

LCRA Transmission Services Corporation

**Board Agenda**

Wednesday, April 18, 2018  
Canyon of the Eagles  
16942 Ranch Road 2341  
Burnet, Texas 78611

**Consent Item**

- 1. Appointment of Treasurer and Chief Financial Officer..... 4

**Action Item**

- 2. Authorize the FY 2018 Extraordinary LCRA Optional Purchase Price Payment from LCRA TSC to LCRA ..... 5

**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: [www.sos.state.tx.us/open](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 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 Contractual Commitment), dated Oct. 1, 2001.

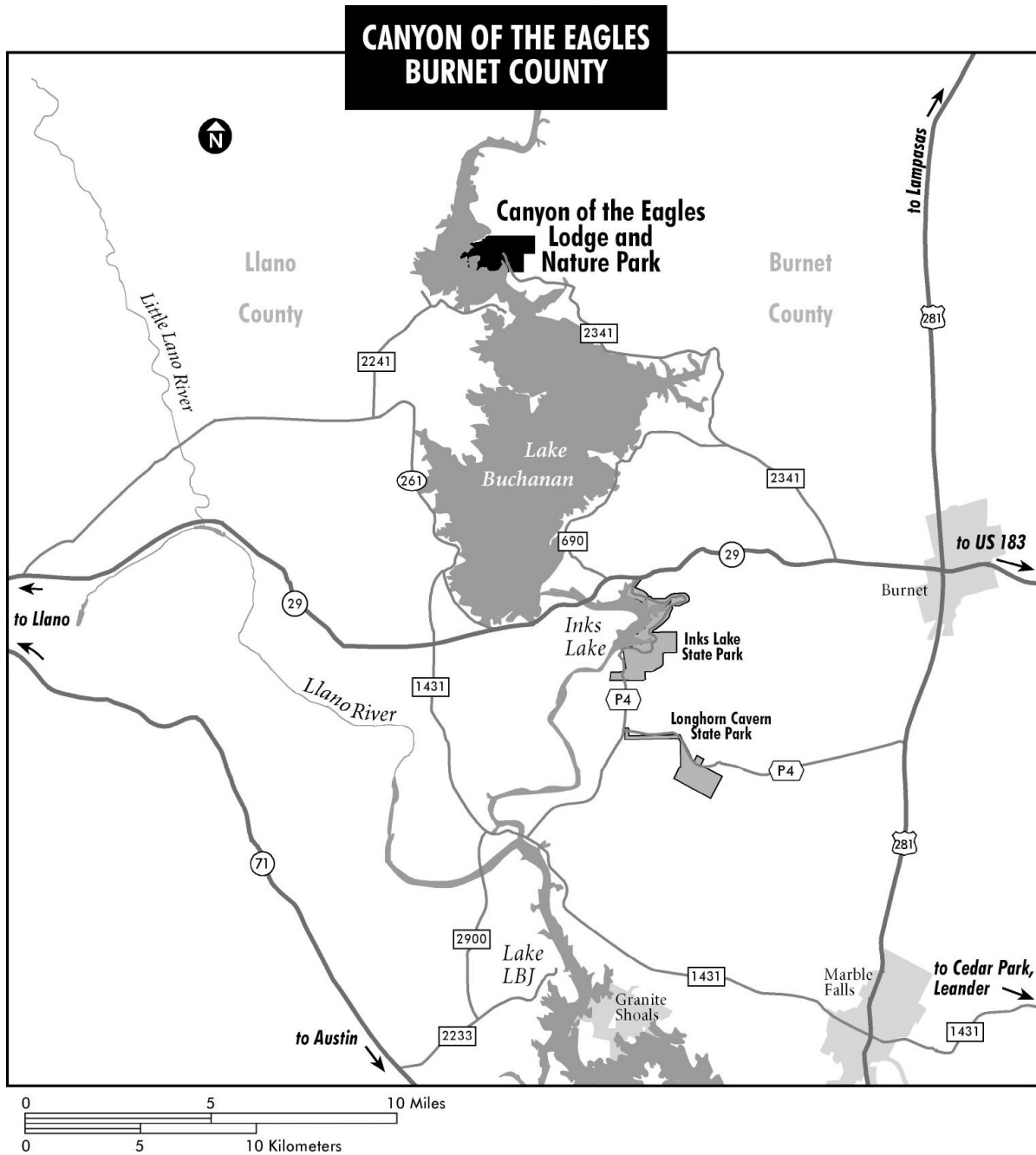
LCRA TSC is a nonprofit corporation created by LCRA to act on LCRA's behalf pursuant to Chapter 152, Texas Water Code, as amended. After Jan. 1, 2002, LCRA TSC engaged in the electric transmission and transformation activities previously carried out by LCRA and assumed LCRA's obligation to provide, and 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 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 LCRA TSC 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.

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16942 Ranch Road 2341  
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## **FOR ACTION**

# **1. Appointment of Treasurer and Chief Financial Officer**

### **Proposed Motion**

Appoint James D. Travis as treasurer and chief financial officer of LCRA Transmission Services Corporation effective immediately.

### **Board Consideration**

Section 4.01 of the LCRA TSC bylaws provides that the LCRA TSC Board will appoint LCRA TSC Board officers.

### **Budget Status and Fiscal Impact**

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

### **Summary**

The LCRA TSC bylaws require that the treasurer, who shall be chief financial officer of the corporation, be an officer or employee of LCRA. James D. Travis is LCRA's chief financial officer. LCRA TSC's practice has been to appoint officers of LCRA TSC who hold similar positions for LCRA. Staff recommends the Board appoint James D. Travis as treasurer and chief financial officer of LCRA TSC.

## **FOR ACTION**

# **2. Authorize the FY 2018 Extraordinary LCRA Optional Purchase Price Payment from LCRA TSC to LCRA**

### **Proposed Motion**

Authorize the payment of an Extraordinary LCRA Optional Purchase Price Payment (ELOPPP) to the Lower Colorado River Authority of \$4.1 million for FY 2018, contingent on the determination by the LCRA Board of Directors of such payment being due and payable pursuant to the Electric Transmission Facilities Contract (the Contractual Commitment) between LCRA and LCRA TSC dated as of Oct. 1, 2001.

### **Board Consideration**

LCRA TSC Board of Directors approval is required for any ELOPPP made to LCRA.

### **Budget Status and Fiscal Impact**

The transfer of the \$4.1 million to LCRA was contemplated in the FY 2018 business plan. The initiation of this transfer is being made after ensuring that LCRA TSC will meet all financial commitments, including annual expenses for operations and maintenance, debt service and any other payments required under its financial policies.

### **Summary**

As part of the formation of LCRA TSC and the transfer of LCRA's transmission assets to LCRA TSC, LCRA and LCRA TSC executed the Contractual Commitment to govern that transfer and to obligate LCRA TSC to pay a purchase price for those assets. As required by the Contractual Commitment, LCRA TSC has made, each year since its inception, purchase price payments equal to the LCRA debt service obligation associated with the assets transferred to LCRA TSC. Under Section 4.02 of the Contractual Commitment, the LCRA Board has sole discretion to determine each fiscal year if an annual ELOPPP will be made to LCRA. This determination must be made at least 30 days prior to the LCRA Board's approval of LCRA TSC's annual budget for the following fiscal year. The amount of any ELOPPP is capped at 25 percent of the amount of LCRA TSC's Contractual Commitment purchase price payments and guarantee reimbursement payments, and is only payable if all other financial commitments of LCRA TSC have been met, including debt, debt service, operations and maintenance, and coverage ratios and reserves funds required by LCRA TSC's financial policies.

Staff determined LCRA TSC has to date met, and is expected to meet, all financial obligations required by any agreement or the financial policies of LCRA TSC for FY 2018.

### **Presenter(s)**

Jim Travis

Treasurer and Chief Financial Officer

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