

**Minutes of Regular Meeting  
Grand River Dam Authority  
Board of Directors  
Vinita, Oklahoma  
December 14, 2011**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at the Grand River Dam Authority Administration Headquarters, Vinita, Oklahoma, on December 14, 2011. Notice was given pursuant to 25 O.S.A. § 301 et seq. by submitting a schedule of regular monthly meetings to the Secretary of State on December 2, 2010, at 2:24 p.m.; by posting the agenda with the Craig County Clerk's office on December 12, 2011, at 3:36 p.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

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Chair Spears called the meeting to order at 10:22 a.m. The Secretary called the roll; all members were present with the exception of Director LaGere. Chair Spears declared a quorum. Ms. Moore introduced guests.

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**BOARD MEMBERS**

|                               |         |
|-------------------------------|---------|
| Stephen R. Spears, Chair      | Present |
| Greg R. Grodhaus, Chair-Elect | Present |
| Dewey F. Bartlett, Jr.        | Present |
| David J. Chernicky            | Present |
| Betty Kerns                   | Present |
| W. Brent LaGere               | Absent  |
| Chris Meyers                  | Present |

**ADMINISTRATIVE**

|   |         |
|---|---------|
| Daniel S. Sullivan, General Manager/CEO/Director of Investments | Present |
| Michael Kiefner, Chief Operating Officer                        | Present |
| Ellen Edwards, General Counsel                                  | Present |
| Charles J. Barney, AGM Thermal and Hydro Generation             | Present |
| Carolyn Dougherty, AGM Market Analysis/Strategic Development    | Present |
| Dale Willis, AGM Transmission                                   | Absent  |
| Mike Herron, AGM Engineering, System Operations, & Reliability  | Present |
| Tim Brown, Chief Technical Officer                              | Present |
| Donna M. Jones, Secretary                                       | Present |

Others present were as follows: Harold Robertson and Rick Shurtz, NEOREC; John Bland, City of Siloam Springs; David Rountree, City of Miami; Gary Pruett, Pryor MUB; Julie Hudgins, Stilwell Utilities; Wendy Gregory, Governor's Office; Randy Krehbiel, Tulsa World; Kendra Montana, Grove Sun/Miami News; Denton Thomason,

Vinita Daily Journal; Bob Bitting, PSO; Justin Alberty, Tamara Jahnke, Holly Moore, Darrell Townsend, Melanie Earl, Dave McCollaum, Grant Burget, Jim Fraley, Eddie Rogers, and Steve Schwab, GRDA.

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**CONSENT AGENDA**

**1. Regular Board Minutes of November 9, 2011**

**2. Claims, \$41,428,610.34**

**4.a. Resolutions of Commendation:**

- (1) David L. Stanley**
- (2) Jack M. Simpson**
- (3) Stephen M. Schwab**

**4.b. Renewal of Power Purchase and Sale Agreement between GRDA and Wal-Mart Stores East, LP**

**4.c. GRDA Customer and Industrial Development Plan for 2012**

**5.b. Purchase Order Report (\* Denotes Addenda Items)**

| <i>Number</i>         | <i>Vendor</i>           | <i>Amount</i>         |
|-----------------------|-------------------------|-----------------------|
| 33014                 | Foster Wheeler          | \$164,240.00          |
| 33038                 | Air Compressor Supply   | 251,410.00            |
| 33113                 | Schneider Electric      | 281,218.00            |
| 33129                 | AT&T                    | 80,000.00             |
| 33131                 | AT&T                    | 30,000.00             |
| 33133                 | AT&T Long Distance      | 45,000.00             |
| 33137                 | AT&T Mobility           | 83,000.00             |
| 33149                 | Pacific Wood Preserving | 50,655.00             |
| 33186                 | Unifirst Holdings Inc   | 27,563.60             |
| 33194                 | GEA Power Cooling Inc   | 67,431.86             |
| 33214                 | NERC                    | 265,000.00            |
| 33268                 | Schneider Electric      | 69,847.00             |
| 33280                 | AT&T Global             | 12,000.00             |
| 33289                 | EvapTech                | <u>126,049.00</u>     |
| <i>Total Standard</i> |                         | <b>\$1,553,414.46</b> |
| 25138                 | Standley Systems Inc    | \$7,580.40            |
| 28419                 | Alstom Power Inc        | 2,611.00              |

|                               |                              |
|-------------------------------|------------------------------|
| 32024 Alcatel Lucent USA      | <u>168,874.00</u>            |
| <i>Total Change Orders</i>    | <b>\$179,065.40</b>          |
| 32430 Fishnet Security        | <u>\$63,106.29</u>           |
| <i>Total Emergency Orders</i> | <b>\$63,106.29</b>           |
| <i>Grand Total Purchases</i>  | <b><u>\$1,795,586.15</u></b> |

| <b>5.c. Work Order Report</b>  |   |                            |
|--------------------------------|---|----------------------------|
| <i>Number</i>                  | <i>Title</i>  | <i>Amount</i>              |
| RF011-00470                    | GRDA1 345-KV (Feeder 90) Control Panel Upgrade                                | \$168,000.00               |
| RF011-00471                    | Install Fixed Standby Generators at Microwave Sites and Important Substations | <u>481,500.00</u>          |
| <i>Grand Total Work Orders</i> |   | <b><u>\$649,500.00</u></b> |

Director Meyers moved to approve the consent agenda, seconded by Director Kerns, and voted upon as follows: Chernicky, Grodhaus, Kerns, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.a.3., Director Spears presented Mr. Schwab a resolution of commendation.

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## **REGULAR AGENDA**

### **3. Unfinished Business**

#### **3.a. Progress Reports**

Mr. Sullivan introduced Ellen Edwards, GRDA's new General Counsel effective December 1.

Mr. Sullivan wanted to personally thank Steve Schwab for the work he has done. Mr. Schwab was one of the first person's Mr. Sullivan met at GRDA, and Mr. Sullivan stated he appreciates his service.

Mr. Sullivan reported he had asked the State Auditor's office to acknowledge the employees who assisted them in preparing the audit. They made specific mention of Eddie Rothermel, Tina Balmer, Carolyn Dougherty, Gretchen Zumwalt-Smith, Allison Goodpaster-Carter, and Charles Barney and recognized them for their efforts in preparing all the information and fulfilling the requests of the State Auditor's office.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA December 2011 Update" highlighting RTU upgrades in GRDA substations. Mr. Sullivan reported that during the upgrade process, the employees from the Energy Control Center (ECC) were operating out of the Vinita backup center, and they were able to successfully switch back operations to ECC.

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#### **4. New Business**

##### **4.d. Assets Committee Recommendations:**

##### **4.d.1. Request by Oklahoma Gas & Electric Company for (1) a Lease of .585 Acres of GRDA Property for a Communication Tower and (2) an Electric Line Easement to the Communications Tower Located at the Redbud Facility in Oklahoma County Oklahoma.**

Regarding item 4.d.1., Director Kerns reported the Assets Committee met this morning with all members present. The Assets Committee unanimously recommends approval of this request by OG&E for a lease of the property for 30 years at \$1,538 per acre per year. The exact acreage will be determined based on results of a survey. Director Kerns moved the Board approve a lease of Redbud Power Plant property to OG&E for a communication tower and electric line easement to the tower for a term of 30 years at the rate of \$1,538/acre per year and to waive the administrative fees, seconded by Director Meyers, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, Bartlett, yes; Chernicky, abstained. *Motion passed (5-yes, 0-no, 1-abstained).*

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#### **4.e. Change Order No. 1 to Engineering Services Contract DCS1100038SOL, Feeder 39 Rebuild, with Burns & McDonnell to Expand Design Requirements**

Mr. Herron reported this is Change Order No. 1 to Task 2. The DCS process was used to determine engineering firms to perform transmission line designs. Burns & McDonnell was chosen based on that process to design three lines for GRDA. It is one engineering contract, but there are three separate tasks, one for each line. Mr. Herron showed the route of Feeder 39 from Fairfax to Pawnee—about a 20-mile distance. The design is to rebuild the 69-kV line with a double-circuit 138-kV and 69-kv line. A switching substation will be installed south of the end of the line near Pawnee, and that will tie into the 138-kV line GRDA will be constructing. This project is resulting from the Osage Wind Farm project and is being funded by Osage Wind, LLC. When the scope of services was defined for Task 2, staff did not know where the substation on the south end was going to be, so it could not be defined in the engineer's scope of services. The land has since then been purchase, but it will require a scope modification for them to make the actual connection to the substation. Mr. Herron showed a drawing of the substation site. The transmission line passes directly over the substation property. The 69-kV line will need to be rerouted around the west side of the property. Doing so will add about five structures to the design package. It will require additional geotechnical analysis and coordination with the substation design engineer. Designs are required before the main line design efforts will be completed. These structures will be included in the substation construction package planned for spring 2012 being done by a different firm. The original task was in the amount of \$457,500. This change order is in the amount of \$45,000, making the revised Task 2 total \$502,500. This is not a

construction project, so it is not limited to the ten-percent rule on construction projects. Director Bartlett asked if this is the same project that the Osage Tribe is suing to have the wind farm project stopped because of problems with mineral rights. Mr. Herron stated it is the same project, and at present, it does not give GRDA any pause. The agreement GRDA has with Osage Wind covers GRDA. If a stop order is put on the project, Osage Wind will pay GRDA its expenses up to that point. Until a stop order is received, GRDA is to continue with the process. GRDA has a timeline to follow regardless of what is going on. Director Chernicky moved the Board approve Change Order No. 1 to Task 2 of Contract DCS1100038SOL to Burns & McDonnell for a not-to-exceed price of \$45,000 due to a change in scope for rerouting the 69-kV line around the substation property, seconded by Director Kerns, and voted upon as follows: Kerns, Meyers, Spears, Bartlett, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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#### **4.f. Mutual Aid Agreement with Municipal Electric Systems of Oklahoma (MESO)**

Mr. Kiefner reported if this agreement is in place prior to a natural disaster, MESO members will be able to receive FEMA money without going through additional hoops, so it is advantageous for them. It does not cost GRDA anything unless GRDA requests aid through MESO, and it is provided by others. The agreement outlines GRDA's rights and responsibilities. If they need help from GRDA, GRDA bills the other utility for the work—GRDA's personnel, vehicles, and expenses for material. It has been a good arrangement, and agreements were originally signed in 2003 and 2005. This agreement goes back to the 2003 language. The agreement calls for binding arbitration. Normally,

GRDA does not have binding arbitration agreements; however, GRDA's partners are so good that the risk of ever having an issue is extremely low. In 30 years, Mr. Kiefner could not recall a dispute and reported staff recommends approval. Director Grodhaus moved approval of the MESO Mutual Aid Agreement as presented, seconded by Director Spears, and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**4.g. IDIQ Contract #ID 12032 with Cyntergy AEC Consulting Services for Microwave Repeater Site Generators**

Mr. Herron reported IDIQ stands for Indefinite Delivery – Indefinite Quantity. It is a state process for smaller engineering jobs. Engineers are previously vetted by DCS. The state then assigns engineering firms based on design qualifications and the desire of what the state agency needs to be done. Designs normally can cost up to \$100,000, and they are basically for projects that cost less than \$1.5 million. The state does require a seven percent handling fee. GRDA needs standby generators at microwave repeater sites at 15 locations. GRDA provided the specifications for the needed generators and transfer switches. GRDA will use the specs to go out for bids and buy the actual units. Once GRDA has identified the particular manufacturer and types of equipment, that information will be given to the consultant who will then proceed with detail designs for the project. The intent is to go out for one bid for all the sites and have one construction contract. The consultant will witness the construction and final testing and approve that the work has been completed as designed. They will then prepare the as-built drawings as needed. Mr. Herron showed a slide of the Grove Repeater. The process required board approval of the not-to-exceed design costs and additional board

approval of the DCS handling charges. DCS assigned Cyntergy AED as the firm to do the work. Staff negotiated the scope of services with Cyntergy. The project design fee is \$76,600. The construction administration fee is \$39,370, for a total of \$115,970. The DCS handling fee is \$8,117.90. Director Bartlett asked about the fuel used, and Mr. Herron stated it uses propane. Director Bartlett suggested using natural gas if available to anticipate the need to refill the fuel tank which could put GRDA in jeopardy in emergency weather conditions. Mr. Herron reported the original plan requires a minimum of seven days full load for the generators, but staff will also look at the possibility of using natural gas. Director Bartlett moved the Board approve an engineering contract with Cyntergy AEC per DCS Contract #ID 12032 for a not-to-exceed price of \$115,970 and approve a contract with the Oklahoma Department of Central Services (DCS) for \$8,117.90 for handling fees of these IDIQ process services, seconded by Director Grodhaus, and voted upon as follows: Spears, Bartlett, yes; Chernicky, abstained; Grodhaus, Kerns, Meyers, yes. *Motion passed (5-yes, 0-no, 1-abstained).*

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#### **4.h. Appendix A Modification to “Affected Systems Facilities Construction Agreement” – Osage Wind Farm.**

Mr. Herron reported this item should have been presented before item 4.e., but due to timing, it had to come later. Osage Wind LLC is constructing a 150-MW wind farm in Osage County, and it is interconnecting to KAMO’s transmission system. A study conducted by SPP and AEC indicated the GRDA system needed reinforcement for the interconnection in addition to other upgrades in the area for both KAMO and PSO. The Osage Wind Farm is required to pay for the system upgrades. Mr. Herron

showed a drawing of the system that illustrated the upgrades. The Pawnee to Fairfax 138-kV/69-kV transmission line consists of rebuilding the existing 69-kV transmission line from Pawnee to Fairfax (approximately 19.5 miles) with double circuit towers for a double circuit 138-kV transmission line, one side of which will be operated at 69-kV. The estimated cost of the project is \$9.6 million. The switching substation is a new 138-kV three-breaker ring bus substation containing three 138-kV circuit breakers, associated disconnect switches, structures, relaying, grounding, fencing, and all associated and miscellaneous equipment. The estimated cost of that project is \$2.5 million. Mr. Herron showed a slide of the timeline that came with the original agreement with Osage Wind LLC. They started their work in June 2011. They also made payments to GRDA during the time period. GRDA's original goal was to have the project done by December 1, 2012. December 31, 2012, was the in-service date. They made security payments throughout the schedule; they have already made the June 7 and October 1 payment, so GRDA has \$2.5 million of their money right now. GRDA is in the process of doing design for the substation; bids will be going out soon for materials, etc., and the construction bid will be going out after that. The transmission line is the \$9.5 million left in the payment schedule. They were supposed to send GRDA a check for \$4 million on December 1 with a follow-up of \$5.5 million on March 1, 2012. Complications arose with arranging outages for various companies to perform their parts of the project work. There are four companies working on the project: PSO, AEC, KAMO, and GRDA. Because that line is critical to the services in that area, outages cannot be stacked or doubled. Working four outages into a one-year period with this amount of work is very problematic. As a result, it appears the schedule will be moved to the 2013 timeframe

instead of 2012 on the transmission line part of the work. GRDA can do the substation work without affecting projects or outages of other companies. It is uncertain if the line will be built in the summer or winter construction period. GRDA will proceed with the design of the line and procurement of the materials. However, the Appendix A dates for security payments need to be modified: #3 needs to be changed from December 1, 2011, to March 1, 2013; and #4 needs to be changed from March 1, 2012, to September 1, 2012. The #4 item may actually be delayed further if it becomes a winter construction project. In response to a question by Director Meyers, Mr. Herron stated GRDA will get the money ahead of the work, and it is then justified with invoices. Director Meyers moved the Board approve the letter agreement Modification to Dates Specified in Appendix A to the Affected Systems Facilities Construction Agreement among Southwest Power Pool, Grand River Dam Authority, and Osage Wind LLC dated July 21, 2011; seconded by Director Spears; and voted upon as follows: Bartlett, yes; Chernicky, abstained; Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

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#### **4.i. Economic Dispatch Modeling Report**

Mr. Brown reported the Economic Dispatch Modeling Report provides a ten-year projection of the Authority's power supply plan. The plan provides the power supply cost inputs for the GRDA budget and long-term financial plan. The 2012 fuel cost from the model is also the primary contributor to the Power Cost Adjustment (PCA) factor.

An economic dispatch model is used to estimate future power supply requirements and costs. Inputs to the model include a long-term load forecast jointly developed by GRDA and its customers; fuel price forecasts for natural gas and coal; heat rate or

efficiency curves for the thermal generation units, projected scheduled outages and forced outage rates for all power supply resources; and expected availability of the hydro facilities based on historical data. During review of the fuel price forecast slide, the large jump in coal costs in 2012 was noted as being attributable to a 30 percent-plus increase in freight costs.

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#### **4.j. Power Cost Adjustment (PCA) for the First Six Months of 2012**

Ms. Dougherty reported the PCA is a rolling average rate adjustment to pass on fuel and purchased power fluctuations to contracted customers at cost of service as compared to the 13 mills that is built into the base energy rate. The primary components are thermal fuel costs, gas fuel costs, and purchased power. The PCA is applicable to all contract sales provided under a rate schedule. It does not apply to the OMPA contract for 20 MW out of Unit 2 or spot sales. GRDA has had the benefit of a legacy coal contract. For years the cost per MWh of GRDA's coal has been in the \$10 to \$12/MWh range. It began going up as GRDA began paying surcharges. This year it is in the \$19 to \$21/MWh range. The legacy contract has expired, and GRDA's projections for 2012 were in the \$25/MWh range. GRDA had record market purchases to meet GRDA's demand in 2005 - 2007. GRDA purchased the Redbud plant in 2008. As the load grew, GRDA was able to meet the load from Redbud and not from market purchases. Ms. Dougherty showed a slide that depicted the cost of generation components compared to the PCA base rate. In 2006, 2007, and 2008 the cost per kWh purchased was higher, and it dropped after the purchase of the Redbud plant. Ms. Dougherty stated the days of seeing a negative PCA are over. GRDA could reset the base the next time the rates are done, but it does not make any difference to what is

paid overall because the customer is going to cover the cost. One thing GRDA is doing better at with the help of the customers is estimating the loads, and that helps improve resource planning. The only separation between actual and budgeted loads was in June during the record heat. The surrounding utilities and the Southwest Power Pool had the same problem. GRDA has been saying for quite a while that the fuel costs are going to go up. In 2010 GRDA had a big over collection that was carried over from 2009. Going into 2012, with diesel prices and transportation, GRDA has a \$17 million under collection. Unfortunately, the projections are telling the same story: delivered coal fuel costs are going up. The PCAs for the first and second halves of 2011 were 6.44 and 9.24 mills, respectively. When the 2012 fuel costs were estimated in 2008, the PCA was estimated at 16 mills; in 2009, 14.6 mills; in 2010, 13.2 mills. When the numbers were updated with the most recent coal contract information, the average for 2012 will be 13.9 mills. A 13.32-mill surcharge was calculated for the first half of 2012, and it is estimated at 14.36 mills for the second half of 2012. Ms. Dougherty recommended setting the PCA at 13.32 mills. Director Meyers asked about the PCA's being calculated every six months and if there is a trigger if the bucket gets too big. Ms. Dougherty stated the old contracts (and board policy) defined the PCA as being set in December and June. GRDA still has some legacy contracts. Carrying a balance has also been discussed. In general, the industrial customers would like to see a monthly PCA to show the true cost of the product. Cooperatives and cities would like to see an annual number. The newer contracts allow GRDA to recover its costs whenever the Board feels it is appropriate. In response to a question by Director Kerns about whether transportation costs were the only PCA driver, Ms. Dougherty reported the second

component is GRDA's load is growing, so GRDA's fuel mix incorporates a greater percentage of the higher-priced gas fuel. The third item is hydro does not impact the PCA the way it did when GRDA was a smaller utility because of the decreasing percentage of hydro to other fuel sources. Director Chernicky moved the Board approve the PCA surcharge for the period from January through June 2012 be 13.32 mills as calculated, seconded by Director Meyers, and voted upon as follows: Chernicky, Grodhaus, Kerns, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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#### **4.k. Preliminary 2012 Budget**

Ms. Dougherty reported the numbers for the preliminary budget came directly from the Economic Dispatch Modeling done by Guernsey. Staff will be sharing the ten-year financial forecasts with the customers over the next month. The budget includes a comparison of where GRDA has been financially over the last three years. The main increase in projected revenues is from off-system firm. That is mainly a result of off-system contracts with OMPA and Western Farmers which are taking increased loads in 2012. The coal-fired plant and Redbud fuel are coal and gas usage, and those are for those increased sales as well as higher coal prices. Another significant factor is the fall outage of Unit 2. Operation and maintenance costs are up for the outage. GRDA did capitalize interest when the 2010 bond issue was done, meaning part of the interest costs were borrowed. Therefore, the debt service requirement is less than the payments made to the bondholders. Using all those assumptions gives an anticipated 1.11 debt service coverage. Staff recommends approval of the preliminary budget as presented. Staff will be doing more bottom-up budgeting and will start with personnel costs. Those

numbers will be refined when the final budget is presented in April. It is also hoped staff will have a better handle on what is going to happen with the environmental issues. Director Spears requested staff provide capital projections to the Board. Ms. Dougherty reported the capital budget has been updated and will be provided to the Board, and the ten-year financial forecast has more information on that. Capital items are purchased out of the difference between 1x coverage and 10x coverage or cash in the bank. In response to a statement by Director Grodhaus, Ms. Dougherty stated staff is very conservative when doing the budgeting process. Of the excess capabilities of the plants available for spot sales, only 30 percent has been budgeted. Therefore, the debt coverage of the budget approved is the minimum because it is hoped there will be spot sales. Director Grodhaus added that once bottom-up budgeting is incorporated, GRDA will be a much finer running corporation. Director Chernicky moved the proposed preliminary 2012 budget be approved as presented, seconded by Director Grodhaus, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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#### **4.I. Annual Designation of Additional Supplemental Reserve Funds**

Ms. Dougherty reported GRDA has designated a portion of cash for the last several years. The investment community likes GRDA to designate cash because it is a risk management tool that does not impact the debt service coverage. It is simply a board designation to reserve cash and investments for a specific purpose. There are two funds. One is for unforeseen risks to which the Board has designated \$15 million. That was the original target, and staff feels that amount is adequate. The other fund is for environmental expenditures for the Coal-Fired Complex. The fund currently has

\$17.5 million, and staff is recommending another \$2.5 million be designated today. Staff believes this fund will be used in the next few years. Ms. Dougherty showed a slide setting forth selected cash and investment fund balances as of October 31, 2011. Director Grodhaus asked if GRDA would be able to substantiate and survive scrutiny with these reserves, and Ms. Dougherty indicated yes. Director Chernicky moved an additional \$2.5 million be designated to the Supplemental Reserve Fund I to bring the total up to \$20 million, seconded by Director Grodhaus, and voted upon as follows: Kerns, Meyers, Spears, Bartlett, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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#### **4.m. Authorization for the Chief Executive Officer to Request Proposals for an Efficiency Audit of the Grand River Dam Authority**

Director Bartlett reported this is in response to the audit and to GRDA's customers to show that GRDA is controlling costs, operating efficiently, and providing appropriate governance by the Board and management. Mr. Bartlett reported the City of Tulsa embarked on an aggressive efficiency study when the City expected some financial problems. An outside firm was hired to examine the City's entire structure and make recommendations and examine priorities. Director Bartlett recommended authorizing Dan Sullivan to prepare a request for proposals from those outside companies that have a tried and true record of examining facilities such as GRDA to ascertain if GRDA is efficient and to specifically look at the Board—to see if the Board is governing efficiently and to look at the Committee structure. It would then be up to the Board on what to do with the recommendations. The City created a Management Review Office that reports to the Mayor's office. Their purpose is to examine the recommendations, make a

determination whether or not they are suitable or feasible, determine how they can be implemented, give an estimation of the cost or savings, and make a recommendation to the governing body. An efficiency audit is a lengthy and costly process. The City was given 1,100 recommendations with a serious potential for savings. To date the City has verifiably determined the City will be saving over the next four to five years about \$39 million. It is not meant to find fault with anybody or anything. It is meant to reinforce a good Board, a good management team, and give the investment community and customer base an opportunity to have confidence in the Board's and management's abilities to manage the facility well and provide a low-cost and consistent source of cheap energy that Oklahoma deserves. Director Bartlett stated he has talked with Mr. Sullivan and some of the directors about this issue. Director Grodhaus stated this is a good idea that will show how to lower costs and increase revenues and be more efficient, so maybe there can be some rate decreases. Director Bartlett added that he believed for the audit to be successful, a committee would need to be created to evaluate the recommendations, determine if they are appropriate and doable, and make recommendations on how to implement them. Director Bartlett moved to authorize Mr. Sullivan to request proposals for an efficiency audit, seconded by Director Grodhaus, and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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#### **4.n. Update on the Emergency Action Plans for GRDA Dams**

Mr. Barney reported GRDA has a legal obligation as a party of operating hydro facilities to have Emergency Action Plans (EAP). It is a necessary requirement by FERC the EAP be updated every five years. Over the last six to nine months, great effort by

staff has been made to review and update the old EAP, and it is much improved. There was a lot of input from FERC regarding changes. The purpose of the EAP is to safeguard lives and reduce property damage in the event of a dam failure. There is a standardized way of doing that under FERC: defining responsibilities, utilizing preplanned procedures, notifying residents, notifying emergency management authorities, notifying law enforcement authorities, and providing inundation maps showing predicted worst-case flood zones for authorities to consider in their emergency response. GRDA has five separate EAPs: Pensacola Dam, Markham Ferry Dam (Kerr Dam), Salina Pumped Storage Forebay (dam for powerhouse), Chimney Rock Dam (retainment for Salina Pumped Storage), and Salina Dike (protection of Town of Salina). There is a standardized format for the plans. Section I includes the notification flowcharts. Section VII includes the inundation maps prepared by the Corps of Engineers. If the dam were to fail, the impact would be felt downstream as far as Muskogee and Wagoner Counties. The Corps modeled a failure of each of the five dams. In concert with the Corps, bridges that would be flooded were identified. This information is important to law enforcement authorities in establishing what bridges need to be closed. Railroads are also included. Mr. Barney showed maps of predicted flood zones. Distribution and training of EAPs was performed in October and November. GRDA's communication system was tested on October 11. An advanced orientation and exercise drill was successfully held on December 9, 2011. Mr. Barney introduced Mr. Fraley, Director of Law Enforcement, and stated Mr. Fraley and one other person would make a decision in the plan as to whether a notification is made.

Mr. Fraley reported the purpose of the exercise conducted on December 9 was to get all the external agencies and components of GRDA in the same room and create a scenario to exercise communication flows, what steps would be taken, and what gaps need to be filled in. It is a team-building exercise and clarifies who is responsible for what. The primary exercise was failure of Pensacola Dam. The Incident Command Post was in the Grand Ballroom of the Ecosystem Center. GRDA will fall back on the Incident Command System structure which is used by all emergency management throughout the state. Mr. Fraley explained the automated Blackboard Connect which makes the calls. It will also send text messages and E-mails, and it will call multiple numbers in whatever sequence it is given. During this exercise, all contacts were called. When completed, a report is produced that shows how many calls were successful, etc. The bad numbers were fixed, and the calls were made again. Mr. Fraley showed a slide of the agenda from the recent exercise and described the events of the day and the drill exercise. Mr. Barney added GRDA has pre-arranged procedures with the Corps as to which floodgates would be opened. If an event occurs, part of the training is to open those designated floodgates as the calls are being made. The Corps has already approved GRDA's plan. A video was then shown of the December 9 exercise drill. Approximately 50 people were in attendance, representing 60 organizations including law enforcement, emergency management, resource agencies, and GRDA.

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#### **4.o. Other New Business**

There was no other new business.

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## **5. Reports**

### **5.a. Board of Directors Committee Reports**

1. **Assets Committee:** Director Kerns had no further report.

2. **Audit Committee:**

a. **Update on Performance Audit Conducted by the Oklahoma State Auditor and Inspector:** Director Grodhaus reported the Audit Committee reports the audit was accepted, and if anyone wants to understand what GRDA's response is, there was detailed response that was submitted and included in the final report. State Auditor Gary Jones and his staff indicated they were surprised and pleased with the cooperation and the spirit of the audit as it was received by GRDA—that is was not being done on a combative basis but was being done as GRDA's taking it as a tool to improve its operations. Lastly, the Audit Committee and Board want to thank the employees of GRDA for the results shown on the audit. If anyone wants to know if GRDA is a better place today than it was eight years ago, they should look at the 2002 audit and compare it to this one. They will see a massive improvement in best practices and operations of GRDA today than it was then. This audit gives GRDA another point in time to work from. This audit will be compared to any future audit, and continuous improvement will be seen. The net effect is that GRDA is better than it was yesterday, but it is not as good as it is going to be tomorrow. This is because of the management team and the employees working together. The Audit Committee and Board want to thank the management team and employees for a good job and encourage them to keep up the good work so that the next time, GRDA is improved even more than this time.

3. **Coal Committee:** Director Chernicky had no report.

**4. Marketing Committee:** There was no report.

**5. Policies and Procedures Committee:**

**a. 2011 Annual Review of Board Policies**

**b. Opening of Rulemaking Record Pursuant to the Oklahoma Administrative Procedures Act for OAC Title 300, Chapter 20 (Purchasing Policy)**

Director Bartlett reported the Policy Committee met this morning and recommends approval of the opening of rule making record pursuant to the Oklahoma Administrative Procedures Act for OAC Title 300, Chapter 20 (Purchasing Policy).

The Policy Committee also reviewed current Board policies, and staff is directed to review the policies for any updates that are necessary as a result of the recent audit and other operations and to present new policies and procedures that have not yet have been adopted. Director Bartlett moved to open the rule making record pursuant to the Oklahoma Administrative Procedures Act for OAC Title 300, Chapter 20 (Purchasing Policy), seconded by Director Kerns. In response to a question by Director Chernicky, Ms. Edwards stated this is part of the Oklahoma Administrative Code. The Secretary of State has very specific guidelines to be followed to publish the rules. It is a codified rule, and it is a very public process. The motion was and voted upon as follows: Spears, Bartlett, Chernicky, Grodhaus, Kerns, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**6. Long-Range Planning Committee:** There was no report.

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## **6. Executive Sessions:**

**a. Executive Session Concerning Non-Public Information.**

Director Chernicky moved to go into executive session at 12:17 p.m., seconded by Director Meyers, and voted upon as follows: Bartlett, Chernicky, Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Director Spears moved to return to regular session at 1:13 p.m., seconded by Director Meyers, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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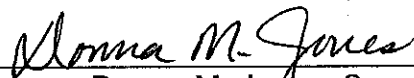
## 7. Action on Executive Session Items

### a. Action, As Necessary, Concerning Non-Public Information.

Regarding item 7.a., no action was deemed necessary at this time.

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Director Grodhaus moved for adjournment at 1:14 p.m., seconded by Director Kerns, and voted upon as follows: Kerns, Meyers, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

January 11, 2012  
GRDA Board of Directors