

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
June 13, 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 June 13, 2012. Notice was given pursuant to 25 O.S.A. § 301 et seq. by submitting a schedule of regular monthly meetings to the Secretary of State on December 1, 2011, at 11:04 a.m.; by posting the agenda with the Craig County Clerk's office on June 12, 2012, at 9:11 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 10:27 a.m. The Secretary called the roll; all members were present with the exception of Directors Bartlett, Chernicky, and Meyers. 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.	Absent
David J. Chernicky	Absent
Betty Kerns	Present
W. Brent LaGere	Present
Chris Meyers	Absent

ADMINISTRATIVE

Daniel S. Sullivan, General Manager/CEO/Director of Investments	Present
Tim Brown, Chief Operating Officer	Present
Ellen Edwards, General Counsel	Present
Charles J. Barney, AGM Thermal and Hydro Generation	Present
Allison Goodpaster-Carter, AGM Human Resources	Present
Carolyn Dougherty, AGM Market Analysis/Strategic Development	Present
Brian Edwards, AGM Chief of Law Enforcement/Homeland Security	Present
Mike Herron, AGM Engineering, System Operations, & Reliability	Present
Michael Kiefner, AGM Land Management and Properties	Present
Darrell Townsend II, AGM Ecosystems & Lake Operations	Present
Dale Willis, AGM Transmission	Present
Donna M. Jones, Secretary	Present

Others present were as follows: Harold Robertson and Rick Shurtz, NEOREC; John Bland, City of Siloam Springs; Ted Hilmes, KAMO Power; Wendy Gregory, Governor's Office; Kendra Montana, Home of Hope; Ed Crone, Grand Gateway; Bob Biting, PSO; Tad Jones, Grand Lake Association; Bruce Johnson, City of Grove; Paul Slaton, LDONE, Inc. & SWBT; Scott Burgess, AT&T/SWBT; Cheryl Franklin, Grove Sun; Denton Thomason, Vinita Daily Journal; Mike Williams, Shangri-La; Justin Alberty, Tamara Jahnke, Holly Moore, Melanie Earl, Dave McCollaum, Heath Lofton, Grant Burget, and Mike Stafford, GRDA.

CONSENT AGENDA

1. Regular Board Minutes of May 9, 2012

2. Claims, \$54,011,786.11

4.a. Resolution of Commendation:

(1) James A. Cornett

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

(1) Onan Gas Air Compressor

(2) Three Carrier Current Lint Traps

4.c. Contract for Commercial Service with OSU Institute of Technology

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
36277	FSTI, Inc	\$120,000.00
36350	IBT, Inc	82,368.00
36416	HD Supply Utilities	52,680.00
36557	Oklahoma Roofing	111,313.15
36558	Dept. of Central Services	3,895.96
36609	Motorola Solutions Inc	1,193,987.00
36673	Keystone Turbine Services	62,450.00
36837	Standley Systems Inc	20,782.80
36842	Alcatel Lucent USA Inc	130,000.00
36851	Standley Systems Inc	1,086.00
36857	Standley Systems Inc	8,904.60
36863	Harlo Corporation	298,529.00
36869	Duff & Associates	77,210.50
36870	Synehi Casting Inc	55,088.76
36890*	MESO/MUSA	95,240.00

36909* IBM Corp	3,396.00
36907* Mercury Marine	15,753.00
36932* Mercury Marine	3,203.09
36982* Maritec Industries	5,000.00
36966* Arkansas & Missouri Railroad	<u>98,550.00</u>
<i>Total Standard</i>	\$2,439,437.86
28254* SimplexGrinnell LP	\$250,196.55
33613 Advanced Steel & Crane	130,143.00
35179 V&S Schuler Tubular	<u>247,867.00</u>
<i>Total Change Orders</i>	\$628,206.55
36475 Fletcher-Reinhardt Co	\$55,800.00
36509 Waste Management	<u>5,000.00</u>
<i>Total Emergency Orders</i>	\$60,800.00
<i>Grand Total Purchases</i>	<u>\$3,128,444.41</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF012-00510	Rogers State - MAIP	\$59,139.15
RF012-00514	Engineering & Technology Center Project	3,072,037.50
RF012-00515	Tulsa Phone System & Phase I Network Cabling	<u>153,120.51</u>
<i>Grand Total Work Orders</i>		<u>\$3,284,297.16</u>

Regarding item 4.b, the items were listed in Surplus Property Transfer Forms from (1) Steve Stough dated May 8, 2012, and (2) Choya Shropshire dated May 17, 2012. This item was removed from the Consent Agenda as it requires five votes.

Regarding item 5.c., Director Kerns asked that Work Order RF012-00514 be moved to the regular agenda.

Director LaGere moved to approve the consent agenda, with the removal of Surplus Property and Work Order RF012-00514; seconded by Director Spears; and voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

REGULAR AGENDA

5.c. Work Order Report RF012-00514

Chair Spears reported the concern of the Board was presented a budget for the renovation of that building, and it appears the cost is going to be over the budget. Mr. Sullivan stated that with the work order amount, there is still the savings. The difference is that on all work orders, a five percent administrative cost is added. That has been an accounting practice for many years. Any projected numbers would be exclusive of that five percent administrative cost. That cost would be included whether it was the building in Pryor, Tulsa, or any other location. The same base numbers were used that were provided to the Board in presenting the project. Staff is confident the project can be completed within the original amount. Director Kerns asked why the phone system is in addition to the renovation number and if there would continue to be monthly additional line items. Director Grodhaus asked that all the expenses be included in the future. Ms. Dougherty added there will be some individual items because there will be a separate work order for the building. The building will be depreciated over a long timeframe. A large project may consist of five or six work orders: e.g., communications, computer equipment, furniture, etc. Any contracts will also be approved that are more than \$50,000, and those will be charged to one of those work orders. Therefore, there will be separate line items come before the Board. Ms. Dougherty stated a number is assigned, so the costs can be tracked. The lump sum presented will be translated into work orders for the Tulsa building and the Pryor building. Discussion followed about what items are included in the Consent Agenda. Director Spears moved to table Work Order RF012-00514, and bring it back next month with more explanation on the expenditures,

seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

3. Unfinished Business

3.a. Progress Reports

Mr. Sullivan reported that after last month's board meeting, GRDA had its 693 NERC audit. That audit has been completed, and staff is pleased with the outcome. The information provided by the auditors, including one of the NERC enforcement attorneys that attended the audit, was very complimentary of the staff and the direction GRDA is now going. Mr. Sullivan thanked Mr. Herron and Mr. Stafford and all the Compliance Department staff for the many hours of work they undertook to prepare for that audit.

Regarding the Tulsa office, Mr. Sullivan reported the name of the facility will be the Engineering and Technology Center. One engineer was waiting for the decision to purchase the Tulsa building to be made before he accepted an employment offer; he will be moving from out of state. An engineering student is currently working for GRDA this summer and will continue to work in the fall. He is attending school in Tulsa and will be completing his electrical engineering courses and will likely be a full-time employee after that. The opportunity to be able to go to school and work in Tulsa has increased that opportunity for him. Preparations are being made to move GRDA's engineering people to the building, so they will be moving out of their FEMA trailers to the new facility. There are some generating marketing personnel that are working out of the Tulsa office, and some of GRDA's IT people are spending some of their time in Tulsa preparing the building for the move-in of the engineering people.

Several staff will be attending the APPA National Conference starting on Sunday, so it is expected there will be some additional information to provide after that.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA June 2012 Update" highlighting an update on GRDA's refined coal process.

Bruce Johnson, City of Grove, gave an update on potential permits necessary for construction of proposed fishing tournament complex being prepared for the Bassmaster Classic next February. It will be at the existing 16th Street facility which is now being called Wolf Creek Park. The City has negotiated the purchase of 20+ acres. The parking area will be increased to 400+ boats, trailers and vehicles. When the property is deeded to the City, the City will then begin applying for grants with ODOT for the Lake Access Program and ODWC for the Boating and Fishing Access Program. An engineering contract has been signed, and they have begun work on Phase I. Mr. Bruce showed slides and explained Phase I which includes a sealcoat of the parking lot, boat parking, overflow parking, restrooms/office/Education Complex, access road, entrance road, pavilion, and six boat ramps. Besides Bassmaster Classic and American Bass Anglers, the City is also in communication with FLW and TBF to bring in a couple more national championships next year. Mr. Johnson went over the economics of sport fishing to the state of Oklahoma and the City of Grove. Discussion followed regarding the location of the weigh-in.

3.b. Assets Committee Recommendations:

3.b.1. Rules Related to GRDA's CSERRA (Deams) Property in Ottawa County Oklahoma.

Director Kerns reported the Assets Committee met this morning with a quorum present.

Regarding item 3.b.1., Director Kerns reported GRDA owns a house in Ottawa County and has an interagency agreement with OU and OSU, and they provide graduate students to work in GRDA's Ecosystems research lab during the summer months. As a way to utilize the house and provide housing for the students, staff recommends allowing the students to live in the vacant house during the summer months. Housing rules have been compiled, and the Assets Committee approved them this morning. GRDA pays OU and OSU \$50,000 per year for the students working in the lab, so the cost of maintaining the house would be deducted from the \$50,000. GRDA will try this approach on a trial basis for one year. Director Kerns moved to approve the rules as outlined in the Housing Behavior Agreement for the property located in Ottawa County with the understanding that all housing-related expenses fall within the contractual agreement as outlined in 2009, which agreement shall be approved on a year trial basis; seconded by Director Spears; and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4. New Business

4.d. Assets Committee Recommendations:

4.d.1. Request by Thunder Bay Marina for an Extension of Time to Complete the Dock Construction Authorized by GRDA and FERC under FERC Order Issued June 21, 2005.

4.d.2. Request by the Saint James Club for Replacement and Modification of an Existing Facility Located in Delaware County Oklahoma and for Waivers (i) to Exceed the One-Third-of-Cove Rule, (ii) to Exceed the 125-Foot Rule, (iii) for Slips to Be Located Parallel to the Shoreline, and (iv) of the Application Fee.

4.d.3. Request by the Oklahoma Department of Transportation for an Easement to Construct a New Bridge Crossing Rock Creek in Mayes County Oklahoma.

4.d.4. Request by Southwestern Bell Telephone Company, d/b/a AT&T Oklahoma, for an Easement for Buried Telecommunications Cable on GRDA Property Located in Delaware County Oklahoma.

Regarding item 4.d.1., Director Kerns moved the Board approve the request from Thunder Bay for an extension of time up to five years for their current expansion project approved by FERC on June 21, 2005; seconded by Director Spears. Director Spears added Thunder Bay is going to provide GRDA a schedule, and they are going to comply with the order. The motion was voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 4.d.2., Director Spears moved the Board approve the Saint James Club request for modification of an existing facility located in Delaware County Oklahoma and for waivers to exceed the 125-foot rule and for slips located parallel to the shoreline and the application fee be paid as they construct, seconded by Director Grodhaus, and voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 4.d.3., Director Kerns reported the Assets Committee approved this item unanimously. It is regarding an easement for \$2,616. Director Kerns moved the Board approve a road and bridge easement across Rock Creek in Mayes County to ODOT in the amount \$2,616, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 4.d.4., Director Kerns moved the Board approve an underground telecommunication easement located in Delaware County Oklahoma to Southwestern Bell Telephone Company, d/b/a AT&T Oklahoma, for the amount of \$2,180; seconded by Director Spears; and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.e. Power Cost Adjustment (PCA) for the Last Six Months of 2012

Ms. Dougherty reported there are three components in GRDA's rates: a capacity charge, an energy charge, and the power cost adjustment surcharge. The PCA is a pass-through of costs to GRDA's customers for fuel—coal, gas, and purchased power. The PCA is applicable to all the customers that GRDA serves under its rate schedules. The only two sales types not subject to the PCA are output contracts with OMPA and any spot sales. Ms. Dougherty showed a comparison of budgeted PCA sales to actual PCA sales, and GRDA continues to get closer to budgeted sales each year. Every time a calculation has been made, the PCA was lowered from what it was projected to be through 2012. In 2008, it was estimated at 16 mills; in 2009, 14.6 mills; in 2010, 13.2 mills; and earlier in the year, 13.9 mills. The recommended PCA for the second half of 2012 is 8.25 mills. The PCA for the first six months of 2012 was 13.32 mills. In response to a question by Director LaGere, Ms. Dougherty stated lower gas prices caused the big difference from the estimates. Director Spears moved to approve the PCA surcharge for the period from July through December 2012 of 8.25 mills as calculated, seconded by Director LaGere, and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.f. Renewal of Annual Stream Gaging Agreement
between Oklahoma Water Resources Board, United States Geological Survey,
and Grand River Dam Authority**

Mr. Sullivan reported the only thing that changed from the previous agreement is effective dates. The amount of compensation is the same as last year: \$71,000. Staff recommends approval. Director Grodhaus moved to approve the renewal of the annual Stream Gaging Agreement between Oklahoma Water Resources Board, United States Geological Survey, and the Grand River Dam Authority; seconded by Director LaGere; and voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.g. Membership in Large Public Power Council (LPPC)

Mr. Sullivan reported he and Ms. Dougherty attended the LPPC meeting last weekend. It is a group of large public power entities across the country. Mr. Sullivan had learned of LPPC in a meeting with some of GRDA's investment bankers earlier in the year when asking what GRDA could do to demonstrate its commitment to best practices and to be involved in the discussions of things affecting GRDA on a daily basis. It was recommended GRDA look into membership in LPPC. Staff has gone through LPPC's Public Policy Priorities, and their priorities match GRDA's. LPPC has been involved on the national level with policy. At the previous meeting, FERC Chairman John Wellingham was the guest speaker. At this meeting in Ashville, North Carolina, the public infrastructure manager and the team managing director from Moody's were the guest speakers. Moody's announcing their standard criteria they are now using offered an opportunity for people to ask questions and be involved. The benefit of being involved in LPPC is the group hires federal lobbyists, so GRDA would be able to pool

with the other organizations. When GRDA looked into federal lobbyists, the lowest amount quoted was in excess of \$200,000 for a one-year contract. Some of the companies actually have an office in Washington, DC, with full-time staff engaged in federal lobbying. LPPC extended an invitation for GRDA to join. The annual dues will be somewhere between \$70,000 and \$80,000. If GRDA joins this year, the dues will be prorated, so the maximum would be \$40,000 for this year. Dues are calculated on the size of the organization, so LPPC has not given a specific amount but has said it would not exceed \$40,000 for this year. Staff recommends GRDA accept the offer of membership. In response to a question by Director Kerns, Mr. Sullivan stated the group has about 25 members, and they want to keep it a small group. However, GRDA meets the criteria for size of generation, transmission, or amount of customers. Having a smaller group and having organizations that have similar interests makes it easier in dealing with federal issues, cyber security, and tax-exempt financing. In response to a question by Director LaGere, Mr. Sullivan stated the meetings are three times a year, and some task forces may require trips to Washington to meet with federal delegations and/or FERC, NERC, and the Department of Energy. The organization is member driven, and there is just one contracted staff person, and they have contract lobbyists. Everything else is done by staff within the member organizations. They have a team of about four lobbyists. Director LaGere moved that GRDA accept the offer of membership in the Large Public Power Council, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.h. Payment of Department of Central Services
Administrative Cost for Placement of Employment Practices
and Directors and Officers Liability Insurance**

Mr. Lofton reported that last month, the Board authorized the renewal of a Directors and Officers Liability Insurance Policy. GRDA received the premium invoice about a week later, and included was a separate invoice related to administrative fees. In the past, the fee amount had been given ahead of time, so it could be approved all at one time. Because it is essentially combined with the premium amount, staff is asking the Board to approve the fee in the amount of \$6,534.18 as part of the renewal of the insurance policy. Director LaGere moved to authorize the payment of the DCS administrative fee related to the placement of the Directors and Officers Liability Insurance Policy in the amount of \$6,534.18, seconded by Director Grodhaus, and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.i. Engineering Services Contract
with Burns & McDonnell Engineering Company, Inc.,
for DCS Project 12SOL027, Feeder #105 Rebuild - Kansas to Siloam Springs**

Mr. Herron reported the DCS process was used for two projects. Burns & McDonnell was identified to do the design for the Feeder 105 Rebuild. GRDA helped develop the scope of services. Burns & McDonnell provided a not-to-exceed cost for the design services. As of the report date, the contract wording had not been finished, but it has since been finished. This project is for a redesign of a transmission line that is 13 miles long, 161-kV wood H-frame, from the Kansas Substation to the Siloam Springs Substation. The new line is to be constructed on existing right-of-way using self-supporting single steel pole structures with 1590 mcm ACSR conductor and an OPGW

static. GRDA will be using LIDAR data for the full length of the rebuild, and that data will be provided to the engineer. The engineer will be responsible for incidental surveying that may be required for the project. This is an SPP-required project. The estimated project cost is \$5.5 million with design completion in 120 days and starting construction during the winter of 2012. The fees will be charged on an hourly basis based on the engineering fees. The geotechnical services will be subcontracted and are estimated at \$66,000. The ground surveys will also be subcontracted and are estimated at \$72,500. Total engineering fees are \$423,500. Staff recommends approval of award of this contract for the quoted not-to-exceed values. Discussion followed regarding using in-house staff versus hiring outside engineers. Mr. Herron stated this project is an open-staff project. It was assigned to Doug Hill who passed away in February, and his position has not yet been filled. Because of the timeframe getting it done, outside engineering sources had to be found. Director Grodhaus moved the Board approve contract DCS 12SOL027 with Burns & McDonnell Engineering Company, Inc., for the not-to-exceed total of \$423,500 for the Feeder 105 Rebuild - Kansas to Siloam Springs design project; seconded by Director LaGere. Director Spears asked about efforts to negotiate the fees, and discussion followed regarding the difficulty in hiring engineers and paying them more, as suggested by Director Kerns. The motion was voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.j. Engineering Services Contract with Enercon Services, Inc.,
for DCS Project 12SOL028, Transmission Facility Ratings Assessment
and Remediation Planning**

Mr. Herron reported this is the second DCS project. GRDA does not have the staff available to handle this particular project. Using the DCS process, Enercon Services was identified for the project. DCS and GRDA developed the scope of services, and Enercon provided a not-to-exceed cost. This is a follow-up from the NERC-required evaluation of line-to-ground clearances from the LIDAR project in 2011. GRDA staff handled the high-priority projects in-house during 2011 and the spring of 2012. The project covers medium and low-priority projects. Medium priority projects are 374 miles of lines, basically GRDA's 161-kV system. Low priority projects are 99 miles of lines, which is the 138-kV system. The engineers are responsible for reviewing the LIDAR results and evaluating locations where the transmission line clearances are questionable. They will identify those that require correction. They will provide GRDA with several options for remediation at each location with estimated costs. They will also provide results in the proper form for GRDA to respond to NERC semi-annual reporting requirements. The work is to be done in phases. Phase I is for medium priority, and Phase II is for low priority projects. Phase I completion is 150 days from start. Phase II completion is 210 days from start. The fee amounts for Phase I is \$143,740, and Phase II is \$63,955. The total fee is in the not-to-exceed amount of \$207,695. GRDA will be charged on a hourly basis, and if they do not use the full hours, GRDA will not be billed for that. If GRDA had a Transmission engineer, this work could be done in-house. Director Kerns moved the Board approve contract DCS 12SOL028 with Enercon Services, Inc., for the not-to-exceed cost of \$207,695; seconded by Director Grodhaus;

and voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.k. Change Order #1 to Contract 22122,
Substation Construction Services for Siloam Springs Substation,
to BBC Electric for Additional Cable Tray and Stud Connectors**

Mr. Herron reported this contract was awarded in October 2011 for \$817,494. It was for an upgrade of the Siloam Springs substation. A 161-kV breaker had to be added. They also replaced the relay panels inside the building when the relays were upgraded. The contractor completed the work on May 21, 2012. The change order includes installation of some additional 24" cable tray and installation of transition connectors on Transformer 2 and a 69-kV power potential transformer that was not in the original plan. The cost for the work was \$5,760 for labor and \$2,095.88 for materials, totaling \$7,855.88, or .95 percent of the original contract amount. No time was added to the contract with these changes. The contract is complete now. Director Spears moved the Board approve Change Order #1 to Contract 22122 to provide and install additional cable tray and stud connectors for a total price increase of \$7,855.88, seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.l. Change Order #3 to Contract 20830,
Substation Construction Services for 161-KV Yard at Pensacola Substation,
to BBC Electric for Additional Conduit and Junction Boxes
and Delete Breaker and Two Switches from Project Scope**

Mr. Herron reported this contract was approved in June 2010. The original contract amount was \$611,671. Most of the project work was completed during the fall of 2010

and the spring of 2011. This change order consists of two parts. Additional potential transformers and a line tuner had to be added after the bid award. The equipment required additional conduit and junction boxes installed by the contractor. The cost of that work was \$9,140. Regarding the second part of this change order, GRDA had problems scheduling line outages for breaker replacements at the Pensacola substation and was unable to get an outage for the final breaker change. GRDA decided to terminate the contract, and the contractor has provided a credit of \$12,672. GRDA will now do that work in-house sometime this winter. The additions of \$9,140 and the deductions of \$12,672 gives a change order total of -\$3,532. The total change order amount on this contract is \$22,136 or 3.62 percent of the original contract amount. Director Grodhaus moved the Board approve Change Order #3 to Contract 20830 to provide additional conduit and junction boxes and to delete a breaker and two switches from the project scope. The net price for the change order is a credit of \$3,532. The motion was seconded by Director Spears, and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.m. Interagency Agreement between Oklahoma Water Resources Board and GRDA for Annual Maintenance, Monitoring, and Analyses of Dissolved Oxygen Equipment and Data for FERC Compliance

Dr. Townsend reported this is part of GRDA's annual regulatory compliance issues and involves maintenance of all the DO probes associated with Pensacola, Kerr, and Salina projects. In 2010, the Board asked that this project be bid to individual consulting firms, which was done. Only one bid was received, and that bid was from the Oklahoma Water Resources Board (OWRB) for a cost of \$79,346.08. The term associated with the bid allowed for renewal, so the contract was renewed in 2011 and 2012. The projected

cost in the 2012-2013 budget has increased to \$94,747, or by \$15,400.92. The 2012-2013 contract included three additional profilers, one at each project; two telemetered buoy probes at Pensacola; two telemetered buoy probes at Salina; monitoring and maintenance of Salina; and continued monitoring and maintenance of equipment at Pensacola and Kerr. Director Grodhaus moved the Board approve the interagency agreement with the Oklahoma Water Resources Board to maintain FERC compliance and state water quality standards with dissolved oxygen monitoring and maintenance of equipment in an amount not to exceed \$94,747, seconded by Director LaGere, and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.n. Second Amended Contract for the Sale and Purchase of Electric Power and Energy with Chickasaw Tribal Utility Authority (CTUA)

4.o. Third Amended Contract for the Sale and Purchase of Electric Power and Energy with Byng Public Works Authority (BPWA)

Mr. Burget reported both the Chickasaw Tribal Utilities Authority and Byng Public Works Authority entered into a contract with GRDA for the sale and purchase of electric power and energy on the 20th day of August 1990. Both contracts were amended in 2008, so the quantity of power and energy delivered by GRDA would approximate the metered requirements. The proposed amendments to the two contracts include increasing the aggregate contract maximum for the two utilities combined from 40 MW to 70 MW.

Director LaGere moved that the Second Amended Contract for the Sale and Purchase of Electric Power and Energy with Chickasaw Tribal Utility Authority be

approved as presented, seconded by Director Grodhaus. Director Spears stated CTUA's current load is 2.5 MW and BPWA's is 28.5 MW, so they are currently using about 30 MWs of their current allocation. They have anticipated loads of another 12 MW, so they will exceed their allocation. They actually have some customers that have added load on their existing metering points. Director Spears added that when these contracts were tabled before, they had all-requirements contracts in place, and GRDA did not want to interfere with that particular negotiation. The other issue was GRDA's ability to serve power with the uncertainty of Stillwater remaining on line. The Ad Hoc Resource Committee met recently and did not come to any conclusions, but it would certainly enter into how GRDA would proceed in the future and if it would be in GRDA's best interest to shut down a coal unit, for example. GRDA may not have the power to provide additional power to serve additional loads. Director Spears stated he is skeptical about tying up GRDA's MWs for future sales. Director Spears stated he would want to know they were going to serve in their service area. Mr. Burget stated that before using the standardized contracts, these contracts were 25-year contracts that expire in 2017. Director Spears stated they are restricted to 40 MW, and if they want more MW, they need to sign the standard contract the other customers have signed. Ms. Dougherty stated they need the 12 MW sooner rather than later. GRDA has a lot of customers experiencing some growth, and MAIP is obviously going to experience growth. Director Grodhaus suggested committing that now as long as they tell GRDA they want the other incremental part of the load. Ms. Dougherty stated she believes GRDA should definitely cover the first 12-MW load. Because they already have the meters listed in their contract and they have real customers to back them up, to that extent Ms. Dougherty

recommended the Board go ahead and approve these contracts with the full 70 MW and not add any additional meters and start negotiations with Byng and Chickasaw on the contracts. Both Byng and Chickasaw have talked about doing that because they have been told the legacy contracts would no longer be available. Previously, Peoples Electric had asked for a contract with a call option for power at a future date. That is not what the situation is. The motion was voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director LaGere moved that the Third Amended Contract for the Sale and Purchase of Electric Power and Energy with Byng Public Works Authority be approved as presented, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.p. Change Order #1 to Contract 32124,
Low NOx Burners/Overfire Air System, with Power & Industrial
for Additional Hardware to Support Additional Data Inputs**

Mr. Barney reported this contract was awarded on February 8, 2012, and work is proceeding on that contract. An element of the contract required GRDA to provide sufficient data input points in its control system to supply varied data point information off of the burners—approximately 48 that are telemetered into the distributive control system (DCS). At the time the contract was issued, it was not known if additional data points were needed. Since that time, there has been additional information and engineering performed, and the control system manufacturer, Emerson, has identified that considerable hardware is needed to be added to the control system to bring this data into the computerized control system. It is spelled out in the contract that the responsibility for supplying any hardware to the DCS was GRDA's, and the

responsibility for implementing it and doing engineering and integration would be Power & Industrial's. The contract required Power & Industrial to utilize the OEM for GRDA's control system, which is Emerson. Emerson has provided a quotation to Power & Industrial of a total of \$137,491, and that includes a 42 percent discount off the Emerson list price. The materials portion of that amount is \$107,592. Power & Industrial has requested a change order to cover this cost. They will acquire the material on GRDA's behalf as a package under their responsibility and under their scope. They have requested an administrative cost of five percent, and based on staff's evaluation, it is a good price. Mr. Barney recommended Change Order #1 in the amount of \$112,971 be approved. The total value of the contract is about \$17 million, so the effect of this change order amounts to about .7 percent of the value of the contract. Director Grodhaus moved the Board authorize Change Order #1 to Contract 32124, Low NOx Burners/Overfire Air System, with Power & Industrial in the amount of \$112,971; seconded by Director LaGere; and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.q. Change Order #1 to Contract 33839, Pensacola Powerhouse Roof Replacement with Mr. Roof Inc. for Alternative of Membrane System

Mr. Barney reported GRDA has been trying for a couple of years to get the roof fixed on the 20,000-square-foot powerhouse on the end of Pensacola Dam. The roof system has failed, and water is leaking into many undesired areas which is a hazard to people and equipment. After the contract was issued, the manufacturer of the required roofing materials has advised GRDA and Mr. Roof that the specified membranes have run into a manufacturing quality problem, and they cannot provide the membranes at

this time. However, they have proposed an alternative. The original was a two-membrane system. They have proposed a three-membrane system. The alternative system is thicker, and there is some additional labor involved to install it. The manufacturer of the material is very apologetic, but their contention is the alternative is superior to what GRDA had specified, and they have offered to extend the warranty from 20 years to 25 years at no additional cost to GRDA. In addition, Mr. Roof has requested an additional 90 days to complete the work. Mr. Roof has mobilized and has much of its equipment and support materials on site for the job. If the change order is approved, the work could begin immediately. Mr. Sullivan added that he had asked if this project should be rebid because of GRDA's specifying the material in the original bid. It was decided it did not need to be rebid because the change was something that did not affect the price and would have been available to any successful bidder as the supplier is the same, plus GRDA will be getting an extended warranty. Director Grodhaus moved the Board authorize Change Order #1 to Contract 33839, Pensacola Power House Roof Replacement, at no additional cost; seconded by Director LaGere; and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.r. Bid Award Recommendation for Contract 34726,
High Energy Piping Inspection**

Mr. Barney reported that several months ago, the Board approved a contract with Black & Veatch Engineering Company for the purpose of identifying where GRDA needed to inspect its high-energy piping. The high-energy piping carries steam and water, connecting boilers to turbines. As the plant ages, it is considered prudent to

perform an inspection to make sure there are no defects that might result in a catastrophic failure. The inspection is done to ensure safety and reliability. In the United States, there have been four incidents of failure of this type of piping over the past 30 years. The first failure that occurred in 1985 killed everyone in the control room. The second failure occurred in 1998 in Kansas City at a similar plant to GRDA's. Fortunately, no one was killed as a result of this failure. Utilities across the country do an inspection of their piping using sophisticated techniques such as ultrasonic X-ray. They look in hundreds of places that have been identified. There are basically three specialized firms in the country that do this kind of work. Bids were solicited for both Units 1 and 2. The work would occur over about an 18-month period and be associated with the outages this fall on Unit 2 and in the spring on Unit 1. Thielsch Engineering submitted a bid in the amount of \$709,770 which is in line with the expected cost. They took no exceptions to GRDA's terms and conditions. Structural Integrity indicated they were having a problem getting a bid put together, so they responded "no bid." APTECH has been undergoing some organizational issues, and they were not able to respond. Because GRDA is interested in having this inspection done this fall beginning in September, staff recommends this contract be awarded to Thielsch Engineering. Director LaGere moved the Board award Contract 34726 for High Energy Piping Inspection to Thielsch Engineering in the amount of \$709,770, seconded by Director Spears, and voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

**4.s. Bid Award Recommendation for Contract 355012,
Overhaul of GRDA Unit 2 Turbine Generator**

Mr. Barney showed a slide of the turbine generator which consists of a high-pressure turbine, intermediate-pressure turbine, two low-pressure turbines, generator, and exciter all working together. The turbine generator needs to be completely torn apart. Previously, staff had recommended to the Board that GRDA engage the OEM Alstom Power to perform the technical services that are unique to them and competitively bid out the field labor. This is specialized work. A few of these people work for GRDA that could do this kind of work, but because there is so much work, two large crews need to be utilized: a dayshift crew and a nightshift crew. Mr. Barney showed slides of the high-pressure turbine rotor, the intermediate pressure turbine rotor, low-pressure turbine rotor, one of the casings for the high-pressure turbine, the generator rotor, and rotor reassembly. The area has to be fenced off. There is a lot of work to be done. The project was put out for bid, and only one responsive bid was received, and it was from Mechanical Dynamics & Analysis (MD&A) who has done work like this for GRDA before. Their bid in the amount of \$2,260,043 was in line with the expected cost. GRDA also received a proposal from Alstom Power; their bid was non-responsive in that they did not fill out GRDA's forms and did not comply with GRDA's requirements. MD&A did take some exceptions to GRDA's terms and conditions. GRDA's Legal Department has been in negotiations with MD&A on their exceptions, and it is believed the exceptions have been dealt with appropriately. For example, one of their exceptions was they wanted to limit their liability to \$500,000. GRDA's position was that it should be no less than the price of the contract. They also wanted to limit their exposure to doing repairs to two years. Staff recommends that is reasonable. The issues were primarily in Section 8, Indemnity and Liability, and 9.3, Warranties, of the pro forma contract. Mr.

Barney stated he has reviewed the results of Legal's negotiations and find them in order and would recommend awarding the contract to MD&A. Director LaGere asked about resulting damage that might be greater than \$3 million. Ms. Edwards stated everything states "to the extent allowed by Oklahoma law." GRDA can make an agreement with the vendor to what it is thought the risks of the contract are, but it is not GRDA's decision or the Board's decision, and that is explained to the vendors. Only the Attorney General can waive rights GRDA has with respect to liability. Mr. Barney stated the successful firms that are serious in this business virtually all limit their exposure because if a disaster were to occur, the losses might be \$100 million. There is no firm that Mr. Barney is aware of that would accept that exposure. Ms. Edwards stated that a couple of years ago, GRDA took an action and asked the Supreme Court to rule on whether or not indemnity provisions in GRDA's contracts were constitutional. This is the allocation of liability because the liability is limited to the value of the contract, then the remainder of the liability is allocated back to GRDA. Mr. Barney added this firm did this same job on Unit 1 successfully, and they have proposed to supply GRDA the exact same management team that organized Unit 1. GRDA did back them off from \$500,000 to \$2.2 million which is not inconsistent with how similar situations were handled. Mr. Barney recommended MD&A be awarded this contract and that it provides the minimum risk for a successful overhaul. Director LaGere moved the Board award Contract 35012 for Overhaul of GRDA Unit 2 Turbine Generator to Mechanical Dynamics & Analysis in the amount of \$2,260,043, seconded by Director Grodhaus, and voted upon as follows: Kerns, no; LaGere, Spears, Grodhaus, yes. *Motion failed (3-yes, 1-no, 0-abstained).*

Discussion followed. Director Grodhaus moved to reconsider this item, seconded by Director Spears, and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Grodhaus moved the Board award Contract 35012 for Overhaul of GRDA Unit 2 Turbine Generator to Mechanical Dynamics & Analysis in the amount of \$2,260,043, seconded by Director LaGere, and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion failed (4-yes, 0-no, 0-abstained).*

**4.t. Change Order #1 to Contract 6285,
GRDA Maximo 7.2 Implementation and Training Project,
with Total Resource Management (TRM)
to Install Maximo 7 for Utilities Instead of Originally Planned Base Maximo 7
Enterprise Asset Management (EAM) Software Product**

Mr. Brown reported staff has agreed with TRM that rather than installing the originally planned Enterprise Asset Management (EAM) program, Maximo for Utilities will be installed instead. The Maximo for Utilities version includes the Enterprise Asset Management capabilities, plus an additional functionality for linear assets for utilities. In exchange for that scope increase, the transportation product module is being removed from the installation plan. The transportation module applies to GRDA's fleet assets which management and the Maximo upgrade staff have determined is not needed. The project timeline will be extended. It is expected to go live in August. The cost and pricing proposal incurs no change, so this is a zero dollar change order. Director Grodhaus moved the Board approve Change Order #1 to TRM Contract 6285 to modify the project scope to reflect the installation of Maximo 7 for Utilities instead of the originally planned Maximo 7 EAM product. This change will extend the project schedule to September 30,

2012, and will result in no change in project cost. The motion was seconded by Director LaGere and was voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.u. 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 and Budget Committee:** Director LaGere had no report.
3. **Fuel Committee:** There was no report.
4. **Marketing Committee:** Director Grodhaus had no report.
5. **Policy Committee:**
 - (a) **Revisions to the Board of Directors Policy Manual**
 - (i) **Second Reading of Policy 2-4 (*Conflict of Interest and Business Ethics*)**
 - (ii) **Second Reading of Policy 5-2 (*Investment of Funds*)**
 - (iii) **Second Reading of Policy 8-3 (*Records Management Policy*)**
 - (iv) **First Reading of Policy 7-5 (*Prohibition of Use of Tobacco Products on State Property*)**

Director Kerns reported the Policy Committee met this morning. Policy 2-4 has to do with employees and board members being able to accept gifts of nominal value if they conform with the Oklahoma Ethics Commission rules. It also addresses an

anonymous hotline where the Board will receive a report annually by Legal Counsel as to what the calls were about and how they were handled. Director Kerns moved the Board adopt the second reading of Policy 2-4, seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Kerns reported some language was tweaked in Policy 5-2. Director LaGere moved the Board adopt the second reading of Policy 5-2, seconded by Director Grodhaus, and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Kerns reported GRDA's Web site was inserted in Policy 8-3, so the schedule and information is available on line. Director Kerns moved the Board adopt the second reading of Policy 8-3, seconded by Director Grodhaus, and voted upon as follows: Spears, Grodhaus, Kerns, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Kerns reported a first reading was held regarding Policy 7-5. It will be up for a second reading next month, so no action is needed today.

6. Compensation Committee: Director Grodhaus reported there has been a lot of great work done by the Human Resources and Finance departments. There is now an employee requisition system that has been developed and put in place to add a lot of discipline and process, and it will tie into budget. In the second half of the year, it is moving toward being able to have all the personnel reports be able to tie actual to budget with delegations in place. In response to the state audit, this puts a tremendous amount of process and disciplines in place to allow the Board to execute the duties of

vigilance, oversight, and governance. The staff and management have not been defensive about this; everyone has wanted to do this. It really extends the disciplines overall and processes that are best business practices. Chair Spears thanked Director Grodhaus for his work on the Compensation Committee.

7. Long-Range Planning Committee: There was no report.

8. Ad Hoc Resource Committee: Director Spears reported the Committee met on June 1. There was a lot of discussion, and the Committee has requested some additional information. The Committee will meet again and will give a full report to the Board.

6. Proposed Executive Sessions:

- a. Proposed Executive Session Concerning a Pending Investigation, Claim, or Action Related to Non-Public Information.**
- b. Proposed Executive Session Concerning a Pending Action Related to Non-Public Customer Information the Authority is Contractually Obligated to Keep Confidential.**
- c. Proposed Executive Session Concerning a Pending Claim or Action Related to a Lease of GRDA Property in Delaware County Oklahoma.**

Director LaGere moved to go into executive session at 1:20 p.m., seconded by Director Kerns, and voted upon as follows: Grodhaus, Kerns, LaGere, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Grodhaus moved to return to regular session at 2:55 p.m., seconded by Director Spears, and voted upon as follows: Kerns, LaGere, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items:

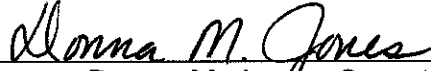
- a. Action, As Necessary, Concerning Non-Public Information.**
- b. Action, As Necessary, Concerning Non-Public Customer Information.**
- c. Action, As Necessary, Concerning a Lease of GRDA Property in Delaware County Oklahoma.**

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

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

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

Director Grodhaus moved for adjournment at 2:55 p.m., seconded by Director LaGere, and voted upon as follows: LaGere, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

July 11, 2012
GRDA Board of Directors