



Board Agenda

Wednesday, August 16, 2017
LCRA Board Room
Austin

Items from the Chair

Items from the General Manager

General Manager's Update

1. Resolution 4

Items from the Chief Financial Officer

2. Financial Report 5

Consent Items

3. Proposed 2018 LCRA Board and Committee Meeting Dates..... 7
4. LCRA Board Committee Charters 9
5. Directors' Fees, Expenses..... 17
6. Minutes of Prior Meeting..... 18

Action / Discussion Items

7. Release of Agricultural Water Conservation Funds and Capital Improvement
Project Approval – Gulf Coast Wadsworth Gates Project..... 24
8. Contracts and Contract Changes 26

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 www.sos.state.tx.us/open.

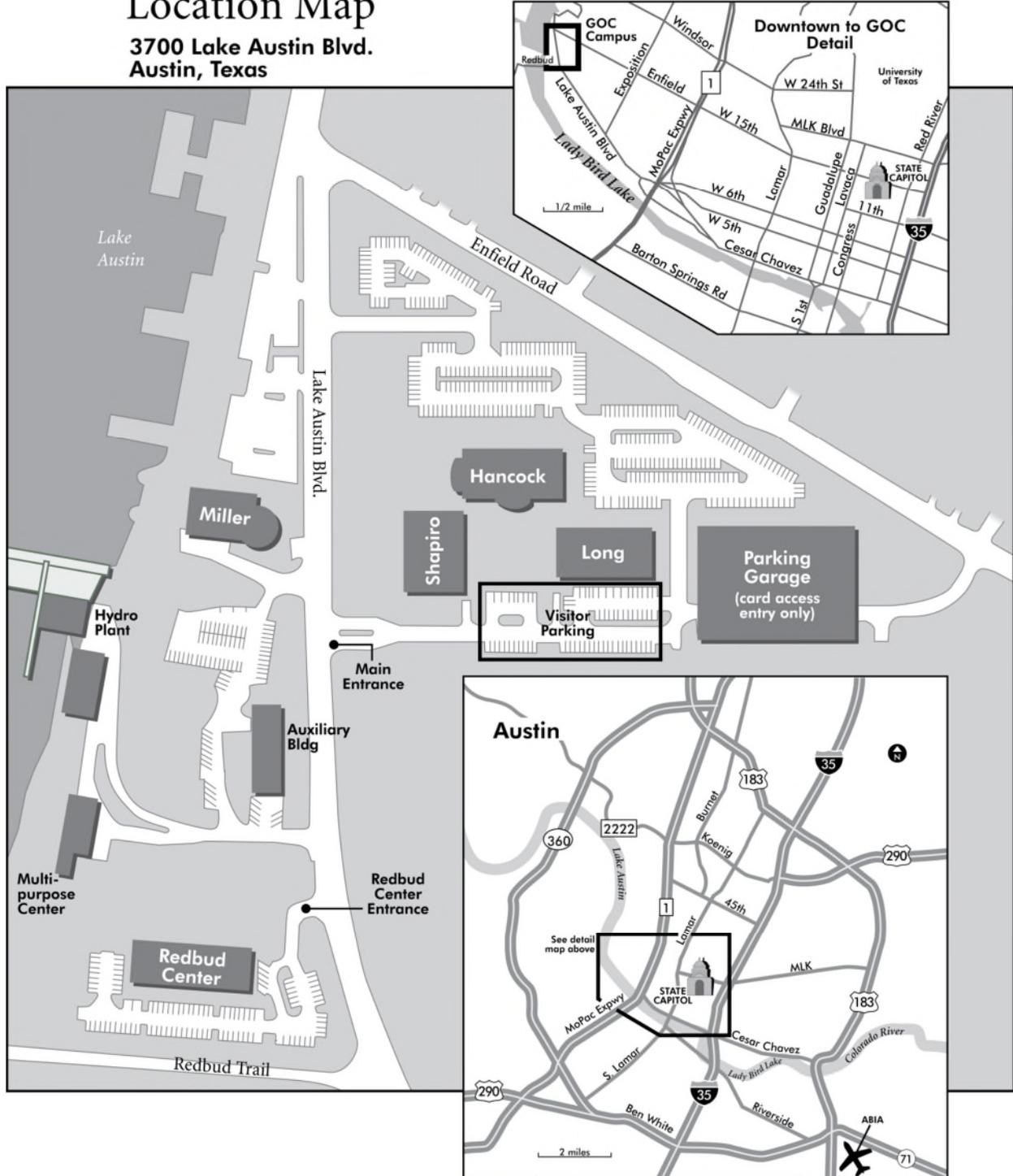
Executive Session

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 Section 551.086 of the Texas Government Code.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR ACTION

1. Resolution

Proposed Motion

Approve the LCRA Board of Directors resolution 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)

Phil Wilson
General Manager

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

Honoring Ronald “Ron” Sulik

Whereas, Ronald “Ron” Sulik retired from the Lower Colorado River Authority on March 17, 2017, as a predictive maintenance analyst at the Fayette Power Project after more than 39 years of service to LCRA; and

Whereas, he began his career at LCRA on Jan. 1, 1978, as a shift worker in Operations at FPP. He was one of 50 original employees hired for operator training at the new plant the year before the first electric generating unit was completed there in 1979. Ron’s career progressed to include positions in the Electrical Maintenance and Predictive Maintenance departments where his former co-workers say Ron was a great troubleshooter who enjoyed solving electrical issues across LCRA; and

Whereas, his peers admire his passion for knowledge and understanding how things work. He freely shares his vast experience and takes pride in helping others. Ron’s former colleagues said he taught them more in the time they worked with him than people they have known their entire lives. His strong work ethic and eye for detail reinforced his desire to ensure every job was performed safely and thoroughly. He double-checked every aspect of a job before returning equipment to service; and

Whereas, Ron’s expertise extended to all LCRA power plants and hydroelectric generating stations. During his LCRA career, his standout talents contributed to projects such as heading up the installation and startup of an excitation system retrofit for FPP Unit 1 and Unit 2 generators; and developing and performing electrical testing on critical assets using numerous technologies to determine equipment health throughout LCRA’s generation fleet and hydroelectric generators; and

Whereas, Ron’s former co-workers will miss his friendship, great sense of humor and ability to bring out the best in everyone around him. They wish him all the best traveling with his wife, Peggy, enjoying time with their grandchildren, volunteering at church and enjoying their farm;

Now, Therefore, Be It Resolved that the LCRA Board of Directors and employees, with extra emphasis from Wholesale Power, express their appreciation to Ron Sulik for his efforts to keep LCRA’s generating units running reliably and for his years of devoted service to LCRA, its customers and the people it serves.

Approved this 16th day of August 2017.

Timothy Timmerman, Board Chair

Phil Wilson, General Manager

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FOR DISCUSSION

2. Financial Report

Board Consideration

Staff presents this report monthly to the Board for discussion.

Summary

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

Presenter(s)

Julie Rogers
Controller

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Lower Colorado River Authority
Financial Highlights
June 2017

Lower Colorado River Authority
Table of Contents

Budget-to-Actual Highlights.....	1
Capital Performance.....	3
Financial Statement Trends	4
Condensed Balance Sheets and Condensed Statements of Revenues, Expenses and Changes in Equity	5
Condensed Statements of Cash Flows	6
Investments and Debt	7

Key terms:

4CP – Four-month coincident peak is the average of the peak Electric Reliability Council of Texas electrical demands (measured in kilowatts) during the months of June, July, August and September of the previous calendar year.

FYE – Fiscal year-end

Net margin – Total operating revenues (including interest income) less direct and assigned expenses.

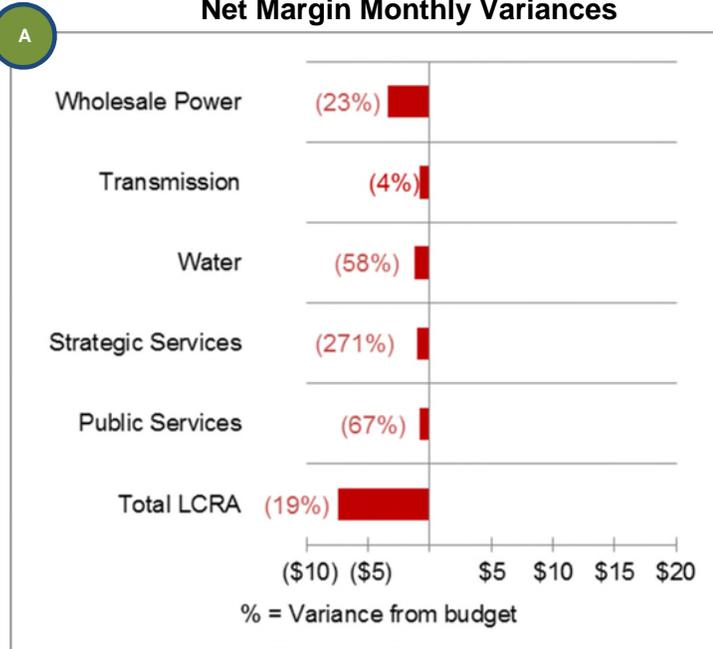
Lower Colorado River Authority

June 30, 2017

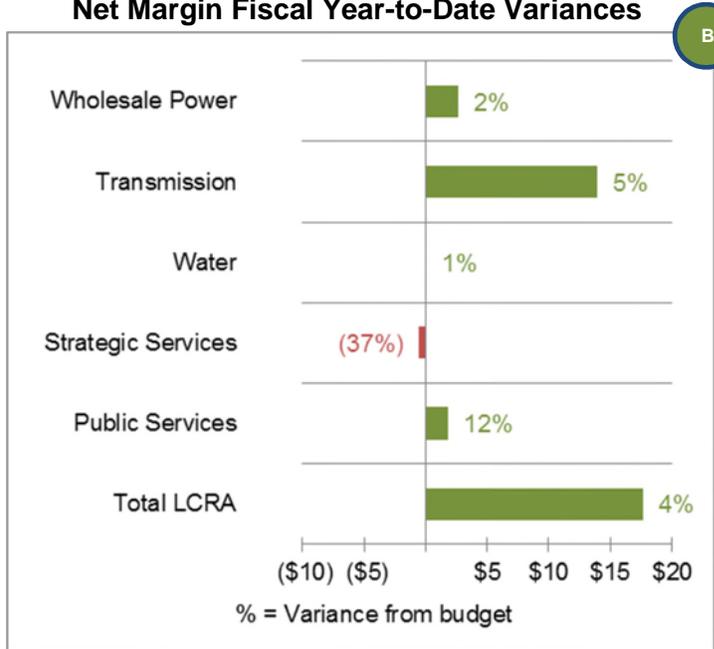
(Dollars in Millions)

Budget-to-Actual Highlights

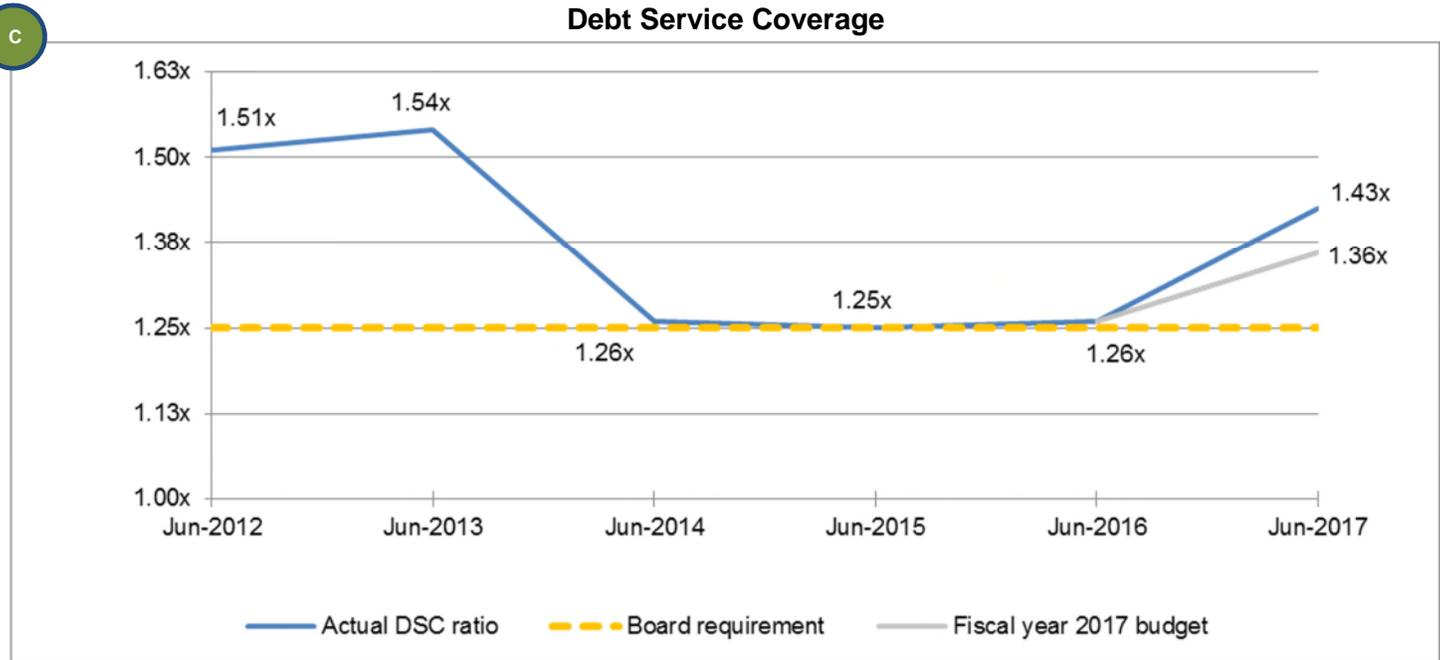
Net Margin Monthly Variances



Net Margin Fiscal Year-to-Date Variances



Debt Service Coverage



Key takeaways:

- Monthly performances for all of the areas of business were affected by higher assigned enterprise expenses than budgeted for the month of June. However, assigned enterprise costs for the entire year came in under budget.
- Wholesale Power year-to-date performance primarily is due to lower nonfuel expenses than budgeted.
- Transmission year-to-date performance was driven by a combination of increased revenues and lower expenses than budgeted.
- Monthly performance for Water was primarily driven by lower-than-budgeted irrigation revenues. Year-to-date performance was driven primarily by lower-than-budgeted irrigation revenues offset by lower raw water and irrigation expenses. (Continued)

Lower Colorado River Authority

June 30, 2017

(Dollars in Millions)

Key takeaways (continued):

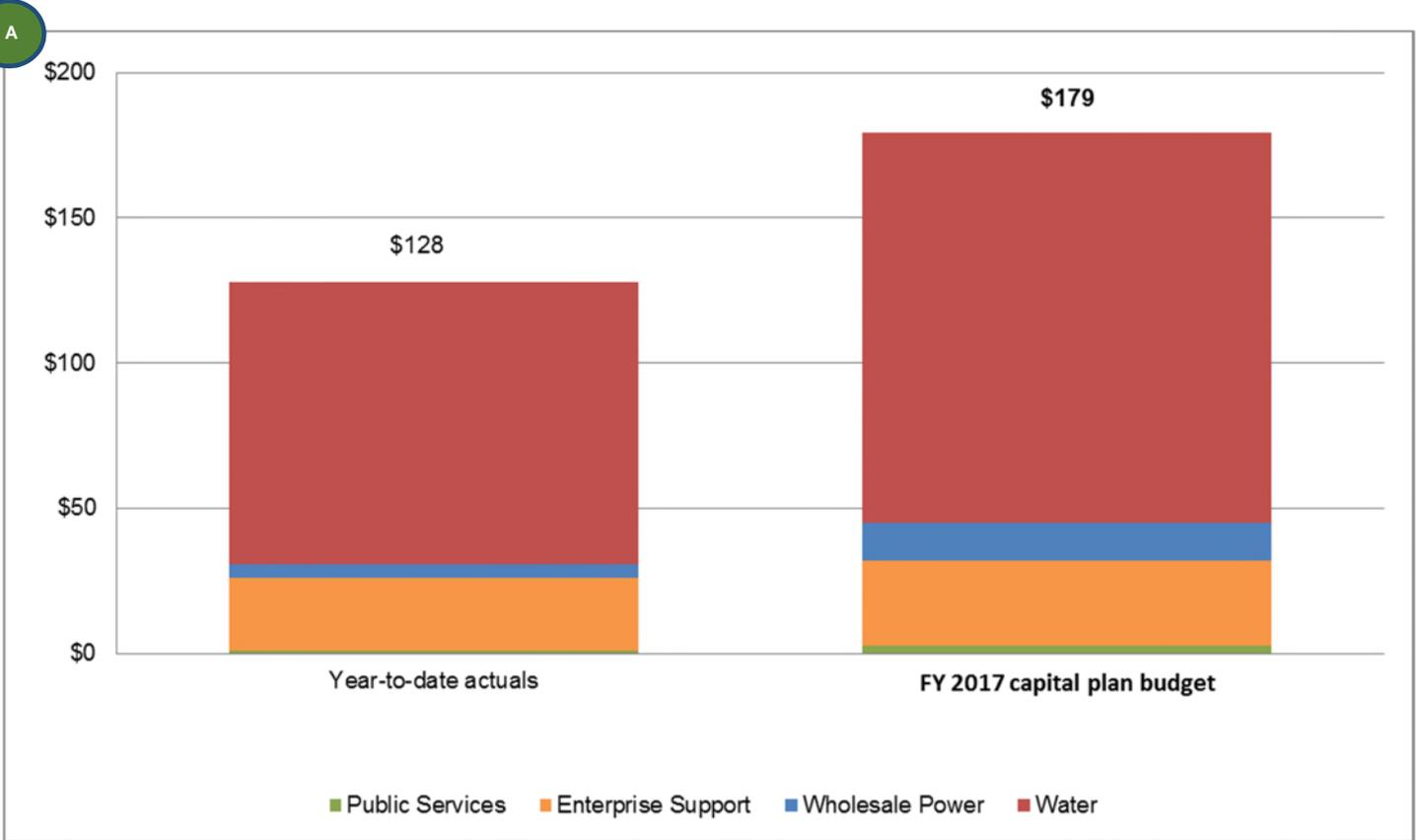
- Strategic Services year-to-date performance primarily is driven by the Environmental Lab.
- Year-to-date performance for Public Services was driven by lower expenses and higher revenues.
- Debt service coverage is higher than budgeted primarily due to the increase in Transmission revenues and lower Transmission expenses, and positive performance in Wholesale Power and Public Services.

Lower Colorado River Authority

June 30, 2017

(Dollars in Millions)

Capital Performance



B

Business area	Year-to-date actuals	Percentage of budget spent	FY 2017 capital plan budget
Wholesale Power	\$ 4.4	35%	\$ 12.7
Water	97.2	72%	134.5
Public Services	1.0	40%	2.5
Enterprise Support	25.1	85%	29.7
	\$ 127.8	71%	\$ 179.4

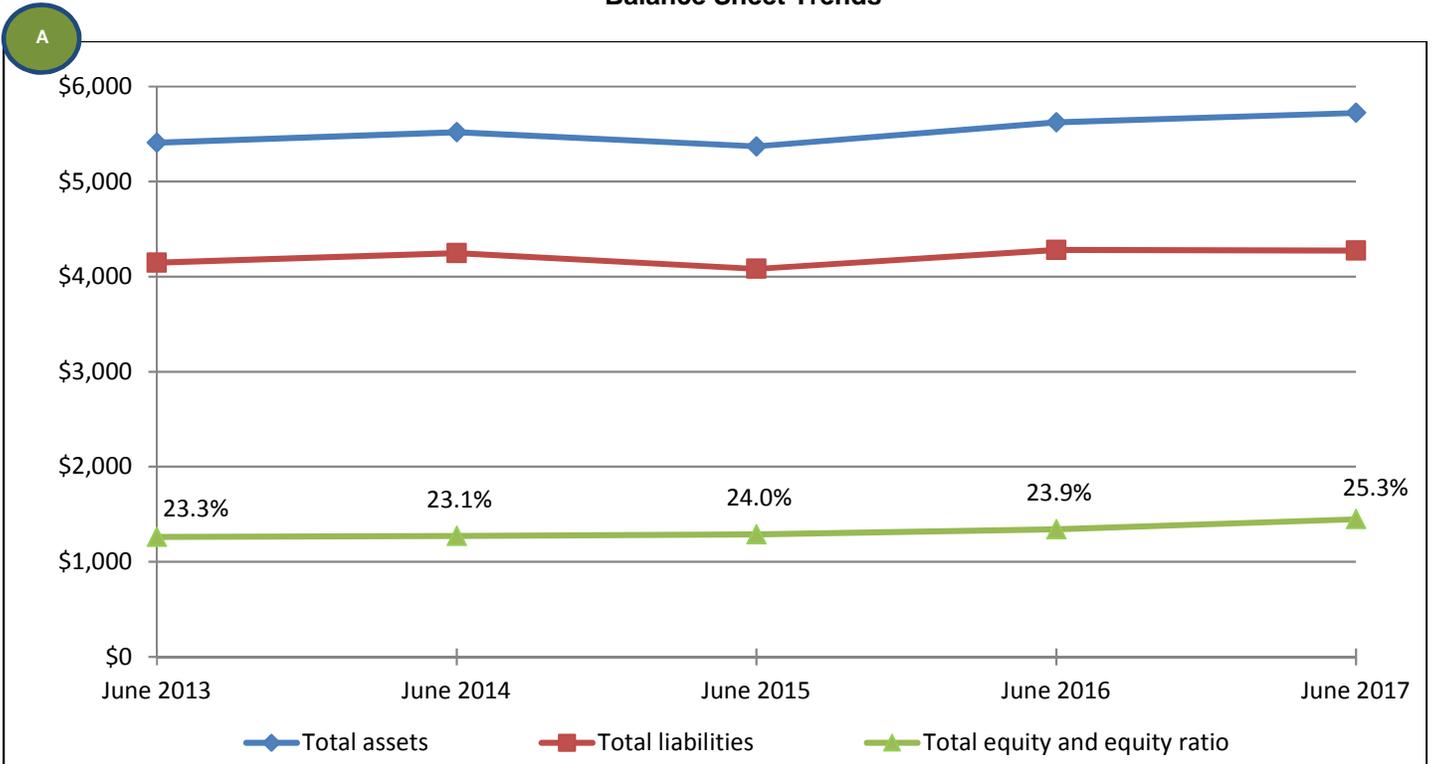
Note: Transmission Services' capital summary is found in the LCRA Transmission Services Corporation financial report.

Key takeaways:

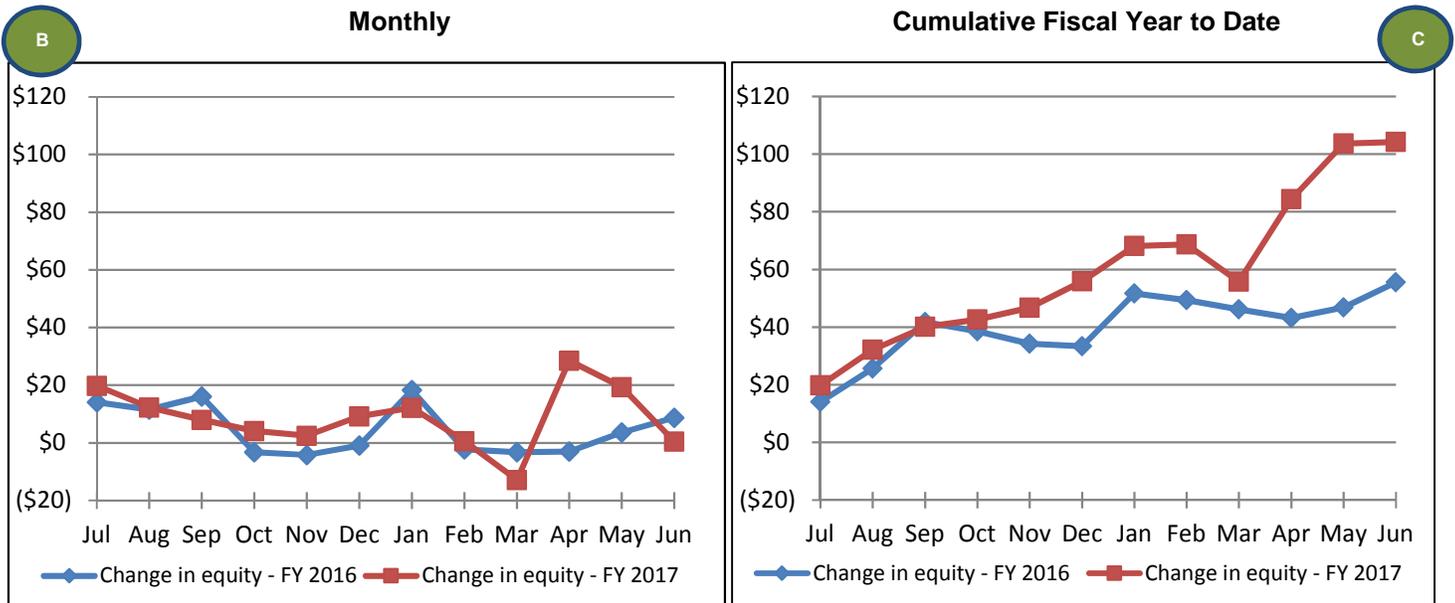
- LCRA actual capital spending for FY 2017 was \$52 million under the capital plan budget of \$179 million. About \$9 million is due to lower-than-expected spending for Wholesale Power projects. About \$37 million primarily is due to lower-than-expected fiscal year spending on Water projects, including \$6.9 million on the new regional water supply projects, \$24 million on the Lane City Reservoir and \$5.9 million on three projects at Buchanan Dam. The remaining \$6 million variance is due to lower-than-expected spending on Enterprise Support and Public Services projects.
- For any project not previously authorized by the Board in the capital plan, Board Policy 301 – Finance delegates authority to the general manager to approve projects with a lifetime budget not to exceed \$1.5 million. One project was submitted for general manager approval. The general manager approved a general additions project at Hilbig Gas Storage Facility with a lifetime budget of \$110,000.

**Lower Colorado River Authority
Financial Statement Trends
June 30, 2017
(Dollars in Millions)**

Balance Sheet Trends



Income Statement Trends



Key takeaways:

- Balance sheet trends remain steady from the prior month.
- Net income in June 2017 is lower compared to June 2016 due to higher operating expenses and depreciation offset by an increase in capital contributions.
- Cumulative net income through June 2017 is higher compared to June 2016 primarily due to the timing of long-term costs being deferred until planned future recovery from customers.

Lower Colorado River Authority

June 30, 2017

(Dollars in Millions)

Condensed Balance Sheets

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<i>Assets</i>		
Total current assets	\$ 731.5	\$ 656.3
Total long-term assets	<u>4,989.8</u>	<u>4,966.9</u>
Total Assets	<u><u>\$ 5,721.3</u></u>	<u><u>\$ 5,623.2</u></u>
<i>Liabilities</i>		
Total current liabilities	\$ 543.6	\$ 423.3
Total long-term liabilities	<u>3,730.0</u>	<u>3,856.4</u>
Total liabilities	<u>4,273.6</u>	<u>4,279.7</u>
<i>Equity</i>		
Total equity	<u>1,447.7</u>	<u>1,343.5</u>
Total Liabilities and Equity	<u><u>\$ 5,721.3</u></u>	<u><u>\$ 5,623.2</u></u>

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	<u>2017</u>	<u>2016</u>
Operating Revenues		
Electric	\$ 929.8	\$ 957.6
Water, wastewater, and irrigation	25.4	27.0
Other	<u>35.4</u>	<u>33.1</u>
Total Operating Revenues	<u>990.6</u>	<u>1,017.7</u>
Operating Expenses		
Fuel	280.3	266.9
Purchased power	75.8	92.7
Operations	188.0	182.4
Maintenance	33.5	40.7
Depreciation, depletion and amortization	<u>179.4</u>	<u>174.0</u>
Total Operating Expenses	<u>757.0</u>	<u>756.7</u>
Operating Income	<u>233.6</u>	<u>261.0</u>
Nonoperating Income (Expenses)		
Interest on debt	(161.5)	(165.4)
Other income (expenses)	<u>32.1</u>	<u>(40.1)</u>
Total Nonoperating Income (Expenses)	<u>(129.4)</u>	<u>(205.5)</u>
Change in Equity	104.2	55.5
Total Equity - Beginning of Period	<u>1,343.5</u>	<u>1,288.0</u>
Total Equity - End of Period	<u><u>\$ 1,447.7</u></u>	<u><u>\$ 1,343.5</u></u>

Lower Colorado River Authority

June 30, 2017

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2017	2016
Net cash provided by operating activities	\$ 413.8	\$ 490.5
Net cash provided by noncapital financing activities	2.2	0.9
Net cash used in capital and financing activities	(443.9)	(231.3)
Net cash provided by (used in) in investing activities	220.0	(101.8)
Net Increase in Cash and Cash Equivalents	192.1	158.3
Cash and Cash Equivalents - Beginning of Period	382.8	224.5
Cash and Cash Equivalents - End of Period	<u>\$ 574.9</u>	<u>\$ 382.8</u>

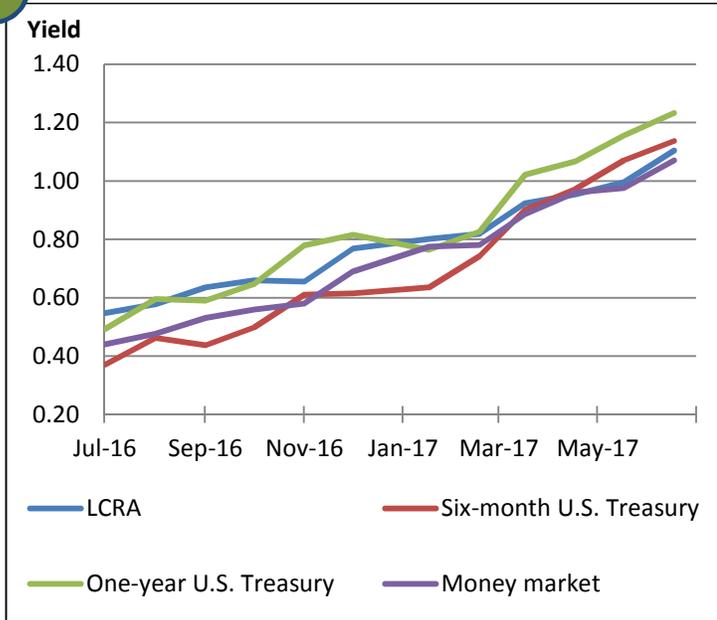
Lower Colorado River Authority

June 30, 2017

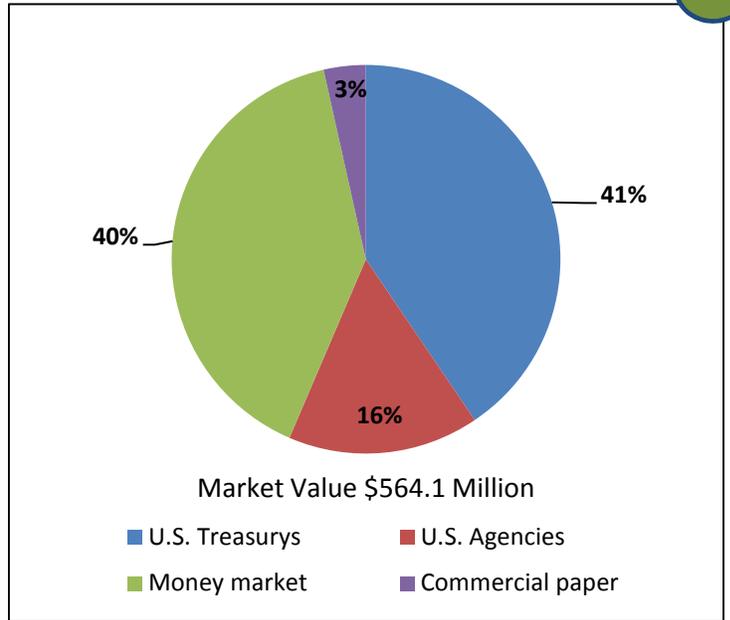
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Investments and Debt

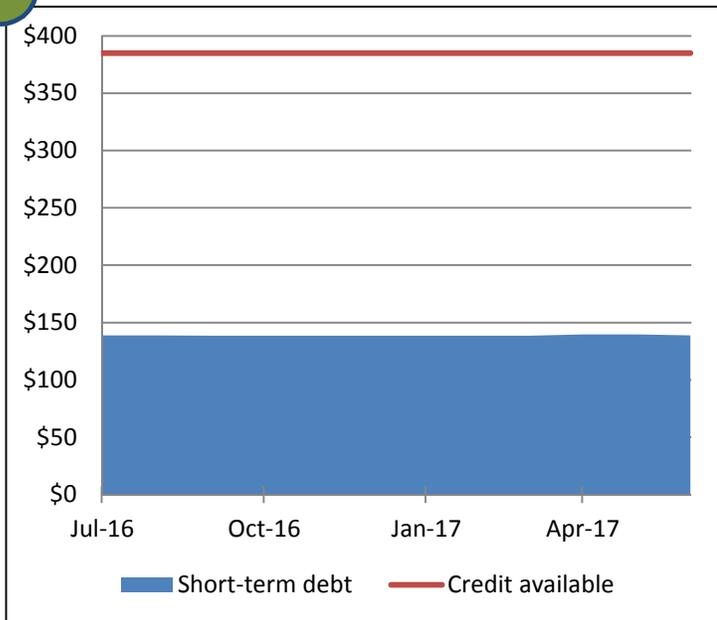
Investment Portfolio Yield



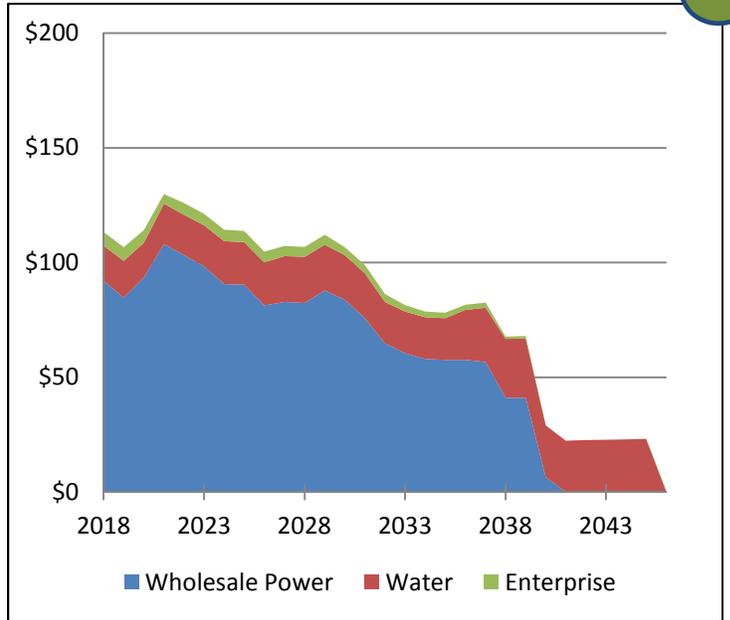
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

- The Federal Open Market Committee raised the Federal Funds rate by 25 basis points at each of its May 3 and June 14 meetings. Rates currently reflect market expectations for a third rate increase by the end of calendar year 2017.

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Lower Colorado River Authority

Financial Highlights

July 2017

Lower Colorado River Authority
Table of Contents

Budget-to-Actual Highlights..... 1

Financial Statement Trends 2

Condensed Balance Sheets and Condensed Statements of Revenues, Expenses
and Changes in Equity 3

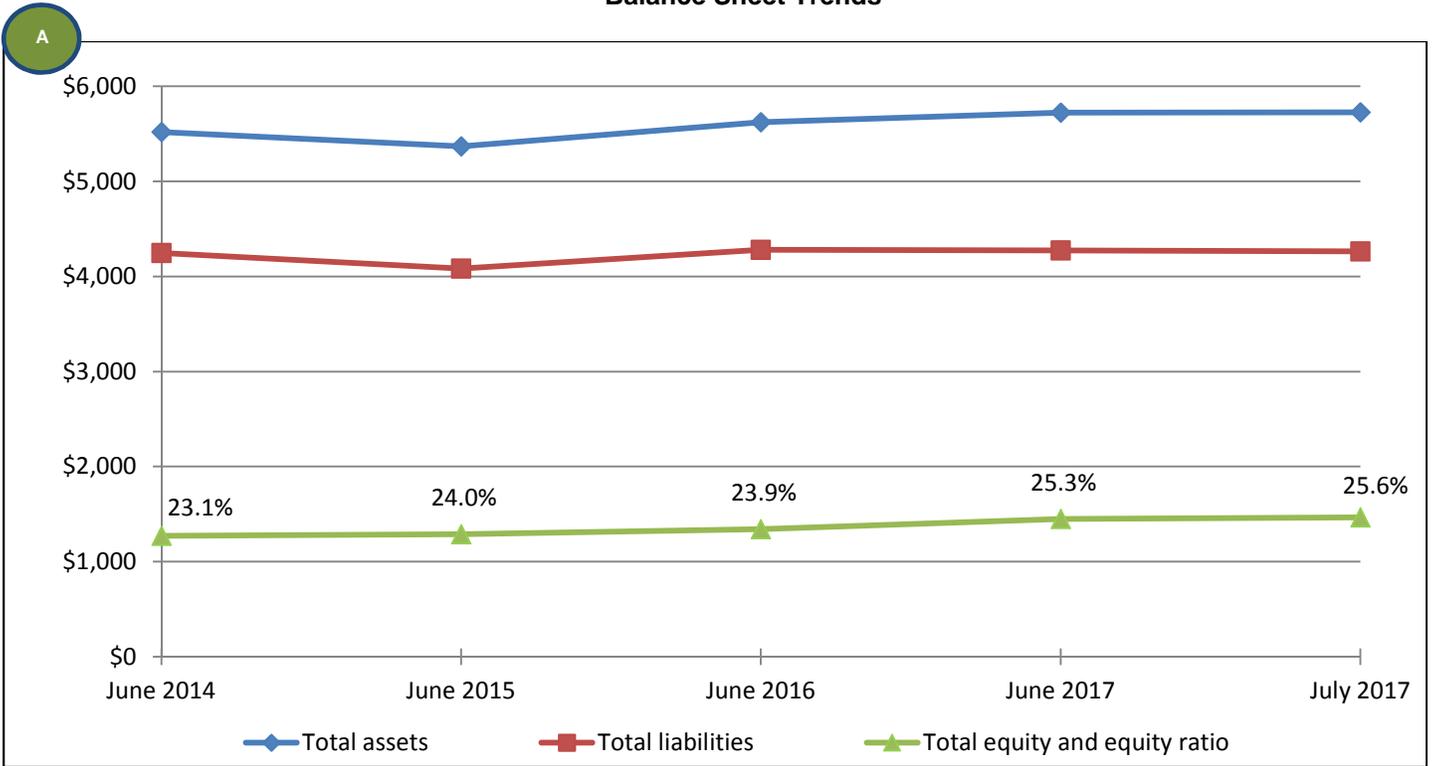
Key terms:

4CP – Four-month coincident peak is the average of the peak Electric Reliability Council of Texas electrical demands (measured in kilowatts) during the months of June, July, August and September of the previous calendar year.

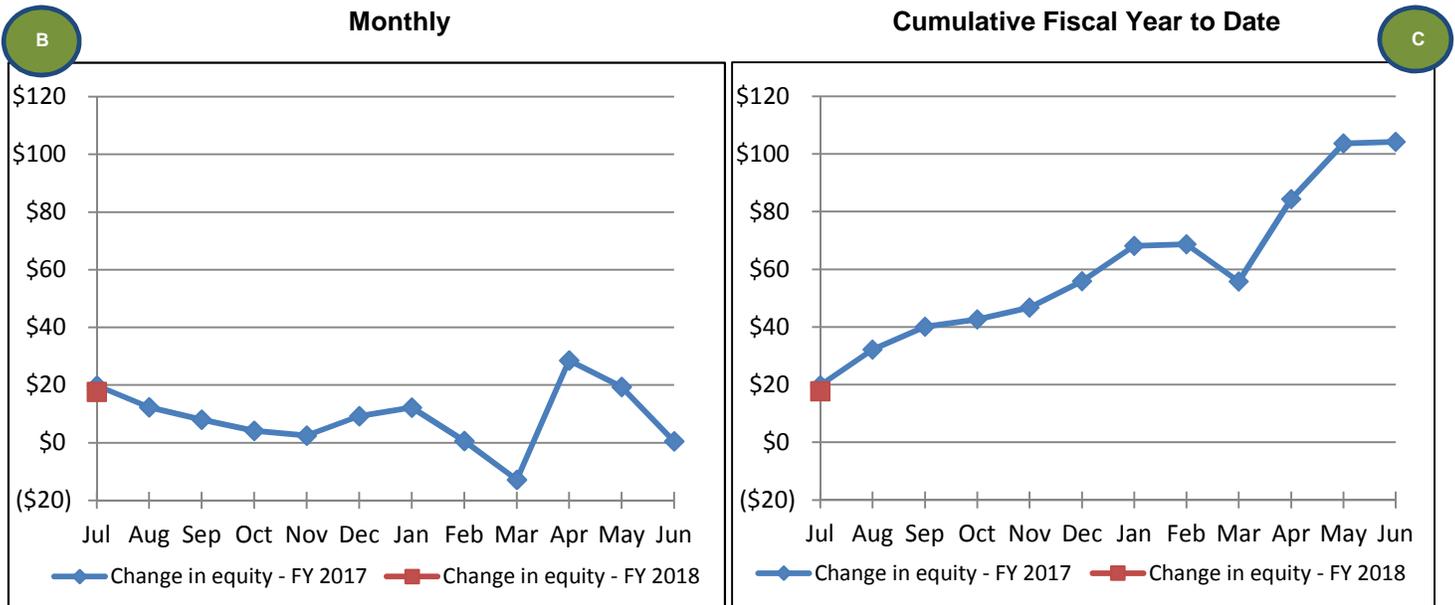
Net margin – Total operating revenues, including interest income, less direct and assigned expenses.

**Lower Colorado River Authority
Financial Statement Trends
July 31, 2017
(Dollars in Millions)**

Balance Sheet Trends



Income Statement Trends



Key takeaways:

- Balance sheet trend remains steady from the prior month.
- Net income remains comparable to prior year.

Lower Colorado River Authority

July 31, 2017

(Dollars in Millions)

Condensed Balance Sheets

	July 31, 2017	July 31, 2016
<i>Assets</i>		
Total current assets	\$ 748.7	\$ 657.0
Total long-term assets	4,978.9	4,960.9
Total Assets	\$ 5,727.6	\$ 5,617.9
<i>Liabilities</i>		
Total current liabilities	\$ 547.0	\$ 424.3
Total long-term liabilities	3,715.2	3,830.3
Total liabilities	4,262.2	4,254.6
<i>Equity</i>		
Total equity	1,465.4	1,363.3
Total Liabilities and Equity	\$ 5,727.6	\$ 5,617.9

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2018	2017
Operating Revenues		
Electric	\$ 97.5	\$ 95.5
Water, wastewater, and irrigation	2.3	3.0
Other	1.8	1.8
Total Operating Revenues	101.6	100.3
Operating Expenses		
Fuel	35.3	24.0
Purchased power	7.2	9.0
Operations	10.4	19.0
Maintenance	2.3	1.6
Depreciation, depletion and amortization	10.9	12.0
Total Operating Expenses	66.1	65.6
Operating Income	35.5	34.7
Nonoperating Expenses		
Interest on debt	(13.2)	(13.1)
Other expenses	(4.6)	(1.8)
Total Nonoperating Expenses	(17.8)	(14.9)
Change in Equity	17.7	19.8
Total Equity - Beginning of Period	1,447.7	1,343.5
Total Equity - End of Period	\$ 1,465.4	\$ 1,363.3

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FOR ACTION (CONSENT)

3. Proposed 2018 LCRA Board and Committee Meeting Dates

Proposed Motion

Approve the proposed 2018 LCRA Board and committee meeting dates as listed in Exhibit A.

Board Consideration

Unless otherwise authorized by a vote of the Board, the Board will convene in regular session no less than once each quarter. The regular meeting of the Board will be on the last Wednesday prior to the 25th day of a calendar month.

Budget Status and Fiscal Impact

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

Summary

The proposed 2018 Board and committee meeting dates are reflected in Exhibit A.

Exhibit(s)

A – Proposed 2018 LCRA Board and Committee Meeting Dates

EXHIBIT A

PROPOSED 2018 LCRA BOARD AND COMMITTEE MEETING DATES

Month	Committee Meetings	Board Meeting
January	16	17
February	14*	-
March	-	21**
April	-	18***
May	15	16
June	13*	-
July	No Meeting	
August	21	22
September	19*	-
October	16	17
November	-	14**
December	-	12

*Planning and Public Policy Committee.

**Optional Board meeting dates.

***This Board meeting will include the annual business and capital plans work session.

FOR ACTION (CONSENT)

4. LCRA Board Committee Charters

Proposed Motion

Approve charters for each of the following Board of Directors standing committees: Audit and Risk Committee, Executive Committee, Finance Committee, and Land and Community Resources Committee as attached as Exhibit A.

Board Consideration

Section 2.09 of the LCRA bylaws requires approval by the LCRA Board of Board standing committee charters.

Budget Status and Fiscal Impact

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

Summary

The LCRA bylaws define the Board committee structure, oversight roles and responsibilities, and membership. The bylaws require that each of the following Board standing committees maintain committee charters that describe the committee's purpose, authority, meetings, and duties and responsibilities: Audit and Risk, Executive, Finance, and Land and Community Resources. Each committee has adopted a written committee charter and recommends that the Board approve the charter.

Exhibit(s)

A – Charters for the Audit and Risk Committee, Executive Committee, Finance Committee, and Land and Community Resources Committee

EXHIBIT A

AUDIT AND RISK COMMITTEE CHARTER

PURPOSE

In accordance with LCRA Board Policy 221 – Auditors and LCRA Bylaws, Section 2.10 – Standing Committees, the Audit and Risk Committee will:

- Review the scope and results of internal and external audits.
- Review the adequacy and effectiveness of internal controls, audit policies and procedures applied in auditing.
- Participate with management in the annual financial reporting process.
- Review the scope and results of risk management, insurance, safety and security programs.

AUTHORITY

The committee has oversight over directors' expenses, the independent public auditors, internal audit and accounting policy.

The Audit and Risk Committee shall authorize audits and investigations into any matters within its scope of responsibility. The Audit and Risk Committee shall:

- Provide oversight of LCRA's risk management programs and ensure timely updates to LCRA's risk register.
- Oversee the work of the independent audit firm employed by LCRA to conduct the annual financial statement audit. This firm will report directly to the Audit and Risk Committee.
- Resolve any disagreements between management and the independent auditor regarding financial reporting.
- Preapprove all auditing and permitted nonaudit services performed by LCRA's independent audit firm.
- Retain (in coordination with the general auditor and with the consent of the LCRA Board of Directors) independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.

COMPOSITION

The Audit and Risk Committee shall have six members, including at least one Board officer. The Board chair shall appoint the six committee members, naming one of them as chair of the committee, all subject to the approval of the full Board. Three committee members shall constitute a quorum of the Audit Committee. Members shall serve until their successors are appointed.

MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information as necessary. Each regularly scheduled meeting will conclude with a private session of the committee

without members of management present. Meeting agendas and appropriate briefing materials will be prepared and provided in advance to members. Any LCRA director may place an item on the committee's agenda through a request to the Audit and Risk Committee chair. Meeting minutes will be prepared for any meetings.

The committee will report regularly to the Board of Directors about committee activities and issues that arise with respect to the quality or integrity of LCRA's financial statements, LCRA's compliance with legal or regulatory requirements, the performance and independence of LCRA's independent auditors, and the performance of the internal audit, risk management, safety or security functions.

RESPONSIBILITIES

Internal Audit

- Review with management and the general auditor the reports, activities, staffing and organizational structure of the internal audit function.
- Review and approve the internal audit function's charter and the six-month audit work plans.
- Review the results of the external quality assurance review of Auditing Services every three years.

Internal Control

- Consider the effectiveness of LCRA's internal control system as it relates to LCRA's key risks.

External Audit

- Review the independent auditor's proposed audit scope and approach, and the results of the audit and audited financial statements, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or access to requested information, and any significant disagreements with management.
- Preapprove management's use of the independent auditor for any other audit or consulting and advisory service to ensure such services are compatible with the auditor's independence.
- Review the performance of the independent auditor and provide the Board an annual recommendation on the appointment or discharge of the auditors.

Risk Oversight and Insurance

- Review LCRA's strategic and key risk inventories and mitigation strategies
- Review LCRA's insurance coverage (excluding employee benefit programs)

Physical/Virtual Security and Safety

- Review the scope and results of LCRA's security program protecting the security of LCRA's plants, equipment and property.
- Review the scope and results of LCRA's safety programs to assure the safety of employees and the general public.

EXECUTIVE COMMITTEE CHARTER

PURPOSE AND AUTHORITY

In accordance with LCRA bylaws, Section 2.10 (Standing Committees), the Executive Committee is responsible for assisting the Board of Directors in fulfilling its responsibilities with respect to the oversight of legal, personnel, employment, compensation plans, benefits programs, bylaw and Board policy revisions, and any other matters not expressly assigned to the other standing committees. The committee confers with the Board chair and general manager on agendas for Board meetings. The chair of the committee shall be the chair of the Board.

MEETINGS

The committee will invite members of management and others to attend meetings and provide pertinent information as necessary. LCRA staff will prepare meeting agendas and appropriate briefing materials and provide the materials to members before each meeting. Any LCRA director may place an item on the committee's agenda through a request to the Executive Committee chair. The committee chair, with assistance from LCRA staff as needed, will prepare meeting minutes for all committee meetings and submit the minutes to the committee for approval.

COMPOSITION

The Executive Committee will be composed of the Board officers and the chairs of the Audit and Risk Committee, the Finance Committee, the Water Operations Committee, and the Energy Operations Committee. Four committee members will constitute a quorum at any meeting of the Executive Committee.

DUTIES AND RESPONSIBILITIES

In addition to the responsibilities identified below, the committee will receive general updates or briefings on matters in early discussions from the general manager/CEO and staff undertake other duties the Board delegates to it. The committee will report to the Board regarding the committee's activities as necessary.

- A. The Executive Committee is responsible for the oversight of all:
 1. Administrative matters.
 2. Legal matters.
 3. Personnel and employment matters as directed in Section 3.02 of the bylaws.
 4. Compensation plans and benefits programs.
 5. Health and hospitalization insurance matters.

- B. Responsibilities:
 1. Monitor management's operation of LCRA's business to ensure programs and policies adopted by the Board are implemented.
 2. Evaluate, research and recommend programs and policies to the Board.
 3. Report to the Board on matters within its oversight as necessary.
 4. Implement and oversee the review process for the GM/CEO.

FINANCE COMMITTEE CHARTER

PURPOSE

In accordance with LCRA bylaws, Section 2.10 (Standing Committees), The Finance Committee is responsible for assisting the Board of Directors in fulfilling its responsibilities with respect to oversight of all financial and budgetary matters, expenditures of funds, and employee pension plans. The committee has oversight of the financial adequacy of LCRA's electric generation and water rates and the formation and performance of the annual business plan and budget.

MEETINGS

The Finance Committee will meet at least four times a year, with authority to convene additional meetings as circumstances requires. The committee will invite members of management and others to attend meetings and provide pertinent information as necessary. LCRA staff will prepare meeting agendas and appropriate briefing materials and provide the materials to members before each meeting. Any LCRA director may place an item on the committee's agenda through a request to the Finance Committee chair. The committee chair, with assistance from LCRA staff as needed, will prepare meeting minutes for all committee meetings and submit the minutes to the committee for approval.

COMPOSITION

The Finance Committee will have no more than six members, including at least one Board officer. The Board chair will appoint up to six committee members, naming one of them as the chair of the committee, all subject to the approval of the Board. Three committee members will constitute a quorum of the Finance Committee.

AREAS OF OVERSIGHT, RESPONSIBILITIES AND JURISDICTION

In addition to the responsibilities identified below, the committee will undertake other duties the Board delegates to it and report to the Board regarding the committee's activities.

A. Areas of oversight:

1. All financial and budgetary matters.
2. Financial adequacy of LCRA's electric generation and water rates and employee savings and pension plans.

B. Responsibilities:

1. Provide recommendations to the Board on policy matters relating to the office of the chief financial officer and the management of financial matters.
2. Provide recommendations to the Board as to the general prudence of all expenditures not delegated to the general manager.
3. Review, measure performance and report to the Board on matters within the committee's purview, including the adequacy of strategic plans for matters within its areas of oversight.

C. Jurisdiction shall include:

1. All expenditures of funds.
2. The annual budget prepared by the GM/CEO for presentation to the Board.
3. All contracts that fall within the purview of this committee.

LAND AND COMMUNITY RESOURCES COMMITTEE CHARTER

PURPOSE

In accordance with LCRA bylaws, Section 2.10 (Standing Committees), the Land and Community Resources Committee is responsible for assisting the Board of Directors in fulfilling its responsibilities with respect to the efficient use and management of lands held by LCRA. The committee oversees LCRA's land management strategies and all recreational facilities, including the surface use of lakes. The committee also is responsible for overseeing LCRA's community assistance programs.

MEETINGS

The committee will invite members of management and others to attend meetings and provide pertinent information as necessary. LCRA staff will prepare meeting agendas and appropriate briefing materials and provide the materials to members before each meeting. Any LCRA director may place an item on the committee's agenda through a request to the Land and Community Resources Committee chair. The committee chair, with assistance from LCRA staff as needed, will prepare meeting minutes for all committee meetings and submit the minutes to the committee for approval.

COMPOSITION

The Land and Community Resources Committee will have no more than six members, including at least one Board officer. The Board chair will appoint up to six committee members, naming one of them as the chair of the committee, all subject to the approval of the Board. Three committee members will constitute a quorum of the Land and Community Resources Committee.

AREAS OF OVERSIGHT AND RESPONSIBILITIES

In addition to the responsibilities identified below, the committee will undertake other duties the Board delegates to it and report to the Board regarding the committee's activities.

A. Areas of oversight:

1. LCRA's land management strategies.
2. All LCRA recreational facilities.
3. Surface use of LCRA's lakes.
4. LCRA's community assistance programs.

B. Responsibilities:

1. Review management's activities to ensure programs and policies adopted by the Board in the areas of the committee's areas of oversight are fully implemented.
2. Evaluate and recommend programs and policies within the committee's purview to the Board.
3. Review, measure performance and report to the Board on matters within the committee's purview, including the adequacy of strategic plans for matters within its areas of oversight.

4. Make recommendations on matters within the scope of the committee's responsibilities to the Board as considered necessary or appropriate.
5. Annually conduct a self-assessment of the committee with the goal of continuous improvement.

FOR ACTION (CONSENT)

5. Directors' Fees, Expenses

Proposed Motion

Approve directors' fees and expense reports.

Board Consideration

LCRA Board Policy 105 – Directors' Fees and Expense Reimbursement and the LCRA bylaws require Board of Directors 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 ACTION (CONSENT)

6. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the May 10, 2017, meeting.

Board Consideration

Section 2.04 of the LCRA bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

Budget Status and Fiscal Impact

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

Summary

Staff presents the minutes of each meeting to the Board for approval.

Exhibit(s)

A – Minutes of May 10, 2017, meeting

EXHIBIT A

Minutes Digest
May 10, 2017

- 17-11 Adoption of resolutions approving the fiscal year 2018 business and capital plans for LCRA and each of its affiliated nonprofit corporations (LCRA Transmission Services Corporation, LCRA Wholesale Energy Services Corporation, WSC Energy II and GenTex Power Corporation).
- 17-12A and
17-12B Adoption and approval of the Amended and Restated Twentieth Supplemental Resolution and the Twenty-Fourth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program to authorize the restatement of the LCRA Transmission Contract Revenue Notes Series C and the creation of LCRA Transmission Contract Revenue Notes Series D. Authorization for the chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to certain banks in an amount up to \$150 million for the Series C Notes and \$100 million for the Series D Notes, including but not limited to: a note purchase agreement among LCRA, LCRA Transmission Services Corporation (LCRA TSC) and Bank of America, N.A. for the Series C Notes, the note purchase agreement among LCRA, LCRA TSC and the RBC Capital Markets, LLC for the Series D Notes, and the noteholder agreement between LCRA, LCRA TSC and the RBC Municipal Products, LLC.
- 17-13 Authorization for the general manager or his designee to negotiate and execute the following contracts and contract changes: Contract No. 4564 (M&S Technologies Inc.); Contract No. 4574, No 4575 and No. 4576 (Hutton Communications Inc., Tessco Inc. and Anixter Inc.); Contract No. 3894, No. 4581 and No. 4582 (Irby Construction Co., Saber Power Services LLC and RES America Construction Inc.); and Contract No. 4594 (Great Southwestern Construction Inc.).
- 17-14 Authorization for the general manager or his designee to convey to AT&T a permanent underground communication line easement, being an approximately 0.52-acre tract, across a portion of LCRA Parcel TN-02 in Travis County.
- 17-15 Declaration of an approximately 9.1-acre tract of land, being a portion of LCRA parcel TN-24 in Travis County, nonessential, and authorization for the general manager or his designee to sell the property using sealed bids, broker listings, or other public and private sale methods.

- 17-16 Approval of amendments to the Lower Colorado River Authority Supplemental Executive Retirement Plan.
- 17-17 Approval of directors' attendance at seminars or conferences for calendar year 2017.
- 17-18 Approval of directors' fees and expenses reimbursements.
- 17-19 Approval of the minutes of the Feb. 15 and April 12, 2017, meetings.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LOWER COLORADO RIVER AUTHORITY
Austin, Texas
May 10, 2017

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 9:28 a.m. Wednesday, May 10, 2017, in the Board Room of the Hancock Building, at the principal office of LCRA, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Thomas Michael Martine, Vice Chair
Steve K. Balas, Secretary
Lori A. Berger
Stephen F. "Steve" Cooper
Joseph M. "Joe" Crane
John M. Franklin
Raymond A. "Ray" Gill Jr.
Charles B. "Bart" Johnson
Sandra Wright "Sandy" Kibby
Robert "Bobby" Lewis
George W. Russell
Franklin Scott Spears Jr.
Martha Leigh M. Whitten

Absent: Pamela Jo "PJ" Ellison

Chair Timmerman convened the meeting at 9:28 a.m.

General Manager Phil Wilson presented his update to the Board, addressing topics including LCRA's safety picnic in June and the hiring of James Hopmeier as director of Safety. Wilson also described how LCRA's fiscal year 2018 business and capital plans would help LCRA fulfill its mission of enhancing the lives of Texans by providing vital services. Wilson then talked about how hundreds of LCRA employees volunteered to complete community projects as part of LCRA's third-annual Steps Forward Day and showed a video about the event. Finally, he told the Board he looked forward to their discussions on water issues at the Planning and Public Policy Committee meeting in June.

Controller Julie Rogers presented the financial report for April 2017 [Agenda Item 1].

Chair Timmerman recognized Will Holford, of Bluebonnet Electric Cooperative, who was present in the audience.

The Board next took action on agenda items 8 through 10.

17-11 Director of Financial Planning and Analysis Stephen Kellicker presented for consideration a staff recommendation, described in Agenda Item 8 [attached hereto as Exhibit A], that the Board adopt resolutions approving the fiscal year 2018 business and capital plans for LCRA and each of its affiliated nonprofit corporations (LCRA Transmission Services Corporation, LCRA Wholesale Energy Services Corporation, WSC Energy II and GenTex Power Corporation). The Board had a detailed discussion on the FY 2018 business and capital plans during a work session on April 12, 2017. Upon motion by Director Lewis, seconded by Director Balas, the recommendation was unanimously approved by a vote of 14 to 0.

17-12A-B Treasurer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 9 [attached hereto as Exhibit B], that the Board adopt and approve the Amended and Restated Twentieth Supplemental Resolution and the Twenty-Fourth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program to authorize the restatement of the LCRA Transmission Contract Revenue Notes Series C and the creation of LCRA Transmission Contract Revenue Notes Series D. Further, authorize the chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to certain banks in an amount up to \$150 million for the Series C Notes and \$100 million for the Series D Notes, including but not limited to: a note purchase agreement among LCRA, LCRA Transmission Services Corporation (LCRA TSC) and Bank of America, N.A. for the Series C Notes, the note purchase agreement among LCRA, LCRA TSC and the RBC Capital Markets, LLC for the Series D Notes, and the noteholder agreement between LCRA, LCRA TSC and the RBC Municipal Products, LLC. [Copies of the Twentieth and Twenty-Fourth Supplemental Resolutions are attached hereto as Exhibits B-1 and B-2, respectively.] Upon motion by Director Berger, seconded by Director Kibby, the recommendation was unanimously approved by a vote of 14 to 0.

17-13 Chief Administrative Officer John Miri introduced Agenda Item 10, and Manager of Supply Management Laura Guillory presented for consideration the staff recommendation, described in the agenda item [attached hereto as Exhibit C], that the Board authorize the general manager or designee to negotiate and execute the following contracts and contract changes: Contract No. 4564 (M&S Technologies Inc.); Contract No. 4574, No 4575 and No. 4576 (Hutton Communications Inc., Tessco Inc. and Anixter Inc.); Contract No. 3894, No. 4581 and No. 4582 (Irby Construction Co., Saber Power Services LLC and RES America Construction Inc.); and Contract No. 4594 (Great Southwestern Construction Inc.). Upon motion by Director Russell, seconded by Director Whitten, the recommendation was unanimously approved by a vote of 14 to 0.

Chair Timmerman declared the meeting to be in executive session at 9:59 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 Timmerman declared the meeting to be in public session at 11:20 a.m.

The Board next took action on the consent agenda. Upon motion by Director Berger, seconded by Director Lewis, the Board, by a vote of 13 to 0 (Director Gill was absent for voting on this item; Director Ellison was absent from the meeting), unanimously approved consent items 2, 3, 4, 5, 6 and 7 included on the May 10, 2017, consent agenda as follows:

17-14 Authorization for the general manager or his designee to convey to AT&T a permanent underground communication line easement, being an approximately 0.52-acre tract, across a portion of LCRA Parcel TN-02 in Travis County, as recommended by staff in Consent Item 2 [attached hereto as Exhibit D].

17-15 Declaration of an approximately 9.1-acre tract of land, being a portion of LCRA parcel TN-24 in Travis County, nonessential (no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to sell the property using sealed bids, broker listings, or other public and private sale methods, as recommended by staff in Consent Item 3 [attached hereto as Exhibit E].

17-16 Amendments to the Lower Colorado River Authority Supplemental Executive Retirement Plan, as recommended by staff in Consent Item 4 [attached hereto as Exhibit F].

17-17 Directors' attendance at seminars or conferences for calendar year 2017, as recommended in Consent Item 5 [attached hereto as Exhibit G].

17-18 Directors' fees and expenses reimbursements, as recommended in Consent Item 6 [attached hereto as Exhibit H].

17-19 The minutes of the Feb. 15 and April 12, 2017, meetings [Consent Item 7].

There being no further business to come before the Board, the meeting was adjourned at 11:21 a.m.

Steve K. Balas
Secretary
LCRA Board of Directors

FOR ACTION

7. Release of Agricultural Water Conservation Funds and Capital Improvement Project Approval – Gulf Coast Wadsworth Gates Project

Proposed Motion

Approve the expenditure of up to \$300,000 from the Agricultural Water Conservation Fund, and approve the capital improvement project authorization request for the Gulf Coast Wadsworth Gates Project.

Board Consideration

Texas Special District Local Laws Code Section 8503.029 and Board Policy 301 – Finance require approval by the LCRA Board of Directors before making expenditures from the Agricultural Water Conservation Fund. Additionally, the Texas Water Development Board requires a project to be approved by the LCRA Board before authorizing the commitment of TWDB grant funding.

Budget Status and Fiscal Impact

- Staff seeks approval for the expenditure of up to \$300,000 from the Agricultural Water Conservation Fund, including up to \$280,000 for capital improvements for the Gulf Coast Wadsworth Gates Project and up to \$20,000 for administration of the HB 1437 program and continued water-savings verification studies.
- The Agricultural Water Conservation Fund has a current balance of about \$1.8 million.
- Staff also seeks approval for a total lifetime budget for the Gulf Coast Wadsworth Gates Project in the amount of \$370,000, which includes up to \$280,000 funded by the Agricultural Water Conservation Fund (as noted above) and \$90,305 funded by a TWDB grant.
- No expenditures on this project are expected in this fiscal year. The project is expected to begin in FY 2019, and staff will include the project in the FY 2019 capital plan.
- The proposed lifetime budget for the project includes 2.5 percent contingency.
- The executive vice president of Water will release funds as needed.

Summary

Staff requests the Board approve the expenditure of up to \$300,000 from the Agricultural Water Conservation Fund. Staff will use up to \$280,000 of the \$300,000 expenditure to match a \$90,305 grant awarded by the Texas Water Development Board to complete the final stage of canal gate rehabilitation needed to automate the eastern section of the Gulf Coast Irrigation Division. The project is expected to conserve 900 acre-feet per year. Staff is making the request for funds at this time to comply with TWDB contract rules requiring proof of authorization for matching funds.

Staff will use up to \$20,000 of the \$300,000 expenditure from the fund for ongoing costs related to the HB 1437 program, including \$10,000 for administration of the program and \$10,000 for continued water-savings verification studies.

HB 1437, passed by the Texas Legislature in 1999, authorized the transfer of up to 25,000 acre-feet per year of water outside the lower Colorado River basin for use in Williamson County. It stipulated that there could be “no net loss” of water from the Colorado River basin and established the Agricultural Water Conservation Fund to mitigate any adverse effects resulting from the water transfer.

Staff also is requesting Board approval of the Gulf Coast Wadsworth Gates Project concurrent with the fund authorization request. The total funds of \$370,000 include up to \$280,000 from the Agricultural Water Conservation Fund and \$90,305 from the TWDB grant. This project is consistent with LCRA’s 2014 Water Conservation Plan approved by the Board in April 2014.

About \$4.75 million has been spent under the Agricultural Water Conservation Fund as of June 2017. Previously authorized expenditures from the fund are outlined in annual reports. The most recent report was issued in April 2017.

Project Recap

Total Project Estimated Cost	<u>\$370,000</u>
Previous Project Lifetime Budget	\$ 0
Additional Lifetime Budget Approval Sought	<u>\$370,000</u>
FY 2019 \$370,000	
Total	<u>\$370,000</u>

Project Direction

Project Manager: Annette Keaveny
Project Sponsor: Ryan Rowney
Project Number: 1018601

Presenter(s)

Karen Bondy
Senior Vice President, Water Resources

FOR ACTION

8. Contracts and Contract Changes

Proposed Motion

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

Board Consideration

LCRA Board Policy 308 – Purchasing Contracts establishes requirements for contracts for the purchase of goods, services, construction and software.

Budget Status and Fiscal Impact

All contracts and contract changes recommended for Board of Directors 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 308. LCRA has two types of contracts, master and one-time.

- Master contract: Establishes the terms and conditions under which LCRA may purchase goods and/or services during a fixed period of time to fulfill its business plan. These purchases are budgeted in the capital and operations and maintenance budgets. Master contracts are not commitments to expend funds. Rather, purchase orders placed against these master contracts are commitments to spend.
- One-time contract: A contract for the purchase of a definite quantity of goods or services during a fixed period of time. These contracts normally include commitments to expend funds.

Presenter(s)

Laura Guillory
Manager, Supply Management

Exhibit(s)

A – New Contracts

EXHIBIT A

New Contracts

New contracts that require Board approval under Board Policy 308 are noted in Exhibit A. The contracts below have termination for convenience language should LCRA's needs change unless otherwise noted. The amount reflects the projected spending need over the life of the contract(s).

Contract No. 4645 and 4657
Contractor: RPM Services Inc. and Alfred Conhagen Inc. of Texas
Amount: Not to exceed \$5.3 million
Competition: Full and open competition
Time: One base year with four one-year options to extend
Description: These master contracts are for the provision of pump repair and maintenance services used by Generation and Water.

Process Integrity: LCRA directly solicited 34 suppliers, in addition to posting the opportunity on LCRA's website. LCRA received and evaluated 12 vendor proposals. A team of evaluators weighted five criteria according to the nature of the category: 1) ability to perform/provide; 2) quality; 3) service; 4) cost; and 5) innovation. The team then awarded a score for each criterion to each supplier response. The highest weighted criterion was ability to perform. This criterion was evaluated based upon pump repair capabilities. Based upon this evaluation, staff recommends RPM Services Inc. and Alfred Conhagen Inc. of Texas as the suppliers for this category. This contract amount represents the maximum shared sum from which these contracts may draw. Because each of these contracts have the potential to exceed the approval amount under LCRA Board Policy 308, all are submitted here for approval.

Best Value for LCRA: The previous five-year spend for this category was about \$1.5 million. Based upon LCRA's current forecast need in this category, the proposed contract terms are expected to yield approximately \$1 million in savings over the life of the contracts, as compared with the prices established through LCRA's previous contracts.

Contract No. 4658
Contractor: TurbinePROs LLC
Amount: Not to exceed \$12.5 million
Competition: Full and open competition
Time: One base year with four one-year options to extend
Description: This master contract is for the provision of steam turbine maintenance services used by Fayette Power Project, Lost Pines Power Park and Ferguson Power Plant.

Process Integrity: LCRA directly solicited 13 suppliers, in addition to posting the opportunity on LCRA's website. LCRA received and evaluated eight vendor proposals. A team of evaluators weighted five criteria according to the nature of the category: 1)

ability to perform/provide; 2) quality; 3) service; 4) cost; and 5) innovation. The team then awarded a score for each criterion to each supplier response. The highest weighted criteria was cost. This criterion was evaluated based upon the supplier's proposed price to complete a representative scope of work. Based upon this evaluation and the contract concessions achieved through negotiations, staff recommends TurbinePROs LLC as the supplier for this category.

Best Value for LCRA: The previous five-year spend for this category was about \$10 million. Based upon LCRA's current forecast need in this category, the proposed contract terms are expected to yield approximately \$535,000 in savings over the life of the contracts, as compared with the prices established through LCRA's previous contracts.

Contract No. 3659, 4660, 4661, 4662, 4663 and 4664
Contractor: Power Engineers Inc., Burns & McDonnell Engineering Inc., Stanley Consultants Inc., HDR Engineering Inc., Pickett and Associates Inc. and Kleinfelder Inc.
Amount: Not to exceed \$51 million
Competition: Full and open competition
Time: One base year with four one-year options to extend
Description: These master contracts are for the provision of substation design and transmission line design services used by Transmission Services.

Process Integrity: LCRA posted the solicitation on LCRA's website. LCRA received 41 vendor proposals and evaluated 40. A team of evaluators weighted five criteria according to the nature of the category: 1) ability to perform/provide; 2) quality; 3) service; 4) cost; and 5) innovation. The team then awarded a score for each criterion to each supplier response. The highest weighted criterion was quality. This criterion was evaluated based upon firm experience, resumes and methodology. Based upon this evaluation and the contract concessions achieved through negotiations, staff recommends Power Engineers Inc., Burns & McDonnell Engineering Inc., Stanley Consultants Inc., HDR Engineering Inc., Pickett and Associates Inc. and Kleinfelder Inc. as the suppliers for this category. This contract amount represents the maximum shared sum from which these contracts may draw. Because each of these contracts have the potential to exceed the approval amount under LCRA Board Policy 308, all are submitted here for approval.

Best Value for LCRA: The previous five-year spend for this category was about \$4.8 million. Based upon LCRA's current forecast need in this category, the proposed contract terms are expected to yield approximately \$312,000 in savings over the life of the contracts, as compared with the prices established through LCRA's previous contracts.

Contract No. 4676
Contractor: Metropolitan Life Insurance Company Inc.
Amount: Not to exceed \$11.5 million
Competition: Full and open competition
Time: One base year with four one-year options to extend
Description: This master contract is for the provision of dental insurance benefits used by LCRA employees, retirees and Board members, and their dependents.

Process Integrity: LCRA directly solicited eight suppliers, in addition to posting the opportunity on LCRA's website. LCRA received and evaluated six vendor proposals. A team of evaluators weighted five criteria according to the nature of the category: 1) ability to perform/provide; 2) quality; 3) service; 4) cost; and 5) innovation. The team then awarded a score for each criterion to each supplier response. The highest weighted criterion was ability to perform. This criterion was evaluated based upon member access to in-network providers, a disruption analysis of the provider network, ability to match LCRA's current plan design and provider credentialing process. Based upon this evaluation and the contract concessions achieved through negotiations, staff recommends Metropolitan Life Insurance Company as the supplier for this category.

Best Value for LCRA: The previous five-year spend for this category was about \$9.8 million. Based upon LCRA's current forecast need in this category, the proposed contract terms are expected to yield approximately \$1.2 million in savings over the life of the contract, as compared with the prices established through LCRA's previous contract.

Contract No. 4680
Contractor: Unum Life Insurance Company of America
Amount: Not to exceed \$8.1 million
Competition: Full and open competition
Time: One base year with four one-year options to extend
Description: This master contract is for the provision of basic and supplemental life insurance, short-term and long-term disability insurance, and basic and supplemental accidental death and dismemberment benefits used by LCRA employees and their dependents.

Process Integrity: LCRA directly solicited nine suppliers, in addition to posting the opportunity on LCRA's website. LCRA received and evaluated four vendor proposals. A team of evaluators weighted five criteria according to the nature of the category: 1) ability to perform/provide; 2) quality; 3) service; 4) cost; and 5) innovation. The team then awarded a score for each criterion to each supplier response. The highest weighted criterion was quality. This criterion was evaluated based upon disability clinical claim management process, life and AD&D management process, and administrative portal reporting capabilities. Based upon this evaluation and the contract concessions achieved through negotiations, staff recommends Unum Life Insurance Company of America as the supplier for this category.

Best Value for LCRA: The previous five-year spend for this category was about \$6.5 million. The proposed contract terms offer the best value among all the respondents.