

**Minutes of Regular Meeting  
Grand River Dam Authority  
Board of Directors  
Vinita, Oklahoma  
September 12, 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 September 12, 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 September 10, 2012, at 11:59 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 10:17 a.m. The Secretary called the roll; all members were present with the exception of Director LaGere. Chair Spears declared a quorum. Ms. Moore introduced guests. Director Spears turned the gavel over to Chair Grodhaus. Mr. Sullivan thanked Director Spears for serving two terms as chair and presented to him a plaque of appreciation. Chair Grodhaus presented a framed photograph of the Coal-Fired Complex to Director Spears.

---

**BOARD MEMBERS**

Stephen R. Spears, Chair	Present
Greg R. Grodhaus, Chair-Elect	Present
Betty Kerns	Present
W. Brent LaGere	Absent
Chris Meyers	Present

**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: Anthony Due, Harold Robertson, and Rick Shurtz, NEOREC; Chris Cariker and Ted Hilmes, KAMO Power; John Bland, City of Siloam Springs; Bruce Johnson, City of Grove; Mike Williams, Shangri-La; Randy Krehbiel, Tulsa World; Justin Alberty, Tamara Jahnke, Holly Moore, Grant Burget, Heath Lofton, Dave McCollaum, Mike Stafford, Karen Olinger, Beka Carlson, and Lori Starks, GRDA.

---

**Election of Officers:**

**a. Nominations for Chair-Elect**

**b. Election of Chair-Elect (Will Serve as Vice-Chair)**

Chair Grodhaus declared nominations open for Chair-Elect to serve from now until September 2013. Director Kerns nominated Director Meyers, seconded by Director Grodhaus. There being no other nominations, the motion was voted upon as follows: Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Chair Grodhaus reported two directors have resigned: Dewey Bartlett and David Chernicky. Both have served on the Board for a number of years. Mr. Chernicky heads a major corporation, and Mr. Bartlett is the Mayor of Tulsa. Both have major obligations and could not devote the time necessary at GRDA. They both felt GRDA's work is so important that they wanted to make room for other people who could spend the time necessary. One position will be appointed by the Governor; the other is an appointment by the Senate Pro Tem. Chair Grodhaus thanked and recognized both directors for a terrific job representing GRDA. GRDA has benefited from the many years of business experience from both gentlemen. Both will be greatly missed.

---

**CONSENT AGENDA**

**1. Regular Board Minutes of August 8, 2012**

**2. Claims, \$65,553,302.19**

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

- (1) Robert E. McDaniel
- (2) Michael D. Willhoite
- (3) Randall G. Winner
- (4) John W. Schlosser

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

**(1) Obsolete Steel Coal Car Parts: Brake Beam R-H #18 (114), Brake Beam L-H #18 (92), Brake Step 31 x 10 (30), Spring D-7 Outer Coil (560), Spring D-7 Inner Coil (723), RB-9 Side Bearing Block (211), RFE-18 Friction Shoe (432), Friction Shoe Outer Coil Spring (224), Friction Shoe Inner Coil Spring (204), WE 2016 Center Bowl Liner (64), WE 1016 Center Bowl Liner (68), Bottom Rod Offset 38-inch (17), Clip on Roof Liner (13), Side Frame Wear Plate (281), Stucki Retro Kit 4500 (18), 688-B Rocker (42), 688-B End Closure (42), 688-B Side Bearing Cage (12), 6 1/2 x 12 Pedestal Adapter (16), Brake Beam Liner b(128), ABD Service Valve (8), ABDW Emergency Valve (19), 36-inch Wheel Set 6 1/2 x 12 (4), Pressure Plate 45-Degree (24), and Sandwich Pressure Plate (73)**

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
38191	Epumps Inc	\$113,044.00
38255	OneNet	63,000.00
38268	Alcatel-Lucent USA	94,434.00
38275	Mayes County Petroleum	198,186.99
38560	CL Smith Industrial Co	60,456.00
38601	Brenntag Southwest	214,280.00
38608	ABB Inc	463,489.23
38620	John L. Rucker LLC	75,585.00
38629	APAC Central Inc	60,813.50
38643	Jarraff Industries Inc	198,977.00
38677	FishNet Security	198,752.27
38684	IBM Corporation	79,600.71
38692	FishNet Security	59,769.06
38732	Harold's Auto Parts	15,000.00
38742	Alstom Power	600,000.00
38747	O'Reilly Auto Parts	<u>130,000.00</u>
<i>Total Standard</i>		<b>\$2,625,387.76</b>

32422	Southwest Electric	\$324,231.00
38477	CDW Government LLC	<u>25,325.24</u>
<i>Total Change Orders</i>		\$349,556.24
38305	Harlo Corporation	\$153,754.00
38441	Presidio Networked Solutions	242,303.54
38530	Presidio Networked Solutions	<u>58,119.61</u>
<i>Total Emergency Orders</i>		\$454,177.15
<i>Grand Total Purchases</i>		<u>\$3,429,121.15</u>

**5.c. Work Order Report (\* Denotes Addenda Items)**

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF011-00432	Pensacola Dam West Abutment Stabilization	\$1,785,000.00
RF012-00501	Kerr Dam Floodgate No. 17 Refurbishment	488,775.00
RF012-00525	Feeder 70 - MAID to Pryor Foundry (American Castings) 69-KV Rebuild	1,373,550.00
RF012-00526	Feeder 74 - MAID to Redden 69-KV Rebuild	1,418,536.00
RF012-00527	Upgrade W. Siloam - Kansas Repeater Hop	101,780.70
RF012-00530	PCC Cooling Tower Additional Load	<u>60,086.15</u>
<b>Grand Total Work Orders</b>		<u>\$5,227,727.85</u>

Regarding item 4.b, Chair Grodhaus stated this item will be passed because it requires five votes to declare property surplus.

Regarding item 5.b, Chair Grodhaus stated P.O. 38620 needs to be moved to the regular agenda. Mr. Sullivan stated P.O. 38629 has to do with a line item on the agenda and asked that it be moved to the regular agenda and be included with that item 4.h.

Director Kerns asked what is the criteria for putting items on the Consent Agenda. Mr. Sullivan reported the criteria typically is that ordinary items of business—usual and customary—are put on the Consent Agenda. Any board member can request that any of the items be moved to the Regular Agenda. This is just a way of expediting the meeting.

Chair Grodhaus stated it is the Board's desire to honor four of GRDA's employees who are retiring after many years of service. It is a good moment and a bad moment for GRDA because it is a happy occasion that these employees have new opportunities before them but sad that GRDA is losing all that experience. The four gentlemen represent 113 years of service to the Authority. On behalf of the Board, Chair Grodhaus thanked the four employees for their service. Director Spears echoed those comments.

Director Meyers moved to approve the consent agenda, with the removal of item 4.b., Surplus, and P.O.s 38620 and 38629; seconded by Director Spears; and voted upon as follows: Kerns, Meyers, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

## **REGULAR AGENDA**

### **3. Unfinished Business**

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

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA September 2012 Update" highlighting the summer 2012 wrap-up, which explained how this summer's drought affected GRDA and gave an overview of the summer on Grand Lake and Lake Hudson.

Mr. Sullivan reported that GRDA applied for and received a variance on GRDA's rule curve from FERC. Staff is continuing to have weekly phone conferences with FERC. GRDA's generation out of Pensacola since May has been virtually zero. GRDA has been generating at .03 feet per day to deal with dissolved oxygen mitigation. There has been no generation out of Kerr. All the water that is spilled out of Kerr goes out of the spillway to address dissolved oxygen issues there. The lake level is about a foot

above what the lake level would normally be this time of year. By mid-October, if no additional rain is received—which is not forecasted—it is expected the lakes will cross and intersect with what the rule curve would have been at that point. GRDA will probably no longer be at a variance with FERC at that stage.

Mr. Sullivan reported there was a brief scheduled outage at the Coal-Fired Complex to tune up Unit 1. Friday begins the eight-week outage of Unit 2. The unit will be disassembled, and the low-NOx burners will be installed.

---

### **3.b. Assets Committee Recommendations:**

#### **3.b.1. Request by Ameristar Fence for a Transmission Line Easement Release Located in Tulsa County Oklahoma.**

Regarding item 3.b.1., Director Kerns reported the Assets Committee continued the ODOT request until next month.

---

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

#### **4.c.1. Request by Oklahoma Department of Transportation for an Easement to Construct a New Bridge and Road on Highway 82 in Mayes County Oklahoma.**

#### **4.c.2. Request by Troy & Shonna Young for a License to Encroach for Property Located in Delaware County Oklahoma.**

#### **4.c.3. Request by Mandy Farran for a License to Encroach for Property Located in Delaware County Oklahoma.**

#### **4.c.4. Request by David L. and Pamela Hughes for a License to Encroach for Property Located in Delaware County Oklahoma.**

#### **4.c.5. Possible Approval to Install Four Boat Ramps and One New Dock and for Relocation of Two Existing Docks at Wolf Creek in Delaware County Oklahoma and Associated Work Order RF012-00535 in the Amount of \$200,000.**

**4.c.6. Request by Meghan Coves for a Dock Modification for a Facility Located in Delaware County Oklahoma and for Waiver of the Application Fee.**

Regarding item 4.c.1., Director Kerns reported the Assets Committee unanimously recommends approval of the easement. Director Kerns moved the Board approve an easement to the Oklahoma Department of Transportation for a new road and bridge on Highway 82 south of Langley in Mayes County for the amount of \$975, seconded by Director Spears, and voted upon as follow: Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 4.c.2., Director Kerns reported the Assets Committee unanimously recommends approval of the license to encroach. Director Kerns moved the Board approve a 30-year license to encroach in Delaware County to Troy and Shonna Young in the amount of \$777 per year, seconded by Director Spears, and voted upon as follows: Spears, Grodhaus, Kerns, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 4.c.3., Director Kerns reported the Assets Committee unanimously recommends approval of the license to encroach. Director Kerns moved the Board approve a 30-year license to encroach in Delaware County to Mandy Farran in the amount of \$1,726.30 per year, seconded by Director Spears, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 4.c.4., Director Kerns reported the Assets Committee unanimously recommends approval of the license to encroach. Director Kerns moved the Board approve a 30-year license to encroach in Delaware County to David and Pamela Hughes in the amount of \$307.80 per year, seconded by Director Spears, and voted

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

Regarding item 4.c.5., Director Kerns reported the Assets Committee unanimously recommends approval. Mr. Sullivan added this was a project that was discussed last month. There are three parts to this request. The initial part is the \$200,000 related to the construction of the ramps at Wolf Creek. There will be an additional dock installed. GRDA will be the requesting party with FERC for approval of the ramps and the dock. GRDA will maintain the ramps as part of GRDA's lake access and as keeper of the lakes. The City of Grove will maintain, insure, and install the dock that will be at this location. The second component was a \$40,000 amount requested, and that is being discussed with the Technical Committee. As part of GRDA's Pensacola FERC license, GRDA is required to have a Technical Committee that looks at wildlife mitigation and other requirements. The committee is made up of U.S. Fish & Wildlife, the Corps of Engineers, the Oklahoma Department of Wildlife, the Oklahoma Water Resources Board, and GRDA. The Wolf Creek project includes participation from the Oklahoma Department of Transportation, the Oklahoma Department of Tourism, the Oklahoma Department of Wildlife Conservation, and the United States Fish and Wildlife Service as key cooperators in this project. The preliminary discussion with the Technical Committee, while it has not been officially approved, is that \$40,000 of the money set aside in that technical fund could be used for some of the fish habitat that would be part of the overall project to ensure the safety of the fish and that there are no fish kills associated with the tournaments. The remaining \$30,000 talked about last month is direct support requested of GRDA to the fishing tournaments on Grand and Hudson

lakes. Staff has looked at the budgets, and by splitting the projects into what could be done this year and next year, the goal can be accomplished without any additional requests from the Board and within the budget presented. About \$40,000 of the \$200,000 would be for actual material that would be used in the construction of the ramps. The rest is for equipment and labor costs that are incurred on any project involving GRDA crews. GRDA can contribute to the process which gives the City of Grove the ability to leverage that with matching funds from other sources. As a responsible party for the lake, it is believed that is a proper function of lake management. Director Kerns moved the Wolf Creek project be approved as submitted to include construction of four new boat ramps, relocation of two existing docks, and installation of a courtesy dock to improve public access and recreational use by stakeholders. Director Kerns further moved to approve Work Order RF012-00535 as submitted. Director Spears seconded the motion, and the motion was voted upon as follows: Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained)*. Chair Grodhaus thanked Director Kerns and the other directors and stated this means with the \$270,000 to support this project, the project can be done without encumbering ratepayers and within budget in kind and be able to do GRDA's part in supporting the project.

Regarding item 4.c.6., Director Kerns reported the Assets Committee recommends granting the request for the dock modification. Director Kerns moved the application to modify the existing permit for Meghan Coves Association be approved as submitted for a permit of four docks including 82 boat slips and recommend payment of application fee to cover expenses related to processing application, seconded by Director Spears,

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

---

**4.d. Memorandum of Understanding  
with Northeast Oklahoma Electric Cooperative, Inc.**

Mr. Sullivan reported staff has been in discussion with Northeast Oklahoma Electric Cooperative. Mr. Due and Mr. Shurtz are present today. There are a lot of things being worked on to straighten out in the relationship. The parties have been looking at assets and who would be the proper owners of those going forward. There are a lot of details yet to be decided in order to prepare a final document that would be a new agreement with them. In previous discussions with the rating agencies, one of the issues they raised was that GRDA does not yet have a new contract with NEO or Stillwater. This and the next item is GRDA's effort to memorialize in writing what GRDA has been doing. Ongoing discussions with NEO have been very fruitful, and a lot of progress has been made. Staff wanted some kind of documentation of the process to demonstrate to the rating agencies that GRDA is working toward that goal. It is hoped this is the final draft, but Mr. Due and his staff are looking over this agreement. If approved today, it is hoped they would be in a position to approve this agreement or a similar one at their next board meeting. Director Meyers moved approval of the Memorandum of Understanding with Northeast Oklahoma Electric Cooperative, seconded by Director Spears, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

#### **4.e. Memorandum of Understanding with Stillwater Utilities Authority**

Mr. Sullivan reported the language in the agreement is slightly different than the agreement with Northeast Electric because the issues are a little different. Stillwater is looking at new generation capacity. Last month, the Guernsey report was discussed. Stillwater has engaged Guernsey to do analysis of their generation needs. GRDA has also engaged Guernsey to work with GRDA on its needs. Guernsey will be able to match those analyses for the discussions. Staff has had continued discussions with the City of Stillwater. They are very interested in working toward a new agreement. This agreement would have to be approved by their board. Director Kerns asked about the May 31 deadline and the timeline. Mr. Sullivan stated it was felt that rather than leave it open ended, a deadline would be desirable to get a new contract in place. If the parties are still discussing at that time, staff can come back and report the progress. It would take several years for the increased generation to occur, but the agreement will spell out how the generation will be dealt with. The intent is to try to reach an agreement, so the parties will not continue to go forward on a year-to-year basis. In order to get to that place, the report from Guernsey has to be received from Guernsey and then further discussions on what all those details reveal. They do want to increase their capacity. Their old unit is very inefficient, and they are wanting to install a single-cycle natural gas unit. There is some benefit to GRDA to having additional generation on that end for peak load. GRDA's usage out of Redbud is sometimes curtailed by transmission issues. Director Spears moved the Board approve the Memorandum of Understanding with Stillwater Utilities, seconded by Director Grodhaus, and voted upon as follows: Kerns, Meyers, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

#### **4.f. Update of Termination Language for Standard Industrial Contracts**

Mr. Burget reported GRDA's Bond Tax Counsel has approved new language for GRDA's large industrial customer contracts that does not violate GRDA's private use provisions, provided initial contract term is less than three years. Mr. Burget read aloud the old and new language. In summation, the existing language under Article 12, *Agreement Term and Term Extension Provisions*, sets out that if the customer desires a contract extension, they must notify GRDA in writing at least six months prior to the expiration of the agreement, and GRDA may agree or refuse to extend the term. In the absence of a written agreement to the contract, the customers will agree that it will not claim it has relied on an extension of the agreement as grounds for not acknowledging the termination of the agreement and the discontinuation of electric service. The new language sets out the termination date will be automatically extended for one additional year on each anniversary of the service commencement date unless the automatic extension has been canceled by either party or the agreement is otherwise terminated. Either party may cancel the automatic extension of the termination date by giving written notice to the other party no later than the business day before an anniversary date. The initial term is for three years, and then the contracts automatically roll over. Mr. Sullivan added that in meeting with GRDA's Bond Counsel, they recommend GRDA do this and standardize it across all GRDA's industrial customer contracts. Director Spears moved the Board approve the automatic extension language for GRDA's large industrial customer contracts, seconded by Director Meyers, and voted upon as follows: Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

**4.g. Long-Range Planning Committee Recommendation:  
Work Authorization No. 38703 with C. H. Guernsey & Company  
for Resource Planning**

Ms. Dougherty reported OG&E filed their integrated resource plan with the Corporation Commission. The GRDA Long-Range Planning Committee is also interested in an integrated resource plan concept. It involves an in-depth study of generation needs and resources to meet those needs and look at generation alternatives to best meet those needs. A proposal was requested from C. H. Guernsey to develop a resource plan. The results from the Black & Veatch study will be incorporated as well as decisions that will be made from the Ad Hoc Committee. Some deadlines need to be met. Any decisions roll into GRDA's ten-year financial forecast, and GRDA needs to make sure to cover costs when resetting the rates early in the year. The scope of the services include the following: develop a base resource plan reflecting a load/resource balance, evaluate resource options to meet capacity and energy needs, update ten-year economic dispatch of resources for financial forecast, assist in evaluation/modifications of time of use and potential interruptible rates, and refine modeling as decisions on generation are finalized. GRDA may look at some demand reduction-type rates. Regarding timing, GRDA shares the ten-year financial forecast with its customers in November and December during the annual customer meetings. By statute, the preliminary budget is adopted in December. Any refinements will be completed by March 31, 2013, and included in the GRDA final budget and internal rate study. The cost is in the not-to-exceed amount of \$79,500. Director Meyers added this will also incorporate the new SPP market. Director Grodhaus asked about GRDA's being able to use its own resources or internal expertise instead of having to outsource.

Ms. Dougherty explained Guernsey originally did load forecasting, ten-year financial forecast, and help set GRDA's rates. GRDA has brought those components internally. However, Guernsey gets market pricing indices from Vintex, and they have a ProMod software that basically takes an engineer to run it. The main component they do for GRDA is an economic dispatch model run on an hourly basis based on SPP pricing. Guernsey will not redo what Black & Veatch is going to do. Guernsey is going to help GRDA determine, based on different alternatives, what type of generation, and how those units will dispatch in the model. GRDA will take the output to determine how often that resource would run. GRDA does not have the capability to do that internally. Director Grodhaus asked about train the trainer, and Ms. Dougherty stated Jennifer Weatherford used to do power billing, and now she does what Guernsey used to do as far as the ten-year financial forecast and internal budget. Director Meyers moved to approve the Long Range Planning Committee's recommendation to approve Work Authorization 38703 with Guernsey for resource planning options and other services for a not-to-exceed price of \$79,500, seconded by Director Grodhaus, and voted upon as follows: Spears, Grodhaus, Kerns, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

**4.h. Recommendation to Approve Interagency Agreement with the Oklahoma Department of Transportation (ODOT) for Paving of Roadway to Pensacola Dam Powerhouse and Associated Work Order RF012-00534 for Materials in the Amount of \$68,300**

Mr. Barney described a proposed contract to pave the access road to the Pensacola Powerhouse. It is about one-half mile of roadway. The road is gravel and creates a lot of dust. It would be beneficial to place asphalt over that road. GRDA is the

primary user of the road. It does go through a state park, and members of the public use it for access below Pensacola Dam for recreational purposes. In discussing this with ODOT, they were in agreement because it is public access, they would be willing to participate in a cost-sharing effort, so that would be a savings to GRDA. This project has been planned for sometime. The park is operated under a long-term lease with GRDA. GRDA's share of the cost is for materials only that would be purchased by GRDA under the statewide contract for the purchase of asphalt. The total cost for the material, including overhead loads, is estimated at \$68,300. ODOT would provide the labor, supervision, and oversight, and the asphalt would be installed to their quality control standards. Mr. Sullivan added the amount of associated Purchase Order 38629 to APAC Central in the amount of \$60,813.50 was less than the estimated amount. Mr. Barney explained the work order includes some overhead load and standard percentage increases, so that accounts for the difference. Director Spears asked where the savings are and what the benefit is to gravel a road for basically service trucks. Mr. Barney stated the benefit during dry seasons is the road turns into an unhealthy dust bowl. The underlayment contains flyash, and it is a good practice to cover dusty materials. It is primarily a health issue for employees and the public. The savings associated with partnering with ODOT is roughly half of what it would cost if GRDA did the job itself. This project has been in GRDA's capital budget forecast for a number of years, and this was the year it was scheduled to be done. Director Kerns moved the Board approve the Interagency Agreement with ODOT to pave the roadway leading to Pensacola Powerhouse and the associated Work Order RF012-00534 and Purchase Order 38629 to APAC Central for materials in the amount of \$68,300, seconded by

Director Meyers, and voted upon as follows: Grodhaus, Kerns, Meyers, yes; Spears, no. *Motion failed (3-yes, 1-no, 0-abstained)*. Mr. Sullivan added the road has been under laid with fly ash, and the paving would prevent spreading of the ash as the road bed deteriorates. GRDA will have to spend additional funds to re-gravel it to prevent that spreading; asphalt would be a more permanent solution. Director Spears withdrew his "no" vote and voted "yes." *Motion passed (4-yes, 0-no, 0-abstained)*.

---

**4.i. Work Authorization No. 38680 with Black & Veatch  
to Perform Engineering Services Plans  
for Generation Upgrades at Coal-Fired Complex**

Mr. Barney reported this item involves putting in place an ability to take action regarding future generation upgrades at the Coal-Fired Complex. There is an avalanche of new rules and regulations specifically directed at coal-fired generation being issued by the Environmental Protection Agency (EPA). Some of the rules are under legal challenge; some will probably be amended. GRDA's existing emissions controls at the plant on Unit 2 consists of a sulphur dioxide scrubber followed by a precipitator. A contract was issued for installation of low-NOx burners in both boilers. Further emissions reductions rules are expected for mercury, acid gases, nitrogen oxides, sulfur dioxide, particulate and ash disposal. The most critical EPA deadlines issued deal primarily with mercury control and acid gases. It has a deadline of April 16, 2016. That is only if GRDA applies for a one-year extension. In order to get the one-year extension, GRDA has to be able to present its plan to the State of Oklahoma and Department of Environmental Quality. Based on discussions, it is believed they would grant that one-year extension. GRDA is proceeding with the low-NOx burner/overfire air contract which is expected to reduce NOx emissions by about 50 percent. The cost is relatively low

compared to other requirements. It would appear on studies performed so far that GRDA would have to install new equipment, particularly a dry scrubber with a fabric filter. It would also appear GRDA would need additional NOx controls. It is important GRDA have assistance of an Owner's Engineer. The Owner's Engineer would act to begin the execution of a project if the Board decides to do the project. Another option being considered is replacing some of the Coal-Fired Complex with a combined-cycle power island using natural gas. Some preliminary cost evaluations have been done. Whatever option is chosen, it is clear it will take a minimum of three years to do the project. The legal requirements now indicate the project needs to be fully functional in three and a half years, or GRDA will not have a permit to operate its facility. GRDA does not have the engineering strength in numbers to conceptualize, prepare the specifications, solicit bids, evaluate bids, and oversee the construction of the project. It is a massive undertaking. It may eventually require the efforts of several dozen engineers. In the short term GRDA needs to have in place an Owner's Engineer that will assist GRDA in making that decision as to what GRDA should do and to perform preliminary work such as preparing specifications. The real activity occurs a year or two after the start of the project, so in the beginning, the initial design has to be prepared and long-term materials need to be ordered. GRDA is obligated to go through a detailed process to choose an engineer for a project like this prescribed by the rules and regulations of the State of Oklahoma Department of Central Services (DCS). Proposals were requested from 35 registered engineering firms; three of the firms submitted a proposal. The three firms were competent and experienced. All three were interviewed by a five-person GRDA/DCS team of professionals. They were evaluated on the basis

of experience, their proposed engineering team, control methods, and design approach. Black & Veatch submitted the superior proposal. GRDA staff negotiated terms and rates with Black & Veatch that are acceptable. Staff recommends award of the contract to Black & Veatch Engineering. This would allow GRDA to continue to evaluate options. Staff would then come back to the Board with recommendations, probably in early 2013. It would be important at that point that GRDA make a decision as to what direction to proceed, and the Board will have full authority and knowledge of any decision made in that regard. The initial amount recommended is not to exceed \$2 million, solely based on the concept to be able to get started and perform preliminary work. Staff would keep the Board fully informed of any costs associated with the project. Director Grodhaus expressed his concern that if GRDA does not get started on this before other companies do, GRDA could be shut out. Mr. Sullivan added this is the other issue the rating agencies were concerned about: What is GRDA's environmental mitigation and generation plans going forward because all utilities across the country are dealing with the same issues, especially those that have coal capacity. Having a plan in place, a meeting has been scheduled with the customers for September 21 to present preliminary information. If this is approved, Black & Veatch will be there to present information, along with GRDA's environmental counsel and others to give a national view. Director Spears expressed his concerns that the resource planning should be conducted by Guernsey first before making construction plans. Mr. Brown added the two primary options that Black & Veatch will be exploring are upgrades to the coal-fired facilities and the combined-cycle project; those will be two options that will be evaluated in the overall resource plan that Guernsey will be evaluating. Black & Veatch has the

ability to do bus bar-type costs, which GRDA does internally as well to look at net present value cost comparisons. Guernsey provides to GRDA that GRDA cannot do internally is an hourly production cost analysis. There may be some interplay between the two studies, but this is not so much the study, this is really to get things ready to move forward with an engineer. Mr. Barney added it is primarily a retainer until the work is completed with Guernsey, and staff can come back to the Board with the options and recommended plan of action. It is necessary to engage Black & Veatch to incur some costs for preliminary tasks for the rest of this year; for example, it is necessary for GRDA to make a permit application to the State to get that one-year extension. GRDA has to show cause why the extension is needed. It is a significant task to make that application, so Black & Veatch will assist GRDA in doing that. The American Public Power Association has filed a lawsuit against the EPA saying the three-year timeframe is not enough time for public power agencies. Discussion followed about the deadline and the political aspects of the rules. Mr. Sullivan added the new SPP market is coming in March 2014 which means GRDA has to have the assets available to cover generation needs that may or may not be used. Mr. Barney added that the \$2 million will allow GRDA the legal authority, under DCS rules, to proceed and not have to go back through the process of selecting another engineering firm. Director Grodhaus moved the Board approve the proposed Work Authorization 38680 with Black & Veatch to perform engineering services and plans for generation upgrades at the Coal-Fired Complex in a not-to-exceed amount of \$2,000,000, seconded by Director Kerns, and voted upon as follows: Kerns, Meyers, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

### **5.b. Purchase Order 38620**

Ms. Dougherty asked the Board to approve this purchase order, subject to GRDA's getting a waiver from the State of Oklahoma with regard to state use vendor. GRDA bid the three-year janitorial services. Rucker was willing to the job for quite a bit less than the state use vendor, but the state has contracted with a lot of different providers statewide. If GRDA receives the waiver, the project can move forward. If a waiver is not received, staff will be back next month asking the Board to award the service to the state use vendor. Director Spears moved the Board approve Purchase Order 38620, subject to obtaining a waiver from the State of Oklahoma to issue such purchase order; seconded by Director Grodhaus; and voted upon as follows: Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

### **4.j. Other New Business**

There was no other new business.

---

## **5. Reports**

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

Director Grodhaus presented the committee assignments through 2013. There are places that show "new member." In an effort to streamline the process and get better attendance and performance at committees, Director Grodhaus recommended consolidating the Audit, Finance and Budget Committee with the Policy Committee and combine the Marketing and Compensation Committees. That will take a vote of the Board to change the bylaws to do that. That would be brought up at the next meeting. In the meantime, the Audit, Finance and Budget Committee and the Policy Committee will

be staffed and chaired by the same people, and those Committee chairs will have the ability to have the meetings run concurrently. Director Grodhaus also recommended changing the bylaws to provide that a committee will not be more than three members nor less than two and that a committee chairperson would have the ability to decide whether they want to staff their committee with two or three people. Some of the committees meet infrequently, and to be able to tie up more people may not be constructive. Notwithstanding, these are the committee assignments that will be for the next term.

1. **Assets Committee:** Director Kerns reported there was no further report.

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

3. **Fuel Committee:** Director Spears had no report.

4. **Marketing Committee:** Director Grodhaus had no report.

5. **Policy Committee:** There was no report.

6. **Compensation Committee:** Director Grodhaus reported the Committee has an important informational presentation for employees, guests, the Board, etc. It was tabled from the last meeting. There are only four members present today because of the resignations, and one member has a prior engagement and is on a short timeframe. If this presentation is made today, there would not be time for some of the items on the executive session. Regardless of those present at the next meeting, it will be presented even if it is after the meeting as informational.

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

**8. Ad Hoc Resource Committee:** Director Spears reported the Committee has not met since the last meeting. As mentioned, there will be a customer meeting with some information the Committee will be sharing for input.

---

**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.**
- d. Proposed Executive Session Concerning a Pending Claim or Action.**

Director Spears moved to go into executive session at 11:49 a.m., seconded by Director Meyers, and voted upon as follows: Spears, Grodhaus, Kerns, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Spears moved to return to regular session at 12:40 p.m., seconded by Director Meyers, and voted upon as follows: Grodhaus, Kerns, Meyers, Spears, 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.**
- d. Action, As Necessary, Concerning a Pending Claim or Action.**

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

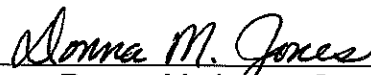
Regarding item 7.b, Director Spears moved the Board approve the contract as discussed in executive session, seconded by Director Meyers, and voted upon as follows: Kerns, Meyers, Spears, Grodhaus, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Regarding item 7.c, this item was removed from the agenda, so no action was deemed necessary at this time.

Regarding item 7.d, Director Spears moved the Board approve the settlement of claims of Alstom Hydro under Contract 2005-3 as discussed in executive session, seconded by Director Meyers, and voted upon as follows: Meyers, Spears, Grodhaus, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

---

Director Meyers moved for adjournment at 12:44 p.m., seconded by Director Kerns, and voted upon as follows: Spears, Grodhaus, Kerns, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*



\_\_\_\_\_  
Donna M. Jones, Secretary

DATE APPROVED:

October 10, 2012  
GRDA Board of Directors