

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
March 21, 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 March 21, 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 submitting a notice of changed meeting to the Secretary of State on December 15, 2011, at 3:55 p.m.; by posting the agenda with the Craig County Clerk's office on March 20, 2012, at 8:50 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 10:12 a.m. The Secretary called the roll; all members were present with the exception of Director Chernicky. 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	Present
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, Larry Cisneros, and Rick Shurtz, NEOREC; Randy McCarter and Jess Eagleton, Stilwell Utilities; John Bland, City of Siloam Springs; Gary Pruett, Pryor MUB; Ted Hilmes, KAMO Power; Mark

Chesney, TPWA; Wendy Gregory, Governor's Office; Sandra Balzer, Assistant Attorney General; Cyndi Wilkinson, Michael Maurer, Ronnie Jobe, Bank of Oklahoma; Thomas L. Epich, BNSF; Chuck Perry, ReMax Grand Lake; Kevin Burnett and John Mayes, The Vintage; Bill Andrew, Metal Building Industrial; Tim McCrary, Rose & McCrary; Scott Torvik, Alstom; Mike Williams, Shangri-La; Jeff Ferguson and Chris Knapp, Apex; Randy Krehbiel, Tulsa World; Cheryl Franklin, Grove Sun; Justin Alberty, Tamara Jahnke, Holly Moore, Darrell Townsend, Melanie Earl, Dave McCollaum, Heath Lofton, Grant Burget, Mike Stafford, Corie Ridgeway, Herman Werkman, Bob Scudder, and Chris Carlson, GRDA.

CONSENT AGENDA

1. Regular Board Minutes of February 8, 2012

2. Claims, \$49,412,916.36

4.a. Resolutions of Commendation:

- (1) Dale A. Estep
- (2) Chester J. Rouse

4.b. Declare Surplus and Not Necessary to the Business of the District:

- (1) RTE Transformer
- (2) Two WH Oil Circuit Breakers (OCBs)
- (3) 27 Transformers
- (4) 2000 Chevrolet Pickup, 1997 Chevrolet Suburban, 1998 Chevrolet 3500 Crew Cab, 2002 Chevrolet Van, 1995 Buick Century, 1994 Buick Century, 2007 Ford Truck 4x4 Cab & Chassis, 1999 Dodge Van, 2002 Chevrolet Van, 1994 Chevrolet Suburban, 2003 Chevrolet Cargo Van, 2003 Chevrolet Tahoe
- (5) Shopmade 2700-Gallon Water Tank, 18 Bench Seats
- (6) Seven Sections of Control, Buildings (Scrap Steel)
- (7) Two GE Oil Circuit Breakers (OCBs)
- (8) 58 Used Steel Railcars for Coal Transportation (Trade-in)

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
27504	Buckman Labs	\$21,340.00
34164	AMTEC	11,900.00
34511*	Alcatel-Lucent	1,000,000.00
34706*	Fluid Imaging Technologies	95,310.00
34709	Royal Switchgear	84,170.00
34851	Yellowhouse Machinery	80,000.00

34893	Mayes County Petroleum	198,319.98
34933	Clark Equipment	51,201.21
34972	Midwest Tower	103,500.00
35103*	ABT LLC DBA ABT Mfg	189,100.00
35173*	Kuhlman Electric Corp	102,104.00
35179*	V&S Schuler Tubular	234,062.00
35181*	Turner Electric LLC	<u>206,157.00</u>
<i>Total Standard</i>		\$2,377,164.19
32422	Southwest Electric	\$316,536.00
32722	Harlo Corporation	<u>137,109.50</u>
<i>Total Change Orders</i>		\$453,645.50
33142	MVA Power	\$63,781.28
34527	Anixter	30,940.00
34542	Dealers Electric	56,217.50
34556	Diversified Electric	6,139.42
34559	Southwire Company	8,650.00
34698	CG Power Systems	<u>143,268.00</u>
<i>Total Emergency Orders</i>		\$308,996.20
<i>Grand Total Purchases</i>		<u>\$3,139,805.89</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF012-00481	Replace Kerr/Vinita 7450-ESS1s with 7750-SR7s	\$445,924.50
RF012-00483	Add Two 7750-SR7s to Network Lab Gear	374,566.50
RF012-00485	Cushing Warehouse Expansion (1 of 7)	83,503.35
RF012-00486	Mobile Substation Extension (2 of 7)	377,839.35
RF012-00487	Open Storage (3 of 7)	199,007.55
RF012-00488	Warehouse Expansion (4 of 7)	862,624.35
RF012-00489	Substation & Property Management Shops (5 of 7)	259,903.35
RF012-00490	Kerr Warehouse (6 of 7)	180,103.35
RF012-00491	Boat Maintenance & Storage (7 of 7)	297,703.35
RF012-00494	Feeder 93 Grand River Crossing	122,817.35
RF012-00495	Rae-Corp Rebuild	107,597.70
RF012-00497	Additional Office Furniture for ECC	63,000.00
RF012-00498	Excitation Systems for Units 2 & 3 - SPSP	588,000.00
RF012-00499	Replace Unit 1 Cooling Tower Control System-CFC	<u>196,000.00</u>
<i>Grand Total Work Orders</i>		<u>\$4,158,590.70</u>

Regarding item 4.b, the items were listed in a Surplus Property Transfer Forms from (1) Choya Shropshire dated March 2, 2012; (2) Choya Shropshire dated February 27, 2012; (3) Choya Shropshire dated February 24, 2012; (4) Mark Haley dated February 17, 2012; (5) Mark Haley dated February 23, 2012; (6) Mike Ragsdale dated February 16, 2012; (7) Choya Shropshire dated February 15, 2012; and (8) Charles Barney dated March 20, 2012.

Regarding item 5.b., Chair Spears stated P.O. #35181 to Turner Electric LLC in the amount of \$206,157 should be removed from the consent agenda.

Director LaGere moved to approve the consent agenda, removing P.O. #35181, seconded by Director Grodhaus, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Mr. Sullivan updated the Board about the recent rainfall. GRDA has opened floodgates at Pensacola and Kerr per instruction from the Corps of Engineers. All six units are operating at Pensacola with nine floodgates open, and two units are operating at Kerr with two floodgates open. The waters are supposed to crest early tomorrow morning in Miami.

Dr. Townsend, Mr. Barney, Ms. Jahnke, and Mr. Sullivan met on March 7 with some FERC representatives in the hydropower licensing division in environmental issues. As a result of the technical committee meeting held on the 8th, any of the plans previously discussed regarding dissolved oxygen and changes to GRDA's turbines at

Kerr are now off the table. They are approving and going forward with the proposal that GRDA would raise its floodgates at Kerr to deal with dissolved oxygen issues. GRDA does not have to look at any other modifications, and they have moved GRDA's monitoring sites closer to the dam—the area GRDA has to affect for the dissolved oxygen. The net of that is a minimum \$2 million savings in proposed changes in GRDA's refurbishing of the remaining two units at Kerr. It was a very worthwhile meeting, and FERC got to see all of GRDA's projects and how they interrelate firsthand. As a result, it had a beneficial effect on the March 8 technical meeting. There were discussions about the rule curve, and meetings are scheduled with the Corps to see if GRDA can use any of the previous water studies to provide that information again to FERC to give GRDA relief from the rule curve, at least until after Labor Day. They admitted they recognized the rule curve has nothing to do with flooding mitigation; it is for wildlife mitigation. However, in order for them to approve any amendments they want flooding studies to have been performed by the Corps to show what effect that would have. Staff believes there have been sufficient studies previously performed that would be the foundation for them to make an amendment to the rule curve. While at the APPA Legislative Rally last week, Mr. Sullivan was able to meet with GRDA's congressional delegation offices. Senator Inhofe, in particular, has demonstrated a real desire to work with FERC and the other agencies on the rule curve issues.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA March 2012 Update" highlighting GRDA safety initiatives. Mr. Sullivan reported he met with the coal-fired plant employees earlier in the month. One of the initiatives Mr. Sullivan has stressed is the need for safety. GRDA's safety record has been on a

positive decline but is still higher than desired. Yesterday, OG&E lost an employee at the Redbud plant in an industrial steam-related accident, GRDA wants to express its condolences to the family. OG&E has had a five-year injury-free record until yesterday. Mr. Sullivan announced Mr. Scudder and the Safety Department will be moved to the Human Resources Department to provide additional independence for that area and to make sure they have all the tools necessary to improve GRDA's safety program.

Mr. Sullivan stated in his role of Director of Investments, he had asked the Bank of Oklahoma (BOK) to make a presentation regarding the services they provide and GRDA's current status. Ms. Wilkinson reported she is GRDA's administrator for all GRDA's trust accounts and revenue fund, and her job is to make sure GRDA's funds get in the right accounts and are properly used. BOK takes direction from staff and from GRDA's Base Bond Resolution. Mr. Jobe, portfolio manager of GRDA's accounts, reviewed BOK's investment strategy, asset allocation, and investment performance for GRDA's general fund; 1995, 2002, 2008, and 2010 reserve funds; and 2010 Project A&B fund. Ms. Wilkinson reported the services provided by BOK are lockbox and cash management services; trustee, paying agent, and registrar services related to bond issues; investment management services; and brokerage and trading services for directed purchases and sales of securities. Ms. Wilkinson presented a slide showing some of the benefits of BOK's services. Mr. Maurer, portfolio manager for GRDA, reported it is his job to look at the accounts and invest them in accordance with GRDA's investment policy and cash needs and maximize returns. Discussion followed Director Bartlett's questions regarding GRDA's investment or statutory policies and Director LaGere's question regarding mortgage-backed securities and the cash account.

Mr. Sullivan gave an update on the Bassmaster Classic fishing tournament that GRDA will be hosting on Grand Lake next February. Dr. Townsend went to Shreveport to see this year's tournament. He got a lot of helpful information about how that tournament was operated. The launching place for next year is still to be determined. There has been an incredible amount of buy-in from the Governor's office, Department of Transportation, the Wildlife Department, and the Department of Tourism. Everyone is coming together and trying to work together with the city of Grove to make this a successful tournament. Plans are proceeding, and it is hoped more information will be available by next meeting regarding where the tournament will launch.

3.b. Proposal from KPMG LLC for Performance/Efficiency Audit

Mr. Sullivan reported the request for proposal was sent out to Price Waterhouse Coopers, Ernst & Young, and Deloitte & Touche, as well as KPMG. KPMG was the only firm to respond. KPMG submitted a proposal that lays out their four-step audit approach that is a ten-week timeline. Mr. Sullivan has discussed the proposal with staff. Staff wants to wait until after the next NERC audit in April to start this process, so the audits do not overlap and cause a lot of time pressure. The cost proposal KPMG provided is for \$223,000, and it provides a breakdown. Staff recommends approval. Director Kerns applauded the effort to increase performance and efficiency and suggested utilizing the services of Director Grodhaus. Director Grodhaus stated he would be willing to assist in oversight to make sure objectives are being met. However, one person could not do this work in ten weeks. Mr. Sullivan added staff recognizes KPMG's capacity to provide several different areas of expertise, and they also have energy people that are available to assist that would be of importance to this project. One of the specific areas Mr.

Sullivan would like KPMG to look at is compliance to make sure GRDA has the necessary personnel and look at industry standards. Director Kerns asked how would one know if the cost is in alignment; Mr. Sullivan stated KPMG is the same firm that performed the City of Tulsa's audit. Director Bartlett reported the City had a grant; they have probably charged Tulsa about \$800,000. The initial bid was about \$500,000. They spent about 16 weeks working with the City of Tulsa. They dealt on a daily basis with all the employees, not just management. It is an all-encompassing audit. In Director Bartlett's opinion, it was money well spent for the City of Tulsa. The City has already identified about \$31 million in savings over five years. They gave the city 1,100 recommendations, and the City has implemented about 40. At least two of the people involved in the proposal for GRDA were also involved in the City's audit. They were outstanding to work with. The City had never done an efficiency study of that magnitude. It will give the Board recommendations on how it can function and how to respond to the State of Oklahoma's audit. At the end of the day, the Board needs to be able to say with confidence that GRDA is a well-managed organization. Director Spears expressed his concern that the previous administration had hired an efficiency expert and spent considerable efforts to fix efficiencies and asked if those reports had been reviewed and to what extent was GRDA able to improve efficiencies. Mr. Sullivan stated there is some benefit of having outside organizations do that type of function to provide some independence in recommendations they make. Mr. Sullivan stated he could not speak to the previous efforts. Director Spears stated there was a lot of resistance with the findings, and if GRDA is not committed to take action with efficiencies that are found, it is a big waste of money. Director Spears stated he is also concerned with the

amount of time this will incur on GRDA staff. Mr. Sullivan stated there are several staff-intensive projects going on right now. There is never a good time to do something like this. The whole idea is to provide that list of things that can be done and benchmarks to use going forward. Director Grodhaus stated this is a top-down driven process and is confident the commitment would be there. This is almost like education, so any amount of time that is invested now if management is committed to taking this down through the organization, will make GRDA better. Director LaGere added people usually resist change, but if they have a lot of input, they will get creative and offer ideas. Not everything will be implemented but more than enough will that will more than pay for the cost and time. Mr. Sullivan added the participation further down in the organization is key because oftentimes they are the people who know the things that can be done to be more efficient and make the system better. If they have the ability to impact that and have input, they are much more likely to want to implement it. Director Bartlett stated the City formed a committee called the Management Review Office consisting of four people that reported to the Mayor—in this case, Mr. Sullivan. He and his team will look at the recommendations and see if they believe their figures and conclusions are correct and compare it to what is actually being done, and then the committee would make recommendations on how to implement them. It will probably take two to three years to go through the recommendations. Who better than those doing the work to make recommendations. The City also implemented a Gain Share program in which the participants shared in the savings. Director Meyers reiterated the need to look at staff resources and what is needed for a culture of compliance. Director Bartlett moved the Board accept the proposal from KPMG LLC for Performance/Efficiency Audit of the

Grand River Dam Authority at a cost of \$223,000, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4. New Business

4.c. Assets Committee Recommendations:

4.c.1. Request by Bob Pierce for Renewal of a Grazing Lease of GRDA Property in Mayes County Oklahoma.

4.c.2. Slips to Be Located Parallel to the Shoreline, and (iii) for Payment Schedule for Commercial Fees.

4.c.3. Request by J. D. & Rose Wilhoit for Renewal of a Grazing Lease of GRDA Property in Ottawa County Oklahoma.

4.c.4. Request by New Dominion, LLC, for Right-of-Way Easements at the Redbud Facility in Oklahoma County Oklahoma.

4.c.5. Request by The Vintage on Grand Lake for Modification of an Existing Facility to Accommodate Homeowners in Delaware County Oklahoma and for Waivers (i) to Exceed the 125-Foot Rule and (ii) for Slips to Be Located Parallel to the Shoreline.

4.c.6. Request by Dripping Springs Marina on Grand Lake for Modification of an Existing Marina Located in Delaware County Oklahoma.

Director Kerns reported the Assets Committee met this morning, and there was a quorum.

Regarding items 4.c.1., 4.c.2., and 4.c.3., Director Kerns reported these three items were combined, and Director Kerns moved to approve the grazing leases to Bob Pierce, Bob Bewley and J. D. and Rose Wilhoit for a one-year term with options to renew for four additional terms for amounts as stated in the leases; seconded by

Director Spears; and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.c.4., Director Kerns moved approval of the grant of an easement at the Redbud plant to New Dominion for GRDA's proportionate share of \$1,296 plus additional work as requested by OG&E to be completed by New Dominion, seconded by Director Grodhaus. Director Spears added that Director Chernicky is the principle in New Dominion. At the request of OG&E, New Dominion has been asked to do some work as they are going to be on site. The work has a value of about \$17,000 and consists of removing shrub and trees to create a fire break, putting up a fence for security issues, and some grading. The appraisal value of the easement was about \$9,000, so the actual value GRDA will receive is somewhere between \$18,000 and \$19,000. New Dominion was not given consideration by the Board or the Assets Committee. GRDA is receiving more than fair compensation for the easement. It was previously approved by the other partners: OG&E, which has the larger part of the ownership, and OMPA. Director Grodhaus added that for good governance and perception it is noted the Board understands and realizes New Dominion and Director Chernicky have a tie, and the Board is aware of this. The Board has taken extra precautions and feels this is all above board. The motion was voted upon as follows: Meyers, Spears, Bartlett, Grodhaus, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.c.5., Director Kern moved approval of the request by The Vintage to modify the existing facility and for the waivers to exceed the 125-foot rule and for the slips to be located parallel to the shoreline, seconded by Director Spears, and

voted upon as follows: Spears, Bartlett, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.c.6., Director Kerns moved approval of the request by Dripping Springs Marina for modification of marina, seconded by Director Spears, and voted upon as follows: Bartlett, Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.d. Work Authorization No. 34373 with Burns & McDonnell
for 2012 FERC Operations Inspections of All Three Hydro Projects
and Markham Ferry Ninth Part 12 Inspection**

Mr. Barney reported this work authorization involves all three hydro projects: Pensacola Dam, Markham Ferry Project (Kerr Dam), and Salina Pumped Storage Project (SPSP). The Pensacola Project requires annual inspection, and all the dams require a comprehensive five-year inspection. Kerr Dam is due for its five-year inspection this year. SPSP consists of two dams: the dam holding water associated with the powerhouse and the Chimney Rock Dam earthen structure. Maintaining proper condition and readiness of GRDA dams is necessary to control flooding and minimize risk of catastrophic failure. The Federal Energy Regulatory Commission (FERC) is charged with overseeing all dam operations from a safety standpoint, and they mandate GRDA perform regular safety inspections of its dams. GRDA dams must be inspected annually and also receive a comprehensive inspection every five years. In 2012 the comprehensive inspection is required on Kerr Dam. Burns & McDonnell has performed these inspections and has done an excellent job. Their reports and analyses have been fully accepted by FERC. In response to a question by Director Bartlett, Mr. Barney explained the inspection process. Director Meyers moved the Board approve the

proposed Work Authorization 34373 with Burns & McDonnell Engineering for safety inspection of Pensacola and Markham Ferry (Kerr) Dams and Salina Pumped Storage Project in a not-to-exceed amount of \$185,500, seconded by Director Grodhaus, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.e. Bid Award Recommendation for Contract 33839, Pensacola Powerhouse Roof Replacement

Mr. Barney reported this was presented to the Board in August 2011. However, the contract was never executed because of some legal concerns regarding if the bidders met GRDA's specifications and if they were legally authorized to do the work. As a result, it was determined it would be best to review specifications to make a better package and to rebid the project. The Pensacola powerhouse is located at the west end of Pensacola Dam. The roof is relatively structurally sound, but it is leaking. It is 70 years old. The sealing system has failed. Leaks are numerous and are increasing. The goal is to prevent damage to the six hydroelectric generators and to eliminate slip hazards for employees and members of the public taking tours. Mr. Barney showed slides demonstrating the condition of the roof that consists of five-foot reinforced concrete square slabs that weigh about 800 pounds each. The sealant is underneath the pavers, so it is impossible to see the leaks. The pavers need to be removed, and the sealant needs to be replaced. GRDA engaged Burns & McDonnell to assist in preparing specifications to safely remove the heavy concrete pavers and sealants, to ensure no interference with GRDA electric operations, to provide a premium and heavy duty system for maximum life and resistance to fire and hail, to aid in design of the

replacement roof system, and to comply with GRDA policy. Mr. Barney showed the results of the bids. Four bidders met all of GRDA's specifications. The apparent low bidder was Mr. Roof Inc. of Moore, Oklahoma, in the amount of \$394,300. A check of references was satisfactory. Mr. Roof took no exceptions to GRDA's terms. Their bid was over \$200,000 cheaper than the bid received in August. It is not known why a better response was received this time. In response to questions by Directors Kerns and Spears, Mr. Barney explained the structure and composition of the sealant and the structure of the deck. Director LaGere moved the Board award Contract 33839 for Pensacola Dam powerhouse roof replacement to "Mr. Roof Inc." in the amount of \$394,300, seconded by Director Spears, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.f. Work Authorization No. 34911 to Alstom Power for Professional and Technical Services for Major Overhaul of GRDA Unit 2 Turbine

Mr. Barney reported that last month, staff asked for authorization to install low-NOx burners on the boiler in the fall during the major overhaul. Staff is also planning a major overhaul of Unit 2 for both the boiler and other components, particularly the turbine generator for the period September 15 through November 18. These overhauls are performed about every six years. Mr. Barney show a diagram of the turbine generator which will be completely dismantled and non-destructive testing performed on all of the components. Repairs will be made, and the unit will be reassembled. Staff is recommending engaging the original manufacturer, Alstom Power, to perform professional and technical services unique to the manufacturer. The project will be placed for competitive bid for disassembly, inspection, field repair, and reassembly of all

components of the turbine generator. Mr. Barney demonstrated and explained in great detail the components of the Unit 2 turbine generator, the work to be done, and the anticipated problems that will be found. Alstom will oversee the work. In some cases GRDA does the work, but for the most part, a contractor will do the work. GRDA would also ask Alstom to do a set of electrical diagnostics. GRDA will require significant component repairs, and GRDA wants to be able to do those repairs when they are found at the factory. GRDA has asked Alstom for an allowance of \$800,000 for repairs of an unknown nature which is part of their proposal. Alstom also has a proprietary system for aligning the turbine. In summary the work authorization would cover repairing the high-pressure turbine barrel assembly; installing new blades on the intermediate pressure turbine and resealing and balancing the rotor; performing diagnostic inspections and testing of the generator; providing specialized field engineers to oversee every detail of the disassembly, inspection, and reassembly; utilizing proprietary strain gauge alignment systems to minimize vibrations; and providing contingency factory restoration work for worn components found during the inspection. GRDA wants to reserve space in their shop for this work and be able to choose who would be helping GRDA. The total recommended authorization is in the amount of \$3,291,100, which is not inconsistent with what GRDA has spent in the past. Mr. Barney recommended engaging Alstom Power to do the work. In response to a question by Director LaGere, discussion followed about how the turbine is transported. Director Grodhaus moved the Board approve Work Authorization 34911 with Alstom Power for turbine generator technical services in a not-to-exceed amount of \$3,291,100, seconded

by Director LaGere; and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.g. Change Order #9 to Contract HYDRO-2005-3,
Markham Ferry Hydroelectric Plant Upgrade, with Alstom Hydro
for Expected Out-of-Scope Repairs on Units 2 and 3**

Mr. Barney reported Mr. Scott Torvik, project manager, is present today to answer any questions. Two change orders are being presented today, as well as an item to be discussed in executive session. The original contract to completely refurbish the four turbine generating units at Kerr Dam (Markham Ferry Project) was issued October 2006. The units had deteriorated and were causing operational problems. One main concern was that they would leak oil. GRDA wanted to repair the units, correct original design deficiencies, and improve performance with the latest technology. The original contract value was in the amount of \$72,646,304. After the first two units were completed, as a result of inspections by the Federal Energy Regulatory Commission (FERC), FERC identified the improved performance of the equipment was such that GRDA needed to seek an amendment to its license to operate. It was based on the fact the hydraulic capacity for the improved turbines was approximately 13 percent larger than the original—they could pass about 13 percent more water. As a result, staff was tasked with doing studies and engaging consultants and making presentations to FERC as part of the license amendment. FERC has granted the license amendment. The end result was this project was delayed for one and a half years. The first two units were completed. The amendment requires GRDA to present a detailed plan for safety and quality control for the remaining projects. As a result, staff worked with Alstom Hydro and made presentations to FERC. FERC approved GRDA's plan without any changes

and has authorized the project to restart on April 16. Alstom Hydro has requested payment for out-of-scope repairs necessary to complete the first two units (Change Order #9) but not authorized by the Board. Mr. Barney demonstrated by diagram Alstom's scope of work and showed a slide depicting the size of the turbine. Previously authorized Change Order #8 included \$890,750 for estimated out-of-scope repairs for the second unit. Actual time and material cost was \$1,260,568; therefore, the additional difference of \$369,809 was requested in 2010. GRDA was not satisfied with Alstom's explanation, and numerous discussions were held between the parties about the cost. A primary discussion was that any work needs to be approved in advance by the Board. It is believed Alstom did not understand that at the time, but they do now. The first unit suffered an oil seal failure after operating about two years. Alstom had personnel standing by waiting to restart the project. GRDA staff authorized Alstom to inspect the unit, and it was determined the seal had failed, but it was past warranty. Alstom does not feel it is their responsibility and has requested reimbursement of \$92,134, which represents their actual cost of the labor, less profit, etc. Staff has reviewed and recommends these amounts be reimbursed, totaling \$461,943, to clean up the old business and get started on the next two units. If approved, the total of all change orders to date would be 3.3 percent of the original contract amount. Director Spears asked if the seal leak was a design problem or a material failure, and has it been corrected going forward. Mr. Barney stated contamination was found in the oil system which caused the seal to wear out prematurely. The source of the contamination may have been something left over from original construction, but GRDA's assessment at this time is that a big contributor was the piping for the air system for the plant had

deteriorated which allowed water and dust to move downstream and into the oil. All the original carbon steel piping has been replaced with stainless steel piping, and a new compressor with a dryer has been added to take the air out. It is not known with certainty what caused the contamination, but a significant factor was the contaminated air supply to the system. The solution was installed for all four units. Chair Spears asked about the legality of the change order. Ms. Edwards reported there is a strong argument GRDA does not owe anything under this change order. All the change orders were requested after the work was done. Mr. Barney added Change Order #8 anticipated work on the second unit. In the past, the Board was very concerned that Alstom was bringing in work after the fact and requesting payment. With Change Order #10, the parties are interested in moving past those circumstances. Director Grodhaus moved the Board approve Change Order #9 to Contract Hydro-2005-3 with Alstom Hydro for additional out-of-scope repairs to the two completed units on the Markham Ferry Dam in the amount of \$461,943, seconded by Director LaGere, and voted upon as follows: Meyers, yes; Spears, no; Bartlett, Grodhaus, Kerns, LaGere, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

**4.h. Change Order #10 to Contract HYDRO-2005-3,
Markham Ferry Hydroelectric Plant Upgrade, with Alstom Hydro
for Expected Out-of-Scope Repairs on Units 2 and 3**

Mr. Barney reported it is projected there will be out-of-scope repairs necessary on the remaining two units to be refurbished at Kerr. In order to avoid unnecessary delays at the factory and at the field, staff is requesting Board approval for allowance for such repairs. The first two Markham Ferry units required extensive out-of-scope factory repairs totaling \$2,185,113. It is anticipated and projected the second two units will

require a similar magnitude of repairs. To avoid costly delays and circumstances that are unsatisfactory to GRDA by GRDA's contract, staff is proposing to authorize Alstom an allowance for repairs to be performed when needed. GRDA's contract requires any such items be approved in advance by an assistant general manager of GRDA. Mr. Werkman or Mr. Rozell would do a review and then authorize any repairs in advance by written authorization. The amount of \$2,710,221 is projected and is requested as a not-to-exceed authorized amount using established Alstom factory rates. Mr. Barney showed some slides of possible repairs and the complexity of the work. When a problem is found, GRDA needs to make a decision to fix it while the unit is disassembled at the factory. In general, Alstom has given GRDA good recommendations and a good product. Change Order #10 is in the amount of \$2,710,221. Alstom has requested some additional consideration of certain matters such as the one-and-a-half year delay, and that will be discussed in executive session. Alstom is prepared to put the same people on this project and get started on disassembly and taking these components back to the factory. In response to a question by Director Grodhaus in the difference between the allowances, Mr. Barney explained the first two units were done several years ago, and the cost has increased significantly. Also, the next two units will be done over a two-year project. Director Spears asked if the contract provides for escalation for the work in terms of cost. Mr. Barney stated he would prefer to discuss that in executive session. Chair Spears tabled this item until after executive session. *(Continued on page 32.)*

**4.i. Ratification of Payment to CompSource
for 2011-2012 Workers' Compensation Insurance Premiums**

Mr. Sullivan reported that at the end of the term, CompSource gets all of GRDA's payroll data, and this payment is truing up the difference. There was a final payment due by March 14 in the amount of \$101,101.48. It exceeded the Board-approved amount by \$38,156.08. By paying that amount on or before March 14, GRDA saved a late penalty payment of about \$1,000. Mr. Sullivan had spoken with Chair Spears about this issue, and they felt that because this was an amount GRDA would have to pay anyway, it was worthwhile to save the additional \$1,000 penalty by paying it on time. The due date was before today's board meeting, so ratification of that payment of \$38,156.08 is being requested today. Director Grodhaus moved the Board ratify the payment of \$101,101.48 issued to CompSource Oklahoma in February 2012, seconded by Director LaGere, and voted upon as follows: Spears, Bartlett, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.j. IDIQ #ID12043 Contract with Garver, LLC,
for On-Call Transmission Engineering Design Services**

Mr. Herron reported IDIQ stands for Indefinite Delivery-Indefinite Quantity. It is the State process for smaller engineering jobs. The engineers are previously vetted by the Department of Central Services (DCS). The State assigns the engineering firms based on design qualifications. The usual design costs are approximately \$100,000 or less. The project costs are about \$1.5 million. Because GRDA uses this process frequently, the State has lowered its handling fee from 7 percent to 3.5 percent for GRDA. GRDA transmission engineer Doug Hill passed away in early February, so GRDA does not have a transmission engineer on staff. GRDA had planned and advertised to hire a

second transmission engineer but is now attempting to hire two transmission engineers. There are no candidates so far. GRDA needs design assistance now because of ongoing projects. GRDA requested DCS for on-call engineering services to provide designs and recommendations for miscellaneous, everyday questions and projects. DCS assigned Garver, LLC. Staff and Garver identified the scope of services and submitted them to DCS. The process requires Board approval of the not-to-exceed design costs and requires additional Board approval of the DCS handling charges. Staff estimated a maximum of \$100,000 for design services, to be billed based upon the actual assigned costs by the engineers doing the work based on hourly rates and charges. Because of the need for engineering services on March 7, 2012, staff authorized a purchase order to DCS for \$3,500 and one to Garver, LLC, for \$40,000 to allow starting of the contract prior to the board meeting. Staff is now requesting ratification of that action and increasing the not-to-exceed approval for Garver to \$100,000 for these future services. If approved, the Garver purchase order will be increased to \$100,000. Once a new GRDA engineer is employed and functional with GRDA work, staff will cease using the on-call firm for any new work, but they will be used to complete the work in progress. If expenses near the not-to-exceed amount, staff will return with a request for additional funding. In response to a question by Director Spears, Mr. Herron stated GRDA will determine what the scope of work is, and Mr. Tullis will oversee the work is done. Director Spears would like Mr. Tullis to follow the scope of work with the hours of services. In response to a question by Director Grodhaus, Mr. Herron does not believe \$100,000 will get GRDA through the end of the year, but it depends on the business environment. Director Grodhaus asked if this

works well, would it be an opportunity to outsource on an ongoing basis to eliminate the need to bring in two full-time engineers. Mr. Herron reported the whole process of the State is to limit the contracts to about \$1 million in new improvements and \$100,000 worth of investment on the engineering part. If the project is greater than \$1 million, GRDA would have to go through a different process to identify an engineering firm to do the design work. That is a three-month process. Director Spears added that past analysis has shown that GRDA has so many projects coming on, an in-house engineer could actually save money over using a consultant. Director Spears added that Director Grodhaus's committee can look into that if so desired. Mr. Sullivan added it is not only the amount but also the time to go through the bid process through each of these projects. Director Grodhaus moved the Board approve an on-call engineering contract with Garver, LLC, per DCS Contract #ID12043 for a not-to-exceed price total of \$100,000 which includes the previous purchase order of \$40,000 to Garver, LLC, and approve a contract with the Oklahoma Department of Central Services and the previous purchase order for \$3,500 for handling fees of these IDIQ process services; seconded by Director Spears; and voted upon as follows: Bartlett, Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.k. Change Order #6 to Contract 22120,
Tonnece Substation Construction Services,
with Ernest P. Breaux Electrical Inc.
for Additional Labor, Materials and Equipment; for Delays;
and for Added Site Services, Overhead, and Management Costs**

Mr. Herron showed a slide of the Tonnece substation and reported it is near completion. Mr. Herron also showed slides of the 345-kV breakers, demonstrating their

size; the control house and panels; the 161-kV dead end to GRDA Siloam Springs substation; and the 161/69-kV autotransformer and dead end to the 69-kV Siloam Springs North Circuit. The change order document was received on January 4, 2012—too late for the January meeting. Staff had questions concerning the change order and requested additional information from Breaux. Information was not received until January 24, so the February board meeting was not met either. The change order has three parts. Regarding part 6.1, the ground grid conductor supplied by GRDA was on shorter reels than stated previously to the contractor. As a result, it required more splicing and handling, extended ground grid construction time, and extended equipment rental time. The contractor had to provide 350 #250 shots at a cost of \$5,197.50, plus labor of \$42,852.50 and equipment of \$9,800. The total for part 6.1 is \$57,850. Regarding part 6.2, the design was for a control building included control panels. The control panel manufacturer was late in his delivery to the building manufacturer, which delayed his delivery. It affected the contractor's schedule and planning. Added costs because of the delay totaled \$18,675. GRDA learned to bid items separately and install control panels after the building is in place. Regarding part 6.3, the contractor experienced additional site services costs and overhead management costs because of two delays. Some workers were released and then remobilized. Workers were added to complete work once late items were received to maintain completion deadline. The added cost was \$26,575. The total for Change Order #6 is \$103,100, making the change order total 8.43 percent of the original contract amount of \$2,524,600. There will probably be one more change order to this project that will be a deduction. The contractor was supposed to install a foundation for a microwave tower. Because of

problems with the microwave tower manufacturer and his engineers, GRDA did not get designs for the foundation in time. The contractor said it would result in a change order of \$50,000 for him to install the foundation, so staff decided to do the work in house instead. There should be a deduction for concrete, labor, and time. In response to a question by Director Spears, Mr. Herron stated staff is scrutinizing the change orders; that is why this change order was two months late because staff sent it back for more information. Director Grodhaus moved the Board approve Change Order #6 to Contract 22120 to cover modifications of the ground grid system, delayed delivery of the control house, and overheads due to delays; seconded by Director Meyers; and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.I. C.O. #1 to Contract 26532, Transmission Line Construction Services, Tonnece to Siloam Springs, with BBC Electrical Services, Inc., for a Contract Extension, Relocation of Structures, Work Site Rebuild, Shackle Replacement, Cold-Galvanization of Bolt Ends, Restaking of Structures, and Delay Charges

Mr. Herron showed slides of the line and reported the line is completed now. The contract for transmission line construction was awarded to BBC Electrical on August 1, 2011, with a completion date of January 28, 2012, and at a cost of \$1,931,213.37. The contractor submitted one change request to extend the completion date in late January. He submitted six additional items in early February but too late for the board meeting. This change order has seven parts. Regarding part 1.1, during the center line staking, it was determined that locations of approximately ten poles were incorrect. They were either not in the center of the easement, or they were off easement altogether. GRDA

contacted Black & Veatch (B&V) and learned that B&V had never verified line routing with the as-purchased GRDA easements. B&V reviewed and reengineered and found approximately 24 poles were affected and required restaking. GRDA had to modify easements with new documents on two locations on the north end. The contractor requested a 48-day extension (to March 16) because of the delays. Mr. Herron showed slides of the original easement, design, and revised structure locations. Regarding part 1.2, the structures had already been distributed along the line right of way. Three structures had to be hauled to different locations. The cost of the change was \$2,446.40. Regarding part 1.3, a work pad had been created at one site (bulldozed for truck access on a hillside). Because of the line relocation, the work pad had to be extended. The cost for that work was \$464.27. Regarding part 1.4, GRDA had supplied the incorrect shackles for use on three of the structures. The contractor had to replace those shackles with the correct models. The cost for that work was \$408.36. Regarding part 1.5, GRDA supplied long, all-thread bolts that required cutting to size in the field for some locations. The contractor cut and cold-galvanized the ends. That work cost \$1,322.40. Regarding part 1.6, restaking was needed due to the easement correction. That work cost \$8,472.27. Regarding part 1.7, the contractor's foundation subcontractor had to stop work because of the incorrect pole locations. Due to the time needed for B&V to review and redesign, the subcontractor was demobilized. The subcontractor left the site on August 24 and came back on September 15. The demobilize/remobilize costs were \$39,770. GRDA chose that option because to keep the contractor on site, it would have cost \$7,270 per day (approximately 25 days) in delay charges. The total for Change Order #1 is \$52,883.70, or 2.74 percent of the original contract amount. Of the

change order total, \$51,152.94 was attributable to the incorrect pole locations. B&V did not charge GRDA extra for the reengineering required to correct the problems. They were already done with the project and had to remobilize. Director Spears asked if B&V was at fault for staking the poles in the wrong location, or was it GRDA's fault. In Mr. Herron's opinion, B&V caused GRDA some expenses. They provided the GPS coordinates for the poles, and the easements purchased were based on property lines and property corners, not GPS coordinates. B&V has not been approached yet about this, and the Board indicated they would like Mr. Herron to do so. Director Grodhaus moved the Board approve Change Order #1 to Contract 26532 for \$52,883.70 to extend the completion date by 48 days due to weather and delay in receipt of revised drawings supplied by GRDA; to pay for added work due to materials supplied by GRDA; and to pay for delays and additional contractor work caused because of transmission line route centerline error corrections; seconded by Director LaGere; and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.m. Change Order #2 to Open Access Technology International, Inc. (OATI) to Add Southwest Power Pool (SPP) Integrated Marketplace to WebTrader (Project #881) Software System

Mr. Herron reported GRDA needs tagging services to participate in SPP's power sales market and to provide congestion management services. GRDA bid this service in 2000 and awarded it to OATI. GRDA has continued with OATI since that time period, partly because GRDA had to buy software and have operators trained to use it. Since then, SPP also started using OATI, so there is continuity using the same software. SPP is moving toward an Integrated Marketplace operations with day ahead and two-day

ahead scheduling. SPP is going to start a marketplace trial of processes on January 1, 2013. The "go live" date for this market is March 1, 2014. It will require modifications to the OATI webTrader software tool. This change order addresses those needed changes. Change Order #2 includes updating the software package, a one-day off-site training seminar, a two-days on-site training seminar, 160 hours of customization or consulting service prior to the "go live" date, and access to the webTrader Integrated Market test system during trials beginning January 1, 2013. There is a reduced or no-cost option for GRDA for approved early enrollment (prior to March 31, 2012). It would waive a \$30,000 one-time fee, \$1,500/month recurring fee during trials, and a \$2,400/month recurring fee during the last six months of the term. Actual costs will be \$2,400/month for months 25 through 36 of the 42-month term. (Monthly charges are subject to a three-percent increase per year.) Director Grodhaus moved the Board approve Change Order #2 to the OATI webTrader Services contract Project #881, seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.n. Termination of GRDA's Deferred Compensation Plan with Nationwide Financial

Ms. Edwards reported that in 1974, GRDA implemented a deferred compensation program for some of its employees outside the Oklahoma Public Employees Retirement System (OPERS). In 1972 OPERS established a deferred compensation program for all state employees called SoonerSave. In the beginning, it was believed GRDA employees were not eligible for the plan until 1992, when a GRDA employee's enrollment was accepted by SoonerSave. GRDA originally had placed the plan with a

different provider. In 1981, GRDA terminated its 1974 plan and established a new plan offered by the Public Employees Benefit Services Corporation through Nationwide Life Insurance Company. This plan currently has 136 employee participants. The plan is funded solely by GRDA employee contributions; GRDA does not contribute to the fund. In 2002 an Attorney General opinion concluded GRDA does not have the authority to offer a deferred compensation plan outside of the OPERS plan (Soonersave). Staff has determined it necessary to terminate the PEBSCO/Nationwide deferred compensation plan. To do so, Clive Seymour of Hall, Estill has been retained to communicate with Nationwide and GRDA employees to provide them with maximum flexibility in placing their funds while minimizing any adverse tax consequences. Mr. Seymour has recommended the Nationwide plan be amended to cease deferrals as of April 30, 2012, and that the plan be terminated as of May 31, 2012. Participating employees will be given a choice of rolling over their accounts to SoonerSave or to another individual qualified plan, or liquidating the account with the associated tax consequences. Once the Board has made a determination to terminate the plan, Mr. Seymour will provide all the appropriate notices to both Nationwide and to each employee. His job is to make sure GRDA does this in accordance with all applicable IRS regulations. Director Spears asked if employees could leave their money in the Nationwide plan with GRDA no longer being responsible, and Ms. Edwards replied Mr. Seymour would need to address that question. GRDA actually owns the plan right now to meet IRS rules. At the prior administration's request, Ms. Balzer researched this issue and provided an informal opinion last fall that GRDA does not have the authority to offer a plan outside of the OPERS plan. Mr. Sullivan stated one of the options available to GRDA was to say that

employees had to move their funds over to SoonerSave, but staff felt giving them the flexibility to do what they think is best for their funds under their own tax advisors was a better way to go. Ms. Edwards added employee meetings are anticipated, so that is why the deadline was pushed out. This was triggered by a renewal of the Nationwide plan and whether or not GRDA wanted to continue to accept new employees to the Nationwide plan. Director Grodhaus moved that GRDA amend the Nationwide Plan to cease deferrals and contributions as of April 30, 2012, and terminate the plan effective May 31, 2012. GRDA staff is authorized to take any steps necessary and appropriate to accomplish the foregoing and may utilize the services of Clive Seymour as required to communicate with Nationwide Financial and arrange for an orderly termination of the plan. The motion was seconded by Director LaGere, and voted upon as follows: Meyers, Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.o. 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:** Director LaGere had no report.
- 3. Coal Committee:** Director Spears reported the Committee met on March 20 via teleconference to discuss the coal piles and future coal contracts. There are no actions or recommendations deemed necessary at this time.

4. **Marketing Committee:** Director Grodhaus had no report.
5. **Policies and Procedures Committee:**
 - (a) **First Reading of Amendments to the Bylaws**
 - (b) **First Reading of Amendments to the Board of Directors Policy Manual**
 - (c) **First Reading of the Travel Policy and Procedures**
 - (d) **Adoption of Amendments to Administrative Rules:**
 - (i) **OAC Title 300, Chapter 20: Purchasing Rules**

Director LaGere reported the Committee met on March 19 and discussed final revisions to the policies and recommends approval of the Bylaws, Board Policy Manual, Travel Policy and Procedures, and Purchasing Rules. Director LaGere moved to approve and adopt the GRDA Bylaws, GRDA Board Policy Manual, and GRDA Travel Policy and Procedures, seconded by Director Meyers. Director Kerns stated one of the changes she had authored regarding potential legislation was not included in Board Policy 2-3, Board Committees," (II)(5) "Policy Committee," fourth line, after the words "develop new policies," add "and review and propose legislative changes." Director LaGere amended his motion to include this change, seconded by Director Grodhaus, and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director LaGere moved the Board approve and adopt the Amendments as proposed to the GRDA Purchasing Rules found at OAC Title 300, Chapter 20, and that they be filed with the Governor and the Legislature; seconded by Director Grodhaus;

and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

6. Long-Range Planning Committee:

(a) Possible Recommendation Regarding Proposed Wind Power Supply Proposal

Director Meyers reported the Committee met this past Monday via teleconference. GRDA has an opportunity to enter into a purchase power agreement with Apex for wind power that would add to GRDA's portfolio one additional resource. While the terms have not been finalized, the Committee feels it is worthy of pursuing and that it looks like it would be a good addition to GRDA's portfolio. The Committee would propose that staff continue that negotiation. Mr. Brown added it is a 48-MW project that represents a fairly small entry point for GRDA which is somewhat advantageous. It happens to be part of a 300-MW project, so the overall economies of scale are present that add to the benefit in terms of a place GRDA is able to receive this power purchase agreement. The price and terms are confidential. Staff feels the pricing is competitive. The fixed price escalation gives GRDA somewhat of a hedge against gas prices. It fits into the overall portfolio. Today, it may be a little more expensive than GRDA's coal and gas resources, but 10 to 15 years from now, it could look favorable to GRDA. Staff recommends the Board authorize moving forward as proposed. Representatives from Apex are present today to answer any questions. Staff has done internal due diligence on the project. One additional study will be done, but it is not anticipated to change the current conclusions. Staff is looking for authorization to continue to negotiate with Apex, subject to GRDA staff negotiating acceptable terms. The final contract will be brought back

before the Board. Director Meyers moved the Board authorize staff to continue negotiations on a purchase power agreement with Apex, seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Grodhaus, yes. *Motion passed (5-yes, 0-no, 0-abstained).* (Continued on page 33.)

6. Executive Sessions:

a. Executive Session to Confer on Proposed Contract Amendment to Peabody Coal Contracts 2001-A and 2003-E.

Mr. Sullivan reported this item can be removed from the agenda.

b. Executive Session Concerning a Pending Claim As Authorized by 25 O.S. § 307(B)(4).

Director LaGere moved to go into executive session at 12:57 p.m., seconded by Director Grodhaus, and voted upon as follows: LaGere, Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

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

Director Grodhaus moved to go into executive session at 12:57 p.m., seconded by Director LaGere, and voted upon as follows: Meyers, Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Grodhaus moved to return to executive session at 2:30 p.m., seconded by Director LaGere, and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.h. Change Order #10 to Contract HYDRO-2005-3,
Markham Ferry Hydroelectric Plant Upgrade, with Alstom Hydro
for Expected Out-of-Scope Repairs on Units 2 and 3**

(Continued from page 19.)

Chair Spears reported this item was previously presented and discussed. Director Grodhaus moved the Board approve Change Order #10 to Contract Hydro-2005-3, Alstom Hydro, for expected repairs during upcoming refurbishment of two generation units at Markham Ferry Dam in a not-to-exceed amount of \$2,710,221; seconded by Director Meyers; and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items:

- a. Action, As Necessary, Related to Proposed Contract Amendment to Peabody Coal Contracts 2001-A and 2003-E.**
- b. Action, As Necessary, Related to a Pending Contract Claim Involving Confidential Communications between the Board and Its General Counsel As Authorized by 25 O.S. § 307(B)(4).**
- c. Action, As Necessary, Concerning Non-Public Information.**

Regarding item 7.a., this item was stricken from the agenda.

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

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

5. Reports

5.a. Board of Directors Committee Reports

(Continued from page 31.)

6. Long-Range Planning Committee:

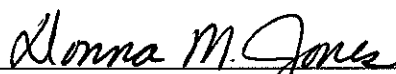
(a) Possible Recommendation Regarding Proposed Wind Power Supply Proposal

Mr. Sullivan reported there is a deadline of next week for Apex's financing. GRDA has a redline copy of the agreement that staff is still negotiating. Staff would like direction from the Board as to whether the Board would like to have a special board meeting to approve the final contract or authorize staff to sign the contract. Staff knows most of the financial terms; this is the other working interest issues of the contract that are at play. Mr. Brown stated this is a power purchase agreement for all of the energy from 48 MW of a wind farm for a 20-year period. The pricing is such that it is a little higher than GRDA's coal and gas today. It will escalate at something comparable to a consumer price index and will amount to roughly \$6 million per year. Director Grodhaus asked about appointing directors like Directors Spears, Meyers, and LaGere to have the authority with staff to reject or approve without calling a meeting. Director LaGere asked if it is higher than coal and gas, why would GRDA enter into this agreement. Mr. Brown stated the economic rationale for doing it is that it is a hedge against the volatility of other fuel sources. There is some environmental hedging as well if anything happens with carbon. Even though it is \$6 million a year, it will displace fuel costs that are at least \$5 million a year right now and may displace fuel costs that are \$15 million a year. If the wind does not blow, GRDA does not pay. There is no upfront money associated with this. It is a must-take contract. Director Meyers stated there is a capacity factor of 43 percent. GRDA would have to take whatever was produced. The wind farm is located in Canadian County. It is a piece of a large facility. OMPA has recently signed a contract for about 51 MW. Another off taker is AEP. The reason Apex came to GRDA is because

GRDA does not have to go before the Corporation Commission or the IUS. Time is of the essence because in order to capture the production tax credit benefit, this project has to be energized before the end of the year. Director Grodhaus asked about authorizing a board member to represent the Board, such as Directors Meyers and Spears who would be more sensitive to negotiating a contract that would be higher than current fuel costs that would be passed to the customers. Mr. Sullivan stated if the Board were to approve the contract as it is now, which has been supplied, staff could continue to negotiate with the two board members participating, and they would basically have veto power over any changes that were made. Director Grodhaus stated he would be leaving Friday morning until April 16, so he would not be able to attend a special board meeting. Director LaGere stated he did not see any problem giving staff the authority and does not see any huge risk as it is barely above market. Going out 20 years, it will probably eventually pay off, and if it does not, the exposure is relatively limited. Mr. Sullivan added staff figured it was three percent of GRDA's generation capacity. Director Spears added he was able to sit in on the Long-Term Planning Committee meeting in another Director's place and heard the full presentation with pricing, and the Committee (Directors Chernicky and Meyers who also heard the presentation) is in favor of proceeding with the project and entering into the contract. Director Spears stated he sent an E-mail to all the municipal customers and told them what he could about the project and got no negative responses back. Ms. Edwards added she and Mr. Brown have gone over the contract which is a template and have tailored it to a state agency. If there are going to be any changes, they will not be substantive in terms of price; they will be technical in nature. Director Grodhaus moved

the Board authorize Mr. Sullivan and staff to negotiate to final execution of a contract with Apex not to exceed 20 years and \$120 million total, seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Grodhaus, yes. *Motion passed (5-yes, 0-no, 0-abstained)*

Director Grodhaus moved for adjournment at 2:30 p.m., seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

April 18, 2012
GRDA Board of Directors