

LCRA Transmission Services Corporation

Board Agenda

Wednesday, August 16, 2017
LCRA Board Room
Austin

Items from the Chief Executive Officer

Chief Operating Officer's Update

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Action/Discussion Items

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- 5. Capital Improvement Project Approval – Bakersfield Reactor Bank Addition 15

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.

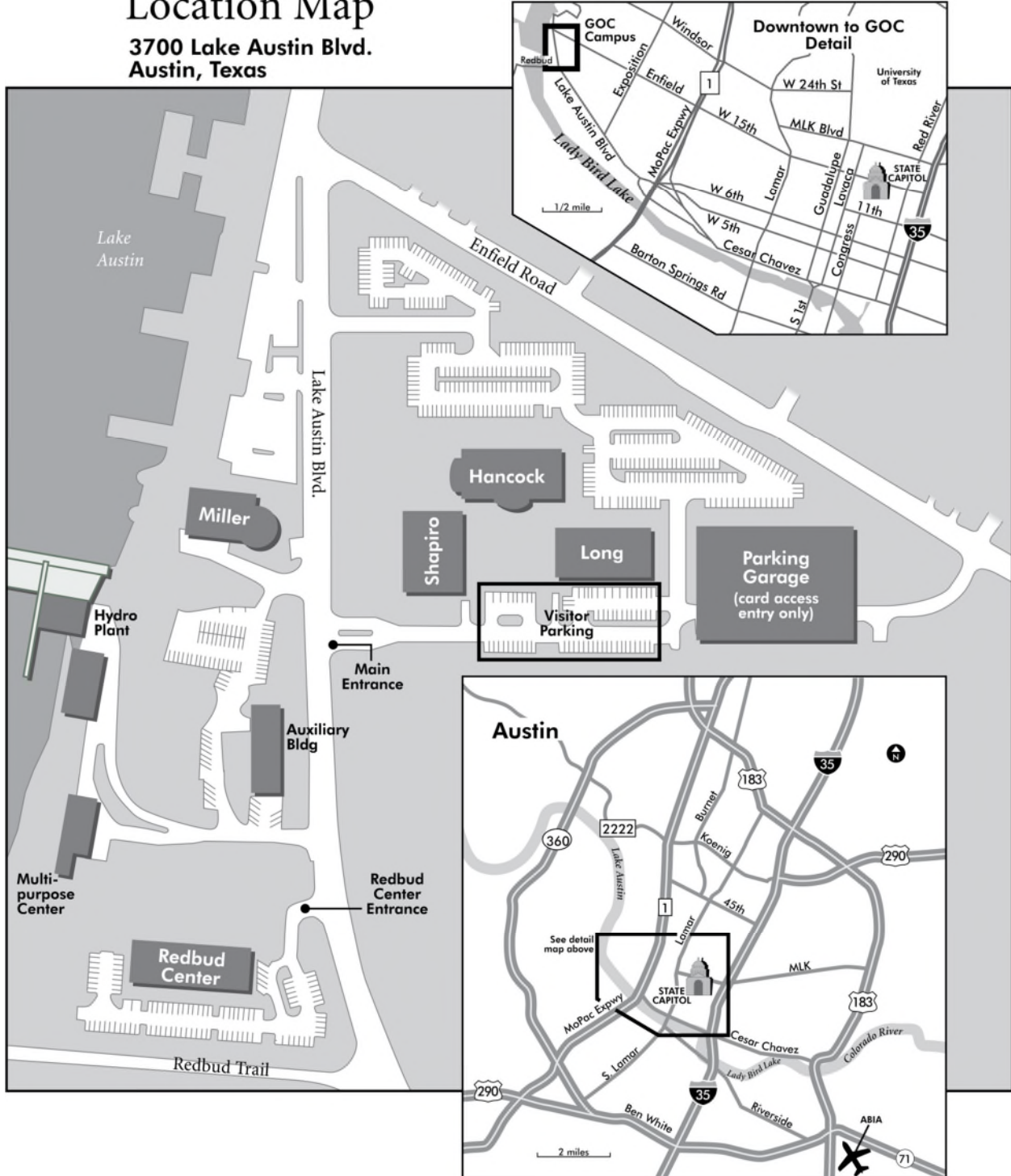
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services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

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



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
Financial Highlights
June 2017

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.

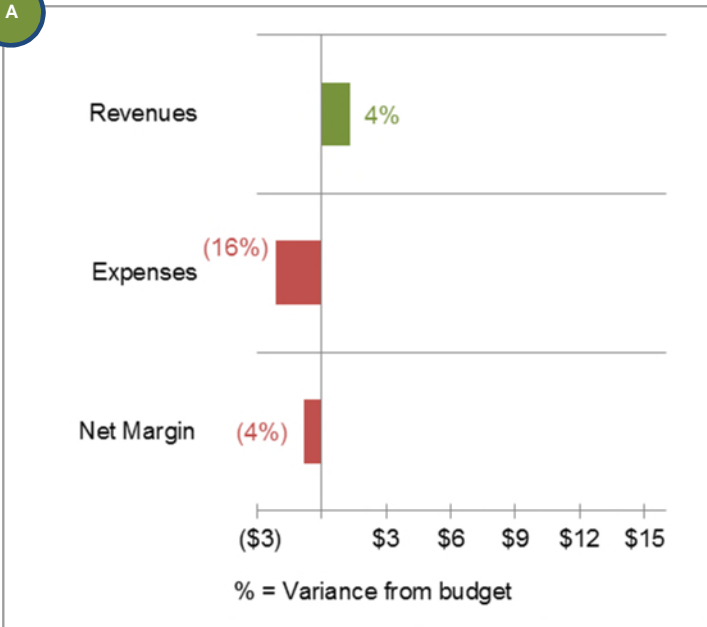
LCRA Transmission Services Corporation

June 30, 2017

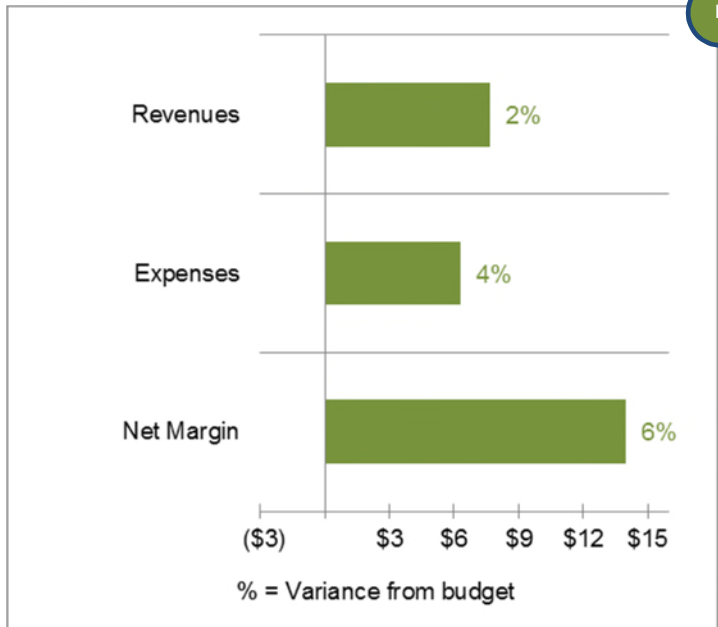
(Dollars in Millions)

Budget-to-Actual Highlights

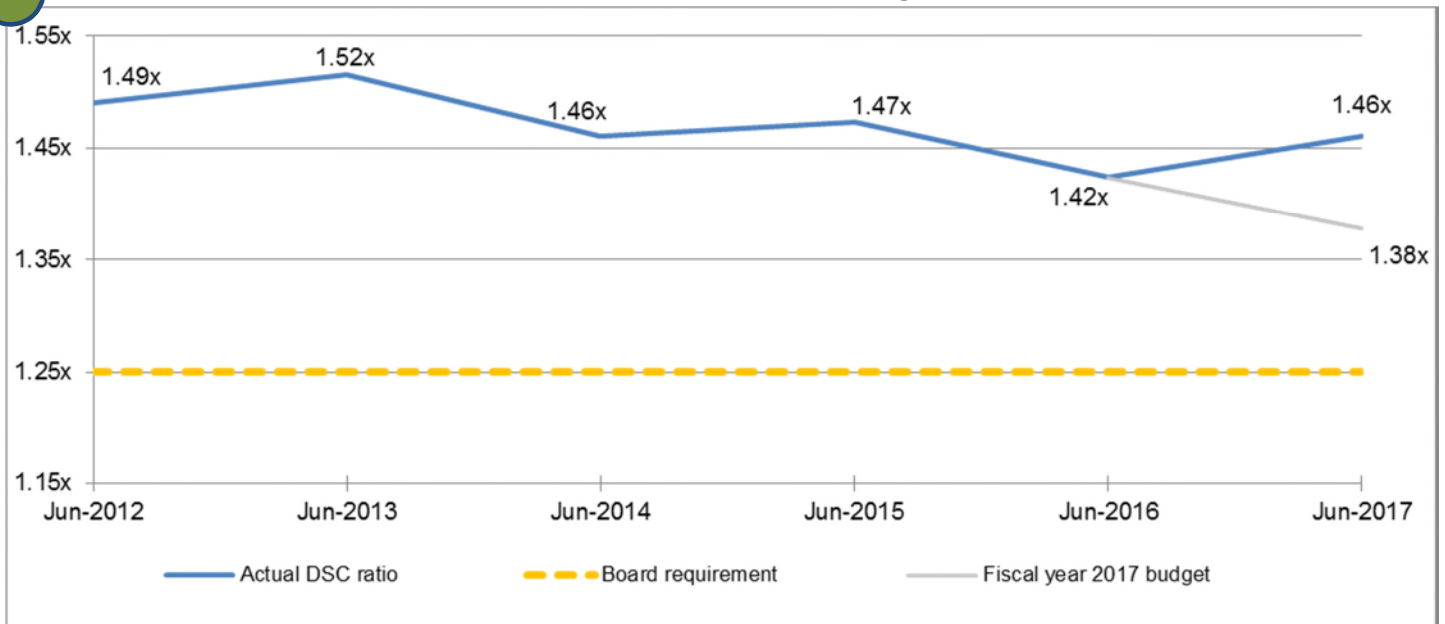
Monthly Variances



Fiscal Year-to-Date Variances



Debt Service Coverage



Key takeaways:

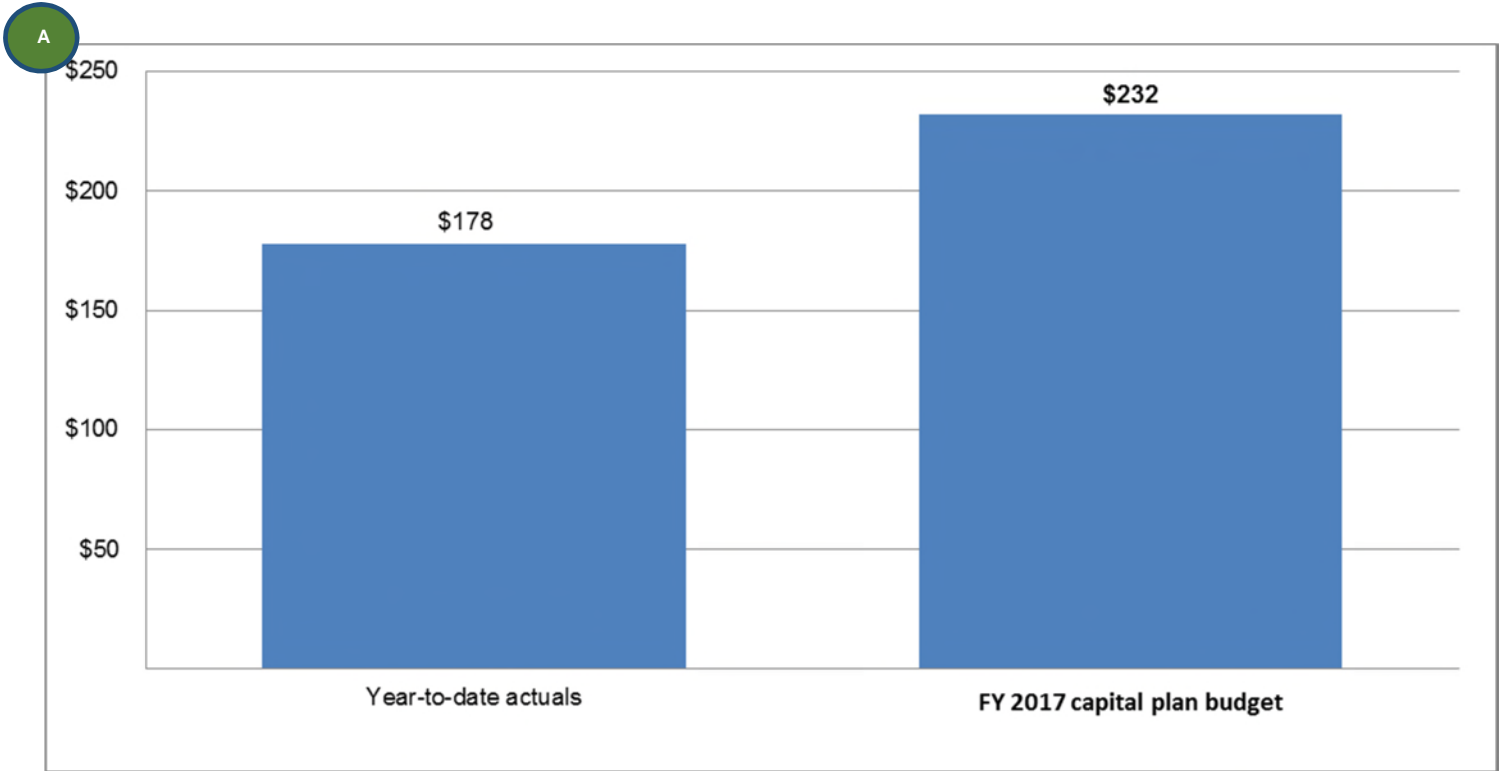
- Monthly performance was driven by higher assigned enterprise expenses than budgeted partially offset by increased revenues.
- Year-to-date and debt service coverage performances were driven by an increase in Transmission revenues and lower-than-budgeted Transmission and assigned enterprise expenses.

LCRA Transmission Services Corporation

June 30, 2017

(Dollars in Millions)

Capital Performance



B

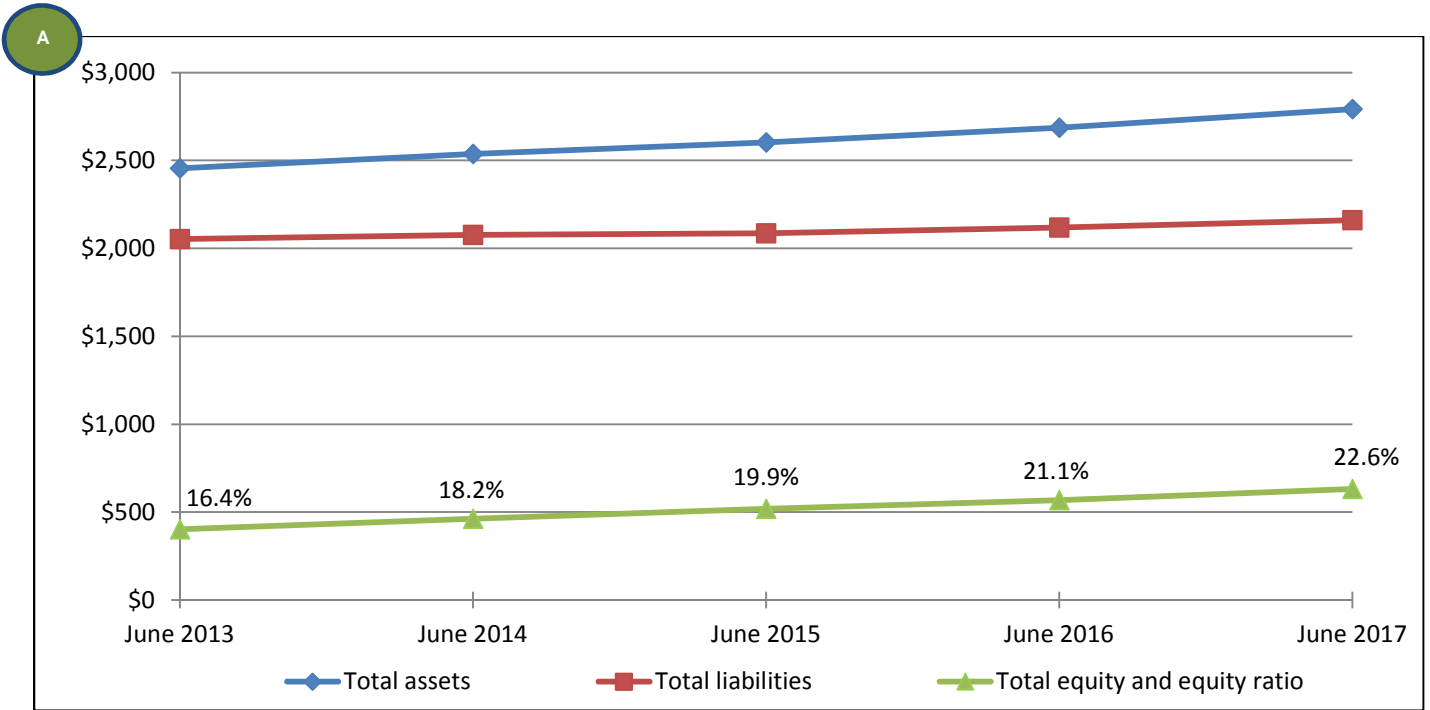
Business area	Year-to-date actuals	Percentage of budget spent	FY 2017 capital plan budget
Transmission	\$ 178.1	77%	\$ 232.1

Key takeaways:

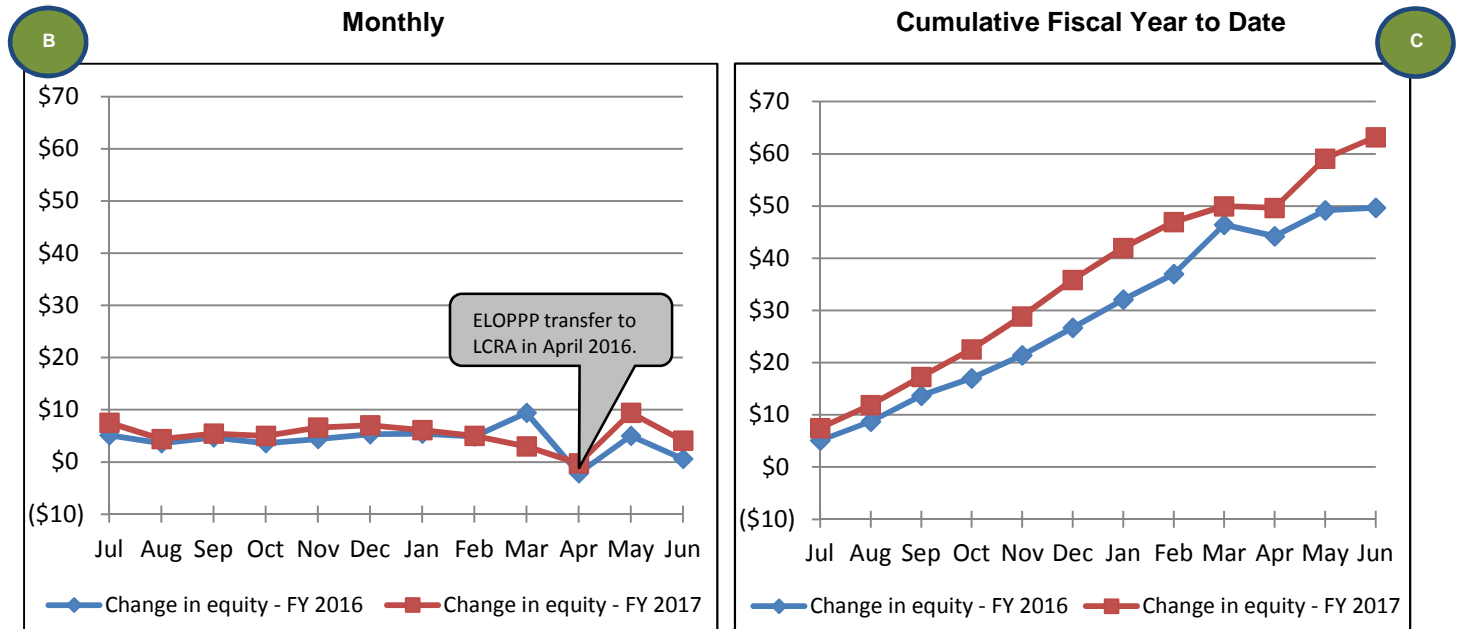
- Transmission actual capital spending for FY 2017 was \$54 million under the capital plan budget of \$232 million. The variance primarily is due to actual costs being lower than the initial estimates used in the capital plan due to lower construction costs, savings on real estate, and changes in requirements or scope; therefore, the budgeted project contingency was unused. One significant driver was the Goldthwaite-Lampasas Transmission Line Upgrade Project, which had costs that were \$13 million lower than the estimates used in the FY 2017 capital plan. There were 12 other projects with fiscal spending estimated to be \$2 million or more under budget. Staff made changes in the estimates used in the FY 2018 capital plan to address these factors.
- For any project not previously authorized by the Board in the capital plan, Board Policy T301 – Finance delegates authority to the CEO to approve projects with a lifetime budget not to exceed \$1.5 million. One project was submitted for CEO approval. The CEO approved the Bellville South Substation Upgrade with a lifetime budget of \$837,000.

LCRA Transmission Services Corporation
Financial Statement Trends
 June 30, 2017
 (Dollars in Millions)

Balance Sheet Trends



Income Statement Trends



Key takeaways:

- Assets increased in June 2017 primarily due to a \$90 million increase in property, plant and equipment and construction work in progress compared to June 2016.
- Cumulative net income through June 2017 is higher compared to June 2016 primarily due to the timing of long-term costs being deferred until planned future recovery from customers.

LCRA Transmission Services Corporation

June 30, 2017

(Dollars in Millions)

Condensed Balance Sheets

	June 30, 2017	June 30, 2016
<i>Assets</i>		
Total current assets	\$ 254.9	\$ 214.6
Total long-term assets	2,536.7	2,472.2
Total Assets	\$ 2,791.6	\$ 2,686.8
<i>Liabilities</i>		
Total current liabilities	\$ 254.8	\$ 128.2
Total long-term liabilities	1,905.3	1,990.3
Total liabilities	2,160.1	2,118.5
<i>Equity</i>		
Total equity	631.5	568.3
Total Liabilities and Equity	\$ 2,791.6	\$ 2,686.8

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2017	2016
Operating Revenues		
Transmission	\$ 391.0	\$ 376.9
Transformation	13.8	13.6
Other	1.0	0.5
Total Operating Revenues	405.8	391.0
Operating Expenses		
Operations	125.0	116.0
Maintenance	9.2	7.9
Depreciation and amortization	73.3	67.2
Total Operating Expenses	207.5	191.1
Operating Income	198.3	199.9
Nonoperating Expenses		
Interest on debt	(89.2)	(91.5)
Other expenses	(45.9)	(58.6)
Total Nonoperating Expenses	(135.1)	(150.1)
Change in Equity	63.2	49.8
Equity - Beginning of Period	568.3	518.5
Equity - End of Period	\$ 631.5	\$ 568.3

LCRA Transmission Services Corporation

June 30, 2017

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2017	2016
Net cash provided by operating activities	\$ 234.3	\$ 274.3
Net cash used in noncapital financing activities	(25.6)	(26.0)
Net cash used in capital and financing activities	(225.7)	(191.6)
Net cash provided by (used in) investing activities	90.7	(37.8)
Net Increase in Cash and Cash Equivalents	73.7	18.9
Cash and Cash Equivalents - Beginning of Period	61.7	42.8
Cash and Cash Equivalents - End of Period	<u>\$ 135.4</u>	<u>\$ 61.7</u>

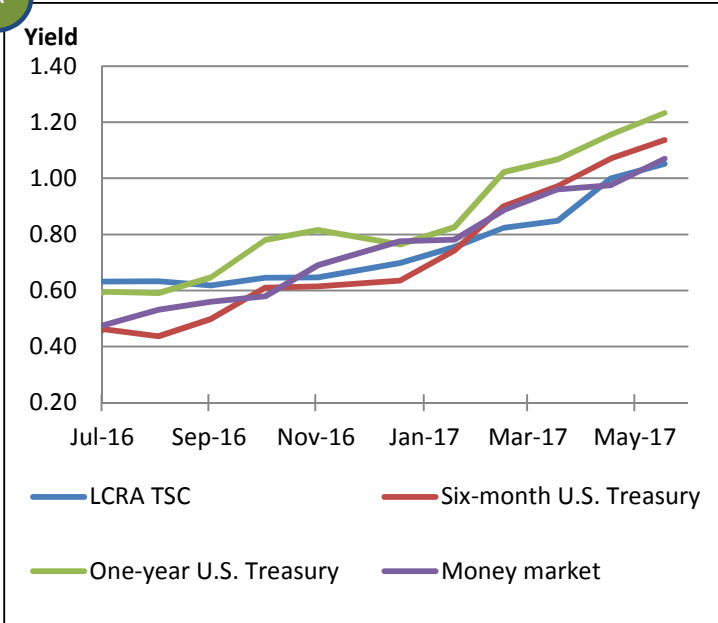
LCRA Transmission Services Corporation

June 30, 2017

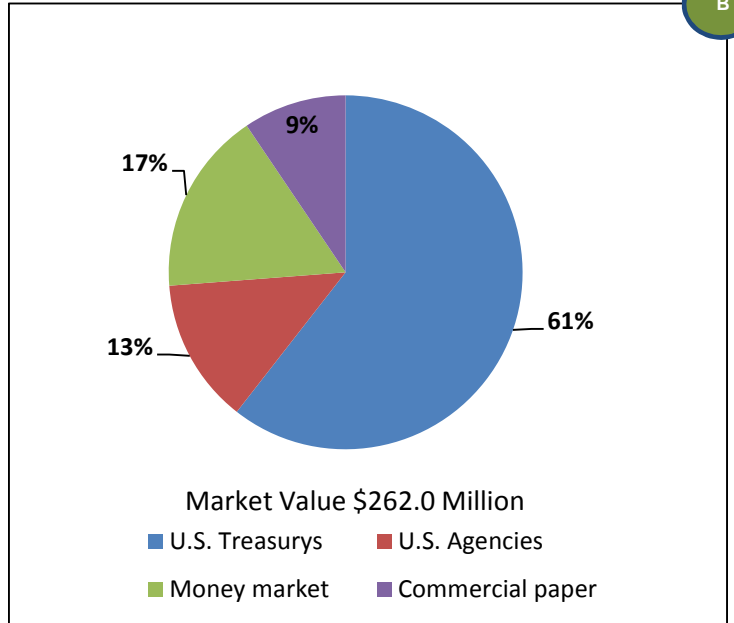
(Dollars in Millions)

Investments and Debt

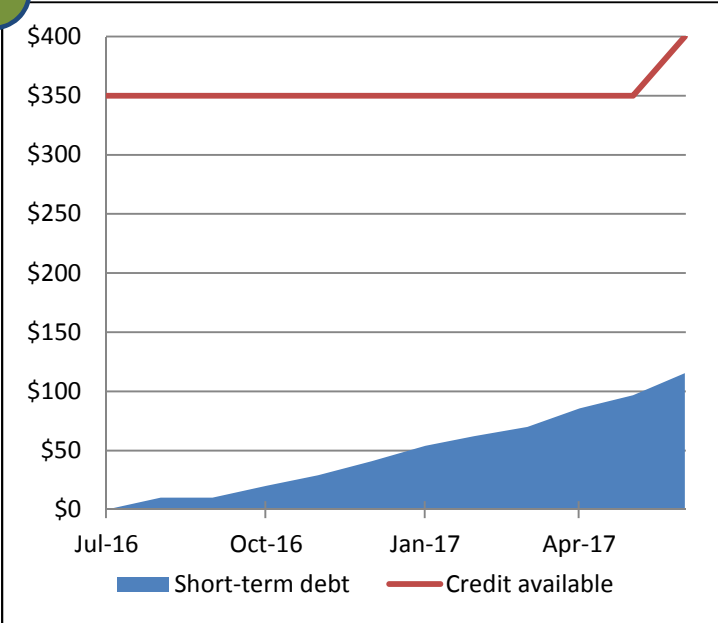
Investment Portfolio Yield



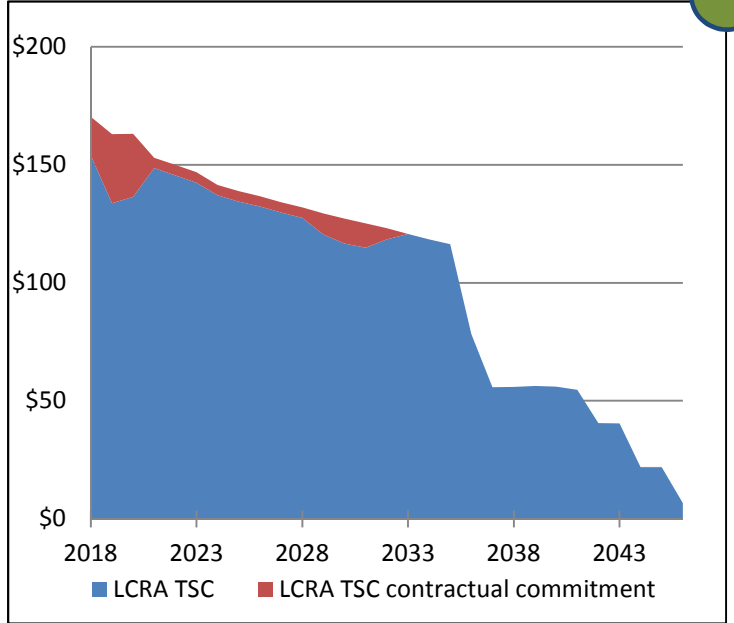
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

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

LCRA Transmission Services Corporation

Financial Highlights

July 2017

LCRA Transmission Services Corporation

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

Key terms:

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

ELOPPP – Extraordinary LCRA Optional Purchase Price Payment.

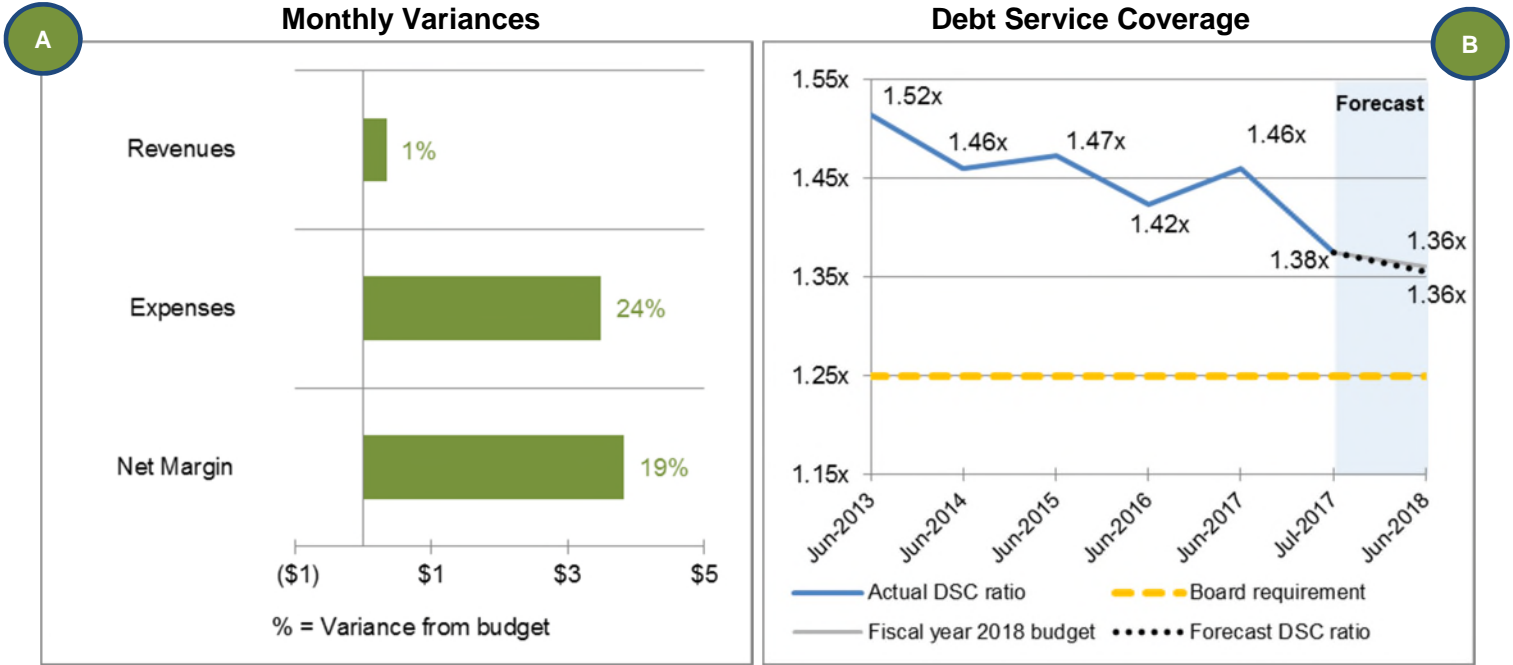
Net Margin – Total operating revenues, including interest income, less direct and assigned expenses.

LCRA Transmission Services Corporation

July 31, 2017

(Dollars in Millions)

Budget-to-Actual Highlights

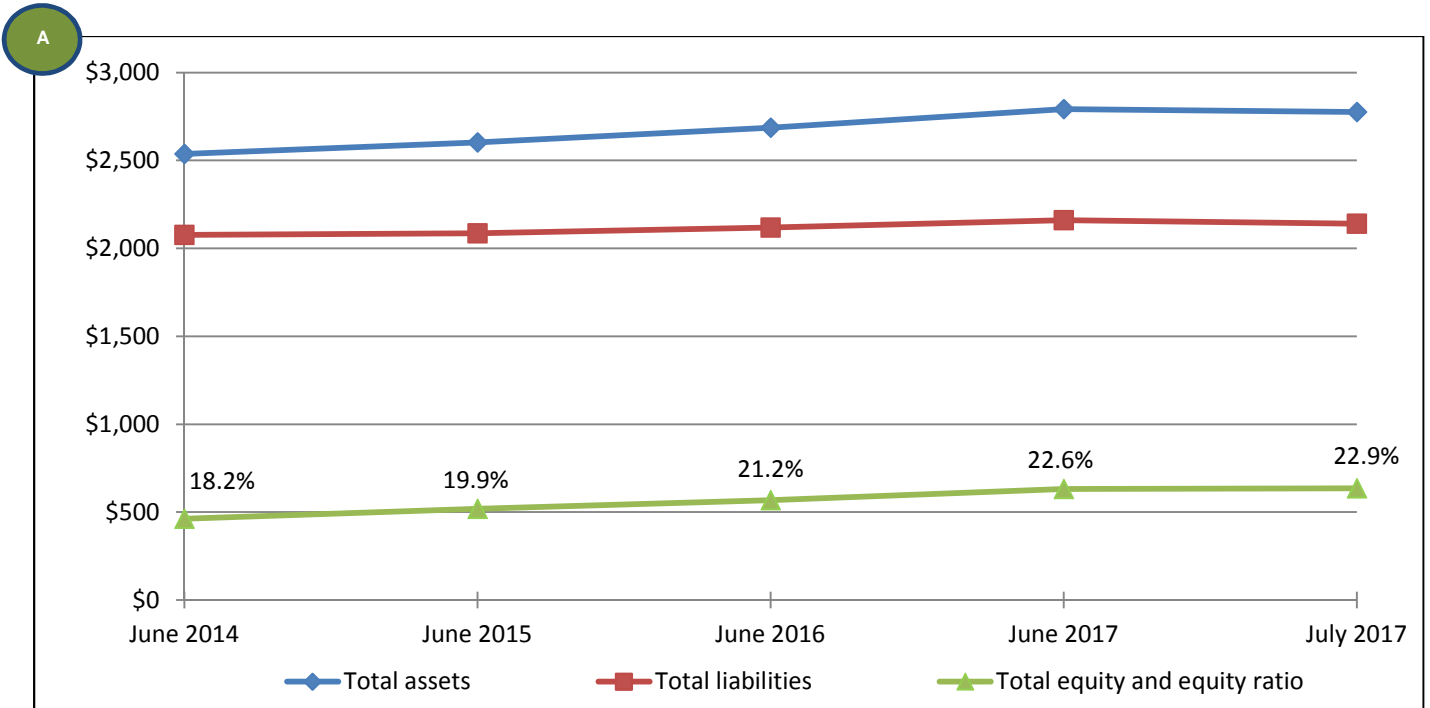


Key takeaways:

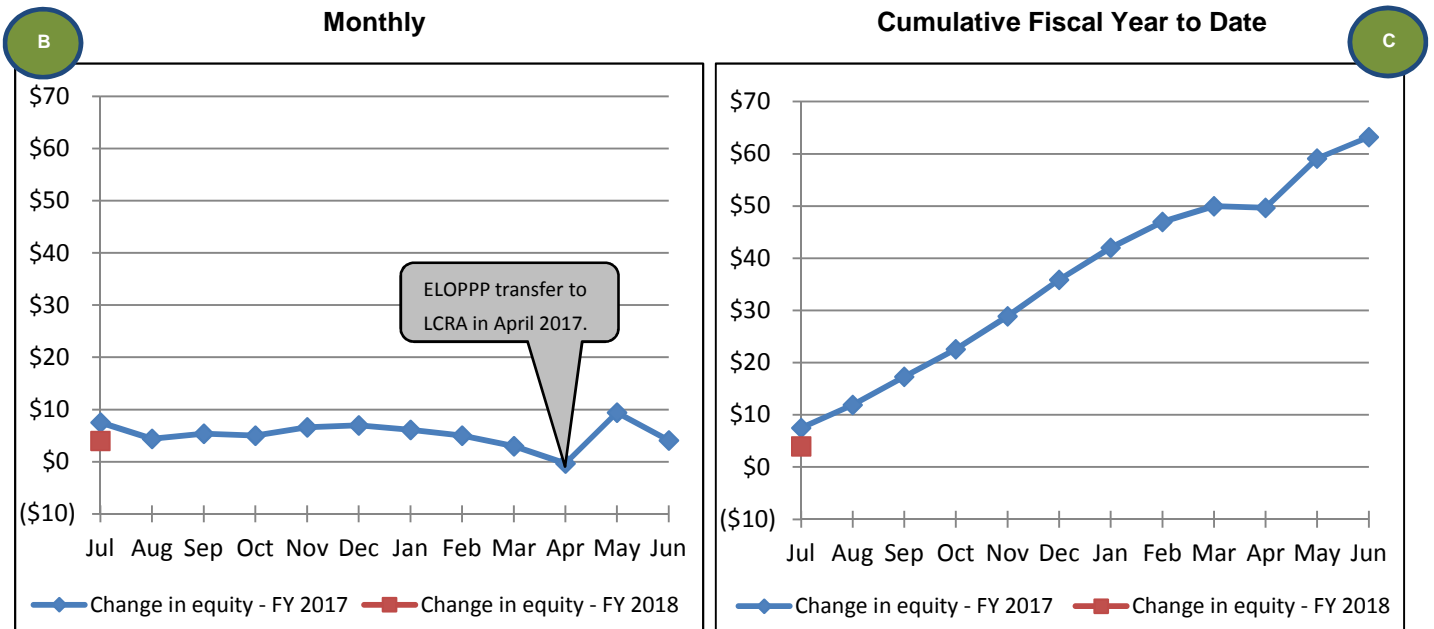
- Revenues for the month of July are slightly higher than budgeted due to a combination of generation interconnect studies, cost of services revenues and interest income.
- Expenses for the month of July are lower than budgeted primarily due to timing.
- Debt service coverage is currently expected to meet the budget of 1.36x.

LCRA Transmission Services Corporation
Financial Statement Trends
 July 31, 2017
 (Dollars in Millions)

Balance Sheet Trends



Income Statement Trends



Key takeaways:

- Assets increased due to a \$15 million increase in inventory recorded in March 2017 and an \$88.1 million increase in property, plant and equipment and construction work in progress compared to July 2016.
- Net income remains comparable to prior year.

LCRA Transmission Services Corporation

July 31, 2017
(Dollars in Millions)

Condensed Balance Sheets

	July 31, 2017	July 31, 2016
<i>Assets</i>		
Total current assets	\$ 243.1	\$ 215.3
Total long-term assets	2,533.0	2,470.7
Total Assets	\$ 2,776.1	\$ 2,686.0
<i>Liabilities</i>		
Total current liabilities	\$ 255.5	\$ 130.4
Total long-term liabilities	1,885.1	1,979.9
Total liabilities	2,140.6	2,110.3
<i>Equity</i>		
Total equity	635.5	575.7
Total Liabilities and Equity	\$ 2,776.1	\$ 2,686.0

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2018	2017
Operating Revenues		
Transmission	\$ 33.2	\$ 32.2
Transformation	1.2	1.1
Total Operating Revenues	34.4	33.3
Operating Expenses		
Operations	9.0	9.1
Maintenance	0.4	0.4
Depreciation and amortization	4.6	4.5
Total Operating Expenses	14.0	14.0
Operating Income	20.4	19.3
Nonoperating Expenses		
Interest on debt	(7.3)	(7.2)
Other expenses	(9.1)	(4.7)
Total Nonoperating Expenses	(16.4)	(11.9)
Change in Equity	4.0	7.4
Equity - Beginning of Period	631.5	568.3
Equity - End of Period	\$ 635.5	\$ 575.7

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FOR ACTION (CONSENT)

2. Minutes of Prior Meeting

Proposed Motion

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

EXHIBIT A

Minutes Digest
May 10, 2017

- 17-11 Approval of the minutes of the Feb. 15 and April 12, 2017, meetings.
- 17-12 Authorization for the chief executive officer or his designee to convey to Corix Utilities a wastewater line easement containing 0.017 of an acre across the LCRA Transmission Services Corporation Lometa Substation property in Lampasas County.
- 17-13 Adoption of a resolution approving the fiscal year 2018 business and capital plans for LCRA Transmission Services Corporation.
- 17-14A Approval of the adoption by LCRA of the Amended and Restated
and Twentieth Supplemental Resolution and the Twenty-Fourth Supplemental
17-14B Resolution to the Controlling Resolution establishing the LCRA
Transmission Contract Revenue Financing Program to authorize the
restatement of the LCRA Transmission Contract Revenue Notes Series C
and the creation of LCRA Transmission Contract Revenue Notes Series
D. Authorization for the chief executive officer or his designee to negotiate
and execute all related documents setting forth the terms and conditions
governing the issuance of the debt directly to certain banks in an amount
up to \$150 million for the Series C Notes and \$100 million for the Series D
Notes, including but not limited to: a note purchase agreement among
LCRA, LCRA Transmission Services Corporation (LCRA TSC) and Bank
of America, N.A. for the Series C Notes, the note purchase agreement
among LCRA, LCRA TSC and the RBC Capital Markets, LLC for the
Series D Notes, and the noteholder agreement between LCRA, LCRA
TSC and the RBC Municipal Products, LLC.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
May 10, 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 9:11 a.m. Wednesday, May 10, 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
Steve K. Balas
Lori A. Berger
Stephen F. "Steve" Cooper
Joseph M. "Joe" Crane
John M. Franklin
Raymond A. "Ray" Gill Jr.
Charles B. "Bart" Johnson
Sandra Wright "Sandy" Kibby
Robert "Bobby" Lewis
George W. Russell
Franklin Scott Spears Jr.
Martha Leigh M. Whitten

Absent: Pamela Jo "PJ" Ellison

Chair Timmerman convened the meeting at 9:11 a.m.

Vice President and Chief Operating Officer Mike Shuba presented his update to the Board. He said LCRA TSC continued to meet or exceed all targeted reliability metrics from Transmission and the Telecommunication business. Additionally, he said the capital and operations and maintenance activities for the fiscal year were completing per planning. He provided examples of standout continuous process improvements LCRA Transmission employees have generated and noted several LCRA safety achievements.

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

The Board next took action on the consent agenda.

17-11 Upon motion by Director Balas, seconded by Director Spears, the Board unanimously approved the minutes of the Feb. 15 and April 12, 2017, meetings [Consent Item 2] by a vote of 14 to 0.

17-12 Director of Real Estate Services Steven Brown presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], that the Board authorize the chief executive officer or his designee to convey to Corix Utilities a wastewater line easement containing 0.017 of an acre across the LCRA Transmission Services Corporation Lometa Substation property in Lampasas County. Upon motion by Director Berger, seconded by Director Cooper, the recommendation was unanimously approved by a vote of 14 to 0.

17-13 Director of Financial Planning and Analysis Stephen Kellicker presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board adopt a resolution approving the fiscal year 2018 business and capital plans for LCRA Transmission Services Corporation. The Board had a detailed discussion on the FY 2018 business and capital plans during a work session on April 12, 2017. Upon motion by Director Gill, seconded by Director Franklin, the recommendation was unanimously approved by a vote of 14 to 0.

17-14A-B Treasurer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board request and approve the adoption by LCRA of the Amended and Restated Twentieth Supplemental Resolution and the Twenty-Fourth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program to authorize the restatement of the LCRA Transmission Contract Revenue Notes Series C and the creation of LCRA Transmission Contract Revenue Notes Series D. Further, authorize the chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to certain banks in an amount up to \$150 million for the Series C Notes and \$100 million for the Series D Notes, including but not limited to: a note purchase agreement among LCRA, LCRA Transmission Services Corporation (LCRA TSC) and Bank of America, N.A. for the Series C Notes, the note purchase agreement among LCRA, LCRA TSC and the RBC Capital Markets, LLC for the Series D Notes, and the noteholder agreement between LCRA, LCRA TSC and the RBC Municipal Products, LLC. Upon motion by Director Balas, seconded by Director Cooper, the recommendation was unanimously approved by a vote of 14 to 0.

There being no further business to come before the Board, the meeting was adjourned at 9:28 a.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation

FOR ACTION

3. Capital Improvement Project Approval – Bakersfield-to-Solstice Transmission Line Addition

Proposed Motion

Approve the capital improvement project authorization request for the Bakersfield-to-Solstice Transmission Line Addition 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 is not included in LCRA TSC's fiscal year 2018 capital plan.
- Staff seeks approval for a total lifetime budget of \$46,446,000, including \$418,000 staff expects to spend this fiscal year.
- The proposed lifetime budget for the project 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.

Summary

Staff recommends the Bakersfield-to-Solstice Transmission Line Addition project in Pecos County as an addendum to the FY 2018 capital plan. This project is a portion of the larger Electric Reliability Council of Texas Far West Texas Project, which is intended to serve increased loads driven by Shale development in the Permian Basin and was approved by the ERCOT Board on June 13, 2017. Within this larger project, Oncor, American Electric Power and LCRA TSC were designated as co-providers of facilities. AEP and LCRA TSC each will construct a portion of the Bakersfield-to-Solstice 345-kilovolt transmission line. LCRA TSC also will install circuit breakers, switches and relaying for the line termination and upgrade the 345-kV buswork at Bakersfield Substation.

The required project completion date is May 2022. The funds will pay for project management, regulatory activities, engineering, real estate activities, materials, construction and necessary land rights. LCRA TSC representatives will perform environmental and cultural due diligence studies and address all identified concerns. This project requires a Certificate of Convenience and Necessity.

Project Recap

Total Project Estimated Cost \$46,446,000

Previous Project Lifetime Budget: \$ 0

Additional Lifetime Budget Approval Sought: \$46,446,000

FY 2018 \$ 418,000

FY 2019 \$ 1,062,000

FY 2020 \$ 2,176,000

FY 2021 \$ 9,000,000

FY 2022 \$33,790,000

Total: \$46,446,000

Project Direction

Project Manager: Brian Good

Project Sponsor: Kristian M. Koellner

Project Number: 1018599

Presenter(s)

Mike Shuba

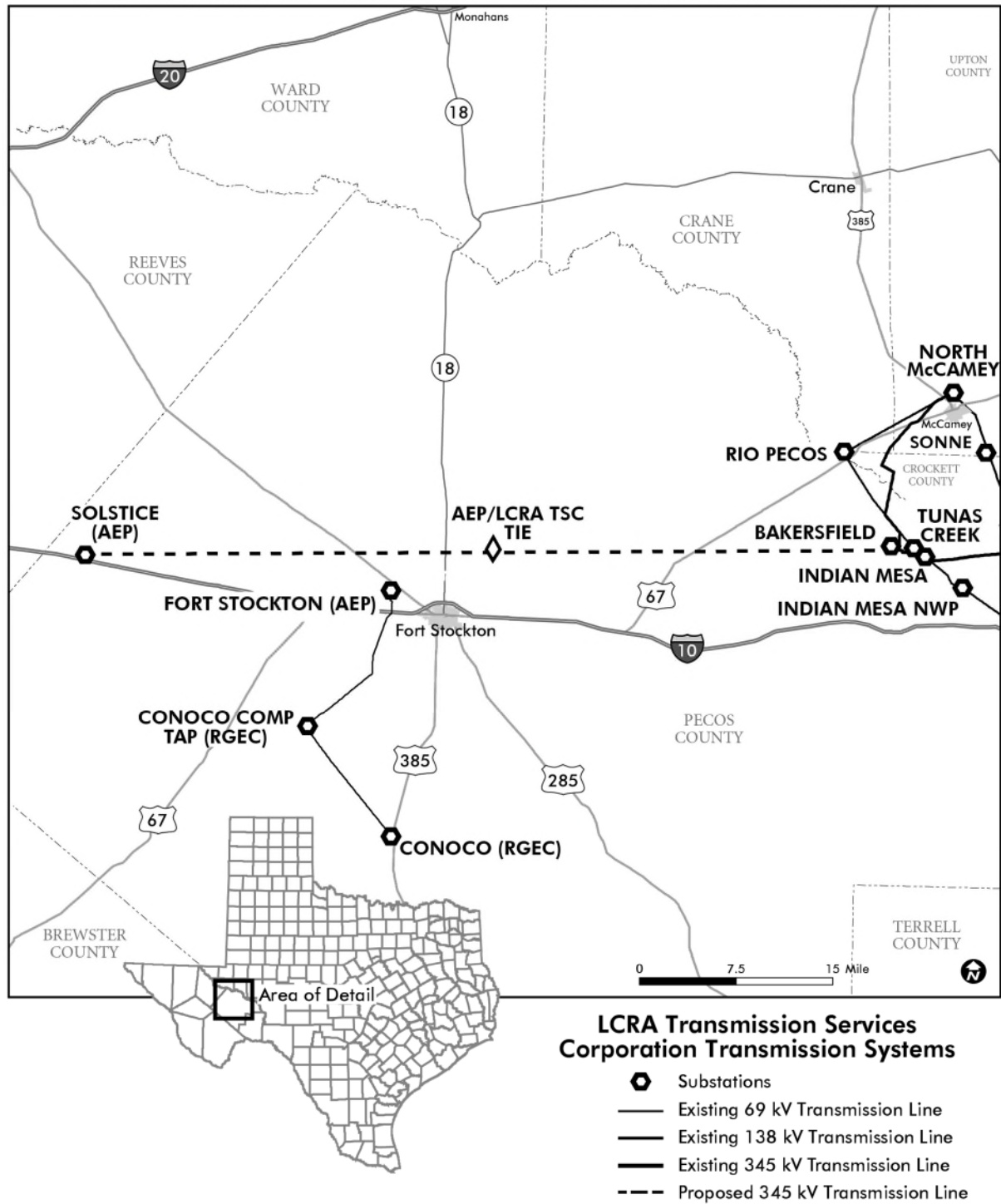
Vice President and Chief Operating Officer

Exhibit(s)

A – Location Map – Bakersfield-to-Solstice Transmission Line Addition

EXHIBIT A

Bakersfield-to-Solstice Transmission Line Addition



FOR ACTION

4. Capital Improvement Project Approval – Horse Crossing-to-Rio Pecos Transmission Line Addition

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the Horse Crossing-to-Rio Pecos Transmission Line Addition, 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.

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 2018 capital plan.
- Staff seeks approval for a total lifetime budget of \$2,399,000, including \$1,558,000 staff expects to spend this fiscal year.
- The proposed lifetime budget for the project 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.
- The generation developer will provide financial security to reimburse LCRA TSC if the project is not completed.

Summary

Staff recommends the Horse Crossing-to-Rio Pecos Transmission Line Addition project in Crockett and Crane counties 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 generation facilities owned by independent power producers. This requirement includes constructing new facilities and modifying existing facilities.

Through an Electric Reliability Council of Texas process, a generation developer requested an interconnection to American Electric Power's 138-kilovolt Rio Pecos Substation. LCRA TSC became aware of the request in May 2017. The facility will connect to an existing open position along the T451 Rio Pecos-to-Crane 138-kV transmission line. LCRA TSC will add a second circuit on the open position from the point of interconnection to the Rio Pecos Substation. LCRA TSC will negotiate an

interconnect agreement with the generation developer to connect the generation facilities to the existing transmission system, taking into consideration that the assessment results may impose additional requirements to ensure that the interconnection will not negatively impact reliability of transmission service.

The required project completion date is October 2018. The funds will pay 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. This project does not require a Certificate of Convenience and Necessity.

Project Recap

Total Project Estimated Cost		<u>\$2,399,000</u>
Previous Project Lifetime Budget:		\$ 0
Additional Lifetime Budget Approval Sought:		<u>\$2,399,000</u>
FY 2018	\$1,558,000	
FY 2019	\$ 841,000	
Total:		<u>\$2,399,000</u>

Project Direction

Project Manager: Erika Foster
Project Sponsor: Kristian M. Koellner
Project Number: 1018600

Presenter(s)

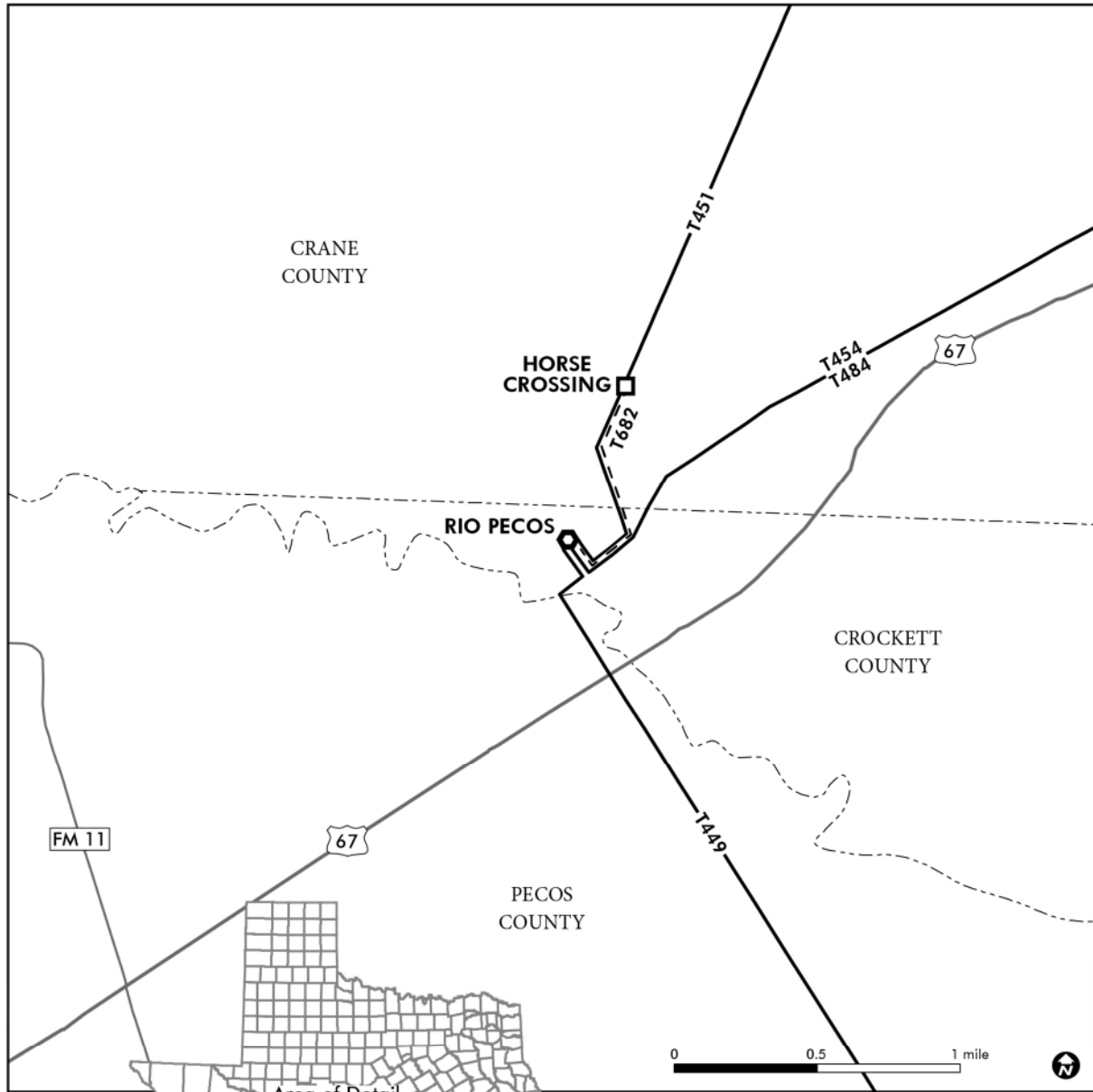
Mike Shuba
Vice President and Chief Operating Officer

Exhibit(s)

A – Location Map – Horse Crossing-to-Rio Pecos Transmission Line Addition

EXHIBIT A

Horse Crossing-to-Rio Pecos Transmission Line Addition



LCRA Transmission Services Corporation Transmission Systems

- Substations
- Proposed Future Substation
- Existing 138 kV Transmission Line
- Existing 345 kV Transmission Line
- - - Proposed 345 kV Transmission Line

FOR ACTION

5. Capital Improvement Project Approval – Bakersfield Reactor Bank Addition

Proposed Motion

Approve the capital improvement project authorization request for the Bakersfield Reactor Bank Addition 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 is included in LCRA TSC's fiscal year 2018 capital plan.
- Staff seeks approval to increase the total lifetime budget from \$3,789,000 to \$4,560,000 which includes \$1,495,000 staff expects to spend this fiscal year.
- The proposed lifetime budget for the project included a contingency of 2 percent.
- Staff members believe this additional spending can be managed 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

Staff in December 2015 recommended the Bakersfield Reactor Bank Addition project as an addendum to the FY 2016 capital plan. This project consists of installing two 345-kilovolt, 50-megavolt ampere reactors and associated switching equipment at the Bakersfield Substation to control voltage. Electric system studies indicate the system voltage in the area will exceed acceptable limits without these voltage-control devices once additional renewable generation is connected to LCRA TSC's existing Bakersfield and Schneeman Draw substations.

Staff in September 2014 developed the current project budget. The budget increase is a result of additional construction and material costs caused by an accelerated schedule that required the use of outside contractors with associated premium costs versus internal resources. The use of outside resources was necessary due to the current workload of LCRA staff originally scheduled for this work. These increases are partially offset by reductions in project management, real estate, environmental and engineering.

The project is scheduled for completion in December 2017. 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.

Direction Project Recap

Total Project Estimated Cost:	<u>\$4,560,000</u>
Previous Project Lifetime Budget:	\$3,789,000
Additional Lifetime Budget Approval Sought:	<u>\$771,000</u>
Through FY 2017	\$3,065,000
FY 2018	\$1,495,000
Total:	<u>\$4,560,000</u>

Project

Project Manager: Manny Garcia
Project Sponsor: Kristian M. Koellner
Project Number: 1016061

Presenter(s)

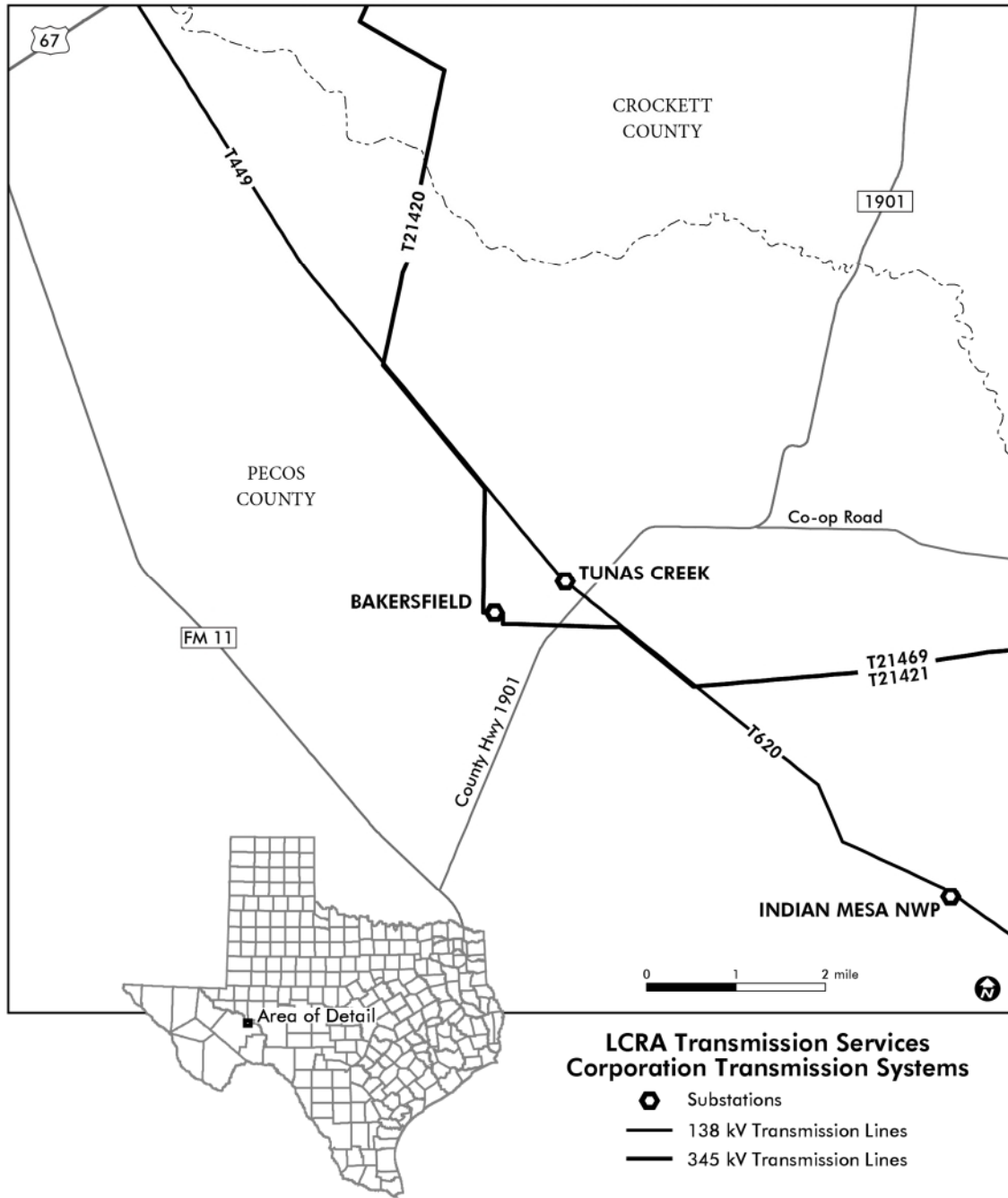
Mike Shuba
Vice President and Chief Operating Officer

Exhibit(s)

A – Location Map – Bakersfield Reactor Bank Addition

EXHIBIT A

Bakersfield Reactor Bank Addition



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