Items from the Chief Executive Officer
   Chief Operating Officer’s Update

Items from the Chief Financial Officer
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   5. Capital Improvement Project Approval – Fort Mason Substation Upgrade........ 16
   6. Capital Improvement Project Approval – Freiheit Road Substation Upgrade .... 19
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Legal Notice
   Although this is the expected agenda, the Board may discuss or take action on any item listed in the legal notice, which may include some items not currently on the Board agenda. Legal notices are available on the Texas Secretary of State website 72 hours prior to the meeting at the following link: http://www.sos.state.tx.us/open/.

Executive Session
   The Board may go into executive session for deliberation on the matters listed in the legal notice posted pursuant to Chapter 551 of the Texas Government Code.
   The Board may take final action on any of the executive session matters upon reconvening in open session pursuant to Chapter 551 of the Texas Government Code.
OVERVIEW OF LCRA TRANSMISSION SERVICES CORPORATION

In connection with the implementation of retail competition in the electric utility industry in the State of Texas, LCRA was required by the Texas Legislature in its amendments to the Public Utility Regulatory Act (enacted in 1999 under State legislation known as Senate Bill 7, and referred to as SB 7) to unbundle its electric generation assets from its electric transmission and distribution assets. LCRA conveyed, effective Jan. 1, 2002, all of its existing electric transmission and transformation assets (collectively, the Transferred Transmission Assets) to the LCRA Transmission Services Corporation (LCRA TSC) pursuant to the terms of an Electric Transmission Facilities Contract (the Initial Contractual Commitment), dated Oct. 1, 2001.

LCRA TSC is a nonprofit corporation created by LCRA to act on LCRA’s behalf pursuant to Chapter 152, Texas Water Code, as amended. After Jan. 1, 2002, LCRA TSC engaged in the electric transmission and transformation activities previously carried out by LCRA and assumed LCRA’s obligation to provide, and the right to collect revenues for, electric transmission and transformation services. LCRA TSC is an electric transmission service provider (a TSP) under the state’s open-access electric transmission regulatory scheme within the approximately 85 percent area of the state covered by the Electric Reliability Council of Texas (ERCOT). In such capacity, LCRA TSC is entitled to receive compensation from all electric distribution service providers using the electric transmission system within ERCOT. As a TSP in the ERCOT region of the state, the rates that LCRA TSC will charge for transmission services are regulated by the Public Utility Commission of Texas (PUC) and determined pursuant to transmission cost of service rate proceedings filed with and approved by the PUC.

Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA’s traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC’s activities pursuant to a services agreement between LCRA TSC and LCRA. This includes procuring goods and services on behalf of LCRA TSC and is reflected in the LCRA Board agenda contracts.

Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA’s outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC’s business plan and of the sale or disposition of any significant assets of LCRA TSC. The Board of Directors of LCRA TSC (LCRA TSC Board) is appointed by and serves at the will of the LCRA Board. The current membership of LCRA TSC Board is made up entirely of the existing LCRA Board.

The LCRA TSC Board Policy on Authority and Responsibilities directs that the business plan of the affiliate include for approval a schedule of capital projects proposed for the fiscal year. The policy also states that only deviations from the approved plan will be brought before LCRA TSC Board. As such, the LCRA TSC Board agenda will not include consent items to approve specific capital projects, unless the project scope or budget changes significantly from what was originally approved.
FOR DISCUSSION

1. Financial Report

Board Consideration
This report is presented monthly to the Board for discussion.

Summary
The financial report for LCRA Transmission Services Corporation covers the month and fiscal year to date.

Presenter(s)
Julie Rogers
Controller
LCRA Transmission Services Corporation

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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.

ELOPPP – Extraordinary LCRA Optional Purchase Price Payment.

FYE – Fiscal year-end.

Net Margin – Total operating revenues, including interest income, less direct and assigned expenses.
Key takeaways:

- Monthly and year-to-date performances primarily were driven by unbudgeted revenue from generation interconnect studies and a combination of lower expenses and timing differences.
- The year-end forecast is driven by lower expenses, unbudgeted revenue from generation interconnect studies and higher-than-budgeted interest income. Expenses such as labor and assigned enterprise costs are projected to be lower at year-end.
- Debt service coverage is projected to be higher than budgeted due to the year-end revenue and expense forecasts.
## Key takeaways:

- LCRA currently is projecting Transmission capital spending for FY 2018 will be about $6.6 million over the capital plan budget of $255.8 million. This is due primarily to accelerating project spending from FY 2019 to FY 2018.

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the CEO to approve any capital project with a lifetime budget not to exceed $1.5 million according to Transmission Services Corporation Board Policy T301. One project was submitted for CEO approval. The CEO approved the Fulton-Rockport Transmission Line Restoration project with a lifetime budget of $1,014,000.
LCRA Transmission Services Corporation
Financial Statement Trends
Sept 30, 2017
(Dollars in Millions)

Balance Sheet Trends

Income Statement Trends

Key takeaways:
- The balance sheet trend remains steady from prior periods.
- Net income in September 2017 is lower as compared with September 2016 primarily due to higher operations expense.


## Condensed Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>$222.0</td>
<td>$255.4</td>
</tr>
<tr>
<td>Total long-term assets</td>
<td>2,634.9</td>
<td>2,474.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$2,856.9</td>
<td>$2,729.6</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$312.4</td>
<td>$166.3</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>1,895.4</td>
<td>1,977.7</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,207.8</td>
<td>2,144.0</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>649.1</td>
<td>585.6</td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td>$2,856.9</td>
<td>$2,729.6</td>
</tr>
</tbody>
</table>

## Condensed Statements of Revenues, Expenses and Changes in Equity

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Transmission</td>
<td>$99.6</td>
</tr>
<tr>
<td>Transformation</td>
<td>3.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>103.3</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>33.0</td>
</tr>
<tr>
<td>Maintenance</td>
<td>2.3</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>16.5</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>51.8</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>51.5</td>
</tr>
<tr>
<td><strong>Nonoperating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Interest on debt</td>
<td>(21.9)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(12.4)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Expenses</strong></td>
<td>(34.3)</td>
</tr>
<tr>
<td><strong>Change in Equity</strong></td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Equity - Beginning of Period</strong></td>
<td>631.9</td>
</tr>
<tr>
<td><strong>Equity - End of Period</strong></td>
<td>$649.1</td>
</tr>
</tbody>
</table>
LCRA Transmission Services Corporation  
Sept. 30, 2017  
(Dollars in Millions)

**Condensed Statements of Cash Flows**

<table>
<thead>
<tr>
<th>Fiscal Year to Date</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$ 75.5</td>
<td>$ 62.4</td>
</tr>
<tr>
<td>Net cash used in noncapital financing activities</td>
<td>(4.6)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Net cash used in capital and financing activities</td>
<td>(31.3)</td>
<td>(27.0)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(24.7)</td>
<td>(45.0)</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>14.9</td>
<td>(14.5)</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents - Beginning of Period</strong></td>
<td>45.7</td>
<td>61.7</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents - End of Period</strong></td>
<td>$ 60.6</td>
<td>$ 47.2</td>
</tr>
</tbody>
</table>
Key takeaway:

- The Federal Open Market Committee maintained its benchmark Federal Funds target rate at its July 26 and Sept. 20 meetings. There is a market expectation of an additional 25 basis point rate hike at the Dec. 13 meeting.
FOR ACTION (CONSENT)

2. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Aug. 16, 2017, meeting.

Board Consideration

Section 4.06 of the LCRA Transmission Services Corporation 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 Aug. 16, 2017, meeting
EXHIBIT A

Minutes Digest
Aug. 16, 2017

17-15 Approval of the minutes of the May 10, 2017, meeting.

17-16 Approval of the Capital Improvement Project Authorization Request for the Bakersfield-to-Solstice Transmission Line Addition Project.

17-17 Approval of the Capital Improvement Project Authorization Request for the Horse Crossing-to-Rio Pecos Transmission Line Addition Project, and authorization for the chief executive officer or his designee to negotiate and execute an agreement with the generation developer to construct new facilities and modify existing ones.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
Aug. 16, 2017

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the LCRA Transmission Services Corporation (LCRA TSC) convened in a regular meeting at 9:06 a.m. Wednesday, Aug. 16, 2017, in the Board Room of the Hancock Building, at the principal office of the Lower Colorado River Authority, 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
Lori A. Berger
Stephen F. “Steve” Cooper
John M. Franklin
Raymond A. “Ray” Gill Jr.
Sandra Wright “Sandy” Kibby
Robert “Bobby” Lewis
George W. Russell
Franklin Scott Spears Jr.
Martha Leigh M. Whitten

Absent: Steve K. Balas
Joseph M. “Joe” Crane
Pamela Jo “PJ” Ellison
Charles B. “Bart” Johnson

Chair Timmerman convened the meeting at 9:06 a.m. and led the Board in pledges of allegiance to the American and Texas flags. Director Spears provided an invocation.

Vice President and Chief Operating Officer Mike Shuba updated the Board on fiscal year 2017 accomplishments, noting LCRA TSC completed numerous projects totaling $138 million and made significant progress on others. He discussed growing LCRA TSC, and financial and operational results for FY 2017. He reported that LCRA TSC met or exceeded targets set for electric system reliability for the fiscal year. He also gave several examples of employee-contributed continuous process improvements from the year.

Controller Julie Rogers presented the financial reports for June 2017 and July 2017 [Agenda Item 1].

The Board next took action on the consent agenda.
17-15 Upon motion by Director Russell, seconded by Director Berger, the Board unanimously approved the minutes of the May 10, 2017, meeting [Consent Item 2] by a vote of 11 to 0.

17-16 Vice President and Chief Operating Officer Mike Shuba presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], that the Board approve the Capital Improvement Project Authorization Request for the Bakersfield-to-Solstice Transmission Line Addition Project. Upon motion by Director Berger, seconded by Director Whitten, the recommendation was unanimously approved by a vote of 11 to 0.

17-17 Vice President and Chief Operating Officer Mike Shuba presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve the Capital Improvement Project Authorization Request for the Horse Crossing-to-Rio Pecos Transmission Line Addition Project, and authorize the chief executive officer or his designee to negotiate and execute an agreement with the generation developer to construct new facilities and modify existing ones. Upon motion by Director Russell, seconded by Director Spears, the recommendation was unanimously approved by a vote of 11 to 0.

17-18 Vice President and Chief Operating Officer Mike Shuba presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the Bakersfield Reactor Bank Addition Project. Upon motion by Director Gill, seconded by Director Cooper, the recommendation was unanimously approved by a vote of 11 to 0.

Chair Timmerman declared the meeting to be in executive session at 9:32 a.m., pursuant to Section 551.071 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 9:47 a.m.

There being no further business to come before the Board, the meeting was adjourned at 9:48 a.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation
3. Capital Improvement Project Approval – West Texas Generator Interconnect Program

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the five projects in the West Texas Generator Interconnect Program, and authorize the president and chief executive officer or his designee to negotiate and execute agreements with the generation developers to construct new facilities and modify existing ones.

Board Consideration
LCRA Transmission Services Corporation (LCRA TSC) Board Policy T301 – Finance requires Board of Directors approval for any project exceeding $1.5 million that is not included in the annual capital plan or any previously approved project expected to exceed its lifetime budget by 10 percent and $300,000.

Budget Status and Fiscal Impact
- These projects were not included in LCRA TSC’s fiscal year (FY) 2018 capital plan.
- Staff seeks approval for a total lifetime budget for these five projects of $42,003,000, including $2,254,000 staff expects to spend this fiscal year.
- The proposed lifetime budget for these projects includes no contingency.
- Staff members believe they can manage this additional spending within the existing FY 2018 capital budget and currently do not request additional fiscal year capital budget authorization.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas (PUC).
- The generation developers will provide financial security to reimburse LCRA TSC if the projects are not completed.

Summary
Staff recommends the five projects in the West Texas Generator Interconnect Program in Crane, Crockett and Pecos Counties, as an addendum to the FY 2018 capital plan.
These projects will meet legal requirements in the Public Utility Regulatory Act and PUC rules. These rules require transmission utilities to provide transmission service to wholesale market participants, including generation facilities owned by independent power producers. This requirement includes constructing new facilities and modifying existing facilities.
Through an Electric Reliability Council of Texas (ERCOT) process, two generation developers requested an interconnection to LCRA TSC’s Crane-to-Rio Pecos 138-kilovolt transmission line, and three generation developers requested an interconnection to South Texas Electric Cooperative’s (STEC) Bakersfield-to-Schneeman Draw 345-kilovolt transmission line. Under an agreement between LCRA TSC and STEC, LCRA TSC will construct and own substation facilities on this line. LCRA TSC executed
contracts with the five developers to study these requests. Required studies are being completed per the ERCOT review process.

**Castle Mountain Substation Addition**
The generator will connect 150 megawatts of solar generation to LCRA TSC’s new Castle Mountain Substation located on LCRA TSC’s Crane-to-Rio Pecos 138-kilovolt transmission line. LCRA TSC will purchase land and construct the high side of the substation along with metering, telecommunications and telemetry capabilities. The required project completion date is November 2018.

**Soda Lake Substation Addition**
The generator will connect 400 megawatts of solar generation to LCRA TSC’s new Soda Lake Substation located on LCRA TSC’s Crane-to-Rio Pecos 138-kilovolt transmission line. LCRA TSC will purchase land and construct the high side of the substation along with metering, telecommunications and telemetry capabilities. The required project completion date is May 2019.

**Noelke Substation Addition**
The generator will connect 250 megawatts of wind generation to LCRA TSC’s new Noelke Substation on STEC’s Bakersfield-to-Schneeman Draw 345-kilovolt transmission line. LCRA TSC will purchase land and construct the high side of the substation along with metering, telecommunications and telemetry capabilities. STEC will construct all line work necessary to interconnect the new LCRA TSC transmission facility. The required project completion date is March 2019.

**Tumbleweed Substation Addition**
The generator will connect 540 megawatts of solar generation to LCRA TSC’s new Tumbleweed Substation on STEC’s Bakersfield-to-Schneeman Draw 345-kilovolt transmission line. LCRA TSC will purchase land and construct the high side of the substation along with metering, telecommunications and telemetry capabilities. The solar generator’s facilities will be constructed in three phases of 180 megawatts each. Each of these phases will be connected to the Tumbleweed Substation by three separate 345-kilovolt transmission lines constructed by LCRA TSC. STEC will construct all line work necessary to interconnect the new LCRA TSC transmission facility. The required project completion date is October 2019.

**Twelvemile Substation Addition**
The generator will connect 400 megawatts of wind generation to LCRA TSC’s new Twelvemile Substation on STEC’s Bakersfield-to-Schneeman Draw 345-kilovolt transmission line. LCRA TSC will purchase land and construct the high side of the substation along with metering, telecommunications and telemetry capabilities. STEC will construct all line work necessary to interconnect the new LCRA TSC transmission facility. The required project completion date is May 2019.

The funds for these projects will pay for project management, regulatory activities, engineering, materials, construction and necessary land rights. LCRA TSC
representatives will perform environmental and cultural due diligence studies and address all identified concerns. The Tumbleweed Substation Addition requires a Certificate of Convenience and Necessity. The other four projects do not.

**Project Recap**
The following table contains budgetary projections for five capital improvement projects.

(Dollars in thousands)

<table>
<thead>
<tr>
<th>West Texas Generator Interconnect Program</th>
<th>Contingency</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>Five-Year Total</th>
<th>Five-Year Lifetime</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommended</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1018744 Castle Mountain Substation Addition</td>
<td>0%</td>
<td>1,002</td>
<td>2,137</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,139</td>
<td>3,139</td>
</tr>
<tr>
<td>1018746 Noelke Substation Addition</td>
<td>0%</td>
<td>439</td>
<td>9,036</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,475</td>
<td>9,475</td>
</tr>
<tr>
<td>1018745 Soda Lake Substation Addition</td>
<td>0%</td>
<td>273</td>
<td>3,275</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,548</td>
<td>3,548</td>
</tr>
<tr>
<td>1018748 Tumbleweed Substation Addition</td>
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<td>285</td>
<td>3,912</td>
<td>12,787</td>
<td>-</td>
<td>-</td>
<td>16,984</td>
<td>16,984</td>
</tr>
<tr>
<td>1018747 Twelvemile Substation Addition</td>
<td>0%</td>
<td>255</td>
<td>8,602</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,857</td>
<td>8,857</td>
</tr>
<tr>
<td><strong>Recommended Total</strong></td>
<td></td>
<td>2,254</td>
<td>26,962</td>
<td>12,787</td>
<td>-</td>
<td>-</td>
<td>42,003</td>
<td>42,003</td>
</tr>
</tbody>
</table>

**Project Direction**

Project Sponsor: Kristian M. Koellner, P.E.

**Presenter(s)**

Stuart Nelson
Senior Vice President, Transmission Business Development

**Exhibit(s)**

A – Location Map – West Texas Generator Interconnect Program
EXHIBIT A

West Texas Generator Interconnect Program

LCRA Transmission Services Corporation Transmission Systems
- Existing Substations
- Future Substation
- Existing 138 kV Transmission Lines
- Existing 345 kV Transmission Lines
FOR ACTION

4. Capital Improvement Project Approval – Heines Substation Addition

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the Heines Substation Addition project.

Board Consideration
LCRA Transmission Services Corporation (LCRA TSC) Board Policy T301 – Finance requires Board of Directors approval for any project exceeding $1.5 million that is not included in the annual capital plan or any previously approved project expected to exceed its lifetime budget by 10 percent and $300,000.

Budget Status and Fiscal Impact
- The project is not included in the fiscal year (FY) 2018 LCRA TSC capital plan.
- Approval is sought for a total lifetime budget of $4,312,000 and for $181,000 of the project budget expected to be spent in the current fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- Staff members believe they can manage this additional spending within the existing FY 2018 capital budget and currently do not request additional fiscal year capital budget authorization.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas (PUC).

Summary
Staff recommends the Heines Substation Addition project in Nueces County as an addendum to the FY 2018 capital plan. This project will meet legal requirements in the Public Utility Regulatory Act and PUC rules. These rules require transmission utilities to provide transmission service to wholesale market participants, including distribution service providers. This requirement includes constructing new facilities and modifying existing ones.

In May 2017, American Electric Power (AEP) requested a point of interconnection on LCRA TSC’s Airline-to-Naval Base 69-kilovolt transmission line. This new substation will allow AEP to transfer distribution load from the AEP Pharaoh and Woolridge substations. LCRA TSC’s portion of this project is to acquire land rights and construct the high side of the substation with four circuit breakers. AEP’s project scope includes the construction of the load serving distribution facilities.

The required project completion date is May 2019. These funds will be used for project management, engineering, materials, construction and necessary land rights. LCRA TSC representatives will perform environmental and cultural due diligence studies and address all identified concerns. A Certificate of Convenience and Necessity is not required for this project.
Project Recap
Total Project Estimated Cost: $4,312,000

Previous Project Lifetime Budget: $0
Lifetime Budget Approval Sought: $4,312,000

Fiscal Year Budget Impact:
   FY 2018 $181,000
   FY 2019 $4,131,000

   Total: $4,312,000

Project Direction
   Project Manager: Michael Griswold
   Project Sponsor: Kristian M. Koellner, P.E.
   Project Number: 1018743

Presenter(s)
   Stuart Nelson
   Senior Vice President, Transmission Business Development

Exhibit(s)
   A – Location Map – Heines Substation Addition
EXHIBIT A

Heines Substation Addition

LCRA Transmission Services Corporation Transmission Systems

- Existing Substations
- Future Substation
- 69 kV Transmission Lines
FOR ACTION

5. Capital Improvement Project Approval – Fort Mason Substation Upgrade

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the Fort Mason Substation Upgrade project.

Board Consideration
LCRA Transmission Services Corporation (LCRA TSC) Board Policy T301 – Finance requires Board of Directors approval for any project exceeding $1.5 million that is not included in the annual capital plan or any previously approved project expected to exceed its lifetime budget by 10 percent and $300,000.

Budget Status and Fiscal Impact
- The project is included in LCRA TSC’s fiscal year (FY) 2018 capital plan.
- Staff seeks approval to increase the total lifetime budget from $4,831,000 to $5,575,000, all of which staff expects to be spent this fiscal year.
- The proposed lifetime budget for the project includes a contingency of 2 percent of construction costs.
- Staff members believe they can manage this additional spending within the existing FY 2018 capital budget and currently do not request additional fiscal year capital budget authorization.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary
The Fort Mason Substation Upgrade project was recommended in the FY 2018 capital plan. This project will improve transmission system reliability in Mason County by fully converting the Fort Mason Substation to 138-kilovolt operation and establish a more reliable bus configuration by adding five circuit breakers.

The current LCRA TSC capital plan budget was developed in January 2017. After the site survey was completed, it was determined that the substation site would need to be constructed with two tiers. Additionally, American Electric Power (AEP) requested that the point of interconnection be modified. Both of these scope modifications increased project costs by $744,000.

The project is scheduled for completion in May 2018. Although the costs associated with this project are higher than originally estimated, a review by the Transmission Resource Planning department determined it still is the best alternative to address the electric system needs identified in the area. LCRA representatives performed environmental and cultural due diligence studies and addressed all identified concerns. A Certificate of Convenience and Necessity is not required for this project.
**Project Recap**

Total Project Estimated Cost: $4,831,000

Previous Project Lifetime Budget: $4,831,000
Additional Lifetime Budget Approval Sought: $744,000

FY 2018: $5,575,000

Total: $5,575,000

**Project Direction**

Project Manager: Jason Bolen
Project Sponsor: Kristian Koellner, P.E.
Project Number: 1017379

**Presenter(s)**

Stuart Nelson
Senior Vice President, Transmission Business Development

**Exhibit(s)**

A – Location Map – Fort Mason Substation Upgrade
EXHIBIT A

Fort Mason Substation Upgrade

LCRA Transmission Services Corporation Transmission Systems
- Existing Substations
- 69 kV Transmission Lines
- Existing 138 kV Transmission Lines
FOR ACTION

6. Capital Improvement Project Approval – Freiheit Road Substation Upgrade

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the Freiheit Road Substation Upgrade project.

Board Consideration
LCRA Transmission Services Corporation (LCRA TSC) Board Policy T301 – Finance requires Board of Directors approval for any project exceeding $1.5 million that is not included in the annual capital plan or any previously approved project expected to exceed its lifetime budget by 10 percent and $300,000.

Budget Status and Fiscal Impact
- The project is included in LCRA TSC’s fiscal year (FY) 2018 capital plan.
- Staff seeks approval to increase the total lifetime budget from $3,503,000 to $4,194,000, which includes $3,832,000 staff expects to spend this fiscal year.
- The proposed lifetime budget for the project includes a contingency of 2 percent.
- Staff members believe they can manage this additional spending within the existing FY 2018 capital budget and currently do not request additional fiscal year capital budget authorization.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

Summary
The Freiheit Road Substation Upgrade project was recommended in the FY 2016 capital plan. This project will increase the reliability of substation equipment at the Freiheit Road Substation in Comal County by adding five circuit breakers to establish a more reliable bus configuration.

The current LCRA TSC capital plan budget was developed in January 2015. The original estimate assumed the Freiheit power transformers’ load could be transferred to other substations or managed with a mobile transformer. During the planning phase of the project, New Braunfels Utilities (NBU) informed the project team that the transformers must stay in service. This will be done by building a temporary transmission line known as a shoofly, which will allow the load-serving transformers to remain energized while the rest of the substation is taken out of service. A contractor is required to build the shoofly since it must be constructed while energized. This additional scope will increase the project cost by $691,000.

The project is scheduled for completion in June 2018. Although the costs associated with this project are higher than originally estimated, a review by the Transmission Resource Planning department determined it still is the best alternative to address the electric system needs identified in the area. LCRA representatives performed
environmental and cultural due diligence studies and addressed all identified concerns. A Certificate of Convenience and Necessity is not required for this project.

**Project Recap**

- Total Project Estimated Cost: $3,503,000
- Previous Project Lifetime Budget: $3,503,000
- Additional Lifetime Budget Approval Sought: $691,000
  - Through FY 2017: $362,000
  - FY2018: $3,832,000

Total: $4,194,000

**Project Direction**

- Project Manager: Elizabeth Duron
- Project Sponsor: Kristian Koellner, P.E.
- Project Number: 1015106

**Presenter(s)**

Stuart Nelson
Senior Vice President, Transmission Business Development

**Exhibit(s)**

A – Location Map – Freiheit Road Substation Upgrade
EXHIBIT A

Freiheit Road Substation Upgrade

LCRA Transmission Services Corporation Transmission Systems
- Existing Substations
- 138 kV Transmission Lines
FOR ACTION

7. Acquisition of Interests in Real Property – Use of Eminent Domain in Guadalupe County

Proposed Motion

I move that the Board of LCRA Transmission Services Corporation (LCRA TSC) adopt the attached resolution; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of new easements on the Zorn-to-Marion Transmission Line Addition project; and that the first record vote applies to all units of property to be condemned.

Board Consideration

LCRA TSC Board Policy T401 – Land Resources and Section 2206.053 of the Texas Government Code require Board authorization prior to the initiation of eminent domain proceedings.

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

Budget Status and Fiscal Impact

The funding and administrative costs associated with the Zorn-to-Marion Transmission Line Addition project were included in the LCRA TSC fiscal year 2016 capital plan.

Summary

LCRA TSC proposes to acquire easements in Guadalupe County for the Zorn-to-Marion Transmission Line Addition project. Paul Hornsby and Company has provided market study analysis in determining just compensation to landowners for initial offers. Paul Hornsby and Company will perform independent appraisals for final offers as required.

Staff has made initial offers to acquire the necessary interests in real property voluntarily from the landowners listed on Exhibit C, as required by Sec. 21.0113 of the Texas Property Code. Staff will continue to negotiate for the purchase of the interests in real property. Staff seeks Board authorization to proceed with condemnation in the event agreement cannot be reached with the landowners.

Staff has provided to the Board, under separate cover, a description of the specific property to be acquired and will attach it to the resolution.

LCRA TSC representatives will perform environmental and cultural due diligence studies and address all identified concerns. Staff requests the Board adopt the resolution in Exhibit D authorizing the initiation of condemnation proceedings on the first record vote for all units of property.
Presenter(s)
Steven Brown
Director, Real Estate Services

Exhibit(s)
A – Vicinity Map
B – Site Maps
C – Landowner List
D – Resolution
EXHIBIT A

Zorn-to-Marion Transmission Line Addition Project

LCRA Transmission Services Corporation Transmission Systems
- Existing Substation
- Existing 345 kV Transmission Lines
- Future 345 kV Transmission Lines

Area of Interest
SM2
SM3
Area of Site Map 5
SM4

COMAL COUNTY
New Braunfels
Santa Clara
Guadalupe County
Cibolo
Marion
Sequin
Clear Springs
46
1101
758
78
1250
T251
T250
TX 46
TX 1249
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<thead>
<tr>
<th>Parcel ID</th>
<th>Landowners</th>
<th>Approximate Parent Tract Acreage</th>
<th>Land Rights</th>
<th>Approximate Acquisition Acreage</th>
<th>County</th>
<th>Approximate Value</th>
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<tbody>
<tr>
<td>H-001</td>
<td>7 W Ranch</td>
<td>89.8 ac.</td>
<td>Easement</td>
<td>3.6 ac. TL 0.3 ac. A</td>
<td>Guadalupe</td>
<td>$ 40,200.00</td>
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<tr>
<td>I-003</td>
<td>Larry and Joyce Damerau</td>
<td>95.85 ac.</td>
<td>Easement</td>
<td>3.2 ac. TL</td>
<td>Guadalupe</td>
<td>$ 37,950.00</td>
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<td>I-005</td>
<td>Lorine Marie Damerau</td>
<td>81.5 ac.</td>
<td>Easement</td>
<td>2.8 ac. TL</td>
<td>Guadalupe</td>
<td>$ 30,300.00</td>
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<td>I-006</td>
<td>Alcorn, David</td>
<td>53.79 ac.</td>
<td>Easement</td>
<td>2.0 ac. TL</td>
<td>Guadalupe</td>
<td>$ 21,600.00</td>
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<td>I-007</td>
<td>Herring, Morris and Laurie</td>
<td>46.45 ac.</td>
<td>Easement</td>
<td>1.9 ac. TL</td>
<td>Guadalupe</td>
<td>$ 20,550.00</td>
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<td>I-010</td>
<td>Canham, Greg</td>
<td>15.12 ac.</td>
<td>Easement</td>
<td>2.3 ac. TL</td>
<td>Guadalupe</td>
<td>$ 42,000.00</td>
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<td>I-012</td>
<td>Post Oak Springs Ltd.</td>
<td>38.72 ac.</td>
<td>Easement</td>
<td>3.7 ac. TL</td>
<td>Guadalupe</td>
<td>$ 63,840.00</td>
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<td>M-001, N-001</td>
<td>Clark, Anna et. al</td>
<td>147.1 ac.</td>
<td>Easement</td>
<td>19.0 ac. TL</td>
<td>Guadalupe</td>
<td>$166,980.00</td>
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<td>T-001</td>
<td>Christensen, Jason and Erin</td>
<td>26.77 ac.</td>
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<td>4.0 ac. TL</td>
<td>Guadalupe</td>
<td>$ 73,710.00</td>
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<td>T-005</td>
<td>Vogel, Schmidt, Schroder</td>
<td>91.7 ac.</td>
<td>Easement</td>
<td>9.3 ac. TL</td>
<td>Guadalupe</td>
<td>$ 75,705.00</td>
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<td>T-006</td>
<td>Vogel, Vera Mae</td>
<td>73.64 ac.</td>
<td>Easement</td>
<td>1.3 ac. TL</td>
<td>Guadalupe</td>
<td>$ 14,688.00</td>
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<td>V-001</td>
<td>Altenhof, Dorothy Mae</td>
<td>160.67 ac.</td>
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<td>6.6 ac. TL</td>
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<td>$ 69,600.00</td>
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<td>13</td>
<td>V-003 Nowotny, Richard and Linda</td>
<td>106 ac.</td>
<td>Easement</td>
<td>3.6 ac. TL Guadalupe $46,980.00</td>
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<td>14</td>
<td>V-006 Schlather, Gary and Linda</td>
<td>57.69 ac.</td>
<td>Easement</td>
<td>1.5 ac. TL Guadalupe $19,980.00</td>
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<td>15</td>
<td>V-007 Altwein, Robert</td>
<td>10.18 ac.</td>
<td>Easement</td>
<td>0.7 ac. TL Guadalupe $21,390.00</td>
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<td>16</td>
<td>V-009 Altwein, Robert</td>
<td>11.44 ac.</td>
<td>Easement</td>
<td>2.2 ac. TL Guadalupe $49,335.00</td>
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<td>17</td>
<td>V-010 Altwein, Ryan and Karen</td>
<td>11.26 ac.</td>
<td>Easement</td>
<td>1.8 ac. TL Guadalupe $38,295.00</td>
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<td>18</td>
<td>Y-001 Wunderlich, Warren</td>
<td>162.31 ac.</td>
<td>Easement</td>
<td>9.2 ac. TL Guadalupe $97,500.00</td>
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<td>19</td>
<td>Y-003 Duelm, Rory and Roxanne</td>
<td>55.87 ac.</td>
<td>Easement</td>
<td>4.0 ac. TL Guadalupe $31,200.00</td>
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<td>20</td>
<td>Y-004 Forrest, Suzanne</td>
<td>54.57 ac.</td>
<td>Easement</td>
<td>9.5 ac. TL Guadalupe $80,460.00</td>
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<td>21</td>
<td>P1-001 Haggard, Mike and F.F.</td>
<td>32.91 ac.</td>
<td>Easement</td>
<td>9.6 ac. TL Guadalupe $130,500.00</td>
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Total: $1,172,763.00

**TL** = Transmission line easement  
**A** = Permanent access easement
PROPOSED MOTION

I MOVE THAT THE BOARD OF LCRA TRANSMISSION SERVICES CORPORATION ADOPT THE ATTACHED RESOLUTION; THAT THE BOARD AUTHORIZE BY RECORD VOTE THE USE OF THE POWER OF EMINENT DOMAIN TO ACQUIRE RIGHTS IN THE PROPERTY DESCRIBED IN EXHIBIT "1" TO THE RESOLUTION FOR THE ZORN-TO-MARION TRANSMISSION LINE ADDITION PROJECT; AND THAT THE FIRST RECORD VOTE APPLIES TO ALL UNITS OF PROPERTY TO BE CONDEMNED.

RESOLUTION

AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY BY CONDEMNATION IN GUADALUPE COUNTY, TRANSMISSION LINE EASEMENTS.

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

WHEREAS, an independent, professional appraisal of the subject property will be submitted to LCRA Transmission Services Corporation, and an amount will be established to be just compensation for the interests in real property to be acquired;

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

BE IT FURTHER RESOLVED that the president and chief executive officer or his designee is hereby authorized to do all things necessary and proper to carry out the intent and purpose of this resolution, including determination and negotiation of the interests in real property that are proper and convenient for the operation of the electric transmission line and substation.