

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
February 13, 2013**

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 February 13, 2013. 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 November 6, 2012, at 2:51 p.m.; by posting the agenda with the Craig County Clerk's office on February 12, 2013, at 8:54 a.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair Grodhaus called the meeting to order at 10:16 a.m. All members were present. Chair Grodhaus declared a quorum. Chair Grodhaus stated item "m" would be addressed after the executive session. Ms. Moore introduced guests.

BOARD MEMBERS

Greg R. Grodhaus, Chair	Present
Chris Meyers, Chair-Elect	Present
Betty Kerns	Present
Tom Kimball	Present
W. Brent LaGere	Present
Stephen R. Spears	Present
Allen B. Wright	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: Harold Robinson, Larry Cisneros, and Rick Shurtz, NEOREC; Randy Bundy, KAMO Power; John Bland, City of Siloam Springs; David Rountree, City of Miami; Mike Doublehead, TPWA; Gary Pruet, City of

Pryor/MUB; Mike Williams, Shangri-La; Bryan Edwards, The AOE Group; Dick Williams, Realtor; Joe Moody and Gene Foster, Burns & McDonnell; Rebecca Jim, LEAD Agency Inc.; Earl L. Hatley, Citizen; Randy Krehbiel, Tulsa World; Tamara Jahnke, Holly Moore, Grant Burget, Dave McCollaum, Melanie Earl, Mike Stafford, Heath Lofton, and Lori Starks, GRDA.

CONSENT AGENDA

2. Claims, \$59,009,058.00

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

(1) 362-KV GCB, ABB/ASEA Breaker

(2) 200 Tons of Scrap Metal

(3) 2002 Baja Boat (2,383.2 hours), 2002 Heritage Trailer 280, 2002 Baja Boat (1,216 hours), 2004 Baja Boat (1,972.9 hours), 2003 Heritage Trailer 282

5.b. Approval/Ratification of Purchase Orders Which Are Consistent with GRDA Policies and Procedures (* Denotes Addenda Items)

<i>PO No.</i>	<i>Vendor/Description</i>	<i>Pursuant to</i>	<i>Amount</i>
<i>Standard Orders</i>			
40004	Warren Cat / Caterpillar Parts & Service	RFQ 11769	\$160,000.00
40009	Dura-Metal / Atomizer Discs	RFQ 11822	\$246,000.00
40015	OATI / WebCARES Certificates	NERC & SPP Requirements	\$7,625.00
40019*	AFL Telecommunications / OPGW Cable & Hardware	RFQ 16186	\$124,364.45
40021*	Freightcar America / Train Storage	RFQ 15058	\$88,995.00
42248	Jim Chase Company / Air Valve	RFQ 11836	\$56,824.00
42277	Fletcher Reinhardt / Insulators	RFQ 11819	\$12,204.00
42279	Hubbell Power Systems / Insulators	RFQ 11819	\$28,408.90
42281	NGK Locke / Insulators	RFQ 11819	\$9,462.00
42282	MacLean Power Systems / Insulators	RFQ 11819	\$123,189.00

42298	Large Public Power Council / Membership Dues	OAC 300:20-1- 15(c)(4)	\$75,250.00
42302	Techline Inc / OPGW Hardware	RFQ 11803	\$24,935.01
42304	Fletcher Reinhardt / OPGW Hardware	RFQ 11803	\$135,660.00
42346*	Diversified Electric Supply / Line Hardware	RFQ 11799	\$50,736.75
42347*	Fletcher-Reinhardt / Line Hardware	RFQ 11799	\$6,675.59
Total Standard Orders			\$1,150,329.70

Change Orders			
36673	Keystone Turbine Services / Rental Engine for LB4	RFQ 18766	\$9,868.50
Total Change Orders			\$9,868.50

Emergency Orders			
41590	MVA Power Inc / ACSR Cable	RFQ 11747	\$654,750.00
Total Emergency Orders			\$654,750.00

Grand Total All Orders			\$1,814,948.20
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5.c. Work Order Report (* Denotes Addenda Items)

Number	Title	Amount
RF013-00556	Feeder 52 Line Clearance Improvements	\$981,288.00
Grand Total Work Orders		\$981,288.00

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

REGULAR AGENDA

1. Regular Board Minutes of January 16, 2013

Director Meyers moved to approve the regular board minutes of January 16, 2013; seconded by Director Wright; and voted upon as follows: Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Chair Grodhaus stated that if the revised bylaws are approved later on the agenda, all of the meetings will be recorded, but as soon as typed board minutes are approved—which takes precedence over a recording—the recordings will be eliminated.

3. Unfinished Business

3.a. Progress Reports

Mr. Sullivan reported GRDA unfortunately has an operation that has been underway for almost three weeks to recover a body from Grand Lake—a person who was apparently ejected from his boat. GRDA is spending a lot of time and resources in trying to recover the body and unfortunately has not had any success to date. It is not known where the accident occurred. The boat was found after a call was made that the gentleman had not returned home. Therefore, personnel are continuing the operation.

There has been a very significant and well attended lake cleanup operation that occurred last week. Mr. Sullivan commended Lori Starks and Jacklyn Jaggars who helped coordinate that effort. The video will show some of the success of that project. There has been a tremendous response from the public. The Styrofoam collected will be going to the Covanta Trash to Energy plant in Tulsa, rather than to a landfill, so it can be turned into energy.

Mr. Sullivan and Ms. Dougherty attended the Large Public Power Council meeting last week. It was very informative about what is going on around the country. They announced GRDA's rate decrease compared to everyone else's rate increase. Mr. Sullivan has been asked to help lead the effort to work on the lobbying of Congress on the issue of tax-exempt status of municipal bonds. Part of the budget and tax reform discussions is that the tax-exempt status would be removed on the federal level. It is important to GRDA and all GRDA's customers that GRDA maintain the ability to obtain financing at a favorable rate that keeps GRDA's costs low.

The Bassmaster Classic starts next Friday. It will be a fantastic event that will start in Wolf Creek Park in Grove with the launch and return and then go to the BOK Center in Tulsa. If any of the Board has any needs to try to attend the events, Mr. Sullivan said to let him know, and assistance will be provided in getting them in.

Both coal-fired units experienced an unplanned outage about a week ago. A lightning strike took out some control equipment and caused the outage. Both units are back on line.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA February 2013 Update" highlighting the recent comprehensive shoreline cleanup effort around Grand Lake.

4. New Business

4.b. Assets Committee Recommendations:

4.b.1. Request by Northeastern Oklahoma A&M College for Interlocal Agreement Regarding the Tar Creek Wetland Project, Allowing NEO A&M to Take and Use Raw Water from Tar Creek.

4.b.2. Request by Arthur L. Harms for a 30-Year License to Encroach for Property Located in Delaware County Oklahoma.

Director Kerns reported the Assets Committee did not meet, so these items will be presented to the full board.

Regarding item 4.b.1., Ms. Jahnke reported the college in Miami has received funding for the Tar Creek Wetland Project. They are requesting from GRDA to take water from Tar Creek. The college proposes the wetland project on approximately five acres they own at the college. They plan to use the project as an outdoor classroom to study vegetation to see what types of vegetation may take heavy metals out of water and also some pollutants. They will install a solar-powered pump that will take approximately 300 gallons per hour from Tar Creek. They will pump the water into a series of ponds. Showing a diagram of the ponds, Ms. Jahnke explained the intake will come into the primary pond and will filter down through two ponds on each side and then to a swale, or outlet. From there it will go back into the creek. They estimate approximately 75 percent of the water taken will return back into the creek. The college owns all the property in the area, so the only thing they are requesting from GRDA is the right to withdraw the water from Tar Creek. Staff has discussed the proposal and recommends granting the request. Director Spears asked if there would be an increase in suspended solids through the algae released back into the creek. Ms. Jahnke responded they think the solids will actually decrease because of the filtering system through the ponds. Dr. Townsend stated the algae from a spreading standpoint is not typically driven that way; it is site specific and nutrient driven. If nutrients are not available in the lake, even if there is an algae bloom in the structure, there is not really a chance to send that downstream. It cannot bloom if the nutrients are not set up in Grand

Lake. Dr. Townsend believes there is an aeration system that is part of the project and that they are utilizing the OU model as an example. Ms. Jahnke added the ponds will be a little less than two feet deep. Dr. Townsend explained his only concern is that there may be evaporation in the summer that may exceed the rate of intake. It could end up being a muddy bog, and they may need more water. Director Spears moved to approve the interlocal agreement allowing NEO A&M to withdraw 300 gallons per hour from Tar Creek for the Tar Creek Wetland Project, seconded by Director LaGere; and voted upon as follows: LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.b.2., Ms. Jahnke reported this item concerns property in Grand Tara on Grand Lake. The Harms purchased their property in 2001. At that time, they had a survey done of the subdivided lot. The survey did not have the GRDA taking line on it. Based upon the survey, they put a mobile home on the property, encased it in steel, added a deck, and essentially replaced all the walls except one interior wall. Recently, they had a new survey done. This survey did have the GRDA taking line on it. It shows that GRDA's property line runs through the house. About 50 percent of the house is on GRDA property. The encroachment includes 2,268 square feet. The request is for a 30-year license to encroach. The structures were built prior to June 1, 2005, which is what GRDA's statute requires. The property has been appraised for \$960 a year. Staff believes this appraised value is a fair market value and recommends approval of the license. Director LaGere moved the Board approve a 30-year License to Encroach in Delaware County Oklahoma to Arthur L. Harms for the amount of \$960 per

year, seconded by Director Wright, and voted upon as follows: Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

**4.c. Bid Award Recommendation for RFP 40604,
Workforce Management Consulting Services**

Mr. Sullivan reported that following the State Audit, GRDA engaged KPMG to do an assessment of the operations of GRDA. One of the main issues identified that cuts across all GRDA's departments relates to workforce management. In an effort to implement the recommendations made by KPMG, staff is proposing an agreement be entered into with The AOE Group to assist in implementing best practices in recruiting, training, and retaining employees going forward. Dr. Bryan Edwards is present and will be making a presentation regarding the proposal. Dr. Craig Wallace can also be added by phone. Both are professors at Oklahoma State University and have had experience in implementing this type of plan in other businesses. Director LaGere added the Audit Committee reviewed the proposal this morning. Director Grodhaus added one of the best practices is developing knowledge retention. Mr. Sullivan added that approximately 55 percent to 60 percent of GRDA's employees are eligible for retirement during the next five years. The knowledge transfer and dealing with the number of retirements is a huge part of the implementation phase of this program.

Mr. Edwards reported that in reviewing the KPMG audit report, it is clear from it and the Board and leadership of GRDA there is potential challenge with the 250 employees who are eligible to retire in the next five years—approximately one-third to one-half of the workforce. That is a lot of turnover to an organization that is used to about three percent turnover. That is a lot of knowledge, experience, ability, and skill

that is leaving the organization. KPMG recommended several needs to prepare for that challenge as far as recruitment to replace the employees, developing a succession plan, working with strategic goals making sure they are aligned throughout the entire organization, measurement of performance, knowledge retention and transfer, and working all of it into a rewards structure. Workforce Management refers to implementing policies and interventions that maximize employee performance and wellbeing. This is similar to investment in equipment upgrades and maintenance, except this has to do with the people. Investments in people are as important as investments in other business resources. People make up the largest cost of doing business. AOE are scientists-practitioners who actually go out into business and industry and implement what is learned. AOE contributes to the new research, so AOE actually does management science, primarily in human resources and organizational behavior area. AOE also applies the knowledge to business and industry, so AOE has to stay up to date in research and application of human capital and human resource interventions. AOE proposes a two-phase project. The first phase would focus on management throughout all of GRDA. The focus is to get the workforce ready for large scale implementations. AOE would work with managers and develop skills, so they could take ownership over Phase 2. AOE did this at a major hospital in Oklahoma that had really high customer satisfaction (94%) but comparatively lower employee satisfaction. There was an understanding that any investments and support for patient satisfaction somehow took away from the employees, and AOE wanted to convince them it was not true. They do not have to compete. Both employees and patients can be invested in. Mr. Edwards explained the results of the surveys depicted on the graph. External

validation came from a survey that showed leadership and planning and relationship with supervisor were two of the targeted areas, and the numbers went up all across the board. To accomplish that goal, AOE met with every manager and involved them in the development of the action plan, so they owned it. The Workforce Readiness Plan is Phase 1, and it would take a couple of months to get in place. Phase 2 is Performance Management and is where the recruitment plan, succession plan, performance appraisal, and other things listed in the KPMG report will be developed. There is a lot of flexibility in the program. The cost per employee is projected at \$540 per employee. If the number of employees is underestimated, 500 employees would go to \$600 per employee. When dealing with human behavior, it is sometimes difficult to put a number on return on investment. Mr. Edwards showed a couple of examples regarding knowledge transfer as well as industry estimates to replace middle management. Even if the lowest levels of assumptions are made, GRDA would very quickly earn back the \$540 per employee that would be invested in this program. AOE focuses on both performance and wellbeing, especially with Phase 1. Director Grodhaus added there are about 500 full-time employees and about 50 part-time. Of the 500, about 250 are eligible for retirement over the next five years. If GRDA maintains the current rate of involuntary and voluntary turnover at 3.1 percent per year, which is five times better than all other state agencies, that is another 83 employees. That totals 333 employees, and that is where the 60 percent number comes from. This agency will probably have to recruit about 67 percent of its current workforce over the next five years, assuming no growth, just to remain at the current number; that is a huge task. Director Kerns asked what percent of employee participation is needed for there to be a successful

conclusion. Mr. Edwards stated there would need to be a good 70 or 80 percent. It would be optimal to have 100 percent of the managers on board; they are the ones who will set the tone for how the employees will perceive the program. Director Wright asked what OAE's experience is in the public sector. There will be additional challenges dealing with a state or quasi-state agency. Mr. Edwards stated most of his experience is with state agencies or municipalities. He has done recruitment and selection for the cities of Cleveland, Miami, Cincinnati and St. Louis for firefighter and police officer recruitments. He worked with the Louisiana Office of Motor Vehicles in response to Hurricane Katrina, and that project took about three years to develop and test. He has worked with the Department of Defense with training the Marines, Navy, and Airforce. He has done training and selection for a municipality water waste treatment program. AOE's training is in industrial organizational psychology which is a scientist-practitioner degree straight from graduate school until now. They are always working with companies dealing mostly with human resources—performance measurement, selection, and training. Director Grodhaus commented that GRDA's employees are so strong that the employees will be the ones to influence the managers much more than vice versa. Director Meyers asked if the performance management system is focused more on reaching management's goals in terms of objectives, or does it go down to individual performance level. Mr. Edwards stated AOE wrote the proposal as if going all the way down the end and measuring everyone's performance by job title. AOE would make sure it matches the objectives that GRDA has set—line of sight. Director Grodhaus stated it will not work unless every employee is involved. Mr. Sullivan added that one of the parts on the succession and development plan is the red light, yellow

light, green light program. That is particularly important. The number-one question from employees is what do they have to do to be able to advance. That is a huge morale issue. The light program gives the managers and employees a visual tool to determine whether or not the employees are ready to progress. Director Grodhaus stated he would like to engage GRDA's Marketing. The key thing is that the employees have to understand this is an investment to make them better, more knowledgeable, more valuable, and more productive, which makes GRDA better. Mr. Sullivan concurred that GRDA's employees are its biggest asset, and GRDA needs to continue to protect that asset and give them the tools necessary to be successful. The other significant application part is the knowledge retention and transfer—the mentoring program—to help GRDA identify where to connect people to get them ready for the known retirements. Having a structured process to transfer knowledge is critical and would be a huge savings to GRDA. OAE's proposal has an amount of \$298,950—approximately \$540 per employee. Because GRDA can work with them and use GRDA's data in their research and use Ph.D. students in the process, that will greatly reduce the cost. Director Grodhaus stated that in the Audit Committee meeting, Mr. Edwards had stated that by using GRDA's data, the cost could be cut to \$235,000 to \$240,000, and asked if he would be willing to do that if GRDA awards the contract to AOE, in a not-to-exceed amount of \$240,000. Mr. Edwards stated "yes" and said those cost savings will come from the use of their doctoral program, and it is important they get experience doing this work under their supervision. They would be billed at a substantially lower rate. The publishable data is also a benefit. Director LaGere asked if one principal purpose is to try to get away from a lot of the outsourcing that GRDA can do a lot cheaper in-house

by attracting additional engineers and professional people. Mr. Sullivan stated that is one of the areas of being able to better improve. By having these processes in place, it makes it much easier to bring people in. Having satisfied employees makes it much easier to be able to recruit. Those areas where GRDA is currently outsourcing and bringing that in is one measurable way to look at the success but also what are avoided costs as GRDA goes forward at replacing the people who are retiring. Director Spears asked how many of the 71 items identified by KPMG are directly addressed with this work. Mr. Sullivan stated it is well over half as it cuts across every department in the organization, but they are only addressing the workforce management issues. Director Kerns asked if there will be RFPs for other things. Mr. Sullivan stated staff has been working with the OSU School of Business on getting some additional help—maybe through some internship programs—to help with some of the IT issues. That is an inexpensive way to get the latest information. Those would be temporary employee positions. Staff has already started the process on the purchasing issues. The rulemaking has been started, and that is an internal cost. Other than IT-related issues such as purchasing software packages, etc., Mr. Sullivan does not anticipate any other RFPs. Mr. Sullivan added that the OSU Spears School of Business has a very good outreach program, and they have specifically targeted working with state agencies. Mr. Sullivan added he had attended the Governor's Leadership Development program in August at OSU. They have done a good job of helping develop programs and other things that will be beneficial to state agencies. Director LaGere asked if OU does anything like this. To Mr. Sullivan's knowledge, OU has business outreach but has not gone to the effort of looking at specific state agencies. Director Grodhaus reported three

other bids were received: KPMG, Baker Tilly, and Scott Madden. For some reason, while they were less, they did far less than what was asked in the RFP. Mr. Sullivan stated the professors were very specific of how it was going to be done, what their experience has been, and what the deliverable will be compared to the other companies. Staff feels this is the best option. It is being evaluated internally, and staff has met with the KPMG Steering Committee. They also recommend going forward with AOE. Director Kerns asked if AOE's was the lowest and best bid. Mr. Sullivan stated this is the highest bid. Director LaGere stated the proposals were reviewed in Committee, and sometimes the cheapest is not the best. Mr. Sullivan stated this is different from purchasing an item. Director Kerns stated she does not have a problem with this; she just wants to be able to defend her actions. Mr. Sullivan stated the proposals have to also be looked at as to what is the best value. In evaluating the proposals, it was determined AOE was the best value. Director Grodhaus stated the scope offered by the others was far less than AOE's; AOE's proposal was extremely comprehensive. Director Spears stated the focus is to improve GRDA, and he does not have any problem improving the employees, but it will be tough to measure the dollar value, and the only way to see value is through productivity. Therefore, he is expecting increased productivity in both the managers and employees. Mr. Sullivan stated the data shows the productivity and job satisfaction do go hand in hand. Director Wright stated the knowledge transfer can be quantified. Director Grodhaus stated that with more efficient, better productive, better trained, more knowledgeable employees, there should not be so many requests for new employees. Mr. Sullivan stated there are still areas where additional people are needed, particularly in the compliance area. Overall,

with known retirements and future needs, staff is trying to manage the increase in FTEs. Mr. Edwards stated performance is important to AOE, but this program would be designed to improve wellbeing, attitudes, relationships between supervisors and among coworkers, enhanced communication, etc. It is related to performance, but an objective is improved employee morale. It would be documented, so progress would be tracked. Director Spears stated if he is willing to invest \$540 per employee, he is certainly looking for their well being. Director LaGere moved the Board approve a contract for RFP 40604 with The AOE Group for consulting services for workforce management in an amount not to exceed \$298,950, seconded by Director Meyers. Director Grodhaus stated AOE indicated if GRDA was willing to let them use the project for research publications, etc., they would be willing to stand on \$240,000 and asked if the Board could entertain an alternate motion to approve not to exceed \$240,000. Director LaGere moved to amend his motion to substitute \$240,000 for the \$298,950, seconded by Director Wright, and voted upon as follows: Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained)*. Director Grodhaus commented that the Board is exhibiting a lot of faith in management in the recommendation, but speaking for all the Board, the Board will hold management's feet to the fire on the results. Mr. Sullivan stated staff accepts that challenge.

4.d. Second Reading of Proposed Revisions to Bylaws

Ms. Edwards reported when the first reading was presented last month, there was a request to better define the policy regarding audio recordings. The new language reads "An audio recording of all meetings of the Board shall be made, and the audio recording shall be retained only until the minutes have been approved by the Board.

The Board Secretary shall prepare the minutes, which shall reflect in detail the proceedings, including those members present and absent noting any temporary absences, all matters considered, and all actions taken. The vote of each member shall be recorded in the minutes." Director Grodhaus asked Director Kimball if this wording adequately addresses his concerns. Director Kimball responded that it does. Director Wright asked if it reflects the original intent. Ms. Edwards stated the recordings are to be used as an assistant device to Ms. Jones when she prepares the minutes. Legally, the written minutes are the record of the Board. That is true across any type of entity that has a written record, rather it is a board or court. There has been an Attorney General's opinion within the last 18 months that discusses what should be in the minutes. Because GRDA does not have written resolutions, the Board's actions are memorialized in the minutes. It is extremely important the minutes are correct. Once the minutes are approved, there is no reason to keep the audio recordings. Director Wright asked if the AG opinion gave any commentary about the supporting information that goes into the minutes or gave any indication of what the AG thinks about this issue, and Ms. Edwards responded he gave no commentary about supporting information, and she would assume the AG would indicate the written minutes are the official record. There are no requirement that the meetings be recorded. Director LaGere moved to approve the amendments to the Bylaws as presented, seconded by Director Spears, and voted upon as follows: Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.e. Bid Award Recommendation for Contract 41208, Generating Machinery Services

Mr. Barney reported GRDA's past practice has been to have a contract in place to perform emergency repairs of turbines, generators, and related equipment. The existing contract has expired. This type of arrangement is helpful. Prompt repair after a breakdown reduces the cost of replacement purchase power and reduces risk to electric system reliability. The typical range of repair on an annual basis could be \$500,000. A major repair could be as much as \$4 million. This contract was put out for bid with a concept of about \$500,000 required, and if it is necessary to do a major repair, the bidder would have to supply bonds. This would have a one-year term with provisions for renewal in one-year increments (a maximum of four renewals). Two responses were received by two competent firms: Mechanical Dynamics & Analysis in the amount of \$519,029 and Siemens Energy in the amount of \$582,745. Both firms have done major work on both of GRDA's coal-fired generating units. Mr. Barney noted that the Siemens Energy rates, because of some of their contractual arrangements, would be requested after May 31. In that regard, the proposal is a non-conforming bid. They also proposed over 100 changes to GRDA's standard contract. Because Siemens is a major supplier of GRDA's equipment, staff may pursue coming up with a form of contract that would be acceptable to both them and GRDA in the event of a sole source award. For purposes of today, Siemens' bid was non-conforming and higher in cost. Mr. Barney recommended the motion be subject to approval of all terms and conditions by the General Manager and General Counsel. Director Grodhaus asked if this is essentially for emergency situational repairs. Mr. Barney stated that is the primary purpose, but it could also be used for routine maintenance. Director Grodhaus asked if Mr. Barney was

suggesting an alternate be available. Mr. Barney stated Siemens is a very competent organization. As part of their bid, they proposed over 100 changes to GRDA's pro forma contract. Mr. Barney expects times in the future that GRDA would want to engage them to do a sole source project, so it would be of value to negotiate terms that would be agreeable to both parties, but there would not be another contract like that. Staff may come back to the Board later with a proposal for a sole source type of contract. Mr. Meyers stated that with certain components of the multi-million-dollar Siemens machine, the manufacturer is sometimes the only one qualified to work on it. Mr. Barney stated sometimes the manufacturer has unique knowledge, components, and expertise on certain parts. There have also been situations where a firm's shop is full, and they are not able to do the work for several months, and Siemens may be able to start the work immediately. Director Grodhaus asked why a project cannot be offered to both companies, with a preference to the lowest, but the combination not to exceed the total. Mr. Barney would not recommend doing that because a contract does incur payment of a certain amount of money for their bonds and overhead. It would be more expensive. Director Spears asked about the contract wording regarding the amount of \$4 million, plus administrative fees in the amount of seven percent. Mr. Barney stated that came up in the bid process and was clarified to the bidders that the contract is not to exceed \$4 million. Mr. Barney stated he would make sure that is corrected in the final contract. Director Meyers moved to approve Contract 41208 for Generating Machinery Services be awarded to Mechanical Dynamics and Analysis, LTD, in an annual amount not to exceed \$4,000,000, subject to approvals by the General Manager and General Counsel; seconded by Director Spears; and voted upon as follows: Grodhaus, Kerns,

Kimball, LaGere, Meyers, Spears, Wright, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.f. Bid Award Recommendation for Contract 41255, Unit 2 Boiler Chemical Cleaning

Mr. Barney reported the boilers, over time, accumulate mineral deposits on the inside. Typically, the boilers require chemical cleaning every three to five years. Unit 2 has been exception and has not required a cleaning in 27 years; however, it is now due. The mineral deposits interfere with heat transfer, and the tubes will fail, either by chemical breakdown of the metal or overheating. Such a cleaning is normally done by a specialty contractor. GRDA has engaged a chemical engineer consultant to assist with oversight of the cleaning process. The consultant aided staff in preparation of specifications that were placed out for bid. Once a year the tubes are sampled. Mr. Barney showed a slide of an example of a four-inch diameter tube that is rifled on the inside surface. The rifling is where the boiling takes place. It is good practice every year to take a sample, and over time a thicker film is incurred. To staff's knowledge, there are only three companies in the US that engage in this type of project on a regular basis. Two responses were received from two competent companies. There were problems with both responses; however, the proposal from Aquilex Hydro Chem LLC was the most problematic. They are the apparent lower bidder; however, their bid did not include the cost for warranty and performance bonds, which was specified. They also sought to limit their contractual liquidated damages from 20 percent to 5 percent. They also wanted to limit their liability to two times the price of the contract. Veolia ES Industrial Services requested to limit their exposure to liability to the price of the contract. Mr.

Barney's assessment regarding limitation to liability is that it is not uncalled for when considering they will be placing 80,000 gallons of chemical inside the boiler. It has to be done precisely, and companies engaged in this type of work do not want to have huge liabilities in the event something goes long, such as a delay in performing the work. In Mr. Barney's judgment, the Aquilex Hydro Chem bid is non-conforming. Bonds could cost between \$8,000 to \$80,000, depending on their standings. Director LaGere stated it would probably be between \$8,000 to \$10,000. Mr. Barney stated that is consistent with other bidders. The example of \$80,000 was based on GRDA's experience with Foster Wheeler years ago when they were going through bankruptcy. Regarding their exception on liquidated damages, that could have a value up to \$63,000. Another area of concern is the bidders were offered an opportunity to attend a pre-bid conference and inspect the site. Aquilex did not attend. Veolia attended the pre-bid and did a very detailed field inspection. It is felt Veolia has the best understanding of the work required and risk involved and the preventive measures necessary to minimize the chance of a serious problem. Mr. Barney's recommendation is that Veolia represents the lowest and best bid. Staff would not be uncomfortable awarding to either firm because both are technically competent. This cleaning needs to be done before the summer run to avoid getting into a problem with the boiler. It is recommended to award to Veolia today to start in early April. Discussion followed regarding the bonds and liquidated damages. In response to a question by Director Kerns, Ms. Edwards stated there has been a recent Attorney General's opinion that says a negotiated limitation of liability is allowed. Director Kimball asked how many contractors have asked for an exception on the bonds; that is a red flag when a company talks about a price plus the cost of the bond.

Mr. Barney's estimate was one in four or five bids, and it often has to do with the fact they are out of state and not familiar with Oklahoma law and do not normally do bonds. If they have worked with public agencies, they have had to come up with a bond, but they did not want to. Director Kimball asked what weight is put on not attending the pre-bid conference. Mr. Barney stated it is significant because GRDA is requiring the contractor to connect, make custom fittings and attachments to the boiler and use the correct materials, pressure ratings, and the correct fasteners so there are no leaks. Director Kimball stated he could possibly get past the bonding part by requiring the bond not exceed a certain amount but would struggle to get past not attending a pre-bid conference on something this technical. Mr. Barney stated it was not required, but it is very important. It is significant that this boiler has not been chemically cleaned before. A significant part of the cost is the setup. The boiler has not been cleaned for 27 years because it is very good equipment, the very good water quality, and past efforts of the employees. Director Grodhaus moved, on the basis of lowest and best bid, that contract 41255 for Unit 2 Boiler Chemical Cleaning be awarded to Veolia ES Industrial Services, Inc., in the not-to-exceed amount of \$538,200, subject to final approval of terms by the General Manager and General Counsel; seconded by Director LaGere; and voted upon as follows: Kerns, Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

**4.g. Work Authorization No. 40016 with Burns & McDonnell
for Rehabilitation of Pensacola Spillway Gate and Intake Structure**

Mr. Barney reported Pensacola Dam's spillway gates and intake structure require complete rehabilitation. All the floodgates are leaking; the seals are worn out. All the

steel needs to be refurbished, and all the synthetic material seals need to be renewed. To meet FERC standards, the work has to be done every ten years or so to their standards. The work requires engineering support. The firm of Burns & McDonnell has done an excellent job on hydro project engineering for GRDA. Every document and submittal they have made to FERC has been accepted without change; some of the documents are voluminous, complex, and comprehensive. The rehabilitation work will take several years, and it is Mr. Barney's intention before the end of the year to present the Board with a contract to actually perform the rehabilitation. This is the engineering work to get started to prepare the specifications and work with GRDA to get the project out for bid. It would also involve making assessments of what needs to be done, particularly for the intake structure, and also to follow up and make sure the contractor is doing the work in accordance with GRDA's requirements and FERC standards. There will be follow-up reports required that will have to be submitted to FERC, and Burns & McDonnell will assist with that. They have submitted a proposal in a not-to-exceed amount. This work authorization would be in accordance with the terms that have already been established. Director Wright moved that Work Authorization No. 40016 be authorized to Burns & McDonnell Engineering in an amount not to exceed \$322,800, seconded by Director Meyers, and voted upon as follows: Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

**4.h. Bid Award Recommendation for Contract 39929,
Construction Services for Microwave Site Standby Generators**

Mr. Herron reported that the August 2011 NERC settlement required GRDA install standby generators at 15 microwave communication locations. Cyntergy Engineering

prepared the specifications and drawings. They were assigned to GRDA through the DCS process. Bids were released with a February 1 opening date, and they have a 210-day construction period for completion. NERC has to be provided a final report on October 9, 2013. The 210 days goes to the middle of September, so there is a one-month excess time period. Three bids were received: Whitnah Construction, \$1,226,090.25; Ernest P. Breaux, \$2,224,500.00; and Koontz Electric, \$2,343,434.00. There was no apparent reason for the difference in price other than the fact Whitnah is local. The 15 sites are scattered over 9 counties in GRDA's area. An outside contractor would have to mobilize in numerous locations. Staff recommends the contract be awarded to the low bidder. Director LaGere asked about the bond, and Mr. Sullivan stated they have submitted a cashier's check that was acceptable to replace the bid bond. Director LaGere added this is the bond from his insurance company. No remuneration would come to his company from GRDA, but it is a tri-party contract with surety; he did not feel he should be involved. Ms. Edwards stated Legal is developing a request for an Attorney General's opinion. Director LaGere felt it would be best to pull the bond. Director Spears asked if he could just abstain from the vote. Ms. Edwards stated the bid bond, which is a small part of the bonding package, is already part of what has been received. Director Spears moved that the Board award Contract 39929 for Construction Services for Microwave Standby Generators to the low bidder, Whitnah Construction Contractors, for the quoted price of \$1,226,090.25; seconded by Director Wright; and voted upon as follows: LaGere, abstained; Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

**4.i. Contract Approval of IDIQ ID12032-4
with Midwest Engineering & Testing Corporation
for Construction Materials Testing & Inspection Services**

Mr. Herron reported the contract prepared by Cyntergy requires testing services to verify contractor compliance with specifications regarding soil compaction, concrete slump and strength, mortar strength, and welding inspections. GRDA went to DCS, and they provided an IDIQ firm, Midwest Engineering & Testing Corporation (METCO). METCO and staff prepared the scope of services. The project involves 15 sites in 9 counties with multiple trips to each site. METCO provided a not-to-exceed cost of \$165,157.80, but it will be billed on actual work completed. The DCS handling fee is seven percent, or \$11,561.05. Director Spears stated the cost seems high for testing. Mr. Herron stated the problem is the transportation to these sites. Director Spears asked why GRDA goes through the IDIQ process on something small like testing rather than calling some companies for proposals. Discussion followed. Director Meyers moved the Board award Contract DCS ID12032-4 to Midwest Engineering & Testing Corporation for a not-to-exceed price of \$165,157.80 and approve a contract with the Oklahoma Department of Central Services (DCS) for \$11,561.05 for handling fees of the IDIQ process services, seconded by Director LaGere, and voted upon as follows: Meyers, yes; Spears, no; Wright, Grodhaus, Kerns, Kimball, LaGere, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

**4.j. Bid Award Recommendation for Contract 40951,
Construction Services for Track 138 Rehabilitation**

Mr. Herron reported the track has not been used for about ten years. When the railroad rebuilt a section of track, they took out GRDA's switch and bulldozed the rails to

the side. GRDA was not made aware of the change or given a chance to leave the switch in place, but GRDA will have to pay to put it back in. The rail comes from the west to the east toward the Transmission Headquarters. It used to go across Highway 69A. The plan is to rebuild starting at the location where the switch used to be. GRDA has pole storage locations on both sides, and there is also a location for transformers. The project would involve installing a new switch; removing the old track, ties, and roadbed; reconstructing 1,930 feet of track, ties, and roadbed; and removing existing concrete storage yard and replacing it with thicker concrete and curbing. Union Pacific Railroad (UPRR) will check the old rails to determine if any can be reused. They have provided two quotes: one for work reusing the rails (Alternate 1) and one for using new rails (Alternate 2). Two bid responses were received: Am-Rail Construction in the amounts of \$805,139 (Alt. 1) and \$881,936 (Alt. 2) and American Track Generations in the amounts of \$1,986,567.62 (Alt. 1) and \$2,080,637.64 (Alt. 2). Both bids met the specifications, and no exceptions were listed. The alternatives show the difference between using old rail and new rail. Staff recommends awarding the contract to the low bidder for the Alternate 2 price with the idea that the old rail will be used if possible, but if it cannot be used, staff will not have to come back to the Board for a change order. Director Wright asked if new rail would have to be bought for the entire track or just parts. Mr. Herron stated it depends on what they find. If part of it is usable, it will be used. Director Spears asked why the operation has been changed back and forth between rail and truck and if there has been a cost analysis done. Mr. Herron stated a cost analysis has not been done. The large poles are coming in by rail, and they have to be drop shipped to some location, and then GRDA requires they be delivered to

GRDA's location. The shipper has to land those poles on location, off load onto a long truck, and haul to GRDA's location. Therefore, GRDA is paying more for the delivery. The other problem occurs with big transformers. They are shipped in by rail, and a railroad site has to be located for unloading for GRDA to be able to move them elsewhere. It was not GRDA's choice to change to truck. The railroad removed the switch, so GRDA could not use the site anymore. Director Spears asked what kind of shape the rail was in when they removed the switch. Mr. Herron was not sure, stating the rail has been there since the 1930s. Director Spears felt GRDA may have some recourse for destruction of property for removing the switch. Ms. Edwards stated there has been difficulty locating the records. Staff is working on putting together a comprehensive track agreement. Director Spears asked if Mr. Herron believes there are savings to be had by doing this, and Mr. Herron believes there are, especially with the delivery of large transformers. Director Spears stated he is looking for justification to spend \$1 million if GRDA is currently doing it some other way. Director LaGere asked if it is quicker to get the equipment in. Mr. Herron stated it may be slightly faster because a route does not have to be scheduled for heavy haulers. If the Board decides not to approve this, staff will go back to the drawing board. The concrete storage area still needs to be done. Director Spears stated he wants to do what is best and know that an improvement is being made that will save GRDA money over time. Mr. Willis stated GRDA needs a location for transformers other than trying to take them through GRDA's facilities because they cannot get through there. One of the goals is to have everything in one location. It would be more accessible to the road to get trucks in and out for transformers. Staff has been trying to fix these problems for almost ten years. The

railroad took out gate sticks at other places in the Park that people did not know about. Director Spears asked if the transformer location and containment area is part of the bid. Mr. Herron stated it is combined; two projects have been lumped together. A 280' x 90' storage area for the transformers will be built. The railroad would come up into that area, so transformers can be unloaded. The rest is for access to the pole areas. If the Board decides not to approve this, the rail part will not be done, and Mr. Herron will come back with another project for just the concrete work. Director Grodhaus stated it would be helpful if there was some idea of the cost savings of rail versus truck, so the Board would have some idea of what the payback is. Mr. Brown was asking Mr. Willis if GRDA could save \$50,000 a year on delivery costs, and Mr. Willis felt comfortable saying it would. Director Spears stated saving \$50,000 is good with him. Director Grodhaus stated if the project saved \$50,000 a year, even with the cost of capital, it would end up paying for itself in 20 years with all the concrete and curbing work done free. Director Kimball asked if doing the rail would cause a productivity gain as well. Mr. Willis stated that every time a transformer comes in, GRDA has to get a siting by the railroad. GRDA has to pay for that. The transformers cannot be set just anywhere because of vandalism. GRDA has it in the bonding for fencing around the perimeter, but Mr. Willis did not want to do that until this was in place because of the construction. Director Kimball stated this sounds like a project that should probably be done, but it seems cumbersome the way it is being done. To vote for that amount of cost, he would like to see more factual information as to why that money is being spent. He suggested tabling this item for more information to help justify the expense; otherwise, he would have to vote no. Mr. Herron stated discussions are still ongoing with the railroad about

getting the actual agreement with the railroad. That item is next on the agenda. It includes a \$5,000-per-year maintenance fee on the switch, and it is one of the things if there is enough product by rail during the year, they will nullify part of the switch maintenance fee. If there are not enough cars in, they will send a bill for the \$5,000 or what remains of that. GRDA buys poles sporadically. If several are used during a major ice storm, then they have to be restocked. There are times when there may be no deliveries. Normally, one or two big transformers are bought per year. GRDA would not be allowing anyone else to unload on the track because of liability purposes. Therefore, GRDA may incur the \$5,000 maintenance fee. Director Grodhaus asked if Mr. Herron would rather the Board vote on it today or table it and do a cost analysis. Mr. Herron stated he would rather have the cost estimates. In that case, the Board would need to move to extend the bids. Mr. Herron will have to check to make sure their bids are still valid. Director LaGere asked if the storage area would be enclosed, and Mr. Herron responded it would not. It will eventually have a fence around it. Ms. Dougherty stated that the vendors are usually contacted to tell them the item was tabled and ask them to keep their bid open, and it is up to them if they want to keep it open. Director Grodhaus moved the Board approve extending this bid process to the next board meeting to provide time for additional data, seconded by Director Meyers, and voted upon as follows: Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.k. Industry Track Agreement with Union Pacific Railroad (UPRR)

Mr. Herron reported this item is related to the previous item, so he recommended passing it to the next meeting as well.

4.1. Change Order No. 1 to Contract 13228, Ketchum Substation Design, with EPS Engineering & Design for Design Changes

Mr. Herron reported that since EPS Engineering prepared the designs for the Ketchum Substation, NEO modified its policies on ownership of the transformer and the substation. As a result, GRDA will eventually purchase the transformer. Because the project is still in the design phase, GRDA needs to modify the designs slightly to include the following changes: GRDA to own the transformer, relocate metering from 161-kV to 15-kV side, add transformer protection (install breaker), additional relay panel for transformer protection, oil containment around transformer, and additional grading. The original design cost was in the amount of \$239,700. This change order is for \$88,800, making the revised total \$328,500. Director Spears asked if this was all driven by NEO's changing ownership of the transformer, and if so, was that their or GRDA's choice. Mr. Herron stated it is their choice and is one of the discussions of the contract negotiations. Their preference right now is not to be responsible for 161-kV transformers. Mr. Sullivan added this also relates to one of GRDA's bill requests in the legislature regarding the overall discussion with NEO and their contract about their wanting to stay in the distribution side and GRDA stay on the transmission side. In some of the other locations, it has been discussed selling them a distribution side transformer. The issue has been run into of whether or not that has to be declared surplus before GRDA could sell it to them, so staff has asked for an exemption from the surplus requirements to be able to have those types of exchanges in order to facilitate their being on the distribution side and GRDA's being on the transmission side. Director Spears moved the Board approve Change Order #1 to Contract 13228 with EPS Engineering & Design for the

amount of \$88,800 based upon the designated changes made to the scope of services, seconded by Director Wright, and voted upon as follows: Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.n. 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 report.
2. **Audit, Finance, Budget and Policy Committee:** Director LaGere reported the Committee met this morning with Deloitte and Touche, GRDA's auditors. GRDA has a new lead audit director in Reem Samra with Deloitte. They have begun doing the audit in the fall and expect to finish the GAAP audit and the statutory audit by March 31. It should be ready to present at the April 10 board meeting.
3. **Fuel Committee:** Director Spears had no report.
4. **Compensation and Marketing Committee:** Director Grodhaus had no report.
5. **Long-Range Planning Committee:** Director Meyers had no report.
6. **Ad Hoc Resource Committee:** Director Spears had no report. Staff will cover that issue with the Board at a later date.

6. Executive Sessions:

- a. **Executive Session Related to Non-Public Information**
- b. **Executive Session Concerning a Pending Action.**

**c. Executive Session Concerning a Pending Action
Related to the Bankruptcy of One of Its Customers.**

Director Grodhaus moved to go into executive session at 12:29 p.m., seconded by Director LaGere, and voted upon as follows: Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, Wright, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Director Grodhaus moved to return to regular session at 2:42 p.m., seconded by Director Spears, and voted upon as follows: Grodhaus, Kerns, Kimball, LaGere, yes; Meyers, absent; Spears, Wright, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.m. Black and Veatch Engineering to Perform Additional Work
under Existing Work Authorization 38680,
to Include Preparation of Bid Specifications and Permit Application
for Emission Control Upgrades to GRDA Unit 2**

Mr. Barney proposed a recommended motion. GRDA has an existing authorization with Black & Veatch to perform work under Work Authorization 38680, and he requested to consider authorizing staff to prepare bid specifications and permit applications for emission control upgrades to Unit 2. Director LaGere moved that Black and Veatch Engineering be authorized to perform further work under existing Work Authorization 38680, to include preparation of bid specifications and permit application for emission control upgrades to GRDA Unit 2; seconded by Director Spears; and voted upon as follows: Kerns, Kimball, LaGere, Spears, Wright, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items

- a. Action, As Necessary, Concerning a Pending Investigation, Claim or
Action Related to Non-Public Information.**

- b Action, As Necessary, Concerning a Pending Action.**
- c. Action, As Necessary, Concerning a Pending Action Related to the Bankruptcy of One of GRDA's Customers.**

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 Kerns moved for adjournment at 2:44 p.m., seconded by Director LaGere, and voted upon as follows: Kimball, LaGere, Spears, Wright, Grodhaus, Kerns, yes.

Motion passed (6-yes, 0-no, 0-abstained).

Donna M. Jones

Donna M. Jones, Secretary

DATE APPROVED:

March 20, 2013
GRDA Board of Directors