

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
April 18, 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 April 18, 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 March 13, 2012, at 9:12 a.m.; by posting the agenda with the Craig County Clerk's office on April 17, 2012, at 9:35 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. 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	Present
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; Julie Hudgins, Stilwell Utilities; Gary Pruett, Pryor MUB; Randy Bundy, KAMO Power; Wendy Gregory, Governor's Office; Brian Edwards, Tulsa County

Sheriff's Department; Mark Tedford, Tedford Insurance; Randy Krehbiel, Tulsa World; Bob Bitting, AEP/PSO; Justin Alberty, Tamara Jahnke, Holly Moore, Darrell Townsend, Melanie Earl, Dave McCollaum, Heath Lofton, Grant Burget, Mike Stafford, Chris Carlson, Perry Friedrich (and wife Vicki), GRDA.

CONSENT AGENDA

1. Regular Board Minutes of March 21, 2012

2. Claims, \$73,440,080.92

4.a. Resolution of Commendation:

(1) Perry S. Friedrich

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

(1) Transformer

(2) Five EW-1300 Potential Transformers

(3) Metal Beams

(4) Miscellaneous Computers, Printers, Monitors, and Laptops

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
35260	GE Energy	\$190,914.00
35325*	Standley Systems	1,827.84
35339*	Standley Systems	13,537.80
35461	HD Supply Utilities Ltd	24,216.00
35462	ABB Inc	19,365.00
35463	CG Power Systems USA	38,290.00
35482	Brenntag Southwest Inc	69,480.00
35529	Gas & Supply	5,614.65
35620	Hoist Co Inc	25,760.00
35644*	Prominent Systems	46,141.92
35758*	Fishnet Security	<u>126,595.63</u>
<i>Total Standard</i>		\$561,742.84
35307	MVA Power	\$192,745.00
35402	Anixter	140,049.00
35651	CG Power Systems	<u>55,350.00</u>
<i>Total Emergency Orders</i>		\$388,144.00
<i>Grand Total Purchases</i>		<u>\$949,886.84</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF012-00500	Replace 345-KV Bus Differential Relay and Control GRDA 1	<u>\$61,000.00</u>
	<i>Grand Total Work Orders</i>	<u>\$61,000.00</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 March 12, 2012; (3) Holly Moore dated March 26, 2012; and (4) John Schlosser dated April 12, 2012.

Director Chernicky moved to approve the consent agenda, seconded by Director LaGere, and voted upon as follows: Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Chair Spears presented Perry Friedrich a resolution commending him for his years of service to the Authority.

Mr. Sullivan introduced Brian Edwards. He is currently the undersheriff for Tulsa County and has accepted GRDA's offer to be the new Assistant General Manager/Chief of Law Enforcement and Homeland Security. He will be retiring after 31 years with the sheriff's office.

Mr. Sullivan reported one of GRDA's officers, Tyler Brown, assisted the Oklahoma Highway Patrol in capturing two people who fled from a stolen vehicle after a traffic stop on Highway 412.

Mr. Sullivan announced some leadership changes. Beginning May 1, Tim Brown will be GRDA's Chief Operating Officer, and Mike Kiefner will be Assistant General Manager of Land and Property Management. Mr. Kiefner has already started on that role, and his efforts are appreciated and will be a great benefit to the Authority.

A lake launch was held on April 6 at the Ecosystems facility. Governor Fallin helped welcome people to the new season at GRDA's lake. It was a very successful event. A lot of people attended and gave good feedback on lake relations.

Mr. Sullivan also reported as part of GRDA's safety initiative at the coal-fired plant, GRDA is migrating to fire retardant coveralls for the employees. Mr. Sullivan showed the samples Mr. Barney had provided. Fire retardant lab coats will be used for visitors. Director Bartlett asked if it is a requirement to utilize those, and Mr. Barney reported OSHA has issued regulations on protective wear for employees exposed to fires, explosive gas, arc flashes, etc. GRDA has used cotton coveralls in past years. Director Bartlett expressed his concerns that the material is very hot and may require more down time of the employees to avoid getting too hot. Mr. Barney stated that issue is being given consideration. Mr. Sullivan added a kaki-colored option is being offered to employees who work outside.

Director Grodhaus had an additional question about the changes in management with Mr. Brown and Mr. Kiefner. He asked if the CTO position will be refilled, and Mr. Sullivan indicated it would not. Mr. Sullivan added later that he is looking at an Assistant General Manager—Chief of Staff—that would deal with some of the administrative issues, where Mr. Brown is going to be focusing on the power side of the operations.

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA April 2012 Update" highlighting the Pensacola Dam bridge and roadway

inspection. The work was scheduled to last five days but was finished ahead of schedule in three days. Congratulations were expressed to the personnel who worked on the project.

4. New Business

4.c. Change Order #2 to Contract 22121, Dry Gulch Substation Construction Contract, with BBC Electrical Services Inc. for Relocation of Control House, Modification of Switch Stands, Installation of Temporary Fence, Delays Due to Road Closure, Addition of Concrete Inlet Box, a Larger Concrete Pier, and Delays in Accessing Property.

Mr. Herron showed some slides of the substation and pointed out the elevation change that presented a problem during construction. The original contract was approved May 2011. A change order was received on March 15—too late for the March board meeting. The substation is now energized, and the contractor is completing the punch list items. This change order covers nine items. Regarding item 2A, the slope at the designed location for the control house was not acceptable. The control house was relocated as a result of a field decision, which caused increased length of conduit runs. The cost for the increase in conduit and its installation is in the amount of \$5,901. Regarding item 2B, switch stands had to be modified for switches actually purchased by GRDA. Drilling of required additional mounting holes was in the amount of \$2,256. Regarding item 2C, the contract time extension was covered in Change Order #1, so this item did not involve a cost. Regarding item 2D, the control building was relocated and required more wire and cable because of longer conduit runs. The added costs for cable and installation was \$5,456. Regarding item 2E, at the beginning of the project, the contractor had to install livestock fence to keep cattle off the construction site. It was not in the original scope of services, but it needed to be done and cost \$1,500.

Regarding item 2F, the county closed the road on October 17. The county claimed that oversized loads on construction vehicles were destroying the roadway. The contractor was unable to access the work site. Delay costs were in the amount of \$2,492. Regarding item 2G, a concrete inlet box was added in one ditch to avoid future washouts. The cost was \$2,000. Regarding item 2H, a pier foundation was increased from 30" diameter to 42" diameter. That cost was \$1,850. Regarding item 2I, a property owner denied the contractor access during OPGW installation and delayed the project by four hours, costing \$1,504. The total for Change Order #2 is \$22,959. The original contract is in the amount of \$843,519. The total for all change orders is \$27,494, making the revised contract total \$871,013, or 3.26 percent of the original contract amount. Director Chernicky asked if there was any recourse against the county or the landowner for closing the road. Ms. Jahnke stated GRDA may have recourse against the county, and Legal will be looking into both. Chair Spears stated the specifications probably indicate the contractor should visit the site and be familiar with it and would have anticipated the need for a fence to keep the cattle out. The Board indicated the contractor should make the claims against the landowners or the county. Chair Spears recommended removing Change Order Items 2E, 2F, and 2I. Director Chernicky moved the Board approve Change Order Items 2A, 2B, 2C, 2D, 2G, and 2H to Contract 22121 in the amount of \$17,463 to account for relocating the control house, modifying switch stands, adding a concrete inlet box, and providing a larger concrete pier; seconded by Director Spears; and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.d. Change Order #1 to Contract 28747, Tonnece Microwave Tower, with Preferred Tank & Tower Maintenance Division, Inc., to Account for Delays Caused to Contractor by Rohn Tower

Mr. Herron reported this \$100,000 contract was awarded on June 8, 2011. Notice to proceed was issued on August 5, 2011. The delay was because the contractor was having trouble getting all his documents. GRDA required there would be drawings and a signed PE drawing showing foundations as designed by the contractor or his provider. GRDA had not received any results as of November 11, 2011, so GRDA initiated contract termination. Purchasing was able to negotiate with the contractor and came to an agreement. The tower drawings were finally received on November 15, 2011. Foundation designs were received January 10, 2012, and that delay was because Rohn Tower had not provided the needed designs. The foundation designs were unusable, so GRDA obtained designs specific for the site from an on-call engineer. However, it was too late for the construction contractor to install foundations, so GRDA crews installed the foundations. Preferred Tank is going to begin installing the foundation on April 18 with completion by May 15. Preferred Tank requests extension of completion date to May 15, 2012 (approximately 135 days). This is a no-cost extension. Director LaGere moved to extend the completion date of Contract 28747 to May 15, 2012, to account for delays caused to the contractor by Rohn Tower, seconded by Director Chernicky. Director Meyers asked if the foundation was included in the original \$100,000 contract. Mr. Herron stated the design was. The tower people were responsible for designing the foundation. Chair Spears asked if they are going to reimburse GRDA's cost for that. Mr. Herron responded to Director LaGere that GRDA is waiting for a deduct change order from BBC who built the substation for removing that foundation from their scope of

services. GRDA used an on-call engineer to do the redesign. Director LaGere moved to amend the motion to include checking into reimbursement on the engineering and on the concrete construction piece, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.e. Ratification of Renewable Energy Purchase Agreement for Renewable Energy Resources between Canadian Hills Wind, LLC, and Grand River Dam Authority

Mr. Sullivan reported that at the last board meeting, the Board authorized staff to complete negotiations on the Power Purchase Agreement for the Canadian Hills Wind project. The Board has been provided the signed documents, and it is being presented to the Board for final ratification. Director Chernicky moved the Board ratify the Renewable Energy Purchase Agreement with Canadian Hills Wind, LLC, dated March 29, 2012, for renewable energy resources; seconded by Director LaGere; and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.f. Revisions to the Board of Directors Policy Manual:

- (1) Policy 2-4 (*Conflict of Interest and Business Ethics*)**
- (2) Policy 3-4 (*Employment of the Director of Investments*)**
- (3) Policy 5-2 (*Investment of Funds*)**
- (4) Policy 8-3 (*Records Management Policy*)**

Ms. Jahnke reported that staff and the Policy Committee have been working this year on revising the policies. The Board approved the policy manual last month. When finalizing the revisions to the approved policies, it was discovered revisions made by the

Policy Committee in February did not make it to the final packet in March. That affected four policies. Those policies, and the revisions made by the Policy Committee in February, have been provided to the Board. Staff is requesting approval of the changes as presented. Director Chernicky moved to delay action on this item until the next board meeting, seconded by Director LaGere. Director Kerns suggested the "hotline" be reported quarterly. Director Kerns asked if the Board and employees have to take a loyalty oath every year, and Ms. Jahnke stated yes. The motion was voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.g. Interagency Agreement between GRDA and Oklahoma Water Resources Board (OWRB) for Proposed Dissolved Oxygen Enhancement and Mitigation Plan for Kerr Dam/Neosho River for Sample Year 2012

Dr. Townsend reported this is a continuation of studies that have been completing over the last three or four years and are beginning to reach the end of the studies. It is hoped after this year's studies are completed, staff can then present the mitigation plan for approval. This item deals with the Markham Ferry license Article 401. GRDA had a very successful meeting with FERC staff and the resource agencies last month. Although not approved by FERC yet, FERC and the resource agencies are on record of agreeing to compliance points that will be utilized for water quality parameters for dissolved oxygen. Previously, the compliance point has been off the Highway 69 bridge which is two and one-half miles below the dam. That has been a point of contention because it would require significant investment in DO enhancement engineering on GRDA's permits. About the only way to affect the DO that far downstream would be to put aeration units on the turbines at the dam. That cost would have been between

\$2 million and \$4 million. That change is a major victory for GRDA and its customers. Studies from last year indicated GRDA can dramatically impact DO—at least prevent acute mortality incidents with fishery—by raising a spillway gate by one foot. This year, GRDA will be looking at releasing a spillway gate at the north end of the dam as well to see if that additional release will bring GRDA up to water quality standards. With the single-gate release at one foot, GRDA has been able to mitigate the acute level. The basic objective is to quantify the effect and extent of long-duration spillway releases on the immediate stilling basin using both real-time monitoring and DO mapping and document relationships between Pensacola releases and Lake Hudson elevations. The next agenda item dealing with Pensacola releases ties into this item by providing water to Lake Hudson to mitigate at Markham Ferry. Director Chernicky moved the Board approve the interagency agreement with the Oklahoma Water Resources Board to maintain FERC compliance with Article 401 of the Markham Ferry license in an amount not to exceed \$80,976, seconded by Director Meyers, and voted upon as follows: Spears, Bartlett, Chernicky, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.h. Interagency Agreement between GRDA and Oklahoma Water Resources Board (OWRB) for Proposed Dissolved Oxygen Enhancement and Mitigation Testing Plan for Pensacola Dam/Neosho River for Sample Year 2012

Dr. Townsend reported the same kind of monitoring used for Kerr is also used at Pensacola. Real-time monitors are used. Staff is refining what was determined last year that low-MW releases at Pensacola are mitigating GRDA's low DO issues. The information gained from TVA and their experience to modify GRDA's turbines has increased GRDA's compliance in this area from about 18-19 percent out of compliance

to less than one percent. Staff is confident GRDA will meet state water quality standards for DO at Pensacola. This year's testing will be basically refining those releases that were made last year as to what is most optimal. It is hoped that next year GRDA will be able to write a mitigation plan for these issues. The objective is to quantify the effect and extent of powerhouse releases on the tailrace, riverine area and Lake Hudson elevations with an adaptive mitigation plan using real-time monitoring and DO mapping. It becomes a bit complicated because of the current rule curve GRDA is working diligently to try to amend. It will change some because of the extra gate at Kerr, so that is one thing GRDA will be monitoring. Director Bartlett asked about fish kills, and Dr. Townsend reported there was a fish kill at Markham Ferry in 2010 (60-80 paddlefish over a 24-hour period) and another one in 2011 (30-60 in the same area). ODWC reports do not consider significant until about the 500 level is reached. Director Chernicky asked if the kills were related to blue-green algae or sport fishing. Dr. Townsend stated it is not believed to be related to either of those, but there is some suspicion it was related to DO or some other issue; however, GRDA does not have all the data to determine that. Director Chernicky moved the Board approve the interagency agreement with the Oklahoma Water Resources Board to maintain FERC compliance with Article 403 of the Pensacola license in an amount not to exceed \$73,937, seconded by Director Spears, and voted upon as follows: Bartlett, Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.i. Approval of Selection of GRDA Insurance Consultant

Mr. Lofton reported that a decision was made to decline each proposal that was submitted in response to the Request for Proposal for insurance consultation services and that the staff requested the item be stricken from the agenda. The item was stricken from the agenda. Director LaGere asked about the insurance renewal for May 15. Mr. Lofton responded by stating that staff is working to renew that coverage through the existing agent.

4.j. Bid Award Recommendation for RFP 34284, Consulting Services for Southwest Power Pool (SPP) Integrated Marketplace

Mr. Brown reported SPP is migrating toward a Day-2 marketplace. As part of that process, today GRDA basically has a single-settlement system that is settled based on real-time activity. With the Day-2 market, GRDA will be moving toward a multi-settlement system with two settlement points. One will be based on the day-ahead activity, and the second one will be based on what took place in the real time. A key additional element of the change to the Day-2 market is going to be the manner in which firm transmission is managed. Today, GRDA has network integrated transmission service for essentially all of its resources. GRDA is not subject to the various low prices around the SPP footprint. Prices are actually different depending on where you are in the market based on transmission congestion. Going forward with the Day-2 market, there will be transmission congestion risk. There will be a process in place to manage that risk whereby entities like GRDA can nominate auction revenue rights. To handle that risk, GRDA staff does not believe it currently has the analytical capability to manage that risk properly. Therefore, an RFP has been issued to energy marketing-

type companies that can provide the analytics as a service to GRDA to enable GRDA's current generation marketing staff to determine strategies regarding auction revenue rights, the paths, and whether or not to convert auction revenue rights into transmission congestion rights. Additional rights can also be purchased to cover more of the flow paths between load and resources. Five responses were received to the RFPs. TEA (The Energy Authority) currently provides services similar to what GRDA is seeking to a number of large public power entities situated similar to GRDA in different markets where they have already moved to Day-2 systems. Nexant is an analytical group. They have a very sophisticated piece of software that will actually be used by SPP to manage these options. This software has already been adopted in other RTOs such as MISO and PJM. ACES is a consulting firm energy marketing type entity that provides a similar service to TEA. A lot of their customers tend to be electric cooperatives. For instance, WFEC uses ACES. CES is Customized Energy Solutions. LCG Consulting is a company that has developed and maintains a particular software product like Promod. GRDA asked for a bid price by task: training and startup, ARR and TCR analysis (Auction Revenue Right/Transmission Congestion Rights, risk management system for the transmission going forward), generation and load bidding strategy, and risk management policy. All four items are to be provided in the pre-market period between now and March 1, 2014, when SPP anticipates the go live date for the new Day-2 market. The post-market services would be an ongoing annual cost that GRDA would incur to have this continued support on the analytics related to the new marketplace. The bids were evaluated based on three criteria: cost, experience supporting utility clients in RTO/ISO power markets, and software tools employed. Director Chernicky

asked why the low bidder, ACE, would not bid on the post-market services. Mr. Brown stated ACES felt GRDA's scope of services was not defined well enough to put together a proposal for the post-market go live date. Staff selected The Energy Authority (TEA) based on the three criteria. TEA is higher than ACES and CES in the pre-market period; however, in the post-market period, because ACES did not provide a bid and the CES bid is higher than the TEA bid, staff felt comfortable with TEA over the other two bidders that happened to have a lower pre-market bid price. The LCG bid was rejected on the basis of having the highest pre-market cost. Staff felt the way LCG and Nexant are structured—their experience is more heavily weighted in the area of providing one-off analytical services as opposed to ongoing operational support—would not enable them to provide what GRDA needs. TEA and ACES both use Promod for the analysis of the market fundamentals. GRDA does not have that software but currently relies on it through Guernsey. In addition to awarding the overall contract to TEA in the amount of \$215,000, staff also recommends awarding Nexant a contract for their training task offered at \$10,000. Nexant has a software tool called Hedge that SPP will be using to run the auction process. It is the same engine that will be used in the software that SPP will be using. Director Grodhaus asked if GRDA would be accepting the TEA bid minus their training or select them with their training and add an additional \$10,000 module from Nexant. Mr. Brown stated he has negotiated some with TEA on that issue and has their verbal agreement to reduce their training startup costs by more than \$10,000. Ms. Jahnke stated she believes the training can be separated from the rest of the bid. Director Meyers asked if pre-market and post-market can be separated, and Mr. Brown indicated GRDA has that prerogative. Mr. Brown stated he would like the option with the

contract with TEA to preserve the option for GRDA to elect to take post-market services at that time. The RFP was structured to be by task, so GRDA could mix and match as desired. There has been follow-up written questions and answers to each bidder as to whether they would accept providing the pre-market services if GRDA did not elect the post-market services. Director Grodhaus moved the Board approve the award of the SPP Market Services Contract to The Energy Authority for a not-to-exceed amount of \$215,000 for pre-market services and an ongoing amount of \$108,000 per year for post-market services beginning on or about March 1, 2014, excepting that this is contingent on TEA's being able to reduce their amount by the same amount that would be added for Nexant training; seconded by Director LaGere; and voted upon as follows: Chernicky, Grodhaus, yes; Kerns, absent; LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained). (Continued on page 17.)*

4.k. Proposed Risk Management Policy (Southwest Power Pool Requirement)

Mr. Brown reported one of the services The Energy Authority (TEA) will provide for GRDA is to assist GRDA staff with developing a formal risk policy which is clearly needed to manage the new risks GRDA will be dealing with in the marketplace and in response to the bill that is before the legislature now asking for GRDA to obtain hedging capability. Director Chernicky asked if the current statutes allow GRDA to do that. Mr. Brown stated there is some debate on that, but Legal's point is the very fact that GRDA has proposed in the legislation a sort of confirmation of GRDA's ability to hedge probably brings into question what is in the original statute. Director Chernicky stated GRDA cannot approve anything until the legislation is passed. Mr. Brown stated no Board action is needed today. This is for information only. Staff will be coming back to

the Board in a couple of months with a first-reading by the Policy Committee of the new policy. The second reason it is on the agenda today is management has an immediate need to provide a risk-management document to the Southwest Power Pool (SPP) by April 30 under their new market credit risk policy just added to their tariff. Pursuant to the new addition to the tariff, every year, starting with this year by April 30, an officer of the company needs to attest that GRDA has risk management provisions in place, so that GRDA will not default on any obligations due to SPP. This document lays out with the policies in place today how GRDA is covered on liquidity risks, credit risks, and market risks. Even if the legislation is turned down, GRDA still has risks and is a potential credit risk to SPP and the other market participants.

4.I. Bid Award Recommendation for Contract 33849, Installation of Unit 2 Primary Superheat Panels and Finishing Superheat Repairs

Mr. Barney that reported because of the nature and extensive scope of this project, GRDA needs the assistance of an experienced contractor to accomplish this work. Mr. Barney described the work to be performed. GRDA has already ordered superheat panels under a previously approved contract, and they are being manufactured and are due to be delivered in August. Mr. Barney showed slides of the staging of the panels, panel removal, preparing the panels for insertion into the boiler, installation of the panels, and welding. There are hundreds of panels and many thousands of welds. Four bids were received. Aquilex and TEI Construction Services took exception to GRDA's terms and conditions by limiting exposure to consequential damages and limitations of liability. This particular project involves considerable risk that if they do not perform, GRDA customers could suffer substantial costs. GRDA is very

familiar with Mechanical Construction Services, and they took no exceptions to GRDA's terms. Staff recommends the contract be awarded, so the work can be scheduled. The work will begin in September. This task is so large that even though it is done over a period of a month and a half, they will have to work two shifts and weekends. Staff recommends the award be made to Mechanical Construction Services. Director Bartlett asked that even if the bids are not conforming, should the lower bids be considered. Mr. Barney stated he would not recommend that because there is considerable exposure to customer cost. The apparent low bidder, Aquilex, has done work for GRDA before and took no exceptions. They are well aware of their risk and have chosen to include restrictions on their exposure if they do not perform. It is very important this job be performed with a very high level of quality that meets GRDA's schedule. In response to a question by Director Spears, Mr. Barney stated GRDA's contracts require all bonds: warranty, performance, etc. They are only insured for the value of the contract in terms of their bonds. These are not large companies and are effectively betting their company if they cannot perform. Director LaGere added their insurance would help pay the damages, but loss of sales would normally not be covered. Mr. Barney added it has been GRDA's policy in the past that contractors meet GRDA terms. GRDA's terms are tough, and some contractors will not bid on the projects because of the terms. Director Grodhaus moved the Board award Contract 33849, Installation of Unit 2 Primary Superheat Panels and Finishing Superheat Repairs, to Mechanical Construction Services in the amount of \$2,863,784; seconded by Director Bartlett; and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.j. Bid Award Recommendation for RFP 34284, Consulting Services for Southwest Power Pool (SPP) Integrated Marketplace

(Continued from page 15)

Mr. Brown asked to revisit this item as Ms. Jahnke had pointed out there was a proposed second motion that was not made and asked that the second motion be made to make it cleaner. Director Grodhaus further moved the Board approve the award of the Training task to Nexant, Inc., for the amount of \$10,000, contingent upon TEA's reducing theirs by an equal amount of at least \$10,000; seconded by Director Spears; and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.m. Other New Business

Chair Spears stated there is a different climate right now in terms of fuel costs. Chair Spears wanted to appoint an ad hoc committee to work with him on looking at GRDA's resource operations: how GRDA is going to take advantage or be disadvantaged by today's fuel prices. It would basically be an overlapping committee, so it should involve members from different committees. Chair Spears asked Directors LaGere (Audit/Budget), Chernicky (Fuel), and Bartlett (Long-Range Planning) to serve on the committee. Chair Spears asked Director Bartlett to be an alternate committee member if one of the others could not attend a meeting. This committee would probably only last three or four months. The committee will give a full report back to the Board on what the committee thinks GRDA should be doing going forward. Director Chernicky moved to appoint those members to the Ad Hoc Resource Committee, seconded by

Director LaGere, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Mr. Sullivan reported there was a discovery of some remains along the banks of the Grand River, south of the Pensacola Dam. GRDA personnel have worked with the Medical Examiner's office and others, including the area tribes. There is a meeting today at the Ecosystems building that Dr. Townsend is heading to have further discussion. It appears both of the skeletons were 500 to 600 years old. It also appears they may have been traumatic deaths. It was unique circumstances on how these remains were found. Because it was within GRDA's project boundary, GRDA was required to provide security while the remains were being exhumed. All the reports received from the tribes and consultant on historical issues have all been very thankful of the services Dr. Townsend and his staff have performed, making sure this was done in a respectful and orderly way.

Director LaGere asked Mr. Barney about a reported fatality at the Redbud plant. Mr. Barney stated GRDA is a participant owner of the Redbud plant. OG&E is the operator of the plant. The facility has had a good safety record and has operated over five years without a medical case accident. However, one of the employees was working on one of the boilers of the combined-cycle plant. A gasket failed, and he was killed by steam. OG&E reported the death, and it is being investigated. OG&E has engaged an independent consultant to assist them in evaluating the cause and a solution. While the investigation is going on, the unit is being held out of service. Mr. Barney expects reports within the next three weeks. Director LaGere asked about the bill they sent GRDA for the full amount of the death claim—about \$390,000. Mr. Barney

stated GRDA's Accounting Department is evaluating that bill, have not agreed to pay it, and it may be an estimate. Director LaGere described survivor benefits and asked that staff follow up to make sure any such payments are in accordance with current and updated law. Mr. Sullivan stated he understands OG&E is self-insured on all their workers' comp claims. They recently sent some correspondence, and based upon the investigation, there may be a segregation claim and other things related. Mr. Barney stated GRDA will look into the matter. Director Grodhaus added that staff should review plans for payment of such claims.

5. Reports

5.a. Board of Directors Committee Reports

1. **Assets Committee:** Director Kerns had no further report.
2. **Audit and Budget Committee:**

(a) Proposed 2012 Final Budget

Director LaGere reported the Audit and Budget Committee met this morning with all members present. The Committee went through the budget. Ms. Dougherty and her staff have done an excellent job in giving a lot of detail and preparation that went into the budget. Ms. Dougherty and Mr. Brown both answered numerous questions from the Committee. Director LaGere moved to approve the final budget for the 2012 calendar year as presented, seconded by Director Chernicky. Ms. Kerns indicated she had not seen the budget. The motion was voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Grodhaus, yes; Kerns, no; LaGere, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

3. **Fuel Committee:** Director Chernicky had no report at this time.

4. Marketing Committee: Director Grodhaus had no report, but there will be an update at the next meeting.

5. Policy Committee: Director Bartlett had no report, but the Committee will be evaluating the scrivener's errors, etc., that were tabled for the next meeting.

6. Compensation Committee: Director Grodhaus had no report, but there will be a report at the next meeting.

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

6. Proposed Executive Sessions:

- a. Proposed Executive Session to Confer on Proposed Contract Amendment to Peabody Coal Contracts 2001-A and 2003-E.**
- b. Proposed Executive Session Concerning a Pending Investigation, Claim, or Action Related to Non-Public Information.**
- c. Proposed Executive Session to Discuss the Purchase or Appraisal of Real Property.**
- d. Proposed Executive Session to Discuss a Gas Supply Contract for the Redbud Facility.**
- e. Proposed Executive Session Concerning a Pending Investigation, Claim, or Action.**

Director Chernicky moved to go into executive session at 12:14 p.m., seconded by Director LaGere, and voted upon as follows: Spears, Bartlett, Chernicky, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Director Grodhaus moved to return to regular session at 1:51 p.m., 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, Concerning Non-Public Information.**
- c. Action, As Necessary, Concerning Purchase or Appraisal of Real Property.**
- d. Action, As Necessary, Related to Gas Supply Contract for Redbud Facility.**
- e. Action, As Necessary, Concerning Non-Public Information.**

Regarding item 7.a., Director Spears moved the Board accept the proposed contract amendment from Peabody Coal under Contracts 2001-A and 2003-E as discussed in executive session, seconded by Director LaGere, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

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

Regarding item 7.c., Director LaGere moved to authorize staff to negotiate on the purchase of the real property after establishing ownership issues and to be authorized within the amounts as discussed in executive session and bring back a contract for approval, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Grodhaus, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

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

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

Director Grodhaus moved for adjournment at 1:53 p.m., seconded by Director Meyers, and voted upon as follows: LaGere, Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Donna M. Jones

Donna M. Jones, Secretary

DATE APPROVED:

May 9, 2012
GRDA Board of Directors