



Board Agenda
Wednesday, February 16, 2011
LCRA Board Room
Austin

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*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 Web site 72 hours prior to the meeting at the following link: <http://www.sos.state.tx.us/open/>.

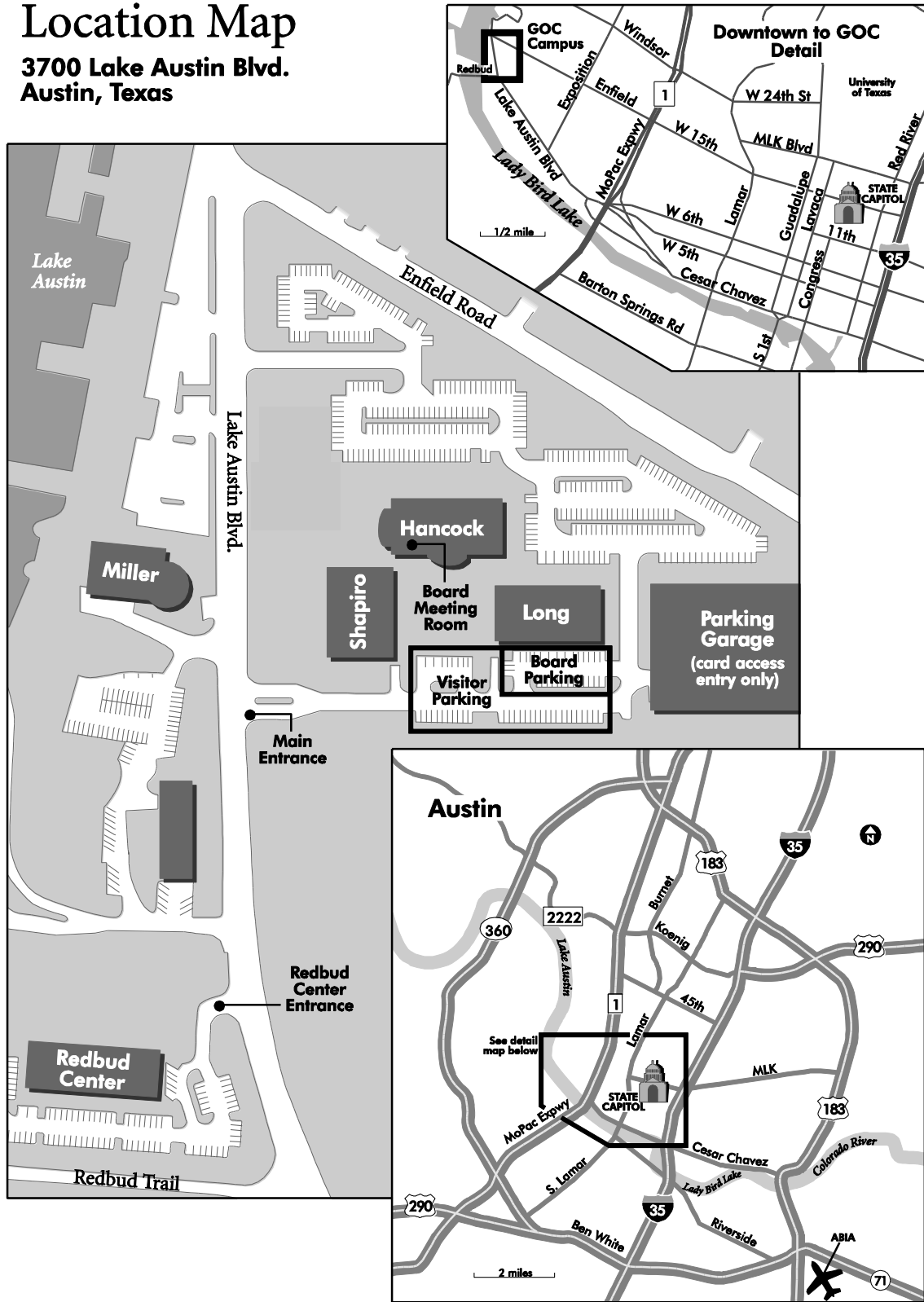
Executive Session

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. The Board may act in executive session on competitive electric matters pursuant to §551.086 of the Texas Government Code.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR ACTION

1. Consider Election of LCRA Board Officers for 2011

Proposed Motion

Elect a Board Vice Chair and Secretary for 2011.

Board Consideration

Section 2.02 of the LCRA Bylaws provides that the Board of Directors shall elect a Vice Chair and Secretary at the December regular meeting of the Board. If not elected at a December meeting, then the officers may be elected at any subsequent meeting.

Budget Status and Fiscal Impact

Approval of this item will have no budgetary or fiscal impact.

Summary

The term of office for Vice Chair and Secretary shall be a calendar year. The Vice Chair and Secretary shall continue in office until their successors are elected unless removed from office by a vote of at least eight directors.

Presenter(s)

Timothy Timmerman
LCRA Board Chair

FOR ACTION

2. Revised LCRA Board Policy 205 - Procurement and New LCRA Board Policy 207 - Outside Legal Representation and Related Matters

Proposed Motion

Approve revisions to LCRA Board Policy 205 - Procurement as attached in Exhibit A, and adopt new LCRA Board Policy 207 - Outside Legal Representation and Related Matters as attached in Exhibit B.

Board Consideration

Board approval is required for any changes to LCRA 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 these policies at the Planning and Public Policy Committee meeting last month.

The proposed changes to LCRA Board Policy 205 simplify and clarify existing policy language by identifying the policies to be implemented, eliminating matters best contained in internal procedures, and delineating areas to which the policy does not apply. In addition, the proposed revision of LCRA Board Policy 205 eliminates references to outside counsel and related matters in favor of a new LCRA Board Policy 207 that deals with those matters exclusively.

Presenter(s)

Timothy Timmerman
LCRA Board Chair

John Rubottom
General Counsel

Exhibit(s)

A - LCRA Board Policy 205 - Procurement
B - LCRA Board Policy 207 - Outside Legal Representation and Related Matters

EXHIBIT A

LCRA BOARD POLICY

205 - ~~PROCUREMENT~~ SUPPLY MANAGEMENT

~~May 20, 2009~~ Feb. 16, 2011

205.10 PURPOSE

This policy establishes ~~guidelines~~ requirements for the ~~procurement~~ purchasing of ~~materials~~ goods, services, software, ~~and~~ construction, professional and consulting services, and the disposal of surplus materials ~~in accordance with Board Policy 102, Authority and Responsibilities.~~

~~Where this policy references the general manager, it is expressly understood that the general manager may delegate authority in writing to an LCRA employee.~~

~~This policy does not apply to fuels procurements, fuel transportation, energy price risk management transactions and energy trading or brokering transactions, which are provided for in Board Policy 603, Fuels and Energy.~~

205.20 POLICY

It is the policy of LCRA that purchasing of goods, services, software, construction, and professional and consulting services shall take place in accordance with applicable legal requirements in a cost-effective, fair, competitive, and inclusive manner.

205.30 ~~Board approval required~~ BOARD APPROVAL REQUIREMENTS:

Board approval is required for the following contract ~~actions~~ (unless otherwise provided under other Board policy):

1. Contracts over \$50,000 for consulting ~~for more than \$50,000;~~
 2. Contracts over \$2,000,000 for materials, non consulting services, software, ~~and~~ construction ~~for more than \$2,000,000;~~
 3. Contracts over five years; ~~and~~
 4. Contracts over \$300,000 for the sale of surplus material. ~~over \$300,000~~
- ~~1. Contracts for outside legal counsel or outside services necessary for legal support~~

205.40 PROCEDURES

The general manager shall ensure that supply management procedures are developed and implemented; provided that such procedures shall not govern the following:

1. Transactions under Board Policy 603 – Fuel and Energy;
2. Transactions under Board Policy 207 – Outside Legal Representation and Related Matters for outside legal counsel and related services;
3. Transactions under Board Policy 306 – Investments for issuance of debt, purchase of securities, posting of collateral and investments; and
4. Matters delegated by the LCRA Board of Directors to the Retirement Benefits Board of Trustees.

~~**Compliance with Texas Procurement Law.** LCRA will ensure purchases of materials, services, software and construction conform to Texas law as it applies to LCRA. LCRA also will ensure these purchases are cost-effective and contribute to the competitiveness of LCRA and its customers by striving for the lowest total cost of ownership.~~

~~**Contract Administration.** The general manager will adopt standards and procedures for the administration of contracts after award, to ensure all parties honor their contractual commitments and proper contract administration records are maintained.~~

~~**Environmental Commitment.** Pursuant to good business practices and Texas Health and Safety Code 361.426, LCRA buys recycled and recyclable goods and pursues the use of less toxic materials and chemicals. LCRA also grants as much priority as is practical to recycled products and recyclable materials, while taking into consideration quality, price, availability, competition and technical requirements. LCRA will encourage contractors and subcontractors to use recycled products and recyclable materials if quality and price do not contradict their use.~~

~~**Fairness in Procurement.** Procurement activities will be conducted in an open and fair manner with equal opportunity provided to all qualified parties. LCRA recognizes the diversity that exists in the areas in which it provides services and the importance of small and diverse businesses to those communities. LCRA may establish programs to support equal contracting opportunities for small and diverse businesses (including minority, women-owned, service-disabled veteran-owned businesses, and HUBZONE businesses) as permitted by state and federal law.~~

~~**Financial Analysis.** The general manager will develop appropriate procedures for ensuring contracts are awarded to suppliers with adequate financial resources to fulfill their obligations. The failure by a party to comply with financial analysis procedures may be grounds for the rejection of an offer from that party or termination of an ongoing contract.~~

205.50 ~~Reporting to the Board.~~ **REPORTING TO THE BOARD**

Each September, the general manager will report supply management activities subject to this policy during the previous fiscal year.

~~At the beginning of each quarter, the general manager will report all individual contracts (except outside counsel) for more than \$50,000 for consulting and \$300,000 for all other categories, which were awarded during the previous quarter. Each September the general manager will report actual~~

~~expenditures for materials, services (except outside counsel), software and construction for the previous fiscal year.~~

~~Unless otherwise required by law or LCRA Bylaws, the general counsel will report the compensation and expenses paid to outside counsel for each calendar quarter. The general counsel will report the quality and effectiveness of the performance of outside counsel each January for the previous year.~~

~~205.30 CONSULTING AND PROFESSIONAL SERVICES~~

~~LCRA will negotiate for consulting and professional services to ensure competitive and reasonable charges for quality services. LCRA retains the right to audit any contract for consulting or professional services.~~

~~**Person**—For purposes of this policy, person includes natural persons, corporations, partnerships or any other legal entity.~~

~~**Consulting services**—Consulting services are services provided to LCRA by an expert who has studied a given set of facts and/or circumstances and who provides advice based on independent evaluation and judgment. The primary deliverable of a consultant is advice. Professional services will not be considered a consulting service for the purposes of this policy.~~

~~**Evaluation, Recommendation and Retention of Consultants.** LCRA management must review and evaluate proposals submitted by qualified consultants. LCRA must contact current and previous clients for realistic assessments of the consultant's performance. These assessments may be written or oral and may be treated as confidential to the extent permitted by law.~~

~~The general manager must evaluate all consultant contracts, for overall contract and fiscal performance prior to any contract extension or renewal.~~

~~Retention of a consultant requires a written contract that describes the term, statement of work and cost. Any contract amendments that increase the scope of work must be in writing and approved by the general manager or the Board in accordance with this policy.~~

~~**Professional services**—Professional services are services provided to LCRA by persons who are engaged in the practice (as defined by state law) of accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising and professional nursing. These include services provided by people who are employed by a person who is licensed as a certified public accountant, an architect, a landscape architect and land surveyor, a physician, a surgeon, an optometrist, a professional engineer, a state-certified or state-licensed real estate appraiser or a professional nurse.~~

~~**Evaluation and Recommendation of Professional Service Providers.** LCRA will comply with the Professional Services Procurement Act by selecting professional service providers that demonstrate the competence and qualifications to perform the services required and that charge fair and reasonable prices. LCRA will not select professional design service providers through~~

competitive bids. LCRA also will maintain a list of at least three qualified persons or firms for each area of professional services and will provide these prequalified persons or firms a request for proposal for any contract that is expected to exceed \$25,000.

~~205.40~~ — ~~MATERIALS, SERVICES, SOFTWARE AND CONSTRUCTION~~

~~Materials, services, software and construction between \$5,000 and \$100,000 may be procured through an informal competitive quote process, provided that the process is conducted and documented electronically or in writing. Such procurements in excess of \$100,000 must be procured through formal competitive solicitations. The general manager is authorized to adopt standards and procedures for the process of competitive solicitation. The standards and procedures may define circumstances when LCRA may purchase from a sole source, depart from the competitive solicitation process, and execute and perform contracts before receiving Board approval. Receipt of multiple proposals will be considered full and open competition.~~

~~LCRA may use alternative delivery methods for construction, such as design build and engineer-procure-construct, subject to the other requirements of this policy.~~

~~205.50~~ — ~~OUTSIDE LEGAL COUNSEL~~

~~**Approval.** The general counsel will decide when it is necessary to retain outside legal counsel and will select such counsel with approval of the general manager. Retention of outside counsel requires prior approval of the Board, except when the general counsel determines that this is not practical. In this case, the Board must be notified as soon as possible, and a written agreement must be presented to the Board at the next scheduled Board meeting. The general counsel may contract directly for other outside services, subject to the approval of the Board, when these services are necessary for legal support. No employee may request a written opinion from outside counsel or distribute copies of any such opinion without prior approval from the general counsel.~~

~~The Board may consult at any time with or retain legal counsel of its choice in the representation of the Board. The Board may consult with the general counsel in this regard, but such consultation is not required.~~

~~**Written Agreements.** No outside counsel may be retained without a written contract (written agreement or letter engagement) except as noted in Section 205.50. The contracts must specify the scope of work, the charges for legal services on an hourly basis and the types of expenses to be charged to LCRA. If charges are to be made on other than an hourly basis, the contract must clearly specify the conditions for such charges and how they will be determined.~~

~~No outside legal counsel may be retained to represent LCRA when the outside legal counsel has a conflict of interest due to representation of another client, unless the conflict is waived by the general counsel and general manager.~~

205.60 DISPOSAL OF SURPLUS MATERIALS

Materials no longer necessary, convenient or beneficial to LCRA may be sold, transferred or conveyed by the general manager for appropriate consideration, subject to Board approval when required by Section 205.30.

~~Surplus materials no longer necessary, convenient or beneficial to LCRA may be sold, transferred or conveyed by the general manager for appropriate consideration, subject to Board approval when required by Section 205.20.~~

~~**205.70 ISSUES WITH SOLICITATION OR AWARDS**~~

~~An interested party who is dissatisfied with LCRA's contract solicitation and award processes or with the award of a contract or purchase order by LCRA may take issue with such decisions. The general manager is authorized to adopt procedures to ensure each issue is dealt with fairly and in good faith. All issues must be written and filed in accordance with procedures adopted by the general manager. The general manager, or designee, is authorized to resolve issues with solicitations or awards of contracts that do not exceed \$2,000,000, without further Board authorization.~~

205.8070 AUTHORITY

- Texas Government Code, Chapter 2254
- Texas Water Code, Sections 49.211 - 49.232
- Texas Health and Safety Code, Section 361.426 (Vernon's. Supp. 1992)
- LCRA enabling legislation
- LCRA Bylaws, Section 3.02, 3.05, 6.01 and 6.02
- 30 Tex. Admin. Code, Section 292.13(4)

EFFECTIVE: July 1, 2002. Amended June 5, 2007, ~~and~~ May 20, 2009, and Feb. 16, 2011. Combined from Board Policy 209, Purchasing – effective April 1986. Amended March 19, 1987 (republished); Dec. 14, 1989, April 23, 1992, Feb. 18, 1993, Sept. 22, 1994, May 18, 1995, Oct. 20, 1999, and June 21, 2000; and Board Policy 204, Contract Services – effective Sept. 19, 1985. Republished June 23, 1988. Amended Dec. 12, 1991, May 20, 1993, Sept. 22, 1994, and March 22, 2000.

EXHIBIT B

LCRA BOARD POLICY

207 - OUTSIDE LEGAL REPRESENTATION AND RELATED MATTERS

February 16, 2011

207.10 PURPOSE

This policy establishes requirements for the retention of outside legal counsel and related legal services.

207.20 OUTSIDE LEGAL COUNSEL REQUIREMENTS

(a) **Approval.** The general counsel will determine when it is necessary to retain outside legal counsel and will select such counsel after consultation with the general manager. Retention of outside counsel requires prior approval of the Board, except when the general counsel determines that this is not practical. In this case, the Board must be notified as soon as possible, and the required approval must be sought from the Board at the next scheduled Board meeting. The Board may consult at any time with or retain legal counsel of its choice in the representation of the Board. The Board may consult with the general counsel in this regard, but such consultation is not required. No employee may request a written opinion from outside counsel or distribute copies of any such opinion without prior approval from the general counsel.

(b) **Related Legal Services.** When services other than outside legal counsel are necessary to support the legal representation of LCRA, the general counsel may contract directly for such services, subject to the approval requirements stated in Board Policy 205.30.

(c) **Written Agreements.** No outside counsel may be retained without a written contract.

(d) **Reporting to the Board.** The general counsel will report the compensation and expenses paid for outside legal counsel and any significant outside related legal services for each calendar quarter. Each January, the general counsel will report the quality and effectiveness of the performance of outside legal counsel during the previous year.

207.30 AUTHORITY

LCRA enabling legislation, Texas Special District Local Laws Code, Chapter 8503
LCRA Bylaws, Section 3.05

EFFECTIVE: February 16, 2011

FOR ACTION

3. Resolutions

Proposed Motion

Approve the LCRA Board resolutions as presented to the Board.

Board Consideration

The Board will be asked to approve honorary and retiree resolutions as they occur.

Summary

LCRA recognizes employees who have retired from the organization with 25 or more years of service with a Retiree Resolution. Other individuals may be recognized from time to time with an Honorary Resolution.

Presenter(s)

Thomas G. Mason
General Manager

Resolution of the Board of Directors Of the Lower Colorado River Authority

Honoring John Brooks

Whereas, John Brooks retired from the Lower Colorado River Authority on December 25, 2010, after having completed more than 30 years of service to LCRA; and

Whereas, he began his LCRA career on June 1, 1980, as a helper in Distribution Engineering in Austin and retired as a senior project manager, focused on the continuous improvement of scheduling all of LCRA's transmission projects; and

Whereas, John has been instrumental in developing a big-picture approach to the way LCRA's Transmission Services creates its program schedules; and

Whereas, he has served as program manager for all the transmission projects encompassed under the Competitive Renewable Energy Zones, which have become a household acronym known as CREZ; and

Whereas, his dry and sometimes cynical sense of humor has helped contribute to his success in managing capital projects and planning annual budgets of \$40 million to \$250 million; and

Whereas, John, as a supervisor of project managers, implemented the Joint Development Agreement with American Electric Power, significantly expanding LCRA's transmission footprint in Texas; and

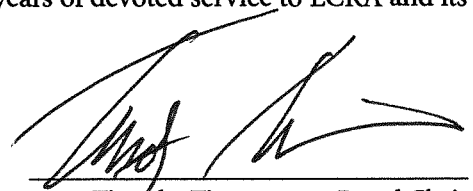
Whereas, he developed the LCRA Transmission Services methods for determining contract resource needs and obtaining quality construction through construction management; and

Whereas, he has always been a strong supporter of positive project management and a firm supporter of his staff. He stresses that you should never say "can't" and always lends a supportive ear, regardless of schedule constraints; and


Whereas, John will continue to be known among colleagues for asking lots of questions and bringing discussions back to his key points of "impact and implications;"

Now, Therefore, Be It Resolved that the LCRA Board of Directors, with extra emphasis from Transmission Services employees, expresses its appreciation to John Brooks for his years of devoted service to LCRA and its customers, and wishes him well in his future activities.

Approved this 16th day of February 2011.



Timothy Timmerman, Board Chair



Thomas G. Mason, General Manager

Resolution of the Board of Directors Of the Lower Colorado River Authority

Honoring Charlie Cernoch

Whereas, Charlie Cernoch retired from the Lower Colorado River Authority on December 2, 2010, after having completed more than 30 years of service to LCRA; and

Whereas, he began his LCRA career on August 18, 1980, as a Energy Services mechanic helper working at the Fayette Power Project and retired as a senior Energy Services mechanic, responsible for maintaining the operation of FPP's turbine generators, the water intake, river pump, water treatment system and other turbine-support equipment; and

Whereas, Charlie was a great resource to his team members for many reasons, but he was exceptional in his ability to locate any replacement part in the plant, and was often more reliable than the actual catalog system; and

Whereas, he readily helped mentor the employees who are now being relied upon to step into his shoes following his retirement; and

Whereas, his enjoyment of small-engine work led to his retirement pastime of repairing lawnmowers, chainsaws and other equipment not far from his home in High Hill; and


Whereas, Charlie is a wonderful, kind-hearted person to work with, who was always willing to lend a helping hand to his team members, especially during outages when they worked seven 12-hour days; and

Whereas, he deeply loves and has much pride in his family – his wife, daughters and grandchild (with another one on the way); and


Whereas, in addition to spending more time with family, his retirement also will give him a little more spare time to golf, hunt, fish and continue to help support his church's picnics;

Now, Therefore, Be It Resolved that the LCRA Board of Directors, with extra emphasis from Wholesale Power Services employees, expresses its appreciation to Charlie Cernoch for his years of devoted service to LCRA and its customers, and wishes him well in his future activities.

Approved this 16th day of February 2011.



Timothy Timmerman, Board Chair



Thomas G. Mason, General Manager

Resolution of the Board of Directors Of the Lower Colorado River Authority

Honoring Leo Sanchez

Whereas, Leo Sanchez retired from the Lower Colorado River Authority on December 25, 2010, after having completed more than 28 years of service to LCRA; and

Whereas, he began his LCRA career on July 12, 1982, as an apprentice car man working in Smithville and retired as a senior rail fleet mechanic, responsible for all maintenance work on railcars and inspecting the new cars that were purchased; and

Whereas, Leo was a dependable, hard-working employee who always performed his work with safety as a priority. He took pride in the quality of his work and would volunteer to work at the Fayette Power Project whenever there was a plant outage; and

Whereas, he performed his job with a smile on his face, no matter how difficult the task – whether it be welding, performing air brake tests or inspecting trains as they arrived at FPP; and

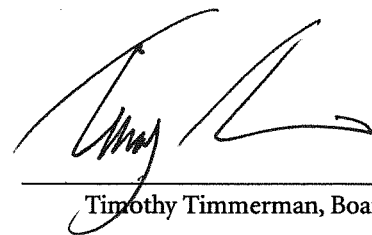
Whereas, Leo was a great asset to his team in his training of their new employees. He will be truly missed by his co-workers and the domino games will never be the same without Leo sitting at the table. Those same men also claim they will miss hearing him sing Spanish songs around the plant, even though they say he couldn't carry a tune in a bucket; and

Whereas, in his retirement, this past champion of the Cotulla Wild Hog Barbecue Cook-off will have more time to follow his beloved Dallas Cowboys and Texas Longhorns; and

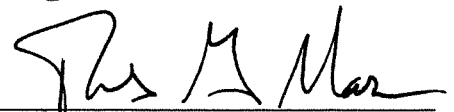
Whereas, in what spare time he has left, he will no doubt enjoy playing golf with friends and fixing up his truck Julio – his pride and joy;

Now, Therefore, Be It Resolved that the LCRA Board of Directors, with extra emphasis from Wholesale Power Services employees, expresses its appreciation to Leo Sanchez for his years of devoted service to LCRA and its customers, and wishes him well in his future activities.

Approved this 16th day of February 2011.



Timothy Timmerman, Board Chair



Thomas G. Mason, General Manager

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FOR DISCUSSION

4. Financial Report

Board Consideration

This report is presented monthly to the Board for discussion.

Summary

The financial report for LCRA covers the month and fiscal year to date.

Presenter(s)

Brady Edwards
Chief Financial Officer

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**Controller's Report
February 8, 2011**

The financial reports for LCRA for the month ended January 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 have been prepared in accordance with GASB No. 9, as amended by GASB No. 34, which requires the direct method. All LCRA affiliate activity, including that of LCRA Transmission Services Corporation and GenTex Power Corporation are combined with the LCRA in the accompanying financial statements. All significant intercompany balances and transactions have been eliminated.

LCRA's fiscal year-to-date revenues are above budget by \$30.1 million. Expenses are below budget by \$1.0 million. The resulting net revenues available for debt service are \$31.1 million above projections. LCRA's adjusted debt service coverage for the rolling twelve months ended January 31, 2011 is 1.43x. The adjusted debt service coverage excludes a non-recurring fiscal year 2010 transaction for the SAWS net expense recognition of \$18.3 million, which will not have an impact on fiscal year 2011 operations.

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 Sloan', is written over the printed name of the controller.

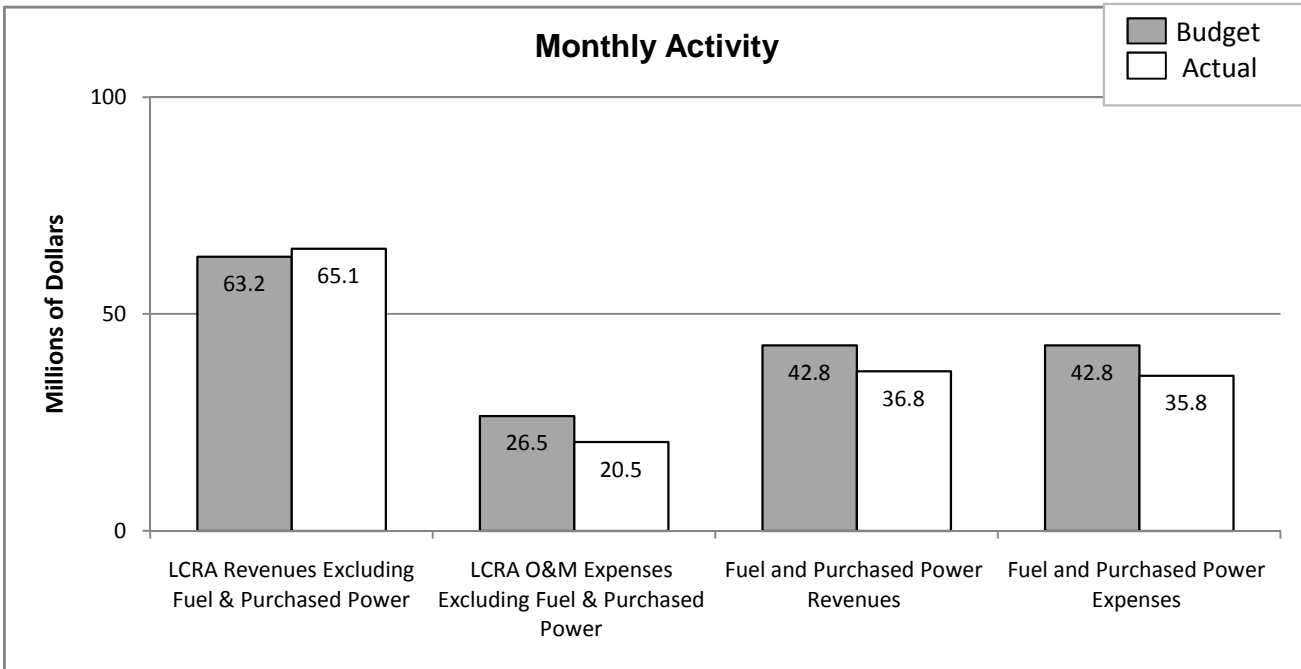
Craig Sloan,
Controller

LOWER COLORADO RIVER AUTHORITY
MONTHLY FINANCIAL REPORT
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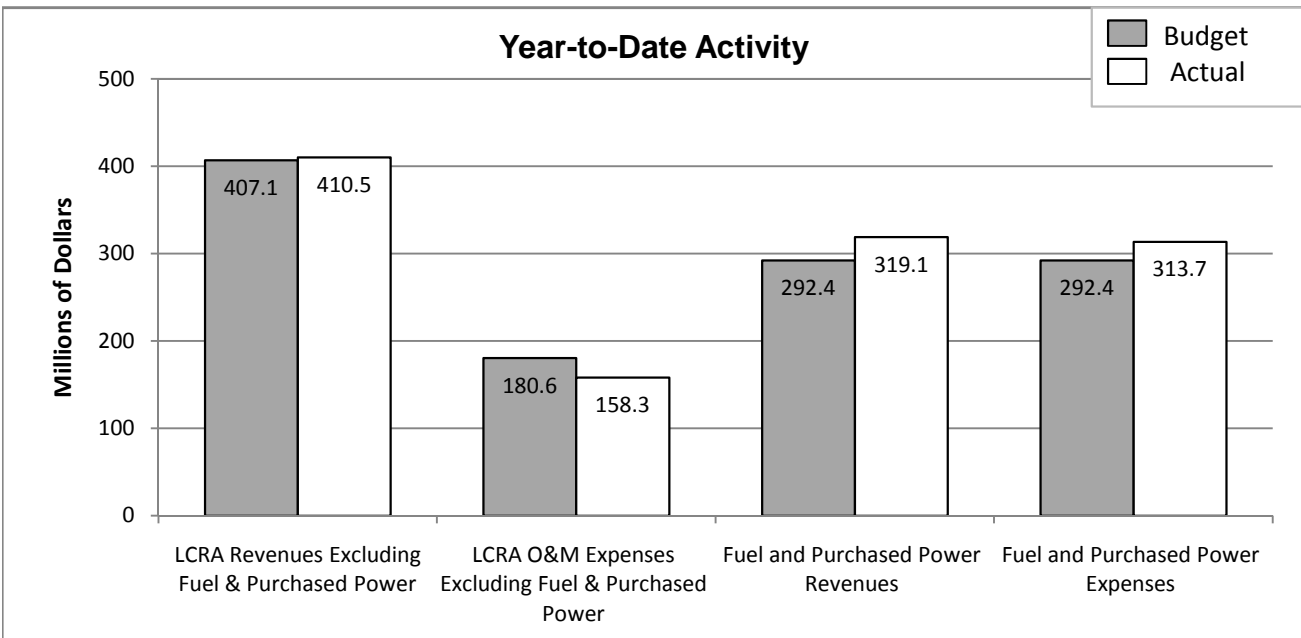
LCRA <i>(includes LCRA Transmission Services Corporation and GenTex Power Corporation)</i>	<u>Page Number</u>
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FINANCIAL HIGHLIGHTS

JANUARY 2011



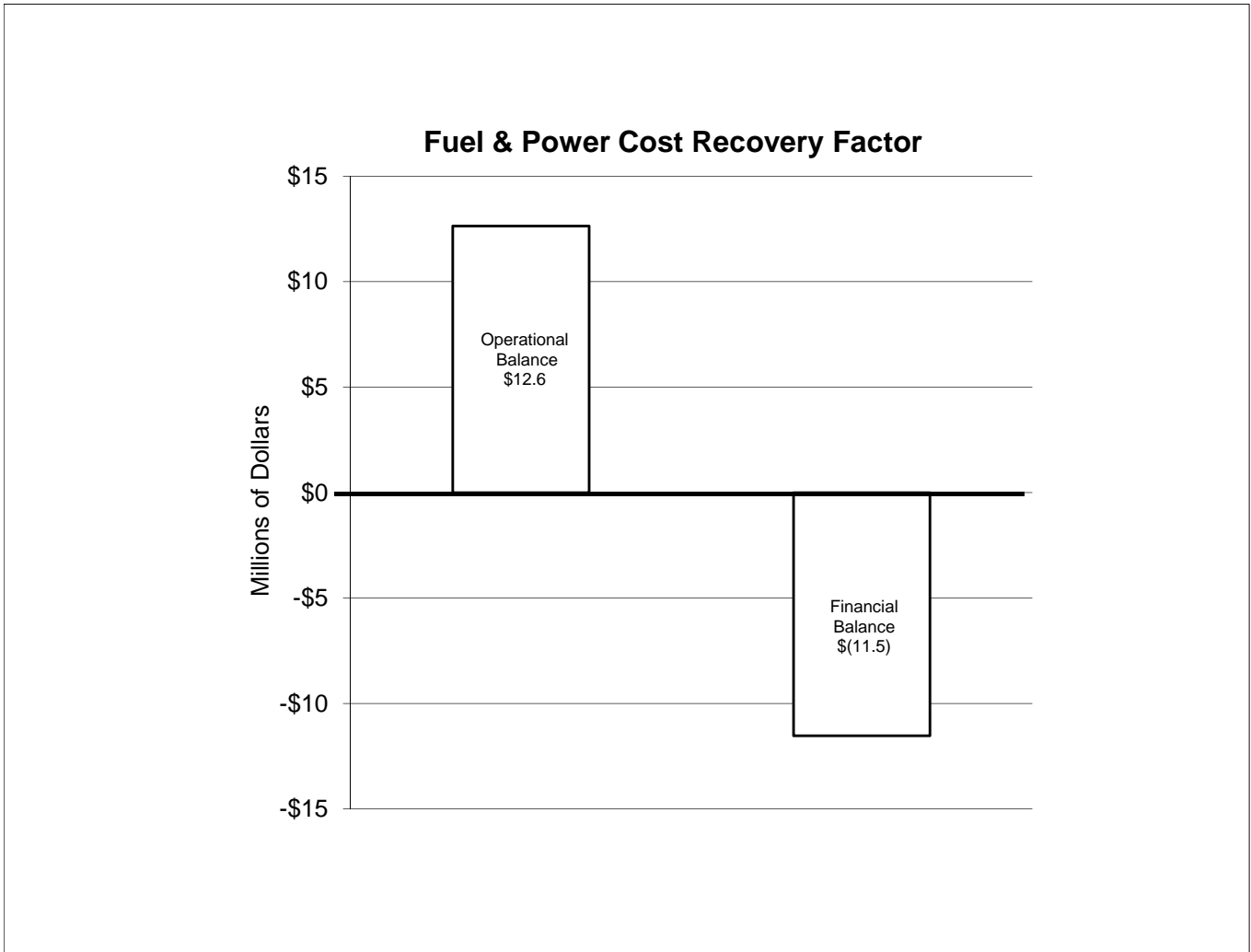
For the month of January total revenues are below budget by \$4.1 million. Fuel revenues are below budget by \$6.0 million and non-fuel revenues are above budget by \$1.9 million. Total expenses are below budget by \$13.0 million. Fuel and purchased power expenses are below budget by \$7.0 million and non-fuel operations and maintenance expenses are below budget by \$6.0 million. The resulting net revenues available for debt service are \$8.9 million above budget.



Fiscal year-to-date, total revenues are above budget by \$30.1 million. Fuel revenues are above budget by \$26.7 million and non-fuel revenues are above budget by \$3.4 million. Total expenses are below budget by \$1.0 million. Fuel and purchased power expenses are above budget by \$21.3 million and non-fuel operations and maintenance expenses are below budget by \$22.3 million. The resulting net revenues available for debt service are \$31.1 million above budget.

FINANCIAL HIGHLIGHTS

JANUARY 2011



During January 2011, monthly fuel expenses were under recovered by \$3.6 million (operational). Customers may choose the option of a monthly true-up of their share of this activity. The total cumulative fuel revenue is over recovered by \$12.6 million (operational). The total cumulative fuel revenue is under recovered on a financial basis by \$11.5 million, which includes the effects of GASB 53 deferral.

The operational balance includes financial hedges for the month of delivery. The financial balance includes mark to market for all contracts and GASB 53 deferrals. Physical deliveries are included in both the financial and operational balances.

**LCRA, AFFILIATES AND NONPROFIT
CORPORATIONS FINANCIAL SUMMARY
JANUARY 31, 2011**

(Dollars in Thousands)

MONTH TO DATE				
	Budget	Actual	Variance	
Revenue¹				
<u>Fuel</u>				
Wholesale Power Services	\$ 42,804	\$ 36,798	\$ (6,006)	(14%)
<u>Nonfuel</u>				
Wholesale Power Services	29,212	33,344	4,132	14%
Transmission Services	21,738	21,648	(90)	0%
Water Services	17,464	15,953	(1,511)	(9%)
Community Services	639	324	(315)	(49%)
Intracompany Eliminations	(5,883)	(6,148)	(265)	(5%)
Total Net Revenue	105,974	101,919	(4,055)	(4%)
Expense				
<u>Fuel</u>				
Wholesale Power Services	42,804	35,779	7,025	16%
<u>Nonfuel</u>				
Wholesale Power Services	18,837	15,231	3,606	19%
Transmission Services	7,163	5,702	1,461	20%
Water Services	4,239	4,029	210	5%
Community Services	2,102	1,688	414	20%
Intracompany Eliminations	(5,883)	(6,148)	265	5%
Total Net Expense	69,262	56,281	12,981	19%
Net Available for Debt Service²	\$ 36,712	\$ 45,638	\$ 8,926	24%

YEAR TO DATE				
	Budget	Actual	Variance	
Revenue¹				
<u>Fuel</u>				
Wholesale Power Services	\$ 292,436	\$ 319,091	\$ 26,655	9%
<u>Nonfuel</u>				
Wholesale Power Services	211,580	216,129	4,549	2%
Transmission Services	151,090	152,216	1,126	1%
Water Services	60,477	58,361	(2,116)	(3%)
Community Services	4,471	4,519	48	1%
Intracompany Eliminations	(20,600)	(20,735)	(135)	(1%)
Total Net Revenue	699,454	729,581	30,127	4%
Expense				
<u>Fuel</u>				
Wholesale Power Services	292,436	313,726	(21,290)	(7%)
<u>Nonfuel</u>				
Wholesale Power Services	97,329	84,422	12,907	13%
Transmission Services	53,711	50,016	3,695	7%
Water Services	33,996	31,010	2,986	9%
Community Services	16,186	13,617	2,569	16%
Intracompany Eliminations	(20,600)	(20,735)	135	1%
Total Net Expense	473,058	472,056	1,002	0%
Net Available for Debt Service²	\$ 226,396	\$ 257,525	\$ 31,129	14%

¹ Revenue includes interest income.

² This amount includes revenues to fund GenTex 1 capital, which are not available for debt service

LOWER COLORADO RIVER AUTHORITY INVESTMENTS AND SHORT-TERM DEBT JANUARY 31, 2011

INVESTMENTS: ⁽¹⁾

Portfolio Yield Summary

	<u>Total Investments</u>	<u>Portfolio Distribution</u>	
Market Value	\$ 351,220,126	Treasury Securities	86%
Portfolio Yield	0.46%	US Agency Securities	0%
Benchmark Yield ⁽²⁾	0.16%	Repurchase Agreements	0%
Weighted Average Maturity	200 Days	Commercial Paper	0%
		Money Market Fund	14%

SHORT-TERM DEBT: ⁽¹⁾

	<u>Tax-Exempt Commercial Paper</u>	<u>Taxable Commercial Paper</u>
Approved LOC Amount	\$ 287,500,000	\$ 25,000,000
Amount Outstanding	\$ 21,500,000	\$ 22,300,000
Amount Issued	\$ -	\$ -
Amount Retired	\$ -	\$ -
Amount Rolled Over	\$ 10,500,000	\$ -
Weighted Average Rate	0.32%	0.36%
Weighted Average Maturity	58 Days	23 Days

⁽¹⁾ Excludes Gentex Power Corporation, Fayette Power Project and Transmission Services Corporation balances.

⁽²⁾ 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 INTEREST INCOME SUMMARY JANUARY 31, 2011

(Dollars in Thousands)

	<u>Fiscal Year-to-Date</u>				<u>Annual Budget</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>		
			\$	%	
Interest Income					
Interest Income	\$ 1,459	\$ 5,970	\$ 4,511	309%	\$ 3,726
Market Adjustments	-	(4,599)	(4,599)	N/A	-
Total Interest Income	\$ 1,459	\$ 1,371	\$ (88)	(6%)	\$ 3,726

LOWER COLORADO RIVER AUTHORITY ¹

CAPITAL SPENDING REPORT

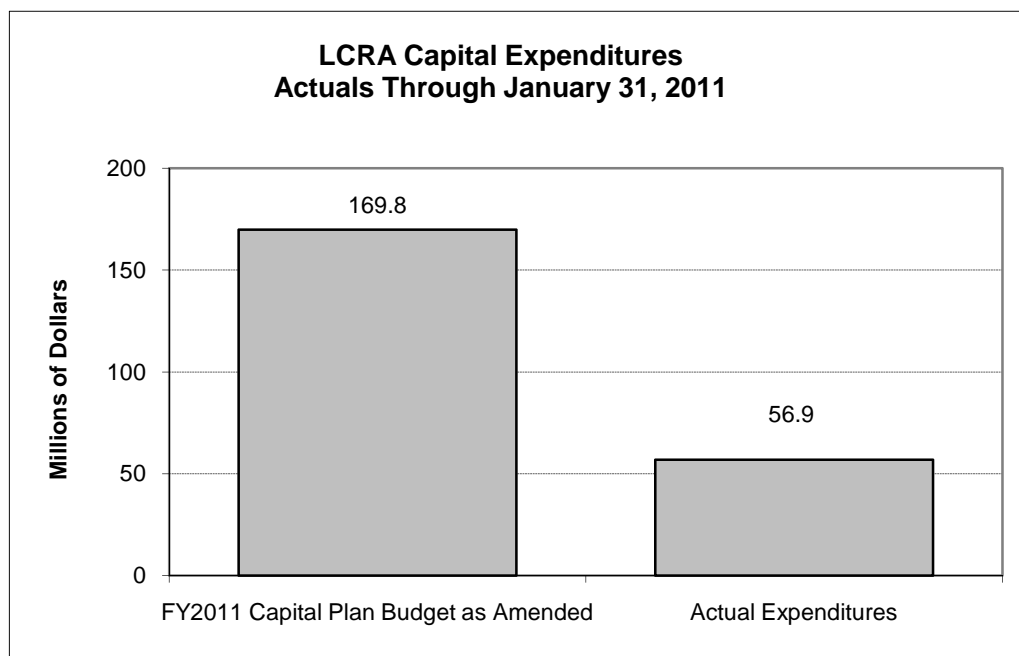
JANUARY 31, 2011 ²

(Dollars in Millions)

Business Unit	Month to Date	Year to Date	% of Budget Spent	FY2011 Capital Plan Budget
Wholesale Power Services	\$ 5.0	\$ 43.3	41%	\$ 104.4
Water Services	0.7	7.6	25%	29.9
Community Services	0.1	0.8	18%	4.4
Corporate Services	1.0	5.2	17%	31.1
	\$ 6.8	\$ 56.9	34%	\$ 169.8

¹ Transmission Services' capital summary is found in the LCRA Transmission Services Corporation Financial Report.

² Three capital projects were initiated in January 2011 with a fiscal year impact of \$1.6 million.



LOWER COLORADO RIVER AUTHORITY

BALANCE SHEETS

(Dollars in Thousands)

	January 31, 2011	January 31, 2010*
<i>Assets</i>		
Current Assets:		
Cash and cash equivalents	\$ 93,592	\$ 137,039
Investments	145,686	139,691
Receivables, net	137,174	153,613
Accrued interest receivable	1,758	2,369
Inventories	102,926	108,384
Other	9,623	5,014
Total current assets	<u>490,759</u>	<u>546,110</u>
Long-term Assets:		
Restricted cash and cash equivalents	14,068	17,688
Restricted investments	181,008	109,461
Unrestricted investments	101,506	68,160
Capital assets:		
Utility plant in service	4,178,976	3,786,998
Construction work in progress	736,037	807,044
Oil and gas property	28,158	28,158
Other physical property	61,535	59,466
Less accumulated depreciation	<u>(1,566,254)</u>	<u>(1,474,826)</u>
Capital assets, net	<u>3,438,452</u>	<u>3,206,840</u>
Water rights	94,781	94,781
Other	17,616	9,020
Deferred charges	277,426	328,885
Total long-term assets	<u>4,124,857</u>	<u>3,834,835</u>
Total Assets	<u>\$ 4,615,616</u>	<u>\$ 4,380,945</u>
<i>Liabilities</i>		
Current Liabilities:		
Accounts payable	\$ 134,127	\$ 130,660
Regulatory credits for future recovery	355	13,487
Compensated absences	10,948	8,671
Bonds, notes, and loans payable	264,555	313,538
Total current liabilities	<u>409,985</u>	<u>466,356</u>
Long-term Liabilities:		
Accounts payable from restricted assets	22,531	5,960
Bonds, notes, and loans payable	3,014,631	2,732,213
Deferred credits & other	113,467	149,304
Total long-term liabilities	<u>3,150,629</u>	<u>2,887,477</u>
Total liabilities	<u>3,560,614</u>	<u>3,353,833</u>
<i>Equity</i>		
Invested in capital assets, net of related debt	617,645	629,536
Restricted for debt service	33,566	-
Restricted for capital projects	2,571	2,908
Restricted other	17,664	30,870
Unrestricted	383,556	363,798
Total equity	<u>1,055,002</u>	<u>1,027,112</u>
Total Liabilities and Equity	<u>\$ 4,615,616</u>	<u>\$ 4,380,945</u>

*For comparative purposes, amounts reflect the impact of FY 2010 audit reclassifications and adjustments.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
PERIODS ENDING JANUARY 31, 2011 and 2010

(Dollars in Thousands)

	FISCAL MONTH TO DATE		FISCAL YEAR TO DATE	
	2011	2010*	2011	2010*
Operating Revenues				
Electric	\$ 94,089	\$ 105,706	\$ 690,027	\$ 722,410
Water, wastewater, and irrigation	9,638	10,472	35,368	44,823
Other	3,899	2,812	20,331	24,949
Total Operating Revenues	107,626	118,990	745,726	792,182
Operating Expenses				
Fuel and purchased power	35,995	53,783	313,275	307,354
Power production	11,585	6,565	52,921	40,988
Transmission and transformation	2,346	2,318	18,163	18,082
Customer service, marketing and community development	772	1,203	7,743	9,537
Administrative and general, net	8,705	9,118	76,902	75,894
Water, wastewater, and irrigation	1,449	1,304	12,112	15,767
Environmental and natural resources	936	824	6,954	7,108
Depreciation and amortization	12,298	10,718	86,304	75,538
Total Operating Expenses	74,086	85,833	574,374	550,268
Operating Income	33,540	33,157	171,352	241,914
Non Operating Revenues (Expenses)				
Interest income	240	948	1,465	2,471
Gain (Loss) on disposition of property	(762)	(563)	(3,307)	2,862
Amortization of losses on refunding	(1,372)	(1,224)	(9,455)	(9,255)
Interest expense on debt	(11,686)	(11,962)	(83,522)	(88,128)
Other income (deductions)	86	314	(142)	150
Total Non Operating Revenues (Expenses)	(13,494)	(12,487)	(94,961)	(91,900)
Income Before Prior Costs Recovered from Revenues, Capital Contributions and Loss on Early Defeasance of Debt	20,046	20,670	76,391	150,014
Prior Costs Recovered from Revenues	(1,675)	(1,563)	(17,511)	(630)
Capital Contributions	1,287	3,896	4,355	6,212
Loss on Early Defeasance of Debt	-	(163)	-	(10,423)
Change in Equity	19,658	22,840	63,235	145,173
Equity - Beginning of Period	1,035,344	1,004,272	991,767	881,939
Equity - End of Period	\$ 1,055,002	\$ 1,027,112	\$ 1,055,002	\$ 1,027,112

*For comparative purposes, amounts reflect the impact of FY 2010 audit reclassifications and adjustments.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
PERIODS ENDING JANUARY 31, 2011 AND 2010
(Dollars in Thousands)

	FISCAL MONTH TO DATE		FISCAL YEAR TO DATE	
	2011	2010*	2011	2010*
Cash Flows from Operating Activities				
Receipts from customers	\$ 84,032	\$ 92,645	\$ 725,833	\$ 817,092
Payments to suppliers	(51,820)	(51,192)	(452,480)	(455,792)
Payments to employees	(15,295)	(15,005)	(108,739)	(107,207)
Other receipts (payments)	3,447	633	5,021	8,197
Net cash provided by operating activities	<u>20,364</u>	<u>27,081</u>	<u>169,635</u>	<u>262,290</u>
Cash Flows from Noncapital Financing Activities				
Noncapital grant funds received	64	351	457	943
Other revenues (expenses)	22	(16)	(99)	(478)
Net cash provided by noncapital financing activities	<u>86</u>	<u>335</u>	<u>358</u>	<u>465</u>
Cash Flows from Capital and Related Financing Activities				
Purchases of property, plant and equipment	(24,149)	(44,622)	(200,263)	(290,682)
Cash received on sale of asset	49	65	656	117,657
Capital contributions	1,569	4,147	5,213	7,172
Proceeds from bonds and notes	-	460,088	410,150	460,088
Proceeds from commercial paper	15,700	57,300	153,800	189,100
Principal payments on long-term debt	(250)	(230)	(250)	(3,265)
Interest paid	(1,008)	(957)	(78,037)	(76,134)
Payments to defease and refund debt and related issue costs	-	(434,281)	(408,513)	(549,752)
Net cash provided by (used in) capital and financing activities	<u>(8,089)</u>	<u>41,510</u>	<u>(117,244)</u>	<u>(145,816)</u>
Cash Flows from Investing Activities				
Sale and maturity of investments	25,548	-	184,245	73,014
Purchase of investments	(49,652)	(25,007)	(279,420)	(188,460)
Interest and note payments received	51	54	5,364	5,039
Net cash used in investing activities	<u>(24,053)</u>	<u>(24,953)</u>	<u>(89,811)</u>	<u>(110,407)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,692)	43,973	(37,062)	6,532
Cash and Cash Equivalents, Beginning of Period	119,352	110,754	144,722	148,195
Cash and Cash Equivalents, End of Period	<u>\$ 107,660</u>	<u>\$ 154,727</u>	<u>\$ 107,660</u>	<u>\$ 154,727</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 33,540	\$ 33,157	\$ 171,352	\$ 241,914
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	12,298	10,718	86,304	75,538
Changes in assets and liabilities:				
Accounts receivable	(22,100)	(27,647)	23,250	22,721
Inventories	(59)	1,295	(14,548)	579
Other current assets	1,469	(862)	(4,935)	(2,218)
Current liabilities	(4,124)	8,733	(63,438)	(79,005)
Deferred charges	(161)	6	(237)	868
Deferred credits and other long-term liabilities	(499)	1,681	(28,113)	1,893
Net cash provided by operating activities	<u>\$ 20,364</u>	<u>\$ 27,081</u>	<u>\$ 169,635</u>	<u>\$ 262,290</u>
Noncash Financing & Investing Activities				
Investment market adjustments	\$ (411)	\$ (27)	\$ (4,372)	\$ (3,964)
Capital assets financed through short term liabilities	<u>\$ 573</u>	<u>\$ 2,527</u>	<u>\$ -</u>	<u>\$ -</u>

*For comparative purposes, amounts reflect the impact of FY 2010 audit reclassifications and adjustments.

FOR CONSENT

5. Fayette Power Project Railcar Replacement

Proposed Motion

Approve a capital purchase of 15 used, high-capacity aluminum railcars for the Fayette Power Project (FPP), as described below. The purchase would replace the 15 railcars that were destroyed when Union Pacific Railroad (UP) derailed an empty FPP coal train in 2009.

Board Consideration

LCRA Board Policy 304 - Financial Planning requires approval of any project not included in the annual capital plan.

LCRA Board Policy 603 - Fuel and Energy directs LCRA to pursue fuel and energy transactions, including acquiring assets such as railcars, that enhance LCRA's competitive economic position over the long term and help LCRA provide reliable energy at the lowest reasonable cost to wholesale electric customers.

Budget Status and Fiscal Impact

- Total replacement cost of \$791,000 will be spent in the current fiscal year. The capital purchase will be funded by a reimbursement from UP that is currently maintained in a management reserve fund.
- Project is not included in the FY 2011 Wholesale Power Services Capital Plan.

Summary

On Oct. 29, 2009, UP derailed an empty FPP coal train, which destroyed 15 high capacity aluminum railcars. Eight of the destroyed railcars were assigned to FPP units 1 and 2 (LCRA and Austin Energy) and seven cars were assigned to FPP Unit 3 (solely to LCRA). Pursuant to the Association of American Railroads interchange rules, UP reimbursed FPP with \$1,024,792 for the undepreciated book value of the destroyed cars. Upon concurrence by the participants, LCRA set this money aside in a separate management reserve fund, ultimately to be used for replacing the destroyed cars.

LCRA staff solicited proposals for the replacement railcars in November 2010 and received only one proposal from Helm-Pacific Leasing (HELM) due to the tightening nationwide demand for railcars. After inspecting the used cars and performing a business case analysis, staff recommends purchasing the cars from HELM. The \$791,000 capital expenditure includes the purchase of 15 used railcars at a price of \$49,200 per car and approximately \$53,000 for costs associated with putting the cars into FPP's service (inspection, switching fees, transportation and re-marking costs). Staff will work with the rail carriers to reduce additional freight charges that may be incurred by moving the used cars into service.

The replacement railcars will be designated as a capital asset with eight of the new replacement cars assigned to FPP units 1 and 2 (LCRA and Austin Energy) and seven assigned to LCRA's FPP Unit 3. Staff requests waiving the capital improvement project process because the total cost for this transaction is funded by a reimbursement from UP and is a direct sales transaction without the complexities and risks normally associated with our capital improvement projects. In addition, staff requests Board authorization to use the remaining proceeds (\$233,792) to purchase additional needed railcar equipment.

FOR CONSENT

6. Directors' Fees, Expenses

Proposed Motion

Approve directors' fees and expense reports.

Board Consideration

LCRA Board Policy 105 - Directors' Fees and Expense Reimbursement Policy and the LCRA Bylaws require Board approval for directors' fees and expenses.

Budget Status and Fiscal Impact

Directors' fees and expenses are provided for in the budget in the business plan.

Summary

LCRA Board Policy 105 establishes guidelines for the payment of fees and reimbursement of the expenses that directors incur as they carry out their responsibilities as LCRA Board members.

FOR CONSENT

7. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Jan. 19, 2011, meeting.

Board Consideration

Section 2.04 of the LCRA 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 Jan. 19, 2011, meeting

EXHIBIT A

Minutes Digest
January 19, 2011

- 11-01 Approval of a resolution honoring Jennifer “Jenny” Thompson, LCRA retiree.
- 11-02 Approval of resolutions honoring Mike Dittrich and Margaret “Maggie” White, LCRA retirees.
- 11-03 Declaration as “nonessential” an approximate 0.79-acre tract, being a portion of LCRA Parcel Buchanan West-05 in Llano County, and authorization for the general manager or his designee to convey the land to the adjacent property owner.
- 11-04 Approval of directors’ fees and expenses reimbursement.
- 11-05 Approval of the FY 2011 second quarter report of legal fees and expenses for outside counsel
- 11-06 Approval of the minutes of the December 15, 2010, meeting.
- 11-07 Authorization for the general manager or his designee to negotiate and execute an amendment to the lease between LCRA and Westcave Preserve Corporation dated October 12, 1983, concerning 28.86 acres of LCRA Tract Travis South-15B in Travis County.
- 11-08 Approval of the Capital Improvement Project Authorization Amendment Request for the Western Maintenance Facility.
- 11-09 Approval of a resolution regarding sale of LCRA water and wastewater utilities.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY

Austin, Texas
January 19, 2011

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 8:36 a.m. on Wednesday, January 19, 2011, at the principal office of LCRA, 3700 Lake Austin Boulevard, Hancock Building, Board Room, Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Klein
Timmerman
Balas
Berger
Carter
Dickerson
Johnson
Martine
McCasland
McHenry
Raun
Schrader
Spears (arrived at approximately 10:26 a.m.)
Wallace
White

Chair Klein convened the meeting at 8:36 a.m. and led the Board in pledges of allegiance to the American and Texas flags. Director McHenry provided an invocation. Chair Klein welcomed new LCRA Board member Jett Johnson of Mills County to his first Board meeting.

11-01 General Manager Thomas Mason presented for consideration a recommendation that the Board approve a resolution (attached hereto as Exhibit A) honoring Jennifer “Jenny” Thompson, LCRA retiree. Upon motion by Director Berger, seconded by Director Wallace, the recommendation was unanimously approved.

11-02 General Manager Thomas Mason presented for consideration a recommendation that the Board approve resolutions (attached hereto as Exhibit B) honoring Mike Dittrich and Margaret “Maggie” White, LCRA retirees. These retirees were not present to receive their resolutions. Upon motion by Director White, seconded by Director Martine, the recommendation was unanimously approved.

General Manager Thomas Mason gave an update on LCRA’s foundation value of diversity, including LCRA’s commitment to diversity and inclusion; LCRA employees’ participation the previous Monday in the Martin Luther King, Jr., Day march and celebration; his attendance at a

recent meeting with the Fayette Electric Cooperative Board regarding a potential wholesale power contract extension; and his attendance at recent meetings of the Rates and Resources Council for LCRA wholesale electric customers and Association of Wholesale Customers Board.

Fred Aus, manager of Governmental Affairs, gave an update on the 82nd Texas Legislative Session, including highlight of priorities for the session and key issues affecting LCRA and its customers.

Chief Financial Officer Brady Edwards presented the financial update for December 2010. Treasurer Jim Travis presented the FY 2011 second quarter Business Plan update.

The Board next considered the Consent Agenda. Upon motion by Director Raun, seconded by Director McHenry, the Board, by a vote of 14 to 0, unanimously approved consent items 4, 5, 6 and 7 included on the January 19, 2011, Board Consent Agenda, as follows:

11-03 Declaration, by an affirmative vote of 14 to 0, as “nonessential” (no longer necessary, convenient or of beneficial use to the business of LCRA) an approximate 0.79-acre tract, being a portion of LCRA Parcel Buchanan West-05 in Llano County, and authorization for the general manager or his designee to convey the land to the adjacent property owner, as recommended by staff in Consent Item 4 [attached hereto as Exhibit C].

11-04 Directors’ fees and expenses and reimbursement of directors for such fees and expenses, as recommended in Consent Item 5 [attached hereto as Exhibit D].

11-05 The Fiscal Year 2011 second quarter report of legal fees and expenses for outside counsel, as recommended by staff in Consent Item 6 [attached hereto as Exhibit E].

11-06 The minutes of the December 15, 2010, meeting [Consent Item 7].

11-07 Frank Morgan, executive manager of Community Services, presented for consideration a staff recommendation, described in Agenda Item 9 [attached hereto as Exhibit F], that the Board authorize the general manager or his designee to negotiate and execute an amendment to the lease between LCRA (lessor) and Westcave Preserve Corporation (lessee) dated October 12, 1983, concerning 28.86 acres of LCRA Tract Travis South-15B in Travis County. Upon motion by Director McCasland, seconded by Director Wallace, the recommendation was unanimously approved by a vote of 14 to 0.

11-08 Chief Administrative Officer Christopher Kennedy presented for consideration a staff recommendation, described in Agenda Item 10 [attached hereto as Exhibit G], that the Board approve the Capital Improvement Project Authorization Amendment Request for the Western Maintenance Facility. Upon motion by Director Dickerson, seconded by Director Raun, the recommendation was unanimously approved by a vote of 14 to 0.

Staff next presented Agenda Item 11 for discussion – Succession Planning. General Manager Thomas Mason gave opening remarks, Chief People Officer Ann Broome then discussed retirement trends and LCRA’s strategies for succession planning and career development, and Chief

Administrative Officer Christopher Kennedy provided some historical context for succession planning at LCRA.

Chair Klein recessed the meeting at approximately 10:12 a.m. for a brief break, and she reconvened the meeting at approximately 10:30 a.m. [Director Spears arrived during the recess.]

11-09 Chair Klein next introduced Agenda Item 8 – Water and Wastewater Utility Divestiture Update. She acknowledged the following representatives of local government, elected officials and LCRA customers in attendance for this item: Judge Donna Klaeger and Commissioner Joe Don Dockery of Burnet County, Mayor Patricia Frain of Sunrise Beach, Council Member Chris Cannon of the City of Elgin, Mayor Dave Claunch and Council Members Spencer Stevens and Stan Graham of the City of West Lake Hills, Mitzi Stoute of Texas State Representative Jimmie Don Aycock’s office, Mayor Michele “Mike” Murphy of the City of Liberty Hill and attorney Kerry Russell representing the City, City Manager Frank Salvato of the City of Bee Cave, Commissioners Will Conley and Ray Whisenant of Hays County, Mayor Bill Hamilton of the City of Rollingwood, and Mayor John Cowman and Urban Design Officer Pix Howell of the City of Leander.

General Manager Thomas Mason next outlined the proposed divestiture process, including what LCRA has actually done and what LCRA has not done; provided a timeline of the Board’s oversight activities and decisions concerning the proposed divestiture process for the water and wastewater utilities; and explained the reasoning and historical context. Mason stressed that LCRA is at the beginning of the process of exploring the sale of LCRA’s water and wastewater utilities. He said that LCRA has not yet identified a potential buyer. LCRA has hired a financial consultant with experience in similar transactions to help LCRA begin the process of finding a “suitable buyer” in terms of customer service, financial wherewithal, environmental and regulatory compliance, and staying power [based on the outline for buyer qualifications approved by the LCRA Board, in its Resolution No. 10-159 dated November 17, 2010, regarding the sale of water and wastewater utilities].

General Manager Thomas Mason discussed that LCRA is currently engaged in negotiations with several customers for sales of water and wastewater utility systems and that additional time would be needed to complete at least some of these negotiations.

Mason also noted petitions from LCRA customers and interested stakeholders that were presented to the LCRA Board. Mason noted that many of the petitions include a request for the Board to provide all customers a first right of refusal to purchase the utility systems that serve them although such a provision is not included in some customers’ utility service contracts.

Chief Financial Officer Brady Edwards provided details about the proposed divestiture process.

The Board next heard public comments and listened to concerns expressed by the following speakers [The comments lasted approximately an hour.]: Judge Donna Klaeger of Burnet County; Commissioner Ray Whisenant of Hays County; David Steed, President of the Travis County Water Control & Improvement District 17 Board of Directors; City Manager Greg Vick of Elgin; Mayor John Cowman of Leander; Pix Howell, Urban Design Officer of Leander (and also a former member of the LCRA Board of Directors); Kerry Russell, attorney representing the City of Liberty Hill;

Mayor Michele “Mike” Murphy of Liberty Hill; Perry Steger, resident of Hays County; and Mayor Patricia Frain of Sunrise Beach. [A recording of the public comments is available in the LCRA Records and Archives department].

General Manager Thomas Mason gave closing remarks and presented for the Board’s consideration a resolution regarding the sale of LCRA water and wastewater utilities.

Vice Chair Timmerman next read into the record the following resolution for the Board’s consideration:

WHEREAS, on November 17, 2010, the LCRA Board of Directors approved a resolution regarding sale of water and wastewater utilities; and

WHEREAS, as part of that resolution, the Board directed the General Manager to provide 60 days to complete negotiations in instances in which negotiations for sale of utilities already were in progress before offering utility assets for sale to another entity; and

WHEREAS, the General Manager reports that ongoing negotiations have proceeded in good faith with several customers since the November resolution;

NOW, THEREFORE, BE IT RESOLVED by the LCRA Board of Directors that:

The General Manager is hereby directed to extend the negotiation period for customers who have negotiated in good faith since the November resolution to March 11, 2011; and

If the General Manager believes negotiations have been successful and customers’ governing bodies have approved negotiated terms to acquire LCRA systems prior to or by that date, the General Manager will present those terms to the Board for consideration prior to or at the Board’s March 23, 2011, Board meeting.

Upon motion by Director Wallace, seconded by Director McCasland, the Board unanimously approved the resolution by a vote of 15 to 0.

Chair Klein declared the meeting to be in executive session at 11:53 a.m., pursuant to sections 551.071, 551.072 and 551.086 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Klein declared the meeting to be in public session at 1:31 p.m.

There being no further business to come before the Board, the meeting was adjourned at approximately 1:31 p.m.

Kathleen Hartnett White, Secretary
LCRA Board of Directors

FOR ACTION

8. Authorize Sale or Lease of Land in Burnet County, Conveyance of a Water Line and Intake Easement, Sale of the Hamilton Creek Water System and South Road Water System, and Execution of Agreements

Proposed Motion

Authorize the general manager or his designee to negotiate and execute a memorandum of understanding (MOU) and related agreements with the City of Marble Falls for the following, consistent with the terms discussed in executive session and described below:

1. Sale or 50-year lease (with an option to extend an additional 50 years) to the City of a tract of land totaling approximately 4.93 acres for a water treatment plant;
2. Conveyance to the City of a 0.38-acre easement for a new raw water line and water intake facility and a related 0.71-acre construction easement;
3. Conveyance to the City of a 15.33-acre road, known as Max Starcke Dam Road (as previously authorized by the Board);
4. Sale to the City of the Hamilton Creek Water System; and
5. Sale to the City of the South Road Water System.

Further, declare the Hamilton Creek Water System, South Road Water System, and a tract of land totaling approximately 4.93 acres, situated in the R. G. Blanton Survey No. 606, Abstract No. 99 in Burnet County as no longer necessary or convenient or of beneficial use to the business of LCRA provided that the City agrees to accept conveyance of the water systems and Starcke Dam Road. Further, authorize the general manager or his designee to do all things necessary to accomplish these purposes of this MOU.

Board Consideration

Texas Special District Local Laws Code section 8503.020 requires the Board to determine, by an affirmative vote of three-fourths of the Board's statutory membership, that any property to be sold by LCRA is no longer necessary or convenient or of beneficial use to the business of LCRA and the Board approves the terms of the sale.

Budget Status and Fiscal Impact

The administrative costs associated with the sale of this property are contained within the FY 2011 Business Plan and the proceeds will be reserved for the benefit of Water Services.

Summary

Staff seeks authorization to enter into an MOU that would consolidate resolution of multiple matters with the City of Marble Falls. Under the proposed MOU, LCRA would provide an option to sell or lease a 4.93-acre tract of land to the City of Marble Falls for a new water treatment plant. LCRA also would convey a 0.38-acre easement for a new raw water line and water intake facility and a 0.71-acre construction easement on property associated with Starcke Dam to support development of the water treatment plant site. LCRA also would sell the Hamilton Creek and South Road water systems to the City. In addition, LCRA will convey an approximate 15.33-acre road,

known as Max Starcke Dam Road, to the City of Marble Falls as approved by the LCRA Board in June 2007 (but not previously conveyed). The MOU, with these terms, was approved by the City of Marble Falls on Jan. 18, 2011.

The City of Marble Falls has requested approximately 4.93 acres to build a new water treatment plant to accommodate future growth. Under the proposed agreements, the City will have an option to either purchase or lease the water plant site. Under either arrangement, LCRA will retain a reversionary interest in the plant site if the land is no longer used for a water treatment plant.

Along with the option for the water treatment plant site, LCRA will convey a 0.38-acre easement for a new 20-inch raw water line and intake and a related 0.71-acre construction easement to the City of Marble Falls. These facilities will be used to serve the proposed City of Marble Falls water treatment plant.

LCRA acquired the Hamilton Creek Water System in 2002, which provides retail water distribution to 37 connections in the community of Hamilton Creek, located adjacent to the northeast side of the City of Marble Falls. The City of Marble Falls supplies treated water to the system via an interconnection and LCRA owns approximately 1.75 miles of water main for distribution.

LCRA acquired the South Road Water System in 2002, which provides retail water distribution to 57 residential connections in the community of South Road, which is located adjacent to the south side of the City of Marble Falls. At the time LCRA acquired the system, the existing water plant was in poor condition; given the projected repair cost, an interconnection with the City of Marble Falls was constructed. LCRA owns the distribution system and the facilities to interconnect with the Marble Falls water system.

The MOU with the City of Marble Falls also will include the conveyance of an approximate 15.33-acre road, known as Max Starcke Dam Road. The City of Marble Falls will assume the maintenance for the road once conveyed.

Upon execution of the proposed MOU and related agreements with the City of Marble Falls, the following will occur: i) conveyance to the City of Marble Falls of the option to purchase or lease the water treatment plant site; ii) conveyance to the City of Max Starcke Dam Road; and, iii) conveyance of easements for the raw water intake and transmission line. LCRA and the City will enter an agreement at the same time to convey the Hamilton Creek and South Road water systems to the City, but actual conveyance requires, and will occur upon, approval by the Texas Commission on Environmental Quality. Conveyance of the water systems is necessary, according to the proposed agreements, for the City to exercise the option to purchase or lease the land for the water treatment plant.

Staff has been negotiating the terms for the proposed agreements with the City of Marble Falls as discussed with the Board in executive session.

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

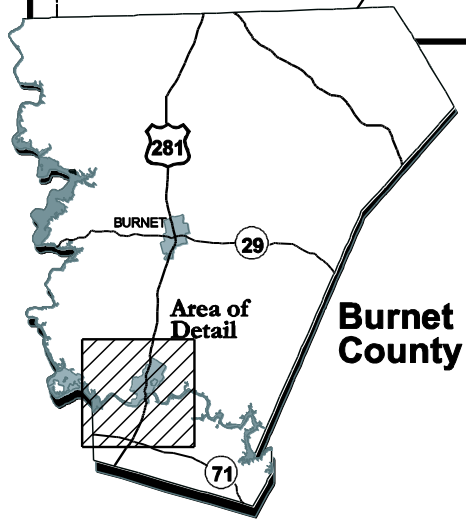
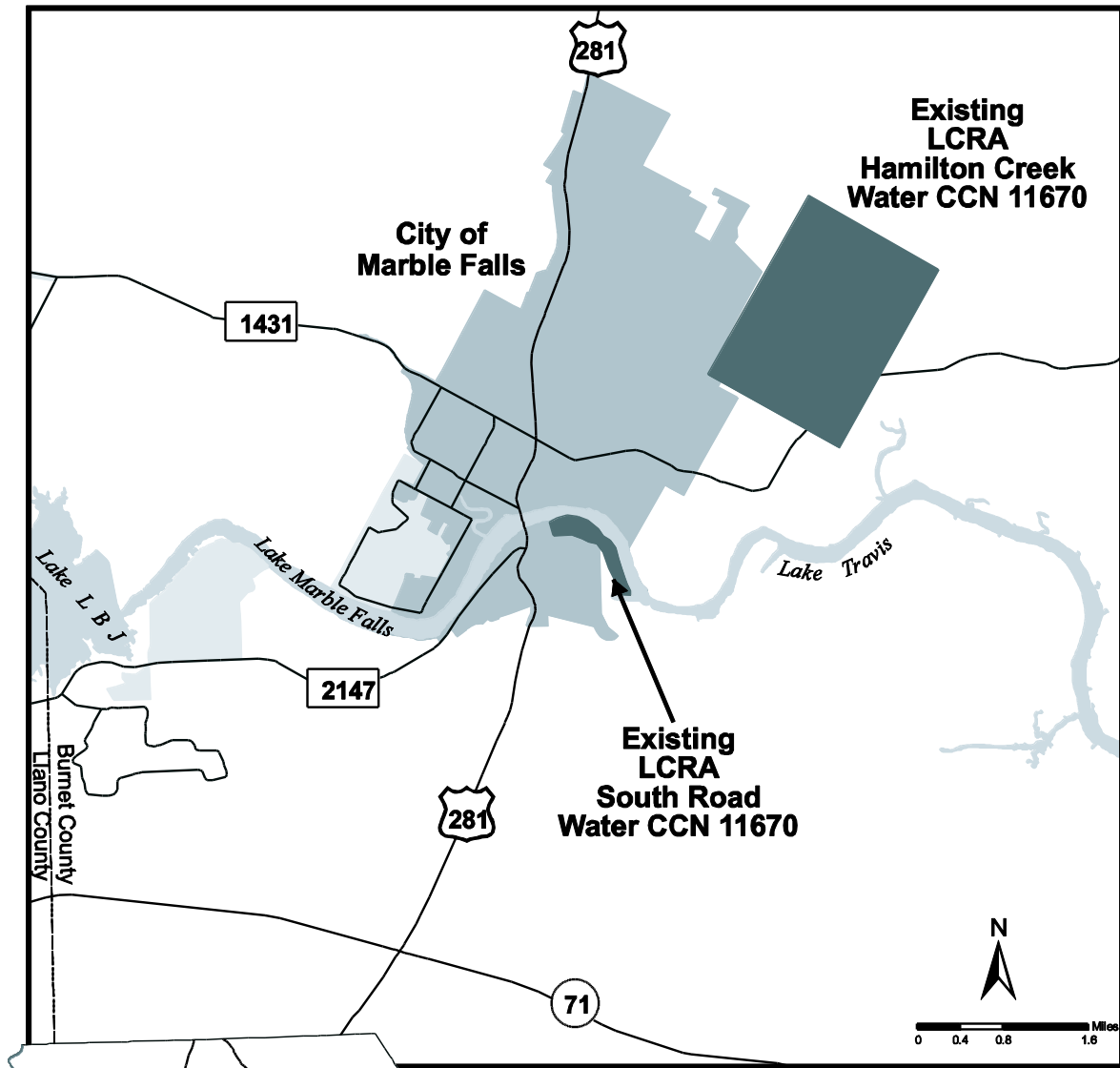
Presenter(s)

Suzanne Zarling
Executive Manager, Water Services

Exhibit(s)

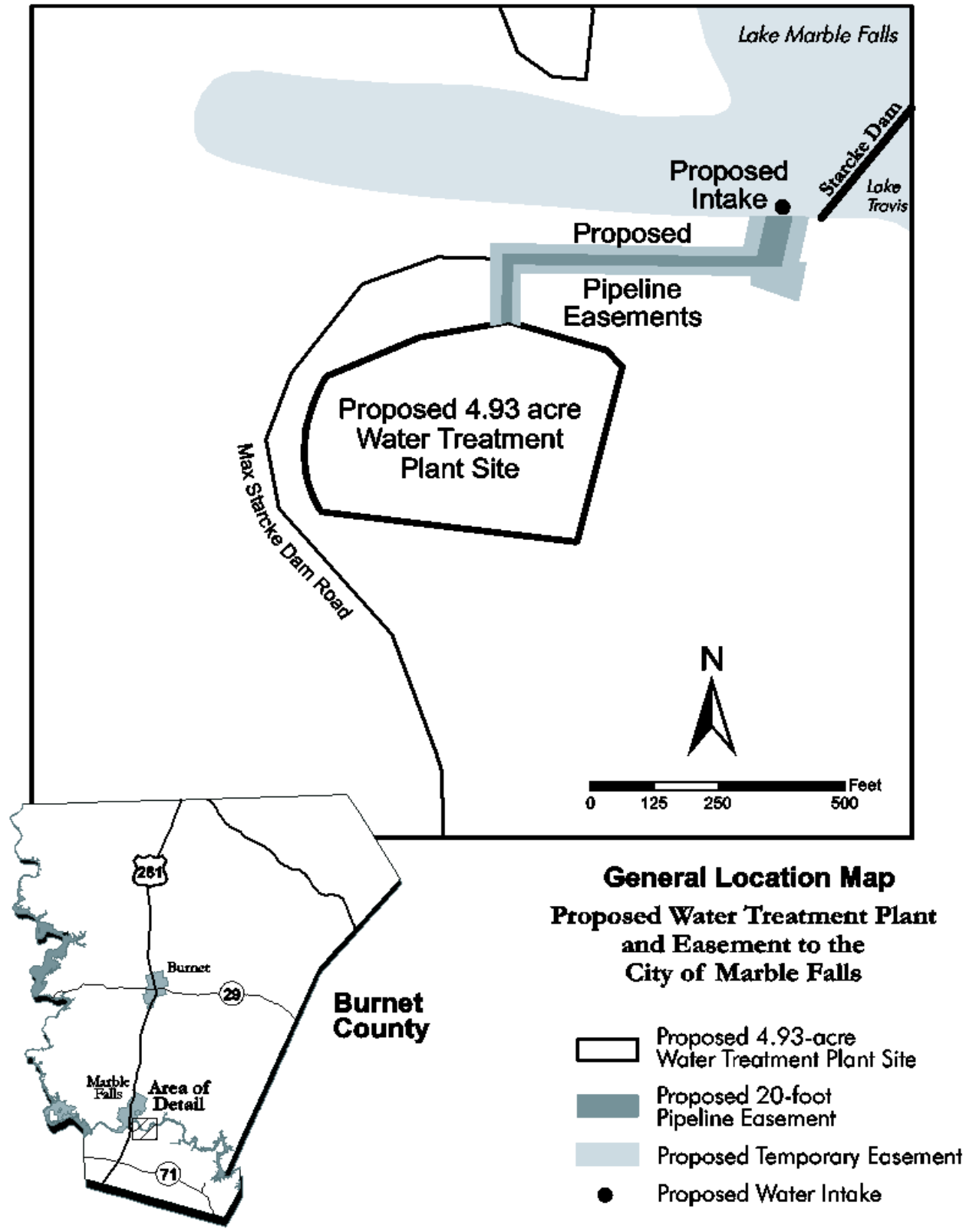
- A - General Location Map of Hamilton Creek Water System and South Road Water System
- B - General Location Map of Proposed Water Treatment Plant and Easements
- C - Vicinity Map of Starcke Dam
- D - Site Map of Starcke Dam Road

EXHIBIT A



General Location Map
Transfer of
LCRA Hamilton Creek
and South Road
Water CCN 11670
to the City of Marble Falls

EXHIBIT B



**General Location Map
Proposed Water Treatment Plant
and Easement to the
City of Marble Falls**





-  Proposed 4.93-acre Water Treatment Plant Site
-  Proposed 20-foot Pipeline Easement
-  Proposed Temporary Easement
-  Proposed Water Intake

EXHIBIT C

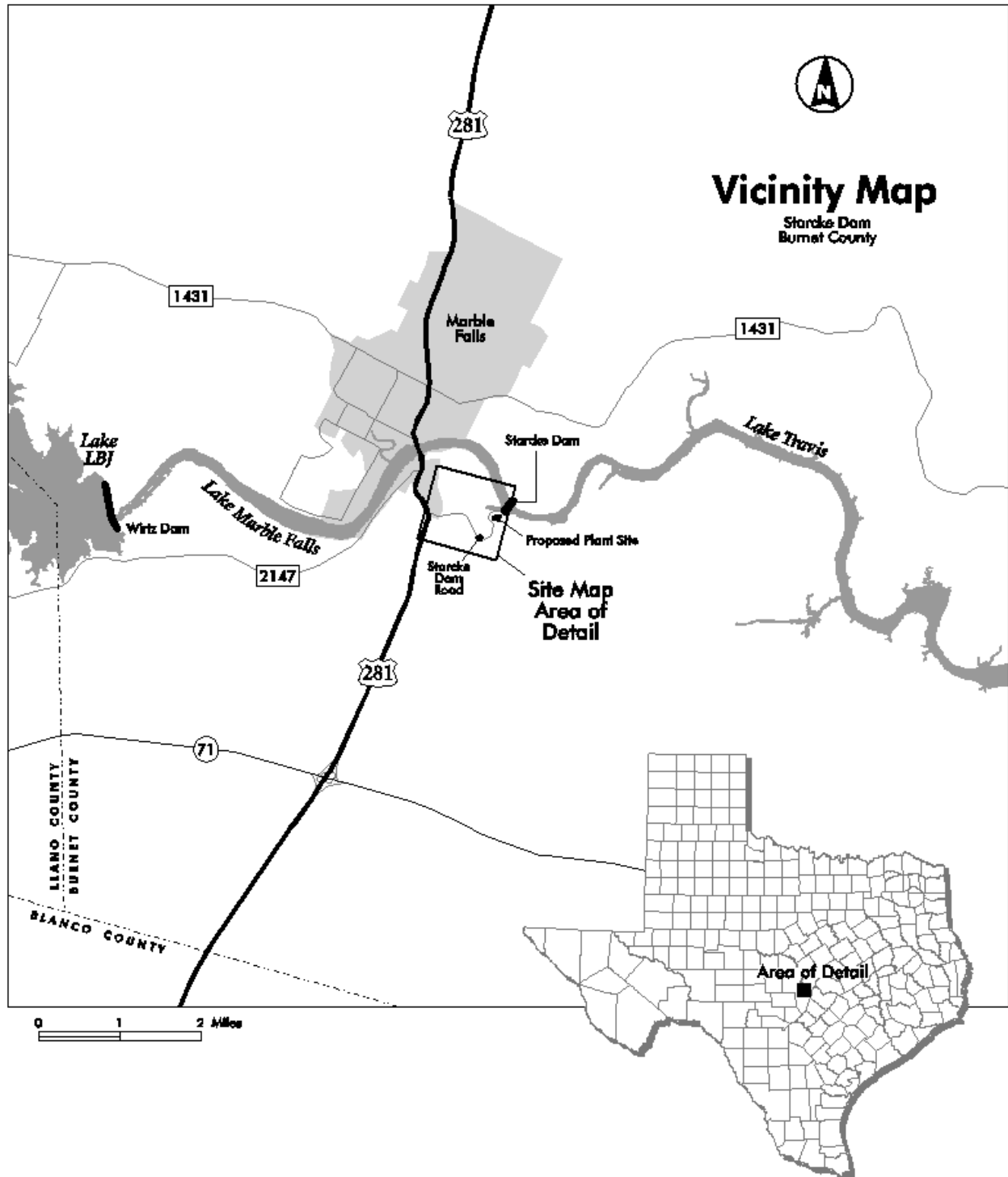
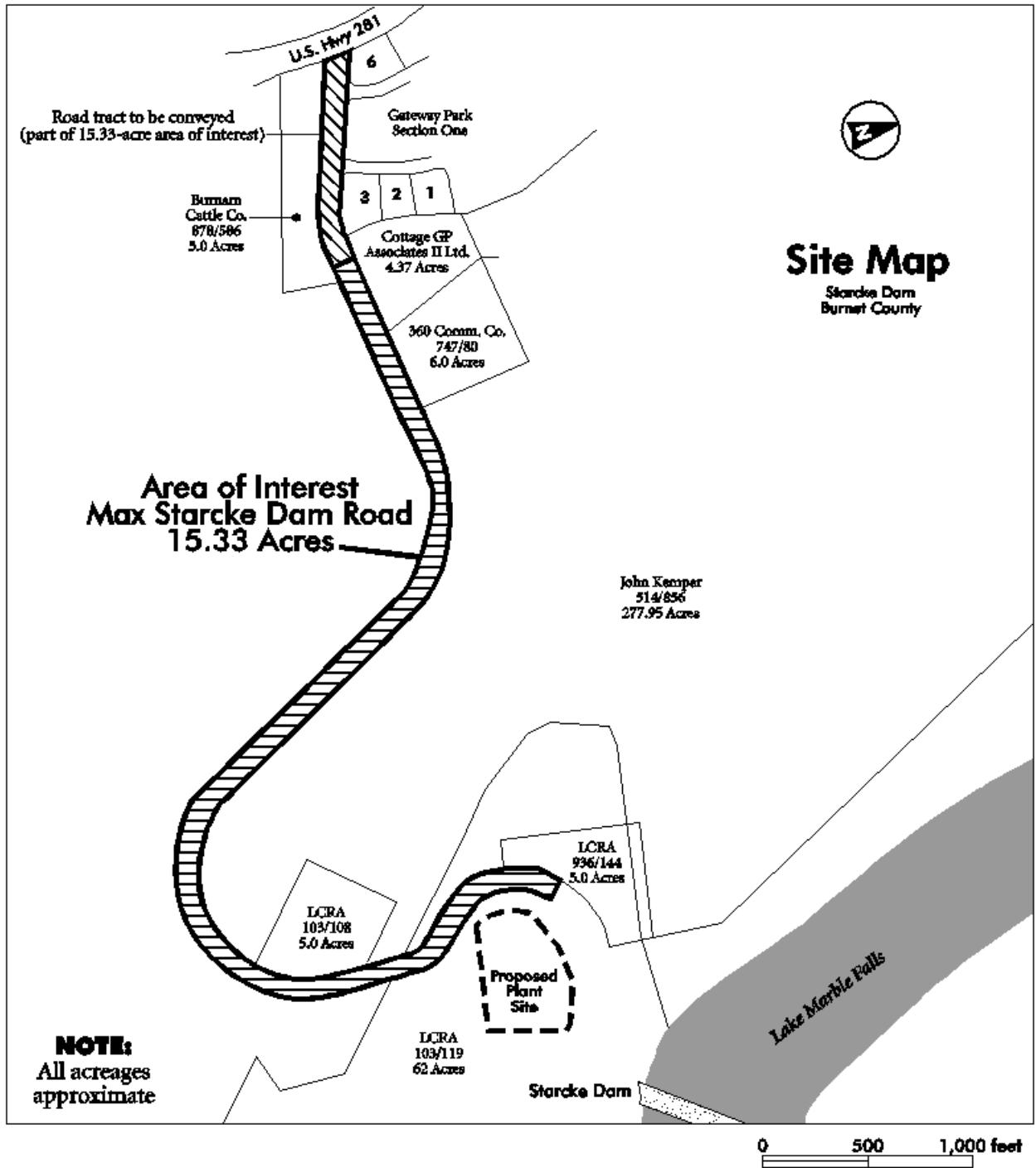


EXHIBIT D



FOR ACTION

9. Public Hearing for the Liberty Hill Regional Wastewater System Impact Fee Study - Adoption of Impact Fees

Proposed Motion

Following a public hearing on the subject, approve the following actions related to the Liberty Hill Regional Wastewater System Impact Fee Study:

1. Adopt amended maximum allowable impact fees for those wastewater system customers who seek service connections for new or additional wastewater service, in the amounts of:
 - \$1,584 per living unit equivalent (LUE) for all wholesale and retail customers; and
 - An additional \$1,602 per LUE for retail customers.
2. Authorize staff to collect a base impact fee of \$1,550 per LUE for all wholesale and retail customers and an additional impact fee of \$1,600 per LUE for retail customers from customers who seek service connections for new or additional wastewater service.
3. Authorize staff to incorporate the amended impact fees into the LCRA Retail Rate Schedule effective immediately upon approval.

Board Consideration

Chapter 395 of the Local Government Code requires the governing body of a political subdivision to hold a public hearing to determine the maximum allowable impact fee prior to adopting and assessing an impact fee for wastewater utility service.

Budget Status and Fiscal Impact

The administrative costs for this process are included in the FY 2011 Business Plan. Impact fees collected will be used to fund the capital plan for the Liberty Hill Regional Wastewater System, and the impact fees will also reduce future debt service.

Summary

Staff and the Liberty Hill Regional Wastewater system Impact Fee Advisory Committee recommend that the Board adopt an amended base impact fee of \$1,550 per LUE for all wholesale and retail customers who seek service connections for new or additional wastewater service from the system. Staff and the advisory committee also recommend that the Board adopt an amended additional impact fee of \$1,600 per LUE for retail customers who seek service connection for new or additional wastewater service from the system. Adopting impact fees allows for a portion of the costs associated with capital expansions to be covered by the impact fees collected from new customers or customers seeking expanded service. The base fee, which applies to all new or additional service connections, covers the parts of the system used by all connections. The additional retail fee applies only to the retail connections and covers the parts of the system used by retail customers. Thus, new retail connections pay both the base and the additional retail impact fees.

The recommended fees were developed through a process prescribed by state law. The last step of that process before a new fee can be adopted is to conduct a public hearing. This hearing and subsequent Board action will complete the study initiated by the Board in April 2010.

Impact fees may be imposed only on new or expanded service connections to pay eligible costs related to wastewater system facility expansions, including construction or acquisition. An impact fee is one of several different types of rates and fees that LCRA uses to recover the cost of providing wastewater service in the area. Impact fees help offset capital borrowing for future expansions, thus reducing future debt service.

The fees are calculated by dividing the costs of the capital improvements needed to serve the new connections by the total number of projected new service units within the service area and planning horizon.

State law governs the adoption of an impact fee by political subdivisions such as LCRA through the completion of an impact fee study. Here is what LCRA has done to date in accordance with state law:

- The Board initiated in April 2010 an Impact Fee Study for the Liberty Hill Regional Wastewater System, appointed an Impact Fee Advisory Committee and authorized staff to prepare land-use assumptions and a capital improvement plan.
- In October 2010, after a public hearing on the subject, the Board adopted the land-use assumptions and capital improvement plan and authorized staff to publish notice of a public hearing to consider the adoption of the impact fee.
- Staff has used the land-use assumptions and capital plan adopted by the Board in October 2010 and has collaborated with the advisory committee to develop the maximum allowable impact fees. The calculation of the fee was sent to the Board under separate cover prior to this meeting and has been made available to the public.

The impact fee study resulted in a recommendation to the Board of a maximum base impact fee of \$1,584 per LUE for all wholesale and retail customers and an additional \$1,602 per LUE for retail customers. The Board has final authority to set the fee at an amount not to exceed the maximum fee as determined in the study. The proposed impact fees are amendments to existing impact fees - currently \$1,700 for all wholesale and retail customers and an additional \$1,200 for retail customers - as the Texas Impact Fee Law requires LCRA to review and consider amendments to land use assumptions, capital improvement plans and resulting impact fees not less than once every five years.

The Impact Fee Advisory Committee, made up of the members listed in Exhibit A, supports these recommendations. Written approval and recommendation from the Impact Fee Advisory Committee chairman has been sent to the Board under separate cover.

Presenter(s)

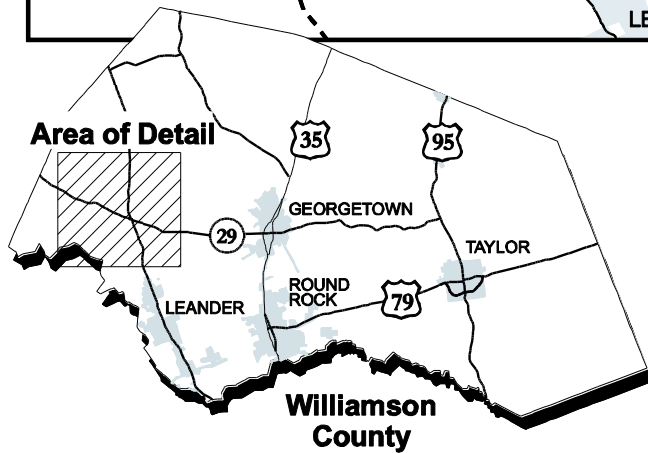
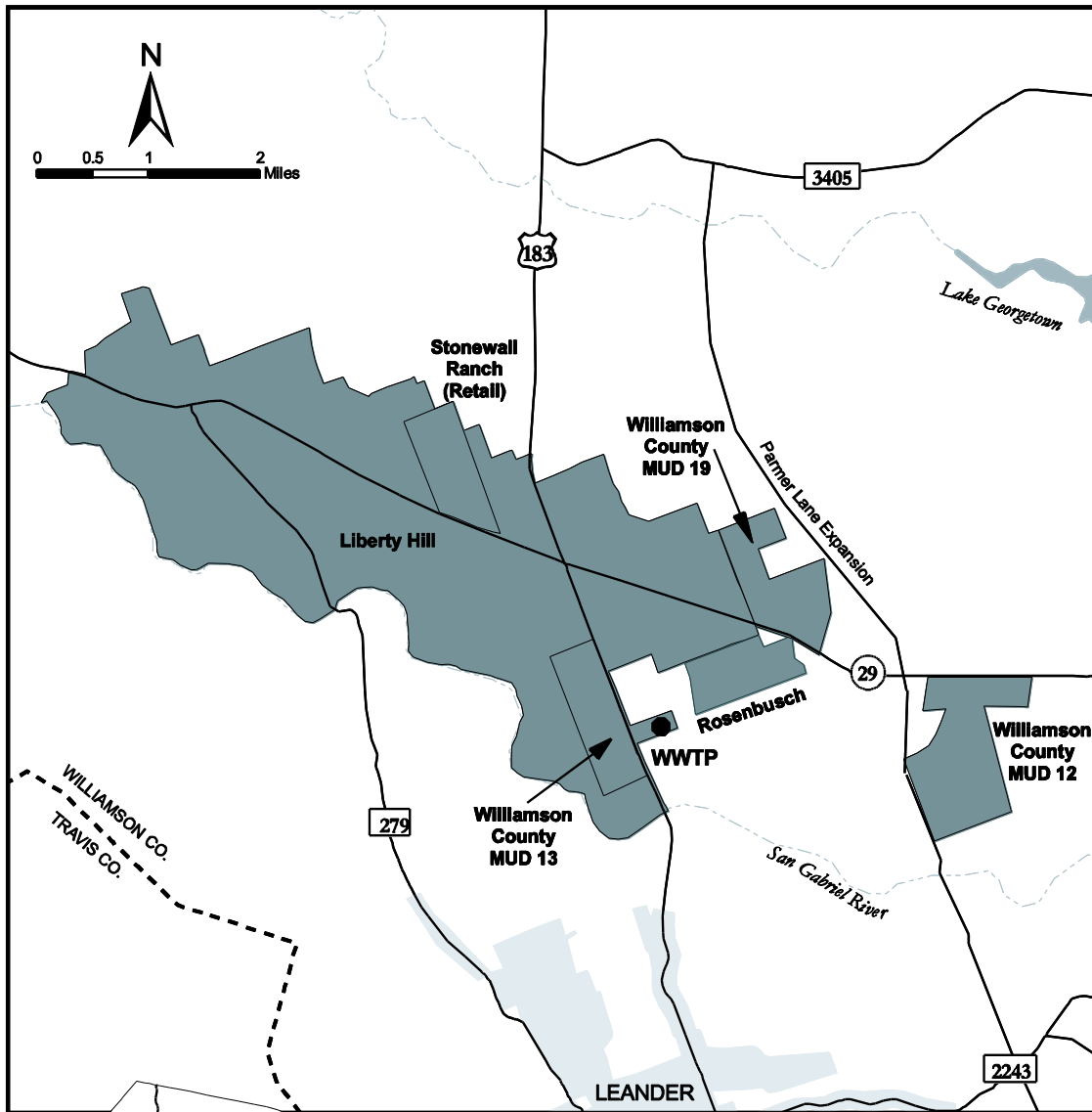
Suzanne Zarling
Executive Manager, Water Services

Dennis Daniel
Manager, Customer and Business Strategy

Exhibit(s)

- A - General Location Map
- B - Liberty Hill Regional Wastewater System Impact Fee Advisory Committee Members

EXHIBIT A



General Location Map

**Proposed Wastewater
Impact Fee
Service Areas**


 Current Service Area

EXHIBIT B

Advisory Committee Members

- Charles Canady - City of Liberty Hill
- Perry Steger - Steger Bizzell
- Jesse Whittenton - Gunn & Whittington Development Company
- Jennifer McKnight - Chisholm Trail Special Utility District
- Chris Fields - Buffington Capital Holdings, LLC

FOR DISCUSSION

10. Water and Wastewater Utility Divestiture Update

Summary

Staff will update the Board on activities related to the proposed divestiture of LCRA's water and wastewater utility assets.

Presenter(s)

Brady Edwards,
Chief Financial Officer

FOR ACTION

11. Contracts and Contract Changes

Proposed Motion

Authorize the general manager or his designee to negotiate and execute the following contracts and contract changes as shown in attached exhibits.

Board Consideration

LCRA Board Policy 205 - Procurement establishes guidelines for the procurement of materials, services, software and construction, and the disposal of surplus materials in accordance with LCRA Board Policy 102 - Authority and Responsibilities.

Budget Status and Fiscal Impact

All contracts and contract changes recommended for Board approval are for budgeted items contained in the operations and capital budgets.

Summary

Each month the Board approves the contracts and contract changes in accordance with LCRA Board Policy 205 - Procurement.

Presenter(s)

Andy Betz
Chief Procurement Officer

EXHIBIT A

Exceptions

LCRA Board Policy 205 - Procurement requires procedures be established for departing from the competitive process, awarding contracts prior to Board approval when circumstances dictate, and having contracts whose terms exceed five years. Each month, any exceptions to the policy are noted in Exhibit A.

For February 2011, there are no contract exceptions.

EXHIBIT B

New Contracts

LCRA Board Policy 205 - Procurement requires Board approval for contracts in excess of \$50,000 for consulting services and all other contracts valued at more than \$2 million. Each month, any new contracts that exceed these limits are noted in Exhibit B.

Contract No. 3233

Amount: Not to exceed \$4,233,092

Time: Until contract fulfilled

Contractor: Frisco Construction Services, Inc.

Competition: Full and open competition

Description: This contract is to provide construction to close the active portion of the ash pond for Fayette Power Project (FPP) Units 1 and 2. The active portion of the ash pond will be capped with clay, top soil and approved native grasses and vegetation. The ash systems on FPP Units 1 and 2 have been modified to dispose of bottom ash resulting from coal combustion to a dry landfill. Disposing of the ash produced from coal combustion in a landfill is environmentally preferable to wet pond storage. LCRA sells much of its coal ash for reuse in construction.

EXHIBIT C

Contract Administration

LCRA Board Policy 205 - Procurement requires Board approval for contract changes when the accumulated changes are in excess of \$50,000 for consulting and \$2 million for all other contracts. Each month, any changes that reach these limits are noted in Exhibit C.

- A *Change Order* is a change to the statement of work, specifications or schedule of the contract.
- An *Amendment* is a change to a contract which affects other terms and conditions of the contract.
- An *Increase in Estimate* is a request to spend more funds than were previously estimated to be spent through a given contract. The contract is not changed; only the internal estimate of the amount to be spent with the supplier.
- A *Task Order* is an order for services, awarded under an Indefinite Delivery Indefinite Quantity Contract. These contracts were originally awarded with the intent to order specific work in subsequent orders, when the exact amount, quantity and work were required.

For February 2011, there are no contract administration items.

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