

LCRA Transmission Services Corporation

Board Agenda

Wednesday, Jan. 19, 2022
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 9 a.m.

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4. Capital Improvement Projects Approval 11
5. Approve the LCRA Transmission Services Corporation Series 2022
Bond Issue and Thirty-ninth Supplemental Resolution 15

Executive Session

The Board may go into executive session on any item listed above, pursuant to Chapter 551 of the Texas Government Code, including, but not limited to, sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code.

Legal Notice

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at the following link: <https://www.sos.texas.gov/open/index.shtml>

OVERVIEW OF LCRA TRANSMISSION SERVICES CORPORATION

In connection with the implementation of retail competition in the electric utility industry in the state of Texas, LCRA was required by the Texas Legislature in its amendments to the Public Utility Regulatory Act (enacted in 1999 under state legislation known as Senate Bill 7, and referred to as SB 7) to unbundle its electric generation assets from its electric transmission and distribution assets. LCRA conveyed, effective Jan. 1, 2002, all of its existing electric transmission and transformation assets (collectively, the Transferred Transmission Assets) to the LCRA Transmission Services Corporation (LCRA TSC) pursuant to the terms of an Electric Transmission Facilities Contract (the Initial Contractual Commitment), dated Oct. 1, 2001.

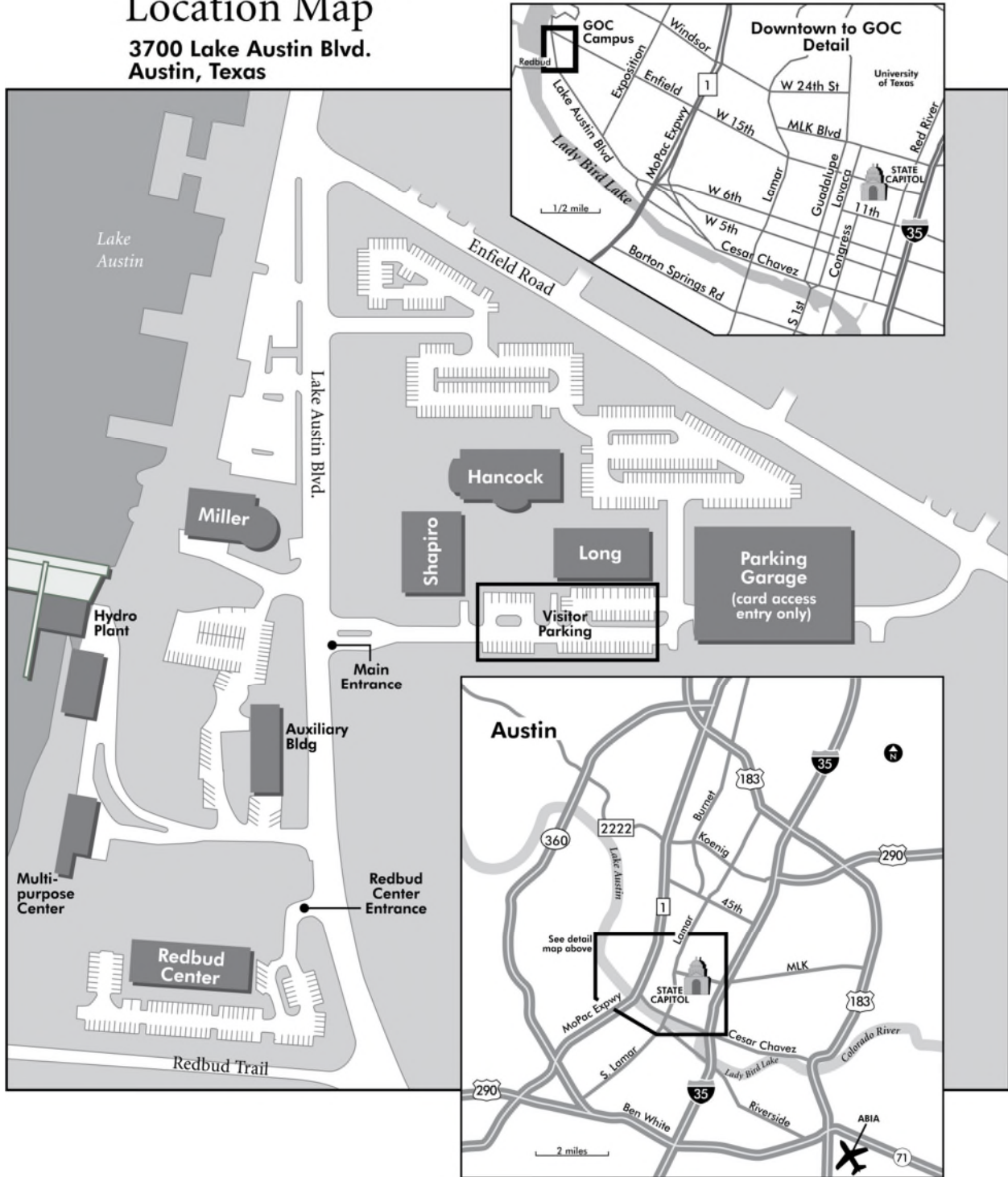
LCRA TSC is a nonprofit corporation created by LCRA to act on LCRA's behalf pursuant to Chapter 152, Texas Water Code, as amended. After Jan. 1, 2002, LCRA TSC engaged in the electric transmission and transformation activities previously carried out by LCRA and assumed LCRA's obligation to provide, and the right to collect revenues for, electric transmission and transformation services. LCRA TSC is an electric transmission service provider (a TSP) under the state's open-access electric transmission regulatory scheme within the approximately 85% area of the state covered by the Electric Reliability Council of Texas (ERCOT). In such capacity, LCRA TSC is entitled to receive compensation from all electric distribution service providers using the electric transmission system within ERCOT. As a TSP in the ERCOT region of the state, the rates that LCRA TSC will charge for transmission services are regulated by the Public Utility Commission of Texas (PUC) and determined pursuant to transmission cost of service rate proceedings filed with and approved by the PUC.

Within the framework of SB 7, LCRA TSC implements the electric transmission business of LCRA, including the expansion of electric transmission services outside of LCRA's traditional electric service territory. LCRA personnel are responsible for performing all of LCRA TSC's activities pursuant to a services agreement between LCRA TSC and LCRA. This includes procuring goods and services on behalf of LCRA TSC and is reflected in the LCRA Board agenda contracts.

Under the LCRA Master Resolution, defined as the LCRA Board resolution governing LCRA's outstanding debt, and certain provisions of state law, the LCRA Board is required to exercise control over all operations of LCRA TSC. This control includes approval of LCRA TSC's business plan and of the sale or disposition of any significant assets of LCRA TSC. The Board of Directors of LCRA TSC (LCRA TSC Board) is appointed by and serves at the will of the LCRA Board. The current membership of LCRA TSC Board is made up entirely of the existing LCRA Board.

LCRA General Office Complex Location Map

3700 Lake Austin Blvd.
Austin, Texas



FOR DISCUSSION

1. Comments From the Public

Summary

This part of the meeting is intended for comments from the public on topics under LCRA Transmission Services Corporation's jurisdiction but not related to an item on the Board of Directors agenda. No responses or action may be taken by the Board during public comments.

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

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

FOR DISCUSSION

2. Financial Report

Summary

Staff will present financial highlights for LCRA Transmission Services Corporation covering the month and fiscal year to date.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

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REVISED 01-19-2022

LCRA Transmission Services Corporation
Financial Highlights
December 2021

LCRA Transmission Services Corporation

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Key term:

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

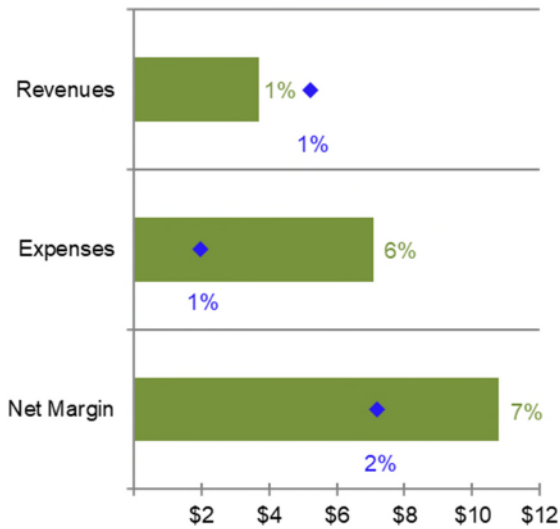
LCRA Transmission Services Corporation

Dec. 31, 2021

(Dollars in Millions)

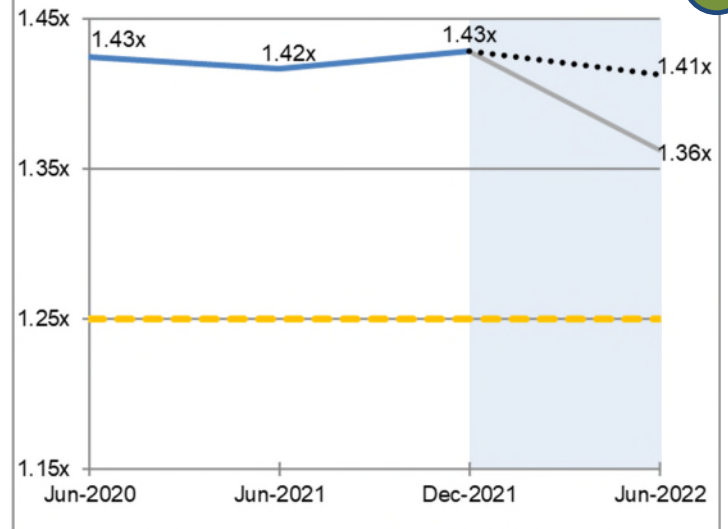
Budget-to-Actual Highlights

Net Margin Fiscal Year-to-Date Variances



% = Variance from budget ♦ FY 2022 fiscal year-end forecast

Debt Service Coverage



— Actual DSC ratio - - - Board requirement
 — Fiscal Year 2022 budget Forecast DSC ratio

Key takeaways:

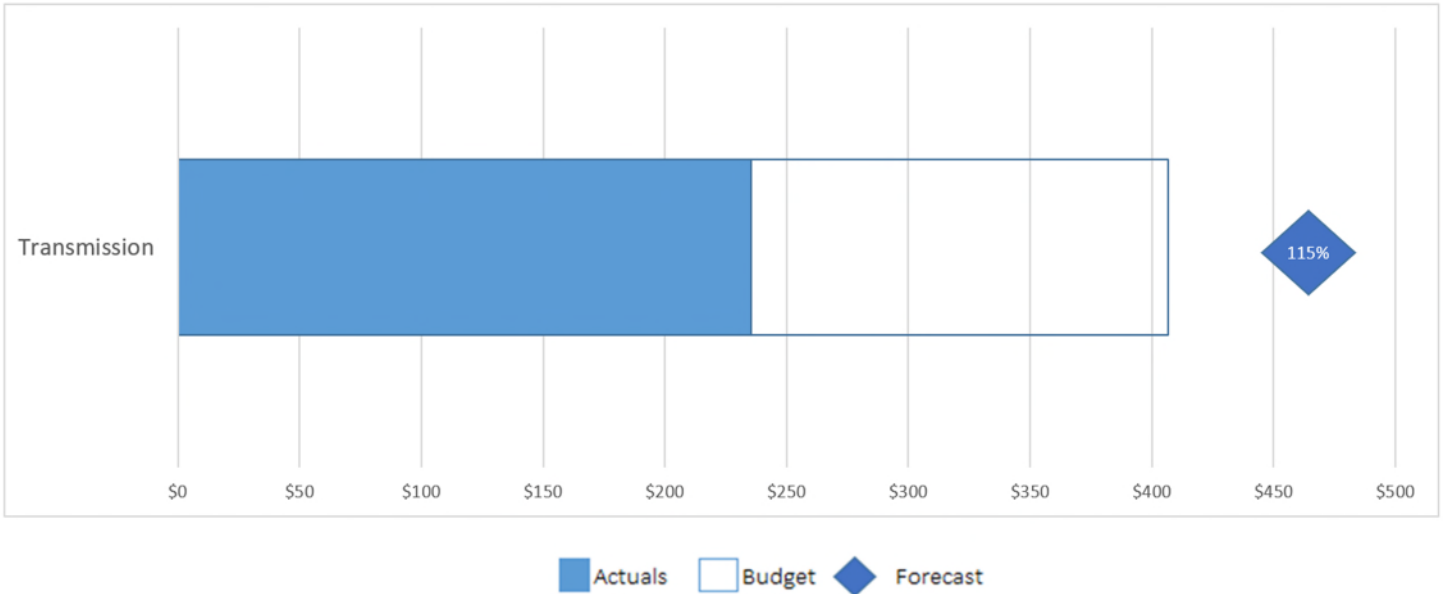
- Lower-than-budgeted expenses and higher-than-budgeted cost-of-service and other revenues primarily drove year-to-date performance and the year-end forecast.
- The debt service coverage ratio is forecast to be higher than budgeted primarily due to a forecast of higher-than-budgeted cost-of-service revenues and lower-than-budgeted expenses and debt service.

LCRA Transmission Services Corporation

Dec. 31, 2021

(Dollars in Millions)

Capital Forecast



Key takeaways:

- LCRA TSC currently is projecting capital spending for FY 2022 will be \$60.4 million over the capital plan budget of \$406.8 million.
- The variance primarily is due to the Facility Acquisition Project that was approved by the Board in September 2021. LCRA staff anticipates seeking Board approval to increase the LCRA TSC capital plan in March 2022.

General manager project approvals:

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the president and chief executive officer to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA TSC Board Policy T301 – Finance. Additionally, the LCRA TSC Board delegated authority to the president and CEO to approve new generation interconnection projects and additional funding for capital projects expected to exceed a lifetime budget by 10% and \$300,000.

The president and CEO approved the following four budget resets this quarter:

- Dimmit Circuit Breaker Addition from \$5.1 million to \$5.9 million.
- Graphite Mine Circuit Breaker Addition from \$11.1 million to \$13.8 million.
- Magnolia Mercer Circuit Breaker Addition from \$5.1 million to \$7.8 million.
- Obsolete Circuit Breaker Replacement from \$2.3 million to \$3.0 million.

The president and CEO approved the following three new projects this quarter:

- Bluestem Substation Property Acquisition for \$800,000.
- E. C. Mornhinweg Substation Upgrade for \$800,000.
- Hays Energy – Kendall Easement Enhancement System Upgrade for \$1.5 million.

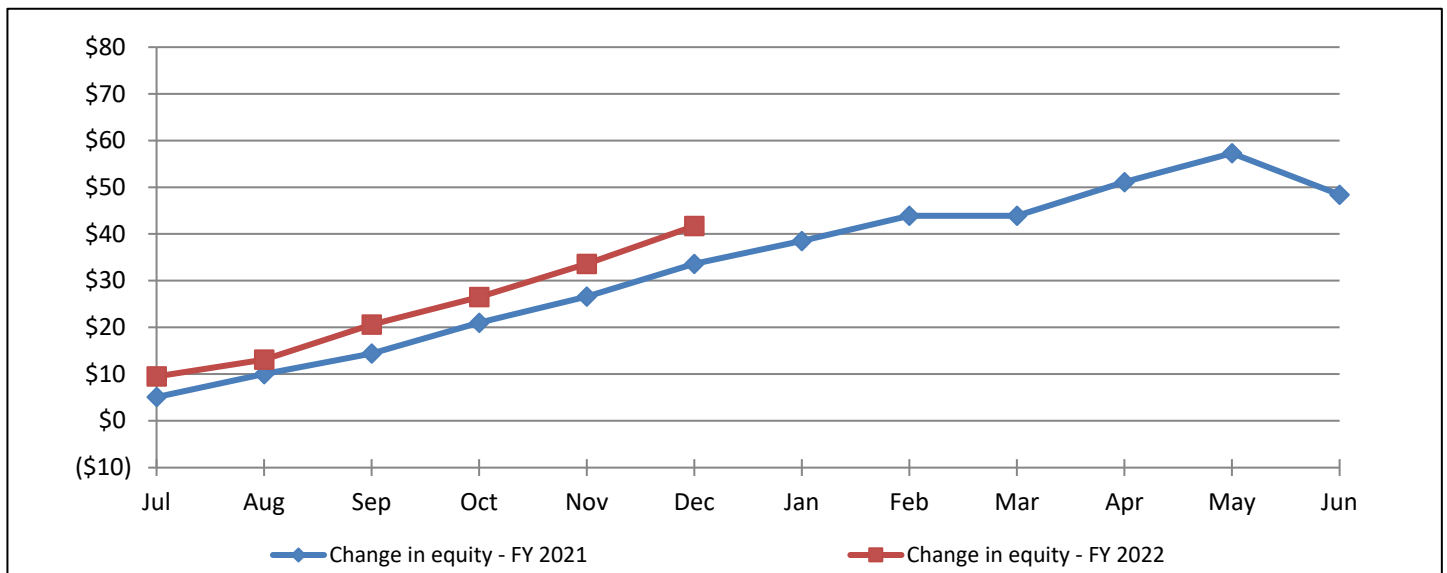
LCRA Transmission Services Corporation

Dec. 31, 2021
(Dollars in Millions)

Board Metrics

Board Metric	Description	Compliant
Equity Ratio	LCRA TSC will build equity that will maintain appropriate access to capital markets and is consistent with regulatory guidance. While LCRA TSC may be highly leveraged during periods of rapid growth, LCRA TSC business plans will specifically address the accumulation of equity to achieve and maintain a minimum long-term equity position of 20%.	✓
Debt Service Reserves	LCRA TSC will covenant debt service reserves in the amount of six months of maximum annual debt service requirements on outstanding debt. Debt service reserves may be collected through rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.	✓
Operating Reserves	LCRA TSC will build and maintain appropriate target levels of operating reserves as follows: six months of average debt service on all outstanding LCRA TSC debt and other obligations to LCRA; and two months of average operating and maintenance expenses, including those billed by LCRA. If at any time the reserves are less than the target levels set forth in this policy, the Board will promptly implement a plan, to be recommended by staff, to increase rates, reduce costs or otherwise cause there to be sufficient revenues to replenish the reserves to such target levels within 12 months.	✓

Income Statement Trends Cumulative Fiscal Year to Date



Key takeaway:

- Net income increased year over year primarily due to an increase in transmission revenue, offset by a decrease in the deferral of depreciation and other debt-related expenses. These expenses are recognized as the cost of these assets is included in rates.

LCRA Transmission Services Corporation

Dec. 31, 2021

(Dollars in Millions)

Condensed Balance Sheets

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Assets		
Cash and cash equivalents	\$ 281.1	\$ 217.5
Current assets	<u>220.3</u>	<u>163.7</u>
Total current assets	<u>501.4</u>	<u>381.2</u>
Capital assets	3,603.3	3,333.6
Long-term assets	<u>222.3</u>	<u>226.1</u>
Total long-term assets	<u>3,825.6</u>	<u>3,559.7</u>
Total Assets	\$ <u><u>4,327.0</u></u>	\$ <u><u>3,940.9</u></u>
Liabilities		
Bonds, notes and loans payable	\$ 251.9	\$ 247.3
Current liabilities	<u>211.5</u>	<u>116.8</u>
Total current liabilities	<u>463.4</u>	<u>364.1</u>
Bonds, notes and loans payable	2,908.8	2,647.1
Long-term liabilities	<u>82.1</u>	<u>112.9</u>
Total long-term liabilities	<u>2,990.9</u>	<u>2,760.0</u>
Equity		
Total equity	<u>872.7</u>	<u>816.8</u>
Total Liabilities and Equity	\$ <u><u>4,327.0</u></u>	\$ <u><u>3,940.9</u></u>

Key takeaway:

- Assets and liabilities are trending higher compared with December 2020 due to construction activities related to the capital plan.

LCRA Transmission Services Corporation

Dec. 31, 2021

(Dollars in Millions)

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	<u>2022</u>	<u>2021</u>
Operating Revenues		
Transmission	\$ 256.7	\$ 234.5
Transformation	8.7	7.3
Other	1.3	1.4
Total Operating Revenues	<u>266.7</u>	<u>243.2</u>
Operating Expenses		
Operations	76.2	79.1
Maintenance	6.7	7.3
Depreciation and amortization	46.5	46.3
Total Operating Expenses	<u>129.4</u>	<u>132.7</u>
Operating Income	<u>137.3</u>	<u>110.5</u>
Nonoperating Revenues (Expenses)		
Interest on debt	(45.5)	(47.0)
Other expenses	(50.1)	(30.0)
Total Nonoperating Revenues (Expenses)	<u>(95.6)</u>	<u>(77.0)</u>
Change in Equity	41.7	33.5
Equity - Beginning of Period	<u>831.0</u>	<u>783.3</u>
Equity - End of Period	<u>\$ <u>872.7</u></u>	<u>\$ <u>816.8</u></u>

LCRA Transmission Services Corporation

Dec. 31, 2021

(Dollars in Millions)

Condensed Statements of Cash Flows

	Fiscal Year to Date	
	2022	2021
Cash Flows From Operating Activities		
Received from customers	\$ 280.9	\$ 228.7
Payments	(95.5)	(104.6)
Net cash provided by operating activities	185.4	124.1
Cash Flows From Noncapital Financing Activities	(13.0)	(12.0)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(170.4)	(195.8)
Debt principal payments	(1.2)	(1.2)
Other capital and financing activities	89.1	104.6
Net cash used in capital and financing activities	(82.5)	(92.4)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	50.0	61.8
Purchase of investment securities	(89.4)	(48.5)
Note payments and interest received	(0.4)	1.7
Net cash provided by (used in) investing activities	(39.8)	15.0
Net Increase in Cash and Cash Equivalents	50.1	34.7
Cash and Cash Equivalents - Beginning of Period	231.2	183.0
Cash and Cash Equivalents - End of Period	\$ 281.3	\$ 217.7

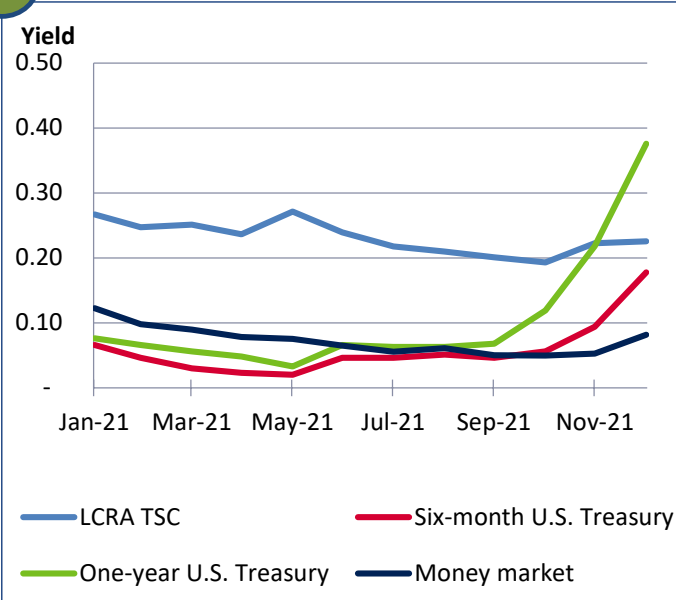
LCRA Transmission Services Corporation

Dec. 31, 2021

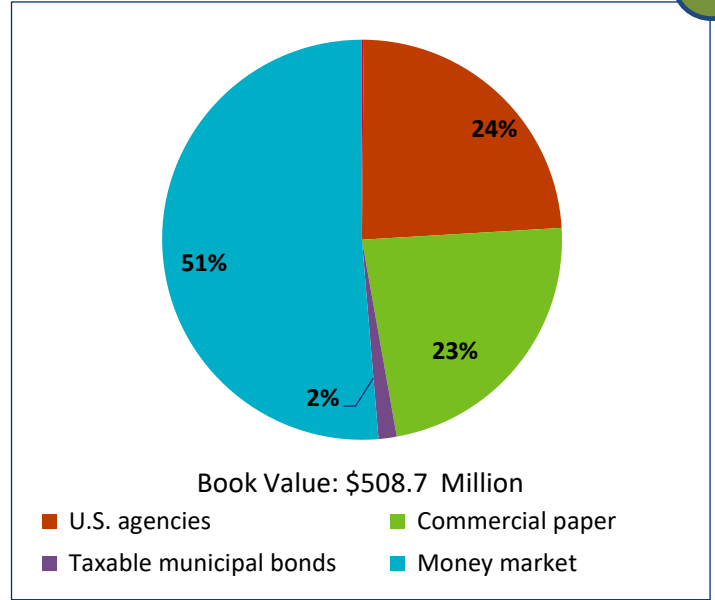
(Dollars in Millions)

Investments and Debt

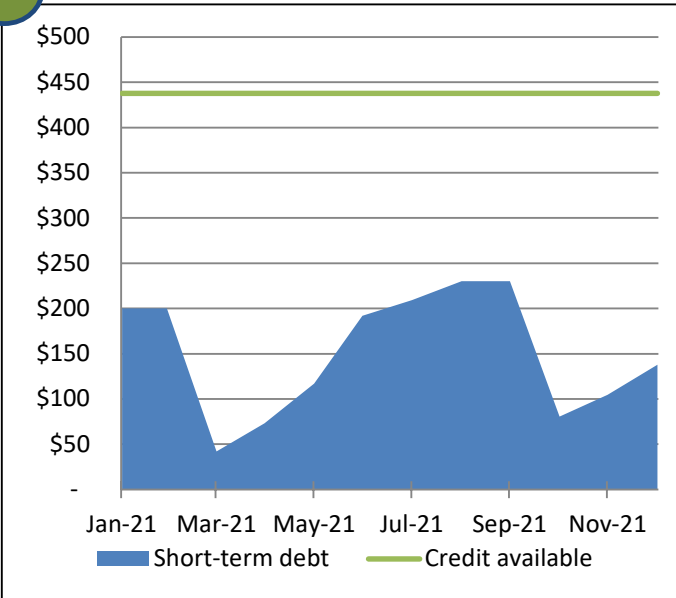
Investment Portfolio Yield



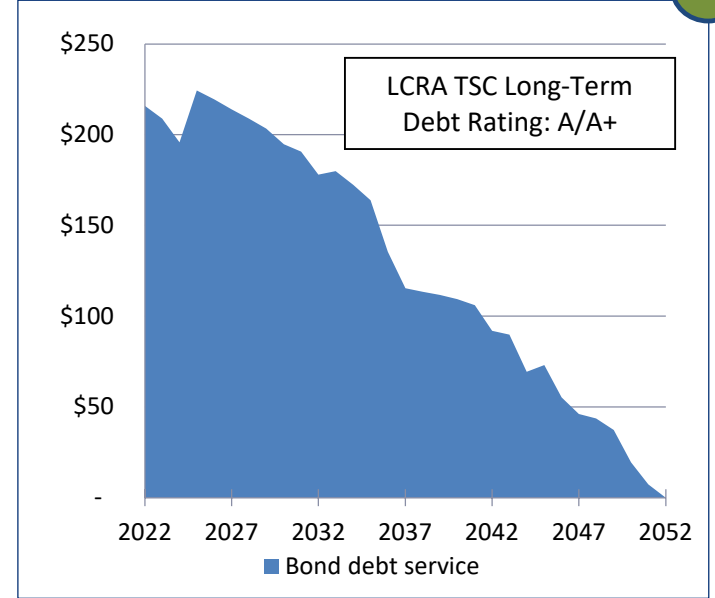
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaways:

- The Federal Reserve has decided to taper its \$120 billion per month asset purchase program as the economy has made progress on inflation and maximum employment.
- Federal Reserve Chair Jerome Powell indicated the Federal Open Market Committee will begin to raise rates this year, with as many as three possible increases in 2022.

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FOR ACTION (CONSENT)

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Dec. 14, 2021, meeting.

Board Consideration

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

Budget Status and Fiscal Impact

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

Summary

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

Exhibit(s)

A – Minutes of Dec. 14, 2021, meeting

EXHIBIT A

Minutes Digest
Dec. 14, 2021

- 21-35 Declaration of a 1.56-acre tract of land in Williamson County nonessential, and authorization for the president and chief executive officer or his designee to sell the property to the City of Cedar Park.
- 21-36 Approval of the minutes of the Nov. 17, 2021, meeting.
- 21-37 Approval of the Capital Improvement Project Authorization Request for the following projects and associated lifetime budgets: Gonzales to Hochheim Tap Transmission Line Overhaul; System Operations Control Center Backup Center System Upgrade; Bluestem Substation Addition; and Columbus Area – Phase 1 Transmission Line Relocation.
- 21-38 Request and approval of the adoption by LCRA of the Thirty-eighth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program to authorize the renewal of the note purchase agreement among LCRA, LCRA Transmission Services Corporation and U.S. Bank National Association (U.S. Bank) for the LCRA Transmission Contract Revenue Notes, Series E (Series E Notes), and to authorize the president and chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to U.S. Bank in an amount up to \$100 million for the Series E Notes.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
Dec. 14, 2021

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of LCRA Transmission Services Corporation (LCRA TSC) convened in a regular meeting at 2:01 p.m. Tuesday, Dec. 14, 2021, in the Board Room of the Hancock Building, at the principal office of the Lower Colorado River Authority, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair
Stephen F. Cooper, Vice Chair
Michael L. "Mike" Allen
Melissa K. Blanding
Joseph M. "Joe" Crane
Laura D. Figueroa
Carol Freeman
Raymond A. "Ray" Gill Jr.
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
Thomas Michael Martine
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten
Nancy Eckert Yeary

Absent: Matthew L. "Matt" Arthur

Chair Timmerman convened the meeting at 2:01 p.m. and led the Board in pledges of allegiance to the American and Texas flags. Director Whitten provided an invocation.

There were no public comments during the meeting [Agenda Item 1].

The Board next took action on the consent agenda. Upon motion by Director Voelter, seconded by Vice Chair Cooper, the Board unanimously approved consent items 2 and 3 by a vote of 14 to 0 as follows:

21-35 Declaration of a 1.56-acre tract of land in Williamson County nonessential (not necessary or convenient or of beneficial use to the business of LCRA TSC), and authorization for the president and chief executive officer or his designee to sell the property to the City of Cedar Park, as recommended by staff in Consent Item 2 [attached hereto as Exhibit A].

21-36 Approval of the minutes of the Nov. 17, 2021, meeting [Consent Item 3].

21-37 Vice President of Transmission Asset Optimization Kristian M. Koellner presented for consideration a staff recommendation, described in Agenda Item 4 [attached hereto as Exhibit B], that the Board approve the Capital Improvement Project Authorization Request for the following projects and associated lifetime budgets: Gonzales to Hochheim Tap Transmission Line Overhaul; System Operations Control Center Backup Center System Upgrade; Bluestem Substation Addition; and Columbus Area – Phase 1 Transmission Line Relocation. Upon motion by Director Crane, seconded by Director Figueroa, the recommendation was unanimously approved by a vote of 14 to 0.

21-38 Treasurer and Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 5 [attached hereto as Exhibit C], that the Board request and approve the adoption by LCRA of the Thirty-eighth Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program to authorize the renewal of the note purchase agreement among LCRA, LCRA Transmission Services Corporation and U.S. Bank National Association (U.S. Bank) for the LCRA Transmission Contract Revenue Notes, Series E (Series E Notes), and to authorize the president and chief executive officer or his designee to negotiate and execute all related documents setting forth the terms and conditions governing the issuance of the debt directly to U.S. Bank in an amount up to \$100 million for the Series E Notes. Upon motion by Vice Chair Cooper, seconded by Director Gill, the recommendation was unanimously approved by a vote of 14 to 0.

There being no further business to come before the Board, the meeting was adjourned at 2:11 p.m.

Thomas E. Oney
Secretary
LCRA Transmission Services Corporation
Approved: Jan. 19, 2022

FOR ACTION

4. Capital Improvement Projects Approval

Proposed Motion

Approve the Capital Improvement Project Authorization Request for the projects and associated lifetime budgets as described in Exhibit A.

Board Consideration

LCRA Transmission Services Corporation Board Policy T301 – Finance requires Board of Directors approval for any project exceeding \$1.5 million.

Budget Status and Fiscal Impact

- All projects recommended for Board approval are within the total annual budget approved in the fiscal year 2022 capital plan.
- Staff will monitor the FY 2022 forecast and will request a fiscal year budget increase if needed.
- The treasurer and chief financial officer will release funds as needed.
- Project costs will be funded through LCRA TSC regulated rates, subject to approval by the Public Utility Commission of Texas.

Summary

Staff recommends approval of the capital projects described in Table 1 and Exhibit A. These projects meet legal requirements in the Public Utility Regulatory Act and PUC rules.

Project funds will pay for activities, including but not limited to project management, engineering, materials acquisition, construction, and acquisition of necessary land rights. LCRA TSC representatives will perform all necessary regulatory, real estate, environmental and cultural due diligence activities.

Table 1

Dollars in millions

Project Name	Previous Fiscal Years	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Lifetime
Service Reliability Projects							
Buchanan CTEC – Buchanan Transmission Line Overhaul	0.1	1.6	7.1	-	-	-	8.8
Circuit Switcher – FY 2022 Substation Upgrade	0.1	0.9	2.6	-	-	-	3.6
Harper Road – Jack Furman Transmission Line Storm Hardening	0.1	1.4	4.3	-	-	-	5.8
Instrument Transformer – FY 2022 Substation Upgrade	0.1	0.6	1.4	-	-	-	2.1
Lightning Protection Substation Upgrade	0.1	0.5	1.9	-	-	-	2.5
System Capacity Projects							
Bakersfield – Big Hill Transmission Line Addition	0.3	5.9	21.3	-	-	-	27.5
Requested Total	0.8	10.9	38.6	-	-	-	50.3

Note: Totals may not equal the sum of numbers shown due to rounding.

Presenter(s)

Kristian M. Koellner
Vice President, Transmission Asset Optimization

Exhibit(s)

A – Project Details

EXHIBIT A

Project Details

Project Name: Buchanan CTEC to Buchanan Transmission Line Overhaul

Project Number: 1024835

Lifetime Budget: \$8.8 million

Description: The project will increase the reliability of structures and conductors by overhauling the 2.8-mile Buchanan to Buchanan Central Texas Electric Cooperative 69-kilovolt transmission line in Llano County. The project scope includes rebuilding and replacing structures, conductors and ground wire and is intended to increase reliability by ensuring the transmission line meets or exceeds current National Electrical Safety Code and LCRA TSC design standards. The recommended project completion date is June 30, 2023.

Project Name: Circuit Switcher – FY 2022 Substation Upgrade

Project Number: 1025304

Lifetime Budget: \$3.6 million

Description: The project will increase the reliability of substation equipment by replacing obsolete circuit switchers that are used in capacitor bank and power transformer switching applications. The project scope includes installing 138-kV devices at nine substations in Bastrop, Burlison, DeWitt, Fayette, Guadalupe, Kerr, Lavaca, Llano and Washington counties. The recommended project completion date is May 15, 2023.

Project Name: Harper Road to Jack Furman Transmission Line Storm Hardening

Project Number: 1024842

Lifetime Budget: \$5.8 million

Description: The project will implement storm hardening improvements and upgrade equipment to meet current and future power needs on the 4.6-mile Harper Road to Jack Furman 138-kV transmission line located in Kerr County. The project scope includes replacing structures per PUC storm hardening plan requirements; upgrading conductor capacity; adding fiber optic cable; and upgrading substation terminal equipment and protective relaying at Harper Road and Jack Furman substations. The recommended project completion date is May 15, 2023.

Project Name: Instrument Transformer – FY 2022 Substation Upgrade

Project Number: 1024591

Lifetime Budget: \$2.1 million

Description: The project will increase the reliability of substation equipment at 11 substations in Bastrop, Blanco, Caldwell, Colorado, Comal, DeWitt, Fayette, Llano and Waller counties. The project scope includes replacing instrument transformers and surge arrestors, adding cable and conduit, and building foundations for new equipment. The recommended project completion date is May 15, 2023.

Project Name: Lightning Protection Substation Upgrade

Project Number: 1025308

Lifetime Budget: \$2.5 million

Description: The project will increase reliability at six substation sites in Austin, Fayette, Tom Green, Caldwell and Hays counties. The project scope includes removing overhead static wire at all sites and installing Dynasphere air terminals, which are used to provide a preferred point for lightning discharges that otherwise would strike and damage an unprotected structure. The recommended project completion date is May 15, 2023.

Project Name: Bakersfield to Big Hill Transmission Line Addition

Project Number: 1024834

Lifetime Budget: \$27.5 million

Description: The project will terminate a second 345-kV circuit on the transmission path between Bakersfield and Big Hill substations in Crockett, Pecos and Schleicher counties. The second circuit will be installed by South Texas Electric Cooperative. LCRA TSC will install new 345-kV substation equipment, including switches, breakers and bus work, at Bakersfield, Cedar Canyon, Noelke, Schneeman Draw and Big Hill substations. The recommended project completion date is May 15, 2023.

FOR ACTION

5. Approve the LCRA Transmission Services Corporation Series 2022 Bond Issue and Thirty-ninth Supplemental Resolution

Proposed Motion

Staff recommends the Board of Directors approve the adoption of the Thirty-ninth Supplemental Resolution (Thirty-ninth Supplement) to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program (Controlling Resolution) authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project), Series 2022 (Bonds) in an amount not to exceed \$500 million for the following purposes: (i) current refunding of portions of the LCRA Transmission Contract Revenue Commercial Paper Notes (LCRA Transmission Services Corporation Project) Tax-Exempt Series and any series of LCRA Transmission Contract Revenue Revolving Notes (LCRA Transmission Services Corporation Project); (ii) currently refund certain outstanding long-term Transmission Contract Debt; (iii) funding debt service reserve funds for the Bonds; and (iv) paying for issuance costs.

This motion also will:

1. Approve related documents, in substantially final form, including the escrow agreement, the paying agent/registrars agreement, the preliminary official statement and the Transmission Contract Revenue Debt Installment Payment Agreement Supplement Related to the Bonds (the 2022 Installment Payment Agreement Supplement). Bond counsel has prepared or reviewed all documents.
2. Delegate authority to the president and chief executive officer, and/or the treasurer and chief financial officer to:
 - a. Select all or a portion of LCRA TSC's outstanding debt to be refunded by the Bonds and provide for appropriate notices of redemption/prepayment/ defeasance;
 - b. Approve any final changes to said documents necessary to facilitate proper issuance of such Bonds;
 - c. Establish the terms of the Bonds as provided in the resolution (including issuing such Bonds in one or more separate series (tax-exempt and/or taxable), principal amounts and maturity schedules, interest rates, redemption provisions and terms of any reserve funds); and
 - d. Approve the terms of the sale of the Bonds to an underwriting team and execute a Bonds purchase agreement.

Board Consideration

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

Controlling Resolution requires the Board to deliver a resolution to LCRA approving the Bonds.

Budget Status and Fiscal Impact

The fiscal year 2022 LCRA TSC business plan anticipates the refunding of LCRA TSC Series 2013 bonds and a portion of the short-term debt. Based on current market conditions and historically low interest rates, the refunding will be advantageous, increase flexibility on the timing of future financings and provide low-cost and long-term funds. The FY 2022 LCRA TSC business plan anticipates the issuance of about \$340 million of short-term obligations to fund LCRA TSC's ongoing capital plan in FY 2022.

Summary

With this action, the Board will approve the Bonds issued for the purpose of current refunding of certain LCRA TSC commercial paper, revolving notes and bonds in an amount not to exceed \$500 million, establishing one or more debt service reserve funds for the Bonds, and paying for the issuance costs related to the Bonds. The Board also will approve the execution of documents necessary for the sale of the Bonds further described below.

Background

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

The 2022 Installment Payment Agreement Supplement is a supplemental agreement to the Transmission Installment Payment Agreement between LCRA and LCRA TSC executed in 2003. The supplemental agreement provides for the arms-length obligation of LCRA TSC to pay LCRA the debt service associated with the Bonds and further provides for LCRA TSC's ownership of the projects financed or refinanced with the proceeds of the Bonds.

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

The paying agent/registrars agreement is the contract among LCRA, LCRA TSC and The Bank of New York Mellon Trust Company NA setting forth the rights, duties and obligations of the parties under which such bank will act as the paying agent and registrar for the Bonds. The bank will provide paying agent and transfer agent services,

maintain registration books, and facilitate providing certain notices for the Bonds, among other services.

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

Use of Proceeds

Proceeds from the Bonds will be used to refund certain LCRA TSC commercial paper notes, revolving notes and bonds, establish a debt service reserve fund for the Bonds, and pay for issuance costs.

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

Staff currently expects the Bonds to be sold and delivered in the spring of 2022, subject to the approving opinions of the Office of the Attorney General and bond counsel.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

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