

LCRA Transmission Services Corporation

**Board Agenda**

Wednesday, Oct. 17, 2018  
LCRA Board Room  
Austin

**Items from the Chief Executive Officer**

CEO/COO Update

**Items from the Chief Financial Officer**

- 1. Financial Report ..... 4

**Consent Items**

- \*2. Sale of Land in Guadalupe County ..... 5
- \*3. Sale of Land in DeWitt County ..... 8
- 4. Minutes of Prior Meeting ..... 11

**Action Items**

- 5. Approve Amendment of the LCRA Transmission Contract Revenue Notes Series C Note Purchase Agreement and Authorize Related Agreements ..... 18
- 6. Approve LCRA’s Restated Twenty-Fourth Supplemental Resolution to the LCRA Transmission Contract Revenue Financing Program to Amend the LCRA Transmission Contract Revenue Notes, Tax-Exempt Series D and Authorize Related Agreements ..... 20
- 7. Capital Improvement Project Approval – Leander-to-Round Rock Transmission Line Addition ..... 22
- 8. Acquisition of Interests in Real Property – Use of Eminent Domain in Williamson County ..... 25
- 9. Acquisition of Interests in Real Property – Use of Eminent Domain in Austin County ..... 55
- 10. LCRA Transmission Services Corporation Board Policy T401 – Land Resources ..... 63

**\*This agenda item requires the approval of at least 12 Board members.**

**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.

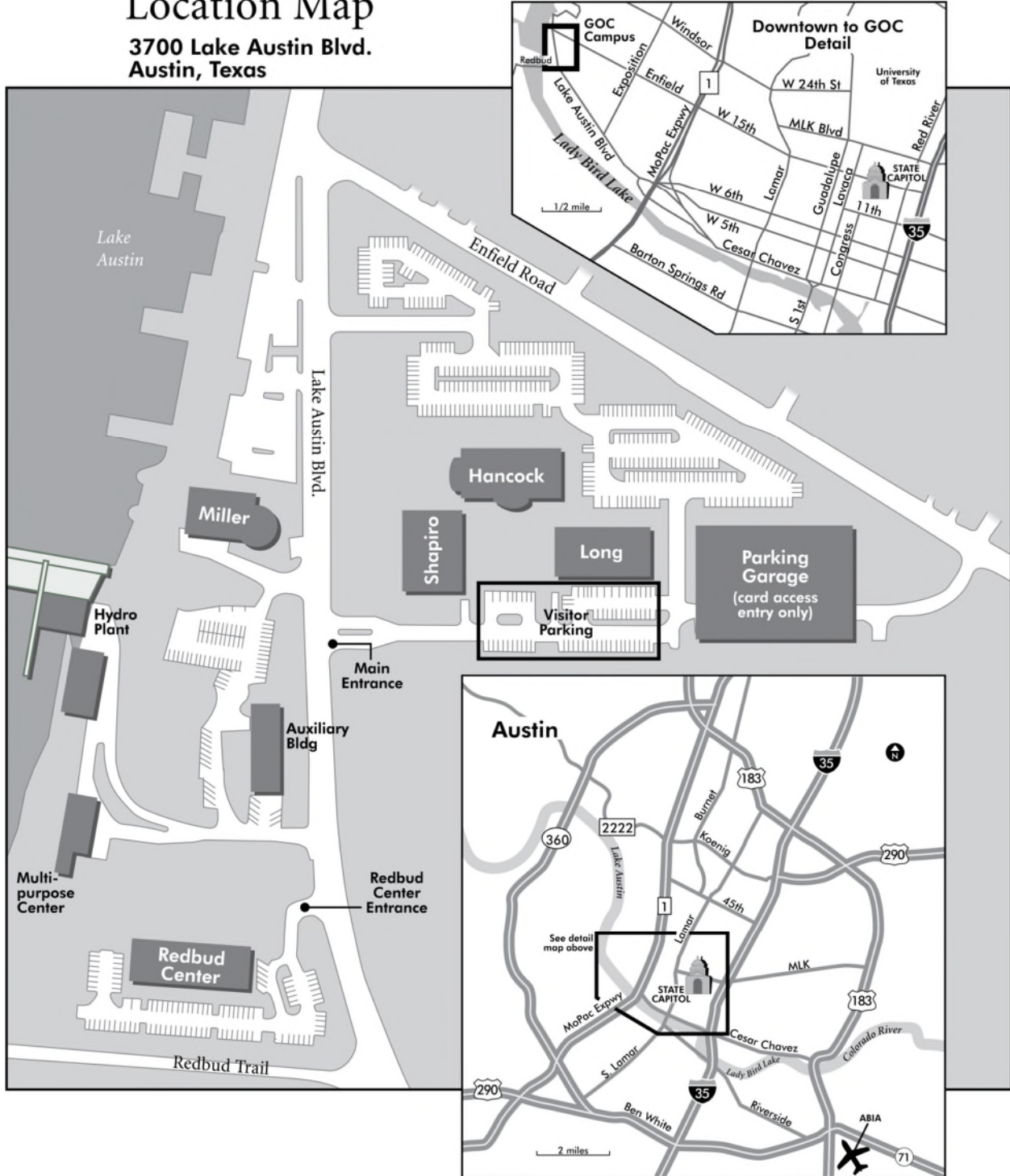
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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 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 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**  
**September 2018**

# 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.

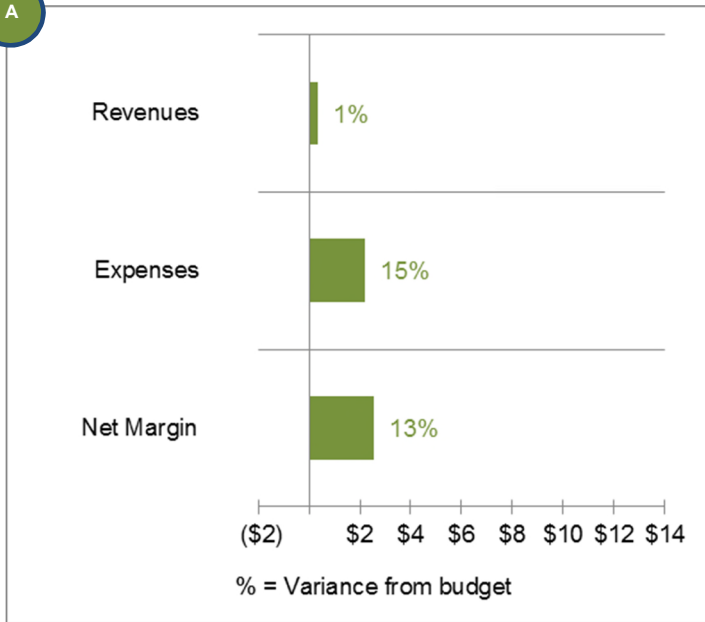
# LCRA Transmission Services Corporation

Sept. 30, 2018

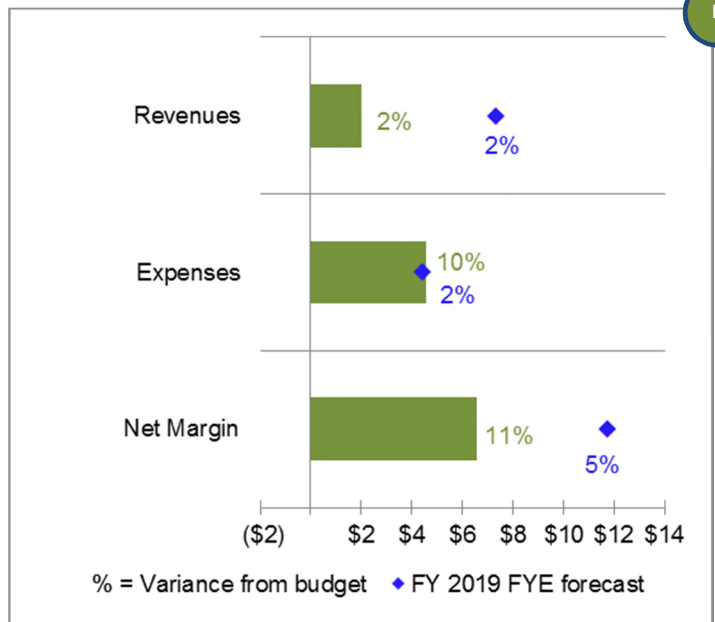
(Dollars in Millions)

## Budget-to-Actual Highlights

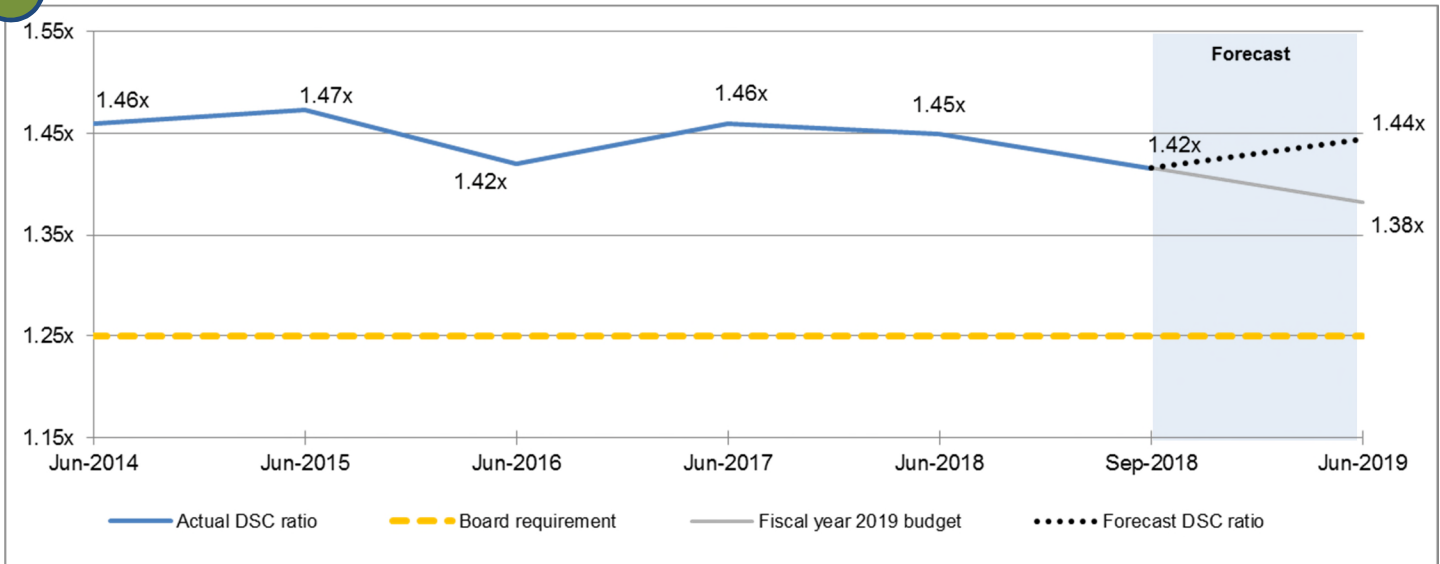
### Monthly Variances



### Fiscal Year-to-Date Variances



### Debt Service Coverage



#### Key takeaways:

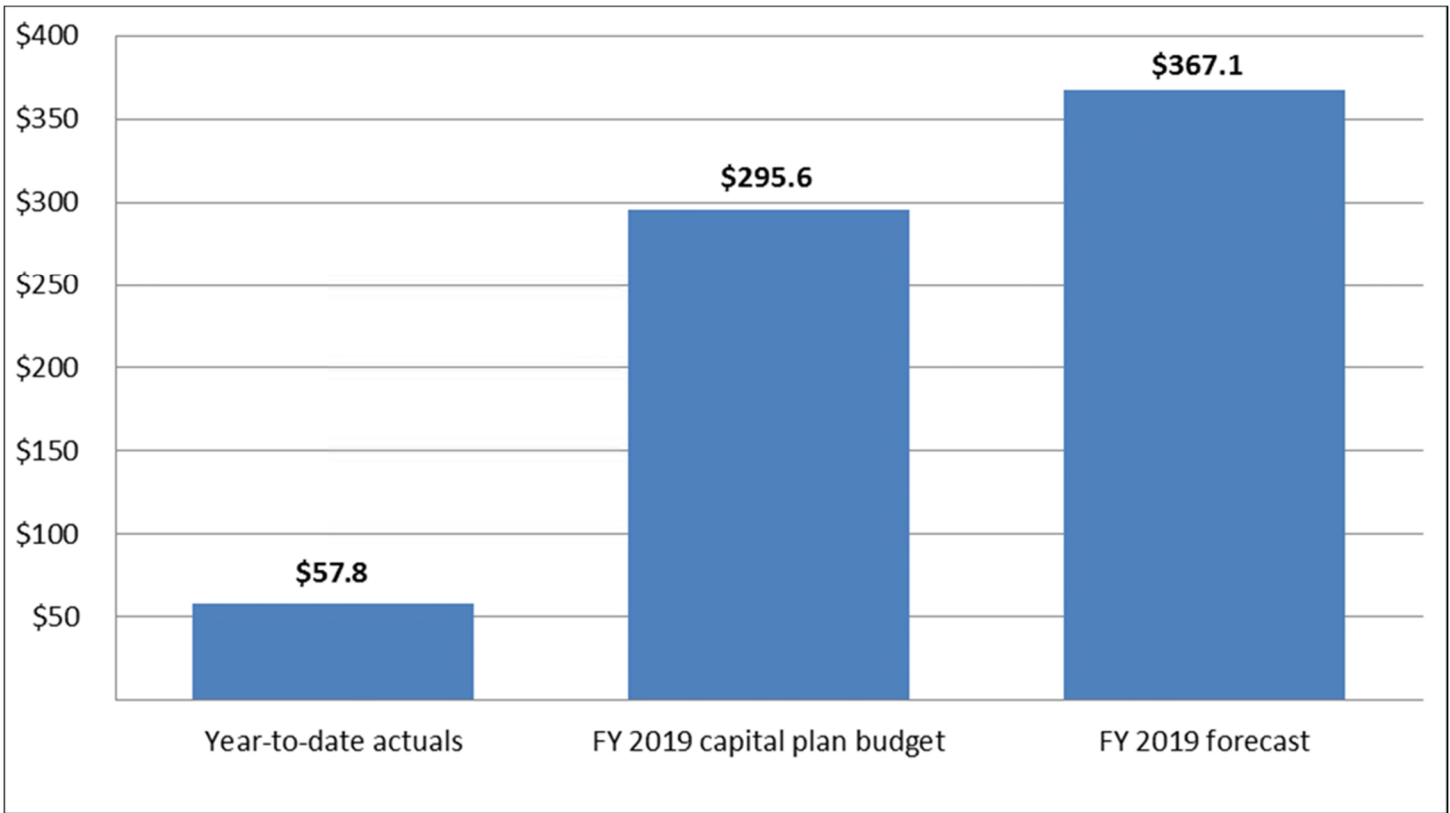
- Lower expenses, including timing differences and higher miscellaneous revenues, drove the monthly performance.
- Higher miscellaneous, cost-of-service and interest income revenues, as well as lower expenses, including timing differences, drove year-to-date performance.
- Higher-than-budgeted Transmission revenues due to a higher-than-planned interim capital addition rate filing and an increased 4CP, as well as lower-than-budgeted expenses, drove the year-end forecast.
- Higher-than-budgeted revenue and lower-than-budgeted expense year-end forecasts are driving the higher-than-budgeted debt service coverage projection.

# LCRA Transmission Services Corporation

Sept. 30, 2018

(Dollars in Millions)

## Capital Forecast



Business area	Year-to-date actuals	Percentage of budget spent	FY 2019 capital plan budget	FY 2019 capital forecast	Variance to forecast
Transmission	\$ 57.8	20%	\$ 295.6	\$ 367.1	\$ (71.5)

### Key takeaways:

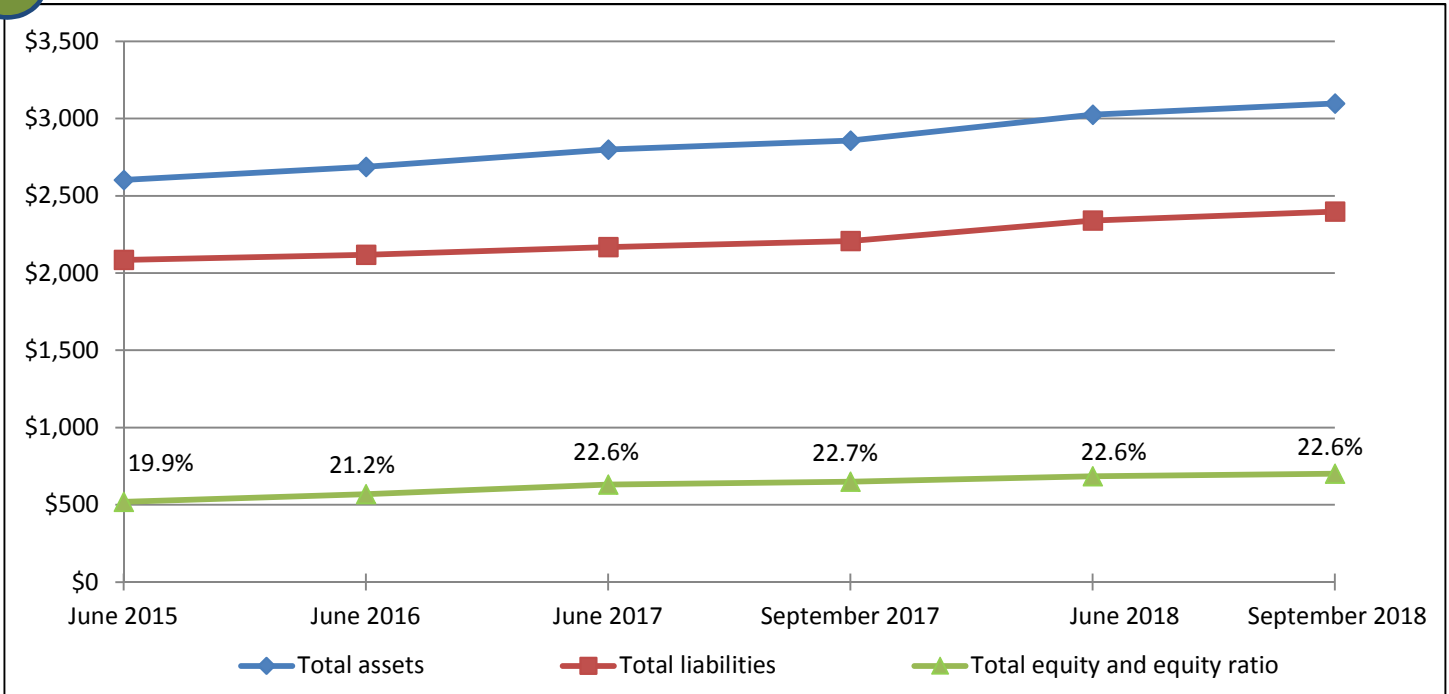
- LCRA Transmission currently is projecting capital spending for FY 2019 to be \$71.5 million over the capital plan budget of \$295.6 million. The primary driver for the current FY 2019 forecast variance is the Leander-to-Round Rock Transmission Line project forecast that increased from \$32 million to \$86 million in the FY 2019 spending forecast. Staff will continue to monitor the variance and seek a fiscal year budget reset when and if required.
- In February 2018, the LCRA TSC Board approved resolutions delegating authority to the president and chief executive officer on a short-term basis to approve new generation interconnection projects, new projects under \$1.5 million, and additional funding for capital projects expected to exceed a lifetime budget by 10 percent and \$300,000. The president and CEO approved two new projects and one budget reset this quarter:
  - New Project: Amos Creek Substation Addition for \$12.8 million.
  - New Project: Bergheim Power Transformer Addition for \$469,000.
  - Budget Reset: LCRA TSC Fiber Build-Out – FY 2018 Telecommunications Upgrade project from \$20.7 million to \$28.4 million.



**LCRA Transmission Services Corporation**  
**Financial Statement Trends**  
 Sept. 30, 2018  
 (Dollars in Millions)

**Balance Sheet Trends**

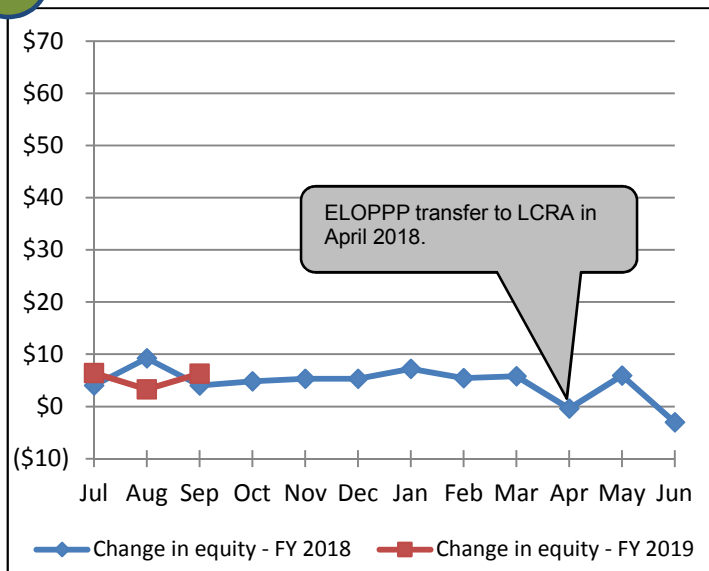
A



**Income Statement Trends**

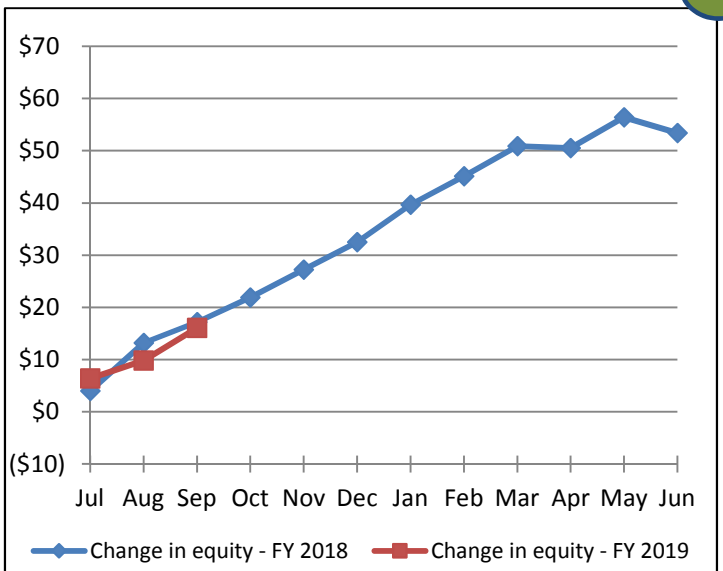
**Monthly**

B



**Cumulative Fiscal Year to Date**

C



**Key takeaways:**

- Assets increased due to a \$214.9 million increase in property, plant and equipment, and construction-work-in-progress compared to September 2017. Liabilities increased by \$189.8 million due to a \$164.2 million increase in debt related to the capital asset increase.
- Fiscal year-to-date net income through September 2018 is consistent with the prior year.

# LCRA Transmission Services Corporation

**Sept. 30, 2018**

(Dollars in Millions)

## Condensed Balance Sheets

	<b>Sept. 30, 2018</b>	<b>Sept. 30, 2017</b>
<i>Assets</i>		
Total current assets	\$ 244.5	\$ 222.0
Total long-term assets	2,853.7	2,634.9
<b>Total Assets</b>	<b>\$ 3,098.2</b>	<b>\$ 2,856.9</b>
<i>Liabilities</i>		
Total current liabilities	\$ 366.6	\$ 312.4
Total long-term liabilities	2,031.0	1,895.4
Total liabilities	2,397.6	2,207.8
<i>Equity</i>		
Total equity	700.6	649.1
<b>Total Liabilities and Equity</b>	<b>\$ 3,098.2</b>	<b>\$ 2,856.9</b>

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

	Fiscal Year to Date	
	2019	2018
<b>Operating Revenues</b>		
Transmission	\$ 99.3	\$ 99.6
Transformation	3.7	3.5
Other	0.4	0.2
<b>Total Operating Revenues</b>	103.4	103.3
<b>Operating Expenses</b>		
Operations	33.2	33.0
Maintenance	1.9	2.3
Depreciation and amortization	16.9	16.5
<b>Total Operating Expenses</b>	52.0	51.8
<b>Operating Income</b>	51.4	51.5
<b>Nonoperating Expenses</b>		
Interest on debt	(22.6)	(21.9)
Other expenses	(12.7)	(12.4)
<b>Total Nonoperating Expenses</b>	(35.3)	(34.3)
<b>Change in Equity</b>	16.1	17.2
<b>Equity - Beginning of Period</b>	684.5	631.9
<b>Equity - End of Period</b>	<b>\$ 700.6</b>	<b>\$ 649.1</b>

# LCRA Transmission Services Corporation

Sept. 30, 2018

(Dollars in Millions)

## Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2019	2018
Net cash provided by operating activities	\$ 45.3	\$ 75.5
Net cash used in noncapital financing activities	(4.7)	(4.6)
Net cash used in capital and financing activities	(5.9)	(31.3)
Net cash provided by (used in) investing activities	16.1	(24.7)
<b>Net Increase in Cash and Cash Equivalents</b>	50.8	14.9
<b>Cash and Cash Equivalents - Beginning of Period</b>	60.7	45.7
<b>Cash and Cash Equivalents - End of Period</b>	<u>\$ 111.5</u>	<u>\$ 60.6</u>

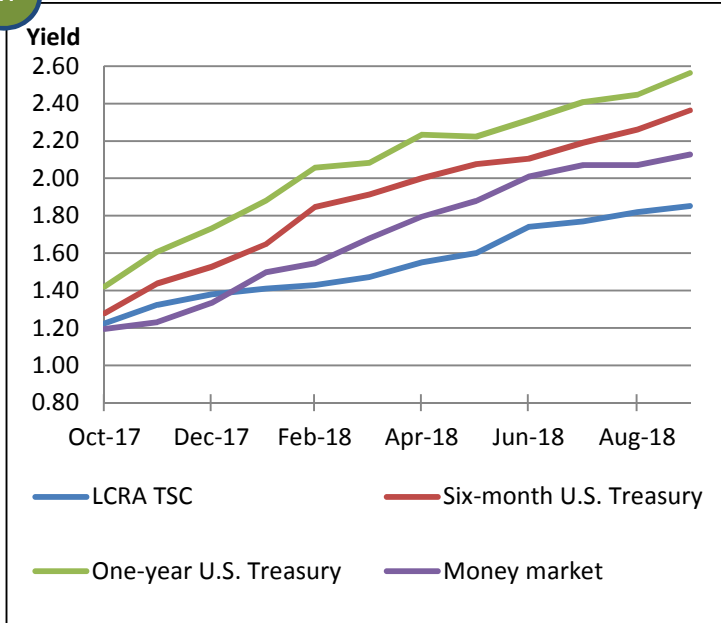
# LCRA Transmission Services Corporation

Sept. 30, 2018

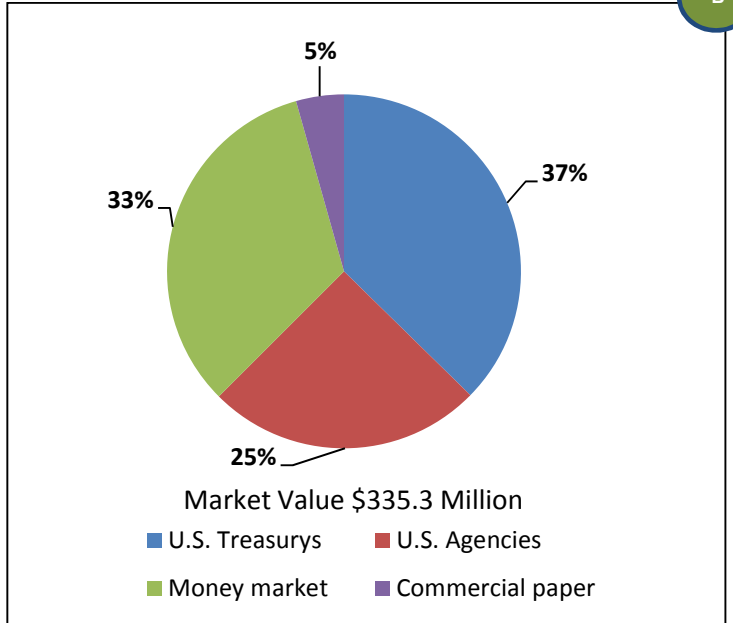
(Dollars in Millions)

## Investments and Debt

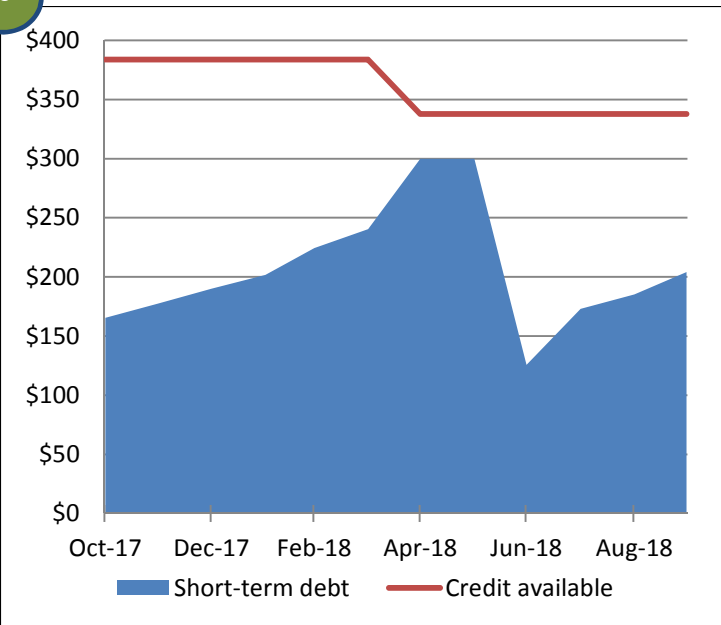
### Investment Portfolio Yield



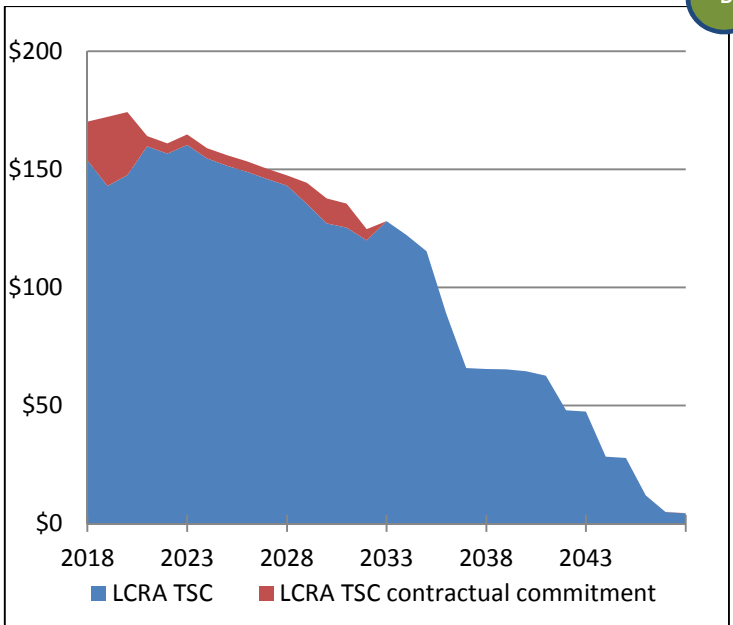
### Investment Portfolio Composition



### Short-Term Debt



### Bond Debt Service



#### Key takeaway:

- As expected, the Federal Open Market Committee raised the federal funds target rate by 25 basis points at its September 26 meeting, representing the third such increase in 2018. The market is anticipating a fourth rate increase of 25 basis points at the December 2018 meeting.

## **FOR ACTION (CONSENT)**

This agenda item requires the approval of  
at least 12 members of the Board.

# **2. Sale of Land in Guadalupe County**

### **Proposed Motion**

Declare 37 lots totaling 7.276 acres in Guadalupe County nonessential and authorize the president and chief executive officer or his designee to sell the lots to the City of Schertz.

### **Board Consideration**

LCRA Transmission Services Corporation Board Policy T401 – Land Resources requires at least 12 members of the LCRA TSC Board to declare the land no longer necessary or beneficial to the business of LCRA TSC before conveyance. Additionally, LCRA TSC Board Policy T401 requires LCRA TSC Board approval of the terms of all land sales before conveyance.

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

The administrative costs associated with the sale of this land are contained in the fiscal year 2019 business plan. Proceeds from the sale of land will benefit LCRA TSC.

### **Summary**

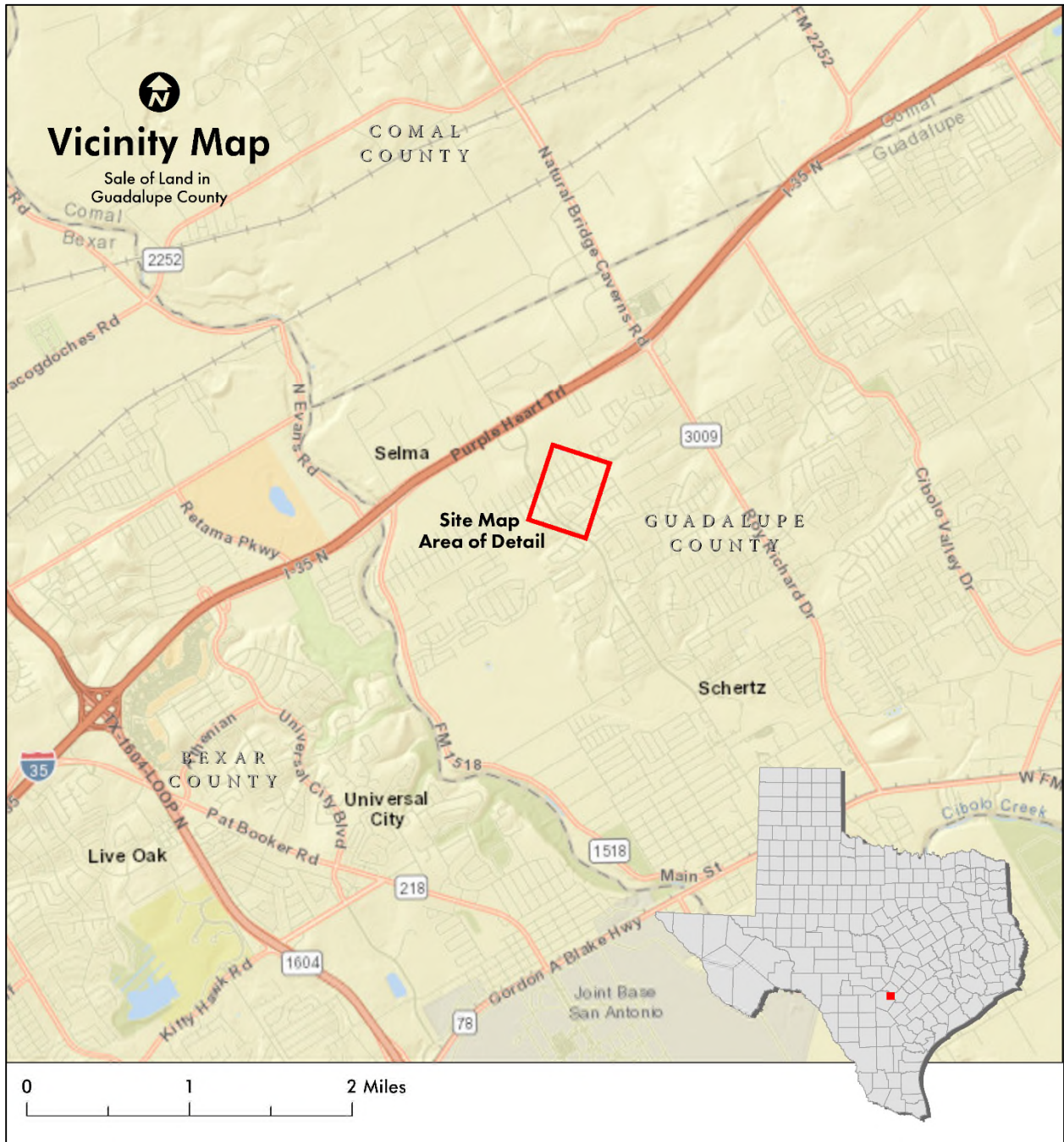
In 1997, LCRA acquired 36 small residential lots in Schertz for construction of the T-581 transmission line. These lots were transferred from LCRA to LCRA TSC along with the T-581 transmission line as part of the conveyance of LCRA's entire transmission system to LCRA TSC in 2002. In 2015, LCRA TSC acquired one additional lot. The City of Schertz has agreed to purchase these 37 lots for \$100 per lot for a total of \$3,700. The City of Schertz is planning to construct a hike-and-bike trail over a portion of the lots. Selling the property to the City will save LCRA TSC the operational costs associated with ownership including real estate taxes and maintenance costs. LCRA TSC will reserve a transmission line easement over all 37 lots for the continued operation of its transmission line.

LCRA TSC representatives will complete environmental and cultural resource due diligence assessments in accordance with LCRA TSC Board Policy T401 before the sale of the property.

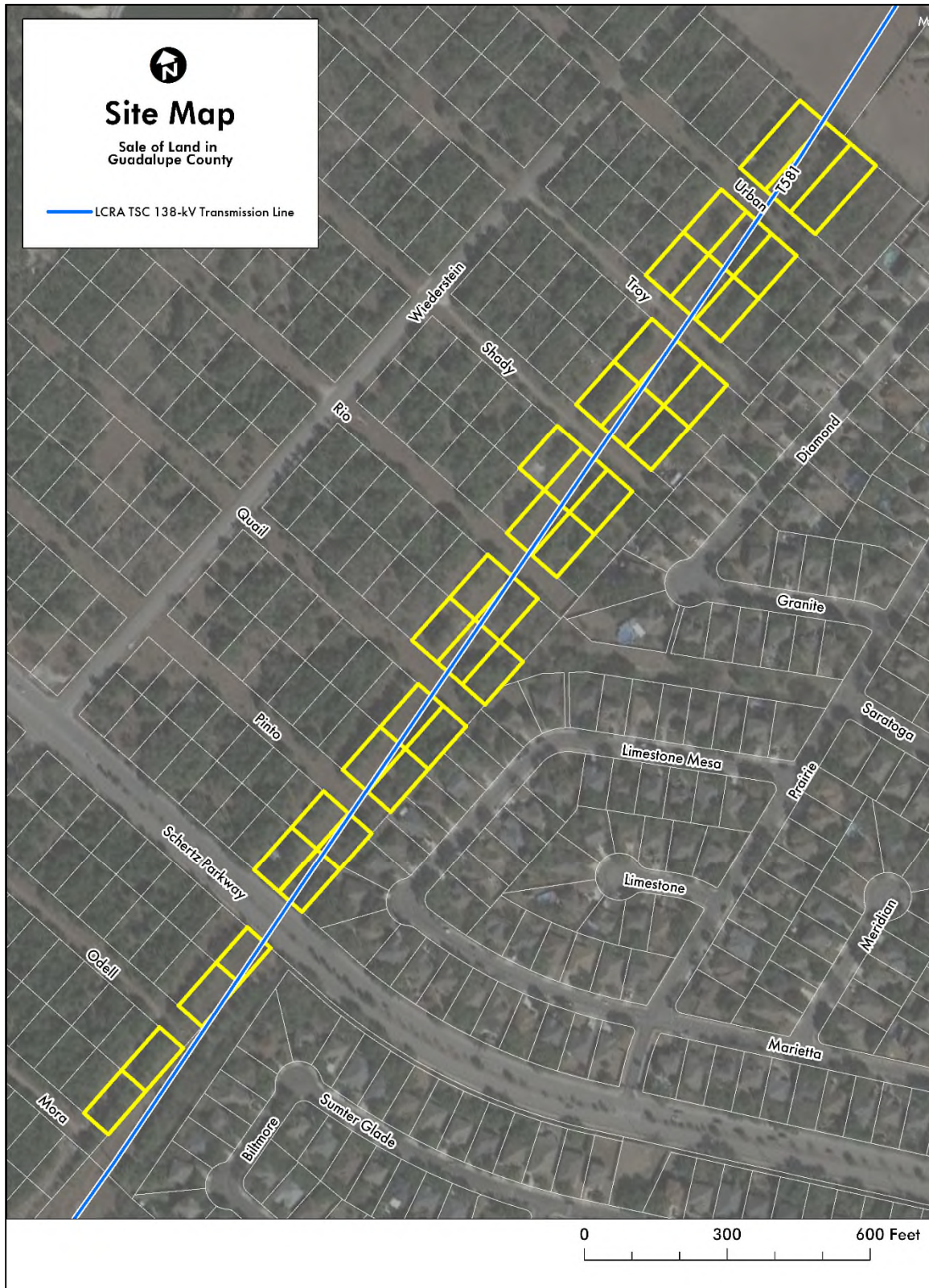
### **Exhibit(s)**

- A – Vicinity Map
- B – Site Map

**EXHIBIT A**



**EXHIBIT B**



**FOR ACTION (CONSENT)**

This agenda item requires the approval of  
at least 12 members of the Board.

### **3. Sale of Land in DeWitt County**

#### **Proposed Motion**

Declare a 0.375-acre tract in DeWitt County nonessential and authorize the president and chief executive officer or his designee to sell the property to Chris and Roxanne Buesing.

#### **Board Consideration**

LCRA Transmission Services Corporation Board Policy T401 – Land Resources requires at least 12 members of the LCRA TSC Board to declare the land no longer necessary or beneficial to the business of LCRA TSC before conveyance. Additionally, LCRA TSC Board Policy T401 requires LCRA TSC Board approval of the terms of all land sales before conveyance.

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

The administrative costs associated with the sale of this land are contained in the fiscal year 2019 business plan. Proceeds from the sale of land will benefit LCRA TSC.

#### **Summary**

In 2009, LCRA TSC acquired the 0.375-acre Cuero Hydro Substation from AEP Texas Central Company. In 2015, the substation was decommissioned and the equipment was removed. Chris and Roxanne Buesing requested to purchase this 0.375-acre tract and agreed to a sales price of \$4,000. The Buesing's existing land adjoins this tract on all sides.

LCRA TSC representatives will complete environmental and cultural resource due diligence assessments in accordance with Board Policy T401 before the sale of the property.

The property will be sold subject to the following reservations and restrictions:

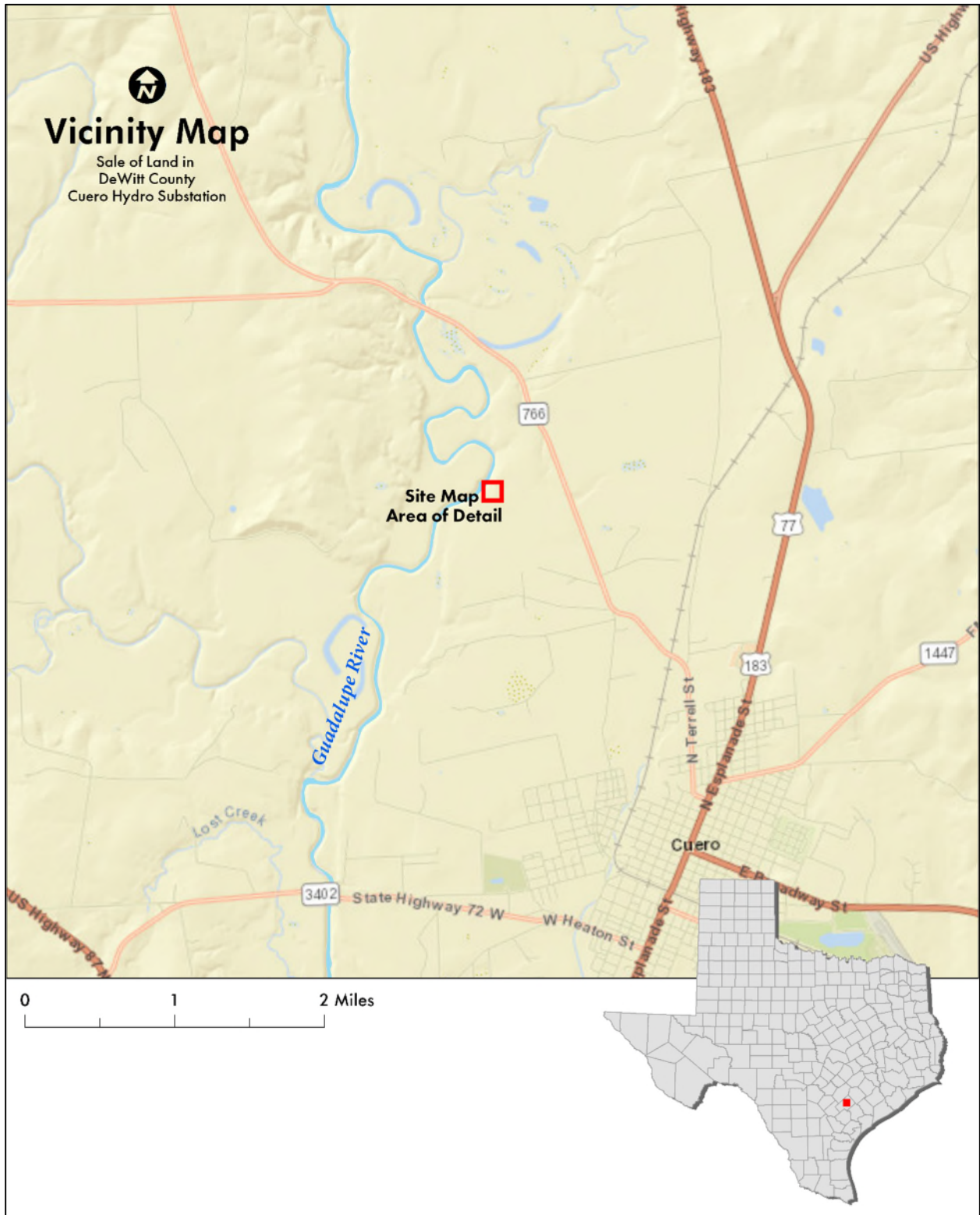
- 1) LCRA TSC will reserve all presently held oil, gas and other mineral rights of every kind or character in, on, and under the property, provided that LCRA TSC shall not be permitted to drill or excavate for minerals on the surface of the property.
- 2) LCRA TSC will reserve a 30-foot aerial easement along the south side of the sale tract for the existing transmission line located on the adjacent property.

#### **Exhibit(s)**

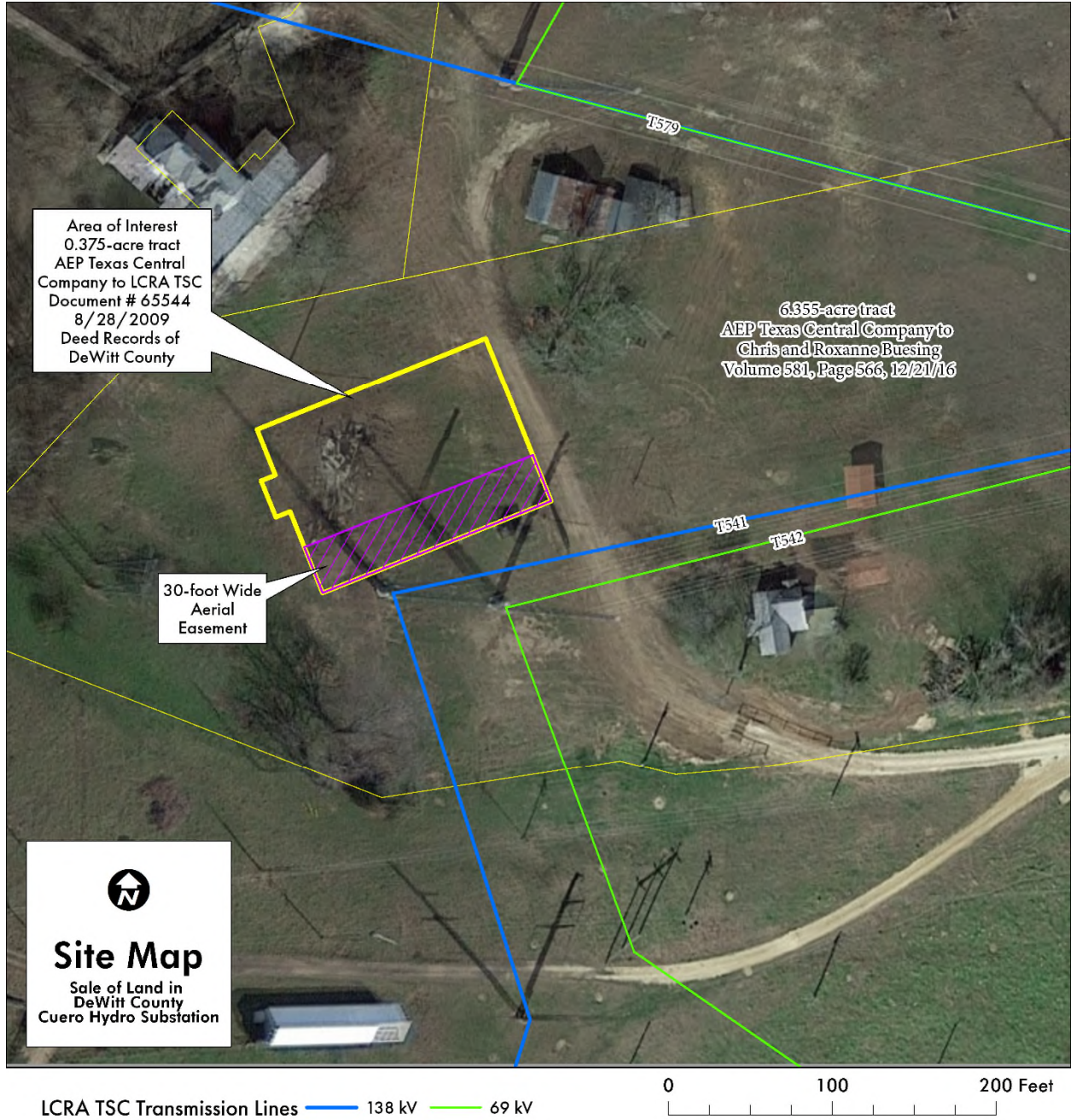
- A – Vicinity Map
- B – Site Map



**EXHIBIT A**



**EXHIBIT B**



**FOR ACTION (CONSENT)**

## **4. Minutes of Prior Meeting**

**Proposed Motion**

Approve the minutes of the Aug. 22, 2018, meeting.

**Board Consideration**

Section 4.06 of the LCRA Transmission Services Corporation bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

**Budget Status and Fiscal Impact**

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

**Summary**

Staff presents the minutes of each meeting to the Board for approval.

**Exhibit(s)**

A – Minutes of Aug. 22, 2018, meeting

## **EXHIBIT A**

Minutes Digest  
Aug. 22, 2018

- 18-31 Appointment of Kristen Senechal as vice president and chief operating officer of LCRA Transmission Services Corporation effective immediately.
- 18-32 Approval of the minutes of the May 16, 2018, meeting.
- 18-33 Approval and ratification of an amendment to the fiscal year 2018 LCRA Transmission Services Corporation capital plan to increase authorization for capital spending in FY 2018 from \$275 million to \$295.6 million.
- 18-34 Approval of the Capital Improvement Project Authorization Request for the Wingarten 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 retail customer DCP Sandhills Pipeline LLC giving LCRA Transmission Services Corporation rights to acquire DCP's facilities at the Wingarten Substation; and (ii) to do all things reasonably necessary to accomplish the purposes hereof.
- 18-35 Adoption of a resolution authorizing the use of the power of eminent domain in Kendall County to acquire rights in the properties described in Exhibit 1 to the resolution for the Cypress Creek Substation Addition project.
- 18-36 Adoption of a resolution authorizing the use of the power of eminent domain in Lavaca County to acquire rights in the properties described in Exhibit 1 to the resolution for the Shiner Substation Addition project.
- 18-37 Adoption of a resolution authorizing the use of the power of eminent domain in Austin and Waller counties to acquire rights in the properties described in revised Exhibit 1 to the resolution for the Bellville South-to-Waller Storm Hardening project.
- 18-38 Adoption of a resolution authorizing the use of the power of eminent domain in Williamson County to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of easements for the Leander-to-Round Rock Transmission Line Addition project.
- 18-39 Adoption of a resolution authorizing the use of the power of eminent domain in Comal County to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of new easements for the Henne-to-Comal Transmission Line Upgrade project.

- 18-40 Authorization for the president and chief executive officer or his designee to negotiate and purchase an approximately 5.79-acre tract of land in Tom Green County; and further authorization for the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.
- 18-41 Authorization for the president and chief executive officer or his designee to negotiate and acquire an electric transmission line easement for the Blumenthal Substation Addition project in Kendall and Gillespie counties; and further authorization for the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.
- 18-42 Authorization for the president and chief executive officer or his designee to negotiate and acquire electric transmission line easements for the Leander-to-Round Rock Transmission Line Addition project in Williamson County; and further authorization for the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof.
- No Action: Agenda Item 9 – Acquisition of Interests in Real Property – Use of Eminent Domain in Austin County was pulled from the agenda.

MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LCRA TRANSMISSION SERVICES CORPORATION  
Austin, Texas  
Aug. 22, 2018

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 9:07 a.m. Wednesday, Aug. 22, 2018, in the Board Room of the Hancock Building, at the principal office of the Lower Colorado River Authority, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Timothy Timmerman, Chair  
Thomas Michael Martine, Vice Chair  
Lori A. Berger  
Stephen F. "Steve" Cooper  
Pamela Jo "PJ" Ellison  
Laura D. Figueroa  
Raymond A. "Ray" Gill Jr.  
Charles B. "Bart" Johnson  
Thomas L. "Tom" Kelley  
Robert "Bobby" Lewis  
George W. Russell  
Franklin Scott Spears Jr.  
Martha Leigh M. Whitten  
Nancy Eckert Yeary

Absent: Joseph M. "Joe" Crane

Chair Timmerman convened the meeting at 9:07 a.m. and led the Board in pledges of allegiance to the American and Texas flags.

President and Chief Executive Officer Phil Wilson welcomed Directors Figueroa, Kelley and Yeary to their first LCRA TSC Board meeting. Wilson introduced Kristen Senechal, LCRA's new executive vice president of Transmission. (Senechal previously served as executive vice president of LCRA Corporate Strategy.)

Wilson updated the Board on some of LCRA TSC's accomplishments during fiscal year 2018. He highlighted transmission projects completed and other projects worked on, and capital plan progress and results. Wilson said LCRA TSC accomplished things while continuing to reliably deliver energy. Wilson also provided information regarding LCRA TSC's operational performance and metrics, discussed growth in the Transmission business, and noted a training program for employees.

18-31 Chair Timmerman presented for consideration a recommendation, described in Agenda Item 1 [attached hereto as Exhibit A], that the Board appoint Kristen Senechal as vice president and chief operating officer of LCRA Transmission Services Corporation effective immediately. Upon motion by Vice Chair Martine, seconded by Director Cooper, the recommendation was unanimously approved by a vote of 14 to 0.

Controller Julie Rogers presented the financial reports for June 2018 and July 2018 [Agenda Item 2].

The Board next took action on the consent agenda.

18-32 Upon motion by Director Berger, seconded by Director Whitten, the Board unanimously approved the minutes of the May 16, 2018, meeting [Consent Item 3] by a vote of 14 to 0.

18-33 Stuart Nelson, senior adviser, presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve and ratify an amendment to the fiscal year 2018 LCRA Transmission Services Corporation capital plan to increase authorization for capital spending in FY 2018 from \$275 million to \$295.6 million. Upon motion by Director Spears, seconded by Director Berger, the recommendation was unanimously approved by a vote of 14 to 0.

18-34 Stuart Nelson, senior adviser, presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board approve the Capital Improvement Project Authorization Request for the Wingarten 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 retail customer DCP Sandhills Pipeline LLC giving LCRA Transmission Services Corporation rights to acquire DCP's facilities at the Wingarten Substation; and (ii) to do all things reasonably necessary to accomplish the purposes hereof. Upon motion by Director Whitten, seconded by Director Ellison, the recommendation was unanimously approved by a vote of 14 to 0.

The Board next took up agenda items 6 through 8, 10 and 11 [Agenda Item 9 was pulled from the agenda]. Steven Brown, director of Real Estate Services, presented for consideration staff's recommendation on each of the items. After discussion, the Board approved the items as recommended by staff as follows:

18-35 Director Berger moved, seconded by Director Gill, that the Board adopt the resolution described in Agenda Item 6 – Acquisition of Interests in Real Property – Use of Eminent Domain in Kendall County [attached hereto as Exhibit D]; 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 Cypress Creek Substation Addition project; 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.

18-36 Director Whitten moved, seconded by Director Ellison, that the Board adopt the resolution described in Agenda Item 7 – Acquisition of Interests in Real Property – Use of Eminent Domain in Lavaca County [attached hereto as Exhibit E]; 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 Shiner Substation Addition project; 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.

18-37 Director Ellison moved, seconded by Director Cooper, that the Board adopt the resolution described in Agenda Item 8 – Acquisition of Interests in Real Property – Use of Eminent Domain in Austin and Waller Counties [attached hereto as Exhibit F]; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in revised Exhibit 1 to the resolution for the Bellville South-to-Waller Storm Hardening project; 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.

18-38 Director Lewis moved, seconded by Director Berger, that the Board adopt the resolution described in Agenda Item 10 – Acquisition of Interests in Real Property – Use of Eminent Domain in Williamson County [attached hereto as Exhibit G]; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of easements for the Leander-to-Round Rock Transmission Line Addition project; 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.

18-39 Director Russell moved, seconded by Director Whitten, that the Board adopt the resolution described in Agenda Item 11 – Acquisition of Interests in Real Property – Use of Eminent Domain in Comal County [attached hereto as Exhibit H]; that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of new easements for the Henne-to-Comal Transmission Line Upgrade project; 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.

Chair Timmerman declared the meeting to be in executive session at 9:38 a.m., pursuant to sections 551.071 and 551.072 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Timmerman declared the meeting to be in public session at 9:48 a.m.

18-40 Director Gill moved, seconded by Director Whitten, that the Board authorize the president and chief executive officer or his designee to negotiate and purchase an approximately 5.79-acre tract of land in Tom Green County as discussed in executive session; and further authorize the president and chief executive officer or his designee



to do all things necessary to accomplish the purposes hereof. The Board unanimously approved the motion by a vote of 14 to 0.

18-41 Director Lewis moved, seconded by Director Berger, that the Board authorize the president and chief executive officer or his designee to negotiate and acquire an electric transmission line easement for the Blumenthal Substation Addition project in Kendall and Gillespie counties as discussed in executive session; and further authorize the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof. The Board unanimously approved the motion by a vote of 14 to 0.

18-42 Director Cooper moved, seconded by Director Spears, that the Board authorize the president and chief executive officer or his designee to negotiate and acquire electric transmission line easements for the Leander-to-Round Rock Transmission Line Addition project in Williamson County as discussed in executive session; and further authorize the president and chief executive officer or his designee to do all things necessary to accomplish the purposes hereof. The Board unanimously approved the motion by a vote of 14 to 0.

There being no further business to come before the Board, the meeting was adjourned at 10:08 a.m.

---

Thomas E. Oney  
Secretary  
LCRA Transmission Services Corporation

Approved: Oct. 17, 2018

## **FOR ACTION**

# **5. Approve Amendment of the LCRA Transmission Contract Revenue Notes Series C Note Purchase Agreement and Authorize Related Agreements**

### **Proposed Motion**

Staff recommends the Board request and approve the adoption by LCRA of the Twenty-Seventh Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (the “Controlling Resolution”) to authorize the amendment and the extension of the Amended and Restated Note Purchase Agreement among LCRA, LCRA Transmission Services Corporation (LCRA TSC) and Bank of America, N.A., (the “Series C RNP Agreement”) for the LCRA Transmission Contract Revenue Notes, Series C and Taxable Series C (the “Series C RNP Agreement”). Staff also seeks authorization of 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 Bank of America in an amount up to \$150 million for the Series C Notes.

### **Board Consideration**

A supplemental resolution to the existing Controlling Resolution requires Board approval. The amendment to the Series C RNP Agreement complies with the covenants of the LCRA Controlling Resolution, the Amended and Restated Twentieth Supplement to the Controlling Resolution that authorized up to \$150 million for the Series C Notes, and with LCRA TSC Board Policy T301 – Finance. Section 8503.004(p) of the Texas Special District Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions.

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

Staff anticipates that the extension of and an increase to the credit facility from \$100 million to \$150 million will allow LCRA to issue private bank debt on behalf of LCRA TSC to finance the construction of facilities and delay the issuance of long-term bonds, which have higher interest rates in the current market. Further, the Series C RNP Agreement will include updated fees for the credit facility that is in line with current market pricing. This credit facility provides financing flexibility, more diversity in bank exposure, and lower carrying costs. Staff anticipates that LCRA TSC will experience lower debt service costs until long-term bonds are issued.

### **Summary**

Staff recommends that the Board request, consent and approve the adoption of the Twenty-Seventh Supplemental Resolution authorizing the chief executive officer or his designee to negotiate and execute amendments to the Series C RNP Agreement and other related documents.

LCRA, as the conduit issuer for LCRA TSC, adopted the Amended and Restated Twentieth Supplement to the Controlling Resolution in May 2017 authorizing the issuance of the Series C Notes. Through amendments to the debt programs and bank credit facilities, LCRA TSC currently has a \$150 million tax-exempt commercial paper program with JPMorgan and State Street Bank, the \$100 million Series C Notes with Bank of America, and a \$100 million tax-exempt flexible drawdown notes Series D Notes with RBC Capital Markets, LLC (anticipated to be increased to \$150 million).

Staff now seeks to execute an amendment to the Series C Note RNP Agreement for another three year term to allow for note maturity dates of 2021, updated fees and increase the facility size from \$100 million to \$150 million.

The note purchases by Bank of America allow LCRA TSC to fund project costs in a similar manner to the existing commercial paper programs. However, the direct purchase facilities with the bank provides an alternative structure that eliminates marketing and remarketing risk that can occur with a public commercial paper program. This private debt facilities do not require public credit ratings to be issued and maintained. The credit facilities allow LCRA TSC to choose the variable interest rate and period to effectively manage the debt. Credit terms and fees are similar to the existing commercial paper credit facilities.

The Series C Notes are issued on parity with LCRA TSC contract revenue bonds and notes pursuant to the LCRA Controlling Resolution and in compliance with the variable debt limitations in LCRA TSC Board Policy T301- Finance (25 percent of the total long-term debt and total equity of LCRA TSC).

Supplements to the restated Transmission Contract Revenue Debt Installment Payment Agreement between LCRA and LCRA TSC, dated March 1, 2003, secure the Series C Notes by obligating LCRA TSC to make all payments related to the notes. The notes may be refunded into long-term debt when the conditions are advantageous to LCRA TSC.

**Presenter(s)**

Jim Travis

Treasurer and Chief Financial Officer

## **FOR ACTION**

# **6. Approve LCRA's Restated Twenty-Fourth Supplemental Resolution to the LCRA Transmission Contract Revenue Financing Program to Amend the LCRA Transmission Contract Revenue Notes, Tax-Exempt Series D and Authorize Related Agreements**

### **Proposed Motion**

Staff recommends the Board request and approve the adoption by LCRA of the Amended and Restated Twenty-Fourth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (the "Controlling Resolution") to authorize an increase in the capacity of the LCRA Transmission Contract Revenue Notes, Tax-Exempt Series D ("Series D Notes") and other amendments. Staff also seeks authorization of the chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of such notes to RBC Capital Markets, LLC. in an amount up to \$150 million, including but not limited to, a new note purchase agreement and among LCRA, LCRA TSC and the RBC Capital Markets, LLC., ("the Series D RNP Agreement"), and a new noteholder agreement between LCRA, LCRA TSC and the RBC Municipal Products, LLC., ("the Series D NH Agreement") and an amended and restated supplement to the restated Transmission Contract Revenue Debt Installment Payment Agreement between LCRA and LCRA TSC.

### **Board Consideration**

A supplemental resolution to the existing Controlling Resolution requires Board approval. The amendment of the Series D Notes program complies with the covenants of the LCRA Controlling Resolution and with LCRA TSC Board Policy T301 – Finance. Section 8503.004(p) of the Texas Special District Local Laws Code (LCRA Act) authorizes the Board to issue debt under certain conditions.

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

Staff anticipates that the credit facility agreements will increase LCRA's ability to issue private placed debt on behalf of LCRA TSC to finance the construction of facilities and delay the issuance of long-term bonds, which have higher interest rates in the current market. These credit facility agreements provide additional financing flexibility, more diversity in bank exposure, and lower carrying costs. Staff anticipates that LCRA TSC will experience lower debt service costs until long-term bonds are issued. The proposed fees for this facility is in line with current market pricing.

### **Summary**

Staff recommends that the Board request, consent and approve the adoption of the Amended and Restated Twenty-Fourth Supplemental Resolution, in addition to

authorizing the chief executive officer or his designee to negotiate and execute the related note purchase and noteholder agreements, applicable paying agent agreements and other related documents or amendments to any such agreements as well as an amended and restated supplement to the restated Transmission Contract Revenue Debt Installment Payment Agreement between LCRA and LCRA TSC related to the Series D Notes.

LCRA, as the conduit issuer for LCRA TSC, adopted the Twenty-Fourth Supplement to the Controlling Resolution in May 2017 authorizing the issuance of the Series D Notes. Through amendments to the debt programs and bank credit facilities, LCRA TSC currently has a \$150 million tax-exempt commercial paper program with JPMorgan and State Street Bank, a \$100 million taxable or tax-exempt private placement Series C Notes with Bank of America (anticipated to be increased to \$150 million), and the a \$100 million tax-exempt private placement Series D Notes with RBC Capital Markets, LLC.

Staff now seeks approval of an amendment to tax-exempt Series D Notes to increase the capacity from \$100 million to \$150 million, among other amendments. Staff recommends keeping the current maturity date of June 2020. A new Series D RNP Agreement and a new Series D NH Agreement will be required.

The note purchases by RBC Capital Markets allow LCRA TSC to fund project costs in a similar manner to the existing commercial paper programs. However, the direct purchase facilities with the banks provide an alternative structure that eliminates marketing and remarketing risk that can occur with a public commercial paper program. This private debt facility does not require public credit ratings to be issued and maintained. The credit facility allows LCRA TSC to choose the variable interest rate and period to effectively manage the debt. Credit terms and fees are similar to the existing commercial paper credit facilities.

The Series D Notes will be issued on parity with LCRA TSC contract revenue bonds and notes pursuant to the LCRA Controlling Resolution and in compliance with the variable debt limitations in LCRA TSC Board Policy T301- Finance (25 percent of the total long-term debt and total equity of LCRA TSC).

Supplements to the restated Transmission Contract Revenue Debt Installment Payment Agreement between LCRA and LCRA TSC, dated March 1, 2003, secure the Series D Notes by obligating LCRA TSC to make all payments related to the notes. The notes may be refunded into long-term debt when the conditions are advantageous to LCRA TSC.

**Presenter(s)**

Jim Travis  
Treasurer and Chief Financial Officer

## FOR ACTION

# 7. Capital Improvement Project Approval – Leander-to-Round Rock Transmission Line Addition

### **Proposed Motion**

Approve the Capital Improvement Project Authorization Request for the Leander-to-Round Rock Transmission Line Addition.

### **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. The Board has delegated this authority to the president and chief executive officer through Dec. 31; however, due to the significant change in budget, staff is seeking Board approval.

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

- The project is included in LCRA TSC's fiscal year 2019 capital plan. However, a revised estimate for the project's lifetime budget exceeds the 10 percent and \$300,000 thresholds approved by the Board.
- Staff seeks approval to increase the total lifetime budget from \$43,867,000 to \$118,167,000, including \$85,800,000 staff expects to spend this fiscal year.
- At this time, staff is not requesting additional fiscal year capital budget authorization. Staff will continue to monitor fiscal year 2019 forecasts and request a fiscal budget increase, if required and as appropriate.
- The proposed lifetime budget for the project does not include a contingency.
- Project costs, net of non-essential property sold as well as the value of assets transferred to PEC, will be funded through LCRA TSC regulated rates, pending approval by the Public Utility Commission of Texas.

### **Summary**

The Leander-to-Round Rock Transmission Line Addition project was recommended in the FY 2015 capital plan. The project will construct a new 138-kilovolt transmission line to provide a transmission interconnection point to a new Pedernales Electric Cooperative load-serving substation in Williamson County. This project is driven by load growth in the project area. A Certificate of Convenience and Necessity is required.

Staff developed the budget for this project in January, 2014. The original scope planned for PEC to construct and own one new load serving substation along the new transmission line. Since that time, PEC has requested that LCRA TSC construct and own two new load-serving substations, Ridgmar and Spanish Oak, along the new transmission line. PEC will purchase the property and the substation transformation and distribution assets from LCRA TSC upon project completion.

The final route approved by the PUC on June 6, 2017, is approximately 1 mile longer than originally planned and requires additional easements and equipment not included in the original estimate.

Two property sites acquired for the new substations prior to PUC route approval were not the final selected sites. LCRA TSC currently uses the sites for material storage and staging for the project, but will sell them upon project completion. Additionally, the costs of property acquisition in the project area and construction have risen significantly since the project was originally estimated.

The project is scheduled for completion in December 2019. Although the costs associated with this project are higher than originally estimated, a review by the Transmission Planning department determined it still is the best alternative to address the electric system needs identified in the area. The additional funds will pay for project management, engineering, real estate activities, materials, construction and any necessary land rights. LCRA TSC representatives will perform environmental and cultural due diligence studies and address all identified concerns.

### **Project Recap**

Total Project Estimated Cost		<u>\$ 118,167,000</u>
Previous Project Lifetime Budget:		\$ 43,867,000
Additional Lifetime Budget Approval Sought:		<u>\$ 74,300,000</u>
Prior to FY 2019	\$ 12,100,000	
FY 2019	\$ 85,800,000	
FY 2020	\$ 20,267,000	
Total:		<u>\$ 118,167,000</u>

### **Project Direction**

Project Manager:	Michael Griswold
Project Sponsor:	Kristian M. Koellner, P.E.
Project Number:	1014352

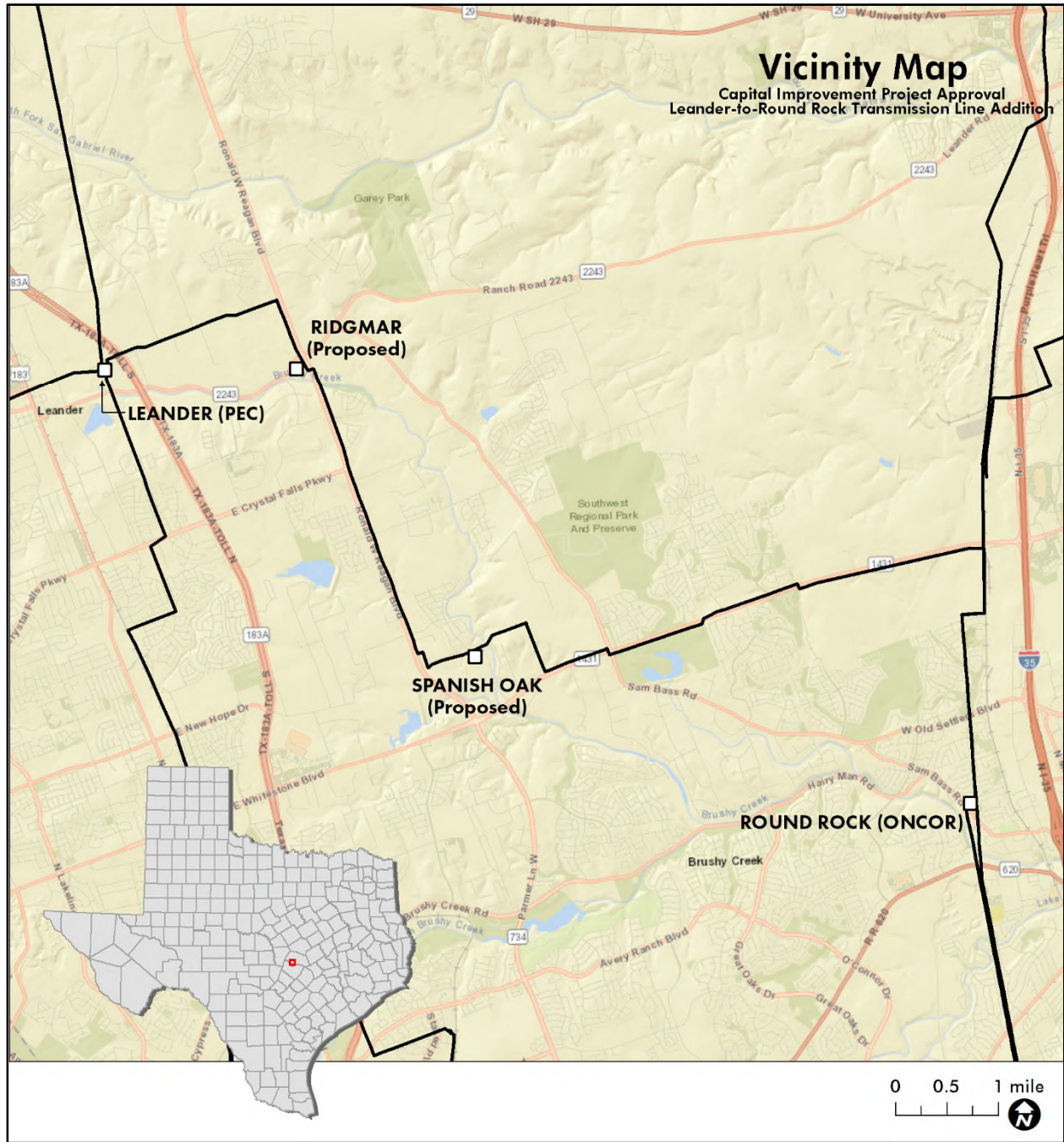
### **Presenter(s)**

Kristian M. Koellner, P.E.  
Vice President, Transmission Planning

### **Exhibit(s)**

A – Location Map – Leander-to-Round Rock Transmission Line Addition

**EXHIBIT A**





## **FOR ACTION**

# **8. Acquisition of Interests in Real Property – Use of Eminent Domain in Williamson County**

### **Proposed Motion**

I move that the LCRA Transmission Services Corporation 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 acquisition of easements and an electric substation site for the Leander-to-Round Rock Transmission Line Addition project; and that the first record vote applies to all units of property to be condemned.

### **Board Consideration**

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

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

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

The acquisition costs were included in the Board-approved budget for the Leander-to-Round Rock Transmission Line Addition project.

### **Summary**

LCRA TSC proposes to acquire a substation site in fee simple and transmission line easements in Williamson County for the Leander-to-Round Rock Transmission Line Addition project. Kokel-Oberrender-Wood Appraisal Ltd. performed an independent appraisal of the interests in real properties to be acquired to determine just compensation to the landowners.

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

Staff has provided to the Board descriptions of the specific properties to be acquired and will attach the descriptions to the resolution.

LCRA TSC representatives have performed environmental and cultural due diligence studies and did not identify any concerns. Staff requests the Board adopt the resolution in Exhibit D authorizing the initiation of condemnation proceedings on the first record vote for all units of property.

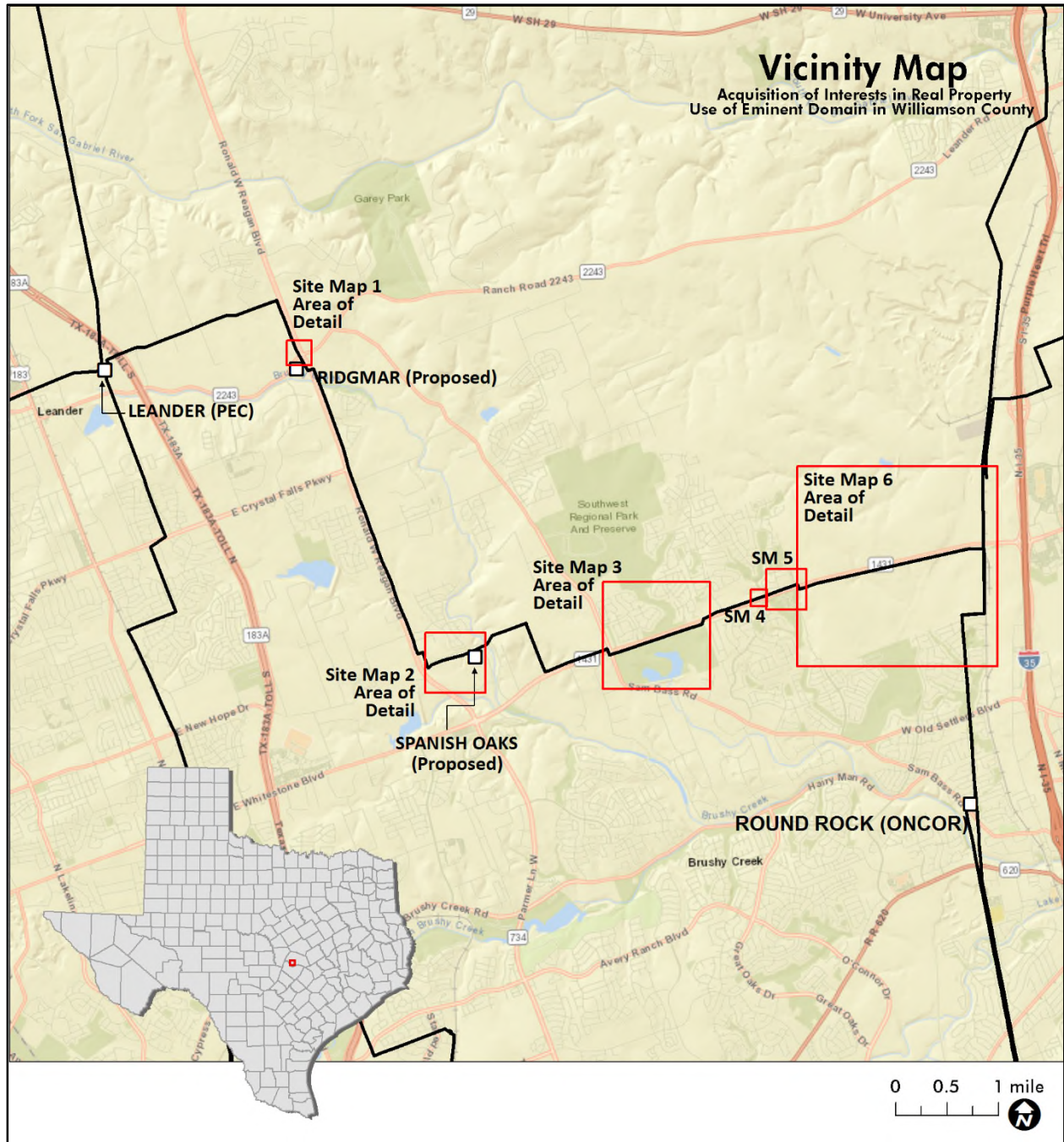
**Presenter(s)**

Steven T. Brown  
Director, Real Estate Services

**Exhibit(s)**

- A – Vicinity Map
- B – Site Maps
- C – Landowner List
- D – Resolution
- 1 – Descriptions of the Specific Properties

**EXHIBIT A**



**EXHIBIT B**  
Page 1 of 6





**EXHIBIT B**  
Page 3 of 6











**EXHIBIT C**

<b>Parcel ID</b>	<b>Landowners</b>	<b>Approximate Parent Tract Acreage</b>	<b>Land Rights</b>	<b>Approximate Acquisition Acreage</b>	<b>County</b>	<b>Approximate Value</b>
L-001	Devidass Mahendru and wife Swaran Mahendru	7.203 acres	Easement	0.26 acre	Williamson	\$402,000
K2-013	Theophil R. Krienke Jr. and wife Sharon R. Krienke	149.95 acres	Easement	2.10 acres	Williamson	\$1,102,000
E2-001	Diamond K. Plus Ltd.	83.25 acres	Easement Fee simple	2.11 acres 10.04 acres	Williamson	\$3,460,000
Y2-154	City of Round Rock	245 acres	Easement	11.17 acres	Williamson	\$1,740,000
Y2-025	Stone Oak Homeowners Association	Lot 26, Block G	Easement	0.42 acre	Williamson	\$34,000
Y2-003 Y2-004	Nancy N. Rabb Properties Ltd.	1.14 acres	Easement	0.08 acre	Williamson	\$180,000
Y2-002	Blevco II LLC	7.18 acres	Easement	0.42 acre	Williamson	\$352,000
Y2-001	Stone Oak Homeowners Association	Lot 23, Block A	Easement	0.04 acre	Williamson	\$6,000
M5-001	Texas Crushed Stone	2,023.28 acres	Temporary construction Easement	3.55 acres 0.15 acre	Williamson	\$390,000
B3-001 B3-002 B3-003	Georgetown Railroad Company Inc.	875.68 acres	Easement Temporary construction	18.18 acres 0.66 acre	Williamson	\$5,375,000

**EXHIBIT D**

Page 1 of 2

**PROPOSED MOTION**

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

**RESOLUTION  
AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY  
BY CONDEMNATION IN WILLIAMSON COUNTY FOR  
TRANSMISSION LINE EASEMENTS AND FEE SIMPLE PURCHASE FOR A  
SUBSTATION.**

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

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

**NOW, THEREFORE, BE IT RESOLVED** that the president and chief executive officer or his designee is authorized to purchase the interests in real property from the landowner(s) listed in the attached Exhibit C for the Leander-to-Round Rock Transmission Line Addition project, with the description of the locations of and interests in the properties that LCRA Transmission Services Corporation seeks to acquire being more particularly described in maps provided to the Board and attached to this Resolution as Exhibit 1; that the public convenience and necessity requires the acquisition of said interests in real property; that the public necessity requires the condemnation of the interests in real property in order to acquire them for such purposes; that LCRA Transmission Services Corporation does not intend to acquire rights to groundwater or surface water in the land; that LCRA Transmission Services Corporation will make a bona fide offer to acquire the interests in real property from the landowner(s) voluntarily as required by Sec. 21.0113 of the Texas Property Code; and that at such time as LCRA Transmission Services Corporation has determined that the landowner(s) and LCRA Transmission Services Corporation will be unable to reach an agreement on the fair market value of the subject interests in real property and that it should appear that further negotiations for settlement with the landowner(s) would be

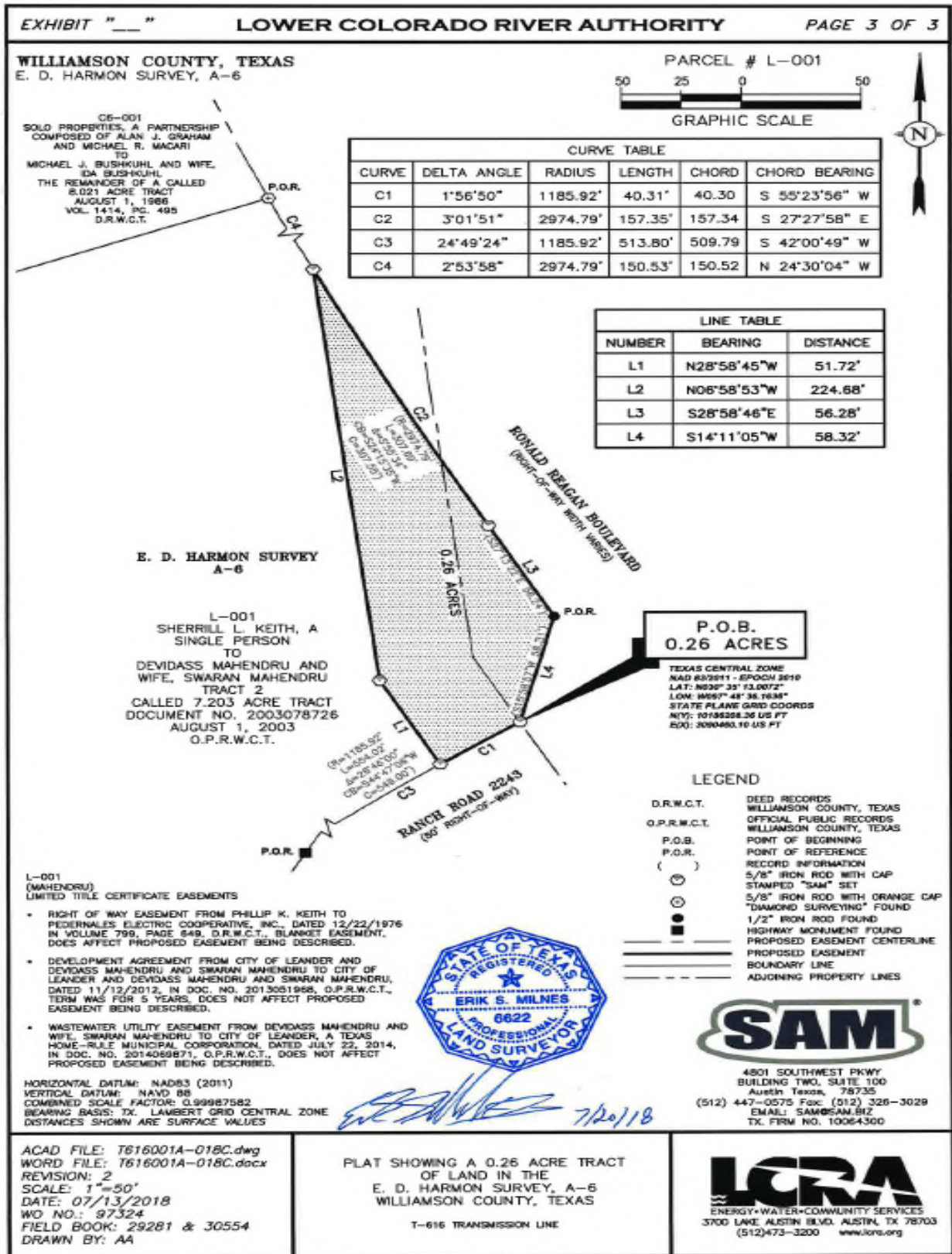
**EXHIBIT D**

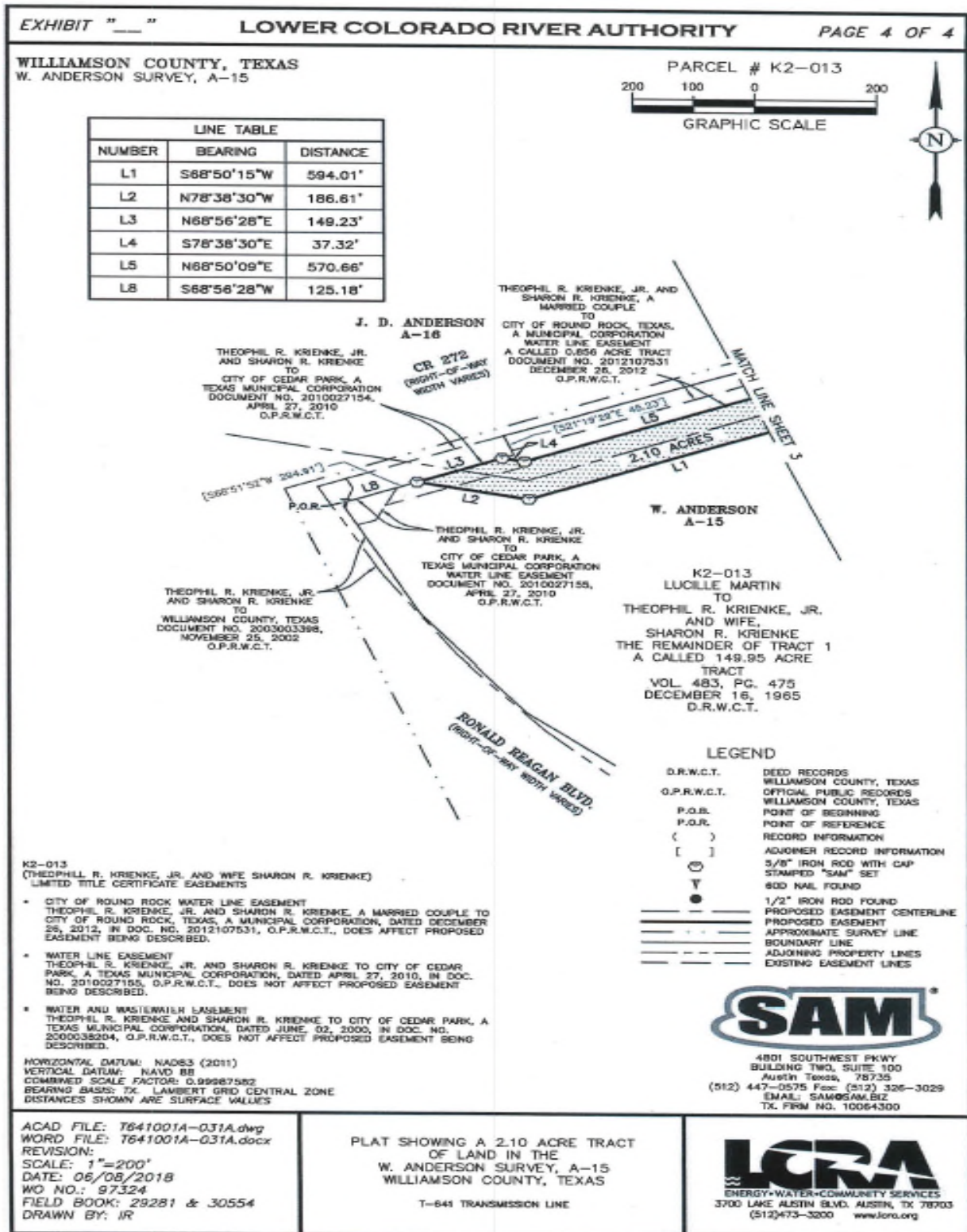
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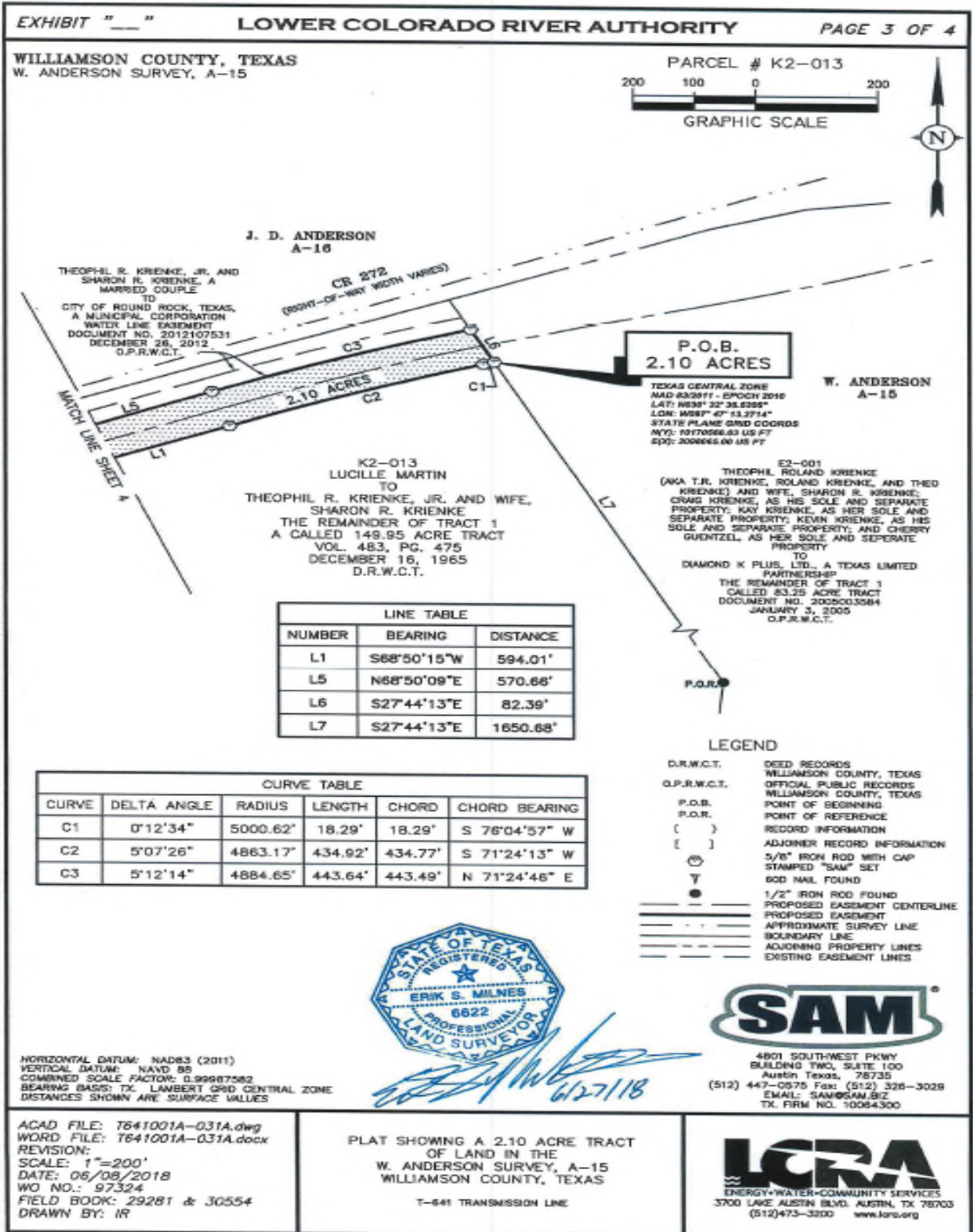
futile, then the president and chief executive officer or his designee is authorized and directed to initiate condemnation proceedings against the owners of the properties, and against all other owners, lien holders, and other holders of an interest in the properties, in order to acquire the necessary interests in real property; and that this resolution take effect immediately from and after its passage;

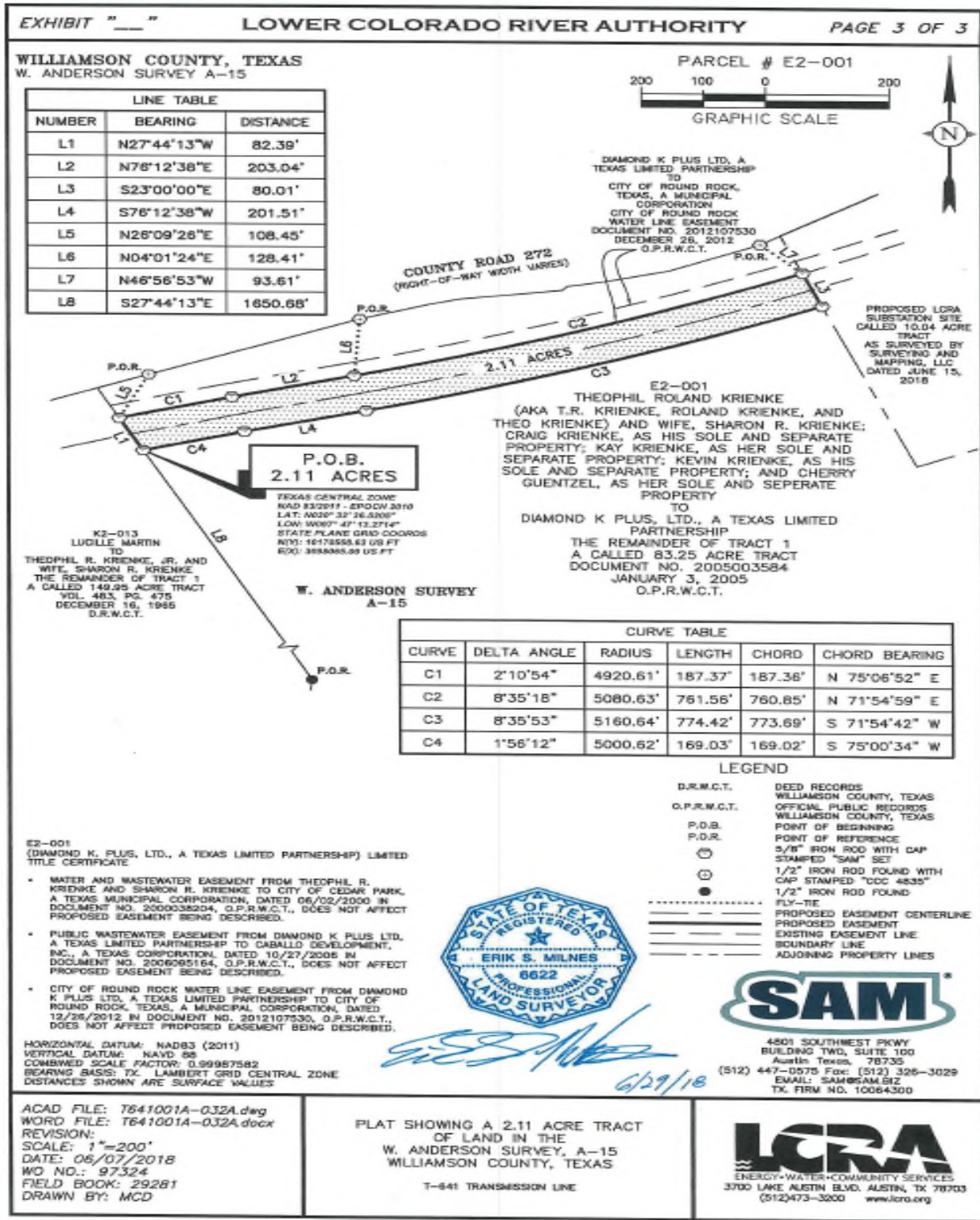
**BE IT FURTHER RESOLVED** that the president and chief executive officer or his designee is hereby authorized to do all things necessary and proper to carry out the intent and purpose of this resolution, including determination and negotiation of the interests in real property that are proper and convenient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

**EXHIBIT 1**  
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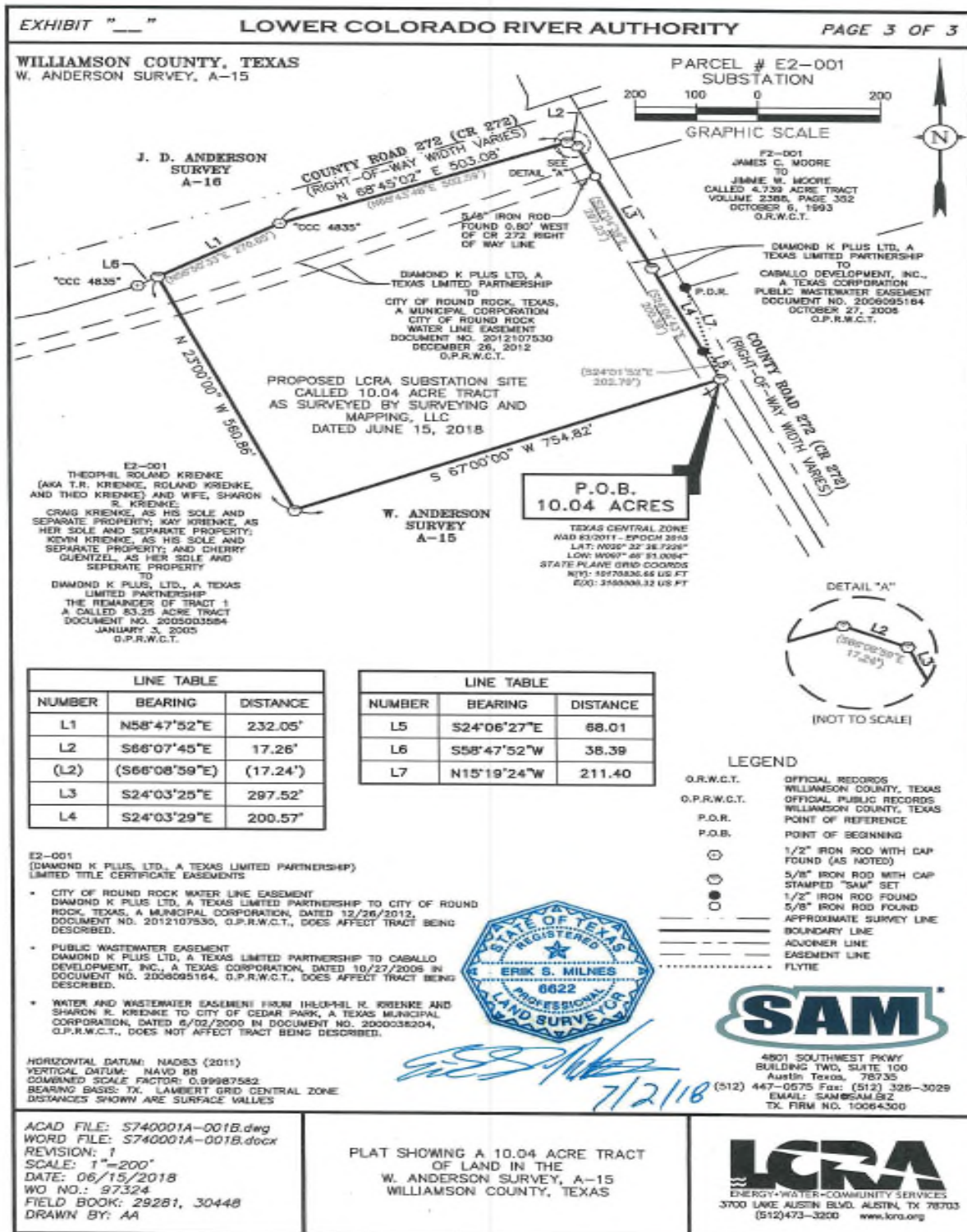


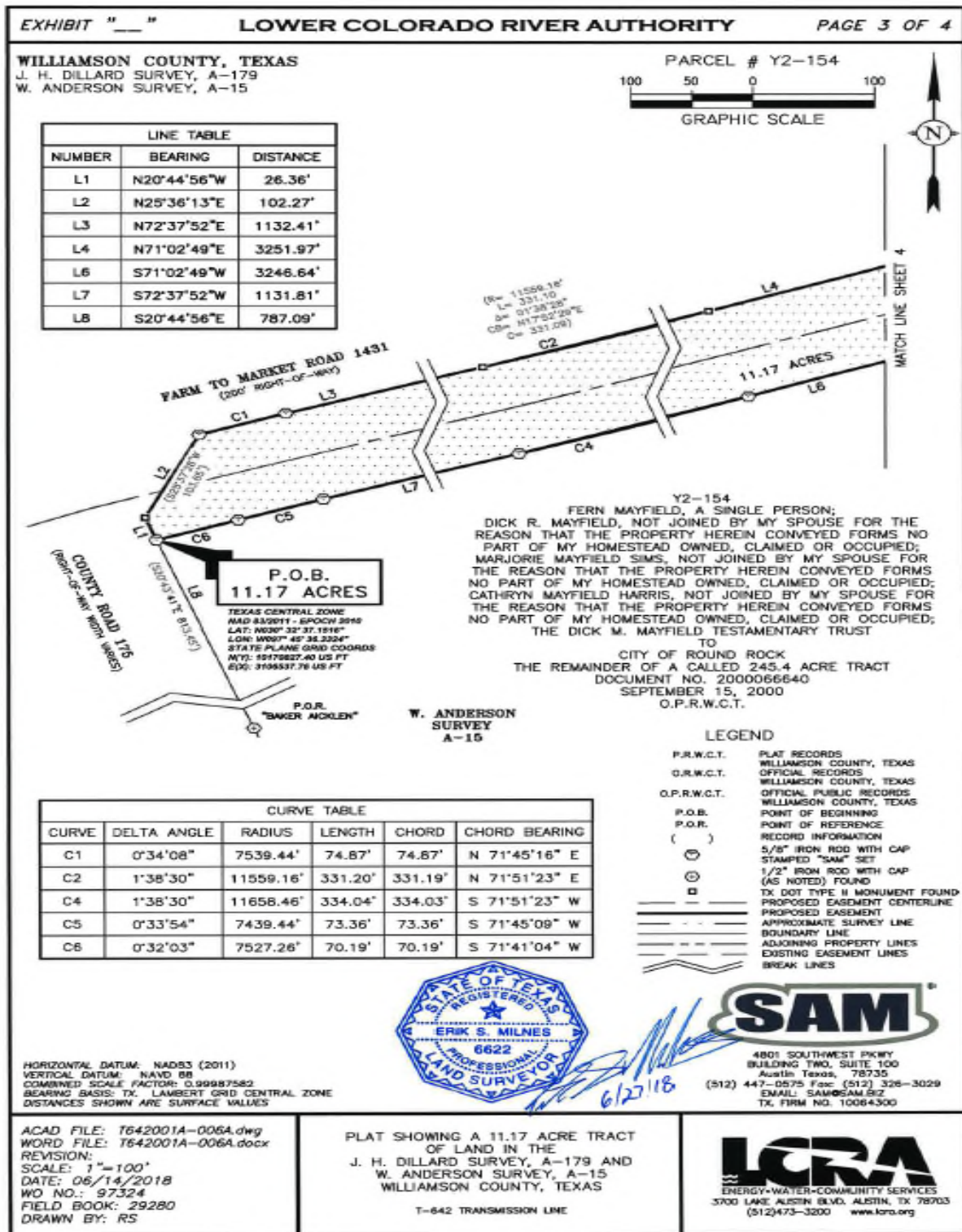




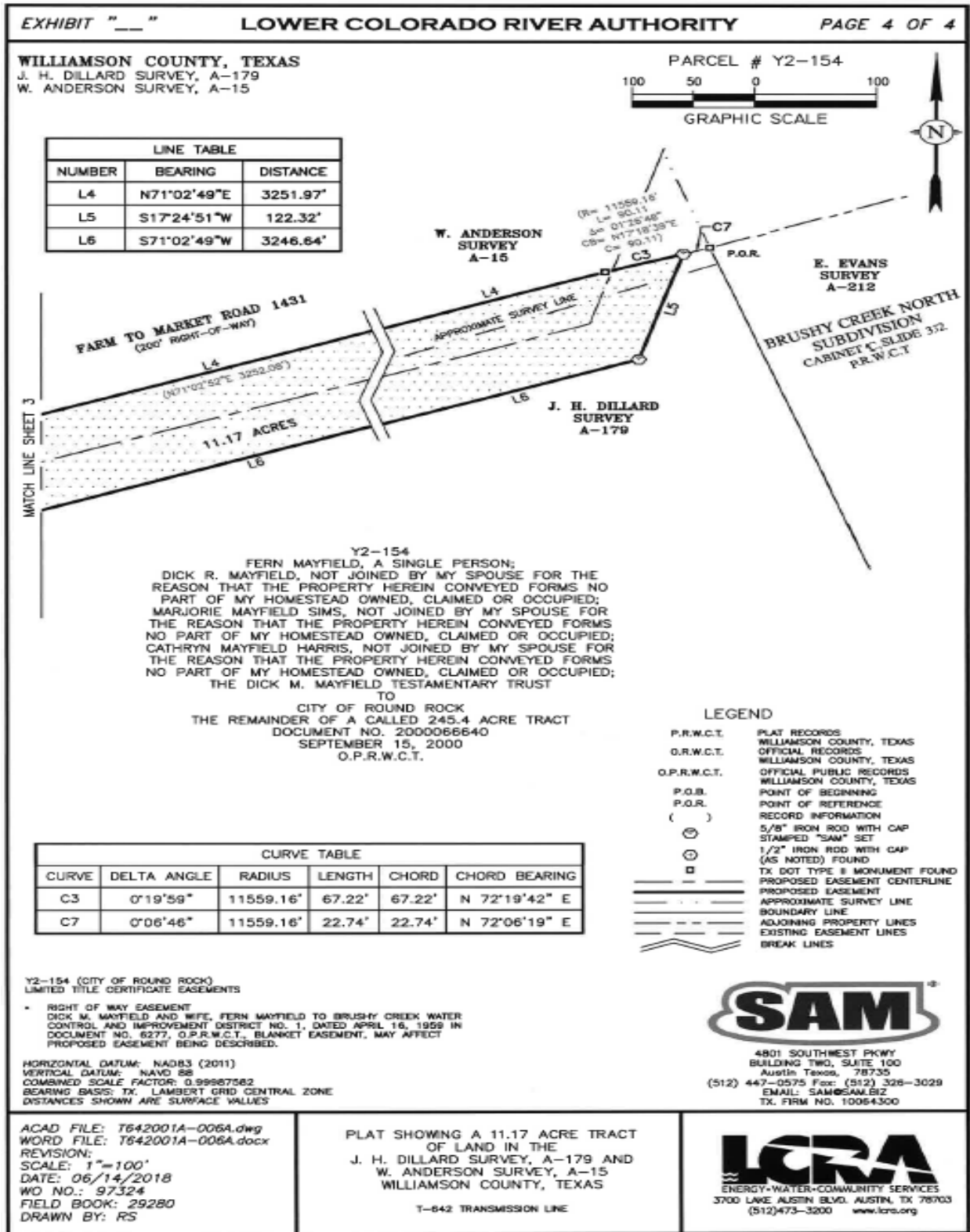


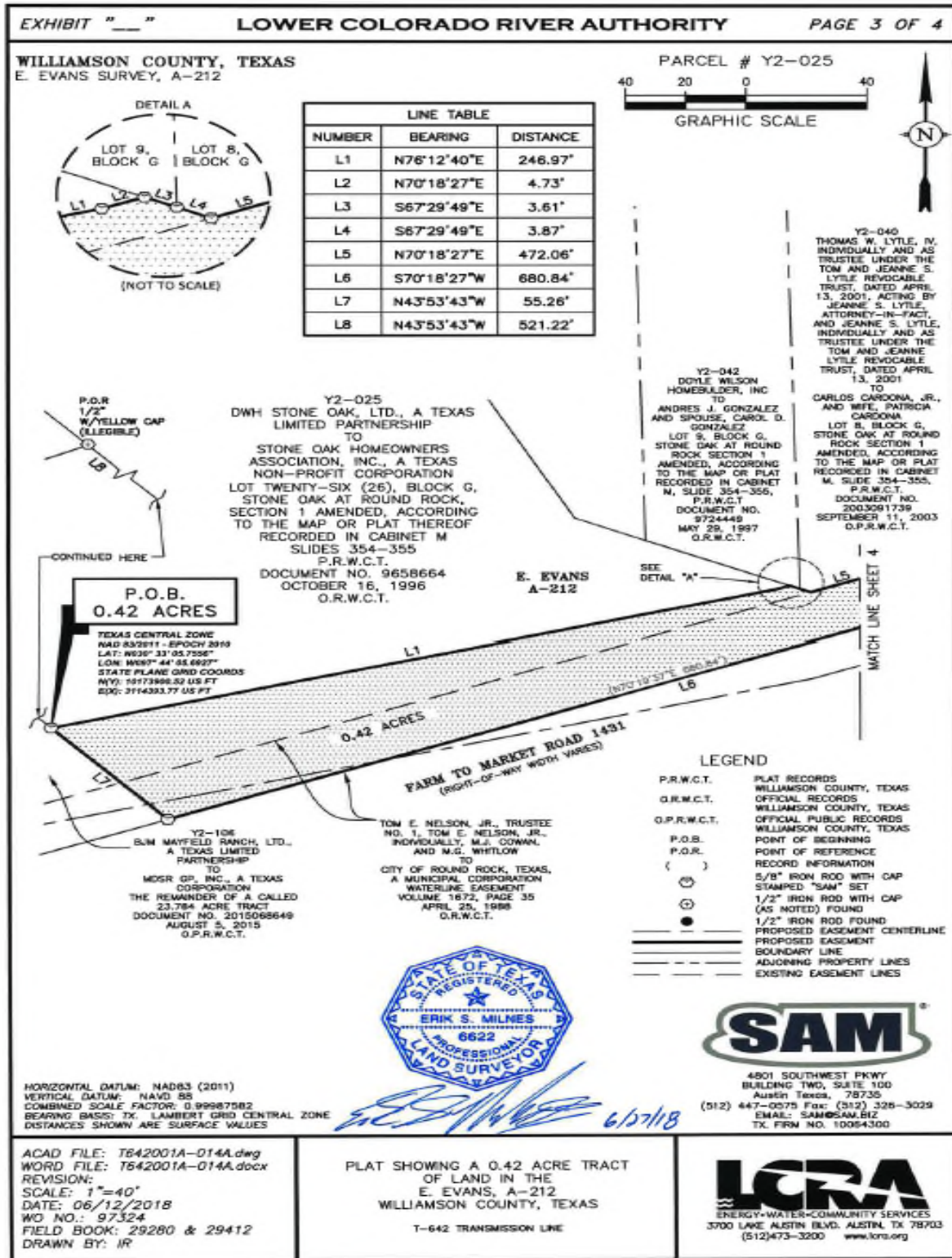


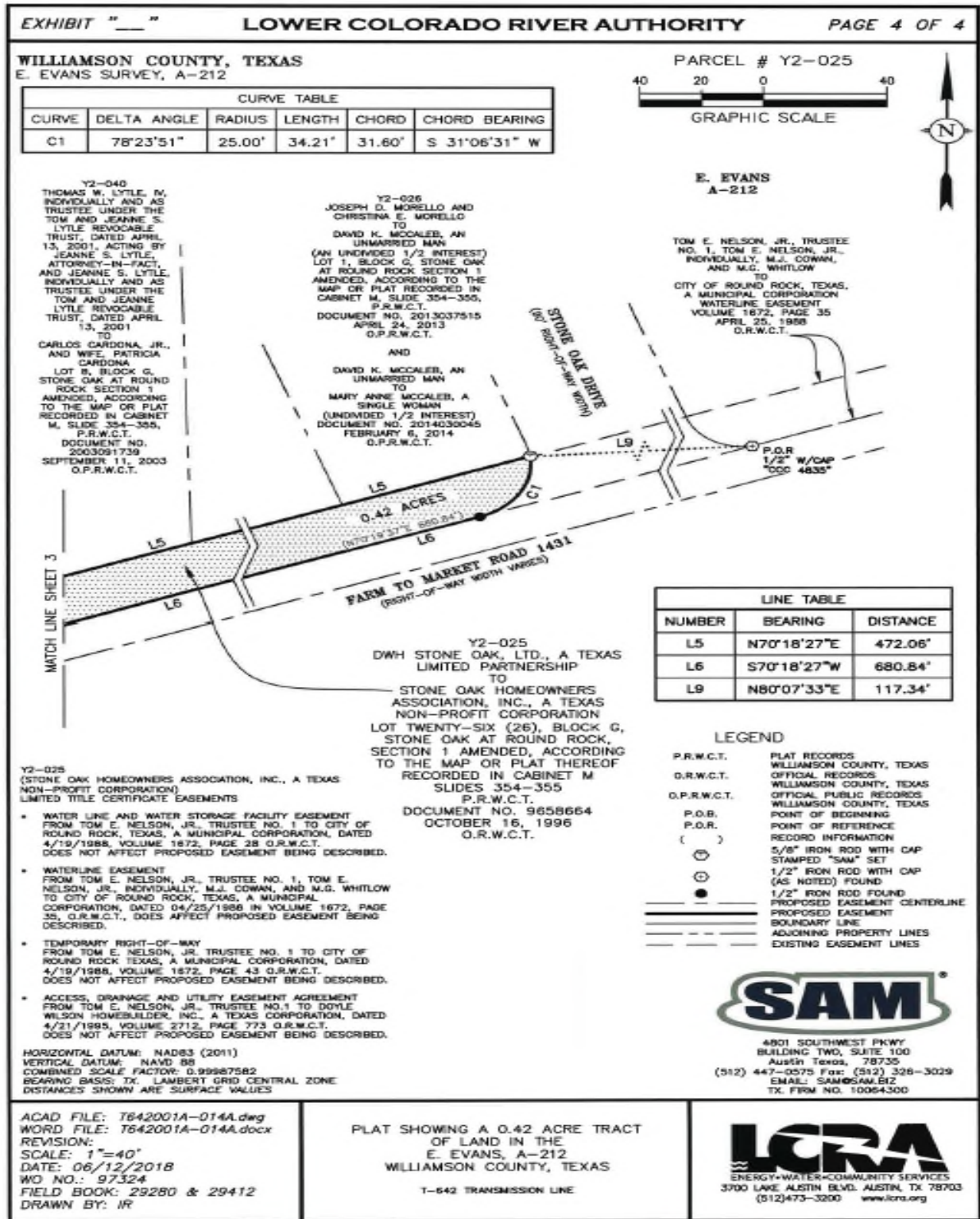


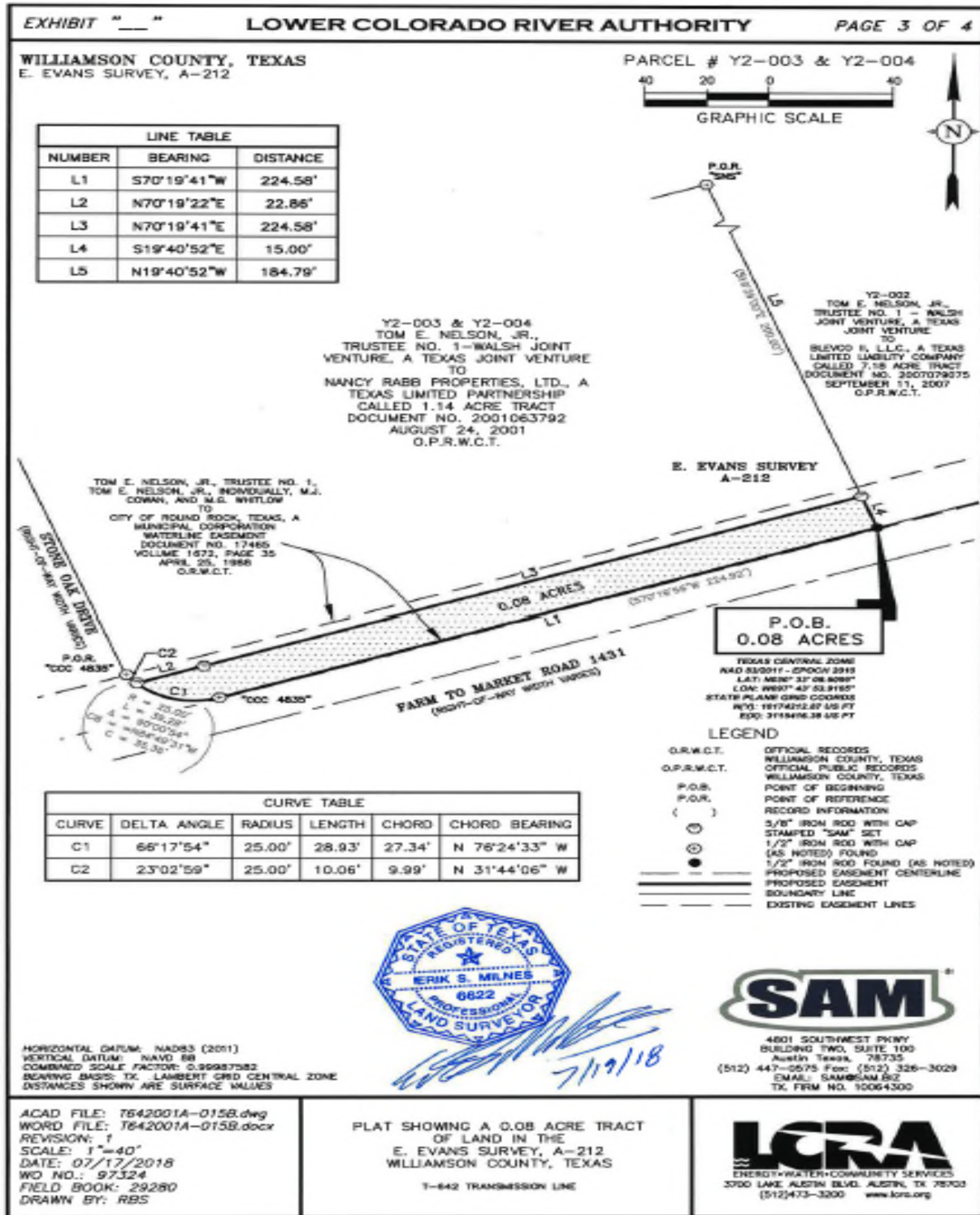


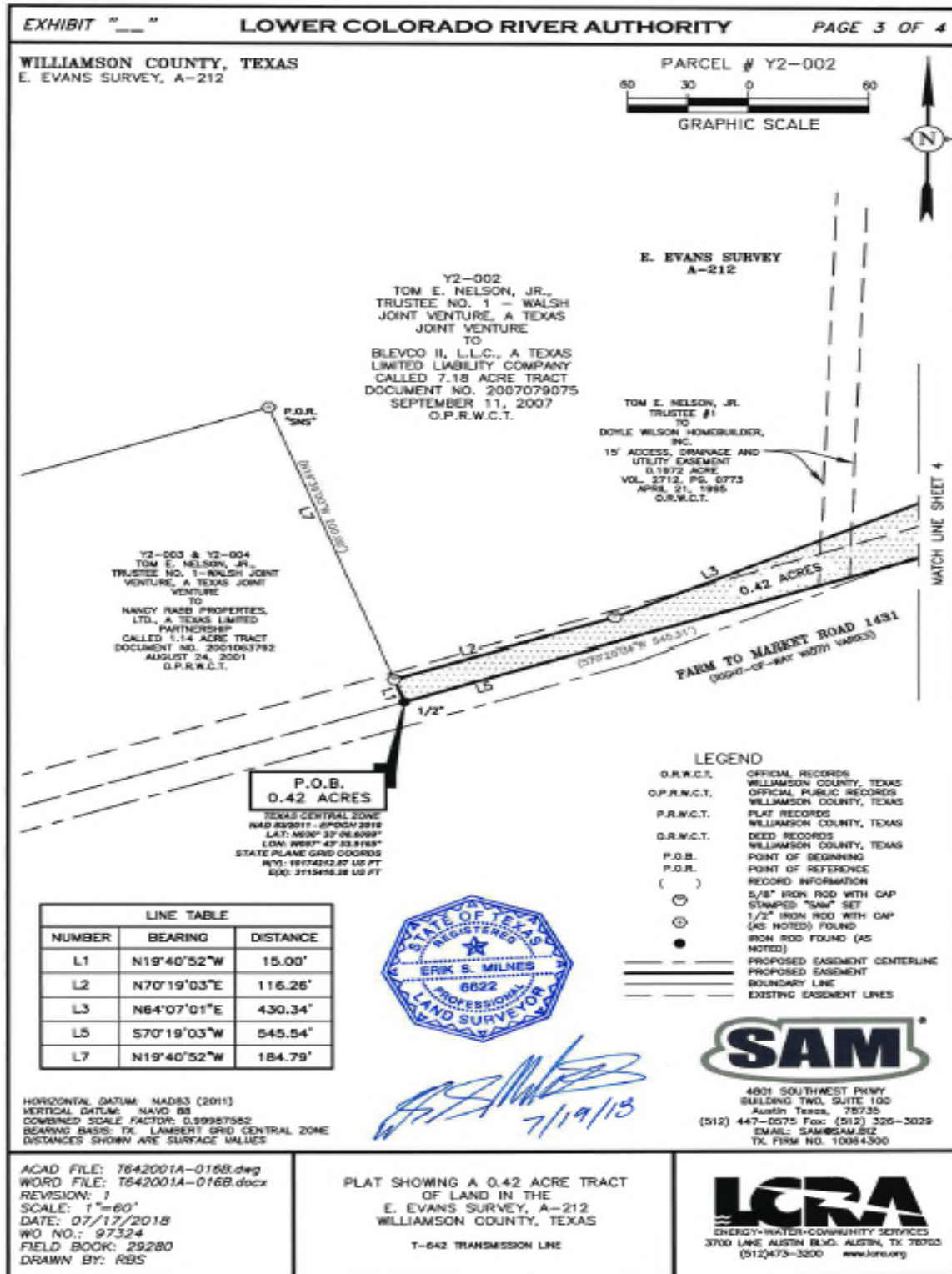
**EXHIBIT 1**  
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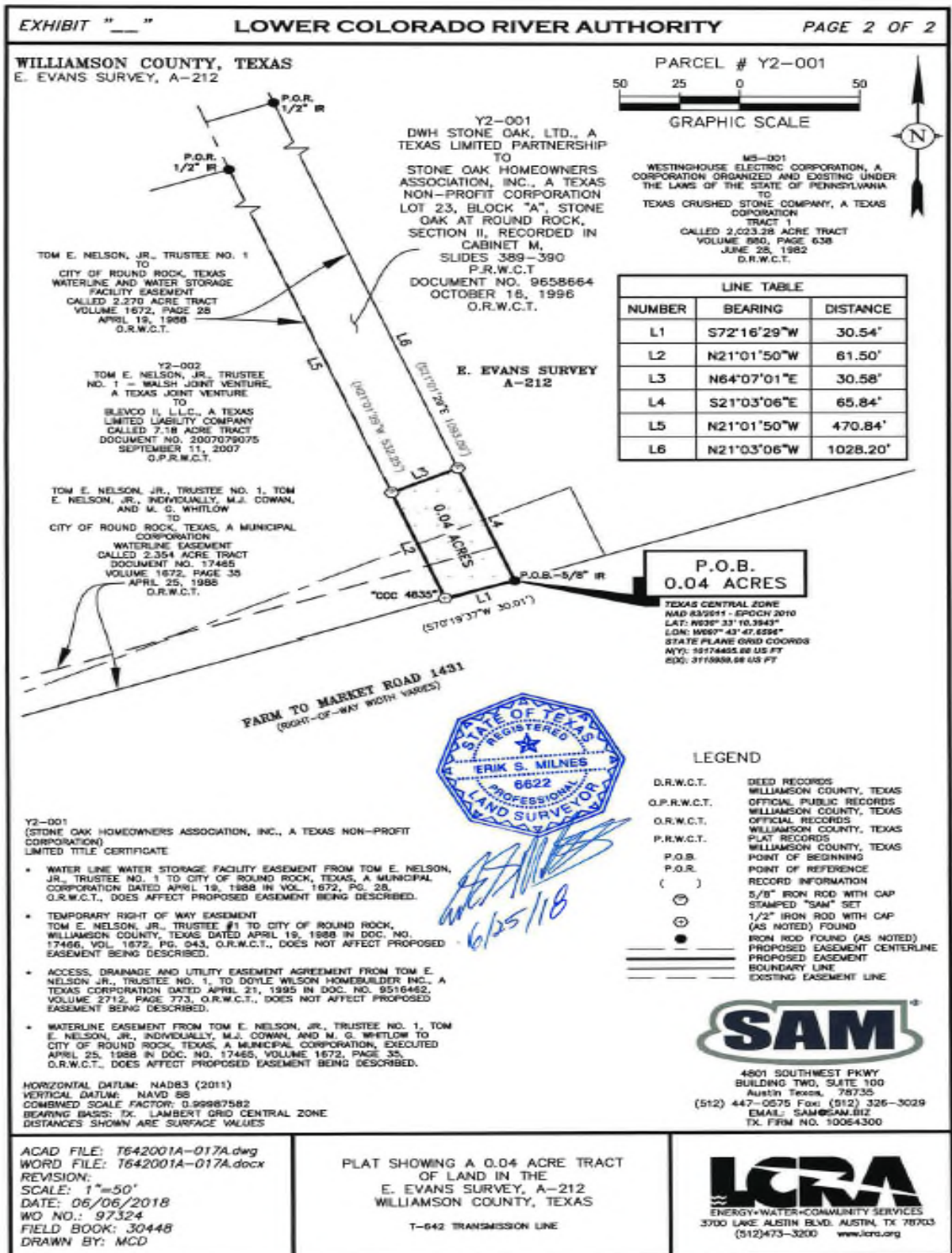




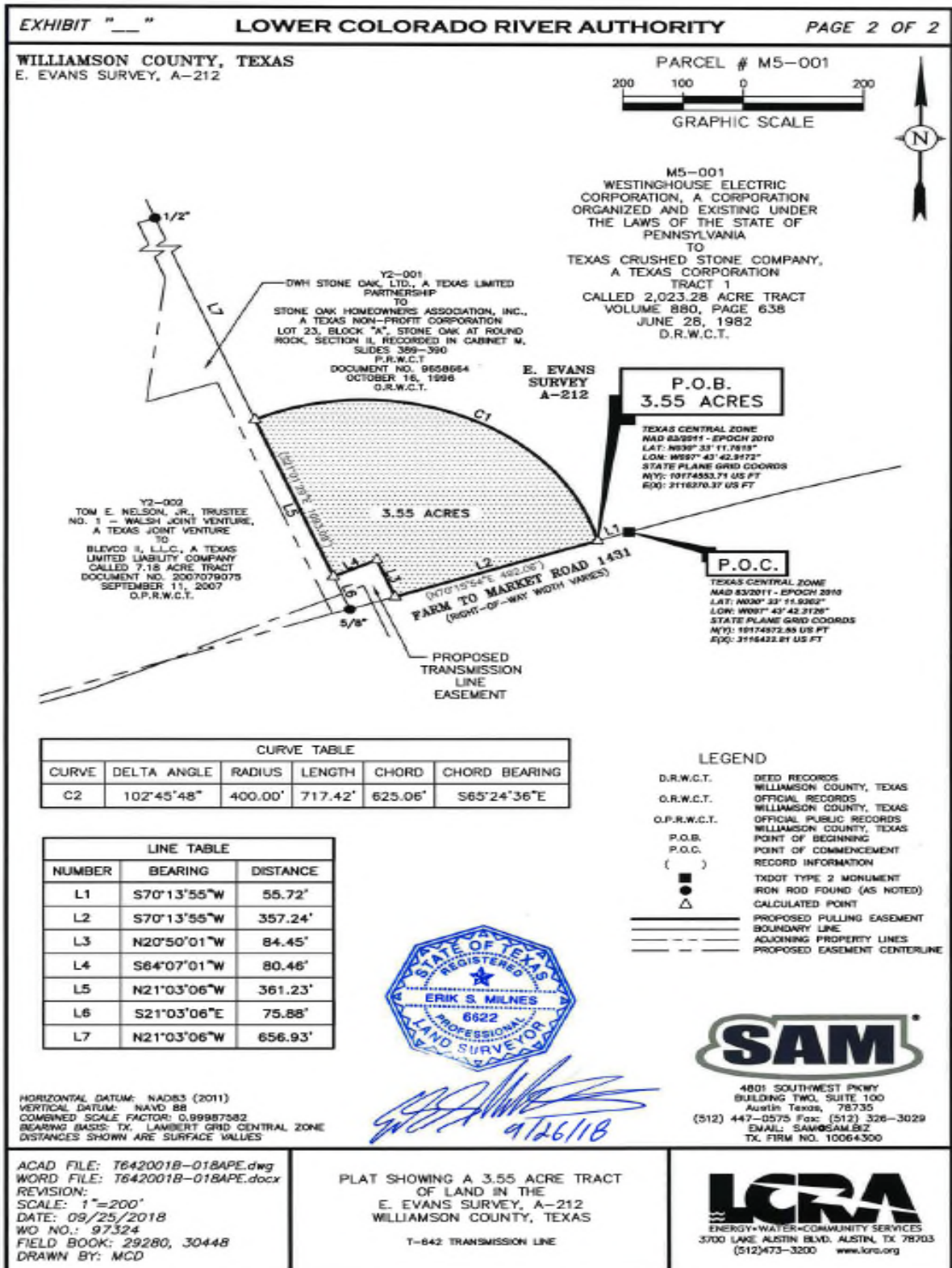


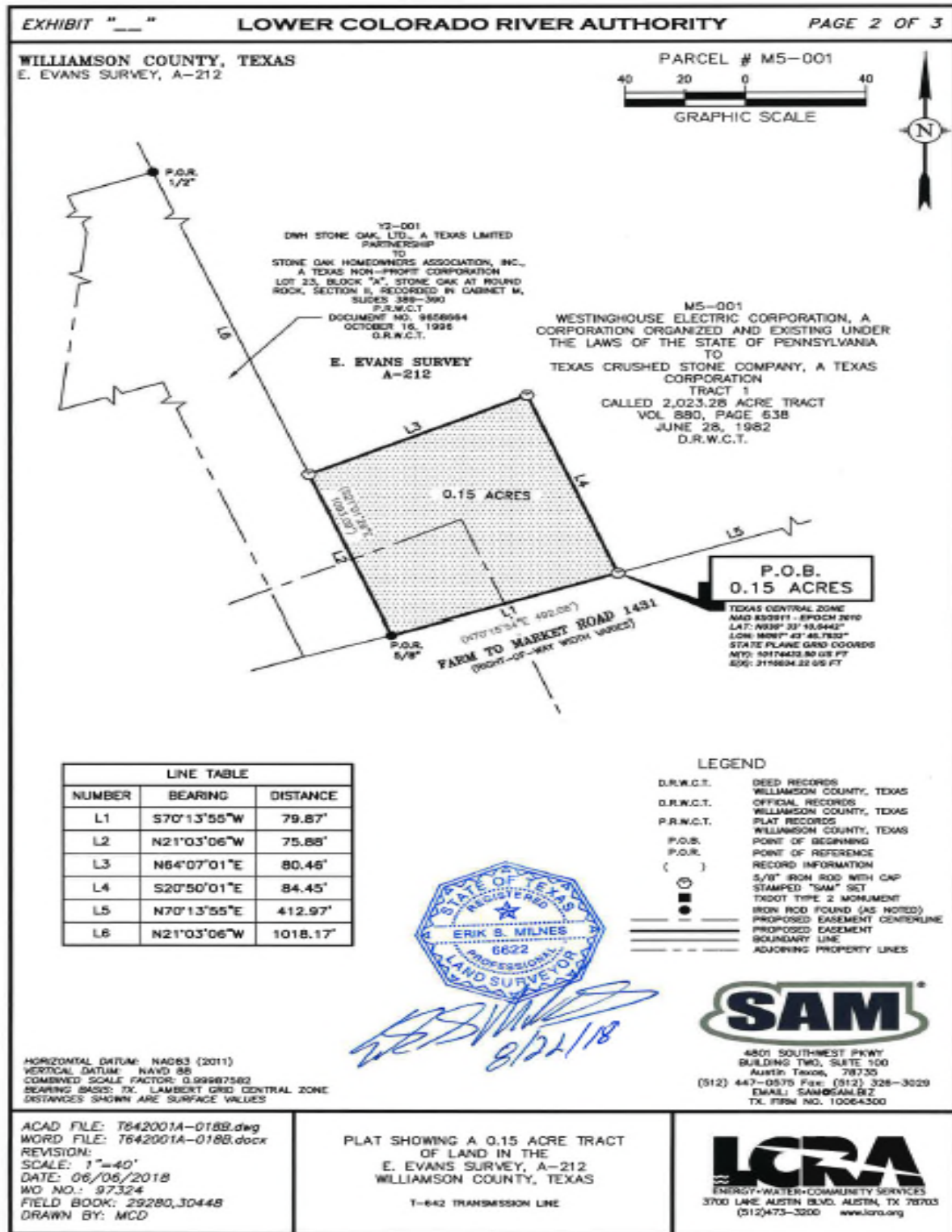


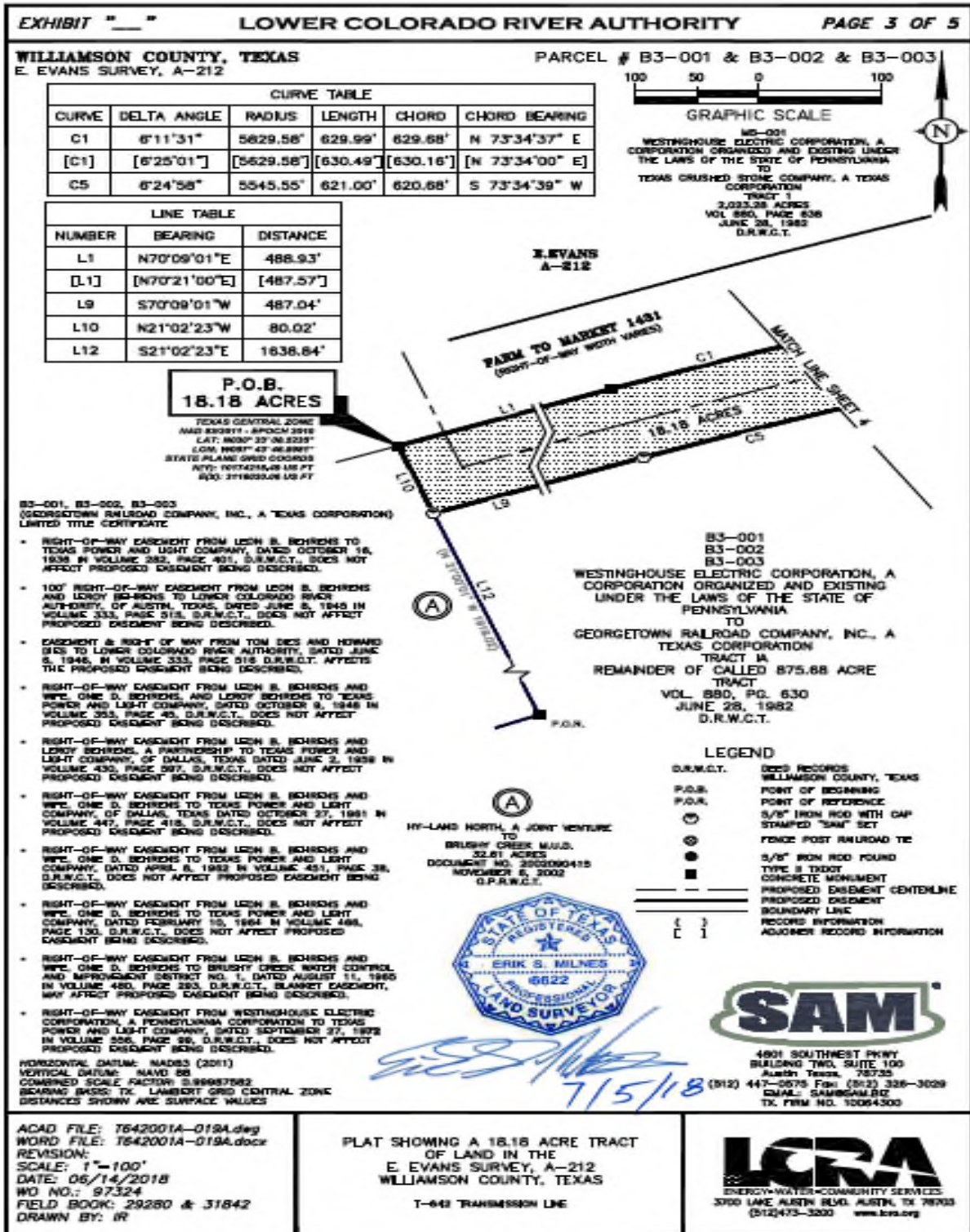




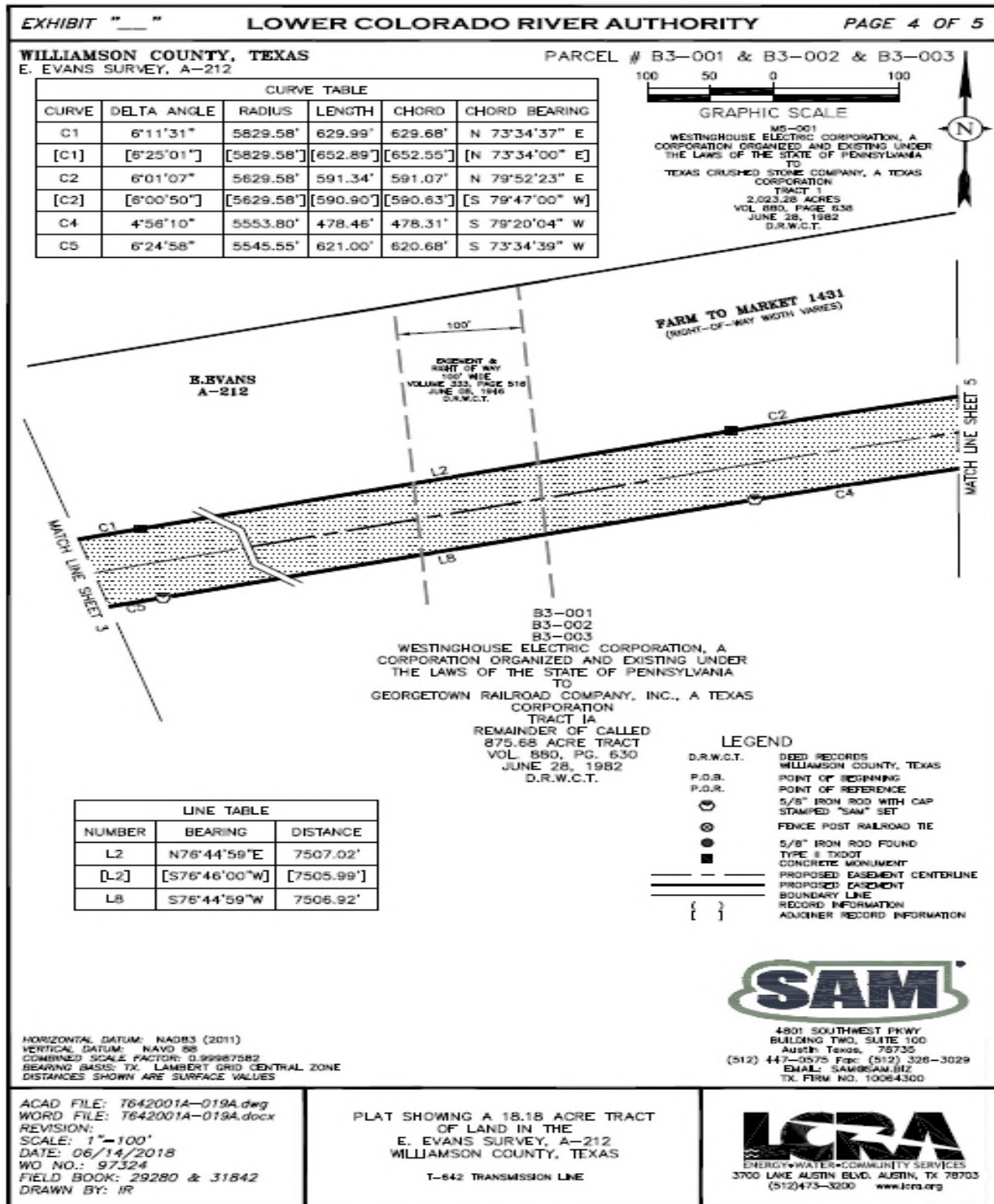


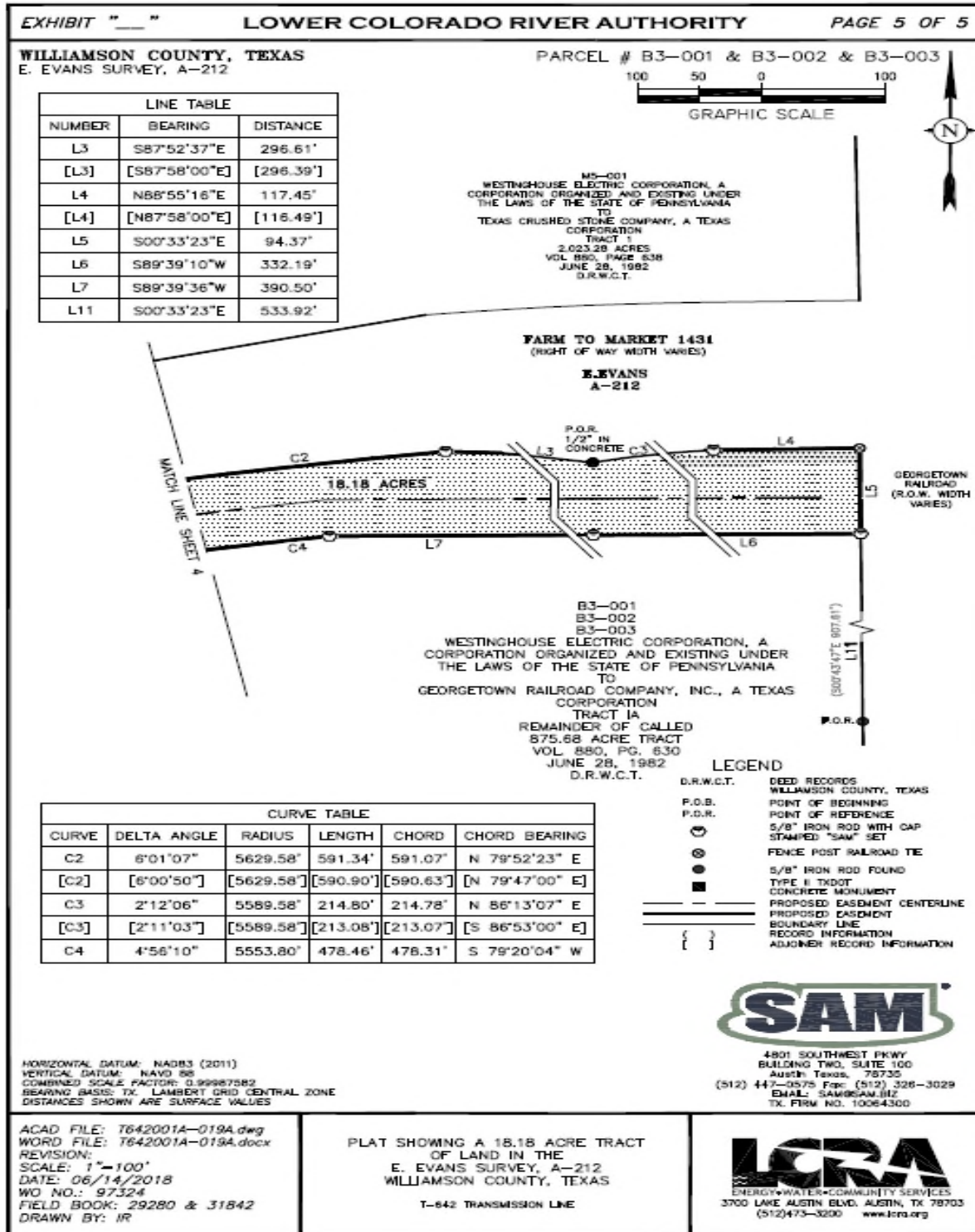


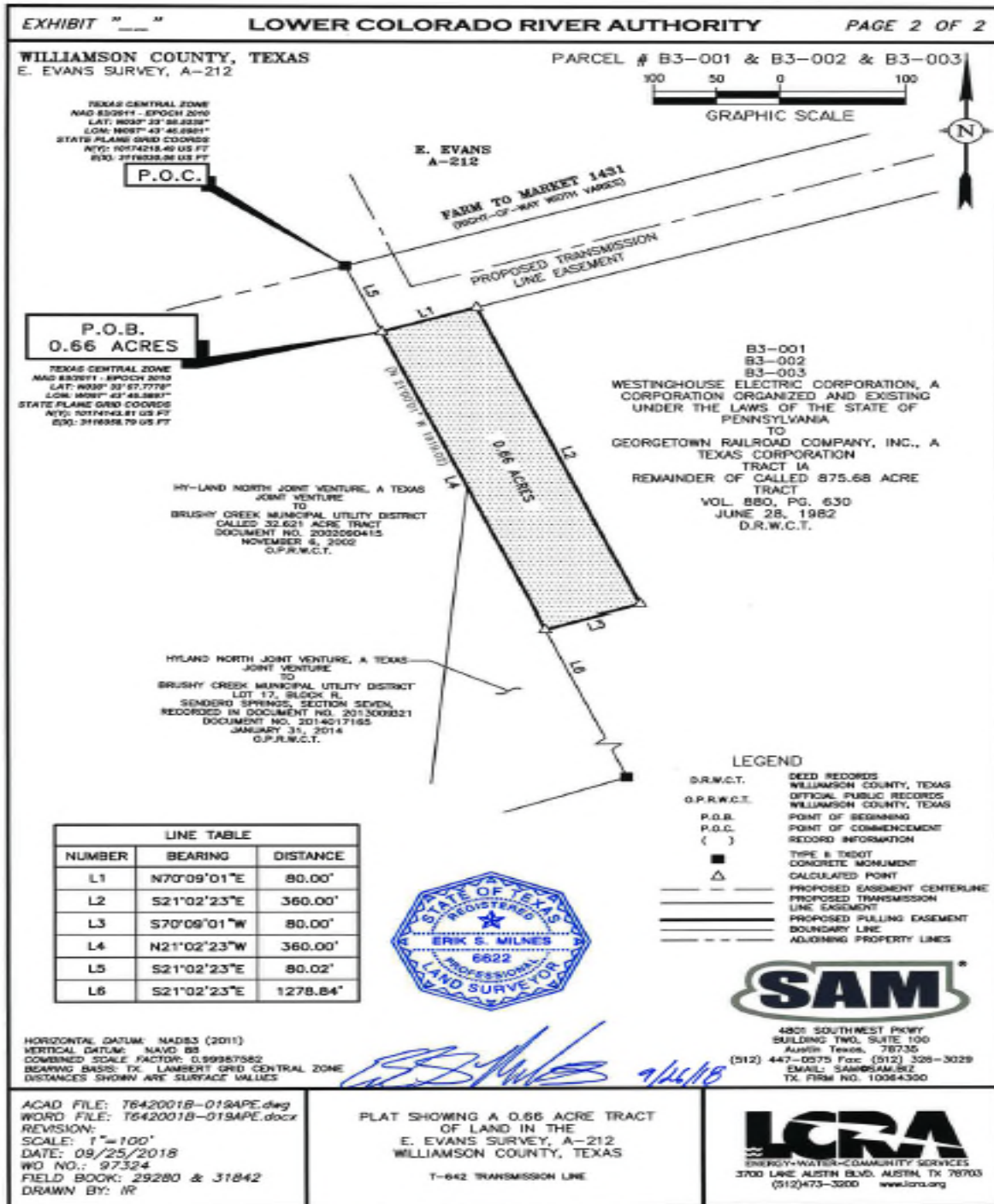




**EXHIBIT 1**  
Page 16 of 18







## **FOR ACTION**

# **9. Acquisition of Interests in Real Property – Use of Eminent Domain in Austin County**

### **Proposed Motion**

I move that the LCRA Transmission Services Corporation 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 New Bremen Circuit Breaker Addition project; and that the first record vote applies to all units of property to be condemned.

### **Board Consideration**

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

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

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

The acquisition cost was included in the Board-approved budget for the New Bremen Circuit Breaker Addition project.

### **Summary**

LCRA TSC proposes to purchase 2.01 acres in fee simple in Austin County for the New Bremen Circuit Breaker Addition project. Paul Hornsby & Company has performed an independent appraisal of the interests in real property to be acquired to determine just compensation to the landowner.

Staff has made a bona fide offer to acquire the necessary interests in real property voluntarily from the landowner listed on Exhibit C, as required by Sec. 21.0113 of the Texas Property Code. Staff will continue to negotiate for the purchase of the interests in real property. Staff seeks Board authorization to proceed with condemnation if an agreement cannot be reached with the landowner.

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

LCRA TSC representatives performed environmental and cultural due diligence studies and did not identify any concerns. Staff requests the Board adopt the resolution in Exhibit D authorizing the initiation of condemnation proceedings on the first record vote for all units of property.

### **Presenter(s)**

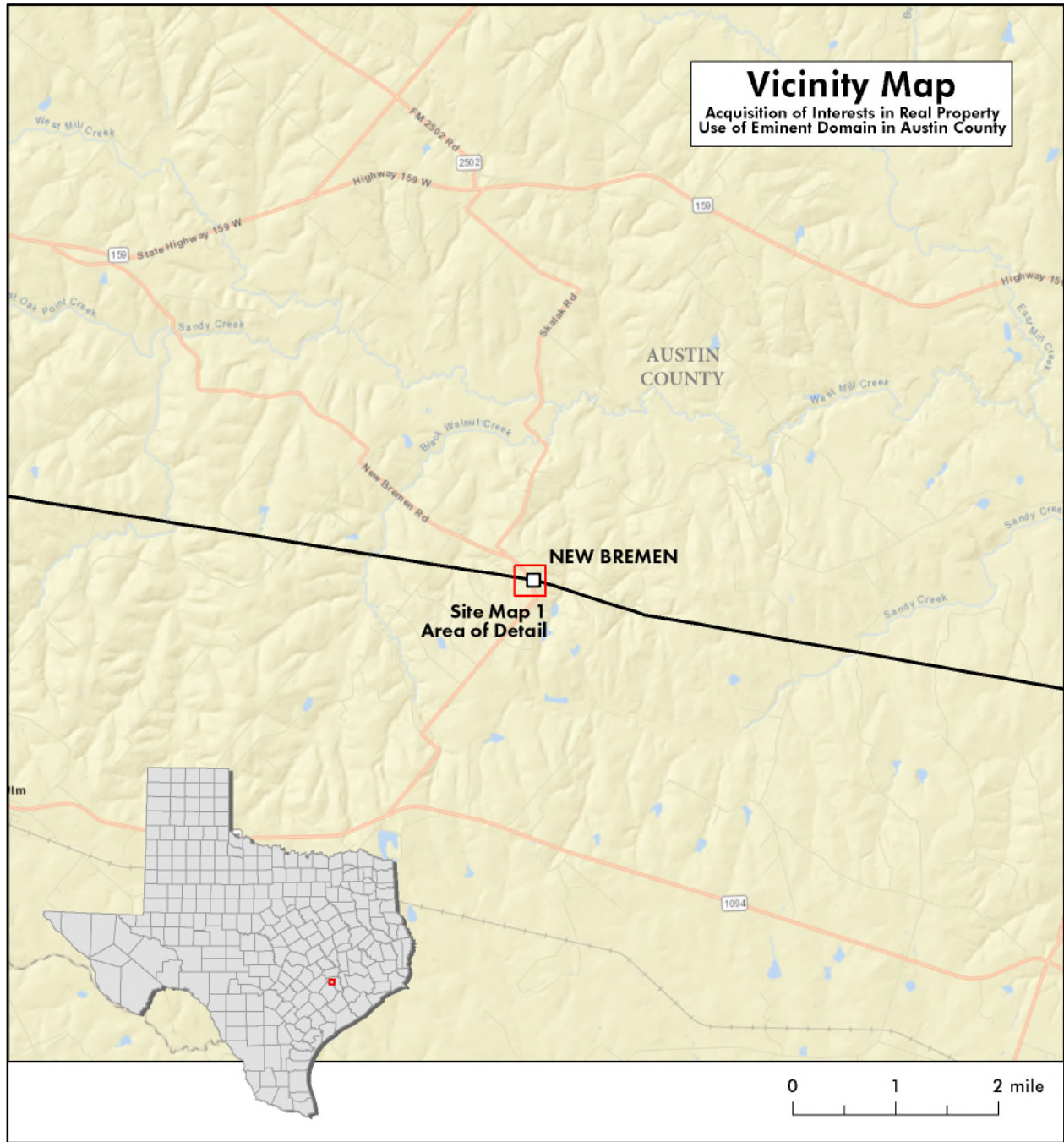
Steven T. Brown  
Director, Real Estate Services

**Exhibit(s)**

- A – Vicinity Map
- B – Site Map
- C – Landowner List
- D – Resolution
- 1 – Description of the Specific Properties



**EXHIBIT A**



**EXHIBIT B**



**EXHIBIT C**

	<b>Landowner</b>	<b>Approximate Parent Tract Acreage</b>	<b>Land Rights</b>	<b>Approximate Acquisition Acreage</b>	<b>County</b>	<b>Approximate Value</b>
1	Curt Raeke	39.63 acres	Fee simple	2.01 acres	Austin	\$62,980

**EXHIBIT D**

Page 1 of 2

**PROPOSED MOTION**

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

**RESOLUTION**

**AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY BY CONDEMNATION IN AUSTIN COUNTY FOR A FEE SIMPLE PURCHASE.**

**WHEREAS**, LCRA Transmission Services Corporation has determined the need to acquire the interests in real property necessary for the public uses of construction, operation and maintenance of an electric substation site in Austin County; and

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

**NOW, THEREFORE, BE IT RESOLVED** that the president and chief executive officer or his designee is authorized to purchase the interests in real property from the landowner listed in the attached Exhibit C for the construction of the New Bremen Circuit Breaker Addition project, with the description of the location of and interest in the property LCRA Transmission Services Corporation seeks to acquire being more particularly described in maps provided to the Board and attached to this Resolution as Exhibit 1; that the public convenience and necessity requires the acquisition of said interests in real property; that the public necessity requires the condemnation of the interests in real property in order to acquire them for such uses; that LCRA Transmission Services Corporation does not intend to acquire rights to groundwater or surface water in the land; that LCRA Transmission Services Corporation has made a bona fide offer to acquire the interests in real property from the landowner(s) voluntarily as required by Sec. 21.0113 of the Texas Property Code; and that at such time as LCRA Transmission Services Corporation has determined that the landowner(s) and LCRA Transmission Services Corporation will be unable to reach an agreement on the fair market value of the subject interests in real property and that it should appear that further negotiations for settlement with the landowner(s) would be futile, then the president and chief executive officer or his designee is authorized and directed to

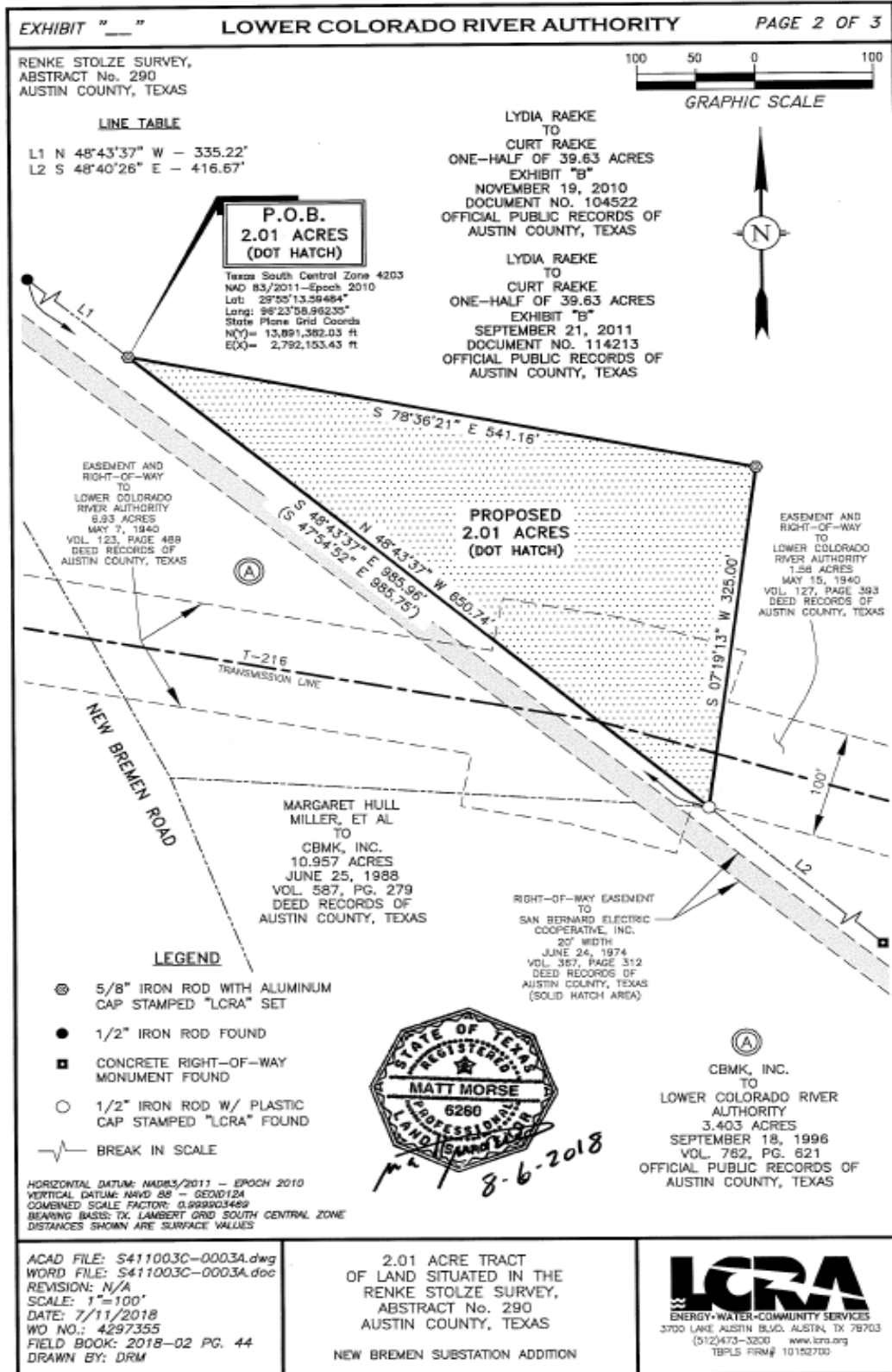
## **EXHIBIT D**

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initiate condemnation proceedings against the owner of the property, and against all other owners, lien holders, and other holders of an interest in the property, in order to acquire the necessary interests in real property, and that this resolution take effect immediately from and after its passage;

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

**EXHIBIT 1**



**FOR ACTION**

## **10. LCRA Transmission Services Corporation Board Policy T401 – Land Resources**

**Proposed Motion**

Approve revisions to LCRA Transmission Services Corporation Board Policy T401 – Land Resources as attached in Exhibit A.

**Board Consideration**

Board of Directors approval is required for any changes to LCRA TSC Board policies.

**Budget Status and Fiscal Impact**

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

**Summary**

LCRA Transmission Service Corporation Board Policy T401 – Land Resources restricts the amount of consideration LCRA TSC can pay to secure a purchase or lease option on a parcel of land without Board approval. Under Section T401.401 Land Acquisition, Section B – Method of Acquisition, the option amount may not exceed \$20,000 per parcel. Based on recent acquisitions and a review of land market values in various counties serviced by LCRA TSC, this limit is not sufficient to keep up with rising values in the current real estate market. Increasing the limit on option payments to \$60,000 per parcel will expedite the process of acquiring land rights and allow LCRA TSC to better meet project deadlines.

Staff recommends that the Board approve the proposed revision to LCRA TSC Board Policy T401.

**Presenter(s)**

Steven T. Brown  
Director, Real Estate Services

**Exhibit(s)**

A – Proposed Revisions to LCRA TSC Board Policy T401 – Land Resources, Section T401.401 Land Acquisition, Section B – Method of Acquisition

## EXHIBIT A

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### LCRA TRANSMISSION SERVICES CORPORATION BOARD POLICY

#### T401 – LAND RESOURCES

~~Feb. 15, 2017~~ Oct. 17, 2018

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#### T401.10 PURPOSE

This policy establishes guidelines for the acquisition, disposition, use and management of all LCRA Transmission Services Corporation land rights.

#### T401.20 DEFINITIONS

Land Rights – Interests in real property including, but not limited to, easements, leases, and fee simple ownership and aerial, subsurface, land and water surface rights.

LCRA TSC – LCRA Transmission Services Corporation.

LCRA TSC Board – The Board of Directors of LCRA TSC.

#### T401.30 POLICY

LCRA TSC will acquire, develop, use, manage, operate and dispose of its land resources to fulfill its essential corporate purposes and responsibilities prescribed by state law and LCRA TSC policies.

LCRA TSC may dispose of land that has been declared by the LCRA TSC Board to be “nonessential” (not necessary or convenient or of beneficial use to the business of LCRA TSC).

#### T401.40 PROCEDURES

**T401.401 Land Acquisition.** LCRA TSC will acquire sufficient land rights to complete approved projects and programs. In selecting land, LCRA TSC will consider, as appropriate, the effects on environmental integrity, community values, parks and recreation areas, historical and aesthetic values, and the cost of the project or program.

Mineral rights may be acquired for the protection of the improvements to be constructed or to prevent interference with the surface use.

In acquiring land rights, LCRA TSC will attempt to minimize adverse effects upon property owners and will use due diligence to adequately compensate property owners.



Property owners contacted by representatives of LCRA TSC will be treated courteously and dealt with in a forthright manner. Contacts and negotiations will be initiated in a timely fashion to allow the property owner to consult with legal, tax and other advisors as may be necessary.

- A. LCRA TSC Board Authorization: LCRA TSC Board approval of the business plan, capital plan, capital improvement project or Transmission System Improvements Working Papers will constitute authorization for the acquisition of land rights as necessary and will authorize the chief executive officer (CEO) of LCRA TSC or his or her designee to acquire land rights necessary to complete the approved projects or programs, subject to the following conditions:
1. Land rights for an approved project or program that may be purchased or leased for \$600,000 or less per parcel, where the purchase or lease price is within the amount budgeted for the project or program, may be finalized by the CEO or his or her designee without further LCRA TSC Board action. Acquisitions of land rights that have a purchase price or lease price exceeding \$600,000 per parcel require the LCRA TSC Board's specific approval. LCRA TSC may acquire land rights in excess of the rights required for projects or programs in those instances when the property owner and LCRA TSC both agree to such conditions, or when it is in LCRA TSC's best economic interest to do so.
  2. Board authorization is not required for the acquisition of land rights when the land rights are acquired at no cost to LCRA TSC.
- B. Method of Acquisition: Staff will determine whether acquisition of particular land rights is in the best interest of LCRA TSC, its customers and the public. In determining the method of land acquisition, LCRA TSC will consider (a) the purpose, type and life of the facilities to be located on the land; (b) how the surface of the land will be used; (c) the significance of mineral rights to the integrity of the facility; and (d) the present or future use of the land by the property owner.

Consideration paid by LCRA TSC to secure a purchase or lease option may not exceed ~~\$20,000~~\$60,000 per parcel, tract or interest nor may the term of the option exceed two years, unless specifically approved by the LCRA TSC Board. Such payment must be applied toward the purchase or lease price if the purchase or lease is consummated.

An environmental due diligence assessment will be prepared on all land considered for acquisition. For the acquisition of leases and property in fee simple, an assessment for the potential presence of environmental contamination will be performed in accordance with U.S. Environmental Protection Agency (EPA) "all appropriate inquiries" regulations (40 C.F.R. Part 312) and related Society for Testing and Materials International (ASTM)

standards, unless a variance is granted by LCRA's general counsel. For the acquisition of easements, the assessment may follow less stringent standards and practices provided the standards and practices followed are consistent with industry practice and are documented, except that in the case of easement acquisitions where prior or future land use may present risks that, in the opinion of the environmental professional, warrant a full assessment, the more stringent "all appropriate inquiries" regulations will be followed.

Information obtained during the due diligence and on-site assessments will be evaluated prior to final acquisition.

- C. Appraisals: LCRA TSC will base all negotiations on a reasonable opinion of market value on all land right acquisitions. Staff will have the discretion to either prepare an opinion based on available market data or employ an independent appraiser, based on the size and complexity of the acquisition; however staff will be required to employ an independent appraiser if (i) the area of the land rights being acquired is larger than 100 acres; (ii) staff has reason to believe the value of such land rights exceeds \$600,000; or (iii) employing an independent appraiser is necessary to avoid the appearance of a conflict of interest.

Any independent appraiser engaged by or on behalf of LCRA TSC must hold a valid license or certification from the state of Texas.

- D. Eminent Domain Proceedings: LCRA TSC may use its power of eminent domain to acquire land rights if (i) a landowner has been unable to agree with LCRA TSC on the fair market value of the land rights being acquired by LCRA TSC and further negotiations for settlement have become futile; (ii) the title cannot be conveyed without a court judgment; or (iii) there is a conflict of interest of the owner(s). LCRA TSC may initiate eminent domain proceedings only after an official written offer to purchase the land rights has been sent to the landowner. In any event, LCRA TSC Board authorization is required prior to initiation of eminent domain proceedings for the acquisition of land rights.

#### **T401.402 Land Use, Development, Conservation and Management.**

- A. Agreements: LCRA TSC may enter into permits, leases, easements or other legally binding land use agreements with public, private or nonprofit entities.
  - 1. Land use agreements will conform to the following criteria:
    - a. Monetary consideration for the following uses will be full fair market rental value: agriculture/grazing, commercial and private uses.
    - b. LCRA TSC's leases will be managed to conserve, protect and maintain LCRA TSC's land resources.

- c. Land use agreements may be granted for non-monetary consideration to governmental entities or nonprofit organizations, when the use of the property furthers LCRA TSC's ability to meet its statutory responsibilities or is deemed to be in LCRA TSC's best interest.
  - d. Land use agreements require the user to undertake full financial responsibility for proper maintenance and use of the land and/or facility, as may be appropriate under the circumstances. Such financial responsibility may include liability insurance coverage protecting LCRA TSC.
  - e. Land use agreements will include provisions allowing periodic adjustments of monetary consideration.
  - f. The term of any land use agreement will be commensurate with the use of the land, the purposes of the agreement, the amount of capital to be invested by LCRA TSC and/or the user, the anticipated capital payback period, and the projected revenue to LCRA TSC.
  - g. Land use agreements will contain, as appropriate and necessary, provisions for environmental protection and compliance with applicable laws and regulations and LCRA TSC policies.
2. The following types of land use agreements may be executed by the CEO or his or her designee without LCRA TSC Board approval; all other land use agreements must be specifically approved by LCRA TSC Board:
- a. Leases, temporary use permits, licenses and construction permits with terms of 15 years or less.
  - b. Agreements for the co-location of electric or communication facilities on LCRA TSC land, easements or leases.
- B. Easements: LCRA TSC may grant easements across land it owns, may permit easements to occupy the same easement corridor it has acquired, and may release its easement rights or assign its easements or portions thereof when the best interests of LCRA TSC and the public are served.
- 1. Requests for easements across LCRA TSC land will conform to the following criteria and must be specifically approved by LCRA TSC Board:
    - a. Monetary consideration for easements that serve a private or commercial use will be the full fair market value as determined pursuant to this policy.
    - b. Consideration for easements that serve a public or nonprofit use may be non-monetary at the discretion of LCRA TSC Board.

- c. Easements will contain, as appropriate and necessary, provisions for environmental protection and compliance with existing laws, regulations and LCRA TSC policies.
  - 2. Requests to occupy a portion of an LCRA TSC easement across lands that are not owned by LCRA TSC may be approved by the CEO or his or her designee if they meet the following criteria:
    - a. The requesting entity first must obtain the written statement of LCRA TSC's non-objection to the proposed easement/use. Such statement of non-objection only will be granted if the proposed joint use of the easement corridor will not interfere with LCRA TSC's superior easement rights, safety and efficient operations within the easement area.
    - b. The requesting entity must obtain the easement rights, subordinate to LCRA TSC's superior easement rights, from the landowner(s).
  - 3. LCRA TSC's easements on private lands that are not necessary to the operation of LCRA TSC may be released by the CEO or his or her designee, subject to the following:
    - a. Staff has determined that LCRA TSC has no further or anticipated need for easement rights in the area to be released.
    - b. Any processing costs, including the cost of a survey, if required, will be at the expense of the property owner or party requesting the release.
    - c. Easement rights that are considered unnecessary due to an abandonment of a line or facility by LCRA TSC may be released to the current landowner(s).
- C. Encroachments: Public or private use of (including aerial use above or over) LCRA TSC land, except where expressly authorized by LCRA TSC, will be considered an encroachment. Those encroaching on or over LCRA TSC lands will be required to either purchase the land from LCRA TSC on terms approved by the Board, remove the encroachment, or secure rights to use the land by entering into an acceptable land use agreement with LCRA TSC. The CEO or his or her designee may institute appropriate legal action to remove any non-conforming encroachments.

#### **T401.403 Land Disposition.**

- A. Nonessential Lands: Lands identified as nonessential may be sold, traded or exchanged if declared by the LCRA TSC Board to be not necessary, convenient or of beneficial use to the business of LCRA TSC. Such declaration and the

terms of any such sale or exchange will require the affirmative vote of three-fourths vote of the membership of the LCRA TSC Board.

Appraisals: LCRA TSC will base all negotiations on a reasonable opinion of market value on all land right dispositions. Staff will have the discretion to either prepare an opinion based on available market data or employ an independent appraiser, based on the size and complexity of the transaction; however staff will be required to employ an independent appraiser if (i) the area of the land rights being sold, leased or exchanged is larger than 100 acres; (ii) staff has reason to believe that the value of such land rights exceeds \$600,000; or (iii) employing an independent appraiser is necessary to avoid the appearance of a conflict of interest.

An environmental due diligence assessment will be prepared on all land considered for disposition. For the disposition of leases, easements and property in fee simple, the assessment may follow standards and practices less stringent than "all appropriate inquiries" described above, provided the standards and practices used are consistent with industry practice and are documented. However, for disposition of leases, easements and property in fee simple, when prior or future land use may present risks that, in the opinion of the environmental professional, warrant a full assessment, the more stringent "all appropriate inquiries" regulations will be followed. Information obtained during the due diligence and on-site assessments will be evaluated prior to final disposition.

- B. Disposition or Encumbrance Requiring LCRA Board Approval: LCRA TSC shall not dispose of or encumber all or a substantial portion of its assets without the approval of the Lower Colorado River Authority Board of Directors.

**EFFECTIVE:** Feb. 20, 2002. Amended Oct. 14, 2008; Aug. 26, 2009; June 16, 2010; ~~and~~ Feb. 15, 2017; and Oct. 17, 2018.

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