

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
January 11, 2012**

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 January 11, 2012. 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 1, 2011, at 11:04 a.m.; by posting the agenda with the Craig County Clerk's office on January 10, 2011, at 9:17 a.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair Spears called the meeting to order at 10:13 a.m. The Secretary called the roll; all members were present with the exception of Directors Chernicky and LaGere. Chair Spears declared a quorum. Ms. Moore introduced guests.

BOARD MEMBERS

Stephen R. Spears, Chair	Present
Greg R. Grodhaus, Chair-Elect	Present
Dewey F. Bartlett, Jr.	Present
David J. Chernicky	Absent
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	Present
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; Dan Blankenship, Stillwater Utilities Authority; Gary Pruet, Pryor MUB; Ted Hilmes, KAMO Power; Wendy Gregory, Governor's Office; Randy Krehbiel, Tulsa World; Denton Thomason, Vinita Daily Journal; Ricky O'Bannon,

Stillwater News Press; Mike Williams, Shangri-La; Bob Bitting, PSO; Justin Alberty, Tamara Jahnke, Holly Moore, Darrell Townsend, Melanie Earl, Dave McCollaum, Grant Burget, Eddie Rogers, Heath Lofton, and Mike Stafford, GRDA.

- a. Nominations for Treasurer**
- b. Election of Treasurer**
- c. Nominations for Secretary**
- d. Election of Secretary**

Chair Spears declared nominations open for Treasurer and Secretary. Director Meyers moved to nominate Carolyn Dougherty for Treasurer, seconded by Director Bartlett. There being no other nominations, the nomination was voted upon as follows: Grodhaus, Kerns, Meyers, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained)*. Director Meyers nominated Donna Jones for Secretary, seconded by Director Bartlett. There being no further nominations, the nomination was voted upon as follows: Kerns, Meyers, Spears, Bartlett, Grodhaus, yes. *Motion passed (5-yes, 0-no, 0-abstained)*.

CONSENT AGENDA

1. Regular Board Minutes of December 14, 2011

2. Claims, \$39,079,597.85

4.a. Declare Surplus and Not Necessary to the Business of the District: (1) Sharp Copier

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
33340	Foster Wheeler North	\$51,640.00
33474*	Moran Welding Inc	53,621.00
33613	Advanced Steel & Crane	104,628.00
33686	American Public Power Association	90,000.00
33690	Office of Personnel Management	52,000.00

33713* Darr Equipment	61,977.00
33718* Dura-Metal Products Corp	246,000.00
33765* Ritz Instrument	40,400.00
33792* Trench Limited	65,750.00
33794* Harlo Corporation	<u>105,841.86</u>
<i>Total Standard</i>	\$871,857.46
29550 Harlo Corporation	\$110,140.00
32722 Harlo Corporation	<u>136,395.50</u>
<i>Total Change Orders</i>	\$246,535.50
<i>Grand Total Purchases</i>	<u>\$1,118,392.50</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF011-00472	Stroud Temporary Substation	\$361,658.85
RF011-00473	Jay Substation Modification	588,379.00
RF011-00474	Beggs Substation Control System/Ampacity Update	<u>731,633.18</u>
	<i>Grand Total Work Orders</i>	<u>\$1,681,671.03</u>

Regarding item 4.a., the item was listed in a Surplus Property Transfer Form dated December 12, 2011, from Kris Johnson.

Director Kerns moved to approve the consent agenda, seconded by Director Grodhaus, and voted upon as follows: Meyers, Spears, Bartlett, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA January 2012 Update" highlighting GRDA's diverse generation portfolio. Mr. Sullivan added the cost for hydro fuel is free, but the environmental and regulatory cost is not. With GRDA's wide portfolio, it has the ability to dispatch, change, and adapt to

cost issues. Additionally, the DTE project to reduce emissions on the refined coal came on line and is under the supervision of Mr. Barney. Mr. Barney added that project went commercial on December 30, and the value to GRDA's customers will exceed \$10,000 a day for many years.

4. New Business

4.b. Assets Committee Recommendations:

4.b.1. Request by Shoreline, L.L.C., at Patricia Island Estates for Construction of Six Docks Containing 156 Slips, 97 PWC Slips and 2 Breakwaters to Accommodate Patricia Island Estate Property Owners in Delaware County and for Waivers: (i) to Exceed the 125-Foot Rule, (ii) for Slips to Be Located Parallel to the Shoreline, and (iii) for Payment Schedule for Commercial Fees.

4.b.2. Request by Ketchum Public Waters Works Authority for Easement for a Water Line and a Waste Water Line in Craig County Oklahoma.

Regarding item 4.b.1., Director Kerns reported the Assets Committee met this morning. After much discussion and a request for further information, the request by Shoreline LLC was passed until the next Assets Committee meeting.

Regarding item 4.b.2., Director Kerns reported the Assets Committee unanimously recommends approval of this request and moved to approve same, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Grodhaus, Kerns, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.c. IDIQ Contract ID11032 with Cyntergy AEC for Design and Construction Administration Services for the Warehouse, Metal Buildings & Shop Projects

Ms. Moore reported this project has been in the works for several years. It includes ten separate structures at five different locations: Cushing, Locust Grove, Langley,

Pryor, and Chouteau. They range from a 2,000-square-foot shop for equipment to a 40,000-square-foot open-air structure to house inventory. The purpose of the structures is to provide covered and/or climate-controlled storage for expensive equipment and inventory, provide warehousing for inventory, replace dilapidated operational areas, reduce response time, eliminate rental costs, increase productivity, and increase security. All the structures are listed in the 2010 bond project. Many were planned to be constructed internally, but because of the amount of work needed and the size of some of the structures, it was determined not feasible. It was decided to package all ten projects into one large construction project to save time, money and resources of GRDA. The estimated cost of construction is \$5.9 million. The potential packaging cost savings is over \$500,000. The DCS IDIQ process was used to request a proposal from Cyntergy AEC. Cyntergy provided GRDA with a design proposal and an optional construction administration proposal. The total design fee for the ten structures is in the not-to-exceed amount of \$229,950. The construction administration/consultant services is in the not-to-exceed amount of \$48,400. The DCS fee of seven percent is \$19,484.50, making the total cost \$297,834.50, or 3.89 percent of the total construction cost. Ms. Moore showed slides of some of the current buildings, equipment, and storage. Director Bartlett asked how much money was allocated in the bond project for the buildings. Ms. Moore responded the total is about \$2.2 million. Discussion followed about why GRDA crews could not do the work and about the seven percent DCS fee. Director Bartlett requested Ms. Gregory of the Governor's office to look into the fee DCS charges. Director Spears suggested using local contractors to do the work might be cheaper. Director Meyers suggested prioritizing the projects. Mr. Herron added that

separating the projects would require ten public construction bids, ten contracts, plus there may be a problem putting engineering on the construction contractors. Mr. Barney added these buildings are not simple pole barns. They are steel structures customized to each location. For example, the welding shop at the Coal-Fired Complex involves underground utilities, parking issues, and sewer issues. The decision today is whether or not to engage this architectural firm. The Board would have an opportunity to decide the merits of each project later. Director Bartlett suggested deferring this item for a month for further information and asked for a prioritization of the projects. Director Spears asked for a price per square foot of the initial estimate and what they are currently.

4.d. Interagency Agreement between GRDA and Oklahoma Department of Wildlife Conservation (ODWC) to Perform a Fisheries and Creel Survey for the Salina Pumped Storage FERC Relicensing Project

Dr. Townsend reported that at the November board meeting, several of these contracts came before the Board for approval, all of which were related to the Salina Relicensing Project. At that time, it was reported the ODWC agreement would be coming before the Board. This is part of a five-year FERC relicensing process and part of the study plan that should be completed November 2012. They may be extended based on ODWC's comments. The preliminary budget in the 2010 bond issue for relicensing costs was \$750,000. Costs to date are \$634,454, leaving \$115,546. This agreement is in the amount of \$37,942. The purpose of the two studies is to evaluate the fish species composition and assess relative abundance and body condition. The creel survey will poll the fishermen regarding their interests. Director Meyers moved the Board approve the interagency agreement between the Oklahoma Department of

Wildlife Conservation and GRDA to perform a Fisheries and Creel Survey for the Salina Pumped Storage FERC Relicensing Project in an amount not to exceed \$37,942, seconded by Director Bartlett, and voted upon as follows: Bartlett, Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.e. Proposal for Legislative Services
from Longacre Inc. and Erling and Associates**

Mr. Sullivan reported GRDA has previously engaged varying groups to perform lobbying services at the state level. On behalf of GRDA, Mr. Sullivan asked Jamie Longacre and Margaret Erling to submit a proposal, which was included in the board material. As a side note, both are lake property owners and are in the Tulsa area. In Mr. Sullivan's experience working with lobbyists, these are two of the hardest working people at the capitol in making sure their clients are well served. In further discussion since the proposal was submitted, they have agreed to reduce their fees to \$60,000 total, inclusive of costs and expenses. Mr. Sullivan recommended approval. Directors Kerns and Bartlett echoed Mr. Sullivan's sentiments about the team. Director Kerns moved to approve a contract with Longacre Inc. and Erling and Associates for state lobbying for the not-to-exceed amount of \$60,000, inclusive of costs and expenses; seconded by Director Bartlett; and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).* Director Bartlett asked when they would be starting. Mr. Sullivan stated it is hoped tomorrow as there is a Joint Task Force meeting at 1:00 tomorrow at which Mr. Sullivan will be giving a presentation. The Task Force has been in effect for many years; it did not meet very often. GRDA made some bill requests to follow up on the audit and other bills. One bill relates to

hedging and the data market activities and the integrated market with SPP. Staff believes GRDA has the authority to participate in that, but legislation has been requested to remove any doubt. Director Kerns requested the Board be provided with a memo regarding the legislation GRDA has requested. The bill-filing deadline is this week. Director Bartlett asked about conflicts with clients and if GRDA would be without representation. Mr. Sullivan stated the typical rule is to bow out of both and not pick among their clients. They were not aware of any conflicts and will address them should they arise, which may result in an adjustment in their contract if it was something of significance where GRDA would have to hire someone else.

**4.f. Approval of Workers' Compensation Insurance for Policy Period
February 1, 2012, through February 1, 2013**

Mr. Lofton reported GRDA received a renewal notice for the upcoming policy period from CompSource Oklahoma. They presented GRDA an estimated annual premium of \$1,165,222, approximately \$40,000 more than last year. The estimate was based on a policy issued without per-claim medical benefits deductible which would result in a corresponding decrease in the premium. Under Oklahoma law, insurance companies that are going to offer workers' compensation coverage have to offer employers an opportunity to have between a \$500 and \$2,500-per-claim deductible. Last year, GRDA chose a \$500-per-claim medical deductible which resulted in a premium reduction of \$46,317. With that reduction, there was also the added per-claim medical expense of about \$20,000. In order to make a recommendation on the deduction, information was sought from CompSource regarding the last years' claim history. Mr. Lofton showed the information from 2011. Some of the claims have not yet

matured. Out of 43 work-related injuries, 14 claims have no corresponding medical payments. GRDA paid \$10,223.29 in medical expense deductible. The premium reduction associated with the \$500 deductible was approximately \$46,000. Thus far GRDA has achieved about \$36,000 in savings, but there is potential to pay another \$11,000. In 2010 there were 51 work-related injuries. Looking back over the last eight to ten years, the range of claims is 47 – 50 claims a year. If GRDA would have applied a \$500 deductible in 2010, GRDA would have saved about \$26,000. Mr. Lofton showed what the savings would have been for 2010 and 2009 for the different deductibles. Staff recommends renewing the policy with CompSource, electing to apply a \$500-per-claim medical deductible, and approve payment of the estimated premium of \$1,118,540 [\$1,165,222 less the 2.7 percent reduction]. In response to Director Kerns about other quotes, Mr. Lofton stated quotes were requested last year, and no carriers offered to make an estimate. Ms. Jahnke added that the rate the experience mod is at right now makes it very hard for a company other than CompSource to provide as good a discount as CompSource. CompSource is also very good at giving state agencies a percentage deduction. Mr. Sullivan stated it is anticipated other companies will be evaluated prior to next year's renewal, and staff also wants to look at GRDA's safety program. Director Bartlett moved to approve renewing the policy with CompSource with a \$500-per-claim deductible and approve payment of the estimated premium of \$1,118,540, seconded by Director Spears, and voted upon as follows: Kerns, Meyers, Spears, Bartlett, Grodhaus, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.g. Recommendation Concerning Fuel Source for Microwave Site Standby Generators

Mr. Herron reported that last month the Board approved IDIQ 12032 contract for design of standby generators at 15 microwave sites. It was proposed the generators be powered by propane fuel with a seven-day, full-load fuel supply. The Board requested staff check if natural gas is available instead of propane. At 13 of the sites, there is no gas available. At two sites, "raw" natural gas is nearby; however, "raw" gas is unpurified and has had no odorizer added. Staff's preference is to use propane at all sites. Doing so would simplify generator bid specs by using a single fuel type, it would simplify fuel contract requirements with one contract rather than two or three, and it may be less wearing on the two engines rather than using "raw" gas. The design engineers need to know how to proceed; staff requests Board input. Director Bartlett stated he had requested the information and would defer to staff's expertise. As there is no gas available, propane would appear more appropriate. Director Bartlett's concern stemmed from possible weather events and the availability of gas. Director Bartlett moved the Board agree upon the original desire to have each of the generators powered and designed for the use of propane on site with a seven-day supply, seconded by Director Spears, and voted upon as follows: Meyers, Spears, Bartlett, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.h. Change Order #1 (Task 1) and Change Order #2 (Task 2) for Engineering Services with Enercon Services, Inc., for the Hulbert Switching Station and Tahlequah West Substation Addition

Mr. Herron reported these two projects were a DCS award to Enercon Services. Task 1 (Hulbert) was in the not-to-exceed amount of \$362,200, and Task 2 (Tahlequah)

was in the not-to-exceed amount of \$144,200. Since the award of Task 1, staff decided to use OPGW fiber for relay protection systems and communications at the substation. The consultant was asked to modify his design to incorporate the fiber in the substation design. He provided a cost of \$3,528, which adds 40 hours of design services. It was also determined a second power PT was needed at this site. The design required use of one power potential transformer (PT) for station power. GRDA requested adding a second power PT for redundancy which requires an automatic throw-over switch. The cost is \$4,932, and it adds 68 hours of design services. Mr. Herron showed a slide of the property GRDA is trying to purchase. The change order total for Change Order #1 is \$8,460, or a 2.3 percent increase.

Task 2 involves a fence and property problem. The scope required installation of a capacitor bank on the west side of metering in the substation. The capacitor bank will not fit in that location because there is not adequate clearances for vehicles to pass between the capacitor and the fence. Staff requested the consultant determine how to fit the cap bank on the east side and how much additional land would be required. The cost for that work is \$2,876 and adds 24 hours of design time. The designs for the east side capacitor bank will also need to be revised assuming GRDA purchases the needed land. The cost for that work is \$14,606 and adds 154 hours of design time. The existing breaker needs to be replaced. The original plan was to use the existing breaker and add three new ones. The engineers determined the breaker operates on 48 vDC. GRDA uses 125 vDC on all the new breakers. There needs to be one voltage used in the substation. Staff requested the engineer replace the fourth breaker, and that cost is \$7,108 and adds 76 hours of design time. The total for Change Order #2 is \$24,590, or

a 21.9 percent increase. This is a retrofit job in which the consultants are working in a confined space and are working around existing equipment.

Director Meyers moved the Board approve Change Order #1 to the Enercon Services, Inc., design contract for Hulbert Switching Station for a total of \$8,460 for services needed to bring OPGW fiber into the station and provide a second power potential transformer for station service, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Grodhaus, Kerns, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Bartlett moved the Board approve Change Order #2 to the Enercon Services, Inc., design contract for Tahlequah West for a total of \$24,590 for services needed to determine the needed additional land for the substation, relocate the capacitor bank, and replace the remaining breaker; seconded by Director Meyers; and voted upon as follows: Bartlett, Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.i. Work Authorization 33685 to Burns & McDonnell to Prepare Project Boundary Drawing (Exhibit K) for a License Amendment (FERC Project 2524-OK)

Mr. Herron reported GRDA is constructing a new substation at Saline Creek at the Salina Pump Station. The Chimney Rock substation will be removed from the top of the ridge to allow for hillside terracing, and it provides a distribution substation for NEO. This project was designed in-house. GRDA cleared the line route and prepared the substation site, elevating the site and providing fill. That work was done in 2008 and 2009. The substation is on a ridge, and the ridge is beginning to slough off and fall in the penstock area. FERC does not like that. As a result, GRDA has been asked to

terrace the hillside to stop the runoff of the rocks. Doing so will eliminate the area on top of the hill where the substation now exists. Staff bid the project and awarded the construction contract on August 10, 2010. The land for the substation and transmission line was determined to be part of the overall project. On September 27, 2010, staff learned this requires FERC approval of modifications to the project lands. On September 28, 2010, staff stopped the project and has proceeded to get the required documentation from FERC. FERC Docket P-2524-109 was issued to cover the proposed changes. It requires submittal of many documents. Among them is this revision of Exhibit K—site plan and proposed modifications. It requires 35mm film aperture cards be submitted with drawings in electronic format. The filing due date was December 20, 2011. Burns & McDonnell was requested to do this work because they are working on other hydro-related projects. They were requested to provide a scope and costs for the work on November 4, 2011. They assumed the project and began work on it. They provided the needed documents, so GRDA was able to meet the December 20, 2011, deadline. They provided GRDA a work proposal on January 3, 2012. They will provide any required modifications after FERC review and prepare the final submittal documents. The total estimated fees are \$12,200. Staff recommends approval. In response to a question by Director Bartlett, Mr. Herron reported the substation is on GRDA project land. Dr. Townsend explained the project boundary and GRDA's property line, which do not necessarily correspond. The structure was on GRDA property, but it was outside FERC's boundary. FERC has asked GRDA to change GRDA's project boundary for this amendment to include the substation, even though it is in GRDA's property line. Director Meyers moved the Board approve Work

Authorization 33685 with Burns & McDonnell to prepare a project boundary drawing for a FERC license amendment for a not-to-exceed cost of \$12,200, seconded by Director Bartlett, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.j. Plan for Reorganization of Board Committees

Chair Spears reported GRDA's standing board committees are established in Board of Directors Policy No. 2-3. After having discussions with Mr. Sullivan about existing committees and possibly restructuring, Director Grodhaus had indicated he would like to see a new committee established. Director Spears proposed the committees be amended as follows: The Assets Committee remain unchanged. It consists of Betty Kerns (Chair), David Chernicky, and Steve Spears. The Audit Committee be changed to the Audit and Budget Committee with no change in members: Brent LaGere (Chair), Greg Grodhaus, and Steve Spears. The Coal Committee remain unchanged. Its members are David Chernicky (Chair), Chris Meyers, and Steve Spears. The Long Range Planning Committee be a standing committee rather than a special committee. Director Spears suggested combining the Marketing Committee with the Long Range Planning Committee. The proposed Chair would be Chris Meyers with members Dewey Bartlett and David Chernicky. The Policies and Procedures Committee remain unchanged. Its members are Dewey Bartlett (Chair), Betty Kerns, and Brent LaGere. A new standing committee be established and entitled Compensation Committee. The proposed members would be Greg Grodhaus (Chair), Chris Meyers, and Betty Kerns. Chair Spears stated the proposed structure is open for suggestions.

No action is deemed necessary at this time. At the next meeting, some amendments will go through the Policies and Procedures Committee for adoption.

4.k. Contract for the Sale and Purchase of Electric Power and Energy with Stillwater Utilities Authority and Related Planning for Power Sales

Mr. Sullivan reported GRDA has been in extended discussions with Stillwater regarding renewal of their contract that expires at the end of October 2013 which coincides with the decrease in GRDA's debt service requirements and overall cost of doing business. Mr. Sullivan recognized Mr. Blankenship, Administrative Director for Stillwater Utilities Authority (SUA). Mr. Blankenship reported he is here today on behalf of SUA for a definitive response on the proposed extension of SUA's power purchase agreement. The extension contains two items: to extend the existing contract by a ten-year period and that GRDA stand behind the projections submitted to SUA with the intent to have SUA's business. Director Meyers asked if SUA is asking GRDA to guarantee future fuel costs. Mr. Blankenship stated there were a number of indices in the projections—four particular ones listed in the proposed extension. There are provisions SUA will pay the standard rate all other municipalities are paying. However, if at the end of the year the actual costs exceeded any one of those indices, SUA would pay the same as the other municipals. If the actual costs were at or below any of the four indices, then GRDA would stand behind those projections—if the actual cost goes over that index, then SUA would just pay the standard rate. Director Grodhaus asked if there is provision in the contracts that if the indices are increased, the municipals pay the higher rate or the contracted rate. Ms. Dougherty reported GRDA does not true up the entire rate. Some years GRDA collects more; some years, less. The fuel cost is

trued up through the PCA, but there is still a lag, and it is still a projection. Sometimes GRDA is over-collected; sometimes, under-collected. Trends are used to help set rates. SUA is asking for a rebate the other customers would not get. Mr. Blankenship added when GRDA trues up the cost with the PCA at the end of the year is when SUA would be evaluating if it were eligible to receive a rebate. The only time SUA would be eligible for a rebate is if the average cost SUA paid throughout the year is actually higher than the projections, but yet the basis of the projections were not exceeded. Director Grodhaus expressed his concern about giving one city something the others did not get. Mr. Blankenship stated if the projections are legitimate, at the end of the day, SUA theoretically will pay exactly what the other municipal customers will pay. Director Grodhaus asked what the basis was for the standard language created. Mr. Sullivan stated the new contract being offered to all the municipalities, of which all have signed except SUA, was developed through a process of using customer input and design. The issue Mr. Blankenship has raised about fuel costs is addressed by the PCA calculation, which is a floating and moving target. GRDA can only make a best effort to anticipate what those costs are. GRDA does not want to underestimate, hitting the customers with a sudden unexpected cost. The last PCA calculation was within a mill difference of what the projection had been for fuel costs beginning this year. It was a significant increase over the 2011 cost, but GRDA had projected that and informed its partners it was coming. GRDA fronts those expenses, and then it is recaptured through the PCA process. If costs are lower than anticipated, that is also reflected in the process moving forward. GRDA believes all GRDA customers should be treated the same and dealt with on the same basis. That is what the customers as a whole had agreed to do when they

helped formulate the contract. Director Meyers asked if SUA was a part of that process. Mr. Blankenship responded that SUA took part in that process and presented it to the Board, and they chose to take no action as there was no sense of urgency because there were about four years left on the contract. About two years ago, Mr. Blankenship said he felt SUA needed a long-term power source. At that time, SUA started talking to GRDA again. SUA's attorney advised they could not sign the contract because it extended beyond the term of the lease agreement between the City of Stillwater and SUA. That negotiation occurred between Mr. Galloway and Mr. Easley. It ended at a stalemate, so Mr. Blankenship had to look for alternatives. Mr. Blankenship began to work with OMPA and was working with them until late spring of last year when GRDA indicated interest in remaining SUA's power supplier. SUA had both entities prepare projected costs through 2020. Mr. Blankenship compared the two and presented them to the SUA. OMPA's costs were less. GRDA indicated there were potential inequalities in the basis of those projections. Both revised their projections and included those assumptions with the revised projections, and four of those assumptions are the four conditions specifically listed in the proposed contract extension. Ms. Dougherty added it was very important to some of the communities that did not have the resources to be as actively involved in the negotiations that everybody got the same deal. GRDA standardized the contract and the services. The world is broken into transmission, generation, distribution, and ancillary services. The old contract assumed the customer was provided all of those services. The new contract was written, so the customer was paying for what it was buying. Also, GRDA needed to know who it was going to be committed to because customers have choices where they get their generation. GRDA

wanted to know who it would be serving to be able to identify the load requirement and to size its generation appropriately to keep the costs down. Mr. Burget asked if SUA was asking OMPA to do the same thing as GRDA is being asked to do. Mr. Blankenship indicated OMPA withdrew from the process. Mr. Burget asked if Mr. Blankenship would ask that of OMPA, and Mr. Blankenship indicated it would be up to his board. He is simply at this meeting because the SUA Board has specifically asked the GRDA Board to give a definitive response on its request for a proposed contract extension. Mr. Sullivan stated in reviewing all the information and the history, it appears when the previous settlement discussion reached a stalemate, a new contract was being discussed with a termination date that coincided with the end of the lease of SUA. Staff believes that would be a reasonable resolution. Director Meyers moved the Board approve the new standard municipal power purchase and sales agreement with Stillwater Utilities Authority revised to show a termination date of 12 a.m. April 1, 2029. Discussion followed, and it was determined April 1 was an incorrect date. The shortened term was submitted to the customer group, and they agreed that was a reasonable change to make. Mr. Pruett added all the municipals that had contracts with GRDA participated in the negotiations. An outside consultant was hired, and it took three years of negotiations. The customers agreed Stillwater should have the same contract but with the expiration date change to match the trust. If the trust extends, the contract term should be the same as the rest of the customers. GRDA may want to look at calculating the PCA monthly. Discussion followed about the PCA. Director Kerns expressed that she and the rest of the Board and customer group want Stillwater to stay with GRDA. She asked how SUA can justify asking for all the provisions the other

customers do not have and how can the Board vote against 16 other municipalities that all negotiated this contract. Mr. Blankenship stated SUA found itself in a situation where there was competition which is different than the other municipalities. Because GRDA and SUA were not able to come to terms on a contract, SUA was put into the position of looking for an alternative. Director Kerns expressed her concerns about if SUA is going to ask OMPA to do the same thing that is being asked of GRDA. Mr. Blankenship stated the Board felt GRDA presented the projections in order to gain the Board's favor. Director Kerns asked if SUA thinks GRDA fabricated the projections. Mr. Blankenship stated he does not think the projections were fabricated. Director Kerns asked if he was going to ask OMPA to do the same thing that is being asked of GRDA today. Mr. Blankenship stated he cannot answer that question; the Board would have to answer that as he does not have the authority to do so. Director Kerns asked if Mr. Blankenship was going to recommend that to his board as the Board listens to him; very few people know how rates are computed, and no one can guarantee rates. GRDA has always been the cheapest and most reliable. GRDA sells to OMPA. If SUA goes to OMPA, and OMPA wants to buy more power from GRDA so they can serve SUA, Director Kerns stated she would vote no. Mr. Blankenship added it is unfortunate and that he would have liked to have seen the contract approved two years ago, but it did not happen. Things changed, and SUA brought in someone else because there was no assurance the parties would be able to come to terms. Director Kerns added SUA's signing the contract is the right thing for SUA to do because for 40 years, SUA has been paying for GRDA's debt, and it is going away in 2013. SUA will be paying the debt of another provider. Director Grodhaus added he would like for SUA to stay, but if SUA would

require GRDA to do something that GRDA would not do for other customers, SUA may choose another vendor, and with that vendor, GRDA has no assurance SUA would put the same stipulation on them, that is unfair to GRDA and all the other municipalities that sat around the table. Director Spears added he can see the SUA Board's position about the projections, but the establishment of rates is very complicated. It is not just four indices; it is a multitude of things that changes continuously. Guaranteeing rates is impossible. Based on the assumptions, GRDA has provided the best opportunity for SUA. Both entities operate so differently, it is almost impossible four things will determine the rates. There are provisions in the old contracts for outs based on rate increases that the customer group fought to keep, but that provision was kicked out. That would still be in Stillwater's contract if it is extended. Mr. Blankenship stated the staff went to the Board in 2007 and specifically recommended approval of the contract, and the Board tabled it. Staff went back two years ago and recommended the same thing and were advised the Board could not sign the contract. Had the term of the contract been changed at that time, the Board would have signed the contract. Director Meyers moved the Board approve the standard municipal power purchase and sale agreement with Stillwater Utilities Authority revised to show a termination date of 12 a.m. June 30, 2029; seconded by Director Grodhaus; and voted upon as follows: Kerns, Meyers, Spears, Bartlett, Grodhaus, yes. *Motion passed (5-yes, 0-no, 0-abstained)*. Mr. Blankenship thanked the Board for their time and sincere desire to retain SUA as a customer, and he will report this offer back to the SUA Trustees.

4.I. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

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

2. **Audit Committee:** There was no report.

3. **Coal Committee:** There was no report.

4. **Marketing Committee:** Director Grodhaus reported that it is difficult to establish a true definition of marketing, but one can define marketing by identifying the absence of marketing. In the case of what the true value of GRDA is and what its constituents (legislature, Oklahoma Governor, and Oklahoma citizens) feel GRDA's value is, if there is any difference in what their opinion is and what GRDA's value is, that is the "deficit of marketing." Marketing for GRDA is more than contributing money to area festivals and putting signs on utility poles. Marketing has to do with having the legislature, citizens of the state of Oklahoma, and press fully understand the value of GRDA. For example, when recent audit reports and privatization studies were released, there was a lot of lamenting about the loss of tax revenues to the state of Oklahoma because GRDA is a non-taxable organization that gets below-market financing with non-taxable bonds, etc. However, many of GRDA's greatest value propositions were not, and are not, considered or recognized such as not recognizing the value of GRDA's selling wholesale power to different municipalities for the purpose of these municipalities reselling this same electricity. The difference between what GRDA sells electricity to a municipality or cooperative and the profits realized when they resell it provides a substantial amount of the revenues for those municipal customers—specifically supporting their police, fire, ambulance services, and many other operational expenses

—either directly or indirectly. These millions of dollars GRDA contributes to the municipal customers and their citizens are not recognized, and GRDA is not getting credit for this. Director Grodhaus reiterated to be clear on the subject: ***Through the resale of GRDA wholesale power, GRDA is providing substantial revenues to support rural communities and their municipal governments and services. These same rural communities have very limited additional means of raising revenues other than sales taxes. Thus, GRDA’s “reselling electricity” revenues are both substantial and largely non-replaceable by most of these rural communities and municipalities.*** However, he added, the enemy is not all those other people not understanding this and not giving GRDA credit; the enemy is us—GRDA. The job of the state auditor, the legislature, and the Oklahoma citizens is not to ferret out GRDA’s value proposition; it is GRDA’s job to give them the data needed to fully understand GRDA’s value proposition. For example, GRDA’s annual report shows GRDA has a presence directly or indirectly providing power in 24 counties in Oklahoma. In reality, there are over 70 counties in Oklahoma in which GRDA has a power presence. Therefore, GRDA has significantly understated its value and reach to the GRDA stakeholders. The question is why has GRDA done such a poor job properly communicating. This is GRDA’s problem—not theirs. GRDA must correct this—and GRDA will. Director Grodhaus added he would like to see by the end of the second quarter the Marketing Committee, working with executive management, develop very succinct, powerful, forceful GRDA value propositions to present to every GRDA stakeholder. He would like the information broken down for every district to present to each legislator on an ongoing regular basis showing the revenues each municipality in

their respective districts is enjoying because of GRDA. Net/net—the GRDA needs to, and will, engage in a “marketing deficit reduction program.” Mr. Sullivan added he submitted a piece to the *Tulsa World* that was published today that talks about those same issues. It has also been submitted to other newspapers around the state. Chair Spears added if the Marketing Committee is going to be more active, it may need to remain separate from the Long Range Planning Committee.

5. Policies and Procedures Committee: Director Bartlett had no report.

6. Long-Range Planning Committee: Director Meyers had no report.

6. Executive Sessions:

a. Executive Session Concerning a Pending Investigation, Claim or Action Related to Non-Public Information.

Director Grodhaus moved to go into executive session at 12:27 p.m., seconded by Director Bartlett, and voted upon as follows: Meyers, Spears, Bartlett, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Grodhaus moved to return to regular session at 1:23 p.m., seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Grodhaus, Kerns, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

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.

Director Grodhaus moved for adjournment at 1:24 p.m., seconded by Director Meyers, and voted upon as follows: Bartlett, Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Donna M. Jones

Donna M. Jones, Secretary

DATE APPROVED:

February 8, 2012
GRDA Board of Directors