

LCRA Transmission Services Corporation
Financial Highlights
September 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.

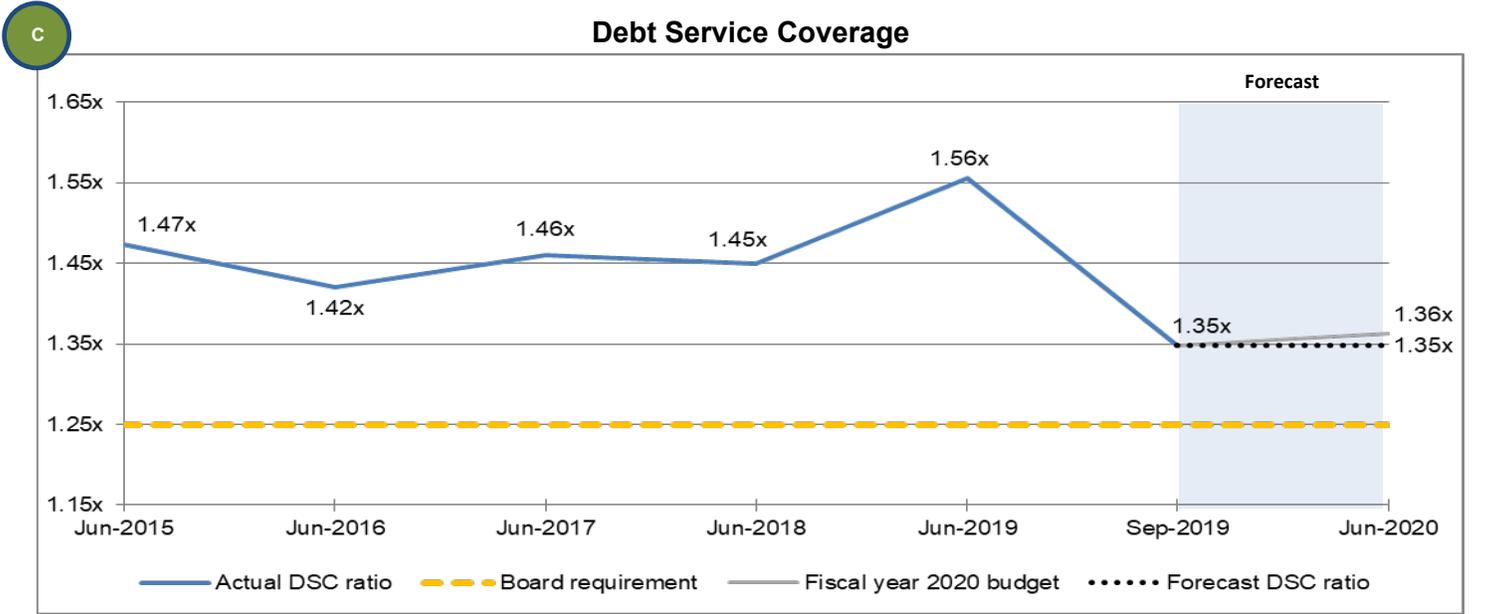
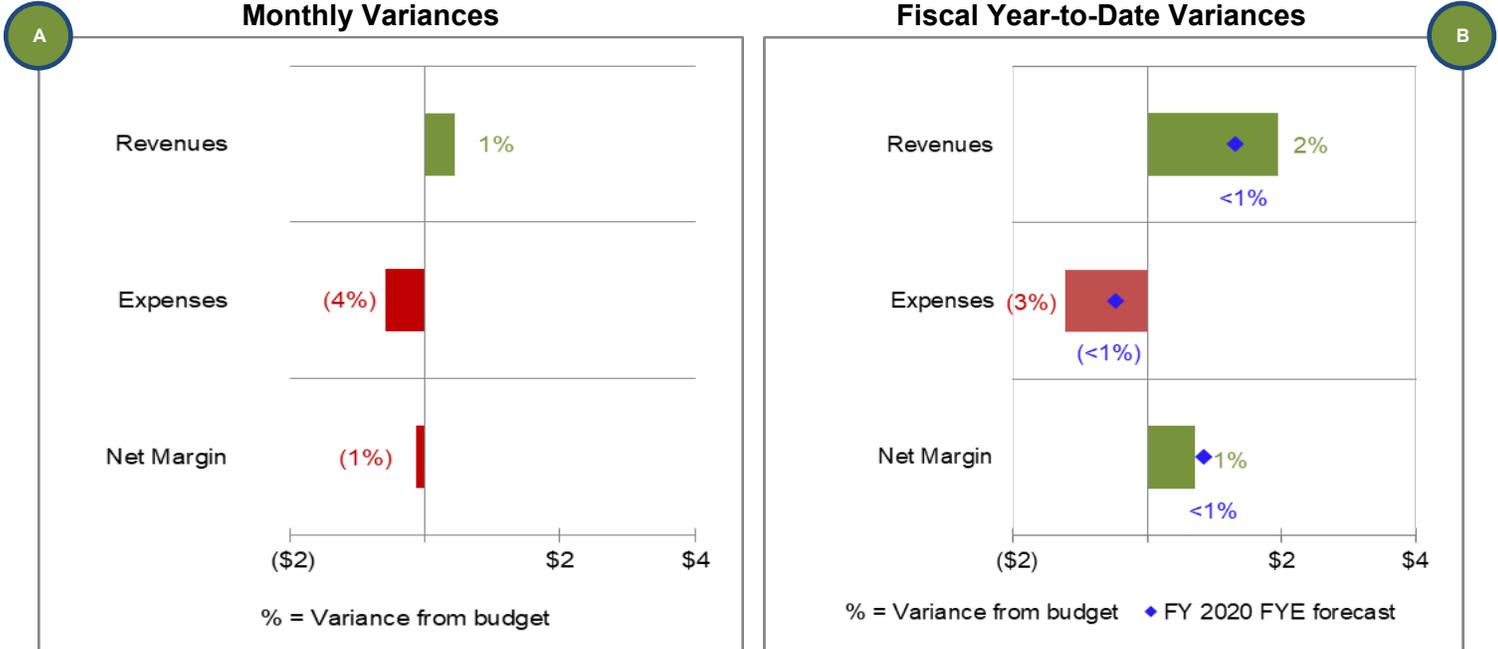
Net margin – Total operating revenues, including interest income, less direct and assigned expenses.

LCRA Transmission Services Corporation

Sept. 30, 2019

(Dollars in Millions)

Budget-to-Actual Highlights



Key takeaways:

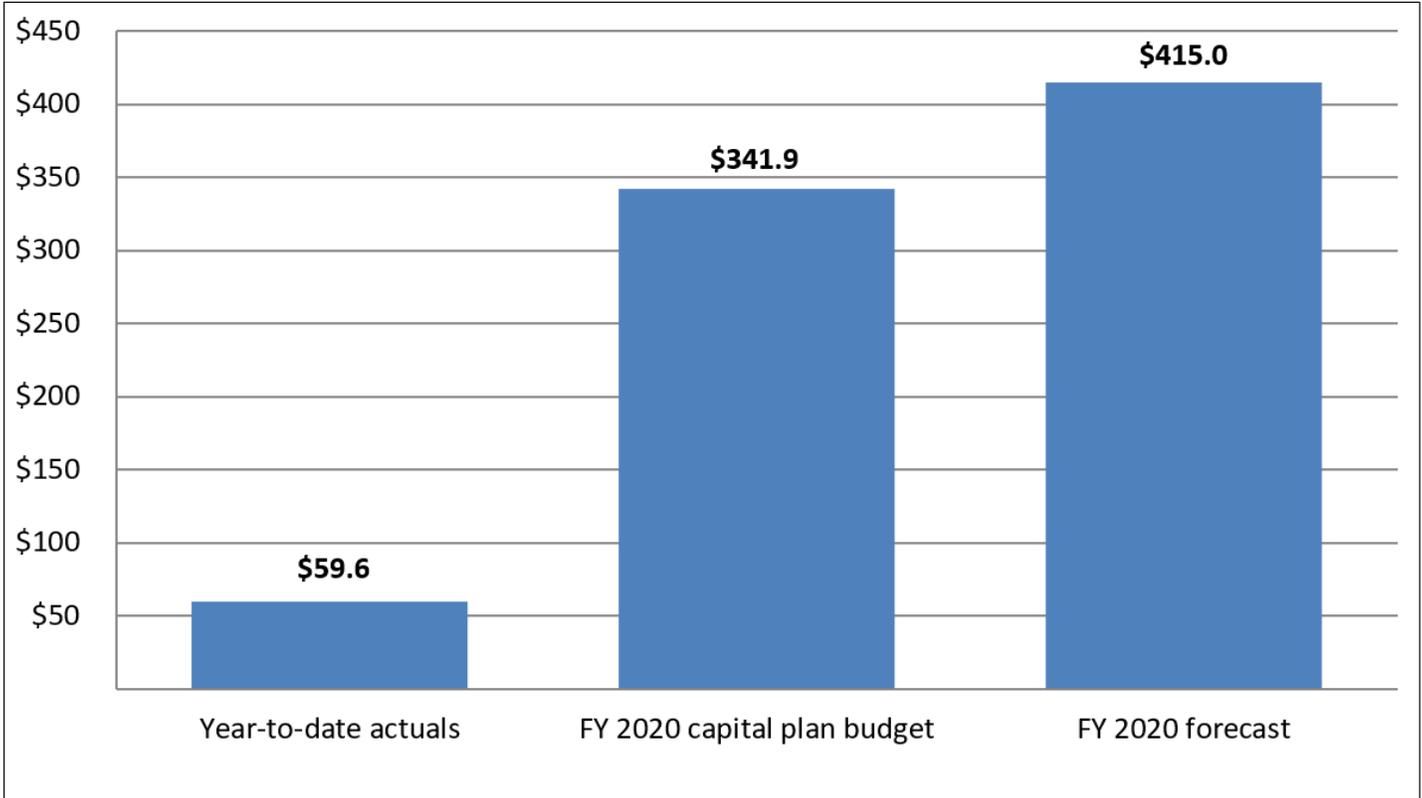
- Higher-than-budgeted material expenses for line operations primarily drove the monthly performance.
- Higher interest income, cost-of-service and miscellaneous revenues, offset by higher expenses, drove year-to-date performance.
- Higher-than-budgeted Transmission revenues due to a higher-than-planned interim capital addition rate filing primarily drove the year-end forecast.
- Slightly higher-than-budgeted debt service is primarily driving the lower-than-budgeted debt service coverage projection.

LCRA Transmission Services Corporation

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Capital Forecast



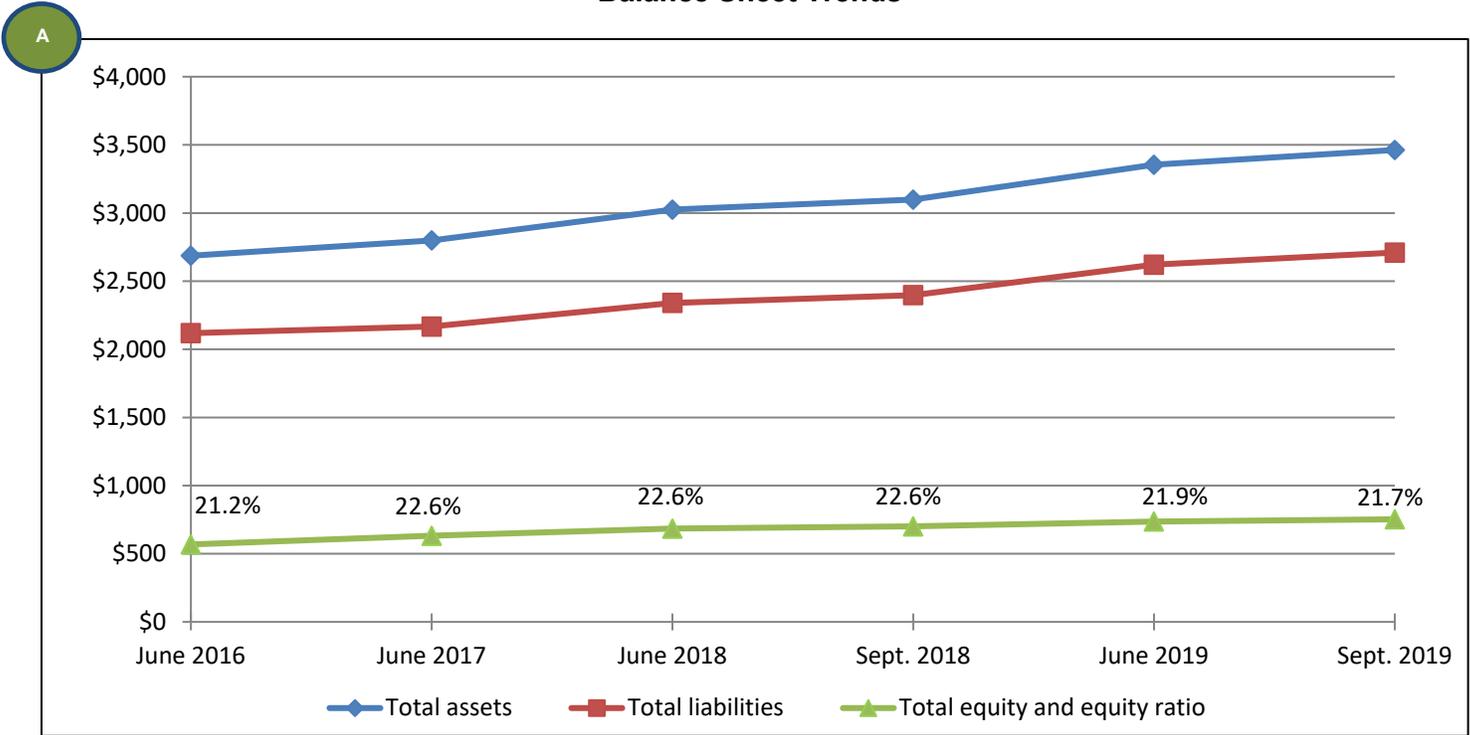
Business area	Year-to-date actuals	Percentage of budget spent	FY 2020 capital plan budget	FY 2020 capital forecast	Variance to forecast
Transmission	\$ 59.6	17%	\$ 341.9	\$ 415.0	\$ (73.1)

Key takeaways:

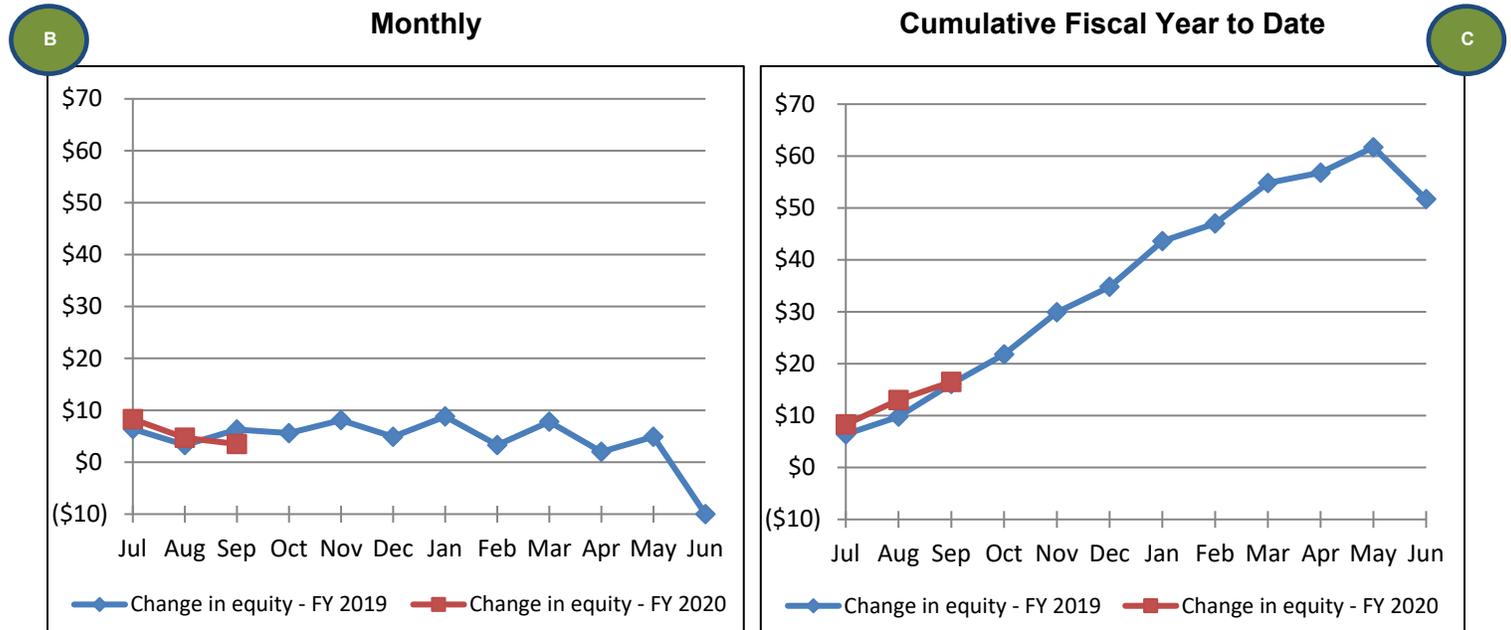
- LCRA Transmission currently is projecting capital spending for FY 2020 will be \$73.1 million over the capital plan budget of \$341.9 million. The unfavorable variance over the capital plan is primarily due to approximately \$19.7 million in construction and acquisition activities originally planned for FY 2019, which are now occurring in FY 2020; \$14.8 million in newly approved projects or projects brought forward from FY 2021; and approximately \$25.8 million in cost increases on existing projects. Staff anticipates seeking Board authorization to amend the current fiscal year capital budget.
- 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. In February 2018 (and revised in December 2018), the LCRA TSC Board approved resolutions delegating authority to the president and chief executive officer 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 new projects and budget resets this quarter:
 - New project: Modular Ready Substation Upgrade for \$577,000.
 - Budget reset: Burnet-Wirtz Transmission Line Overhaul from \$3.472 million to \$5.543 million.
 - Budget reset: Central Texas Electric Cooperative Transmission Acquisition from \$4.67 million to \$6.329 million.
 - Budget reset: Culberson-Kunitz Transmission Line Overhaul from \$812,000 to \$2.032 million.
 - Budget reset: Flood Mitigation FY 2018 System Upgrade from \$5.51 to \$7.847 million.
 - Budget reset: Gabriel Substation Upgrade from \$18.829 million to \$23.696 million.
 - Budget reset: Garfield Battery Bank Substation Upgrade from \$1.5 million to \$2.572 million.
 - Budget reset: Heines Substation Addition from \$4.312 million to \$6.61 million.
 - Budget reset: Salem-Winchester Transmission Line Overhaul from \$7.084 million to \$13.396 million.
 - Budget reset: System Operations Control Center Media Facility Upgrade from \$2.784 million to \$3.64 million.

LCRA Transmission Services Corporation
Financial Statement Trends
 Sept. 30, 2019
 (Dollars in Millions)

Balance Sheet Trends



Income Statement Trends



Key takeaways:

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

LCRA Transmission Services Corporation

Sept. 30, 2019

(Dollars in Millions)

Condensed Balance Sheets

	Sept. 30, 2019	Sept. 30, 2018
Assets		
Total current assets	\$ 362.0	\$ 244.5
Total long-term assets	3,100.6	2,853.7
Total Assets	\$ 3,462.6	\$ 3,098.2
Liabilities		
Total current liabilities	\$ 428.9	\$ 366.6
Total long-term liabilities	2,281.0	2,031.0
Total liabilities	2,709.9	2,397.6
Equity		
Total equity	752.7	700.6
Total Liabilities and Equity	\$ 3,462.6	\$ 3,098.2

Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2020	2019
Operating Revenues		
Transmission	\$ 108.2	\$ 99.3
Transformation	3.6	3.7
Other	0.5	0.4
Total Operating Revenues	112.3	103.4
Operating Expenses		
Operations	39.5	33.2
Maintenance	3.5	1.9
Depreciation and amortization	18.4	16.9
Total Operating Expenses	61.4	52.0
Operating Income	50.9	51.4
Nonoperating Expenses		
Interest on debt	(24.4)	(22.6)
Other expenses	(10.0)	(12.7)
Total Nonoperating Expenses	(34.4)	(35.3)
Change in Equity	16.5	16.1
Equity - Beginning of Period	736.2	684.5
Equity - End of Period	\$ 752.7	\$ 700.6

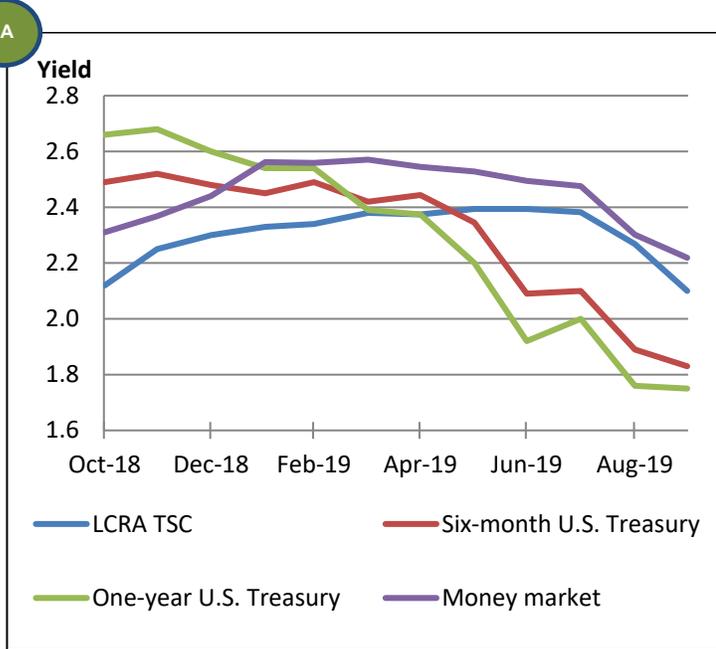
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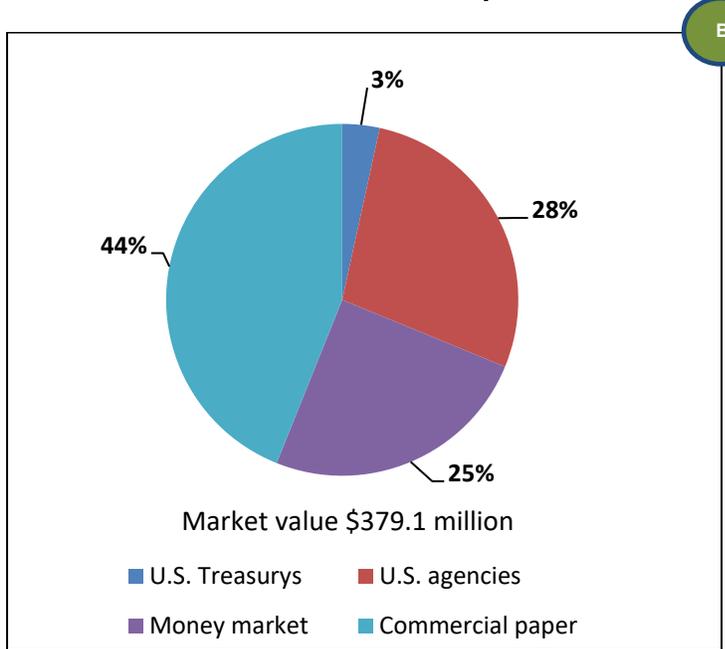
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Investments and Debt

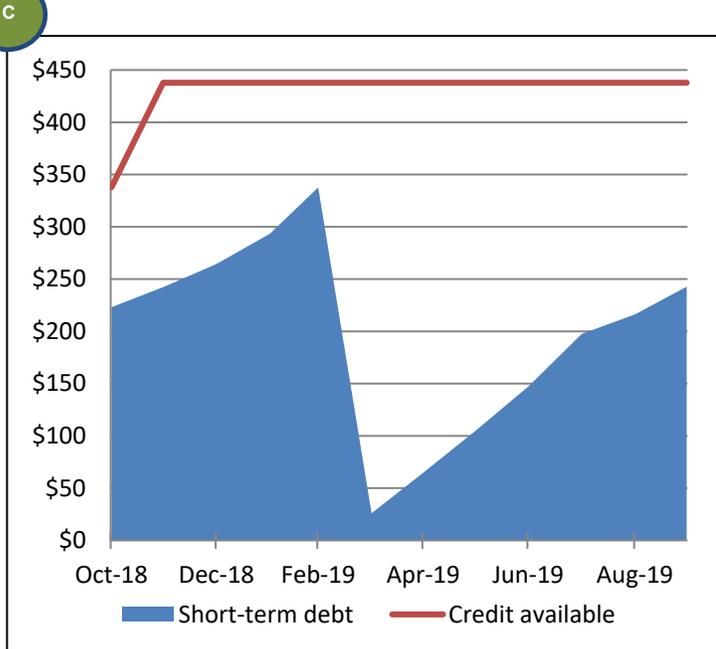
Investment Portfolio Yield



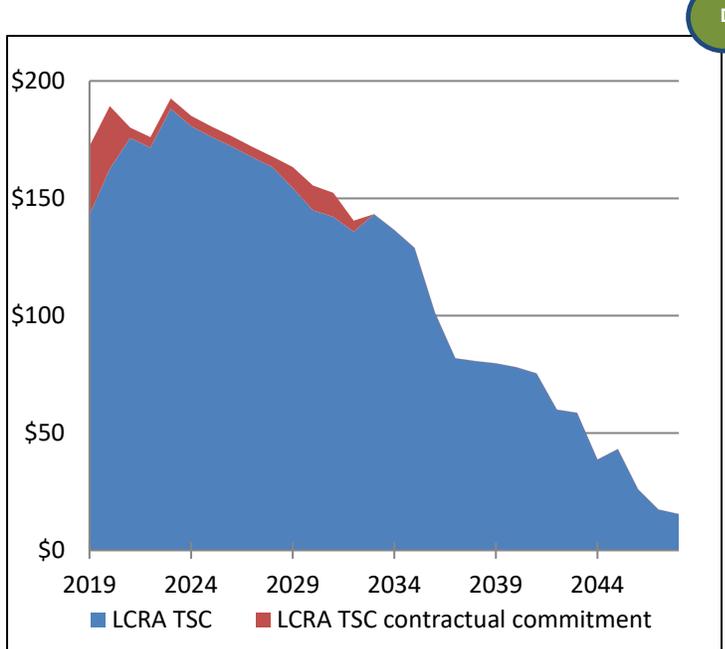
Investment Portfolio Composition



Short-Term Debt



Bond Debt Service



Key takeaway:

- The Federal Open Market Committee cut rates at the July and September 2019 meetings by 0.25% each. This leaves rates in the 1.75%-2.00% range. The market is anticipating an 87% chance of cutting rates by 0.25% at the October 2019 meeting leaving the federal funds target rate in the 1.50%-1.75% range.