

RESOURCE MATERIALS FOR LCRA TSC AGENDA ITEM NO. 2

RESOLUTION NO. 19-__

RESOLUTION OF THE BOARD OF DIRECTORS OF LCRA TRANSMISSION SERVICES CORPORATION PERTAINING TO THE ISSUANCE OF LOWER COLORADO RIVER AUTHORITY TRANSMISSION CONTRACT REFUNDING REVENUE BONDS (LCRA TRANSMISSION SERVICES CORPORATION PROJECT) BY THE LOWER COLORADO RIVER AUTHORITY ON BEHALF OF THE CORPORATION AND AUTHORIZING AND CONFIRMING CERTAIN AGREEMENTS OF THE CORPORATION WITH THE LOWER COLORADO RIVER AUTHORITY

Directing the President of the Board of Directors and other corporate officers of the Corporation to proceed with the execution and delivery of an installment payment agreement supplement and other undertakings and certifications as may be required to effect a contract revenue financing not to exceed \$250,000,000 for (i) the refunding of outstanding contract revenue bonds previously issued on behalf of the Corporation and (ii) the refunding of outstanding contract revenue notes previously issued for electric transmission and transformation facilities of the Corporation

WHEREAS, the Lower Colorado River Authority ("LCRA"), at the request of the LCRA Transmission Services Corporation (the "Corporation"), currently has outstanding certain of its Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project), Tax-Exempt Series and Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project), Tax-Exempt Series B (program authorized but no notes or any related credit agreement is currently outstanding), Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project), Series C and Taxable Series C and Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project), Tax-Exempt Series D (all such notes are, collectively, the "Transmission Notes") previously issued in order to acquire, construct and equip certain electric transmission and transformation facilities to be sold, by installment sale, to the Corporation or refund debt issued for such purposes; and

WHEREAS, the Board of Directors of the Corporation (the "Corporation Board") deems it advisable and in the best interests of the Corporation for LCRA to refund certain of the Transmission Notes (collectively, the "Refunded Obligations") to provide certainty in debt service requirements, lock in interest rates in the current interest rate environment and reduce administrative costs related to short term debt with respect to the refunded Transmission Notes; and

WHEREAS, by this resolution the Corporation hereby requests that LCRA issue bonds in one or more series (collectively, the "Bonds") in an amount not to exceed \$250,000,000 in order to (i) refund the Refunded Obligations, (ii) fund a debt service reserve fund for the Bonds and (iii) pay the costs of issuing the Bonds; and

WHEREAS, the Bonds shall be secured by a commitment of the Corporation to make payments to LCRA under an amended and restated Transmission Contract Revenue Debt Installment Payment Agreement, dated as of March 1, 2003 (the "Installment Payment Agreement"), and an Installment Payment Agreement Supplement Relating to the Bonds (the "Installment Payment Agreement Supplement"), and such agreement will further establish obligations of the Corporation with respect to indemnifications of LCRA and shall provide that the Corporation shall pay the costs of issuing and administering the Bonds; and

WHEREAS, capitalized terms not defined herein shall have the meanings set forth in the Installment Payment Agreement.

Now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LCRA TRANSMISSION SERVICES CORPORATION:

SECTION 1. The Corporation is hereby authorized to borrow and incur indebtedness related to the Bonds in an aggregate principal amount not to exceed \$250,000,000.

SECTION 2. The authorization, issuance and delivery of the Installment Payment Agreement Supplement and other undertakings and certifications that may be required to effect the issuance of the Bonds by LCRA based upon such financing documents are hereby approved.

SECTION 3. The Corporation Board hereby finds that after delivery of the Bonds

- (i) the facilities being financed or refinanced with the proceeds of the Bonds have received or are expected to receive a CCN or are otherwise not required to have a CCN;
- (ii) the Project Costs for the facilities being financed or refinanced with the proceeds of the Bonds (A) have been approved by the PUC for inclusion in the Corporation's rate base or (B) are expected to be approved by the PUC for inclusion in the Corporation's rate base in the transmission cost of service proceeding within which the Corporation plans to request such recovery next succeeding the date of commercial operation of such facilities; and
- (iii) the Gross Revenues of the Corporation are expected to be sufficient (A) to produce an amount equal to 1.25 times the Purchase Price Payments (as defined in the Initial Contractual Commitment) due to LCRA pursuant to the Initial Contractual Commitment, (B) to produce an amount sufficient to pay all Operating and Maintenance Expenses of the Corporation, (C) to produce an amount equal to 1.25 times all Installment Payments, including any Installment Payments relating to the Bonds, and all debt service of any Corporation debt issued on parity with the pledge of Net Revenues pursuant to the Installment Payment Agreement, but excluding from the total of any such Installment

Payments or debt service that portion of the total that is being funded with capitalized interest (but excluding the effect of the Annual Debt Service Requirements of the Transmission Contract Bonds being refunded by the Bonds), (D) to produce an amount sufficient to pay all other debt of the Corporation (including any payments by the Corporation under a contract supporting debt issued on behalf of the Corporation), and (E) to produce an amount sufficient to pay any amounts required to fund any required capital charge coverage ratios required by the financial policies of the Corporation and otherwise accumulate the required funds in any debt service reserve fund related to any debt or other obligations of the Corporation or any other funds required by the Installment Payment Agreement, any other agreement or the financial policies of the Corporation, which such policies may be amended from time to time at the sole discretion of the Corporation.

SECTION 4. The Chair and/or the Vice Chair of the Corporation Board, the President, the Vice President and/or the Treasurer and Chief Financial Officer of the Corporation are hereby authorized, empowered and directed to exercise all powers and authority necessary in connection with the authorization and issuance of the Bonds, including (i) proceeding with the authorization, execution and delivery of the Installment Payment Agreement Supplement and other undertakings and certifications that may be required to effect the issuance of the Bonds; (ii) selecting such Transmission Notes to be refunded by the Bonds; (iii) requesting the board of directors of LCRA to approve the issuance of the Bonds; (iv) directing the prior redemption of any of the Transmission Notes which are to be refunded by the Bonds; (iv) executing any necessary agreement and certificates in connection with the Bonds, including bond purchase agreements and escrow agreements, and (v) and taking such further actions with respect to the authorization and the issuance of the Bonds as may be deemed appropriate by such officers.

At such time as such individuals have approved the form of the financing, security and operating documents, they are hereby authorized and directed to execute such instruments as are required in the opinion of bond counsel and counsel to the Corporation, to affect the authorization and issuance of the Bonds for and on behalf of, and as the act and deed of, this Corporation Board.

SECTION 5. The purpose and intent of this resolution is to vest in the Chair and the Vice Chair of the Corporation Board, and any corporate officers of the Corporation all power and authority to complete the authorization and issuance of the Bonds and all related documents and undertakings as described in this resolution without further action by this Corporation Board, including specifically the power to pledge and encumber funds in the amount required to provide payment of the obligations herein authorized to be incurred.

SECTION 6. In accordance with the policies of the Corporation's Board, the Corporation Board hereby grants Bond Counsel access to the Corporation Board's Executive Session records for matters pertaining or related to the Bonds, the Installment Payment Agreement and this resolution as necessary to comply with state and federal securities laws. The Board also hereby

directs the President, the Vice President and/or the Treasurer and Chief Financial Officer of the Corporation and their designees to discuss such matters pertaining or related to the Bonds the Installment Payment Agreement and this resolution addressed in the Board's Executive Session records with the Underwriters and their legal counsel to the extent deemed necessary by the Corporation's General Counsel to comply with state and federal securities laws.

PASSED AND APPROVED this 18th day of September, 2019.