

LCRA Transmission Services Corporation

Board Agenda

Wednesday, Nov. 15, 2023
LCRA General Office Complex
Board Room – Hancock Building
3700 Lake Austin Blvd.
Austin, TX 78703
Earliest start time: 10 a.m.

Items From the Chair

- 1. Comments From the Public 4

Items From the Chief Financial Officer

- 2. Financial Report 5

Consent Items

- 3. Minutes of Prior Meeting..... 7

Action Items

- 4. Sale of Interest in Transmission Facilities 12
- 5. Capital Improvement Projects Approval 14

Executive Session

- 1. Rate Case Update

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.

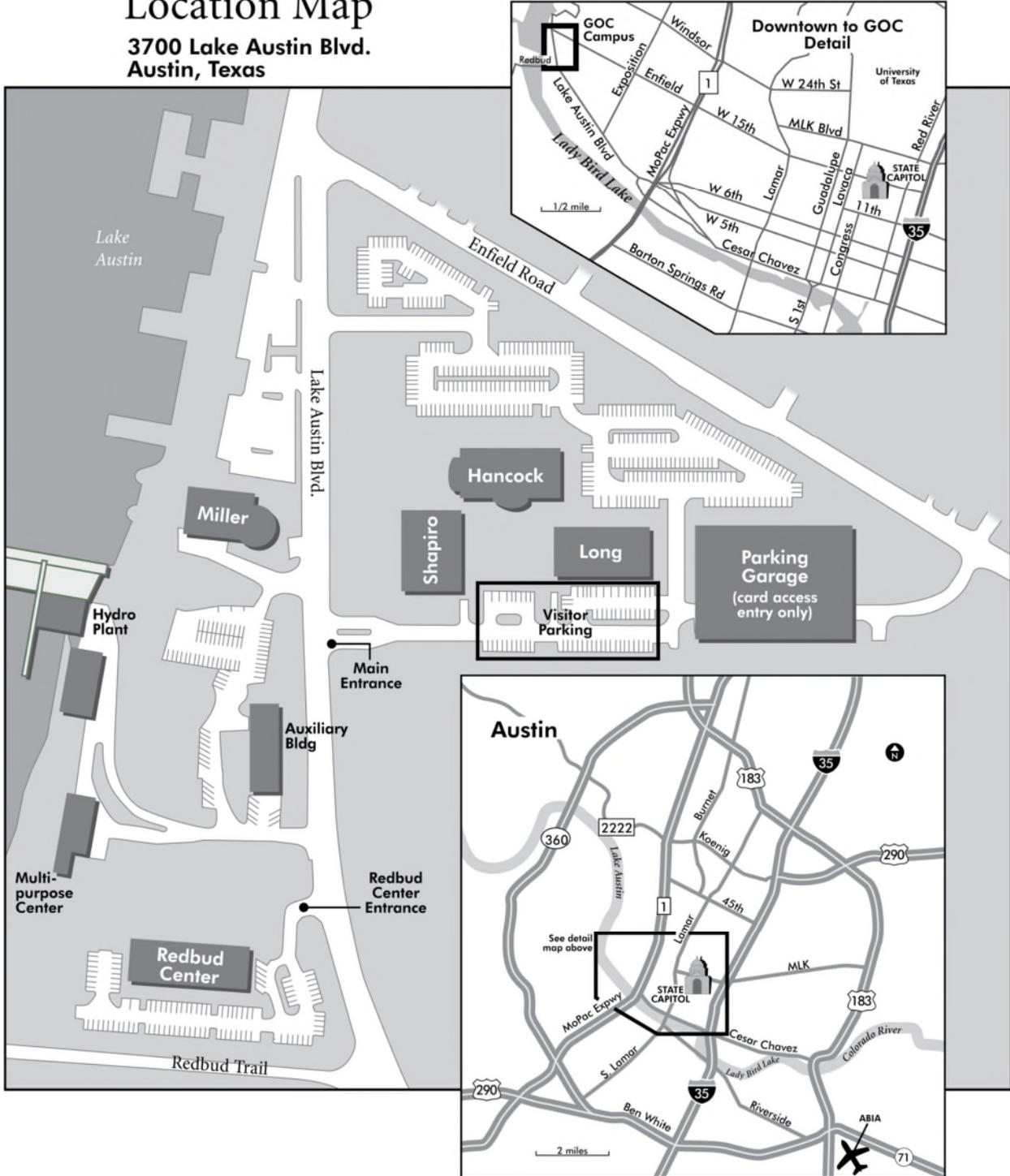
LCRA TSC is a nonprofit corporation created by LCRA to act on LCRA's behalf pursuant to Chapter 152, Texas Water Code, as amended. After Jan. 1, 2002, LCRA TSC engaged in the electric transmission and transformation activities previously carried out by LCRA and assumed LCRA's obligation to provide, and 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 fiscal year to date.

Presenter(s)

Jim Travis

Treasurer and Chief Financial Officer

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LCRA Transmission Services Corporation
Financial Highlights
October 2023

LCRA Transmission Services Corporation
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Key term:

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

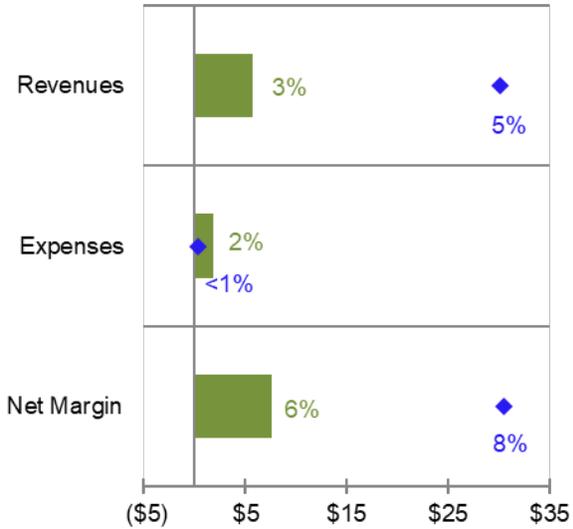
LCRA Transmission Services Corporation

Oct. 31, 2023

(Dollars in Millions)

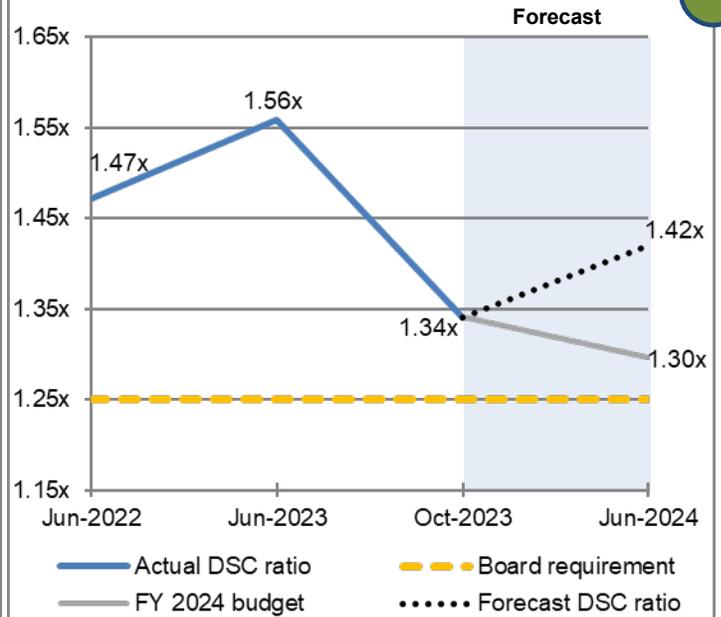
Budget-to-Actual Highlights

Net Margin Fiscal Year-to-Date Variances



% = Variance from budget ♦ FY 2024 fiscal year-end forecast

Debt Service Coverage



Key takeaways:

- Higher-than-budgeted interest income and cost-of-service and other revenues, combined with lower-than-budgeted expenses, primarily drove the year-to-date performance.
- Higher-than-budgeted cost-of-service and other revenues primarily drove the year-end forecast.
- The debt service coverage ratio is forecast to be higher than budgeted primarily due to higher-than-budgeted cost-of-service and other revenues, combined with lower-than-budgeted debt service.

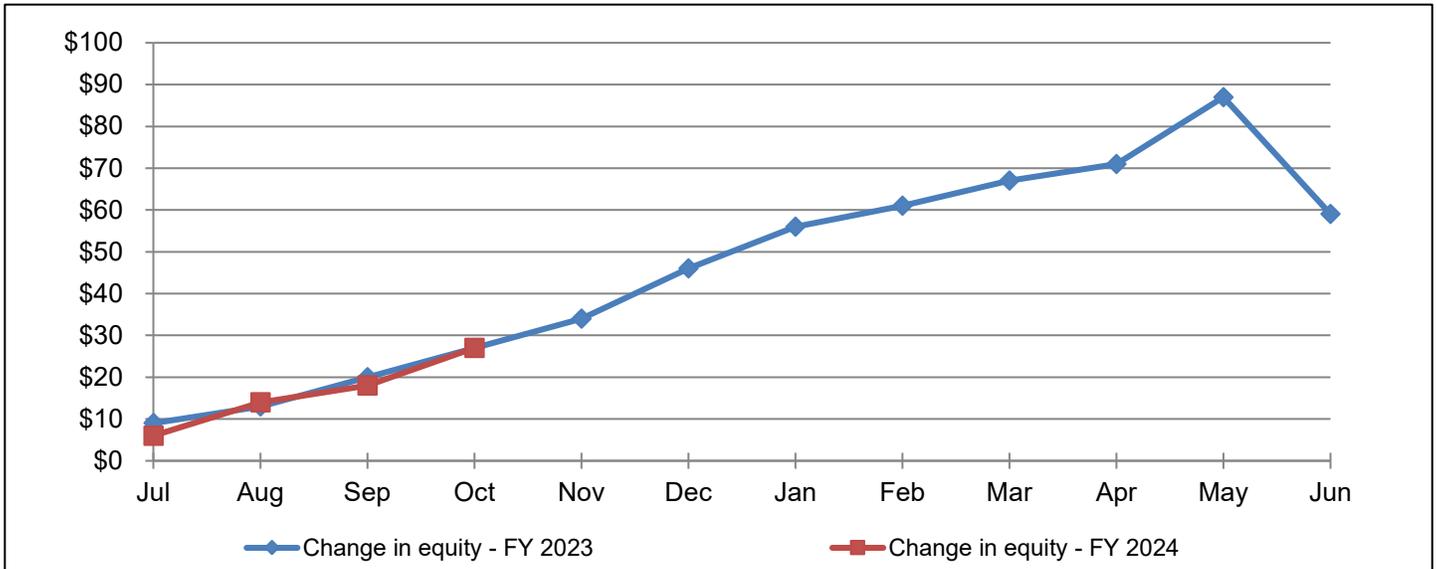
LCRA Transmission Services Corporation

Oct. 31, 2023
(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 remained flat year over year primarily due to an increase in transmission revenue, offset by increases in interest on debt and operating expenses.

LCRA Transmission Services Corporation

Oct. 31, 2023

(Dollars in Millions)

Condensed Balance Sheets

	<u>Oct. 31, 2023</u>	<u>Oct. 31, 2022</u>
Assets		
Cash and cash equivalents	\$ 170	\$ 173
Current assets	<u>248</u>	<u>222</u>
Total current assets	<u>418</u>	<u>395</u>
Capital assets	4,398	3,859
Long-term assets	<u>382</u>	<u>330</u>
Total long-term assets	<u>4,780</u>	<u>4,189</u>
Total Assets	<u>\$ 5,198</u>	<u>\$ 4,584</u>
Liabilities		
Bonds, notes and loans payable	\$ 393	\$ 229
Current liabilities	<u>216</u>	<u>205</u>
Total current liabilities	<u>609</u>	<u>434</u>
Bonds, notes and loans payable	3,425	3,093
Long-term liabilities	<u>192</u>	<u>144</u>
Total long-term liabilities	<u>3,617</u>	<u>3,237</u>
Equity		
Total equity	<u>972</u>	<u>913</u>
Total Liabilities and Equity	<u>\$ 5,198</u>	<u>\$ 4,584</u>

Key takeaway:

- Assets and liabilities are trending higher compared with October 2022 due to construction activities related to the capital plan.

LCRA Transmission Services Corporation

Oct. 31, 2023

(Dollars in Millions)

Condensed Statements of Revenues, Expenses and Changes in Equity

Fiscal Year to Date

	2024	2023
Operating Revenues		
Transmission	\$ 197	\$ 180
Transformation	6	6
Other	1	1
Total Operating Revenues	204	187
Operating Expenses		
Operations	61	53
Maintenance	6	6
Depreciation and amortization	39	36
Total Operating Expenses	106	95
Operating Income	98	92
Nonoperating Expenses		
Interest on debt	(41)	(32)
Other nonoperating expenses	(30)	(33)
Total Nonoperating Expenses	(71)	(65)
Change in Equity	27	27
Equity - Beginning of Period	945	886
Equity - End of Period	\$ 972	\$ 913

FOR ACTION (CONSENT)

3. Minutes of Prior Meeting

Proposed Motion

Approve the minutes of the Sept. 20, 2023, 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 Sept. 20, 2023, meeting

EXHIBIT A

Minutes Digest
Sept. 20, 2023

- 23-35 Approval of the minutes of the Aug. 23, 2023, meeting.
- 23-36 Approval of the adoption of the Forty-Second Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding Revenue Bonds (LCRA Transmission Services Corporation Project) in one or more series (a Series of Bonds) in an aggregate amount not to exceed \$600 million for the following purposes: (i) funding the acquisition, construction and improvement of certain electric transmission and transformation facilities pursuant to the Installment Payment Agreement; (ii) current refunding of certain 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); (iii) currently refund certain long-term Transmission Contract Debt; (iv) funding a debt service reserve fund for a Series of Bonds; and (v) paying for issuance costs.
- 23-37 Approval of the Capital Improvement Project Authorization Request for the following projects and associated lifetime budgets: Doss-Headwaters Transmission Line Overhaul; Obsolete Microwave – FY 2023 Telecommunications Upgrade; Schumansville-Sheriff’s Posse Transmission Line Storm Hardening; Station Service – FY 2023 Substation Upgrade; McCarty Lane-Rattler Transmission Line Upgrade; and Fayetteville-Winchester Transmission Line Relocation.
- 23-38 Adoption of a resolution authorizing the use of the power of eminent domain in Kendall County to acquire rights in the property described in Exhibit 1 to the resolution for the acquisition of easement rights for the Boerne Split to Welfare Transmission Line Upgrade project to provide for the continued reliable transmission of electric energy on the Boerne Split to Welfare (T656/T228) transmission lines.
- 23-39 Adoption of a resolution authorizing the use of the power of eminent domain in Kendall and Gillespie counties to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of easement rights for the LCRA Broadband Program project to provide, on behalf of LCRA and at LCRA’s expense, for communications and to facilitate broadband services on the Kendall to Fredericksburg (T120) and Peach to Headwaters (T288) transmission lines.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
LCRA TRANSMISSION SERVICES CORPORATION
Austin, Texas
Sept. 20, 2023

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 12:57 p.m. Wednesday, Sept. 20, 2023, 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
Matthew L. "Matt" Arthur
Melissa K. Blanding
Carol Freeman
Thomas L. "Tom" Kelley
Robert "Bobby" Lewis
Thomas Michael Martine
Hatch C. Smith Jr.
Margaret D. "Meg" Voelter
Martha Leigh M. Whitten
David R. Willmann
Nancy Eckert Yeary

Absent: Joseph M. "Joe" Crane

Chair Timmerman convened the meeting at 12:57 p.m.

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

The Board next took action on the consent agenda.

23-35 Upon motion by Director Voelter, seconded by Director Smith, the Board unanimously approved the minutes of the Aug. 23, 2023, meeting [Consent Item 2] by a vote of 14 to 0.

23-36 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 3 [attached hereto as Exhibit A], that the Board approve the adoption of the Forty-Second Supplemental Resolution to the Controlling Resolution establishing the LCRA Transmission Contract Revenue Financing Program authorizing the issuance of Transmission Contract Refunding

Revenue Bonds (LCRA Transmission Services Corporation Project) in one or more series (a Series of Bonds) in an aggregate amount not to exceed \$600 million for the following purposes: (i) funding the acquisition, construction and improvement of certain electric transmission and transformation facilities pursuant to the Installment Payment Agreement, (ii) current refunding of certain 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); (iii) currently refund certain long-term Transmission Contract Debt; (iv) funding a debt service reserve fund for a Series of Bonds; and (v) paying for issuance costs.

This motion also will:

1. Approve related documents, in substantially final form, including, if required, an escrow agreement, a paying agent/registrars agreement, a preliminary and final official statement and a Transmission Contract Revenue Debt Installment Payment Agreement Supplement related to the Series of Bonds (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. Finance certain electric transmission and transformation facilities;
 - b. Select all or a portion of LCRA TSC's outstanding debt to be refunded by the particular Series of Bonds and provide for appropriate notices of redemption/prepayment/defeasance;
 - c. Approve any final changes to said documents necessary to facilitate proper issuance of such Series of Bonds;
 - d. Establish the terms of each Series of Bonds as provided in the Forty-Second Supplement (including issuing such bonds in one or more separate Series of Bonds, issuing the Series of Bonds as tax-exempt or taxable, principal amounts and maturity schedules, interest rates, redemption provisions and terms of any reserve funds); and
 - e. Approve the terms of the sale of each Series of Bonds to an underwriting team and execute a bond purchase agreement for such Series of Bonds.

Upon motion by Director Allen, seconded by Director Blanding, the recommendation was unanimously approved by a vote of 14 to 0.

23-37 Director of Transmission Planning Sandeep Borkar 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: Doss-Headwaters Transmission Line Overhaul; Obsolete Microwave – FY 2023 Telecommunications Upgrade; Schumansville-Sheriff's Posse Transmission Line Storm Hardening; Station Service – FY 2023 Substation Upgrade; McCarty Lane-Rattler Transmission Line Upgrade; and Fayetteville-Winchester Transmission Line Relocation. Upon motion by Director Kelley, seconded by Director Yeary, the recommendation was unanimously approved by a vote of 14 to 0.

23-38 Vice President of Real Estate Services Mark Sumrall presented for consideration a staff recommendation, described in Agenda Item 5 – Acquisition of Interests in Real Property – Use of Eminent Domain in Kendall County [attached hereto as Exhibit C]. Vice Chair Cooper moved, seconded by Director Yearly, that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the property described in Exhibit 1 to the resolution for the acquisition of easement rights for the Boerne Split to Welfare Transmission Line Upgrade project to provide for the continued reliable transmission of electric energy on the Boerne Split to Welfare (T656/T228) transmission lines; and that the first record vote applies to all units of property to be condemned. The Board unanimously approved the motion by a record vote of 14 to 0.

23-39 Vice President of Real Estate Services Mark Sumrall presented for consideration a staff recommendation, described in Agenda Item 6 – Acquisition of Interests in Real Property – Use of Eminent Domain in Kendall and Gillespie counties [attached hereto as Exhibit D]. Director Martine moved, seconded by Director Whitten, that the Board authorize by record vote the use of the power of eminent domain to acquire rights in the properties described in Exhibit 1 to the resolution for the acquisition of easement rights for the LCRA Broadband Program project to provide, on behalf of LCRA and at LCRA’s expense, for communications and to facilitate broadband services on the Kendall to Fredericksburg (T120) and Peach to Headwaters (T288) transmission lines; and that the first record vote applies to all units of property to be condemned. The Board unanimously approved the motion by a record vote of 14 to 0.

There being no further business to come before the Board, the meeting was adjourned at 1:14 p.m.

Leigh Sebastian
Secretary
LCRA Transmission Services Corporation
Approved: Nov. 15, 2023

FOR ACTION

4. Sale of Interest in Transmission Facilities

Proposed Motion

Authorize the chief executive officer or his designee to sell an undivided 50% interest in the Lyle Wolz to Cooks Point 138-kilovolt transmission line located in Burleson County to Bluebonnet Electric Cooperative, Inc., and declare such undivided interest as not necessary or convenient or of beneficial use to the business of LCRA Transmission Services Corporation.

Board Consideration

LCRA TSC Board Policy T102 – Authority and Responsibilities requires Board approval for all decisions where Board policy or direction has not been clearly established and does not provide an allowance for the sale of real property, or the sale of personal property above \$500,000.

Budget Status and Fiscal Impact

- The project is not included in LCRA TSC's fiscal year 2024 capital plan.
- The current net book value of the assets to be conveyed by LCRA TSC to Bluebonnet is approximately \$15.4 million.

Summary

Staff recommends the sale of an undivided 50% interest in and to the Lyle Wolz to Cooks Point 138-kV transmission line located in Burleson County to Bluebonnet, as contemplated by the Joint Development Agreement dated Dec. 16, 2016, between LCRA TSC and Bluebonnet. Under the Joint Development Agreement, LCRA TSC was required to certificate, develop and construct the transmission line, and to sell Bluebonnet an undivided 50% interest in the line at net book value. The Public Utility Commission of Texas has approved the sale in Docket No. 54849, *Joint Application of Bluebonnet Electric Cooperative, Inc. and LCRA Transmission Services Corporation to Transfer Certificate of Convenience and Necessity Rights in Burleson County*.

After the sale, LCRA TSC will perform all operations and maintenance of the jointly-owned transmission line.

Presenter(s)

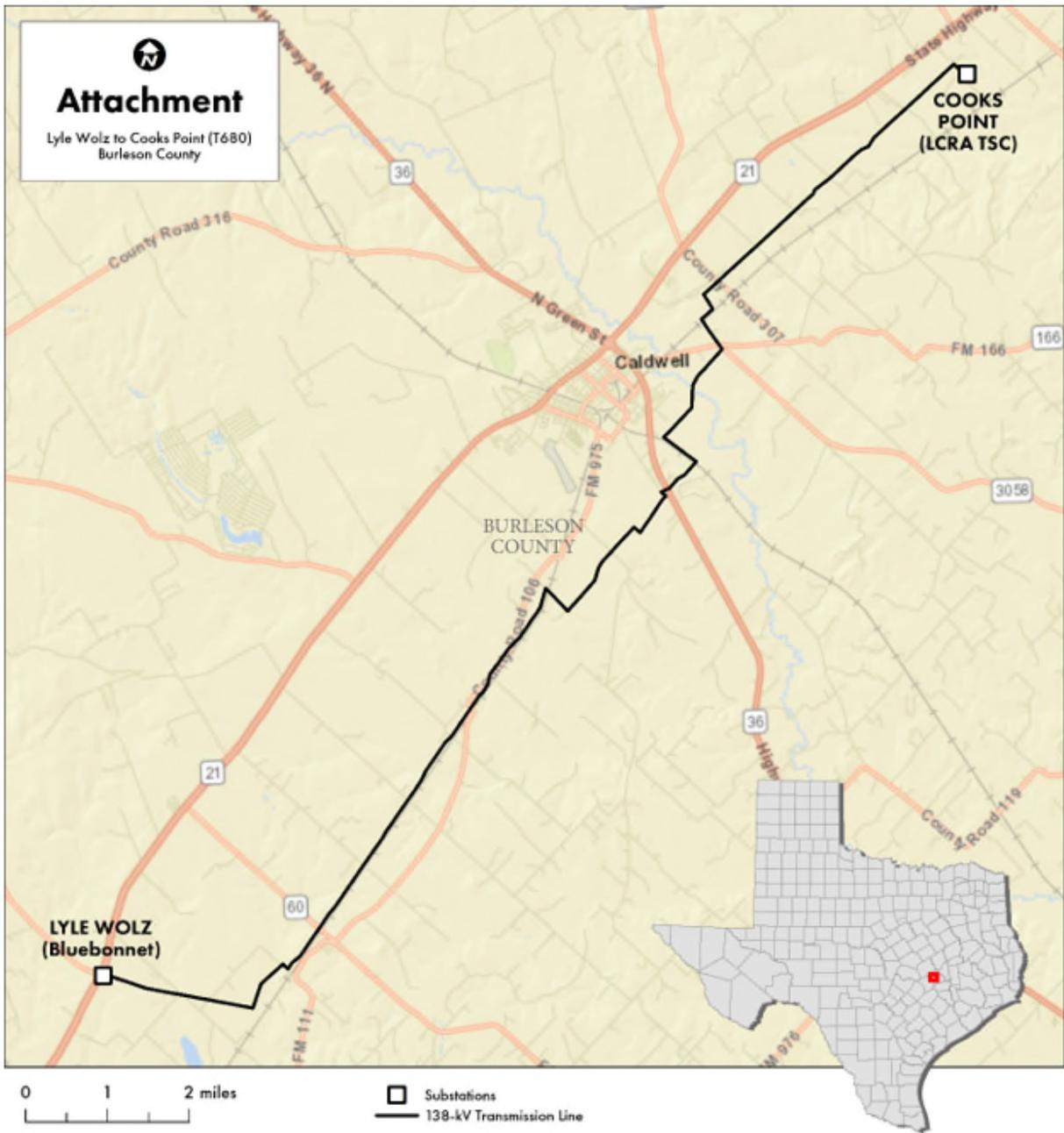
Kristian Koellner
Vice President, Transmission Asset Optimization

Exhibit

A – Vicinity Maps

EXHIBIT A

Page 1 of 1



FOR ACTION

5. Capital Improvement Projects Approval

Proposed Motion

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

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 2024 capital plan.
- Staff will monitor the FY 2024 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 exhibits A and B. 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.

Presenter(s)

Kristian M. Koellner
Vice President, Transmission Asset Optimization

Exhibit(s)

A – Project Cost Estimates and Cash Flow
B – Project Details

EXHIBIT A

Project Cost Estimates and Cash Flow

Dollars in millions

Project Name	FY 2023 and Prior	FY 2024	FY 2025	FY 2026	FY 2027	Lifetime
Service Reliability Projects						
Copperas Cove (ONCOR)- Copperas Cove (PEC) Transmission Line Overhaul	0.3	11.7	-	-	-	12.0
Protective Relaying – FY 2023 System Upgrade	2.4	5.7	4.0	-	-	12.1
Substation Underground Fiber – FY 2024 Telecommunications Upgrade	0.1	2.6	-	-	-	2.7
System Capacity Projects						
Chief Brady-Round Rock Transmission Line Upgrade	0.2	13.3	-	-	-	13.5
Rattler-Redwood Transmission Line Upgrade	0.5	3.0	4.9	-	-	8.4
Total	3.5	36.3	8.9	-	-	48.7

EXHIBIT B

Project Details

Project Name: Copperas Cove (ONCOR)-Copperas Cove (PEC) Transmission Line Overhaul

Project Number: 1026912

Lifetime Budget: \$12 million

Description: The project will perform an overhaul on the Copperas Cove (Oncor)-Copperas Cove (Pedernales Electric Cooperative) 138-kilovolt transmission line from Copperas Cove Substation to the Oncor tie structure in Coryell and Lampasas counties. The project scope includes replacing structures and conductor on an approximately 2.4-mile portion of the transmission line and installing a new fiber optical ground wire to increase reliability and ensure the transmission line meets or exceeds current National Electrical Safety Code and LCRA TSC design standards. The recommended project completion date is May 15, 2024.

Project Name: Protective Relaying – FY 2023 System Upgrade

Project Number: 1026522

Lifetime Budget: \$12.1 million

Description: The project will increase the reliability of transmission facilities at eight substations in Crane, Kendall, Lampasas, Pecos and Travis counties. The project scope includes upgrading protective relaying equipment such as bus differential and breaker failure panels and removing obsolete equipment at Austrop, Bee Creek, Boerne, Copperas Cove, Fort Lancaster, Hi Cross, LCRA Crane and West Yates substations. The recommended project completion date is Dec. 31, 2024.

Project Name: Substation Underground Fiber – FY 2024 Telecommunications Upgrade

Project Number: 1028564

Lifetime Budget: \$2.7 million

Description: The project will increase the reliability of the substation telecommunications network at six substations in Bastrop, Blanco, Guadalupe, San Saba, Waller and Williamson counties. The project scope includes installing underground fiber, conduit and access vaults at Gabriel, Hilbig, Mountain Top, San Saba, Waller and Zorn substations. The recommended project completion date is June 30, 2024.

Project Name: Chief Brady-Round Rock Transmission Line Upgrade

Project Number: 1027398

Lifetime Budget: \$13.5 million

Description: The project will increase the reliability and capacity of the 5.1-mile, 138-kV transmission line between Chief Brady and Round Rock substations in Williamson County to meet system load growth needs. The project scope includes upgrading conductor and structures and installing dual optical ground wire. The recommended project completion date is May 15, 2024.

Project Name: Rattler-Redwood Transmission Line Upgrade

Project Number: 1026923

Lifetime Budget: \$8.4 million

Description: The project will increase the reliability and capacity of the 1.1-mile, 138-kV transmission line between Rattler and Redwood substations in Hays County. The project scope includes upgrading conductor and structures and installing dual optical ground wire. The recommended project completion date is May 15, 2025.

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