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LOWER COLORADO RIVER AUTHORITY

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
June 30, 2023, and 2022

With Independent Auditors' Report

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Lower Colorado River Authority
Financial Statements
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Financial Statements Overview

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments,*" the Lower Colorado River Authority (LCRA) is considered a special-purpose government engaged only in business-type and fiduciary activities. GASB Statement No. 34 requires the following components in a governmental entity's annual report:

Management's Discussion and Analysis

This section provides an objective and easily readable analysis of financial activities based on currently known facts, decisions or conditions.

Balance Sheets

The presentation of assets and liabilities of proprietary funds should distinguish between current and noncurrent assets and liabilities. Deferred inflows of resources and deferred outflows of resources are reported as separate line items.

Statements of Revenues, Expenses and Changes in Net Position

These statements provide the operating results broken into the categories of operating revenues and expenses, nonoperating revenues and expenses, costs to be (prior costs) recovered from revenues, and capital contributions.

Statements of Cash Flows

Sources and uses of cash are classified using the direct method as resulting from operating, noncapital financing, capital and related financing or investing activities.

Statements of Fiduciary Net Position

These statements report on a pension plan's financial position and are broken out into the categories of assets, liabilities and net position.

Statements of Changes in Fiduciary Net Position

These statements report on the additions and reductions to a pension plan's net position.

Notes to Financial Statements

The notes explain information in the financial statements and provide additional details.

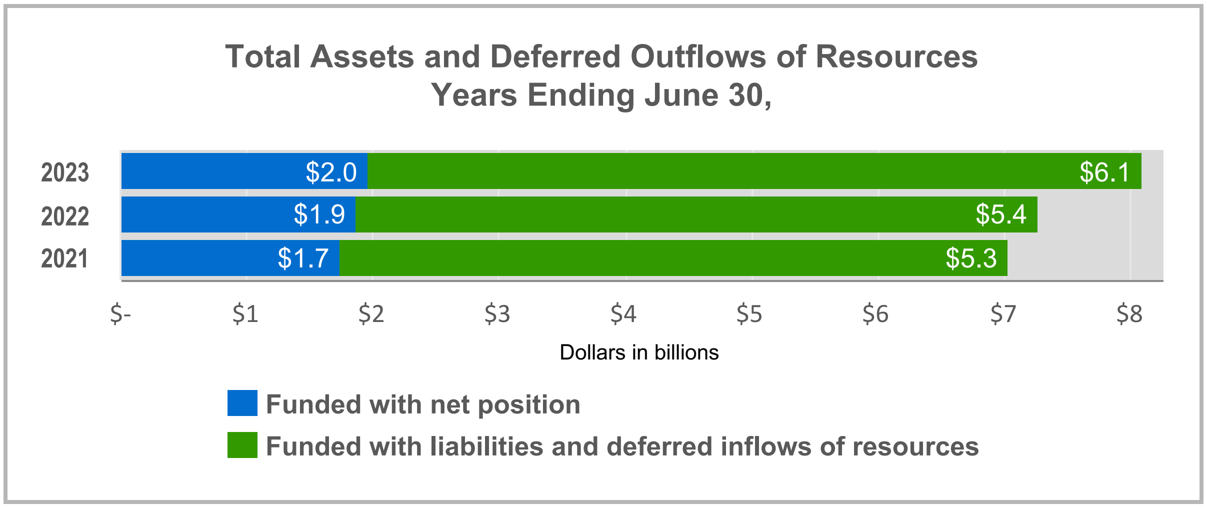
Financial Highlights

Condensed Balance Sheets
(Dollars in millions)

	June 30, 2023	June 30, 2022	June 30, 2021	2023 vs. 2022	2022 vs. 2021
			Restated		
Current assets	$ 718	$ 832	$ 927	(14%)	(10%)
Capital assets, net	6,098	5,477	5,263	11%	4%
Other noncurrent assets	1,119	831	713	35%	17%
Total assets	7,935	7,140	6,903	11%	3%
Total deferred outflows of resources	155	128	134	21%	(4%)
Total assets and deferred outflows of resources	$ 8,090	$ 7,268	$ 7,037	11%	3%
Current liabilities	$ 855	$ 926	$ 909	(8%)	2%
Noncurrent liabilities	5,023	4,208	4,198	19%	—%
Total liabilities	5,878	5,134	5,107	14%	1%
Deferred inflows of resources	246	270	191	(9%)	41%
Net investment in capital assets	1,310	1,106	942	18%	17%
Restricted net position	53	79	88	(33%)	(10%)
Unrestricted net position	603	679	709	(11%)	(4%)
Total net position	1,966	1,864	1,739	5%	7%
Total liabilities, deferred inflows of resources and net position	$ 8,090	$ 7,268	$ 7,037	11%	3%

Balance Sheets Overview

LCRA continues to be a capital asset-driven business with approximately 77% of its assets being capital assets. The other assets primarily exist to support the capital assets and their activities. See details in the Capital Asset Activity section. LCRA uses long-term debt to finance most of its capital activity. The Debt Activity section provides additional details. The below chart shows total assets and deferred outflows of resources for each of the last three years. It also identifies the amount of the assets and deferred outflows of resources funded by liabilities and deferred inflows of resources versus net position.



2023 Compared With 2022

Total assets and deferred outflows of resources increased by $822 million, or 11%, from the prior year. This primarily was caused by an increase of $621 million, or 11%, in net capital assets mainly due to transmission project construction. Current assets decreased by $114 million, or 14%. The decrease was due to a decrease of $91 million, or 25%, in unrestricted cash and cash equivalents primarily due to an increase in investing activities and a decrease of $10 million, or 4%, in net receivables primarily due to a decrease of $14 million in receivables related to FY 2021 Winter Storm Uri.

Other noncurrent assets increased by $288 million, or 35%, from the prior year. This was primarily the result of a $184 million increase in LCRA Transmission Services Corporation (LCRA TSC) construction funds combined with an $80 million increase in long-term investments.

Noncurrent liabilities increased by $815 million, or 19%, due to a $734 million increase in long-term debt and a $95 million increase in net pension liability. The increase in debt is a result of capital expansion. Total deferred inflows decreased by $24 million, or 9%, from the prior year due to a $47 million decrease in unrealized gains related to the pension plan, partially offset by a $28 million increase in regulatory credits.

2022 Compared With 2021

Total assets and deferred outflows of resources increased by $231 million, or 3%, from the prior year. This primarily was caused by an increase of $214 million, or 4%, in net capital assets mainly due to transmission project construction. Current assets decreased by $95 million, or 10%. The decrease was due to a decrease of $62 million, or 15%, in unrestricted cash and cash equivalents primarily due to an increase in investing activities and a decrease of $53 million, or 17%, in net receivables primarily due to a decrease of $40 million in receivables related to FY 2021 Winter Storm Uri. These decreases were partially offset by an increase of $24 million, or 20%, in inventories caused by a $5 million increase in gas inventory and a $15 million increase in inventories for transmission projects.

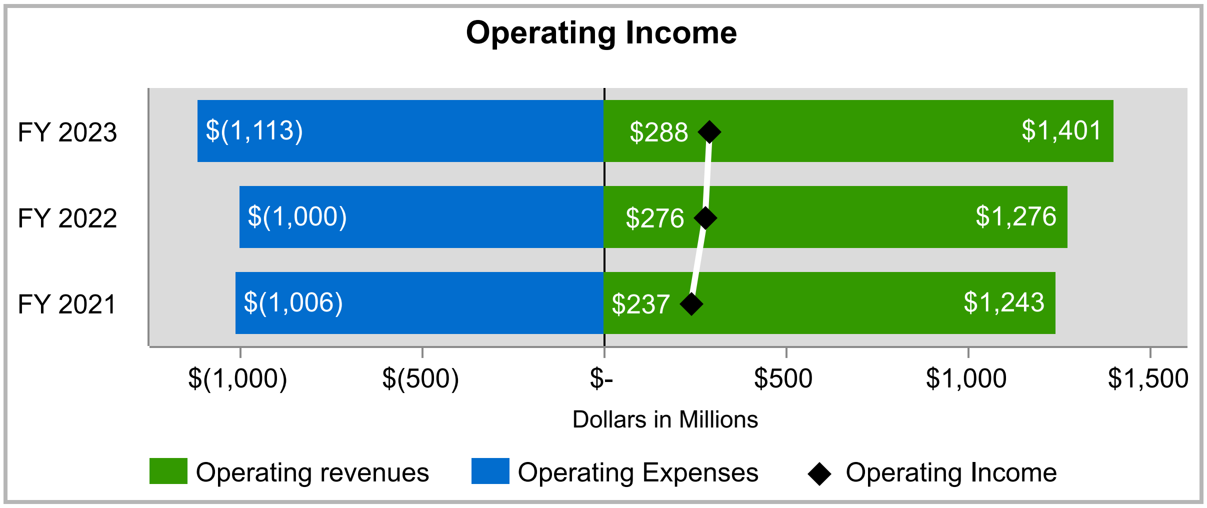
Noncurrent liabilities increased by $10 million, or 0.2% due to a $94 million increase in long-term debt partially offset by a $48 million decrease in net pension liability, a $23 million decrease in other postemployment benefits, and a $13 million decrease in noncurrent lease liability. The increase in debt is a result of capital expansion. Total deferred inflows increased by $79 million, or 41%, from the prior year due to a $31 million increase in regulatory credits, combined with a $26 million increase in unamortized gain on refundings and a $23 million increase in unrealized gains related to the pension plan.

Condensed Statements of Revenues, Expenses and Changes in Net Position
(Dollars in millions)

	Year Ended June 30,			2023 vs 2022 Favorable/ (Unfavorable)	2022 vs 2021 Favorable/ (Unfavorable)
	2023	2022	2021		
			Restated		
Operating revenues	$ 1,401	$ 1,276	$ 1,243	10%	3%
Operating expenses	(1,113)	(1,000)	(1,006)	(11%)	1%
Operating income	288	276	237	4%	16%
Nonoperating loss	(200)	(137)	(146)	(46%)	6%
Prior costs recovered from revenues	(5)	(17)	(7)	71%	(143%)
Capital contributions	19	4	—	375%	—%
Change in net position	102	126	84	(19%)	50%
Net Position, Beginning of Year	1,864	1,738	1,654	7%	5%
Net Position, End of Year	$ 1,966	$ 1,864	$ 1,738	5%	7%

Operating Income Overview

Operating income is derived primarily from wholesale energy sales, providing transmission and transformation services, and raw water sales. The Public Utility Commission of Texas (PUC) regulates transmission and transformation rates. LCRA's Board of Directors sets all other rates. The following chart shows LCRA's operating revenues, expenses and income for each of the last three years.



2023 Compared With 2022

Operating income for Fiscal Year (FY) 2023 increased by $12 million, or 4%, compared with the prior year. This increase primarily was driven by a $125 million, or 10%, increase in operating revenues, which resulted from a $115 million increase in electric revenues.

2022 Compared With 2021

Operating income for FY 2022 increased by $39 million, or 16%, compared with the prior year. This increase primarily was driven by a $33 million, or 3%, increase in operating revenues, which resulted from a $48 million increase in electric revenues partially offset by a $9 million decrease in bilateral ancillary services.

Nonoperating and Other Revenues (Expenses)

LCRA's nonoperating revenues and expenses primarily are composed of:

- Interest income and expense.
- Gains or losses on the disposition of assets.
- Deferral of costs to be recovered from future revenues and recognition of prior costs recovered from current revenues.

2023 Compared With 2022

LCRA's nonoperating loss and prior costs recovered from revenues for FY 2023 increased by $51 million, or 33%, from the prior year. The most significant items contributing to the increase were a $97 million increase in net loss on dispostion of property and a $15 million increase in debt interest expense. This was partially offset by a $45 million increase in interest income due to rising interest rates and a $12 million decrease in regulatory expense.

2022 Compared With 2021

LCRA's nonoperating loss and prior costs recovered from revenues for FY 2022 decreased by $1 million, or 1%, from the prior year. The most significant items contributing to the decrease in FY 2022 were a $25 million decrease in interest income, a $10 million increase in regulatory expense, and a $6 million increase in debt interest expense. The decrease in interest income was primarily the result of a decrease in the fair value of investments held due to rising external interest rates. This was partially offset by a $39 million increase in net gain on disposition of property.

Capital Asset Activity

Capital Asset Activity
(Dollars in millions)

	FY 2023	FY 2022
Expended for construction activities	$ 904	$ 462
Depreciation expense	236	226
Asset retirements, net of proceeds	47	22

For additional details, see Note 8 of the Notes to the Financial Statements.

Capital Expansion and Improvement Program

LCRA's capital expansion and improvement program for FY 2024 through FY 2028 is forecast to be $4 billion with approximately 73% to be debt-funded and the remainder to be funded from operations, as summarized in the following table. The majority of forecast capital costs are for the expansion of transmission services and new water supply projects aimed at creating firm water supply and offsetting the use of stored water from the Highland Lakes.

Forecast Capital Expenditures
(Dollars in millions)

	Year Ending June 30,					
	2024	2025	2026	2027	2028	Total
Revenue/other funded	$ 176	$ 213	$ 216	$ 221	$ 234	$ 1,060
Debt funded	995	688	490	338	404	2,915
Total LCRA Capital	$ 1,171	$ 901	$ 706	$ 559	$ 638	$ 3,975
Percent debt funded	85%	76%	69%	60%	63%	73%

Debt Activity

(Dollars in millions)

	FY 2023	FY 2022
Private notes issued	$ 589	$ 428
Commercial paper issued	329	319
Scheduled debt payments	132	115
Interest payments	201	185

Bond issuances

FY 2023

> LCRA refunding revenue bond series 2023AB issued with a net premium. The bond proceeds were used to pay $145 million in outstanding bonds.

> LCRA TSC refunding revenue bond series 2022A issued with a net premium. The bond proceeds were used to pay down $75 million in outstanding commercial paper and $125 million in notes.

> LCRA TSC refunding revenue bond series 2023 issued with a net premium. The bond proceeds were used to pay down $121 million in previously outstanding bonds, $71 million in outstanding commercial paper and $204 million in outstanding notes.

> LCRA TSC refunding revenue bond series 2023A issued with a net premium. The bond proceeds were used to pay down $75 million in previously outstanding bonds, $138 million in outstanding commercial paper and $300 million in outstanding notes.

FY 2022

> LCRA refunding revenue bonds series 2022 issued with a net premium. The bond proceeds were used to pay down $377 million in previously outstanding bonds and $22 million in outstanding commercial paper.

> LCRA TSC refunding revenue bond series 2021A issued with a net premium. The bond proceeds were used to pay down $50 million in outstanding commercial paper and $150 million in notes.

> LCRA TSC refunding revenue bond series 2022 issued with a net premium. The bond proceeds were used to pay down $262 million in previously outstanding bonds, $50 million in outstanding commercial paper and $100 million in outstanding notes.

For additional details, see Note 3 of the Notes to the Financial Statements.

Restatements

Restatements to FY 2021 financial statements were the result of the adoption of a new accounting standard for leases effective July 1, 2021, and the correction of a calculation error to the actuarially determined other postemployment benefit (OPEB) liabilities.

Contacting LCRA's Management

This report provides a general overview of LCRA's finances. For more information, contact Tom Oney, Chief People Officer and Executive Vice President of External Affairs, Lower Colorado River Authority, P.O. Box 220, Austin, TX 78767.

LOWER COLORADO RIVER AUTHORITY
BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	June 30, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 268	$ 359
Investments	20	48
Receivables, net	245	255
Inventories, net	159	144
Other	26	26
Total current assets	718	832
Noncurrent Assets:		
Restricted cash and cash equivalents	230	56
Restricted investments	242	218
Unrestricted investments	296	221
Capital assets:		
Depreciable assets	8,263	7,732
Less: accumulated depreciation and amortization	(3,437)	(3,235)
Depreciable capital assets, net	4,826	4,497
Nondepreciable assets	1,272	980
Net capital assets	6,098	5,477
Notes receivable	—	15
Costs to be recovered from future revenues	271	254
Facilities regulatory asset	51	53
Other	29	14
Total noncurrent assets	7,217	6,308
Total Assets	7,935	7,140
Deferred Outflows of Resources:		
Unamortized loss on debt refundings	26	35
Changes in fair value of hedging derivative	23	27
Unamortized expense on asset retirement obligation	24	19
Unrealized losses related to postemployment benefits	7	11
Unrealized contributions and losses related to pensions	75	36
Total Deferred Outflows of Resources	155	128
Total Assets and Deferred Outflows of Resources	$ 8,090	$ 7,268

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	June 30, 2022
Liabilities		
Current Liabilities:		
Accounts payable	$ 181	$ 154
Interest payable	31	29
Other current liabilities	171	152
Compensated absences	25	26
Bonds and notes payable	447	565
Total current liabilities	855	926
Noncurrent Liabilities:		
Construction payables	3	1
Asset retirement obligation	31	22
Bonds and notes payable	4,639	3,905
Other credits and other noncurrent liabilities	61	63
Lease and subscription liability	22	35
Other postemployment benefit liability	52	62
Net pension liability	215	120
Total noncurrent liabilities	5,023	4,208
Total Liabilities	5,878	5,134
Deferred Inflows of Resources:		
Regulatory credits from future recovery	148	120
Unrealized gains related to pension	7	54
Unrealized gains related to other postemployment benefits	13	20
Unrealized lease revenues	18	20
Unrealized gain related to tower sale	23	23
Other	37	33
Total Deferred Inflows of Resources	246	270
Net Position		
Net investment in capital assets	1,310	1,106
Restricted for capital projects	—	1
Restricted other	53	78
Unrestricted	603	679
Total Net Position	1,966	1,864
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 8,090	$ 7,268

The accompanying notes are an integral part of these financial statements.

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LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Operating Revenues		
Electric	$ 1,317	$ 1,202
Water and irrigation	37	34
Other	47	40
Total Operating Revenues	1,401	1,276
Operating Expenses		
Fuel and purchased power	442	395
Operations	372	323
Maintenance	63	56
Depreciation, depletion and amortization	236	226
Total Operating Expenses	1,113	1,000
Operating Income	288	276
Nonoperating Revenues (Expenses)		
Investment income (loss)	27	(18)
Gain on disposition of property	7	62
Loss on disposition of property	(85)	(43)
Interest on debt	(158)	(143)
Other income	9	5
Net Nonoperating Expenses	(200)	(137)
Income before prior costs recovered from revenues and capital contributions	88	139
Prior costs recovered from revenues	(5)	(17)
Capital contributions	19	4
Change in Net Position	102	126
Total Net Position, Beginning of Year	1,864	1,738
Total Net Position, End of Year	$ 1,966	$ 1,864

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash Flows From Operating Activities		
Receipts from customers	$ 1,374	$ 1,173
Payments for goods and services	(599)	(489)
Payments to employees	(208)	(173)
Other receipts (payments)	(2)	3
Net cash provided by operating activities	565	514
Cash Flows From Noncapital Financing Activities		
Grant proceeds received	6	2
Other revenues	(1)	1
Net cash provided by noncapital financing activities	5	3
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(916)	(403)
Lease receipts	1	1
Lease payments	(17)	(17)
SBITA payments	(2)	—
Proceeds from sale of capital assets	—	3
Debt issue costs	(5)	(4)
Contributed capital received for capital costs	19	5
Proceeds from long-term debt	1,289	929
Proceeds from commercial paper and notes	918	747
Debt principal payments	(132)	(115)
Interest paid	(201)	(185)
Payments to refund and defease debt	(1,396)	(1,444)
Net cash used in capital and financing activities	(442)	(483)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	208	274
Purchase of investment securities	(284)	(412)
Note payments and interest received	31	8
Net cash used in investing activities	(45)	(130)
Net Increase / (Decrease) in Cash and Cash Equivalents	83	(96)
Cash and Cash Equivalents, Beginning of Year	415	511
Cash and Cash Equivalents, End of Year	$ 498	$ 415

The accompanying notes are an integral part of these financial statements.

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LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 288	$ 276
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, depletion and amortization	236	226
Changes in assets, liabilities, deferred inflows and outflows of resources:		
Accounts receivable	10	63
Inventories	(15)	(24)
Other current assets	(1)	2
Current liabilities	48	59
Other noncurrent assets, charges and deferred outflows of resources	6	(23)
Other credits, other noncurrent liabilities and deferred inflows of resources	(7)	(65)
Net cash provided by operating activities	$ 565	$ 514
Noncash Financing and Investing Activities		
Investment market adjustments	$ 5	$ 27
Capital assets financed through short-term liabilities	11	1
Noncash loss on asset retirements	(59)	(34)
Right-To-Use (Lease and SBITA) Assets Obtained	7	—

The accompanying notes are an integral part of these financial statements.

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LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FIDUCIARY FUNDS
(Dollars in millions)

	Dec. 31, 2022	Dec. 31, 2021
Assets		
Cash and cash equivalents	$ 6	$ 6
Investments	424	515
Other receivables	1	1
Total assets	431	522
Liabilities		
Benefits payable and other	5	3
Net position restricted for pensions	$ 426	$ 519

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FIDUCIARY FUNDS
(Dollars in millions)

	Year Ended Dec. 31, 2022	Year Ended Dec. 31, 2021
Additions		
Net appreciation (depreciation) on investments	$ (80)	$ 51
Dividends	9	10
Total investment income (loss)	(71)	61
Less investment expenses	2	2
Net investment income (loss)	(73)	59
Employer contributions	28	28
Total contributions	28	28
Total additions (deductions)	(45)	87
Deductions		
Benefits paid to participants	48	46
Total deductions	48	46
Net increase (decrease) in net position	(93)	41
Net position restricted for pensions, beginning of period	519	478
Net position restricted for pensions, end of period	$ 426	$ 519

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Reporting Entity: Lower Colorado River Authority (LCRA) is a conservation and reclamation district created by the Texas Legislature in 1934. It receives no state tax money and cannot levy taxes. It operates on revenue from the sale of wholesale electricity, water and other services. The LCRA Board of Directors is appointed by the Texas governor, with state Senate approval, to serve six-year terms. The financial condition of LCRA is not controlled by or dependent on the State of Texas or any other political subdivision. Under the criteria set forth by the Governmental Accounting Standards Board (GASB), LCRA considers its relationship to the state to be that of a related organization.

LCRA Transmission Services Corporation (LCRA TSC): LCRA TSC was created under Chapter 152 of the Texas Water Code as a nonprofit corporation and instrumentality of LCRA, conducting LCRA's transmission business. Although it is a separate legal entity, LCRA TSC is reported as part of LCRA because it is governed by a board of directors composed in its entirety of the LCRA Board. LCRA TSC issues separate financial statements that can be obtained by contacting the Lower Colorado River Authority, P.O. Box 220, Austin, TX 78767.

GenTex Power Corporation (GenTex): GenTex, a nonprofit corporation created by LCRA, is governed by a nine-member board appointed by the LCRA Board. Although it is a separate legal entity, GenTex is reported as part of LCRA because all of its capacity and energy is assigned to LCRA. LCRA and GenTex jointly own a combined-cycle, natural gas-fired generating unit that began operations in June 2001. GenTex does not issue separate financial statements.

LCRA Wholesale Energy Services Corporation (LCRA WSC Energy) and WSC Energy II: LCRA WSC Energy and WSC Energy II are nonprofit corporations and instrumentalities of LCRA. They were created under Chapter 152 of the Texas Water Code to market and sell electric power outside of LCRA's traditional service area. LCRA WSC Energy purchases power from the Electric Reliability Council of Texas (ERCOT) market and WSC Energy II purchases power from LCRA's portfolio. Although they are separate legal entities, LCRA WSC Energy and WSC Energy II are reported as part of LCRA because they are governed by boards of directors that are identical to the LCRA Board. LCRA WSC Energy and WSC Energy II do not issue separate financial statements.

Fayette Power Project (FPP): Three coal-fired generating units are located at FPP and operate pursuant to a participation agreement with the City of Austin (Austin Energy). LCRA has an undivided 50% interest in units 1 and 2 and wholly owns Unit 3. LCRA's investment is financed with LCRA funds, and its pro-rata share of operations is recorded as if wholly owned. The original cost of LCRA's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of LCRA in accordance with its accounting policies. The equity interest in FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within LCRA's financial statements.

Sandy Creek Energy Station: LCRA is a joint-venture participant in the Sandy Creek Energy Station, a coal-fired electric generation plant located near Waco. The plant became operational in May 2013. LCRA owns an 11.13% undivided interest in the plant. LCRA is committed to purchase an additional 11.14% of the generation from the plant. The cost of LCRA's share of the plant is recorded in the utility plant accounts of LCRA. LCRA's equity interest in Sandy Creek and its share of expense are calculated pursuant to the participation agreement and are reported in various accounts within LCRA's financial statements. Power purchased from the plant is reflected as purchased power expense on LCRA's financial statements.

Fiduciary Activities: In accordance with GASB Statement No. 84, "Fiduciary Activities",the fiduciary financial statements include the LCRA Retirement Plan and Trust The financial results of the retirement plan are reported on a calendar year basis and included in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The retirement plan is also separately audited.

Basis of Accounting: The accompanying financial statements of LCRA, a governmental entity, were prepared using proprietary fund and accrual basis accounting following GASB guidance.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions affecting the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

LCRA considers electric revenues and costs directly related to the generation, purchase, transmission and distribution of electricity to be operating revenues and expenses. Water revenues and other services related to environmental laboratory operations, licensing and recreation and the costs directly related to these services are also considered operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating revenues and expenses.

Newly Adopted Standards for Fiscal Year 2023: In Fiscal Year (FY) 2023, LCRA implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements (SBITA)," which requires recognition of a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. LCRA adopted this standard effective July 1, 2022; prior periods were not restated due to immateriality.

In FY 2023, LCRA implemented GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." Public-private partnerships ("PPPs") are arrangements in which LCRA contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a defined period in an exchange transaction. An availability payment arrangement ("APA") is an arrangement in which a governmental entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a defined period in an exchange transaction with payments based on the asset's availability for use. PPPs that meet GASB's definition of a lease are accounted for under GASB Statement No. 87, "Leases." No changes were recorded upon implementation of GASB Statement No. 94, as LCRA did not have any obligations to operators for its non-lease PPPs and the payments to LCRA for these agreements are entirely variable and thus no receivables or deferred inflows of resources needed to be recorded. LCRA does not have any APAs.

Issued, But Not Yet Effective Pronouncements: In June 2022, the GASB issued GASB Statement No. 101, "Compensated Absences." The new accounting requires estimated sick leave to be recorded as a liability as service is provided; sick leave is currently expensed as incurred. LCRA will implement the new standard no later than July 1, 2024; earlier application is encouraged. LCRA has not yet quantified the impact of this new standard on its financial statements.

Fair Value Measurement: LCRA applies GASB Statement No. 72, **"***Fair Value Measurement and Application*," which addresses accounting and financial reporting issues related to fair value. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Statement No. 72 establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment spreads, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available.

Operating Revenues: LCRA's principal operating revenues are generated from electric sales, including both wholesale power and transmission services. The customers served by LCRA and the rates paid by such customers vary with services provided. Revenues are recorded when power is delivered or services are provided. In addition to contractual sales to customers, LCRA also sells power into an electricity market operated by ERCOT. These sales are affected by market prices and are not subject to rate regulation by LCRA's Board of Directors or other regulatory bodies. Accordingly, LCRA does not apply the provisions of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989, FASB and AICPA Pronouncements," paragraphs 476-500, to these transactions.

LCRA also generates revenues through the sale of raw water. Revenues are recorded when water is delivered.

Major Customers and Electric Revenues: For FY 2023 and FY 2022, LCRA had one customer whose revenue individually represented 10% or more of total operating revenues at 19%.

Electric revenues, including transmission and wholesale power, represented approximately 94% of LCRA's operating revenues for FY 2023 and FY 2022.

LCRA's existing wholesale customers have entered into electric wholesale contracts that extend to 2041.

Rates and Regulations: LCRA's electric and water rates are set by the LCRA Board at a level sufficient to recover its operating costs, debt service and debt service coverage requirements. While the LCRA Board has original jurisdiction over its water rates, the PUC has appellate jurisdiction. LCRA's transmission service rates are regulated by the PUC.

Transmission rates within the ERCOT system are determined pursuant to a universal 100% "postage stamp" rate that spreads the total annual costs of transmission services among distribution service providers according to their electric loads. The transmission costs are determined pursuant to transmission cost of service (TCOS) rate proceedings filed by all transmission service providers, including LCRA TSC. Every electric end-use consumer in the ERCOT system pays a portion of the total costs of maintaining a reliable statewide transmission system. Transmission charges are calculated by multiplying a distribution service provider's share of the statewide electric load by the statewide postage stamp rate of each transmission service provider. The PUC determines the load shares and rates through its TCOS regulatory process. Beginning in January 2017, LCRA TSC began charging for the export of power from ERCOT. Pursuant to a tariff approved by the PUC, LCRA TSC collects revenues for transformation services, providing transformers that step down voltage from levels appropriate for transmission to lower levels for distribution. The transformation tariff authorizes a monthly charge for each transformation delivery point. LCRA TSC also collects monthly metering service revenues based on a per-meter charge according to the PUC approved tariff.

Transmission revenues of $567 million for FY 2023 were affected by rate changes authorized during the fiscal year. New rates of $7.66 per kilowatt became effective on Oct. 21, 2022. Prior to the change, the rate was $7.43 as of October 2021 and $7.06 as of March 2021. The rate increases were related to investments in transmission system improvements.

LCRA TSC filed for an interim rate increase in August 2023 with a rate anticipated to be effective in autumn 2023 to recover transmission project improvements. Rate changes reflect return on rate base and incremental ad valorem taxes on system improvements.

ERCOT Settlements Reporting: LCRA participates in ERCOT's energy and operating reserve market where sales and purchases are netted hourly. Total sales recorded as a reduction of operating expense were $169 million and $179 million for FY 2023 and FY 2022, respectively.

Fuel and Power Cost Recovery Factor (F&PCRF): Revenues from the sale of electricity include amounts collected through the F&PCRF charged to wholesale electric customers. LCRA records over-recoveries or under-recoveries of fuel costs as other current assets or deferred inflows of resources in the balance sheets. These costs are a component of the F&PCRF. Over-recoveries may result in credits to customers and under-recoveries may result in additional assessments to customers. LCRA under-recovered fuel costs by $7 million and $9 million as of June 30, 2023, and June 30, 2022, respectively.

Gas Price Management: LCRA entered into futures contracts, swaps and options to mitigate the financial and market risk associated with price fluctuations. Derivative instruments are recorded on the balance sheets at their fair values. Changes in the fair value of derivatives are recorded each period. LCRA is using GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” accounting as a component of the F&PCRF for its hedging derivatives. Gains and losses related to the derivative contracts deemed ineffective hedges are recognized in current earnings. Gains and losses on financial contracts that are effective hedges are deferred on the balance sheets. See Note 9 of the Notes to Financial Statements.

Capital Contributions: Capital contributions consist of donated assets and grant-funded or customer contributions for capital-related work.

Cash and Cash Equivalents: LCRA considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. LCRA maintains cash balances in excess of the $250,000 Federal Deposit Insurance Corporation (FDIC) limits at certain financial institutions. LCRA held $6 million and $8 million in funds at June 30, 2023, and June 30, 2022, respectively, that were both FDIC insured and/or collateralized by securities held by the pledging financial institution in which the deposits were held. Custodial credit risk also is managed by concentrating the cash balances in high quality financial institutions and periodically evaluating the credit quality of the primary financial institutions holding such deposits. With short maturities, the investments present insignificant risk of changes in value because of interest rate changes and are readily convertible to cash. Historically, no losses have been incurred due to such cash concentrations.

Investments: LCRA’s investments are stated at fair value. Any changes, unrealized and realized, in the fair value of financial investments are recorded as investment income.

Accounts Receivable and Allowance for Doubtful Accounts: LCRA accounts receivable balances are subject to risk of nonpayment. Allowances to account for that risk have been calculated based on a three-year average of customer write-offs, except in certain cases, where amounts were recorded directly to bad debt expense and excluded from the three-year average. The allowance for doubtful accounts balance was less than $1 million as of June 30, 2023, and 2022, respectively.

On March 1, 2021, the Brazos Electric Power Cooperative Inc. ("Brazos") filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code due to losses from Winter Storm Uri. ERCOT market participants did not receive full payment for what was owed to them when Brazos wasn't able to pay ERCOT. LCRA wrote off approximately $3 million in FY 2023 related to this matter, which flowed through the F&PCRF (other than the interest portion, which was included in other operating revenue).

Inventories: Fuel: Stored natural gas and fuel oil are stated at average cost.

Nonfuel: Nonfuel inventories are stated at the lower of cost or market using the average cost method and are subject to write-off when deemed obsolete. LCRA has established a reserve for excess and obsolete inventory, which is based primarily on inventory aging and historical analysis. The reserve is intended to adjust the net realizable value of inventory LCRA may not be able to use due to obsolescence. There was a balance of less than $1 million in the reserve as of June 30, 2023, and 2022.

Other Current Assets: Other current assets are composed primarily of prepaid items, accrued unbilled revenue, and under-recoveries of F&PCRF.

Restricted Funds: Restricted funds are presented on the balance sheet as restricted cash and cash equivalents and restricted investments as indicated below:

(Dollars in millions)

	June 30, 2023	June 30, 2022
Debt service reserve funds[1]	$ 188	$ 153
Debt proceeds restricted for construction[2]	186	—
Reserves - other[2]	98	121
	$ 472	$ 274

[1] Required by bond covenants to provide reserves to meet any shortfalls in funds available to make required debt service payments. Debt service reserve funds are restricted for the event of insufficient funds.
[2] Derived from debt issuances, system revenues designated for specific purposes by the LCRA Board, and other funds with legal or contractual constraints.

It is LCRA's policy to use restricted resources first for the specified purposes, then unrestricted resources if they are needed.

Utility Plant: Utility plant consists of generating plants, electric transmission and distribution facilities, capital spares, dams, reservoir land, natural gas production and development, irrigation systems, water systems, telecommunications facilities, and projects under construction. These assets are recorded at cost, which includes materials, labor and overhead. The cost of repairs and minor replacements are charged to operating expense as incurred. Costs of asset replacements and betterments are capitalized. The net book value of a retired depreciable asset, along with removal expense less salvage value, is charged to nonoperating expense on the statements of revenues, expenses and changes in net position. Gains and losses upon disposition are recorded as nonoperating revenues or expenses in the period incurred. For FY 2023 and FY 2022, expenses for long-lived items greater than $1,000 are eligible to be capitalized. LCRA allows for direct expensing of items where the costs associated with obtaining approval of and tracking a capital project are onerous.

Contributed Assets: Contributed assets are recorded at acquisition value, the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Intangible Assets - Leases, SBITA and Other: This line item includes leases, energy capacity rights and internally generated software.

Intangible Assets - Easements and Water Rights: Water rights and easements are stated at cost, have an indefinite life and are disclosed under the provisions of GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*."

Natural Gas Development and Production: LCRA utilizes the full-cost method of accounting for natural gas development and production. Under this method, all costs directly associated with acquisition and development of oil and gas properties are capitalized and recorded under depreciable capital assets as oil and gas properties and depleted to expense over the life of proved reserves on a units-of-production basis.

Impairment: LCRA evaluates the carrying value of its property, plant and equipment, and other long-lived assets when major events or changes in circumstances indicate a decline in an asset's service capacity. Impairment is measured using methods that isolate the asset's service capacity rendered unusable. LCRA and LCRA TSC had no material impairments during FY 2023 or FY 2022.

Depreciation, Depletion and Amortization: LCRA depreciates its plant in service on a straight-line basis over the estimated useful lives of the various classes of these assets. Annual depreciation expense, expressed as a percentage of depreciable plant and right to use assets, was approximately 3% for FY 2023 and FY 2022.

The estimated useful life of property, plant and equipment and certain intangible assets by major category is as follows:

Hydraulic Production Plant	5-50 years
Steam Production Plant	10-40 years
Transmission Facilities	5-58 years
General Office Buildings	4-45 years
Irrigation Plant	5-70 years
Telecommunication Facilities	5-45 years
Intangible Assets	
Internally generated software	5 years
Energy capacity rights	14 years
Leases and SBITA	1-78 years

Regulatory Assets: LCRA applies the accounting requirements of GASB Statement No. 62. Accordingly, certain costs may be capitalized as a regulatory asset that otherwise would be charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will result from inclusion of those costs in future rates. These regulatory assets will be recovered through rates in future years, and consist of depreciation of debt-funded assets, costs related to outstanding debt, under-recovery of fuel costs, costs related to pension and other postemployment benefits, and a facilities regulatory asset. The facilities regulatory asset arose from LCRA TSC's purchase of facilities from LCRA, consistent with GAAP for regulated operations. The regulatory asset is being amortized over the remaining life of the facilities.

LCRA also applies the accounting requirements of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." As it relates to regulatory accounting, Statement No. 65 requires debt issuance costs be recognized as interest expense when incurred on the statements of revenues, expenses and changes in net position. There are no impacts to net income due to GASB Statement No. 62 allowing for the capitalization of debt-funded issue costs (interest expense) until the associated debt is paid. The interest expense is offset by recognizing the amount in costs to be recovered.

Regulatory Credits: In addition, rate actions of the regulator may impose a regulatory credit on LCRA. A regulatory credit occurs when a regulator requires refunds to customers or provides current rates intended to recover costs expected to be incurred in the future. A regulatory credit is reported as a deferred inflow of resources on the balance sheets and is recognized and charged to income when the associated costs are incurred. Components of regulatory assets and regulatory credits are summarized in the following table:

Regulatory Assets and Credits
(Dollars in millions)

	June 30, 2023	June 30, 2022
Regulatory assets:[1]		
Fuel cost under-recovery	$ 7	$ 9
Deferred depreciation on debt-funded capital expenditures	57	36
Deferred pension and other postemployment benefits costs	205	209
Deferred costs on compensated absences	9	9
Deferred amortization of facilities	51	53
	329	316
Regulatory credits:		
Amounts collected from rates to be used for future costs	148	120
	$ 148	$ 120

(1) Fuel cost under-recovery is reported on the balance sheets as a current asset and other regulatory assets are reported as noncurrent assets.

Other Noncurrent Assets: Other noncurrent assets are composed of the following:

Schedule of Other Noncurrent Assets
(Dollars in millions)

	June 30, 2023	June 30, 2022
Long-term lease receivable	$ 7	$ 8
Grants receivable	14	—
ERCOT congestion revenue rights	4	1
Prepaid expense on software, hardware and licensing agreements	2	3
Other	2	2
	$ 29	$ 14

Leases: LCRA complies with GASB Statement No. 87, "Leases." Accordingly, inflows and outflows of resources are based on the payment provisions of the contract recognizing lease receivable and deferred inflows or lease liabilities and deferred outflows. See Note 7 of the Notes to the Financial Statements.

Other Current Liabilities: Other current liabilities are composed of the following:

Schedule of Other Current Liabilities
(Dollars in millions)

	June 30, 2023	June 30, 2022
Accrued expenses	$ 52	$ 33
Security deposits	25	44
Transmission cost of service liabilities	37	19
Lease liabilities	16	16
Tax accruals - property, sales, use and other	27	15
Other	14	25
	$ 171	$ 152

Compensated Absences: LCRA records employees' earned vacation leave as a liability and accrues for certain related expenses associated with the payment of compensated absences.

Asset Retirement Obligations: In accordance with GASB Statement No. 83, "Certain Asset Retirement Obligations," LCRA records the fair value of a liability for an asset retirement obligation (ARO), which is a legally enforceable liability associated with the retirement of a tangible capital asset. A liability is recorded in the period in which it is incurred if the fair value can be reasonably estimated even though uncertainty exists about the timing and/or method of settlement. These AROs are primarily related to environmental liabilities imposed by federal or state laws and are measured based on projections of AROs, including inflation, discounted by LCRA's long-term debt rate of similar duration. When an ARO liability is initially recorded, LCRA records a corresponding deferred outflow of resources. For each subsequent reporting period, the liability is adjusted for inflation or deflation. The deferred outflow of resources is amortized over the remaining useful life of the related assets; the weighted-average remaining life as of June 30, 2023, is 18 years.

Bonds, Notes and Loans Payable: LCRA reports the current portion of long-term debt, which includes all commercial paper and scheduled debt payments to be made within the next 12 months, as a current liability. LCRA debt includes outstanding long-term revenue bonds, commercial paper and other notes. Amortization of debt discount and premium is computed using the effective yield method over the life of the related bonds and is recorded as interest expense.

Refunding and Defeasance of Debt: For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a component of deferred inflows or outflows of resources. Losses created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. These amounts are reported as deferred outflows of resources on the balance sheets. Gains created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. These amounts are reported as other deferred inflows of resources on the balance sheets. For debt defeasances, the difference between the carrying amount of the debt and the amount of funds needed to retire the debt is recognized immediately in the statements of revenues, expenses and changes in net position as a gain or loss on early defeasance of debt, if material. If the difference is not material, it is recognized immediately as interest expense.

Other Credits and Other Noncurrent Liabilities: Other credits and other noncurrent liabilities consist of unearned revenues, supplemental executive retirement program liabilities and other noncurrent liabilities.

Deferred Outflow of Resources: A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources: A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Classifications of Net Position: The net position section of the balance sheets includes the following components:

Net investment in capital assets is the portion of net position that consists of capital assets, net of accumulated depreciation, plus deferred outflows of resources, reduced by outstanding debt and construction contracts payable attributable to the acquisition, construction or improvement of those assets. Capital assets for the net investment computation include both capital assets and regulatory assets. In the event there are unspent proceeds from a bond issuance for the stated purpose of capital improvement, the outstanding debt is reduced by the amount not used for capital projects as of period end.

The categories of restricted net position represent the portion of net assets over which there are LCRA Board or externally imposed constraints as to its use. They consist of Board-restricted reserves, bond sinking fund requirements, and construction fund cash and investments reduced by any related outstanding debt or deferred inflows of resources related to the debt. As of June 30, 2023, and 2022, these restricted categories of net assets consisted of cash and investments of $471 million and $274 million, reduced by liabilities and deferred inflows of resources of $418 million and $195 million, respectively.

Unrestricted net position is the share of net position that is neither restricted nor invested in capital assets.

Comparative Data: Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

2. Financial Instruments

As of June 30, 2023, and 2022, LCRA had the following investments and maturities:

Investments and Maturities
(Dollars in millions)

	June 30, 2023		June 30, 2022	
Type of Investment	Fair Value	WAM (Years) [1]	Fair Value	WAM (Years) [1]
Investments				
U.S. Government Securities	$ 27	4.59	$ 7	0.83
U.S. Agency Notes	361	2.32	271	3.42
Commercial Paper	15	0.37	33	0.52
Taxable Municipal Bonds	155	1.51	175	1.95
Cash Equivalents				
Investment Pools	491 [2]	—	407 [2]	—
Subtotal	1,049	2.15	893	2.66
Cash	7		9	
Total Cash, Cash Equivalents and Investments	$ 1,056		$ 902	

[1] Weighted Average Maturity
[2] Net Asset Value

Investment Pools: LCRA investments included an investment pool with TexPool on June 30, 2023, and 2022. The Texas Comptroller of Public Accounts oversees TexPool, and the pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act. There are no minimum balance requirements for TexPool participants, and there is no limit on the number of accounts per participant. TexPool maintains a portfolio WAM not to exceed 60 days. LCRA's investment in TexPool were $414 million and $211 million as of June 30, 2023, and 2022, respectively.

LCRA investments also included an investment pool with Local Government Investment Cooperative (LOGIC) on June 30, 2023, and 2022. Hilltop Securities Inc. and J.P. Morgan Asset Management oversee LOGIC. The pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act. LOGIC maintains a portfolio WAM not to exceed 60 days. LCRA's investment in LOGIC were $77 million and $196 million as of June 30, 2023, and 2022, respectively.

Both investment pools have no account balance or transaction amount minimum or maximum requirements.

Interest Risk: LCRA has no formal policy to address exposure to fair value losses resulting from changes in interest rates. However, in accordance with management policy, LCRA manages its exposure to changing interest rates by laddering the investment portfolio, matching maturities against liabilities when possible and holding investments to maturity.

Concentration Risk: LCRA owns investments from two issuers as of June 30, 2023, and as of June 30, 2022, that account for greater than 5% of its investment portfolio, as shown in the table below. LCRA has no formal policy on concentration risk.

Concentration Risk
(Dollars in millions)

	June 30, 2023		June 30, 2022	
Issuer Description	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Federal Farm Credit Bureau	$ 78	7%	$ 74	8%
Federal Home Loan Bank	253	24%	157	18%

Credit Risk: LCRA's investment activities are governed by the Texas Public Funds Investment Act, which specifies the types and ratings of investments governmental entities are allowed to purchase. In addition, LCRA Board policy and internal operating procedures further restrict the types and duration of investment activities. The credit ratings of LCRA's investments and external investment pools are summarized in the table below.

Credit Risk
(Dollars in millions)

	June 30, 2023		June 30, 2022	
Credit Rating	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. Government Securities (AA+)	$ 344	33 %	$ 197	22 %
U.S. Government Securities (AA+u)	-	-	7	1
[1] U.S. Government Securities (Aaa)	45	5	74	8
AAAm	491	47	406	46
AAA	25	2	34	4
AA+	37	4	44	5
AA	40	4	38	4
AA-	25	2	25	3
A+	10	1	12	1
A	-	-	4	-
A-1+	15	1	19	2
A-1	-	-	15	2
[1] Aaa	5	-	7	1
[1] Aa1	4	-	1	-
[1] Aa2	7	1	8	1
[1] Aa3	1	-	2	-
Total investments and maturities portfolio	$ 1,049	100 %	$ 893	100 %

[1] Ratings are from Moody's; all other ratings are from S&P Global.

Reporting Requirements: Under GASB Statement No. 72, “Fair Value Measurement and Application,” LCRA is required to disclose the valuation technique and level of inputs for all investments. LCRA uses the market approach, which is defined as “using prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets or liabilities, such as quoted prices.” GASB Statement No. 72 also requires assets and liabilities to be categorized into three levels. Level 1 input is defined as “quoted prices for identical assets or liabilities in active markets that LCRA can access at the measurement date.” Level 2 input is defined as “inputs – other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly.” A Level 3 input is defined as “significant unobservable inputs.” LCRA uses Bloomberg Finance LP Service to quote investment market price by uniquely identifying each security with the Committee on Uniform Security Identification Procedures.

LCRA holds investments in each category as shown in the table below:

Fair Value Measurement
(Dollars in millions)

	June 30, 2023		June 30, 2022	
Type of Investment	Fair Value	Level	Fair Value	Level
U.S. Government Securities	$ 27	2	$ 7	2
U.S. Agency Notes	361	2	271	2
Commercial Paper	15	2	33	2
Taxable Municipal Bonds	155	2	175	2
Investment Pools	491 [1]	—	407 [1]	—
Total	$ 1,049		$ 893	

[1] Net Asset Value

3. Long-Term Debt and Commercial Paper

Changes in long-term debt, including current portions, are as follow:

Debt Activity
(Dollars in millions)

Series	Balance June 30, 2021	Increase	(Decrease)	Balance June 30, 2022	Increase	(Decrease)	Balance June 30, 2023	Amount Due in FY 2024
LCRA 2012A	$ 231	$ -	$ (231)	$ -	$ -	$ -	$ -	$ -
LCRA 2012B	146	-	(146)	-	-	-	-	-
LCRA 2013	156	-	(5)	151	-	(151)	-	-
LCRA 2015C	233	-	(3)	230	-	(3)	227	3
LCRA 2015A	20	-	(4)	16	-	-	16	-
LCRA 2015B	95	-	(8)	87	-	(8)	79	7
LCRA 2015D	75	-	(5)	70	-	(6)	64	3
LCRA 2020	128	-	(3)	125	-	(6)	119	7
LCRA 2022	-	253	-	253	-	(1)	252	9
LCRA 2023AB	-	-	-	-	137	-	137	7
LCRA TSC 2013	262	-	(262)	-		-	-	-
LCRA TSC 2013A	196	-	-	196		(196)	-	-
LCRA TSC 2015	218	-	(5)	213		(6)	207	6
LCRA TSC 2016	167	-	(7)	160		(7)	153	7
LCRA TSC 2018	266	-	(8)	258		(15)	243	15
LCRA TSC 2019	386	-	(6)	380		(19)	361	19
LCRA TSC 2019A	168	-	(5)	163		(5)	158	5
LCRA TSC 2020	249	-	(18)	231		(4)	227	4
LCRA TSC 2020A	142	-	(5)	137		(4)	133	4
LCRA TSC 2021	397	-	(28)	369		(23)	346	12
LCRA TSC 2021A	-	167	(5)	162		(5)	157	5
LCRA TSC 2022	-	343	-	343	-	(8)	335	11
LCRA TSC 2022A	-	-	-	-	194	(6)	188	6
LCRA TSC 2023	-	-	-	-	365	-	365	2
LCRA TSC 2023A	-	-	-	-	473	-	473	13
Unamortized net premium	427	166	(88)	505	121	(63)	563	19
Subtotal	3,962	929	(842)	4,049	1,290	(536)	4,803	164
Private notes								
LCRA	181	158	(145)	194	85	(73)	206	206
LCRA TSC	150	270	(295)	125	504	(629)	-	-
Commercial paper								
LCRA	105	38	(80)	63	84	(70)	77	77
LCRA TSC	42	281	(284)	39	245	(284)	-	-
Total	$ 4,440	$ 1,676	$ (1,646)	$ 4,470	$ 2,208	$ (1,592)	$ 5,086	$ 447 [1]

(1) Total amount due in FY 2023 was $565 million.

Interest rates and maturity dates for bonds, notes and commercial paper as of June 30, 2023, are as follows:

Interest Rates and Maturity Dates on Debt

	May 15,	
Series	From	To
LCRA 2015A (3.00% - 3.63%)	2027	2037
LCRA 2015B (3.25% - 5.00%)	2024	2031
LCRA 2015C (2.50% - 5.00%)	2024	2045
LCRA 2015D (3.75% - 5.00%)	2024	2032
LCRA 2020 (5.00%)	2024	2040
LCRA 2022 (4.00% - 5.00%)	2024	2041
LCRA 2023A (5.00%)	2024	2027
LCRA 2023B (5.00%)	2028	2039
LCRA TSC 2015 (3.00% - 5.00%)	2024	2045
LCRA TSC 2016 (3.00% - 5.00%)	2024	2046
LCRA TSC 2018 (5.00%)	2024	2048
LCRA TSC 2019 (3.88% - 5.00%)	2024	2049
LCRA TSC 2019A (4.00% - 5.00%)	2024	2049
LCRA TSC 2020 (5.00%)	2024	2050
LCRA TSC 2020A (5.00%)	2024	2050
LCRA TSC 2021 (5.00%)	2024	2051
LCRA TSC 2021A (5.00%)	2024	2051
LCRA TSC 2022 (2.50% - 5.00%)	2024	2047
LCRA TSC 2022A (5.00% - 6.00%)	2024	2052
LCRA TSC 2023 (4.00% - 5.50%)	2024	2053
LCRA TSC 2023A (4.00% - 5.25%)	2024	2053

Commercial paper rates are variable. As of June 30, 2023, rates ranged from 3.45% to 3.55%, with maturities of 270 days or less from their respective issue dates.

Private note rates are variable. As of June 30, 2023, rates ranged from 4.66% to 5.95%, with maturities of 364 days or less from their respective issue dates.

LCRA's debt as of June 30, 2023, was rated by Moody's, S&P Global and Fitch as follows:

Debt Credit Ratings

Debt Program	Moody's Ratings (June 30, 2023)	S&P Global Ratings (June 30, 2023)	Fitch Ratings (June 30, 2023)
LCRA Refunding and Improvement Revenue Bonds	A2 (Stable)	A (Stable)	AA- (Stable)
LCRA Tax-Exempt Commercial Paper Series B	P-1	A-1+	F-1+
LCRA Tax-Exempt Commercial Paper Series A	Inactive	Inactive	Inactive
LCRA Transmission Services Corporation Contract Refunding Revenue Bonds	Not rated	A (Stable)	A+ (Stable)
LCRA Transmission Services Corporation Tax-Exempt Commercial Paper Series	P-1	A-1	F-1+
LCRA Transmission Services Corporation Tax-Exempt Commercial Paper Series B	Inactive	Inactive	Inactive

Bond and note debt payments, excluding commercial paper, are as follows:

Debt Payments, Excluding Commercial Paper
(Dollars in millions)

Year Ending June 30,	Principal	Interest	Total
2024	$ 145	$ 211	$ 356
2025	181	201	382
2026	183	192	375
2027	186	183	369
2028	191	174	365
2029-2033	949	731	1,680
2034-2038	884	498	1,382
2039-2043	726	298	1,024
2044-2048	526	142	668
2049-2053	269	37	306
	4,240	2,667	6,907
Unamortized net premium	563	-	563
Total	$ 4,803	$ 2,667	$ 7,470

New and Refunding Bonds: The following schedules summarize new and refunding bonds for FY 2023 and FY 2022:

FY 2023 New and Refunding Bonds
(Dollars in millions)

Program	Issued Amount	Commercial Paper / Private Note Repayment	Debt Defeasance	Accounting Gain / (Loss)	Reduction to Aggregate Debt Service Payment	Economic Gain
Private Notes	$ 589 [1]	$ (73)	$ -	$ -	$ -	$ -
Commercial Paper	329 [2]	(70)	-	-	-	-
LCRA 2023AB Refunding Bonds [3]	137	-	(145)	1	13	10
LCRA TSC 2022A Refunding Bonds [4]	194	(200)	-	-	-	-
LCRA TSC 2023 Refunding Bonds [5]	365	(275)	(121)	5	17	17
LCRA TSC 2023A Refunding Bonds [6]	473	(438)	(75)	3	15	11
Total	$ 2,087	$ (1,056)	$ (341)	$ 9	$ 45	$ 38

[1] Private note issuances used to fund capital projects of $85 million for LCRA and $504 million for LCRA TSC.

[2] Commercial paper issuances used to fund capital projects of $84 million for LCRA and $245 million for LCRA TSC.

[3] LCRA refunding revenue bond series 2023AB issued with a net premium. The bond proceeds were used to pay $145 million in outstanding bonds.

[4] LCRA TSC refunding revenue bond series 2022A issued with a net premium. The bond proceeds were used to pay down $75 million in outstanding commercial paper and $125 million in notes.

[5] LCRA TSC refunding revenue bond series 2023 issued with a net premium. The bond proceeds were used to pay down $121 million in previously outstanding bonds, $71 million in outstanding commercial paper and $204 million in outstanding notes.

[6] LCRA TSC refunding revenue bond series 2023A issued with a net premium. The bond proceeds were used to pay down $75 million in previously outstanding bonds, $138 million in outstanding commercial paper and $300 million in outstanding notes.

FY 2022 New and Refunding Bonds
(Dollars in millions)

Program	Issued Amount	Commercial Paper / Private Note Repayment	Debt Defeasance	Accounting Gain / (Loss)	Reduction to Aggregate Debt Service Payment	Economic Gain
Private Notes	$ 428 [1]	$ (189)	$ —	$ —	$ —	$ —
Commercial Paper	319 [2]	(243)	—	—	—	—
LCRA 2022 Refunding Bonds [3]	253	(22)	(377)	23	10	8
LCRA TSC 2021A Refunding Bonds [4]	167	(200)	—	—	—	—
LCRA TSC 2022 Refunding Bonds [5]	343	(150)	(262)	4	19	23
Total	$ 1,510	$ (804)	$ (639)	$ 27	$ 29	$ 31

1 Private note issuances used to fund capital projects of $158 million for LCRA and $270 million for LCRA TSC.

2 Commercial paper issuances used to fund capital projects of $38 million for LCRA and $281 million for LCRA TSC.

3 LCRA refunding revenue bonds series 2022 issued with a net premium. The bond proceeds were used to pay down $377 million in previously outstanding bonds and $22 million in outstanding commercial paper.

4 LCRA TSC refunding revenue bond series 2021A issued with a net premium. The bond proceeds were used to pay down $50 million in outstanding commercial paper and $150 million in notes.

5 LCRA TSC refunding revenue bond series 2022 issued with a net premium. The bond proceeds were used to pay down $262 million in previously outstanding bonds, $50 million in outstanding commercial paper and $100 million in outstanding notes.

The principal associated with the bonds that have been previously refunded by LCRA but remain outstanding as of June 30, 2023, and 2022, totaled $154 million and $13 million, respectively. There was no principal outstanding during either fiscal year associated with bonds that have been previously refunded by LCRA TSC. Proceeds from these refunding bond issues were escrowed to purchase U.S. government obligations. These obligations will mature at such time and yield interest at amounts such that sufficient monies are available for payment of principal, premium, if any, and interest on the refunded bonds when due. None of these refunded bonds are included in LCRA's outstanding long-term debt as of June 30, 2023, and 2022.

Optional Redemption: The following bonds are redeemable at the option of LCRA according to the following schedule:

Optional Redemption Amounts and Maturity Dates

Series	Redeemable on or after:	In increments of:	At a redemption price of:	Maturing on and after:
LCRA 2015A	May 15, 2025	$ 5,000	Principal, plus accrued interest	May 15, 2026
LCRA 2015B	May 15, 2025	5,000	Principal, plus accrued interest	May 15, 2026
LCRA 2015C	May 15, 2025	5,000	Principal, plus accrued interest	May 15, 2026
LCRA 2015D	May 15, 2025	5,000	Principal, plus accrued interest	May 15, 2026
LCRA 2020	May 15, 2030	5,000	Principal, plus accrued interest	May 15, 2031
LCRA 2022	May 15, 2031	5,000	Principal, plus accrued interest	May 15, 2032
LCRA 2023AB	Feb. 15, 2028	5,000	Principal, plus accrued interest	May 15, 2039
LCRA TSC 2015	May 15, 2025	5,000	Principal, plus accrued interest	May 15, 2026
LCRA TSC 2016	May 15, 2026	5,000	Principal, plus accrued interest	May 15, 2027
LCRA TSC 2018	May 15, 2024	5,000	Principal, plus accrued interest	May 15, 2025 - May 15, 2031
LCRA TSC 2018	May 15, 2028	5,000	Principal, plus accrued interest	May 15, 2032
LCRA TSC 2019	May 15, 2027	5,000	Principal, plus accrued interest	May 15,2037 - May 15, 2049
LCRA TSC 2019	May 15, 2029	5,000	Principal, plus accrued interest	May 15, 2030 - May 15, 2036
LCRA TSC 2019A	May 15, 2028	5,000	Principal, plus accrued interest	May 15, 2049
LCRA TSC 2019A	May 15, 2029	5,000	Principal, plus accrued interest	May 15, 2030 - May 15, 2041, May 15, 2044
LCRA TSC 2020	May 15, 2029	5,000	Principal, plus accrued interest	May 15, 2030
LCRA TSC 2020A	May 15, 2030	5,000	Principal, plus accrued interest	May 15, 2031
LCRA TSC 2021	May 15, 2030	5,000	Principal, plus accrued interest	May 15, 2031
LCRA TSC 2021A	May 15, 2031	5,000	Principal, plus accrued interest	May 15, 2032
LCRA TSC 2022	May 15, 2031	5,000	Principal, plus accrued interest	May 15, 2032
LCRA TSC 2022A	May 15, 2032	5,000	Principal, plus accrued interest	May 15, 2033
LCRA TSC 2023	May 15, 2032	5,000	Principal, plus accrued interest	May 15, 2033
LCRA TSC 2023A	May 15, 2033	5,000	Principal, plus accrued interest	May 15, 2034

Pledged Revenues: LCRA bonds outstanding as of June 30, 2023, and 2022, are parity debt under the Master Resolution and are collateralized by a lien on and pledge of revenues. Pledged revenues include all amounts received pursuant to contractual commitments and all lawfully available LCRA funds. The LCRA TSC Transmission Contract Revenue Bonds Series 2015, 2016, 2018, 2019, 2019A, 2020, 2020A, 2021, 2021A, 2022, 2022A, 2023 and 2023A are solely secured by the obligation of LCRA TSC to make installment payments to LCRA from the net revenues of LCRA TSC. Net revenues are defined as gross revenues less the operating and maintenance expenses during the period.

Commercial Paper and Private Notes: LCRA is authorized to issue short-term debt under nine separate Board-approved programs. Both LCRA and LCRA TSC issue commercial paper on a regular basis. Therefore, any issuances of commercial paper or notes after June 30, 2023, are not considered subsequent events and are not disclosed in the Notes to the Financial Statements. The following schedule summarizes the commercial paper and private note programs as of June 30, 2023.

Commercial Paper and Private Note Programs
(Dollars in millions)

Program	Status	Taxability	Board-Approved Program	Program Expiration Date	Facility Limit	Facility Expiration Date	Amount Outstanding
LCRA Taxable/Tax-Exempt CP Series B[1]	Active	Both	$ 250	May 15, 2032	$ 150	Sep 9, 2024	$ 77
LCRA Taxable/Tax-Exempt Private Revolving Note Series C	Active	Both	160	May 15, 2030	160	Jan 24, 2025	86
LCRA Taxable/Tax-Exempt Private Revolving Note Series D	Active	Both	100	May 1, 2027	100	March 16, 2026	50
LCRA Taxable/Tax-Exempt Private Revolving Note Series E	Active	Both	225	May 1, 2030	200	Nov 8, 2025	70
LCRA TSC Tax-Exempt Commercial Paper Series	Active	Tax-Exempt	200	May 15, 2042	150	April 25, 2024	—
LCRA TSC Tax-Exempt Commercial Paper Series B	Inactive	Tax-Exempt	150	May 15, 2042	N/A	N/A	—
LCRA TSC Private Revolving Notes Series C	Active	Both	200	May 1, 2031	200	July 12, 2024	—
LCRA TSC Private Revolving Notes Series E	Active	Tax-Exempt	100	May 1, 2030	100	Dec 20, 2024	—
LCRA TSC Private Revolving Notes Series F	Inactive	Both	50	May 1, 2030	N/A	N/A	—
Total			$ 1,435		$ 1,060		$ 283

(1) Permitted to issue either taxable, or tax-exempt debt under a commercial paper or private revolving note.

The proceeds from these LCRA and LCRA TSC programs can be used to provide system improvements, acquire fuel reserves and facilities, refund outstanding debt, and pay interest on outstanding debt. All debt under the commercial paper program is issued in minimum denominations of $100,000. Note programs have various denominations. Failure by LCRA or LCRA TSC to meet certain restrictive covenants under any of these agreements could result in the withdrawal of the banks' commitments for the unused line of credit. The credit facilities were utilized to back outstanding commercial paper issuances in FY 2023 and FY 2022. LCRA did not draw on its credit lines in either year as short-term financing was executed through commercial paper issuances backed by the facilities. Additionally, private note programs for both LCRA and LCRA TSC were used for short-term financing.

Letters of Credit: LCRA maintains two facilities with banks for the issuance of letters of credit up to $180 million total. On June 30, 2023, there was an $80 million letter of credit outstanding under the first facility and a $20 million letter of credit outstanding under the second facility. The first facility will expire on June 2, 2026, and the second facility will expire on June 2, 2024. On June 30, 2022, there was an $80 million letter of credit outstanding under the first facility and a $20 million letter of credit outstanding under the second facility. Both facilities expired on June 3, 2023.

Mandatory Redemption: A number of LCRA's term bonds are subject to mandatory sinking fund redemption at the redemption price, which equals the principal amount plus accrued interest through the redemption date. The particular bonds or portions thereof to be redeemed are to be selected and designated by LCRA (provided a portion of a bond may be redeemed only in integral multiples of $5,000). The mandatory sinking fund redemption dates range from May 15, 2028, to May 15, 2053.

Estimation of Fair Value: The fair value measurements of long-term debt were estimated based on published market prices,and were $4.5 billion and $4.2 billion as of June 30, 2023, and 2022, respectively.

Debt Covenant Requirements: LCRA has no quantitative ratios, calculations or requirements to maintain any level of debt service coverage by long-term debt covenants or in any credit facility agreements for LCRA debt obligations. As of June 30, 2023, and 2022, LCRA is in compliance with its long-term debt covenants and credit facility agreements.

LCRA TSC is required by its long-term debt covenants to maintain annual revenues sufficient to:

I. Pay all operating and maintenance expenses.
II. Produce a 1.25x coverage ratio on debt service on existing LCRA TSC debt and any other parity debt.
III. Pay all other debt of LCRA TSC.
IV. Produce amounts to fund any required capital charge coverage ratios required by the financial policies of LCRA TSC and to accumulate the required funds in any debt service reserve fund or any other funds of LCRA TSC.

There are no additional quantitative ratios or calculations required by the credit facility agreement for LCRA TSC. As of June 30, 2023, and 2022, LCRA TSC is in compliance with all of its long-term debt covenants and credit facility agreements.

4. Retirement and 401(k) Plan Benefits

Plan Description: The LCRA Retirement Benefits Board of Trustees (Board of Trustees) is the administrator of the LCRA Retirement Plan and Trust (Plan), a single-employer defined benefit pension plan sponsored by LCRA. The Board has seven members: two LCRA Board members, two employees from upper management positions and three employees from positions other than upper management. The Board has sole authority to amend the plan. The plan has the pension and 401(k) financial statements audited and also issues a stand-alone report pursuant to GASB Statement No. 67, "*Financial Reporting for Pension Plans (an amendment of GASB Statement No. 27)*" and GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27),*" which is available from the Board of Trustees. The reports include all information about the Plan's fiduciary net position. LCRA's net pension liability was measured as of Dec. 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan. 1, 2023. The report may be obtained by writing to the LCRA Retirement Benefits Board of Trustees, P.O. Box 220, Austin, TX 78767.

Benefits Provided: LCRA employees hired before May 1, 2012, are covered by the Plan. The Plan provides retirement, death and disability benefits. Effective Jan. 1, 2002, the Plan was amended to provide cash balance benefits for all employees employed or reemployed on or after Jan. 1, 2002, who become Plan participants. Active employees as of Dec. 31, 2001, were given the opportunity through the LCRA Retirement Choice Program to elect to become participants under cash balance provisions (Cash Balance Participants) or to remain under the pension provisions (Pension Participants).

The Pension Participants' retirement benefit for each year of service is 1.75% of the highest five-year average monthly compensation plus 0.4% of the portion of the highest five-year average monthly compensation that exceeds the monthly integration level. The monthly integration level is a sliding scale based on the calendar year in which termination of employment occurs, with the level being $3,300 for those terminating employment in 2020 and later. The retirement benefits for Pension Participants become 100% vested after three years of vesting service. Pension Participants may retire with unreduced accrued benefits at age 65 with five years of employment or when the total of age and service equals 80 (Rule of 80). The monthly benefit at retirement for Pension Participants is payable in a 10-year certain and life thereafter form of annuity. There are no automatic or guaranteed post-retirement cost-of-living adjustments, but ad hoc retiree benefit increases may be granted by amendment. Pension Participants are not required to contribute to the Plan, although the Plan retains employee contributions and associated liabilities from years prior to April 1, 1984, when the Plan required employee contributions. LCRA pays disability early retirement benefits to participants in the event the participant becomes disabled prior to reaching their normal retirement date under the Plan. LCRA pays death benefits to the beneficiaries of Plan participants based upon the plan participant's elections.

All employees initially employed or reemployed by LCRA on or after Jan. 1, 2002, and before May 1, 2012, who complete three consecutive months of credited service are eligible to participate in the Plan as a Cash Balance Participant as of the monthly anniversary date coincident with or first following the completion of three consecutive months of credited service. The cash balance account consists of a beginning balance, monthly contribution credits and monthly interest credits. The beginning balance should be zero unless the Cash Balance Participant was employed prior to Jan. 1, 2002, in which case the beginning balance should be the Plan's lump-sum value, if any, as of Dec. 31, 2001, or, if greater, the transition value determined as of Dec. 31, 2001. The transition value was based on credited service and compensation averaged over 60 months of employment, determined as of Dec. 31, 2001. Contribution credits are equal to 4% of compensation paid during a month. Interest credits are added at the end of each month to the cash balance account based on an annual effective interest rate of 7%.

Employees Covered by the Plan:

The following numbers of employees were covered by the Plan:

	June 30, 2023	June 30, 2022
Retirees and beneficiaries currently receiving benefits	1,025	996
Inactive employees entitled to but not yet receiving benefits	66	71
Active plan members	783	851
Total Participants	1,874	1,918

Contributions: In order for a public employee retirement plan to have an adequate contribution arrangement, contributions must be sufficient to pay the Plan's normal cost and to amortize the Plan's total net pension liability (NPL) over a reasonable period of time. The actuaries' recommended contributions for the years ended Dec. 31, 2022 (FY 2023), and Dec. 31, 2021 (FY 2022), were $24 million and $25 million, respectively. This amount will fund the Plan's normal cost for the fiscal years and will amortize the NPL as a level dollar amount over the remaining 18 and 19 years, respectively. There are no required contributions by the participants; however, some employee contributions are made to purchase optional credited service.

The funding policy also depends upon the total return of the Plan's assets, which varies from year to year. Investment policy decisions are established and maintained by the LCRA Retirement Benefits Board of Trustees. The Board of Trustees employs and selects investment managers with the advice of its investment consultant, who is completely independent of the investment managers. For FY 2023 and FY 2022, the money-weighted rate of return on pension plan investments was (14)% and 13%, respectively. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the contributions received and the benefits paid during the year.

Net Pension Liability: LCRA's net pension liability was measured as of Dec. 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan. 1, 2023.

Net Pension Liability
(Dollars in millions)

	FY 2023		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (a)-(b)
Amounts as of June 30, 2022 [1]	$ 639	$ 519	$ 120
Changes for the year:			
Service cost	6	-	6
Interest cost	43	-	43
Contributions by employer	-	28	(28)
Net investment income	-	(73)	73
Benefits paid to participants	(48)	(48)	-
Purchase of optional credited service	1	-	1
Net changes	2	(93)	95
Amounts as of June 30, 2023 [2]	$ 641	$ 426	$ 215

[1] Measurements for the fiscal year ended June 30, 2022, were taken as of Dec. 31, 2021.
[2] Measurements for the fiscal year ended June 30, 2023, were taken as of Dec. 31, 2022.

LCRA's net pension liability was measured as of Dec.31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan.1, 2022.

Net Pension Liability
(Dollars in millions)

	FY 2022		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Amounts as of June 30, 2021[1]	$ 647	$ 479	$ 168
Changes for the year:			
Service cost	5	-	5
Interest cost	44	-	44
Difference between expected and actual experience	(6)	-	(6)
Contributions by employer	-	27	(27)
Net investment income	-	59	(59)
Benefits paid to participants	(46)	(46)	-
Changes in assumptions	(5)	-	(5)
Net changes	(8)	40	(48)
Amounts as of June 30, 2022[2]	$ 639	$ 519	$ 120

1 Measurements for the fiscal year ended June 30, 2021, were taken as of Dec. 31, 2020.
2 Measurements for the fiscal year ended June 30, 2022, were taken as of Dec. 31, 2021.

Optional Credited Service: Under certain conditions, plan members may purchase optional credited service once they are 100% vested. After crediting such optional service, employees would be eligible for immediate payment of an early retirement or normal retirement benefit. Plan members may purchase optional credited service to accelerate fulfilling the Rule of 80, early retirement or normal retirement eligibility or to increase the amount of an early retirement or normal retirement benefit to which the employee would otherwise be entitled with recognition of optional credited service. A rollover from the employee's LCRA 401(k) plan account, LCRA deferred compensation plan account or from any other monetary sources (e.g., checking account) can be used to purchase the optional credited service.

Actuarial Assumptions: The total pension liability for the measurement date of Dec. 31, 2022, and Dec. 31, 2021 was determined in the actuarial valuations dated Jan. 1, 2023, and Jan. 1, 2022, respectively using the following actuarial assumptions,

Inflation	2.50%
Salary increases	4.25% plus merit and promotion increases that vary by age and service
Investment rate of return	7.00% net of pension plan investment expense, including inflation

Mortality rates were based on the published mortality tables PubG-2010(A) for employees (gender distinct) and the PubG-2010(A) for retirees (gender distinct), all projected for mortality improvement generationally using the projection scale MP-2020. The assumed retirement rates, termination rates, and rates of merit and promotion increases were based on an experience study over the four plan years ending in 2020.

The long-term expected rate of return on pension plan investments is reviewed annually and is determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the current target asset allocation percentage (5% in 2023 and 2022), and by adding expected inflation (2.5% in 2023 and in 2022). In addition, the final 7% investment rate of return for the years ended Dec. 31, 2022, and 2021, was selected by rounding down.

Investment Policies: The LCRA Board approved the LCRA Retirement Plan and Trust, as most recently amended and restated effective April 1, 1994. Section 9.01 created the LCRA Retirement Benefits Board of Trustees. The Board of Trustees was delegated the responsibility to administer the Plan in accordance with its terms, and all powers necessary to accomplish that purpose including, but not limited to, the right, power and authority to: (1) employ and supervise an investment consultant to assist the Board of Trustees in selection and ongoing evaluation of one or more investment managers, the establishment of investment objectives and guidelines, and the allocation of Plan assets among the various investments and (2) select, employ and compensate, pension trust consultants, actuaries, accountants, attorneys and investment managers, as the Board of Trustees deems necessary and advisable for the proper and efficient administration of the Plan.

The Board of Trustees administers the Plan. The Plan is a defined benefit pension plan maintained to provide retirement benefits and/or death benefits to participants and their beneficiaries. The Board of Trustees is charged by law with the overall responsibility for the administration of the Plan's assets. The Board of Trustees is authorized and permitted to delegate its responsibilities to investment managers who possess the necessary specialized research facilities and skilled professionals to act as prudent experts in investing the Plan's assets. In keeping with responsibilities under applicable laws, the master statement defines the Plan's investment objectives and discusses the Plan's tolerance for risk and volatility. The master statement also communicates to the investment managers their duties and responsibilities and the investment objectives of the Plan.

The primary goal of the Plan is to provide participants and their beneficiaries with retirement benefits according to the provisions of the Plan. The Plan's assets must be invested with the care, skill and diligence that a prudent expert acting in this capacity would undertake. The overall investment objective of the Plan is to invest the funds within the framework of the master statement and in such a manner as to achieve a reasonable growth while maintaining a consistent payout capability. The minimum expected total return is the actuarial assumption approved by the Board of Trustees on an annualized basis. The actuarial rate of return is net of expenses. This is a long-term goal designed to maximize the benefits available without exposure to undue risk.

The target allocation and expected arithmetic net real rates of return for each major asset class are presented in the following table:

Target Allocation and Expected Rates of Return

	June 30, 2023		June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return	Target Allocation	Long-Term Expected Net Real Rate of Return
Domestic equity				
Large cap	30 %	6.1 %	28 %	6.1 %
Small/mid cap	7	6.6	6	6.6
International equity				
Developed	22	6.6	24	6.6
Emerging markets	3	7.6	4	7.6
Fixed income				
Core	14	1.6	20	1.6
Limited duration fixed income	6	0.6	—	—
High yield	4	3.1	4	3.1
Emerging markets	4	2.6	4	2.6
Alternatives				
Directional hedge	5	5.1	5	5.1
Private real estate	5	5.1	5	5.1
Total	100 %		100 %	
Weighted average		5.0 %		5.0 %

Discount Rate: The discount rate used to measure the total pension liability was 7% in 2023 and 2022. No projection of cash flows was used to determine the discount rate because the Jan. 1, 2023, and Jan. 1, 2022, actuarial valuations showed expected contributions would pay the normal cost and amortize the net pension liability in 17 and 18 years, respectively. For FY 2023, because of the 17-year amortization period with level dollar amortization of the net pension liability, the pension plan's fiduciary net position was expected to be available to make all projected future benefit payments of current active and inactive members. The long-term expected rate of return on pension plan investments of 7% was applied to all periods of projected benefit payments as a discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents LCRA's net pension liability for FY 2023 and FY 2022. The net pension liability was calculated using the discount rate of 7% in 2023 and 2022, as well as the employer's net pension liability if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current rate:

Discount Rate Sensitivity
(Dollars in millions)

	Employer's Net Pension Liability		
	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
June 30, 2023	$ 276	$ 215	$ 162
June 30, 2022	182	120	66

Plan Fiduciary Net Position: The Plan fiduciary net position reported above is the same as reported by the Plan. Detailed information about the Plan fiduciary net position is available in the Plan's separately issued audited financial statements, which are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at net asset value (NAV).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Amounts recognized in the fiscal year are for the Plan year between the current and prior measurement dates.

Components of Pension Expense
(Dollars in millions)

	Year Ended June 30,	
	2023	2022
Service cost	$ 6	$ 5
Interest	43	44
Projected earnings on pension plan investments	(36)	(32)
Amortization of differences between projected and actual earnings on plan investments	15	(11)
Amortization of changes in assumptions	8	10
Amortization of differences between expected and actual experience	1	1
Total pension expense	$ 37	$ 17

Deferred outflows of resources and deferred inflows of resources to be recognized in pension expense in future tears are as follows:

Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years
(Dollars in millions)

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 51	$ -	$ -	$ 45
Changes of assumptions	8	3	17	4
Differences between expected and actual experience	3	4	5	5
Subtotal	62	7	22	54
Contributions subsequent to measurement date	13	-	14	-
Total	$ 75	$ 7	$ 36	$ 54

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net of Deferred Outflows Less Deferred Inflows
(Dollars in millions)

Year Ending June 30,	Amount
2024	$ 8
2025	11
2026	14
2027	22
2028	-
Thereafter	-
Total	$ 55

Totals of $13 million and $14 million were contributed subsequent to the measurement dates of the net pension liabilities for FY 2023 and FY 2022, respectively. The amounts are deferred outflows of resources that are recognized as a reduction in the net pension liability in the fiscal years ending June 30, 2024, and 2023. LCRA is subject to GASB Statement No. 68, *"Pensions*," and GASB Statement No. 62, which includes guidance on accounting for regulated operations. The GASB Statement No. 68 pension expense is based on the actuarial report measurement date and reflected in the pension expense table. Pension expense for rate-making purposes of $28 million for FY 2023, and FY 2022, was recognized in operating expense based on contributions to the trust. The difference between the two methods is deferred for future recovery or refund.

Investments: Investments measured at net asset value as of Dec. 31, 2022, are as follows:

Investments Measured at Net Asset Value
(Dollars in millions)

Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Redemption Frequency (if currently eligible)	Redemption Notice Period	Weighted Average Maturity	Credit Rating
Alternative investments/limited partnerships							
SEI Special Situations Collective Fund [4]			$ 26	June/ December	95 days	N/A	N/A
SGOF Liquidating Feeder LTD			—	Redeemed	N/A	N/A	N/A
Total alternative investments/limited partnerships			26				
Real estate alternative investments							
SEI Core Property Fund CIT			32	Quarterly	95 days	N/A	N/A
Mutual funds							
SIIT S&P 500 Index Fund [1]	$ 118	-	118	Daily	N/A	N/A	N/A
SIIT World Equity Ex-US Fund [2]	94	-	94	Daily	N/A	N/A	N/A
SIIT Core Fixed Income Fund [3]	-	$ 57	57	Daily	N/A	9.6 years	AA- / Aa2
SIIT Small/Mid-Cap Equity Fund [1]	27	-	27	Daily	N/A	N/A	N/A
SIIT Emerging Markets Equity Fund [2]	13	-	13	Daily	N/A	N/A	N/A
SIIT Emerging Markets Debt Fund [5]	-	17	17	Daily	N/A	9.9 years	BBB- / Baa3
SIIT High Yield Bond Fund [3]	-	16	16	Daily	N/A	5.8 years	B+ / B1
SEI Limited Duration Bond Fund A	-	24	24				
Total mutual funds	$ 252	$ 114	366				
Total investments measured at NAV			$ 424				

[1] Domestic equity holdings consist of equity securities of companies that are listed on registered exchanges or actively traded in the over-the-counter market of the United States. The equity portion also may be invested in securities that are not readily marketable (illiquid and restricted securities), receipts, securities issued by investment companies, warrants, repurchase agreements, convertible securities and U.S. dollar denominated securities of foreign issuers that are traded on registered exchanges or listed on NASDAQ.

[2] Non-U.S. equity holdings will consist primarily of equity securities (common stocks, securities that are convertible into common stocks, preferred stocks, warrants and rights to subscribe to common stocks) of non-U.S. issuers purchased in foreign markets, on U.S. or foreign registered exchanges, or in the over-the-counter markets. The issuers of the securities are located in countries other than the United States, including emerging market countries.

[3] Domestic fixed income may consist of both investment grade and high-yield holdings. The investment grade portion of the domestic fixed income portfolio consists of fixed income securities that are rated investment grade or better, i.e., rated in one of the four highest rating categories by a Nationally Recognized Statistical Ratings Organization (NRSRO) at the time of purchase or, if not rated, are determined to be of comparable quality. This portion of the portfolio may hold traditional fixed income securities, such as bonds and debentures issued by domestic and foreign private and governmental issuers, including mortgage-backed and asset-backed securities. The high-yield portion of the domestic fixed income portfolio will consist of fixed income securities that are rated below investment grade, i.e., rated below the top four rating categories by an NRSRO at the time of purchase or, if not rated, determined to be of comparable quality. There is no bottom limit on the ratings of high-yield securities that may be purchased and held in the portfolio.

[4] A hard lockup does not permit an investor to request a capital redemption until after the lockup date passes for a Special Situations Collective Fund. As of Dec. 31, 2022, the lockup period has been met.

[5] Non-U.S. fixed income may consist of both a non-U.S. investment grade portion and an emerging debt portion. The non-U.S. investment grade portion of the fixed income portfolio will consist of securities of non-U.S. issuers located in countries other than the United States. The non-U.S. investment grade portion will concentrate its investments in developed countries. Non-U.S. investment grade fixed income securities will be traditional fixed income securities, such as bonds and debentures, and will be issued by foreign private and governmental issuers and may include mortgage-backed and asset-backed securities. The portfolio also may contain structured securities that derive interest and principal payments from specified assets or indices. All such investments will be in investment grade securities denominated in various currencies, including the European Currency Unit. Investment grade securities are rated in one of the highest four rating categories by an NRSRO or, if not rated, determined to be of comparable quality.

Investments measured at net asset value as of Dec. 31, 2021, are as follows:

Investments Measured at Net Asset Value
(Dollars in millions)

Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Redemption Frequency (if currently eligible)	Redemption Notice Period	Weighted Average Maturity	Credit Rating
Alternative investments / limited partnerships							
SEI Special Situations Collective Fund [4]		$ -	$ 26	June/ December	95 days	N/A	N/A
Real estate alternative investments							
SEI Core Property Fund CIT		-	29	Quarterly	95 days	N/A	N/A
Mutual funds							
SIIT S&P 500 Index Fund [1]	$ 144	-	144	Daily	N/A	N/A	N/A
SIIT World Equity Ex-US Fund [2]	124	-	124	Daily	N/A	N/A	N/A
SIIT Core Fixed Income Fund [3]	-	$ 98	98	Daily	N/A	8.0 years	AA- / Aa3
SIIT Small/Mid-Cap Equity Fund [1]	31	-	31	Daily	N/A	N/A	N/A
SIIT Emerging Markets Equity Fund [2]	23	-	23	Daily	N/A	N/A	N/A
SIIT Emerging Markets Debt Fund [5]	-	20	20	Daily	N/A	10.7 years	BBB- / Baa3
SIIT High Yield Bond Fund [3]	-	20	20	Daily	N/A	3.9 years	B+ / B1
Total mutual funds	$ 322	$ 138	460				
Total investments measured at NAV			$ 515				

[1] Domestic equity holdings consist of equity securities of companies that are listed on registered exchanges or actively traded in the over-the-counter market of the United States. The equity portion also may be invested in securities that are not readily marketable (illiquid and restricted securities), receipts, securities issued by investment companies, warrants, repurchase agreements, convertible securities and U.S. dollar denominated securities of foreign issuers that are traded on registered exchanges or listed on NASDAQ.

[2] Non-U.S. equity holdings will consist primarily of equity securities (common stocks, securities that are convertible into common stocks, preferred stocks, warrants and rights to subscribe to common stocks) of non-U.S. issuers purchased in foreign markets, on U.S. or foreign registered exchanges, or in the over-the-counter markets. The issuers of the securities are located in countries other than the United States, including emerging market countries.

[3] Domestic fixed income may consist of both investment grade and high yield holdings. The investment grade portion of the domestic fixed income portfolio consists of fixed income securities that are rated investment grade or better, i.e., rated in one of the four highest rating categories by a nationally recognized statistical ratings organization at the time of purchase or, if not rated, are determined to be of comparable quality. This portion of the portfolio may hold traditional fixed income securities, such as bonds and debentures issued by domestic and foreign private and governmental issuers, including mortgage-backed and asset-backed securities. The high-yield portion of the domestic fixed income portfolio will consist of fixed income securities that are rated below investment grade, i.e., rated below the top four rating categories by a Nationally Recognized Statistical Ratings Organization (NRSRO) at the time of purchase or, if not rated, determined to be of comparable quality. There is no bottom limit on the ratings of high-yield securities that may be purchased and held in the portfolio.

[4] A hard lockup does not permit an investor to request a capital redemption until after the lockup date passes for a Special Situations Collective Fund.

[5] Non-U.S. fixed income may consist of both a non-U.S. investment grade portion and an emerging debt portion. The non-U.S. investment grade portion of the fixed income portfolio will consist of securities of non-U.S. issuers located in countries other than the United States. The non-U.S. investment grade portion will concentrate its investments in developed countries. Non-U.S. investment grade fixed income securities will be traditional fixed income securities, such as bonds and debentures, and will be issued by foreign private and governmental issuers and may include mortgage-backed and asset-backed securities. The portfolio also may contain structured securities that derive interest and principal payments from specified assets or indices. All such investments will be in investment grade securities denominated in various currencies, including the European Currency Unit. Investment grade securities are rated in one of the highest four rating categories by an NRSRO or, if not rated, determined to be of comparable quality.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's master statement has no official policy for the management of interest rate risk. In calendar year (CY) 2022 and CY 2021, the pension portfolio was invested in mutual funds that are measured at NAV. For portfolio interest rate risk, see the weighted average maturity in the preceding tables.

Credit Risk: Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation. The Plan's master statement restricts the bond portfolio to a minimum average quality credit rating of AA by S&P Global (S&P) (or AA2 by Moody's). A maximum of 20% (based on fair value) can be purchased or held in securities rated between BBB- (S&P) or BAA3 (Moody's) and BBB+ (S&P) or BAA1 (Moody's). At no time may the investment manager hold more than 3% of the fair value of the fixed-income portfolio in securities that have fallen below BBB- (S&P) or BAA3 (Moody's). Commercial paper investments must not be rated lower than A-1 and P-1 by S&P and Moody's, respectively, with other short-term obligations rated at comparable credit quality. During CY 2022 and CY 2021, the pension portfolio was invested in mutual funds that are measured at net asset value. For portfolio credit risk, see the credit ratings in the preceding tables.

Concentration Risk: During CY 2022 and CY 2021, the pension portfolio held no investments with an individual issuer that accounted for greater than 5% of its investment portfolio. This excludes mutual funds and investments issued by or explicitly guaranteed by the U.S. government.

Foreign Currency Risk: Foreign currency risk is the risk changing exchange rates will adversely affect the fair value of an investment. The Plan's master statement does not include an official policy for the management of foreign currency risk. It does, however, allow for hedging back to the U.S. dollars using forward foreign exchange contracts. Investment managers may hedge up to 100% of the foreign currency exposure of the portfolio. Commercial and investment banks used for hedging transactions must be rated A/A2 or better by S&P or Moody's, respectively. As of Dec. 31, 2022, and Dec. 31, 2021, the Plan had investments in mutual funds with exposure to foreign currency risk of $105 million and $139 million, respectively.

The funds that compose the foreign currency risk totals for Dec. 31, 2022, and Dec. 31, 2021, are the SIIT World Equity Ex-US Fund, SIIT Emerging Markets Equity Fund and SIIT Emerging Markets Debt Fund held in the custodial account. The U.S. investments were removed from the exhibit and the totals below will not match the sum of the fund balances presented elsewhere in the financial statements.

Currency by Investment and Fair Value
(U.S. dollars in millions)

Investments	Dec. 31, 2022	Dec. 31, 2021
Euro	$ 28	$ 31
Japan, Yen	9	14
Hong Kong, Dollar	8	11
Korea (South), Won	6	9
Great Britain, Pound Sterling	12	11
Taiwan, Dollar	3	8
Switzerland, Franc	4	7
Other	35	48
Total Investment Fair Value	$ 105	$ 139

Money-Weighted Rate of Return: For the year ended Dec. 31, 2022, and the year ended Dec. 31, 2021, the annual money-weighted rates of return on pension plan investments were (14)% and 13%, respectively. The money-weighted rates of return express investment performance, net of investment expenses, adjusted for the changing amount actually invested.

Custodial Credit Risk Investment Risk: Custodial credit risk investment risk is the risk that in the event of the failure of the counterparty, the entity will not be able to recover the value of its investments or collateral securities in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the entity's name and are held by a counterparty. The Plan has custodial accounts registered in the name of the Plan with discretion over those accounts. These investments are uninsured. There were no fixed-income or equity securities as of Dec. 31, 2022, or as of Dec. 31, 2021. During 2022 and 2021, the portfolio was invested in mutual funds which are measured at NAV and therefore do not carry this risk.

401(k) Plan: LCRA's Retirement Benefits Board of Trustees administers this single-employer defined contribution plan. The plan is accounted for on the accrual basis and all assets are recorded at fair value. The plan offers the choice of making pretax contributions, Roth (after tax) contributions or a combination of both. The plan has received a favorable determination letter from the Internal Revenue Service and is exempt from federal income taxes, under the appropriate section of the Internal Revenue Code. Amendments to the plan are made only with LCRA Board approval.

Employees are eligible to participate in the plan immediately upon employment. Eligible employees who elect to participate in the plan may contribute a minimum of 1% of their annual compensation, up to a maximum not to exceed limitations set by the IRS.

Effective Jan. 1, 2002, employees under Program A of the pension plan receive an LCRA matching contribution equal to 25% of the first 4% of compensation the employee elected to contribute to the plan. Under Program B of the pension plan, LCRA provides matching contributions equal to 100% of the first 4% of compensation and 50% of the next 2% of compensation the employee elected to contribute to the plan. Contributions made by the employer and employee are vested immediately.

Employees hired on or after May 1, 2012, are eligible to participate in retirement Program C only. New hires are automatically enrolled in the plan unless they elect otherwise within 30 days of hire. LCRA provides matching contributions equal to 100% of the first 8% of compensation. Employees may make contributions on a pretax basis, Roth (after tax) basis, or a combination of the two from 1% of their income up to the maximum set by the IRS. LCRA matching contributions and related earnings will be vested after three years of service. Employee contributions and related earnings are immediately vested. Both employer and employee contributions are immediately vested for employees who are rehired.

Contributions by LCRA and its employees are as follows:

401(k) Contributions by LCRA and Employees
(Dollars in millions)

	For Year Ended June 30, 2023	For Year Ended June 30, 2022
Employer contributions	$ 14	$ 11
Employee contributions	21	18

5. Other Postemployment Benefits

Plan Description: The LCRA Employees' Post-Retirement Health Benefits Program (the OPEB Plan) is administered by LCRA and is a single-employer defined benefit postretirement health benefits plan. The LCRA Board of Directors has sole authority to amend the OPEB Plan. Currently, the OPEB Plan is operated on a pay-as-you-go basis and has no trust for accumulating assets.

Measurement Period: The actuarial report for the OPEB Plan for LCRA's fiscal year ending June 30, 2023, is based on a measurement date of June 30, 2022, in accordance with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The disclosures, the OPEB expense, and the total OPEB liability are based on the OPEB Plan's actuarial valuation as of June 30, 2021, including most of the the actuarial assumptions and census data. The discount rate, however, was updated to reflect the municipal bond index change from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022. The actuarial valuation as of June 30, 2021, was revised to reflect this change, and the results were rolled forward to the measurement date of June 30, 2022.

The actuarial report for the OPEB Plan for LCRA's fiscal year ending June 30, 2022, is based on a measurement date of June 30, 2021, The disclosures, the OPEB expense, and the total OPEB liability are based on the OPEB Plan's actuarial valuation as of June 30, 2021, including most of the the actuarial assumptions and census data. The actuarial valuation as of June 30, 2020 was revised to reflect plan changes, and the results were rolled forward to the measurement date of June 30, 2021.

Benefits Provided: The OPEB Plan provides self-funded group health benefits for eligible retirees and their spouses. Primary major medical coverage is provided prior to Medicare eligibility. Retirees and spouses who are ages 65 and over and eligible for Medicare are eligible for the optional Medicare Supplement and prescription drug plan. The package includes three components: a Medicare supplement part, a prescription drug part, and a retiree reimbursement account. Covered retirees are eligible for coverage until death or until required cost-sharing contributions for the pre-65 coverage are discontinued. Spouses may be covered by the retiree until death or until required cost-sharing contributions for the pre-65 coverage are discontinued.

An employee must meet one of the age and service requirements at the date of termination to be a covered retiree: age 65 with at least five years of service, age 55-64 with at least 15 years of service, or satisfaction of Rule of 80 (age plus years of service equals or exceeds 80). OPEB benefits cost sharing is based on an employee's pension participation.

All employees hired on or before Jan. 1, 2002, are enrolled in the pension plan as either pension provision participants (Option A) or cash-balance participants (Option B). See Note 4 of the Notes to Financial Statements for additional information. All employees hired after May 1, 2012, are not eligible to participate in either the pension or OPEB plans. The post-retirement medical benefits are the same whether a person is under Option A or Option B. However, the cost sharing is tied to the pension plan option and is different between Option A and Option B.

There is no premium sharing arrangement for retirees who elect the Optional Medicare Supplement as 100% of the costs associated with Optional Medicare Supplement are paid by LCRA. The Optional Medicare Supplement was closed to new participants effective Jan. 1, 2019, a change that was communicated to the OPEB Plan participants. This change drove a decrease in the OPEB liability estimate.

Employees covered by the plan are shown below:

LCRA Other Postemployment Benefits Plan, Covered Employees

	June 30, 2023 and June 30, 2022[1]
Inactive employees or beneficiaries currently receiving benefits	1,343
Inactive employees entitled to but not yet receiving benefits	-
Active employees	852
Total	2,195

[1]Data is the same for both periods, since the assumptions were not updated after the actuarial valuation date of June 30, 2021. See discussion under Measurement Date.

Actuarial Assumptions: The total OPEB liability for FY 2023 was measured as of June 30, 2022, using the June 30, 2021, actuarial valuation rollforward to June 30, 2022. The Total OPEB liability for FY 2022 was measured as of June 30, 2021, using the actuarial valuation as of June 30, 2021. These actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary increases:	4.25%
Discount rate:	3.54% and 2.16% for the measurement date as of June 30, 2022 June 30, 2021, respectively.
Health benefit costs trend rates:	8.0% for 2023, decreasing 0.5% per year to an ultimate rate of 5.0% for 2029 and beyond.
Mortality:	PubG-2010(A) gender distinct with general projection using Scale MP-2020.

The assumed retirement rates, termination rates, and rates of merit and promotion increases were based on an experience study over the four plan years ending Dec. 31, 2020. The discount rate of 3.54% was based on the Bond Buyer Index of general obligation bonds with 20 years to maturity as of June 30, 2022.

Cost Sharing: The cost sharing between LCRA and the plan participant is determined by the plan type and length of service. The cost split below is based on the valuation performed on the census as of June 30, 2021, rolled forward to June 30, 2022. “Retiree + 1” includes retirees with spouse coverage and retirees with family coverage.

Percent of Costs Paid by LCRA
For Option A Retirees

	June 30, 2023 and June 30, 2022
Retiree Only	65%
Retiree +1 Dependent	36%

Percent of Costs Paid by LCRA
For Option B Retirees

	June 30, 2023		June 30, 2022	
Years of Service [1]	Retiree Only	"Retiree + 1" Dependent	Retiree Only	"Retiree + 1" Dependent
15 (Age 55+)	25%	10%	28%	14%

Components of OPEB Liability: LCRA's total OPEB liability was measured as of June 30, 2022, and June 30, 2021, for the fiscal year ending June 30, 2023, and June 30, 2022, respectively. For FY 2023, changes in the claims costs assumption and demographic assumptions resulted in a decrease in LCRA's portion of the premium for Option B retirees.

OPEB Liability
(Dollars in millions)

	June 30, 2023	June 30, 2022
Beginning total OPEB liability	$ 62	$ 85
Changes for the year:		
Service cost	1	1
Interest	1	2
Differences between expected and actual experience	(6)	(6)
Benefit payments	(6)	(6)
Assumption changes	—	(14)
Net Change	(10)	(23)
Ending total OPEB liability	$ 52	$ 62

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB are shown below:

Components of OPEB Expense
(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Service cost	$ 1	$ 1
Interest	1	2
Amortization of changes of assumptions	(4)	—
Amortization of differences between expected and actual experience	(6)	(7)
Total OPEB expense	$ (8)	$ (4)

Deferred Inflows of Resources and Deferred Outflows of Resources to Be Recognized in OPEB Expense in Future Years
(Dollars in millions)

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 2	$ 10	$ 5	$ 11
Differences between expected and actual experience	-	3	-	9
Subtotal	2	13	5	20
Benefits and administrative expenses paid subsequent to measurement date	5	-	6	-
Total	$ 7	$ 13	$ 11	$ 20

Sensitivity of the OPEB Liability to Changes in the Health Benefit Cost Rate or Discount Rate: The following presents the effect of a 1% increase or decrease of the heath benefit cost or discount rate on LCRA's OPEB liability for FY 2023 and FY 2022.

Sensitivities for the Fiscal Years Ending June 30, 2023, and June 30, 2022

Health Benefit Cost Sensitivity
(Dollars in millions)

	Employer's Total OPEB Liability		
	1% Decrease (7% decreasing to 4%)	Assumed Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
June 30, 2023	$ 48	$ 52	$ 57
June 30, 2022	57	62	68

Discount Rate Sensitivity
(Dollars in millions)

	Employer's Total OPEB Liability		
	1% Decrease to 2.54%	Current Rate 3.54%	1% Increase to 4.54%
June 30, 2023	$ 56	$ 52	$ 49
	1% Decrease to 1.16%	Current Rate 2.16%	1% Increase to 3.16%
June 30, 2022	$ 66	$ 62	$ 59

Deferred Inflows and Outflows of Resources: Amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Net of Deferred Outflows Minus Deferred Inflows
(Dollars in millions)

	June 30, 2023
2024	$ (5)
2025	(5)
2026	(1)
2027	—
2028	—
Total	$ (11)

6. Commitments and Contingencies

Construction: At June 30, 2023, LCRA had construction commitments totaling $317 million through FY 2028.

Natural Gas: LCRA has several long-term contracts to provide a portion of the natural gas requirements to its gas-fired generation units through FY 2025. LCRA is committed to buy a fixed amount of gas annually based on an index price. LCRA paid $219 million and $187 million for gas purchases under these contracts and related firm transportation rights on intrastate pipelines to deliver gas from supply points during FY 2023 and FY 2022, respectively.

Purchased Power: LCRA has contracts with power producers and other market participants to purchase power. In FY 2008, LCRA entered into a 30-year agreement to purchase 11.14% of the capacity and energy of Sandy Creek Energy Station.

Insurance: In the normal course of business, LCRA is exposed to various financial risks related to torts; theft of, damage to and destruction of assets; errors and omissions; operational risks; injuries to employees; natural disasters; and employee medical costs. In FY 2023 and FY 2022, LCRA had an insurance program composed of a commercial insurance program and self-insurance to mitigate financial loss.

LCRA's Workers Compensation policy had a self-insured retention of $750,000 and statutory limits. Property insurance self-insured retentions vary due to type of asset and peril and range from $100,000 to $3 million. The property insurance policy did not include coverage for the dams and transmission lines. LCRA had an excess liability policy with a $20 million per occurrence limit subject to a $1 million self-insured retention. The excess liability policy addressed claims arising from bodily injury or property damage to third parties as well as auto liability. Settled claims did not exceed commercial insurance limits in the past three fiscal years.

LCRA pays active employees' and pre-65 retirees' medical and pharmacy claims up to $300,000 per covered member per plan year. Claims incurred and paid in a plan year above the limit are reimbursed to LCRA through stop-loss insurance. Both groups contribute premiums for their coverage.

Single Audit: LCRA has received federal and state grants for specific purposes subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. LCRA believes such disallowance, if any, would be immaterial.

7. Leases and SBITA

LCRA recognizes leases greater than one year at the present value of the minimum lease payments. Lessee leases are recorded as a lease liability and an intangible right-to-use lease asset, and lessor leases are recorded as a lease receivable and a deferred inflow of resources. Variable lease payments are excluded in the measurement of lease liabilities, except escalation clauses based on an index or rate.

Leases as Lessee: LCRA leases property and equipment primarily related to land, facilities and other equipment. The terms of the lease contracts are one to 32 years. Total lease expense (including amortization and interest) was $17 million and $14 million for FY 2023 and FY 2022, respectively. Variable payments not previously included in the measurement of the lease liability were less than $1 million for all periods presented.

In addition to the transmission and transformation assets owned by LCRA TSC, LCRA TSC leases certain transmission assets owned by seven direct connect transmission customers. The leases were established for LCRA TSC to provide the same service to all the wholesale electric customers and for the cost of such service to be shared by all customers on a consistent basis. The terms of the equipment leases are perpetual but may be terminated by LCRA or the lessors upon five years written notice. All seven of the lease participants have executed agreements with LCRA TSC to no longer add or retire assets from the lease, to freeze the payment and to terminate the lease in its entirety with approval from the Public Utility Commission of Texas during LCRA TSC's next rate case proceeding.

Lease Intangible Assets
(Dollars in millions)

	June 30, 2023	June 30, 2022
Land	$ 2	$ 3
Equipment	98	97
Accumulated amortization	(64)	(48)
Total Lease Intangible Assets	$ 36	$ 52

At June 30, 2023, future expected lease payments were as follows:

Future Expected Lease Payments
(Dollars in millions)

Year Ending June 30,	Principal	Interest	Total
2024	$ 16	$ 1	$ 17
2025	6	-	6
2026	6	-	6
2027	6	-	6
2028	1	-	1
2029-2053	1	-	1
Total	$ 36	$ 1	$ 37

Leases as Lessor: LCRA leases to others property and equipment primarily related to land, facilities and other equipment. The terms of the leases are one to 78 years. Lease revenue was $2 million in FY 2023 and $1 million in FY 2022. Lease interest income was less than $1 million in FY 2023 and less than $1 million in FY 2022. Variable payments not previously included in the measurement of lease receivables were less than $1 million for all periods presented.

Sale-Leaseback and Lease-Leaseback Transactions: During FY 2018, LCRA conveyed to a third party a significant portion of its telecommunication tower structure portfolio. Some of the towers were sold and the remaining towers were leased. This transaction resulted in a recognized gain of $5 million each year for FY 2023 and FY 2022. The deferred gain balance is $23 million and $29 million as of June 30, 2023, and 2022, respectively. This balance is being amortized over the lease term. LCRA leased back space on some of the towers for LCRA communications equipment for an initial term of 10 years and paid $5 million in rent in FY 2023 and FY 2022. These agreements include an annual escalation clause and four renewal option periods of five years each that may be exercised at such time as per the agreement. In connection with this transaction, the third party has the right to market and lease space on additional structures on which LCRA has rights. LCRA will receive a percentage of lease revenues generated by such marketing/leasing efforts. LCRA also has a lease-leaseback transaction involving towers. The leaseback revenue was less than $1 million in FY 2023 and in FY 2022 and was netted against the lease expenditures.

SBITA: As mentioned in Note 1, LCRA adopted a new accounting standard for SBITA effective July 1, 2022; prior periods were not restated due to immateriality. LCRA recognizes SBITAs greater than one year at the present value of the minimum payments. SBITAs are recorded as a liability and an intangible right-to-use asset. Variable payments are excluded in the measurement of SBITA liabilities, except escalation clauses based on an index or rate.

The terms of the SBITA contracts are one to nine years. Total SBITA expense (including amortization and interest) was $2 million for FY 2023 Variable payments not previously included in the measurement of the SBITA liability were less than $1 million for FY 2023 and FY 2022.

At June 30, 2023, SBITA intangible assets were as follows:

SBITA Intangible Assets
(Dollars in millions)

	June 30, 2023
Gross SBITA assets	$ 8
Accumulated amortization	(3)
Net SBITA Intangible Assets	$ 5

At June 30, 2023, future expected SBITA payments were as follows:

Future Expected Lease Payments
(Dollars in millions)

Year Ending June 30,	Principal	Interest[1]	Total
2024	$ 1	$ -	$ 1
2025	1	-	1
2026	1	-	1
2027	1	-	1
2028 [1]	-	-	-
2029-2033 [1]	-	-	-
Total	$ 4	$ -	$ 4

[1] amount less than $1 million

8. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

FY 2023 Capital Asset Activity
(Dollars in millions)

	Beginning Balance	Additions	Transfers	Retirements	Depreciation	Ending Balance
Depreciable and depletable assets						
Plant in service:						
Generation plant	$ 2,576	$ —	$ 22	$ (11)	$ —	$ 2,587
Transmission plant	4,188	—	537	(51)	—	4,674
Water, general and other plant	689	—	33	(14)	—	708
Total depreciable plant in service	7,453	—	592	(76)	—	7,969
Oil and gas property	28	—	—	—	—	28
Intangible assets - leases and SBITAs	99	10	—	—	—	109
Intangible assets - other	96	—	2	—	—	98
Other physical property	56	—	4	(1)	—	59
Total depreciable assets	7,732	10	598	(77)	—	8,263
Less accumulated depreciation and amortization	(3,235)	—	—	34	(236)	(3,437)
Net depreciable assets	4,497	10	598	(43)	(236)	4,826
Nondepreciable assets						
Plant in service:						
Land	54	—	3	—	—	57
Other utility plant	11	—	—	—	—	11
Construction work in progress	447	894	(618)	(4)	—	719
Other physical property	19	—	—	—	—	19
Intangible assets - easements	347	—	18	—	—	365
Intangible assets - water rights	102	—	(1)	—	—	101
Total nondepreciable assets	980	894	(598)	(4)	—	1,272
Capital assets, net	$ 5,477	$ 904	$ —	$ (47)	$ (236)	$ 6,098

Capital asset activity for the year ended June 30, 2022, was as follows:

FY 2022 Capital Asset Activity
(Dollars in millions)

	Beginning Balance	Additions	Transfers	Retirements	Depreciation	Ending Balance
Depreciable and depletable assets						
Plant in service:						
Generation plant	$ 2,563	$ —	$ 13	$ —	$ —	$ 2,576
Transmission plant	3,937	—	290	(39)	—	4,188
Water, general, and other plant	663	—	35	(9)	—	689
Total depreciable plant in service	7,163	—	338	(48)	—	7,453
Oil and gas property	28	—	—	—	—	28
Intangible assets - leases and SBITAs	95	4	—	—	—	99
Intangible assets - other	94	—	2	—	—	96
Other physical property:	56	—	1	(1)	—	56
Total depreciable assets	7,436	4	341	(49)	—	7,732
Less accumulated depreciation and	(3,041)	—	—	32	(226)	(3,235)
Net depreciable assets	4,395	4	341	(17)	(226)	4,497
Nondepreciable assets						
Plant in service:						
Land	57	—	—	(3)	—	54
Other utility plant	11	—	—	—	—	11
Construction work in progress	355	458	(364)	(2)	—	447
Other physical property:	19	—	—	—	—	19
Intangible assets - easements	324	—	23	—	—	347
Intangible assets - water rights	102	—	—	—	—	102
Total nondepreciable assets	868	458	(341)	(5)	—	980
Capital assets, net	$ 5,263	$ 462	$ —	$ (22)	$ (226)	$ 5,477

See Note 7 of the Notes to the Financial Statements for additional lease and SBITA information.

9. Derivative Instruments

Hedging Instruments LCRA utilizes physical and financial natural gas, oil, power and power-related derivative instruments to hedge its exposure to price volatility in the natural gas, coal transportation and ERCOT power markets. Derivative transactions are conducted in accordance with LCRA's Energy Commodity Risk Control Program Policy (Program Policy). The Program Policy contains structure, guidelines and objectives for day-to-day activities. This activity provides reasonable assurance that material variations are mitigated between the actualized fuel and power cost recovery factor (F&PCRF) and the forecast F&PCRF that is set in rates at the beginning of the year.

Contracts are accounted for in accordance with GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*," which addresses recognition, measurement and disclosure related to derivative instruments. Statement No. 53 requires derivatives to be reported on the balance sheets at fair value. Changes in the fair value of effective hedges are deferred on the balance sheets. If the derivative trades are ineffective under accounting rules, changes in fair value are recognized on the statements of revenues, expenses and changes in net position and then deferred to the balance sheets through the F&PCRF.

Natural gas derivative instruments are composed primarily of financial natural gas futures, options and standard swap transactions. Oil derivative instruments are composed of financial heating oil futures transactions. Power (including power-related) derivative instruments are composed of financial and physical fixed-price power futures and physical fixed heat rate and short-dated heat rate option and lookback transactions.

Financial Activity
(Dollars in millions)

Related to Balance Sheets	June 30, 2023	June 30, 2022
Net asset - fair value (mark to market) of outstanding derivative instruments	$ 23	$ 24
Gain (loss) from change in fair value of open hedging instruments	2	(26)
Related to Statements of Revenues, Expenses and Changes in Net Position:	**FY 2023**	**FY 2022**
Gain (loss) on settled transactions	$ (20)	$ (20)

Summary of Volumetric Activity

Notional Amounts of:	FY 2023	FY 2022
Closed gas hedging transactions - MMBtu's in millions	64	70
Open gas hedging transactions - MMBtu's in millions	55	29
Open heating oil transactions - Gallons in millions	3	—
Closed power hedging transactions - GWh	5,746	6,154
Open power hedging transactions - GWh	2,071	1,540

Open Derivative Instruments at June 30, 2023

Transaction Type	Referenced Index	Duration	Volume	Fair Value (in millions)	Change in Fair Value (in millions)
Natural Gas Futures Contracts	Henry Hub	Aug 2023 - Dec 2030	42 million MMBTu	$ (22)	$ (15)
Natural Gas Futures Contracts	Houston Ship Channel	Jul 2023 - Oct 2024	13 million MMBTu	1	2
Heating Oil Futures Contracts	NY Harbor	Jan 2024 - Apr 2024	3 million gallons	—	—
Power Futures Contracts	ERCOT	Jul 2023 - Apr 2024	2,071 GWh	(1)	15

Open Derivative Instruments at June 30, 2022

Transaction Type	Referenced Index	Duration	Volume	Fair Value (in millions)	Change in Fair Value (in millions)
Natural Gas Futures Contracts	Henry Hub	Jul 2022 - Dec 2030	20 million MMBTu	$ (7)	$ (14)
Natural Gas Futures Contracts	Houston Ship Channel	Jul 2022 - Mar 2023	9 million MMBTu	(1)	(1)
Power Futures Contracts	ERCOT	Jul 2022 - Jun 2023	1,540 GWh	(16)	(11)

As of June 30, 2023, and 2022, the total fair value of outstanding derivative instruments was a net asset of $23 million and $24 million, respectively. Amounts due from, or owed to, counterparties are recorded in current receivables, net, or other current liabilities on the balance sheet.

Credit Risk: Credit risk is the risk of loss due to a counterparty defaulting on its obligations. LCRA's derivative contracts and physical bilateral transactions expose LCRA to counterparty credit risk. In the event of default or nonperformance by Clearing Brokers, New York Mercantile Exchange (NYMEX) or Intercontinental Exchange, LCRA's operations could be materially affected. However, LCRA does not expect these entities to fail in meeting their obligations given their creditworthiness. In addition, the credit status and LCRA's credit exposure position with bilateral counterparties are monitored on an ongoing basis and managed using processes that include established trigger points and action steps to mitigate risks.

Termination Risk: Termination risk is the risk that a derivative or physical bilateral trade will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. One aspect of termination risk is LCRA would lose the hedging benefit of a derivative or bilateral trade that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark-to-market value of the derivative was a liability to LCRA, then LCRA would be required to pay the market value of the derivative to the counterparty. The International Swaps and Derivatives Association agreements, Edison Electric Institute master agreements and individual contracts have language to address termination risk. In addition, termination risk for LCRA's nonstandard origination and hedging transactions is assessed and addressed in its due diligence processes. LCRA believes termination risk is very low.

Basis Risk: Basis risk in the financial markets arises when an underlying position and the product used as a hedge are based on different quality or trade at different locations. LCRA is exposed to basis risk on both gas and power because LCRA assets and customer obligations do not always match the hedging instrument's location.

For LCRA natural gas requirements, NYMEX is the exchange futures contract used, which trades at Henry Hub Louisiana while operationally LCRA purchases are typically based on the Houston Ship Channel (HSC) index. This exposes LCRA to the basis risk between NYMEX and HSC indices. LCRA uses basis hedging transactions between these locations as necessary to manage its natural gas basis exposure.

Physical and financial power contracts LCRA uses as hedges are typically settled at an ERCOT hub, while LCRA load is settled at the LCRA load zone and LCRA power plants are settled at their respective resource node price. As a result, physical trades are exposed to basis risk and LCRA utilizes pre-assigned and ERCOT-auctioned congestion revenue products and point-to-point trades to manage its power basis exposure.

Reporting Requirements:

GASB Statement No. 72 requires the disclosure of the valuation technique, level of inputs and categorization for all investments. LCRA uses the market approach. LCRA's derivative investments are valued using Level 1 inputs and settled using quoted prices for identical assets or liabilities in active markets at the measurement date.

10. Segment and Component Unit Reporting

Governments using enterprise fund accounting and reporting standards to report activities are required to present segment information. A segment is an identifiable activity reported as or within an enterprise fund or another stand-alone entity having one or more bonds outstanding with a revenue stream pledged in support of that debt.

Governments that have legally separate organizations for which the primary government is responsible are required to present component units. For segment and component unit reporting, the activities' revenues, expenses, gains and losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources are required to be accounted for separately. LCRA TSC qualifies as a component unit and segment. GenTex Power Corporation, LCRA WSC Energy and WSC Energy II qualify as component units.

Segment and component unit information for LCRA TSC:

LCRA TRANSMISSION SERVICES CORPORATION
BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	June 30, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 99	$ 177
Investments	20	38
Receivables, net	113	94
Inventories, net	62	50
Other	3	2
Total current assets	297	361
Noncurrent Assets:		
Restricted cash and cash equivalents	185	1
Unrestricted investments	92	12
Accounts receivable from LCRA - restricted	165	129
Capital assets:		
Depreciable assets	4,870	4,375
Less: accumulated depreciation and amortization	(1,309)	(1,193)
Depreciable capital assets, net	3,561	3,182
Nondepreciable assets	692	529
Net capital assets	4,253	3,711
Prepaid capital expenses	69	66
Facilities regulatory asset	51	53
Other	9	—
Total noncurrent assets	4,824	3,972
Total Assets	5,121	4,333
Deferred Outflows of Resources:		
Unamortized loss on debt refundings	15	23
Total Deferred Outflows of Resources	15	23
Total Assets and Deferred Outflows of Resources	$ 5,136	$ 4,356

LCRA TRANSMISSION SERVICES CORPORATION
BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	June 30, 2022
Liabilities		
Current Liabilities:		
Accounts payable to LCRA	$ 40	$ 26
Accounts payable	74	38
Interest payable	25	19
Other current liabilities	99	87
Bonds and notes payable	123	276
Total current liabilities	361	446
Noncurrent Liabilities:		
Accounts payable from restricted assets	2	—
Bonds and notes payable	3,686	2,903
Other credits and other noncurrent liabilities	4	3
Lease and subscription liability	12	27
Total noncurrent liabilities	3,704	2,933
Total Liabilities	4,065	3,379
Deferred Inflows of Resources:		
Regulatory credits from future recovery	111	83
Other	15	8
Total Deferred Inflows of Resources	126	91
Net Position		
Net investment in capital assets	764	669
Unrestricted	181	217
Total Net Position	945	886
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 5,136	$ 4,356

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Operating Revenues		
Transmission	$ 567	$ 527
Transformation	18	17
Other	4	2
Total operating revenues	589	546
Operating Expenses		
Operations	163	157
Maintenance	17	15
Depreciation and amortization	133	124
Total operating expenses	313	296
Operating income	276	250
Nonoperating Revenues (Expenses)		
Investment income (loss)	15	(6)
Loss on disposition of property	(79)	(42)
Interest on debt	(113)	(98)
Other expense	(27)	(24)
Net Nonoperating Expenses	(204)	(170)
Income before prior costs recovered from revenues and capital contributions	72	80
Prior costs recovered from revenues	(30)	(27)
Capital contributions	17	2
Change in Net Position	59	55
Total Net Position, Beginning of Year	886	831
Total Net Position, End of Year	$ 945	$ 886

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash Flows From Operating Activities		
Receipts from customers	$ 542	$ 505
Payments to suppliers	(123)	(175)
Other payments	4	3
Net cash provided by operating activities	423	333
Cash Flows From Noncapital Financing Activities		
Other expenses	(29)	(26)
Net cash used in noncapital financing activities	(29)	(26)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(744)	(406)
Lease payments	(14)	(14)
Proceeds from sale of capital assets	—	1
Debt issue costs	(4)	(3)
Contributed capital received for capital costs	17	2
Proceeds from long-term debt	1,145	618
Proceeds from commercial paper and notes	748	551
Debt principal payments	(102)	(137)
Interest paid	(143)	(129)
Payments to refund and defease debt	(1,108)	(840)
Net cash used in capital and financing activities	(205)	(357)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	124	185
Purchase of investment securities	(221)	(190)
Note payments and interest received	14	2
Net cash used in investing activities	(83)	(3)
Net Increase / (Decrease) in Cash and Cash Equivalents	106	(53)
Cash and Cash Equivalents, Beginning of Year	178	231
Cash and Cash Equivalents, End of Year	$ 284	$ 178

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 276	$ 250
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	133	124
Changes in assets, liabilities and deferred inflows and outflows of resources:		
Accounts receivable	(19)	(5)
Inventories	(13)	(15)
Other current assets	(1)	—
Current liabilities	68	34
Other noncurrent assets, charges and deferred outflows of resources	(3)	(5)
Other credits, other noncurrent liabilities and deferred inflows of resources	(18)	(50)
Net cash provided by operating activities	$ 423	$ 333
Noncash Investing and Capital and Related Financing Activities		
Investment market adjustments	$ —	$ 8
Capital assets financed through short-term liabilities	10	(1)
Noncash loss on asset retirements	(57)	(34)

Component unit information for GenTex Power Corporation

GENTEX POWER CORPORATION
BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	June 30, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 17	$ 10
Accounts receivable from LCRA	2	1
Inventories, net	2	2
Total current assets	21	13
Noncurrent Assets:		
Restricted cash and cash equivalents	4	4
Restricted investments	1	1
Unrestricted investments	2	2
Capital assets:		
Depreciable assets	24	19
Less: accumulated depreciation and amortization	(6)	(6)
Depreciable capital assets, net	18	13
Nondepreciable assets	—	1
Net capital assets	18	14
Total noncurrent assets	25	21
Total Assets	$ 46	$ 34
Liabilities		
Current Liabilities:		
Other current liabilities	1	1
Total current liabilities	1	1
Noncurrent Liabilities:		
Other credits and other noncurrent liabilities	5	6
Total noncurrent liabilities	5	6
Total Liabilities	6	7
Deferred Inflows of Resources:		
Regulatory credits from future recovery	6	5
Total Deferred Inflows of Resources	6	5
Net Position		
Net investment in capital assets	18	14
Unrestricted	16	8
Total Net Position	34	22
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 46	$ 34

GENTEX POWER CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Operating Revenues		
Electric	$ 85	$ 67
Total operating revenues	85	67
Operating Expenses		
Fuel	61	52
Nonfuel expense		
Operations	3	2
Maintenance	4	3
General and administrative	4	4
Depreciation	1	1
Total operating expenses	73	62
Operating income	12	5
Nonoperating Revenues (Expenses)		
Investment income	1	—
Other expense	(1)	(2)
Total Nonoperating Revenues (Expenses)	—	(2)
Change in Net Position	12	3
Total Net Position, Beginning of Year	22	19
Total Net Position, End of Year	$ 34	$ 22

GENTEX POWER CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash Flows From Operating Activities		
Receipts from customers	$ 86	$ 67
Payments to suppliers	(72)	(63)
Other receipts (payments)	(1)	(1)
Net cash provided by operating activities	13	3
Cash Flows From Noncapital Financing Activities		
Other Expenses	(2)	(1)
Net cash used in noncapital financing activities	(2)	(1)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(5)	(1)
Net cash used in capital and financing activities	(5)	(1)
Cash Flows From Investing Activities		
Purchase of investment securities	—	(2)
Interest received	1	—
Net cash provided by (used in) investing activities	1	(2)
Net Increase / (Decrease) in Cash and Cash Equivalents	7	(1)
Cash and Cash Equivalents, Beginning of Year	14	15
Cash and Cash Equivalents, End of Year	$ 21	$ 14
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 12	$ 5
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1	1
Changes in assets, liabilities and deferred inflows and outflows of resources:		
Accounts receivable	(1)	(1)
Current liabilities	—	(2)
Other credits and other noncurrent liabilities	1	—
Net cash provided by operating activities	$ 13	$ 3

Other Component Units:
LCRA WSC Energy financial activity is not material to these financial statements. At June 30, 2023, total assets were $22 million, liabilities were $24 million, and net position was $(2) million. At June 30, 2022, total assets were $7 million, liabilities were $11 million, and net position was $(4) million.

LCRA WSC Energy II financial activity is not material to these financial statements. At June 30, 2023, total assets, total liabilities and total net position were less than $1 million. This entity was not in existence at June 30, 2022.

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LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
As of and for the Years Ended June 30, 2023, and 2022

A. Schedule of Changes in Employer's Net Pension Liability and Related Ratios for the Last 10 Plan Years [1]
(Dollars in millions)

	Year Ended June. 30, 2023	June. 30, 2022	June. 30, 2021	June. 30, 2020	June. 30, 2019
1. Total pension liability					
a. Service cost	$ 6	$ 5	$ 6	$ 6	$ 6
b. Interest cost	44	44	44	43	41
c. Purchase of optional credited service	—	—	—	—	—
d. Difference between expected and actual experience	—	(6)	5	1	2
e. Changes in assumptions	—	(5)	—	15	23
f. Benefit paid to participants	(48)	(46)	(45)	(43)	(40)
g. Plan amendments	—	—	—	—	—
h. Net change in total pension liability	2	(8)	10	22	32
i. Total pension liability, beginning of period	639	647	637	615	583
j. Total pension liability, end of period	$ 641	$ 639	$ 647	$ 637	$ 615
2. Plan fiduciary net position					
a. Contributions by employer	$ 28	$ 28	$ 31	$ 24	$ 24
b. Contributions by participants	—	—	—	—	—
c. Net investment income	(73)	59	62	66	(26)
d. Benefit paid to participants	(48)	(46)	(45)	(43)	(40)
e. Administrative and other expenses	—	—	—	—	—
f. Net change in plan fiduciary net position	(93)	41	48	47	(42)
g. Plan fiduciary net position, beginning of period	519	478	430	383	425
h. Plan fiduciary net position, end of period	$ 426	$ 519	$ 478	$ 430	$ 383
3. Employer's net pension liability [Items 1(j)-2(h)]	$ 215	$ 120	$ 169	$ 207	$ 232
4. Plan fiduciary net position as a percentage of total pension liability	66 %	81 %	74 %	68 %	62 %
5. Covered payroll	$ 94	$ 97	$ 103	$ 104	$ 109
6. Employer's net pension liability as a percentage of covered payroll	229 %	124 %	164 %	199 %	213 %

[1.] The measurement date was December 31 for fiscal year-end in 2017 and later and was March 31 for prior fiscal years.

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A. Schedule of Changes in Employer's Net Pension Liability and Related Ratios for the Last 10 Plan Years (continued) [1]

(Dollars in millions)

	Year Ended				
	June. 30, 2018	June. 30, 2017	June. 30, 2016	June. 30, 2015	June. 30, 2014
1. Total pension liability					
a. Service cost	$ 7	$ 5	$ 6	$ 7	$ 7
b. Interest cost	41	30	38	38	37
c. Purchase of optional credited service	—	—	1	—	2
d. Difference between expected and actual experience	1	8	5	(6)	—
e. Changes in assumptions	—	12	21	—	—
f. Benefit paid to participants	(45)	(27)	(38)	(33)	(44)
g. Plan amendments	—	—	—	—	—
h. Net change in total pension liability	4	28	33	6	2
i. Total pension liability, beginning of period	579	551	518	512	510
j. Total pension liability, end of period	$ 583	$ 579	$ 551	$ 518	$ 512
2. Plan fiduciary net position					
a. Contributions by employer	$ 23	$ 15	$ 21	$ 28	$ 31
b. Contributions by participants	—	—	1	—	1
c. Net investment income	44	15	1	23	40
d. Benefit paid to participants	(45)	(27)	(38)	(33)	(44)
e. Administrative and other expenses	—	—	—	—	—
f. Net change in plan fiduciary net position	22	3	(15)	18	28
g. Plan fiduciary net position, beginning of period	403	400	415	397	369
h. Plan fiduciary net position, end of period	$ 425	$ 403	$ 400	$ 415	$ 397
3. Employer's net pension liability [Items 1(j)-2(h)]	$ 158	$ 176	$ 151	$ 103	$ 115
4. Plan fiduciary net position as a percentage of total pension liability	73 %	70 %	73 %	80 %	78 %
5. Covered payroll	$ 113	$ 91	$ 122	$ 127	$ 123
6. Employer's net pension liability as a percentage of covered payroll	140 %	193 %	124 %	81 %	93 %

1. The measurement date was December 31 for fiscal year-end in 2017 and later and was March 31 for prior fiscal years.

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
As of and for the Years Ended June 30, 2023, and 2022

B. Schedule of Employer Contributions for the Last 10 Fiscal Years
(Dollars in millions)

	Year Ended				
	June. 30, 2023	June. 30, 2022	June. 30, 2021	June. 30, 2020	June. 30, 2019
1. Actuarially determined contribution	$ 24	$ 25	$ 24	$ 20	$ 20
2. Contributions in relation to the actuarially determined contribution	28	28	31	24	24
3. Contribution excess	$ (4)	$ (3)	$ (7)	$ (4)	$ (4)
4. Covered payroll	$ 97	$ 97	$ 103	$ 104	$ 109
5. Contribution as a percentage of covered payroll	29 %	29 %	30 %	23 %	22 %

B. Schedule of Employer Contributions for the Last 10 Fiscal Years (continued)
(Dollars in millions)

	Year Ended				
	June. 30, 2018	June. 30, 2017	June. 30, 2016	June. 30, 2015	June. 30, 2014
1. Actuarially determined contribution	$ 19	$ 14	$ 17	$ 19	$ 21
2. Contributions in relation to the actuarially determined contribution	23	15	21	27	31
3. Contribution excess	$ (4)	$ (1)	$ (4)	$ (8)	$ (10)
4. Covered payroll	$ 113	$ 91	$ 122	$ 127	$ 123
5. Contribution as a percentage of covered payroll	20%	16%	17%	21%	25%

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
As of and for the Years Ended June 30, 2023, and 2022

Notes to the schedule above: Actuarially determined contribution (ADC) for each plan year was calculated in the actuarial valuation at the beginning of the year through the plan year ending Dec. 31, 2016. The ADC for the plan year ending Dec. 31, 2017, was based on the actuarial valuation as of April 1, 2016.

Beginning with the plan year ending Dec. 31, 2018, the ADC was based on actuarial valuation one year before the start of the plan year. Therefore, the ADC for the plan year ending Dec. 31, 2022, was based on the actuarial valuation as of Jan. 1, 2021. Methods and assumptions used to determine the ADCs were as follows:

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed period
Remaining amortization period	18, 19, 17, 18, 19, 20 and 21 years, respectively, for years ending Dec. 31 in 2022, 2021, 2020, 2019, 2018, 2017 and 2016; 22, 23 and 24 years, respectively, for years ending March 31 in 2016, 2015 and 2014
Asset valuation method	Five-year smoothed market
Inflation	2.5% for years ending Dec. 31 in 2022 and 2021; 2.75% for years ending Dec. 31 in 2020, 2019 and 2018; 3% for years ending Dec. 31 in 2017 and 2016; 3.25% for years ending March 31 in 2016, 2015 and 2014
Salary increases	General wage increase plus merit and promotion increases that vary by age and service; general wage increase of 3.25% for years ending Dec. 31 in 2022, 2021, 2020, 2019 and 2018; 3.5% for years ending Dec. 31 in 2017 and 2016; and 4% for years ending March 31 in 2016, 2015 and 2014
Investment rate of return	7% for years ending Dec. 31 in 2022 and 2021; 7.25% for years ending Dec. 31 in 2020, 2019, 2018, 2017 and 2016; 7.5% for years ending March 31 in 2016, 2015 and 2014
Retirement age	Rates that vary by age and service
Mortality	PubG-2010 above-median income mortality tables for employees and for retirees, projected generationally with projection scale MP-2018 for years ending Dec. 31, 2022, 2021 and 2020; RP-2000 Combined Healthy Mortality Table for males and for females (gender distinct) projected to 2024 by scale AA for years ending Dec. 31 in 2019, 2018, 2017 and 2016 and projected to 2018 by scale AA for years ending March 31 in 2016, 2015 and 2014

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
As of and for the Years Ended June 30, 2023, and 2022

The schedule of changes to other postemployment benefits liability and related ratios for the last 10 fiscal years is as follows:

Schedule of Changes to OPEB Liability and Related Ratios for the Last 10 Fiscal Years [1]
(Dollars in millions)

	Fiscal Year Ended June 30, 2023	2022	2021 Restated	2020 Restated
1. Total OPEB Liability				
a. Service cost	$ 1	$ 1	$ 1	$ 1
b. Interest	1	2	3	5
c. Difference between expected and actual experience	—	(6)	—	(42) [2]
d. Changes of assumptions [3]	(6)	(14)	10	(3) [4]
e. Benefit payments	(6)	(6)	(6)	(5)
f. Changes of benefit provisions	—	—	—	—
g. Net Change	(10)	(23)	8	(44)
h. Beginning	62	85	77	121
i. Ending	$ 52	$ 62	$ 85	$ 77
2. Covered Payroll	$ 75	$ 77	$ 87	$ 91
3. Employer's Total OPEB Liability as a Percentage of Covered Payroll	69%	81%	98%	85%

Schedule of Changes to OPEB Liability and Related Ratios for the Last 10 Fiscal Years [1] (continued)
(Dollars in millions)

	Fiscal Year Ended June 30, 2019	2018	2017
1. Total OPEB Liability			
a. Service cost	$ 2	$ 4	$ 3
b. Interest	4	7	9
c. Difference between expected and actual experience	—	(6)	—
d. Changes of assumptions [3]	(6) [5]	(7)	28
e. Benefit payments	(6)	(7)	(8)
f. Changes of benefit provisions	1 [6]	(119) [7]	—
g. Net Change	(5)	(128)	32
h. Beginning	126	254	222 [8]
i. Ending	$ 121	$ 126	$ 254
2. Covered Payroll	$ 95	$ 98	$ 95
3. Employer's Total OPEB Liability as a Percentage of Covered Payroll	127%	129%	267%

Notes to Schedule:

[1] Until a full 10-year trend is compiled, only available information is shown. The measurement date was one year prior to the fiscal year-end.

[2] $22 million attributable to an error correction and was recognized immediately. The remaining $20 million is being amortized over the applicable amortization period.

[3] Changes of assumptions always include the effects of changes in the discount rate from the prior measurement date to the current measurement date. The following are the discount rates as of each measurement date:

June 30, 2022	3.54%
June 30, 2021	2.16%
June 30, 2020	2.21%
June 30, 2019	3.50%
June 30, 2018	3.87%
June 30, 2017	3.58%
June 30, 2016	2.85%
June 30, 2015	3.80%

[4] In addition to the change in the assumed discount rate, there were new claims costs, trend rates and demographic assumptions.

[5] In addition to the change in the assumed discount rate, the percentage of option B participants retiring before age 65 assumed to elect the retiree medical plan was reduced from 100% to 50%.

[6] A change of benefit provisions in the fiscal year-end 2019 was an increase in LCRA's portion of the premium before age 65 for Option B retirees with 15-29 years of service.

[7] Changes of benefit provisions in the fiscal year-end 2018 were a reduction in the Medicare Supplement amounts for retirees and spouses and the closing of the Medicare Supplement option to new participants that was communicated to the employees and participants in the fiscal year-end 2018.

[8] Determined from the ending total OPEB liability using the rollback procedure allowed for the initial year of implementing GASB Statement No. 75.