

**LCRA Transmission Services Corporation**  
**Financial Highlights**  
**December 2019**

# LCRA Transmission Services Corporation

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### Key terms:

**4CP** – Four-month coincident peak is the average of the peak Electric Reliability Council of Texas electrical demands (measured in kilowatts) during the months of June, July, August and September of the previous calendar year.

**ELOPPP** – Extraordinary LCRA Optional Purchase Price Payment.

**FYE** – Fiscal year-end.

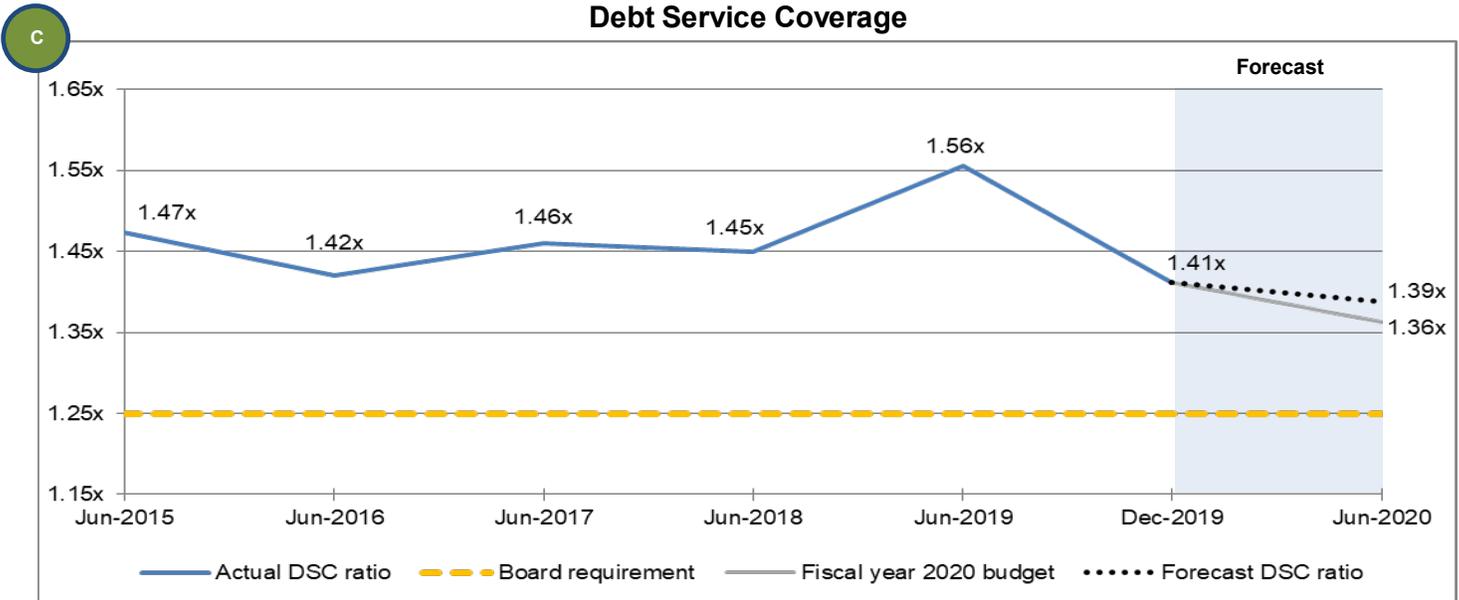
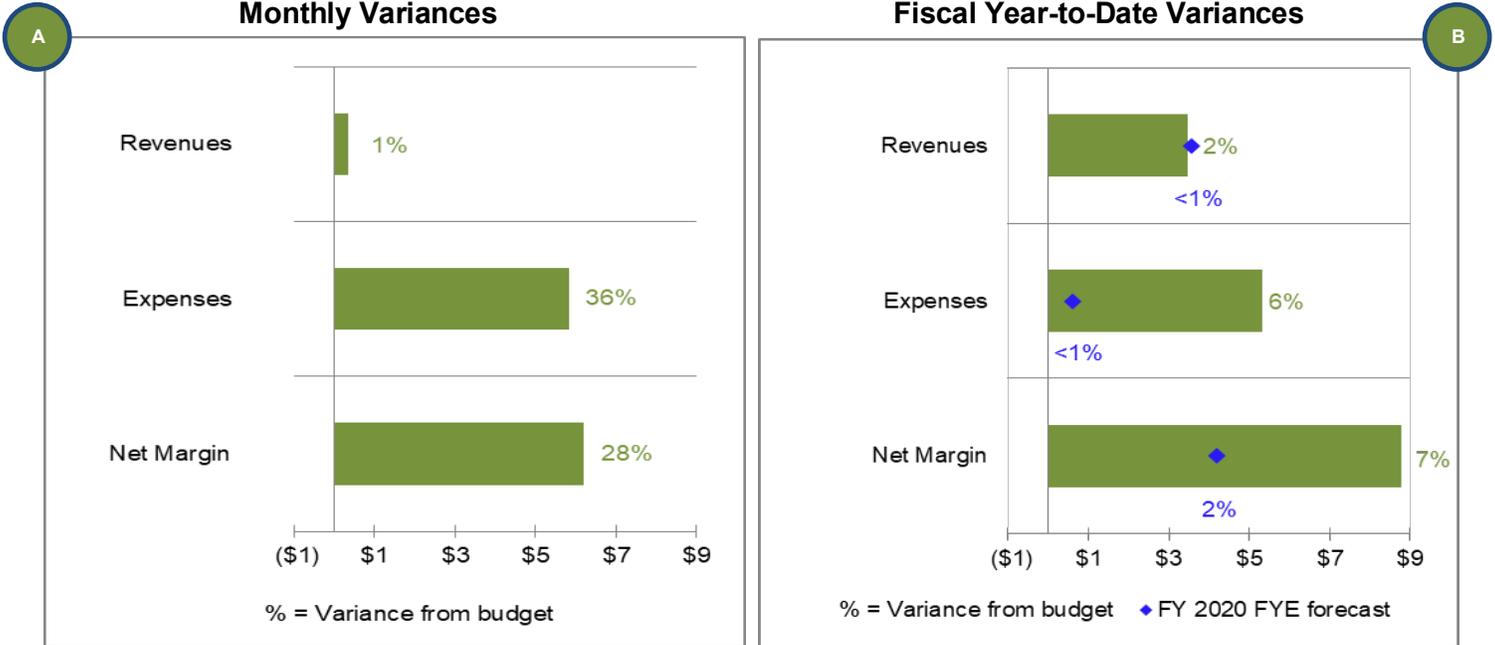
**Net margin** – Total operating revenues, including interest income, less direct and assigned expenses.

# LCRA Transmission Services Corporation

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(Dollars in Millions)

## Budget-to-Actual Highlights



### Key takeaways:

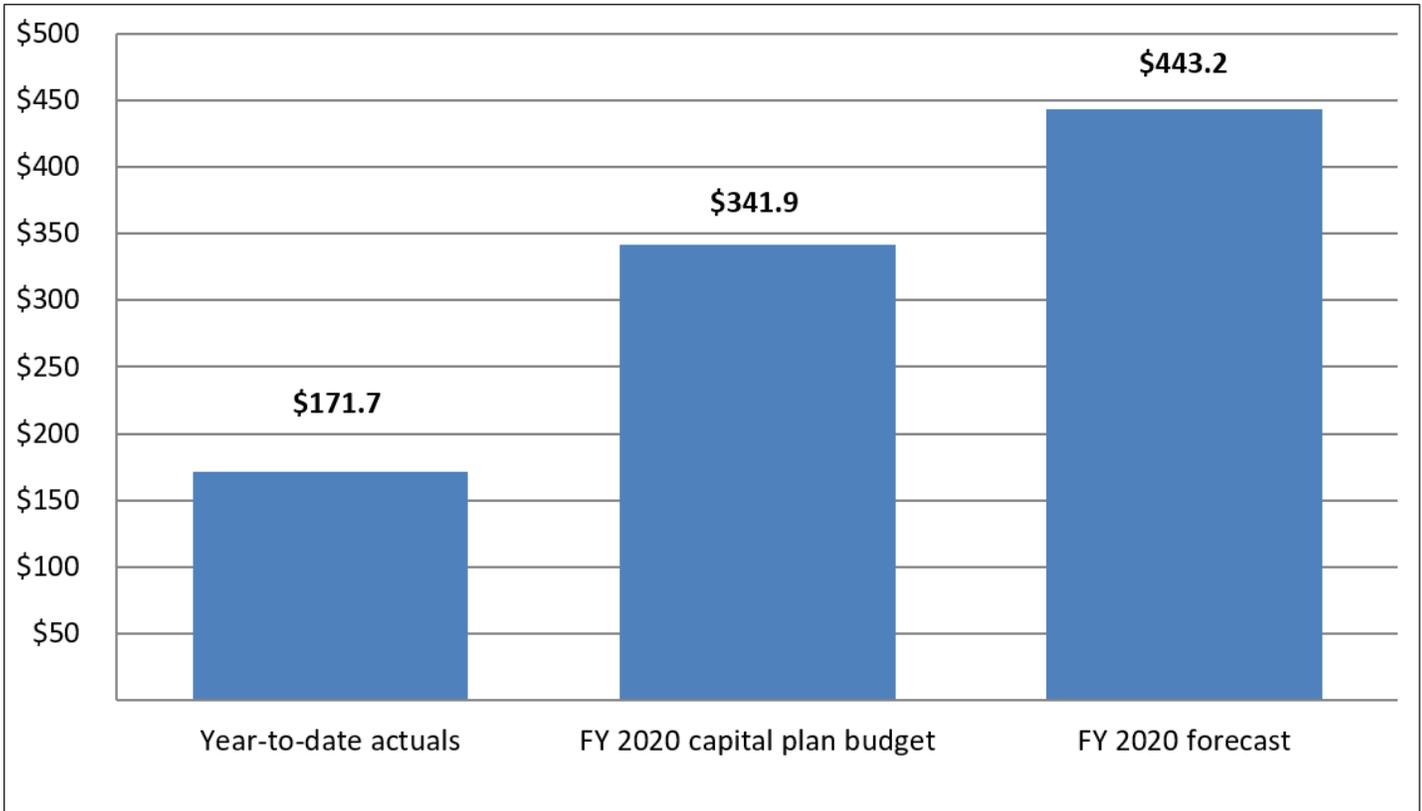
- Lower-than-budgeted property taxes primarily drove the monthly performance.
- Lower-than-budgeted expenses, including property taxes, and higher-than-budgeted miscellaneous revenues and interest income drove the year-to-date performance and year-end forecast.
- A higher-than-budgeted revenue forecast and slightly lower-than-budgeted debt service primarily is driving the higher-than-budgeted debt service coverage projection.

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## Capital Forecast



Business area	Year-to-date actuals	Percentage of budget spent	FY 2020 capital plan budget	FY 2020 capital forecast	Variance to forecast
Transmission	\$ 171.7	50%	\$ 341.9	\$ 443.2	\$ (101.3)

### Key takeaways:

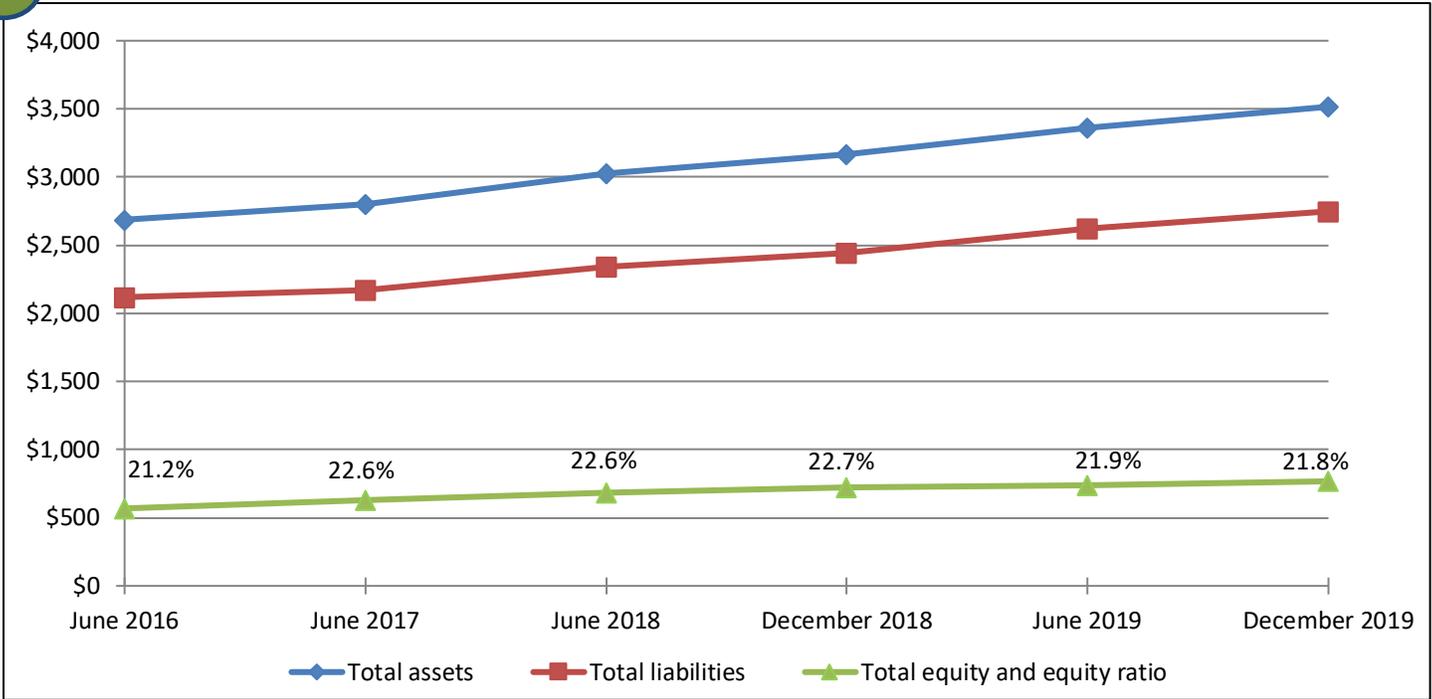
- Transmission currently is projecting capital spending for FY 2020 will be \$101.3 million over the capital plan budget of \$341.9 million. The variance is due primarily to an increase in construction and acquisition activities related to 1) projects previously planned for FY 2019 being initiated in FY 2020; 2) newly approved projects accelerated from FY 2021; and 3) budget resets on existing projects. Staff is seeking Board authorization to amend the current fiscal year capital budget to \$443.2 million at the January Board meeting.
- 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 on a short-term basis 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 budget resets this quarter:
  - Amos Creek Substation Addition from \$12.8 million to \$16.9 million.
  - Castle Mountain Substation Addition from \$3.2 million to \$4.8 million.
  - Crosswinds Substation Addition from \$4.9 million to \$7.7 million.
  - Fayetteville-Winchester Transmission Line Upgrade from \$12.5 million to \$17.2 million.
  - Hurricane Response System Upgrade from \$3.2 million to \$7.8 million.
  - Lockhart Substation Upgrade from \$2 million to \$2.5 million.
  - Marble Falls Double Circuit from \$3.4 million to \$4.7 million.
  - Pinnacle Substation Addition from \$12.9 million to \$15.7 million.
  - Riverside Circuit Breaker Addition from \$4.3 million to \$8.5 million.
  - San Angelo Maintenance Facility Acquisition from \$2 million to \$2.9 million.
  - Twin Buttes Circuit Breaker Addition from \$3.6 million to \$4.8 million.

# LCRA Transmission Services Corporation Financial Statement Trends

Dec. 31, 2019  
(Dollars in Millions)

## Balance Sheet Trends

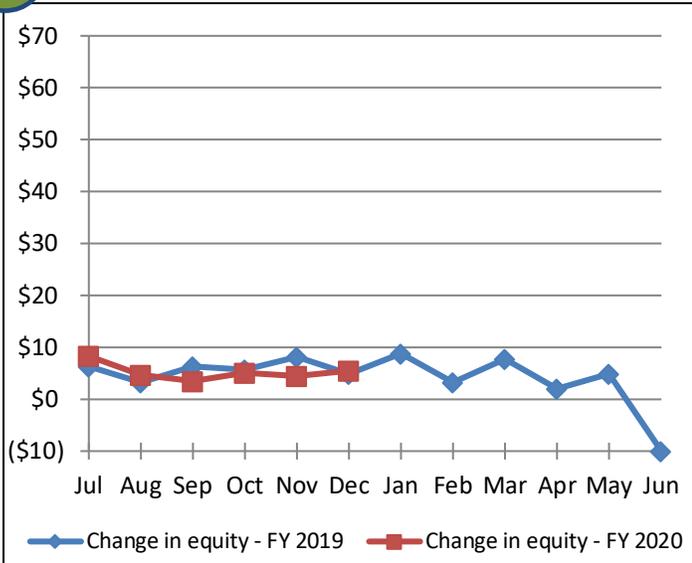
A



## Income Statement Trends

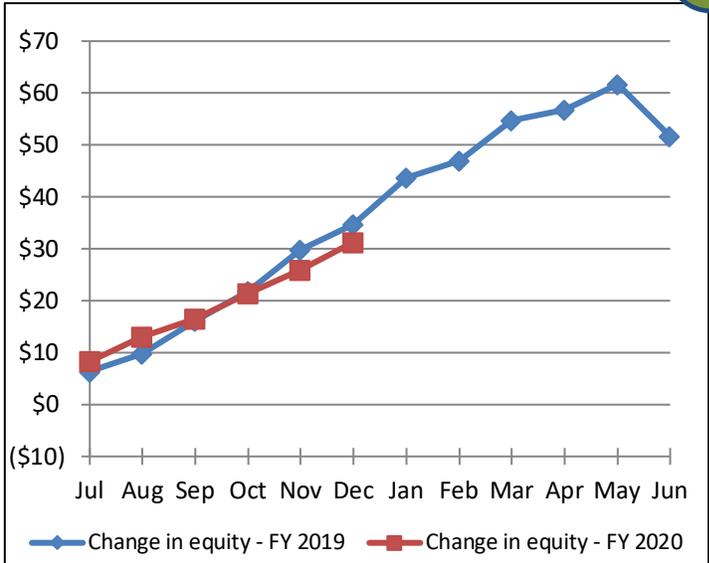
### Monthly

B



### Cumulative Fiscal Year to Date

C



### Key takeaways:

- Assets and liabilities are trending higher compared with December 2018 due to construction activities related to the capital plan.
- The income statement trend remains comparable to the previous year.

# LCRA Transmission Services Corporation

Dec. 31, 2019

(Dollars in Millions)

## Condensed Balance Sheets

	Dec. 31, 2019	Dec. 31, 2018
<i>Assets</i>		
Total current assets	\$ 351.0	\$ 298.8
Total long-term assets	3,164.6	2,865.9
<b>Total Assets</b>	<b>\$ 3,515.6</b>	<b>\$ 3,164.7</b>
<i>Liabilities</i>		
Total current liabilities	\$ 284.8	\$ 413.4
Total long-term liabilities	2,463.3	2,032.0
Total liabilities	2,748.1	2,445.4
<i>Equity</i>		
Total equity	767.5	719.3
<b>Total Liabilities and Equity</b>	<b>\$ 3,515.6</b>	<b>\$ 3,164.7</b>

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

	Fiscal Year to Date	
	2020	2019
<b>Operating Revenues</b>		
Transmission	\$ 217.5	\$ 203.1
Transformation	7.1	7.4
Other	0.8	0.7
<b>Total Operating Revenues</b>	225.4	211.2
<b>Operating Expenses</b>		
Operations	73.6	68.6
Maintenance	4.7	4.1
Depreciation and amortization	60.3	35.6
<b>Total Operating Expenses</b>	138.6	108.3
<b>Operating Income</b>	86.8	102.9
<b>Nonoperating Revenues (Expenses)</b>		
Interest on debt	(49.9)	(45.5)
Other expenses	(5.6)	(22.6)
<b>Total Nonoperating Revenues (Expenses)</b>	(55.5)	(68.1)
<b>Change in Equity</b>	31.3	34.8
<b>Equity - Beginning of Period</b>	736.2	684.5
<b>Equity - End of Period</b>	<b>\$ 767.5</b>	<b>\$ 719.3</b>

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(Dollars in Millions)

## Condensed Statements of Cash Flows

### Fiscal Year to Date

	<u>2020</u>	<u>2019</u>
Net cash provided by operating activities	\$ 148.9	\$ 114.6
Net cash used in noncapital financing activities	(10.5)	(9.9)
Net cash used in capital and financing activities	(89.8)	(72.0)
Net cash provided by (used in) investing activities	<u>(65.7)</u>	<u>8.9</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(17.1)	41.6
<b>Cash and Cash Equivalents - Beginning of Period</b>	<u>127.9</u>	<u>60.7</u>
<b>Cash and Cash Equivalents - End of Period</b>	<u>\$ 110.8</u>	<u>\$ 102.3</u>

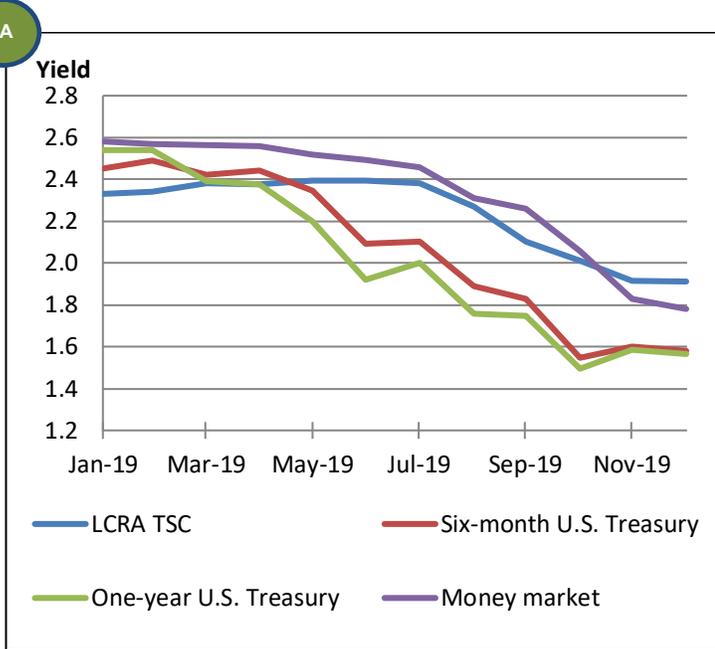
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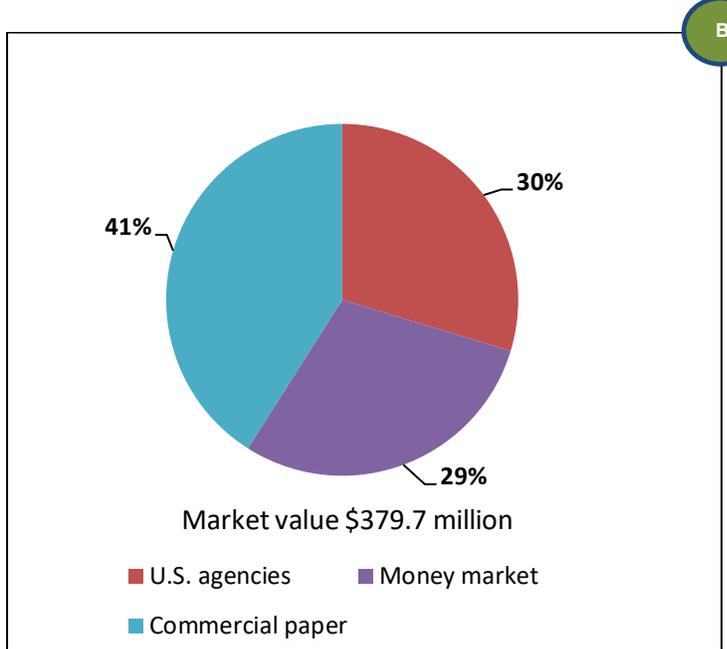
(Dollars in Millions)

## Investments and Debt

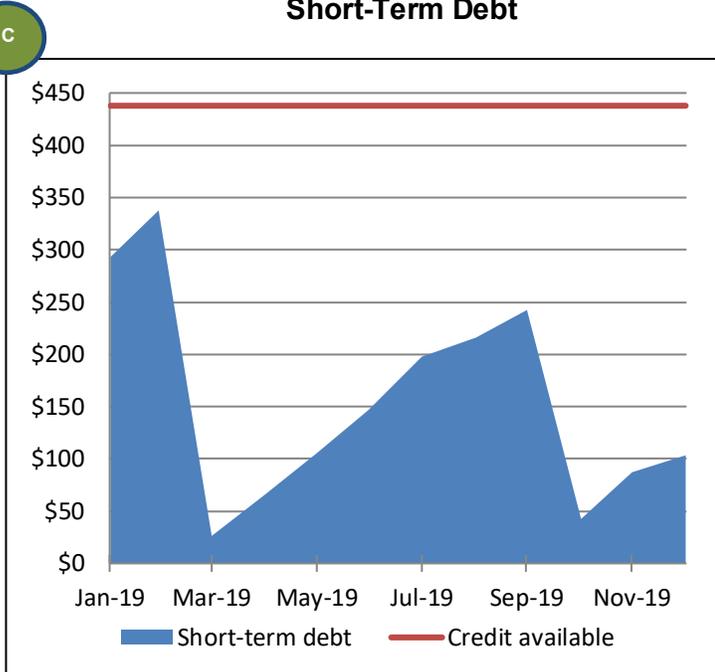
### Investment Portfolio Yield



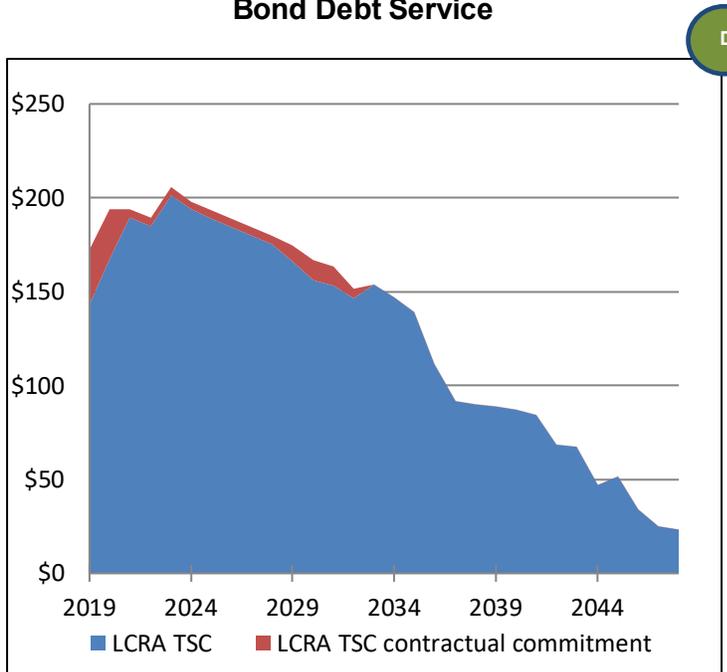
### Investment Portfolio Composition



### Short-Term Debt



### Bond Debt Service



#### Key takeaway:

- The Federal Open Market Committee cut rates at the October 2019 meeting by 0.25%. This leaves rates in the 1.50%-1.75% range. The market is not anticipating any cuts going into 2020, leaving the federal funds target rate in the 1.50%-1.75% range.