LCRA Transmission Services Corporation
Board Agenda
Wednesday, Aug. 21, 2019
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 9 a.m.

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Items From the Chief Executive Officer
Chief Executive Officer/Chief Operating Officer Update

Items From the Chief Financial Officer

Consent Items
3. Minutes of Prior Meeting ....................................................................................... 7

Action Items
4. New Capital Improvement Project Approval – Clear Springs
   Autotransformer Replacement ........................................................................ 12
5. New Capital Improvement Project Approval – Fort Stockton
   Switch Substation Addition ................................................................................ 15
6. New Capital Improvement Project Approval – Escobares
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   Electric Cooperative Facilities Acquisition ..................................................... 22
8. New Capital Improvement Project Approval – San Bernard
   Electric Cooperative Transmission Facility Development .............................. 25

Legal Notice
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 advice from legal counsel on any item
listed above, 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 affiliated corporation 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 the 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. Comments From the Public

Summary
This part of the meeting is intended for comments from the public on topics under LCRA Transmission Services Corporation’s jurisdiction but not related to an item on the Board agenda. No response or action may be taken by the Board during public comments.

In order to address the Board, a member of the public is required to sign and complete the registration form at the entrance to the meeting room.

Any member of the public wishing to comment on an item listed on this agenda will be called to make comments at the appropriate time.
FOR DISCUSSION

2. Financial Report

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

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

Presenter(s)
Julie Rogers
Controller
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LCRA Transmission Services Corporation

Financial Highlights

June 2019
# LCRA Transmission Services Corporation

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- Condensed Statements of Cash Flows .................................................................................................. 6
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## Key terms:

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4CP</td>
<td>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.</td>
</tr>
<tr>
<td>ELOPPP</td>
<td>Extraordinary LCRA Optional Purchase Price Payment.</td>
</tr>
<tr>
<td>FYE</td>
<td>Fiscal year-end.</td>
</tr>
<tr>
<td>Net margin</td>
<td>Total operating revenues, including interest income, less direct and assigned expenses.</td>
</tr>
</tbody>
</table>
Key takeaways:

- Expenses budgeted in previous months that were recorded in June, offset by higher cost of service revenues and interest income, primarily drove the monthly performance.
- Higher cost of service, interest income and miscellaneous revenues, and lower expenses drove the year-to-date performance.
- Higher-than-budgeted Transmission revenues due to interim capital addition rate filing and an increased 4CP, higher interest income, miscellaneous revenues, and lower expenses and slightly lower debt service drove the higher-than-budgeted debt service coverage.
Key takeaways:

- LCRA Transmission capital spending for FY 2019 was $30.5 million under the reset capital plan budget of $436.5 million, which the Board approved at the January 2019 Board meeting. The variance under the capital plan primarily was due to the timing of construction and acquisition activities originally planned to occur in FY 2019 that are now occurring in FY 2020. Additional contributors to this variance include the reclassification of a Transmission minor capital project to an LCRA Enterprise Support project, weather conditions in the second half of 2019, and prespending on FY 2020 capital projects during FY 2019.

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the president and chief executive officer to approve any capital project with a lifetime budget not to exceed $1.5 million according to LCRA TSC Board Policy T301 – Finance. In February 2018 (and revised in December 2018), the LCRA TSC Board approved resolutions delegating authority to the president and CEO on a short-term basis to approve new generation interconnection projects and additional funding for capital projects expected to exceed a lifetime budget by 10% and $300,000. The president and CEO approved four new projects and 12 budget resets this quarter:
  - New project: Amos Creek Circuit Breaker Addition for $8.0 million.
  - New project: Austin County Transmission Line Relocation for $794,000.
  - New project: Bergheim-Kendall Transmission Line Repair for $1.2 million.
  - New project: Wirtz Substation Upgrade for $1.4 million.
Key takeaways:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Old Budget</th>
<th>New Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar Canyon Substation Addition</td>
<td>$10.7 million</td>
<td>$14.1 million</td>
</tr>
<tr>
<td>Esperanza Substation Addition</td>
<td>$7.3 million</td>
<td>$13.2 million</td>
</tr>
<tr>
<td>Flatonia-Halletsville Transmission Line Upgrade</td>
<td>$7.7 million</td>
<td>$9.6 million</td>
</tr>
<tr>
<td>Fourmile Circuit Breaker Addition</td>
<td>$4.679 million</td>
<td>$7.4 million</td>
</tr>
<tr>
<td>Henne-Comal Transmission Line Upgrade project</td>
<td>$12.6 million</td>
<td>$15.8 million</td>
</tr>
<tr>
<td>Jim Briley Substation Addition</td>
<td>$4.5 million</td>
<td>$5.7 million</td>
</tr>
<tr>
<td>Kleimann (Columbus) Circuit Breaker Addition</td>
<td>$4.1 million</td>
<td>$7.4 million</td>
</tr>
<tr>
<td>Marshall Ford-McNeil Transmission Line</td>
<td>$986,000</td>
<td>$1.9 million</td>
</tr>
<tr>
<td>McCamey Area CCN System Upgrade</td>
<td>$2.1 million</td>
<td>$4.3 million</td>
</tr>
<tr>
<td>Most Limiting Series Element</td>
<td>$645,000</td>
<td>$1.0 million</td>
</tr>
<tr>
<td>Robbins Switch Circuit Breaker Addition</td>
<td>$5.0 million</td>
<td>$6.2 million</td>
</tr>
<tr>
<td>Upton County Capacitor Bank Addition</td>
<td>$2.2 million</td>
<td>$3.1 million</td>
</tr>
</tbody>
</table>

UNAUDITED
LCRA Transmission Services Corporation
Financial Statement Trends
June 30, 2019
(Dollars in Millions)

**Balance Sheet Trends**

- Assets and liabilities are trending higher compared with June 2018 due to construction activities related to the capital plan.
- Year-to-date net income through June 2019 is trending in line with the prior year.

**Income Statement Trends**

**Key takeaways:**

- Assets and liabilities are trending higher compared with June 2018 due to construction activities related to the capital plan.
- Year-to-date net income through June 2019 is trending in line with the prior year.

UNAUDITED
LCRA Transmission Services Corporation  
June 30, 2019  
(Dollars in Millions)  

Condensed Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>June 30, 2019</th>
<th>June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current assets</td>
<td>$ 296.2</td>
<td>$ 208.3</td>
</tr>
<tr>
<td>Total long-term assets</td>
<td>3,071.6</td>
<td>2,816.7</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 3,367.8</strong></td>
<td><strong>$ 3,025.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current liabilities</td>
<td>$ 335.6</td>
<td>$ 294.2</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>2,293.9</td>
<td>2,046.3</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,629.5</strong></td>
<td><strong>2,340.5</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity</td>
<td>738.3</td>
<td>684.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total Liabilities and Equity</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,367.8</td>
<td>$ 3,025.0</td>
<td></td>
</tr>
</tbody>
</table>

Condensed Statements of Revenues, Expenses and Changes in Equity

<table>
<thead>
<tr>
<th>Fiscal Year to Date</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transmission</td>
<td>$ 417.8</td>
<td>$ 396.2</td>
</tr>
<tr>
<td>Transformation</td>
<td>14.5</td>
<td>14.4</td>
</tr>
<tr>
<td>Other</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>433.4</td>
<td>411.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>135.7</td>
<td>131.2</td>
</tr>
<tr>
<td>Maintenance</td>
<td>9.7</td>
<td>9.5</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>57.7</td>
<td>78.3</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>203.1</td>
<td>219.0</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>230.3</td>
<td>192.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonoperating Expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on debt</td>
<td>(94.6)</td>
<td>(90.2)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(81.9)</td>
<td>(49.8)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Expenses</strong></td>
<td>(176.5)</td>
<td>(140.0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>53.8</td>
<td>52.6</td>
<td></td>
</tr>
</tbody>
</table>

| Equity - Beginning of Period | 684.5 | 631.9 |
| Equity - End of Period | $ 738.3 | $ 684.5 |

UNAUDITED
## Condensed Statements of Cash Flows

### Fiscal Year to Date

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$289.6</td>
<td>$303.8</td>
</tr>
<tr>
<td><strong>Net cash used in noncapital financing activities</strong></td>
<td>(20.5)</td>
<td>(23.5)</td>
</tr>
<tr>
<td><strong>Net cash used in capital and financing activities</strong></td>
<td>(271.3)</td>
<td>(249.1)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>69.4</td>
<td>(16.2)</td>
</tr>
<tr>
<td><strong>Net Increase in Cash and Cash Equivalents</strong></td>
<td>67.2</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents - Beginning of Period</strong></td>
<td>60.7</td>
<td>45.7</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents - End of Period</strong></td>
<td>$127.9</td>
<td>$60.7</td>
</tr>
</tbody>
</table>
Key takeaway:
- The Federal Open Market Committee left rates unchanged in the 2.25%-2.50% range at the June 2019 meeting. The market is anticipating a 100% chance of cutting rates by at least 0.25% at the July 2019 meeting, leaving the federal funds target rate in the 2.00%-2.25% range.
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Key term:

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

- Timing of expenses drove the monthly performance.
- Staff currently expects debt service coverage to meet the budget of 1.36x in FY 2020.
LCRA Transmission Services Corporation
Financial Statement Trends
July 31, 2019
(Dollars in Millions)

Balance Sheet Trends

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$3,000</td>
<td>$3,200</td>
<td>$3,400</td>
<td>$3,500</td>
<td>$3,600</td>
<td>$3,700</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total equity and equity ratio</td>
<td>$3,000</td>
<td>$3,200</td>
<td>$3,400</td>
<td>$3,500</td>
<td>$3,600</td>
<td>$3,700</td>
</tr>
</tbody>
</table>

Income Statement Trends

Key takeaways:

- Assets and liabilities are trending higher compared with July 2018 due to construction activities related to the capital plan.
- The income statement trend remained steady compared with prior periods.
LCRA Transmission Services Corporation
July 31, 2019
(Dollars in Millions)

Condensed Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>July 31, 2019</th>
<th>July 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>$ 319.0</td>
<td>$ 223.0</td>
</tr>
<tr>
<td>Total long-term assets</td>
<td>3,077.3</td>
<td>2,823.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 3,396.3</td>
<td>$ 3,046.2</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$ 363.1</td>
<td>$ 328.9</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>2,286.6</td>
<td>2,026.4</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,649.7</td>
<td>2,355.3</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>746.6</td>
<td>690.9</td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td>$ 3,396.3</td>
<td>$ 3,046.2</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><strong>Operating Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Transmission</td>
<td>$ 36.0</td>
</tr>
<tr>
<td>Transformation</td>
<td>1.2</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>37.3</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>11.8</td>
</tr>
<tr>
<td>Maintenance</td>
<td>0.6</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>16.3</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>21.0</td>
</tr>
</tbody>
</table>

**Nonoperating Expenses**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on debt</td>
<td>(7.9)</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(4.8)</td>
<td>(5.7)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Expenses</strong></td>
<td>(12.7)</td>
<td>(13.2)</td>
</tr>
</tbody>
</table>

| **Change in Equity**  | 8.3  | 6.4  |
| **Equity - Beginning of Period** | 738.3 | 684.5 |
| **Equity - End of Period**   | $ 746.6 | $ 690.9 |
FOR ACTION (CONSENT)

3. Minutes of Prior Meeting

Proposed Motion
Approve the minutes of the May 22, 2019, 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 May 22, 2019, meeting
19-15 Approval of the minutes of the Jan. 23, 2019, Feb. 20, 2019, and April 16, 2019, meetings.

19-16 Adoption of a resolution approving the LCRA Transmission Services Corporation Fiscal Year 2020 Business and Capital Plans.

19-17 Approval of the Capital Improvement Project Authorization Request for the Homestead Substation Addition project and authorization for the president and chief executive officer, or his designee, (i) to negotiate and execute an agreement with Rio Grande Electric Cooperative’s customer Diamondback Energy, Inc. (or its affiliate or subsidiary) for purchase of the Homestead Substation, including transmission and transformation facilities, land and land rights located in Pecos County, and (ii) to do all things reasonably necessary to accomplish the purposes hereof.

19-18 Approval of the Capital Improvement Project Authorization Request for the Motorman Substation Addition project and authorization for the president and chief executive officer, or his designee, (i) to negotiate and acquire all necessary land and land rights in Upton County by purchase and (ii) to do all things reasonably necessary to accomplish the purposes hereof.

19-19 Adoption of a resolution authorizing the use of the power of eminent domain in Gillespie County to acquire rights in the property described in Exhibit 1 to the resolution for the acquisition of an easement amendment and right of way for the Easement Enhancement – FY 2018 System Upgrade project to ensure the continued reliable transmission of electric energy on the Eckert to Nebo (T-126) transmission line.

19-20 Adoption of a resolution authorizing the use of the power of eminent domain in Fayette and Colorado counties to acquire rights in the properties described in Exhibit 1 to the resolution for the amendment of easements for the existing Fayette Area Transmission Line Upgrades project to ensure the continued reliable transmission of electric energy on the Fayetteville to Glidden (T-176) transmission line.
MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
May 22, 2019

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 9:14 a.m. Wednesday, May 22, 2019, 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
Michael L. "Mike" Allen
Lori A. Berger
Stephen F. Cooper
Joseph M. “Joe” Crane
Laura D. Figueroa
Raymond A. “Ray” Gill Jr.
Thomas L. “Tom” Kelley
Robert “Bobby” Lewis
George W. Russell
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten
Nancy Eckert Yeary

Absent: Charles B. “Bart” Johnson

Chair Timmerman convened the meeting at 9:14 a.m.

There were no public comments, neither on general topics under LCRA TSC’s
jurisdiction (Agenda Item 1) nor on any specific agenda items, during this meeting.

President and Chief Executive Officer Phil Wilson gave the Board an update. He
referenced the fiscal year 2020 business and capital plans agenda item. He discussed
LCRA TSC’s successful FY 2019 capital plan, and the expectation of continued growth
in Texas that will drive LCRA TSC’s investment to support the growth and maintain
reliability for the Texans it serves. Wilson also gave an update on National Lineman
Appreciation Day and the event held by the Texas Legislature at the state Capitol to
honor transmission line workers from across the state. He recognized LCRA’s line
workers for their hard work and efforts.
Vice President and Chief Operating Officer Kristen Senechal gave an update on some of the work LCRA TSC performed to respond to storms in May. Senechal also provided some additional details regarding the FY 2019 capital plan and project progress.

Controller Julie Rogers presented the financial report for April 2019 [Agenda Item 2].

The Board next took action on the consent agenda.

19-15  Upon motion by Director Cooper, seconded by Director Russell, the Board unanimously approved the minutes of the Jan. 23, 2019, Feb. 20, 2019, and April 16, 2019, meetings (Consent Item 3) by a vote of 14 to 0.

19-16  Treasurer and Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit A], that the Board adopt a resolution approving the LCRA Transmission Services Corporation Fiscal Year 2020 Business and Capital Plans. [The Board had a detailed discussion on the FY 2020 business and capital plans during a work session on April 16.] Upon motion by Director Berger, seconded by Director Gill, the recommendation was unanimously approved by a vote of 14 to 0.

19-17  Vice President of Transmission Planning Kristian Koellner presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit B], that the Board approve the Capital Improvement Project Authorization Request for the Homestead Substation Addition project and authorize the president and chief executive officer, or his designee, (i) to negotiate and execute an agreement with Rio Grande Electric Cooperative’s customer Diamondback Energy Inc. (or its affiliate or subsidiary) for the purchase of Homestead Substation, including transmission and transformation facilities, land and land rights located in Pecos County, and (ii) to do all things reasonably necessary to accomplish the purposes hereof. Upon motion by Director Allen, seconded by Director Voelter, the recommendation was unanimously approved by a vote of 14 to 0.

19-18  Vice President of Transmission Planning Kristian Koellner presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the Motorman Substation Addition project and authorize the president and chief executive officer, or his designee, (i) to negotiate and acquire all necessary land and land rights in Upton County by purchase, and (ii) to do all things reasonably necessary to accomplish the purposes hereof. Upon motion by Director Voelter, seconded by Director Berger, the recommendation was unanimously approved by a vote of 14 to 0.

19-19  Director of Real Estate Services Mark Sumrall presented for consideration a staff recommendation described in Agenda Item 7 – Acquisition of Interests in Real Property – Use of Eminent Domain in Gillespie County [attached hereto as Exhibit D].
Director Martine moved, seconded by Director Russell, that the Board 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 acquisition of an easement amendment and right of way for the Easement Enhancement – FY 2018 System Upgrade project to ensure the continued reliable transmission of electric energy on the Eckert to Nebo (T-126) transmission line; and that the first record vote applies to all units of property to be condemned. The Board unanimously approved the motion by a record vote of 14 to 0.

19-20 Director of Real Estate Services Mark Sumrall presented for consideration a staff recommendation described in Agenda Item 8 – Acquisition of Interests in Real Property – Use of Eminent Domain in Fayette and Colorado Counties [attached hereto as Exhibit E]. Director Berger moved, seconded by Director Whitten, that the Board 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 amendment of easements for the existing Fayette Area Transmission Line Upgrades project to ensure the continued reliable transmission of electric energy on the Fayetteville to Glidden (T-176) transmission line; and that the first record vote applies to all units of property to be condemned. The Board unanimously approved the motion by a record vote of 14 to 0.

There being no further business to come before the Board, the meeting was adjourned at 9:32 a.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation

Approved: Aug. 21, 2019
4. **New Capital Improvement Project Approval – Clear Springs Autotransformer Replacement**

**Proposed Motion**
Approve the Capital Improvement Project Authorization Request for the Clear Springs Autotransformer Replacement project.

**Board Consideration**
LCRA Transmission Services Corporation 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 was not included in LCRA TSC’s fiscal year 2020 capital plan.
- Staff seeks approval for a total lifetime budget of $6,743,000, of which staff expects to spend $774,000 this fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- Staff expects this additional spending will impact the existing FY 2020 capital budget. Staff will continue to monitor the FY 2020 forecast and will request a fiscal budget increase as appropriate.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas.

**Summary**
Staff recommends the Clear Springs Autotransformer Replacement project located in Guadalupe County as an addendum to the FY 2020 capital plan. The project will meet legal requirements in the Public Utility Regulatory Act and PUC rules. The rules require transmission utilities to maintain the safe and reliable operation of the transmission network owned and operated by LCRA TSC and its customers.

In April 2019, an autotransformer located at the Clear Springs Substation experienced an internal fault leading to an outage. The manufacturer’s on-site analysis and LCRA TSC testing led to a staff recommendation to replace the unit to restore the safe and reliable operation of the transmission system in Guadalupe County and adjacent counties. LCRA TSC intends to file an insurance claim with its insurer, FM Global. The project estimate does not include potential reimbursement associated with the insurance claim.

The required project completion date is May 2021. The project funds will pay for project management, regulatory activities, engineering and materials. A Certificate of Convenience and Necessity amendment is not required.
Project Recap

Total Project Estimated Cost $ 6,743,000

Previous Project Lifetime Budget: $ 0
Additional Lifetime Budget Approval Sought: $ 6,743,000

FY 2020  $ 774,000
FY 2021  $ 5,969,000

Total:  $ 6,743,000

Project Direction

Project Manager: Bo Beauregard
Project Sponsor: Milad Javadi
Project Number: 1022172

Presenter(s)

Kristian M. Koellner
Vice President, Transmission Asset Optimization

Exhibit(s)

A – Location Map – Clear Springs Autotransformer Replacement
EXHIBIT A
FOR ACTION

5. New Capital Improvement Project Approval – Fort Stockton Switch Substation Addition

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the Fort Stockton Switch Substation Addition project and authorize the president and chief executive officer, or his designee to do all things reasonably necessary to accomplish the purposes hereof.

Board Consideration
LCRA Transmission Services Corporation 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 was not included in LCRA TSC’s fiscal year 2020 capital plan.
- Staff seeks approval for a total lifetime budget of $5,456,000, of which staff anticipates spending $1,297,000 this fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- Staff expects this additional spending will impact the existing FY 2020 capital budget. Staff will continue to monitor the FY 2020 forecast and will request a fiscal budget increase as appropriate.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas.

Summary
Staff recommends the Fort Stockton Switch Substation Addition project located in Pecos County as an addendum to the FY 2020 capital plan. The project will meet legal requirements in the Public Utility Regulatory Act and PUC rules. The rules require transmission utilities to provide transmission service, including constructing new facilities and modifying existing ones, to wholesale market participants.

American Electric Power (AEP) provides Rio Grande Electric Cooperative (RGEC) with a point of interconnection to serve RGEC’s member load at this substation. As a result of area transmission needs associated with increasing oil and gas development, this facility will be converted from 69-kilovolt operation to 138-kV operation. At RGEC’s request, LCRA TSC will construct and own new load-serving facilities at Fort Stockton Switch, including one 33.6-megavolt ampere power transformer, system protection equipment, metering and communication facilities, and will acquire the necessary property rights. AEP will construct and own the 138-kV transmission facilities, and RGEC will construct and own the distribution facilities, at this substation. LCRA TSC will coordinate the design and construction of the new load-serving facilities with AEP and RGEC.
The required project completion date is November 2020. The project funds will pay for project management, regulatory activities, engineering, materials, real estate activities 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 amendment is not required.

**Project Recap**

Total Project Estimated Cost: $5,456,000

Previous Project Lifetime Budget: $0

Additional Lifetime Budget Approval Sought: $5,456,000

<table>
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<tr>
<th>Year</th>
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<td>FY 2021</td>
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Total: $5,456,000

**Project Direction**

Project Manager: Manny Garcia  
Project Sponsor: Hiram Mojica  
Project Number: 1022174

**Presenter(s)**

Kristian M. Koellner  
Vice President, Transmission Asset Optimization

**Exhibit(s)**

A – Location Map – Fort Stockton Switch Substation Addition
FOR ACTION

6. New Capital Improvement Project Approval – Escobares Substation Addition

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the Escobares Substation Addition project and authorize the president and chief executive officer, or his designee, to do all things reasonably necessary to accomplish the purposes hereof.

Board Consideration
LCRA Transmission Services Corporation 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 was included in LCRA TSC’s fiscal year 2020 capital plan as a future project to begin in FY 2022.
- Staff seeks approval for a total lifetime budget of $5,158,000, of which staff anticipates spending $5,158,000 this fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- Staff expects this additional spending will impact the existing FY 2020 capital budget. Staff will continue to monitor the FY 2020 forecast and will request a fiscal budget increase as appropriate.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas.

Summary
Staff recommends the Escobares Substation Addition project located in Starr County as an addendum to the FY 2020 capital plan. The project will meet legal requirements in the Public Utility Regulatory Act and PUC rules. The rules require transmission utilities to provide transmission service, including constructing new facilities and modifying existing ones, to wholesale market participants.

In April 2018, South Texas Electric Cooperative requested a new point of interconnection on the LCRA TSC 138-kilovolt transmission line (T465) that connects American Electric Power’s Roma Substation to AEP’s Garceno Substation. The proposed Escobares Substation will allow STEC to serve forecast residential subdivision load growth outside the city of Roma and accommodate STEC’s planned distribution facilities. LCRA TSC will acquire from STEC the necessary property rights for the LCRA TSC substation footprint and transmission line right of way and will construct a 138-kV high-side substation facility and 138-kV transmission line cut-in.

The required project completion date is May 2020. The project funds will pay for project management, regulatory activities, engineering, materials, real estate activities 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 amendment is not required.

**Project Recap**

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<th>Description</th>
<th>Cost</th>
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<tr>
<td>Total Project Estimated Cost</td>
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<td>Previous Project Lifetime Budget:</td>
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<td>FY 2020</td>
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<tr>
<td>Total:</td>
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**Project Direction**

- **Project Manager:** Vaibhav Pitale
- **Project Sponsor:** Michael Oparaji
- **Project Number:** 1022173

**Presenter(s)**

Kristian M. Koellner
Vice President, Transmission Asset Optimization

**Exhibit(s)**

- A – Vicinity Map – Escobares Substation Addition
- B – Site Map – Escobares Substation Addition
EXHIBIT B

Site Map

Escobares Substation Addition
Starr County

Escobares Substation
10.36 Acres (approx.)

Transmission Line Easement
4.59 Acres (approx.)

LCRA TSC Transmission Line

0 400 800 Feet
FOR ACTION

7. **New Capital Improvement Project Approval – San Bernard Electric Cooperative Facilities Acquisition**

**Proposed Motion**
Approve the Capital Improvement Project Authorization Request for the San Bernard Elective Cooperative Facilities Acquisition project and authorize the president and chief executive officer, or his designee, (i) to negotiate and execute an agreement with SBEC for purchase of the SBEC facilities, including transmission facilities located within substations in Austin, Colorado and Waller counties, and (ii) to do all things reasonably necessary to accomplish the purposes hereof.

**Board Consideration**
LCRA Transmission Services Corporation 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 LCRA TSC’s fiscal year 2020 capital plan.
- Staff seeks approval for a total lifetime budget of $3.5 million, of which staff anticipates spending $3.5 million this fiscal year.
- The proposed lifetime budget for the project does not include contingency.
- Staff expects this additional spending will impact the existing FY 2020 capital budget. Staff will continue to monitor the FY 2020 forecast and will request a fiscal budget increase as appropriate.
- The chief operating officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas.

**Summary**
Staff recommends approval of the San Bernard Electric Cooperative Facilities Acquisition project for purchase of certain transmission assets at the Colorado, Glidden, Prairie View, Quanex, Seaway, and Sunnyside substations located in Austin, Colorado and Waller counties as an addendum to the FY 2020 capital plan.
Since 1992, LCRA TSC has continuously operated SBEC’s transmission facilities, including the facilities in this acquisition. The current net book value of the existing facilities to be purchased by LCRA TSC is approximately $3.5 million. The actual net book value of the facilities will be calculated as of the closing date. At closing, LCRA TSC will pay SBEC the net book value of the facilities.
The required project completion date is June 2020.
**Project Recap**

Total Project Estimated Cost $3,500,000

Previous Project Lifetime Budget: $0
Additional Lifetime Budget Approval Sought: $3,500,000

FY 2020 $3,500,000

Total: $3,500,000

**Project Direction**

Project Manager: Kim Gifford
Project Sponsor: Clint Harp
Project Number: 1022175

**Presenter(s)**

Clint Harp
Vice President, Transmission Strategic Services

**Exhibit(s)**

A – Location Map – San Bernard Electric Cooperative Facilities Acquisition
FOR ACTION

8. New Capital Improvement Project Approval – San Bernard Electric Cooperative Transmission Facility Development

Proposed Motion
Approve the Capital Improvement Project Authorization Request for the San Bernard Electric Cooperative Transmission Facility Development project and authorize the president and chief executive officer, or his designee, (i) to negotiate and execute a development agreement with SBEC giving LCRA TSC rights to develop current and future transmission projects within SBEC’s retail service area; and (ii) to do all things reasonably necessary to accomplish the purposes hereof.

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

Budget Status and Fiscal Impact
- The project is not included in LCRA TSC’s fiscal year 2020 capital plan.
- Staff seeks approval for a total lifetime budget of $1 million.
- The proposed lifetime budget for the project does not include contingency funds.
- The chief operating officer will release funds as needed.

Summary
Staff recommends approval of the San Bernard Electric Cooperative Transmission Facility Development project located in SBEC’s retail service territory.

LCRA TSC anticipates a minimum of $38.8 million in capital projects in the next five years as a result of the development agreement. Also, SBEC has experienced significant load growth in its service territory, which is likely to yield additional future projects over the next 20 to 30 years. Following any such upgrades, staff anticipates the quality and reliability of transmission service in the project area will improve.

Project Recap

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<thead>
<tr>
<th>Total Project Estimated Cost</th>
<th>$1,000,000</th>
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Project Direction
Project Manager: Kim Gifford
Project Sponsor: Clint Harp
Project Number: 1022176

Presenter(s)
Clint Harp
Vice President, Transmission Strategic Services

Exhibit(s)
A – San Bernard Electric Cooperative Service Area Map
EXHIBIT A

San Bernard Electric Cooperative Service Area
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