

LCRA Transmission Services Corporation Special Called Board Meeting Agenda

Wednesday, Sept. 18, 2019
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 9:30 a.m.
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Action Items

2. Approve the LCRA Transmission Services Corporation Series 2019A Bonds
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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 (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.

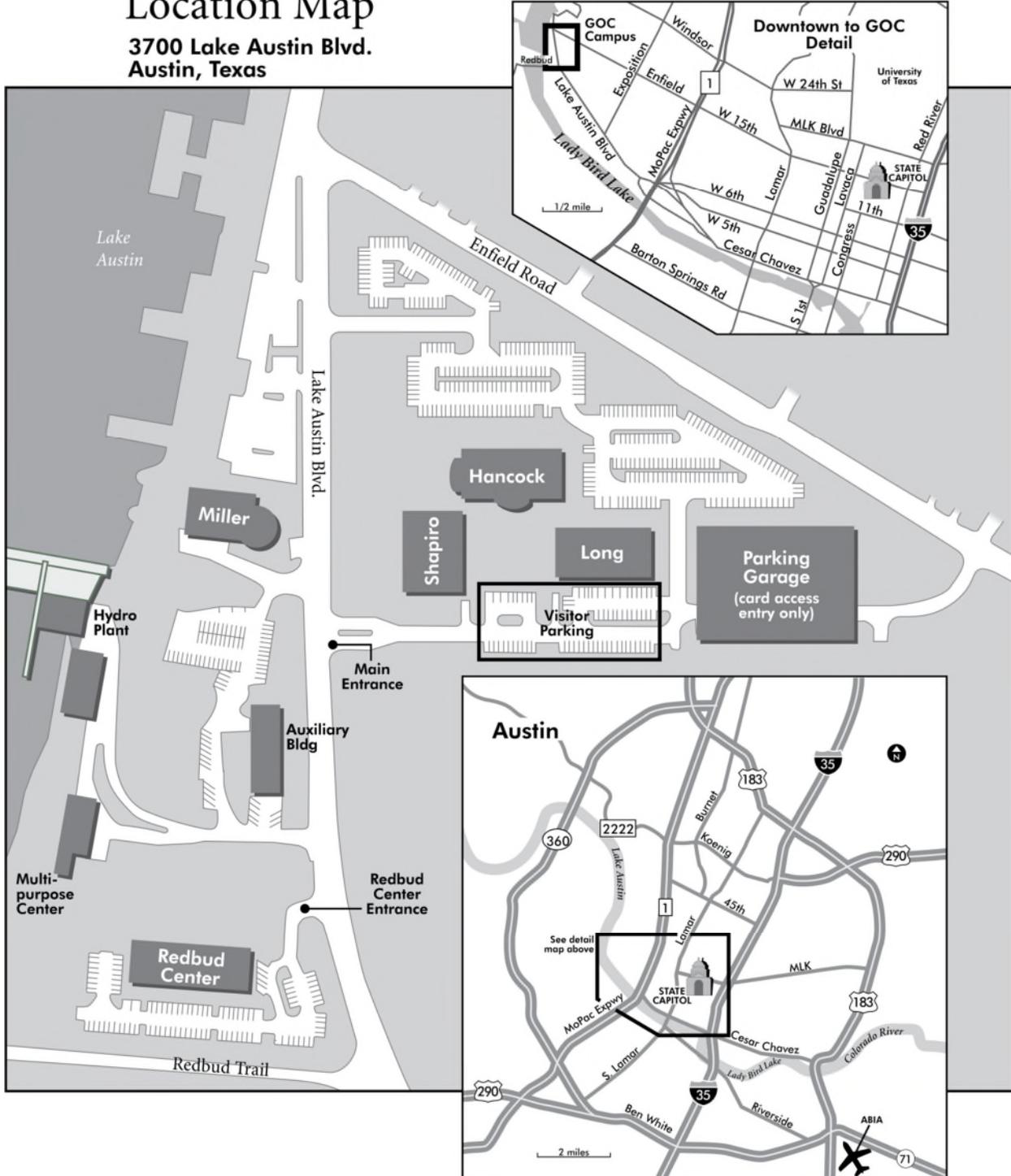
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



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 ACTION

2. Approve the LCRA Transmission Services Corporation Series 2019A Bonds Issue and Twenty-Ninth Supplemental Resolution

Proposed Motion

Staff recommends the Board of Directors approve the adoption of the Twenty-Ninth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2019A (the Bonds) in an amount not to exceed \$250 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project), Series C and Tax-Exempt Series D; (ii) funding capital projects, if necessary; (iii) funding debt service reserve funds for the Bonds; and (iv) paying for issuance costs.

This motion also will:

1. Approve related documents, in substantially final form, including the escrow agreement, paying agent/registrars agreement, the Preliminary Official Statement and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (the 2019A Installment Payment Agreement Supplement). If the Bonds are determined to also fund capital projects, “and Improvement” to be added to the name of the Bonds. Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the chief executive officer or the chief financial officer to:
 - a. Select all or a portion of LCRA TSC’s outstanding debt to be refunded by the Bonds and provide for appropriate notices of redemption/defeasance;
 - b. Approve any final changes to said documents necessary to facilitate proper issuance of such Bonds;
 - c. Establish the terms of the Bonds as provided in the resolution (including issuing such bonds in one or more separate series (tax-exempt and/or taxable), the principal amounts and maturity schedules, interest rates, redemption provisions, and terms of any reserve funds);
 - d. Determine whether to fund certain capital projects with the Bonds in an amount not to exceed \$75 million; and
 - e. Approve the terms of the sale of the Bonds to an underwriting team lead by Barclays Capital Inc., and to execute a bond purchase agreement.

Board Consideration

In 2003, the LCRA Board, at the request of LCRA TSC, adopted an amended and restated Controlling Resolution establishing a contract revenue financing program whereby LCRA issues bonds on behalf of LCRA TSC that are secured by a lien on and a pledge of revenues paid by LCRA TSC to LCRA. The amended and restated Controlling Resolution requires the Board to deliver a resolution to LCRA approving the Bonds.

Budget Status and Fiscal Impact

The fiscal year 2020 LCRA TSC business plan anticipates the refunding of a portion of the short-term debt. Based on current market conditions and historically low interest rates, the refunding will be advantageous, increase flexibility on the timing of future financings and provide low-cost and long-term funds. The fiscal year 2020 LCRA TSC business plan also anticipates the issuance of about \$289 million of short-term obligations to fund LCRA TSC's ongoing capital plan. The potential issuance of up to \$75 million of Bonds for capital projects will take advantage of long-term historically low interest rates and avoid issuance of related short-term debt.

Summary

With this action, the Board will approve the Bonds, issued for the purpose of current refunding of certain LCRA TSC commercial paper and revolving notes and finding capital projects, if necessary, in an amount not to exceed \$250 million, establishing one or more Debt Service Reserve Funds for the Bonds, and paying for the issuance costs related to the Bonds. The Board also will approve the execution of documents necessary for the sale of the Bonds further described below.

Background. The Twenty-Ninth Supplement is a supplemental resolution to the Controlling Resolution establishing LCRA TSC's transmission revenue financing system adopted by the Board in 2001 and readopted in 2003. The Twenty-Ninth Supplement authorizes the Bonds, approves the forms of the ancillary agreements relating to such bonds, and delegates to the chief executive officer or the chief financial officer authority to set the specific terms of such bonds (including maturity, amortization, interest rates, redemption provisions, etc.) according to parameters set forth in the resolution. The Twenty-Ninth Supplement also requires an officer of LCRA TSC to agree to the specific terms of the Bonds. The Controlling Resolution, the Twenty-Ninth Supplement and the pricing certificate of the LCRA officer and the LCRA TSC officer establishing the terms of the Bonds together constitute the authorization of such Bonds.

The 2019A Installment Payment Agreement Supplement is a supplemental agreement to the Transmission Installment Payment Agreement between LCRA and LCRA TSC executed in 2003. The supplemental agreement provides for the arms-length obligation of LCRA TSC to pay LCRA the debt service associated with the Bonds and further provides for LCRA TSC's ownership of the projects financed or refinanced with the proceeds of the Bonds.

The Bond Purchase Agreement is the contract among LCRA, LCRA TSC and the underwriters of the Bonds that establishes the terms of the sale and delivery of such bonds from LCRA to such underwriters. This agreement provides for the conditions for closing on the Bonds, including required legal opinions, and provides for certain limited events that may terminate LCRA's obligation to deliver and/or the underwriters'

obligation to accept the Bonds at closing. Barclays Capital Inc. will be the senior manager of the underwriting team for the Bonds.

The Paying Agent/Registrar Agreement is the contract between LCRA and The Bank of New York Mellon Trust Company NA, setting forth the rights, duties and obligations of the two parties under which such bank will act as the paying agent and registrar for the Bonds. The bank will provide paying agent and transfer agent services, maintain registration books and facilitate providing certain notices for the Bonds, among other services.

The Official Statement is the document that provides disclosure to prospective investors regarding the terms of the bonds, security, risk factors, and financing and operating information of LCRA TSC.

PricewaterhouseCoopers LLP will perform certain procedures relating to the financial information disclosed in documents related to the Bonds and provide appropriate letters to the Board regarding those procedures.

Use of Proceeds. Proceeds from the Bonds will be used to: refund certain LCRA TSC commercial paper notes and revolving notes; fund capital projects, if necessary; establish a Debt Service Reserve Fund for the Bonds; and pay for issuance costs.

LCRA and LCRA TSC have authorized the issuance of commercial paper and revolving notes under programs backed by three separate credit facilities. Periodically, staff recommends refunding short-term, variable-rate debt with long-term, fixed-rate debt when market conditions are favorable and the short-term debt credit facilities approach their maximum capacity. In addition, staff periodically recommends refunding existing long-term debt with new long-term debt to capture interest rate savings and/or adjust the debt structure to benefit LCRA TSC customers.

Staff currently expects the Bonds to be sold and delivered by Oct. 17, 2019, subject to the approving opinions of the Office of the Attorney General and bond counsel.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

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