

LCRA Transmission Services Corporation

Board Agenda

Tuesday, April 16, 2019
San Saba Civic Center
1190 S. Thomas Stewart Drive
San Saba, TX 76877
Earliest start time: 9:00 a.m.
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Open Session Action/Discussion Items

- 1. Comments From the Public 4
- 2. Authorize the Fiscal Year 2019 Extraordinary LCRA Optional Purchase Price
Payment From LCRA Transmission Services Corporation to LCRA 5

Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at the following link: www.sos.state.tx.us/open.

Executive Session

The Board may go into executive session for deliberation on the matters listed above pursuant to Chapter 551 of the Texas Government Code.

OVERVIEW OF LCRA TRANSMISSION SERVICES CORPORATION

In connection with the implementation of retail competition in the electric utility industry in the state of Texas, LCRA was required by the Texas Legislature in its amendments to the Public Utility Regulatory Act (enacted in 1999 under state legislation known as Senate Bill 7, and referred to as SB 7) to unbundle its electric generation assets from its electric transmission and distribution assets. LCRA conveyed, effective Jan. 1, 2002, all of its existing electric transmission and transformation assets (collectively, the Transferred Transmission Assets) to the LCRA Transmission Services Corporation 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 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. 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 transmission service provider 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 and determined pursuant to transmission cost of service rate proceedings filed with and approved by the PUC.

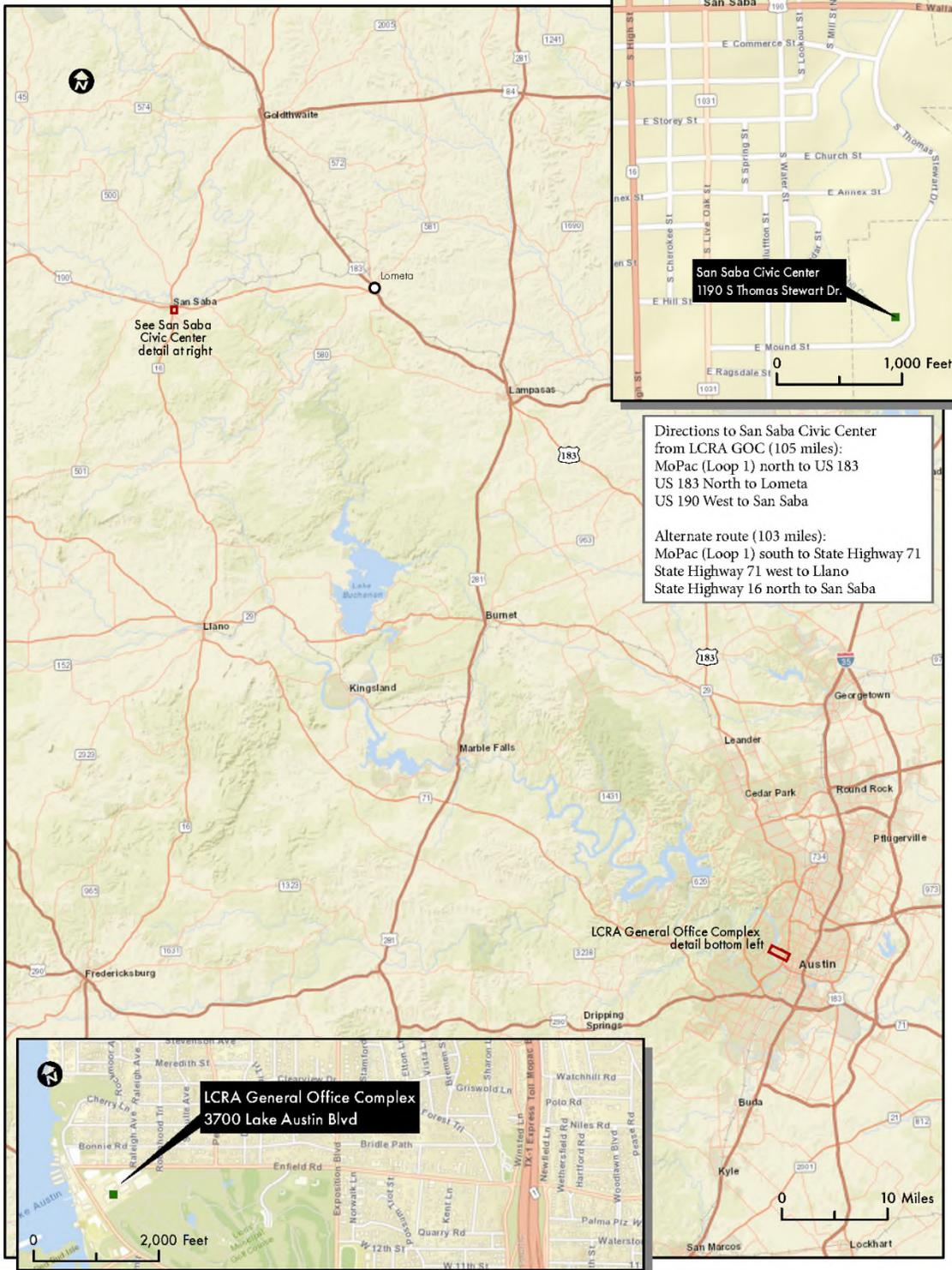
Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services 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 is appointed by and serves at the will of the LCRA Board. The current membership of the LCRA TSC Board is made up entirely of the existing LCRA Board.

The LCRA TSC Board Policy T102 – Authority and Responsibilities directs that the business plan of the affiliated corporation include for approval a schedule of capital projects proposed for the fiscal year. The policy also states that only deviations from the approved plan will be brought before the LCRA TSC Board. As such, the LCRA TSC Board agenda will not include consent items to approve specific capital projects, unless the project scope or budget changes significantly from what was originally approved.

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FOR DISCUSSION

1. Comments From the Public

Summary

This part of the meeting is intended for comments from the public on topics under LCRA Transmission Services Corporation's jurisdiction but not related to an item on the Board agenda. The Board may not respond or take action during public comments.

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

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

FOR ACTION

2. Authorize the Fiscal Year 2019 Extraordinary LCRA Optional Purchase Price Payment From LCRA Transmission Services Corporation to LCRA

Proposed Motion

Authorize the payment of an Extraordinary LCRA Optional Purchase Price Payment (ELOPPP) to the Lower Colorado River Authority for \$7.3 million for fiscal year 2019, contingent on the determination by the LCRA Board of Directors of such payment being due and payable pursuant to the Electric Transmission Facilities Contract (the Contractual Commitment) between LCRA and LCRA TSC.

Board Consideration

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

Budget Status and Fiscal Impact

The transfer of the \$7.3 million to LCRA was contemplated in the FY 2019 business plan. The initiation of this transfer is being made after ensuring LCRA TSC will meet all financial commitments, including annual expenses for operations and maintenance, debt service and any other payments required under its financial policies.

Summary

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

Staff determined LCRA TSC has to date met, and is expected to meet, all financial obligations required by any agreement or the financial policies of LCRA TSC for FY 2019.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

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