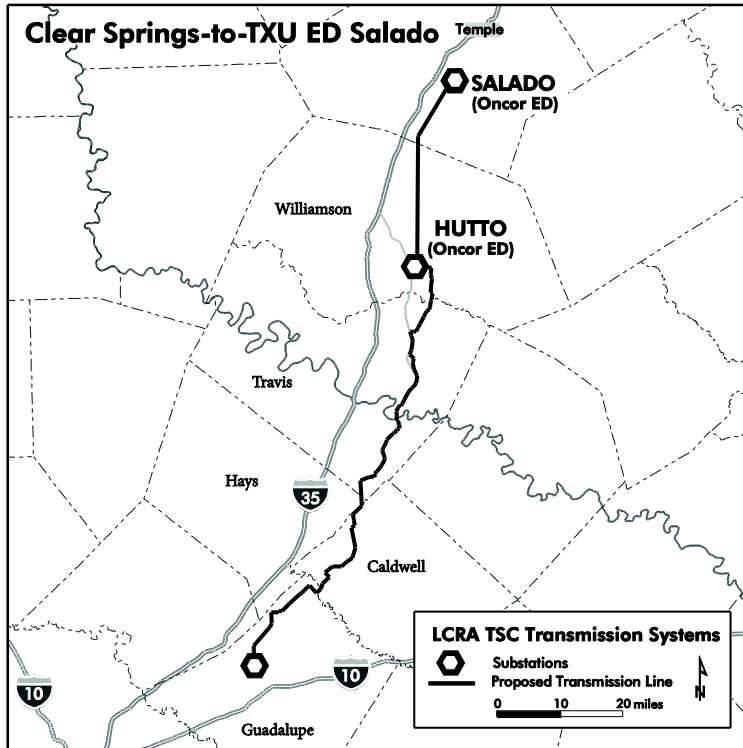
Real Estate Services

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

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

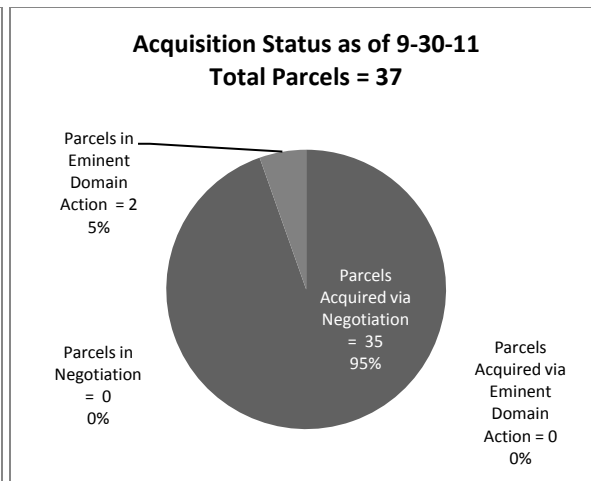
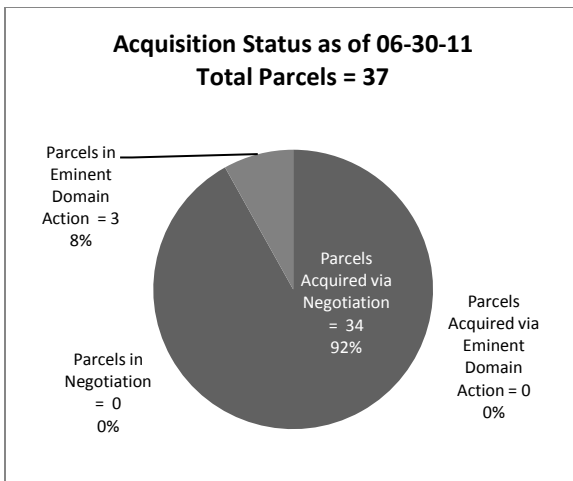
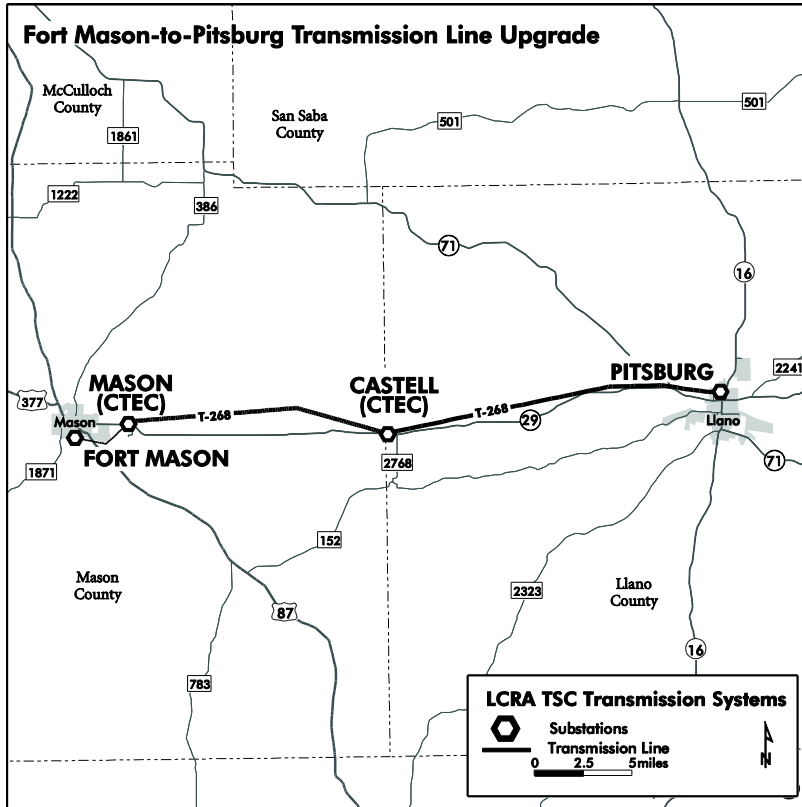
1. Perform land title research to determine ownership and notify affected landowners. This includes the review and verification of county clerk and appraisal district records.
2. Obtain an opinion of fair market values and determine just compensation. This includes cost per acre as well as damage to the remaining tract, if any.
3. Request Board approval to acquire tracts in excess of \$600,000.
4. Make good faith offers and negotiate with landowners.
5. Request Board approval for use of eminent domain authority and initiate eminent domain proceedings, if necessary.
6. Acquire parcels or easements through negotiated agreement (including possession and use agreement) or condemnation hearing.

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



Parcels Remaining in Eminent Domain Action (Includes 19 Possession and Use agreements Signed)	19
Parcels Scheduled for Hearing	8
Parcels Under Appeal	48

*Note: the change in parcel numbers shown between 6-30-11 and 9-30-11 is a result of a consolidation of contiguous parcels owned by the same landowner.



Parcels Remaining in Eminent Domain Action (Includes NO Possession and Use agreements Signed)	2
Parcels Scheduled for Hearing	0
Parcels Under Appeal	0

