

**Minutes of Regular Meeting  
Grand River Dam Authority  
Board of Directors  
Vinita, Oklahoma  
March 20, 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 March 20, 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 March 19, 2013, at 9:45 a.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

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Vice-Chair Meyers called the meeting to order at 10:01 a.m. All members were present with the exception of Directors Grodhaus, LaGere, and Wright. Vice-Chair Meyers declared a quorum. Ms. Moore introduced guests.

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**BOARD MEMBERS**

Greg R. Grodhaus, Chair	Absent
Chris Meyers, Chair-Elect	Present
Betty Kerns	Present
Tom Kimball	Present
W. Brent LaGere	Absent
Stephen R. Spears	Present
Allen B. Wright	Absent

**ADMINISTRATIVE**

Daniel S. Sullivan, General Manager/CEO/Director of Investments	Present
Tim Brown, Chief Operating Officer	Absent
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: Maressa Treat, Secretary of Energy's Office; Harold Robinson, Anthony Due, and Rick Shurtz, NEOREC; Ted Hilmes, 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; Randy Krehbiel, Tulsa World; Justin Alberty, Tamara Jahnke, Holly Moore, Grant Burget, and Melanie Earl, GRDA.

**CONSENT AGENDA**

**2. Claims, \$45,808,675.56**

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

**(1) Two GE Oil Circuit Breakers (OCBs)**

**(2) Dual Port CDDI Cards (32), Cisco WS-C1400 Switches (4), Cisco Catalyst 2590 Switch (1), Ovation Power Supply Cards (30), and Texas Micro CPU Cards (32)**

**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>
<b><i>Standard Orders</i></b>			
40047	Chandler Oil LLC / Lubricants	RFQ 15113	\$197,144.05
40050	Accurate Background Inc / Background Checks	WSCA #054	\$50,000.00
42874	Furmanite America Inc / Valve Discs	RFQ 15075	\$55,086.50
42882	Emerson Process Management / Install & Commissioning of U1 Ovations	RFQ 15094	\$111,573.00
42888	CYME International T&D / Substation Grounding Software	PR 20076	\$4,560.00
42891	Dell Marketing LP / Desktop Computers	ITSW207	\$62,577.00
43269*	Emerson Process Management / Ovation I/O Modules	RFQ 15214	\$62,588.00
<b><i>Total Standard Orders</i></b>			<b>\$542,528.55</b>

***Change Orders***

<b>6285</b>	<b>Total Resource Management / Software Upgrade/Time Extension</b>	<b>RFP 6285</b>	<b>\$300.00</b>
<b>15391</b>	<b>Securitas / Security Services</b>	<b>RFP 15391</b>	<b>\$48,000.00</b>
<b>42302</b>	<b>Techline Inc / OPGW Hardware</b>	<b>RFQ 11804</b>	<b>-\$3,238.00</b>
<b>Total Change Orders</b>			<b>\$45,062.00</b>

<b>Emergency Orders</b>			
<b>43190*</b>	<b>Mechanical Dynamics &amp; Analysis / Remove &amp; Install U2 Turbine Rotor</b>	<b>Title 61</b>	<b>\$203,229.69</b>
<b>Total Emergency Orders</b>			<b>\$203,229.69</b>

<b>Grand Total All Orders</b>			<b>\$790,820.24</b>
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**5.c. Work Order Report (\* Denotes Addenda Items)**

<b>Number</b>	<b>Title</b>	<b>Amount</b>
<b>RF013-00557</b>	<b>Replace IRX Cell Modems with Raven XE Modems</b>	<b>\$150,150.00</b>
<b>RF013-00558</b>	<b>Stillwater Generation Metering</b>	<b>\$64,287.14</b>
<b>RF013-00559*</b>	<b>Unit 1 Cooling Tower and Chlorine Building Controls Upgrade</b>	<b>\$142,805.85</b>
<b>RF013-00561*</b>	<b>69-KV Oil Circuit Breaker Replacement at MAID Substation</b>	<b>\$220,851.48</b>
<b>Grand Total Work Orders</b>		<b>\$578,094.47</b>

Vice-Chair Meyers stated item 4.a. regarding surplus needs to be removed from the consent agenda as it requires five votes, and they will be carried over to next month.

Director Spears moved to approve the consent agenda, with the removal of item 4.a.; seconded by Director Kimball; and voted upon as follows: Kerns, Kimball, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

## **REGULAR AGENDA**

### **1. Regular Board Minutes of February 13, 2013**

Director Kerns moved to approve the regular board minutes of February 13, 2013; seconded by Director Spears; and voted upon as follows: Kimball, Meyers, Spears, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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### **3. Unfinished Business**

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

Mr. Sullivan reported it has been a busy month. The Bassmaster Classic was held on Grand Lake last month, and it was a very successful event. That is the subject of the video.

Two of GRDA's officers were recognized by the Oklahoma Sheriff's and Peace Officers Association for their activities. Tyler Brown was recognized for his involvement in the apprehension of an armed suspect last September. Scott Cox was recognized for his involvement and received a Medal of Valor for his actions in helping to save a potential drowning victim.

GRDA received a positive outlook from Moody's in their recent release on GRDA's financial status. Mr. Sullivan commended Ms. Dougherty and her staff in the work done in preparing for that. The Government Financial Accounting Office has awarded GRDA for the 12th year in a row the Certificate of Achievement for Excellence in Financial Reporting, so GRDA's Annual Report has again received positive recognition.

Mr. Sullivan was in Washington, DC, last week with the APPA Legislative Rally and had meetings with several of GRDA's congressional delegation and with FERC. Those meetings went well. One of the big issues being discussed was about preserving

the tax-exempt status of municipal bonds. Mr. Sullivan had authored a op-ed piece that has been published in the *Tulsa World* and some articles that GRDA had in the local papers of the communities GRDA serves, talking about the importance of that issue.

Staff filed the actual letter to FERC this morning on the rule curve variance request. It had been put out for a comment period and had received several comments. That now starts another 30-day comment period that FERC has. It is anticipated GRDA will get a favorable review because of the extraordinary circumstances of the drought.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA March 2013 Update" highlighting the 2013 Bassmaster Classic held on Grand Lake in February. Mr. Sullivan commented about the ESPN2 coverage and added it was a great event and a good view for the rest of the country on what Oklahoma has in this region. Mr. Sullivan thanked the Board for its support. Director Meyers asked if there was talk about the next one being on Grand Lake. Mr. Sullivan stated they are scheduled out about four years, but the bass people said they look forward to coming back. They have also talked about some of their precursor tournaments that lead up to the Bassmaster Classic.

Regarding the **General Counsel's Report to Board Regarding Policy 2-4(II)(B) Summarizing Calls Made to the Ethics Hotline over the Last Year**, Ms. Edwards reported this policy is concerning Conflict of Interest and Business Ethics. It requires the General Counsel to annually report about calls or complaints received with respect to ethics or any other complaints to the Ethics Hotline. The Hotline is publicized to GRDA's employees through quarterly compliance updates. It can also be found on GRDA's Intranet site, which is in transition at this time. There have been no complaints in this

last year. Nothing has been reported to the Ethics Hotline, and nothing has ever been reported to the Hotline. Director Kerns asked for more information on how the employees know about the Hotline. Ms. Edwards stated they are informed through the quarterly compliance updates, which is a quarterly bulletin to the employees. It can be found on the Intranet site. It goes out in other bulletins and in the *E-Flyer*. It is probably not publicized as well as it could be. It will be added to the Personnel Policy in some manner. Ms. Edwards did not know if it is posted on bulletin boards, but that is another consideration. Director Kerns stated the Hotline is a major issue with FERC, and she wants to make sure employees are aware of it; so if there is any way to enhance their knowledge of it, that would be a good idea. Ms. Edwards added there is a flyer on the Web site, and she will suggest the AGMs post it in the different break rooms. Complaints and comments are anonymous. They can be done over the phone or the Internet. In response to a question by Director Meyers, Ms. Edwards stated the calls go to a third party. Ms. Edwards is the contact person, so they would notify her. She has it calendared to check every Friday.

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### **3.b. Bid Award Recommendation for Contract 40951, Construction Services for Track 138 Rehabilitation**

Mr. Herron reported the Board requested a follow-up on this item at the last board meeting. This contract was in the 2010 Bond Issue, which was approved by the Board at that time. The project involves a pad for large transformers with access from railroad siding and the highway in the amount of \$150,000 and a railroad spur rehabilitation in the amount of \$700,000. The two adjoining projects were combined for bidding purposes. As noted at the last board meeting, AM-Rail Construction was the lowest of

the two bids in the amount of \$881,936 for alternative 2. Both bidders met the specifications without exceptions, and the alternative was added to show a possible reduction in costs if the contractor could re-use the existing rails. After the February board meeting, staff contacted the low bidder to find out if he would extend his bid to the March board meeting. He agreed to do so but stated he would increase the price by 15 percent. Changing the price is not acceptable to staff. As of the March board meeting, the bids are no longer valid. During the 15 months prior to December 2012, GRDA received six shipments of poles that were delivered by semi-truck and unloaded by the driver with a hydraulic crane on the back of the cab. It takes the driver about two hours to unload. If the poles were delivered by rail, it would require a line crew, two trucks, and about six hours to unload. The cost would be about \$1,920 per car load. Six car loads would cost about \$11,520 for GRDA's unloading cost. It is unknown how the shipping cost would change because the bidders are responsible for delivering poles, so the cost was assumed neutral. In 2012, GRDA received three substation transformers. They were delivered by truck to the warehouse, and GRDA unloads them. The unloading crane costs about \$5,000 each, and GRDA would have that expense with either the truck or the rail option. Present bidding requires delivery be to the warehouse by the vendor for both poles and transformers. The vendor decides which shipping mode to use based on his costs, and that cost is in the quote provided to GRDA. If GRDA requires rail delivery, then GRDA accepts the railroad delivery charge regardless of whether or not truck delivery would be cheaper. There are associated costs with the railroad. The siding would not have sufficient traffic to avoid an annual switch maintenance fee; GRDA would have to have 20 cars in and out during the year to avoid

that cost. GRDA would probably get two or three at the most. The annual fee is \$5,000 at present, regardless of usage by GRDA. The additional annual cost of the railroad siding option is about \$16,500 with unloading expenses. Given the above information, Mr. Herron does not believe the railroad project is cost justified. No board action is required. The bids are no longer valid. Staff will re-engineer the transformer storage pad without the railroad siding and prepare new bid documents. The storage area will probably be moved north to get it away from the railroad siding and get it closer to the road to make it more accessible for the large trucks. Director Meyers stated he appreciates the extra effort to reanalyze this project; and that analysis proved to be good in not going forward with the previous recommendation.

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#### **4. New Business**

##### **4.b. Bid Award Recommendation for Contract 41217, Multi-Substation Construction Services: Jay, Pryor City 2, Claremore Interconnect, and Centrilift**

Mr. Herron reported staff grouped four small substation construction projects together to get a better bid project: Jay Substation upgrade, Pryor City 2 expansion, Claremore Interconnect breaker addition, and the Centrilift 69-kv substation. Two bids were received: Ernest P. Breaux in the amount of \$685,000 and BBC Electric in the amount of \$694,600. The low bidder, Breaux, has worked for GRDA before and done an acceptable job. They took no exceptions to the specifications. The project manager has worked on GRDA projects before. The bid is acceptable. Director Spears moved the Board award the Multi-Site Substation Construction Services Contract 41217 to the low bidder, E.P. Breaux, for the quoted price of \$685,000; seconded by Director Kerns; and

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

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**4.c. Bid Award Recommendation for Contract 40018,  
Feeder 105 Rebuild, Part 3**

Mr. Herron reported this project involves rebuilding 13 miles of 161-kV transmission line from Kansas Tap to Siloam Springs. It is a 1951 construction with wood H-frame design. The Southwest Power Pool (SPP) gave Notice to Construct in 2009 with an original June 1, 2012, completion deadline. GRDA did not meet that deadline. The line will be built with steel monopoles and 1590 mcm ACSR conductor. The estimated completion is October 2013. Mr. Herron showed a slide of one of the structures and stated the cross arm is sized for 115-kV construction, not 161 kV. That means the wires are closer together than they are supposed to be, and that causes operational problems. Four bids were received. The low bidder is Sentry Engineering Group, and they noted 12 exceptions. The exceptions make the bid total non firm. They include avenues for numerous change order requests because they took exceptions to GRDA's rock digging clauses and added wording for dewatering the holes. They also took exceptions to the access and repair of the rights of way. Staff evaluated the bid as non responsive. The second low bidder is BBC Electrical Services. They have worked for GRDA before. They provided an acceptable quote and took no exceptions. Staff recommends awarding the contract to the second low bidder. Director Meyers asked if the line has been damaged by any of the weather events or fires that would qualify for FEMA funding. Mr. Herron stated Feeder 105 extends from Kerr Dam to Siloam Springs, and a section around the 412 Substation was damaged in 2007, and GRDA did

receive FEMA funds on rebuilds. The particular section being worked on now has not been damaged. Director Meyers stated he believed there may be FEMA funding available for upgrades, and he asked if there was a possibility of getting any of those funds for any parts of this project. Mr. Herron stated those funds were learned about last week, and that is being looked into. Director Meyers asked if that question could be answered before moving forward with the contract so as not to leave money on the table. Mr. Sullivan added staff will check into that further to make sure. GRDA also has to balance the Notice to Construct with SPP, and staff will try to get an answer as quickly as possible. Director Meyers stated he has a resource who knows that process very well and will get that to staff after the meeting to save some time. Director Spears stated there is about a million dollars between the lowest and second-lowest bidder and asked if there has been any study as to risks. Mr. Herron stated that in the design process, boring was calculated at each PI and each dead-end. There are 118 poles on this extension, and digging was done on 18 locations to determine the rock level. It is not cost effective to dig all of those locations. This contractor has the option of charging GRDA extra on 100 poles if he claims what GRDA told him is not correct. GRDA's specifications state the contractor is to assume rock digging throughout and bid it accordingly. If he does not hit rock, he is a little better off, but if he does hit rock, there is no argument that it is not rock. Discussion followed about the cost of poles being in rock. Mr. Herron stated another exposure is the contractor is responsible getting to the right of way by his means. The right of way is not accessible from one spot to the other because of valleys or rivers. It is his job to contact the customer to make arrangements to clearances and to remediate after he is gone. That is supposed to be built into the

cost. The contractor has absolved himself of that in one of his exceptions, which means GRDA would be responsible. It is a non-conforming bid. From Engineering's point of view, if the Board does not want to go with the second bidder, Engineering would recommend starting all over again. Staff does not want to work with the low bidder, given all the exceptions he has taken. Mr. Herron added there is only a 15 percent override on this contract. Director Kimball asked what necessitates this project's being done. Mr. Herron stated SPP told GRDA to rebuild it. If the entity that owns the project decides not to do that, SPP will contract with someone else to build it and own it. The line was built for 115,000 volts. It is being operated at 161,000 volts. As a result, the wires are too close together which causes technical problems. The majority of the poles need to be replaced based on age. Director Spears asked if a parallel line would be built. Mr. Herron stated this line would be taken out and the new one built in the same spot. The load can be transferred somewhere else. Since the Tonnece Substation was put in, this section can be taken out without affecting reliability. Mr. Sullivan added this is the last piece between Kerr Dam and Siloam. Director Meyers moved that the Board award contract 40018 for Transmission Line Construction Services for Feeder 105-Part 3 to BBC Electrical Services in the amount of \$4,291,440.09 as the lowest and most responsive bid, seconded by Director Spears, and voted upon as follows: Spears, Kerns, Kimball, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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#### **4.d. Sun-Net Transmission Outage Application (TOA) Maintenance Service Plan Upgrade**

Mr. Herron reported Sun-Net is a scheduling software used by GRDA System Operators. It is used for arranging transmission line and substation outages and

communicating that information to the Southwest Power Pool (SPP). GRDA uses it because it works with SPP's software. It is required by NERC for compliance documentation. It keeps track of the time syncs on changes and modifications, and the operator can change them, so it is a legal record of when things are done. The suite is maintained through a service agreement with Sun-Net. The current plan provides support services from 9 a.m. to 7 p.m. on work days. The support cost was \$8,000, and the service cost was \$10,000. The support is for fixing things during those time periods. Service is modifications to the program that GRDA requests. A recent support problem on a weeknight led to a 13-hour outage of the system, which is not acceptable. GRDA was lucky there were no problems during this timeframe. Staff has asked for additional needed service. The original plan had 80 hours in it, and that was the limit. Part of that has been used already. Tables will be modified to allow additional columns. Data transfer from the Facility Records database to the TOA needs to be automated. There may also be other customizations needed as identified by the system operators. Changing to a 24/7 support package will add \$8,000 to the annual agreement. Changing the service hours from 80 to 200 will add \$15,000 (\$125/hour). The upgrade cost is an additional \$23,000 annually for an annual total of \$41,000. Because one-fourth of the contract year has passed, Sun-Net is willing to waive the first \$2,000 on the support side, dropping it from \$8,000 to \$6,000. The actual upgrade cost for the remainder of this contract year is \$21,000. Because this purchase was previously approved by the Board, any changes also have to be approved by the Board. Director Meyers asked if the outage would have been shorter if GRDA had 24/7 support, and Mr. Herron stated it could have been an hour outage with the support. The 200 hours is for

the support if the programs are modified. Director Spears stated he has typically seen in support agreements a block of hours for a certain amount of dollars, but if services are needed outside that block, they will still give service but at a premium. Director Spears suggested investigating a different agreement because that is a poor vendor if they will only help during a certain period of hours. It is understandable to pay a premium price outside that block of hours. Director Meyers asked if that 13-hour outage caused GRDA a problem with NERC. Mr. Herron stated there were no reportable problems during that outage, but there could have been. Director Kimball asked if this is the first time GRDA has had a need for the 24/7, and how long has GRDA used this vendor. Mr. Herron reported this was the first time, and the program went into operation in December of last year. Director Kimball also asked if this is the only vendor who can provide the service. Mr. Herron stated they are the only vendor because it is their software. Director Kerns stated if there is no better software, then there is no other choice. Director Kimball stated this should have been addressed before signing up with the software vendor. Director Meyers stated GRDA cannot afford not to have coverage. Director Meyers moved the Board approve increasing the TOA Maintenance Service Plan to the 24/7 Tech Support Extra Plan (200 hours) option at an annual cost of \$41,000, seconded by Director Kerns, and voted upon as follows: Kerns, Kimball, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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#### **4.e. Recommendation for Work Authorization with Black & Veatch for Black Start and Transient Stability Analysis Studies**

Mr. Herron reported "Black Start" is the reenergizing of an electrical system from a state of blackout after a total loss of generation. NERC requires GRDA to have a Black

Start Plan, and GRDA does have one. The Plan must be verified by either actual demonstration or a study every five years. GRDA does not have a system that allows doing a Black Start run nor the ability to take customers off line, so GRDA is required to have a study. Transient stability studies are used to verify stability of voltage and frequency of the electrical system during certain major fault conditions. A transient study is also required to meet the compliance standards with the NERC TPL group. GRDA now has the ability to run the studies with the purchase of the software and the training of personnel. However, an independent third-party run of a similar study to corroborate results to verify correct installation of software and data is required. Staff contacted Black & Veatch for engineering services to perform the studies. They provided a quote of \$125,000 with a 14-week timeframe. Director Kimball asked if this expenditure was in the budget. Mr. Herron stated it is not in the budget, but it is a requirement. Director Kerns asked if it has been done before. Mr. Herron stated it has not; the five-year requirement is new. In response to questions by Director Spears, Mr. Herron stated the Plan was done in house, but the analysis has to be done by a third party. GRDA does not have the capability to do the study. GRDA does not Black Start the system. GRDA has the system outside of GRDA to be able to run pulverizers, fans, etc. Ms. Dougherty added GRDA does have sufficient revenues to pay for it. Director Spears stated there is not a whole lot of choice and moved the Board approve a Task Authorization to Black & Veatch to perform a Black Start and Transient Stability Analysis for the quoted price of \$125,000 for their January 28, 2013, proposal; seconded by Director Kerns; and voted upon as follows: Kimball, Meyers, Spears, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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**4.f. Recommendation to Award Design Engineering Contract  
for CAP# 13SOL022**

Mr. Herron stated staff has gone through the CAP process to identify an engineering firm to do some design on some transmission line replacements. A firm has been identified, but the scope of services and not-to-exceed prices have not yet been worked out. It will be on next month's agenda.

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**4.g. Recommendation to the Board of Directors  
on Adoption of Amendments to Administrative Rules:**

- (1) OAC Title 300, Chapter 20: Purchasing Rules**
- (2) OAC Title 300, Chapter 35: Lake Rules**

Ms. Edwards reported the Board has seen the amendments to GRDA's Administrative Rules. It is time for the Board to adopt them, so they can be sent to the Governor and the Legislature for approval. Public meetings were held on February 21 for the Purchasing Rules and February 22 for the Lake Rules. Nobody showed up. One comment was received on the Purchasing Rules. It was a minor change that has been incorporated. Director Kerns asked when the Board had seen these rules before. Ms. Edwards stated they were presented in December, and the Policy Committee has seen them. Ms. Edwards stated this item can be deferred, so the agenda can be checked for specifics. Director Kerns asked for an explanation of what this means. Ms. Edwards asked to defer this item until later in the meeting. *(Continued on page 22.)*

#### **4.h. Approval of Payment of Final Invoice from CompSource Oklahoma for 2012-2013 Workers' Compensation Insurance**

Ms. Edwards reported that last year, the Board approved the payment of a Workers' Compensation insurance premium in the amount of \$1,118,540 for the policy period of February 1, 2012, through February 1, 2013. The final monthly invoice was \$108,240.94, and it was due March 14, 2013. It exceeded the Board-approved amount by \$88,132.80. There would have been a ten percent penalty had it not been paid timely, so the premium was paid. Now, ratification of the payment of the amount over the Board-approved amount is needed. Director Meyers moved the Board ratify the payment of \$88,132.80 issued to CompSource Oklahoma in March 2013, seconded by Director Spears, and voted upon as follows: Meyers, Spears, Kerns, Kimball, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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#### **4.i. Work Authorization 40036 with Burns & McDonnell for Engineering Services for Safety Inspection and Monitoring of Hydro Facilities**

Mr. Barney reported this work authorization is for overall engineering services for the various required safety inspections for GRDA's hydro facilities. There are certain FERC-required annual safety inspections. It is necessary to perform a Dam Safety Surveillance and Monitoring Report and submit it to FERC, and that is an extensive analysis and document. Every month, analysis needs to be done of all the various instruments and measurements made weekly and monthly that are associated with all of GRDA's dam structures and also the Salina Dike and the Chimney Rock dam which is behind the Pumpback. The services are also used in the event of an unusual circumstance. For example, a couple of years ago, a relatively significant earthquake

occurred, and immediate analysis was needed. The appropriate civil engineer came to the site to assist GRDA in making a competent inspection of the structure. Nothing of significance was found; however, GRDA needs to be able to call on competent civil engineers for an instance like that. GRDA also gets overall guidance as to how to conduct the dam safety programs. GRDA has been using Burns & McDonnell for the past seven years. That have done an excellent job. Mr. Barney believes the FERC dam safety people are very satisfied with the analysis work done by Burns & McDonnell and the reports they have provided them. Mr. Barney recommends continuing to engage Burns & McDonnell. A significant part of the \$164,000 may not be used as it is based on actual hours needed. Director Spears moved that Work Authorization No. 40036 be authorized to Burns & McDonnell Engineering for engineering services for safety inspection and monitoring of hydro facilities in an amount not to exceed \$164,000, seconded by Director Kerns, and voted upon as follows: Spears, Kerns, Kimball, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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#### **4.j. Work Authorization 40049 with Burns & McDonnell for Restoration of Generator Stators at Salina Pumped Storage Project**

Mr. Barney reported the stators are the electrical windings of the generators. They have about 45 years of service. Of the six generators, one was restored in 1999. One of the generators recently suffered an electrical failure. As a result, some analysis was performed, and it was found the insulation is near the end of its useful life. A temporary repair was made, and this knowledge enabled staff to budget refurbishment of five of the six stators. To illustrate the work required at Salina Pumped Storage, similar work was started a year ago at Kerr on refurbishing two of the four units. The work has been

going well. The work is similar to the work at Salina, and Mr. Barney showed photos of the impeller, stator, and rotor. The work at Salina would involve redoing all the copper windings and insulation on the stator portion of the generator. This project would take about three years to do. The project would need considerable oversight. Specifications need to be prepared to put the project out for bid. The project may cost about \$10 million, and that is in the budget forecast. There would probably be two done per year. In order to get started on the project, GRDA needs assistance from an engineering standpoint to prepare specifications, to help review bids, and the contract would be brought back to the Board, and if approved, GRDA would need engineering assistance to oversee the work and make sure it is being done to the quality required. This project has been discussed with Burns & McDonnell who is regularly present at the site. They have very competent electrical engineers who can assist GRDA with the process. GRDA does not have electrical engineers on staff, either at the coal-fired plant or at the hydro facilities, to assist with this project. Director Spears asked if there would be a sole source to the vendor that built it. Mr. Barney stated there are at three major suppliers who could do this stator rewind. Director Spears asked if GRDA would be saving money by going through the engineering process rather than doing a design-build project with the one who installed the generators. In Mr. Barney's judgment, GRDA would get a more competitive price if there is more than a sole source bidder. The intent is rather than waiting for one of the units to completely fail and do a lot of damage and then be out of service for a year, to go ahead and do the work in a scheduled manner. A bid award recommendation would probably be brought before the Board about the end of this year. Director Spears asked if there is a way to test the dielectric properties of the

insulation in place. Mr. Barney stated that as a part of the engineering services request, GRDA would probably do some testing of the five generators to determine which ones are in the worst shape to try to prioritize the units. Director Spears moved that Work Authorization No. 40049 for Engineering Services for Restoration of Generator Stators at Salina Pumped Storage Project be authorized to Burns & McDonnell Engineering in an amount not to exceed \$194,750, seconded by Director Kerns, and voted upon as follows: Kerns, Kimball, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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## **5. Reports**

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

- 1. Assets Committee:** Director Kerns had no report.
- 2. Audit, Finance, Budget and Policy Committee:** There was no report.
- 3. Fuel Committee:** Director Spears had no report.
- 4. Compensation and Marketing Committee:** There was no report.
- 5. Long-Range Planning Committee:** Director Meyers had no report.
- 6. Ad Hoc Resource Committee:** Director Spears had no report.

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## **6. Executive Sessions:**

- a. Executive Session Concerning Pending Actions  
Filed by Chester J. Rouse.**
- b. Executive Session for the Purpose of Discussing the Resignation of an  
Employee at the Coal-Fired Complex.**
- c. Executive Session Concerning a Pending Investigation, Claim or Action  
Related to Non-Public Information.**

Director Spears moved to go into executive session at 11:20 a.m., seconded by Director Kerns, and voted upon as follows: Kimball, Meyers, Spears, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director Spears moved to return to regular session at 12:29 p.m., seconded by Director Kerns, and voted upon as follows: Meyers, Spears, Kerns, Kimball, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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### **7. Action on Executive Session Items**

- a. Action, As Necessary, Concerning Pending Actions Filed by Chester J. Rouse.**
- b. Action, As Necessary, Concerning the Resignation of an Employee at the Coal-Fired Complex.**
- c. Action, As Necessary, Concerning a Pending Investigation, Claim or Action Related to Non-Public Information.**

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.

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### **4.k. Proposed Resolution in Support of Amending a Long-Term Service Agreement for the Redbud Generating Facility to Include a Proposed Advanced Gas Path (AGP) Upgrade**

Mr. Barney reported the AGP upgrade involves replacement of the hot parts of the gas turbines. There are four gas turbines at Redbud. AGP is a proposed technical improvement to the equipment. It involves replacing the hot rotating parts, the hot stationary parts, and all the sealing parts. The benefits would be improved megawatt capacity, improved efficiency, and it would extend the maintenance interval. The long-

term service agreement is with General Electric, and it is for the long-term service of the gas turbines at the plant that burn the natural gas. The major elements of the amendment will include the implementation of the AGP upgrade. It will increase generating capacity by 48 megawatts and will improve efficiency. It will increase the outage intervals, and it will extend the life of the facility. It would be performed this fall 2013 and in the spring 2014 during major overhauls of other equipment. It would extend the long-term service agreement from 2023 to 2026. GE would implement its latest operating software and finish implementation of compressor upgrades. In effect, GRDA and participant owners would get completely refurbished and modernized machines. It would also eliminate bonus payments, which is part of the long-term service agreement. All the factors are beneficial. The total capital cost for all the items is \$64.8 million, and GRDA has a 36 percent share and would involve a payment of about \$11.2 million this year and \$11.2 million next year. Two units would be done this year, and two would be done the following year. GRDA is in partnership with OG&E and OMPA. The contractual agreement specifies there must be a super majority approval or substantial amendments to long-term service agreements such as this particular agreement. Mr. Barney pointed out that "such an approval shall not be unreasonably withheld or delayed." OG&E, as the designated facilities operation manager, has requested representatives' vote approval of this amendment, which they are negotiating. Staff has reviewed the negotiations and found they have acted in a prudent and proper manner on GRDA's behalf. It is necessary that proper approval be given, so planning can be done. There are four major outages planned in 2013 and 2014, and the AGP would be implemented at that time. GRDA staff analysis is that this amendment is in the

economic interest of GRDA ratepayers. Staff is asking the Board to support the amendment for the facility gas turbines and that the designated GRDA staff is authorized to vote an approval at the appropriate time when terms are finalized. The final terms are being negotiated today. The parties are in agreement of the major elements. OG&E has promised to let GRDA look at the final terms, but as facility operator, it is their responsibility to implement that contract. The resolution would take effect immediately upon adoption. Mr. Sullivan added this is being done by a proposed resolution because it is an extraordinary expense in the operation of the facility, and it takes a super majority and it does increase the capacity of the facility. Director Meyers asked if there were additional bonds issued for this, and Ms. Dougherty stated there is about \$11 million budgeted for chillers in the 2010 bond issue, and it would be re-designated for this project. Director Spears moved to approve the proposed resolution supporting an amendment of the long-term service agreement for the gas turbines of the Redbud Generating Facility to include the Advanced Gas Path Upgrade, seconded by Director Meyers, and voted upon as follows: Spears, Kerns, Kimball, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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**4.g. Recommendation to the Board of Directors  
on Adoption of Amendments to Administrative Rules:**

- (1) OAC Title 300, Chapter 20: Purchasing Rules**
- (2) OAC Title 300, Chapter 35: Lake Rules**

*(Continued from page 15.)*

Ms. Edwards stated that in December, the redlined draft Purchasing Rules were presented to the full Board through the Policy Committee. At that time, the Board voted to open the rulemaking process. In January, Darrell Townsend presented an update on

the revisions to the Lake Rules. It was also when the dates for the open meeting on February 21 and 22 were announced. The proposed rules have been on the Web site since the date in January when everything had to be submitted to the Secretary of State. The Purchasing Rules make the changes as suggested by the auditor to tighten up staff's ability to make purchases, and it deletes the \$50,000 limit and ties the authority of the CEO to what is in the statute. If the statute changes, the Purchasing Rules will not need to be amended. The rules do not expand on the power that is granted to either GRDA or GRDA staff by statute. GRDA's limits of authority can only be tied to what the Legislature says. Mr. Sullivan added staff has gone over the Purchasing Rules, in particular, with the Governor's office. They did make one recommendation that was incorporated in a previous draft and is included in what is presented today. Rather than having to make any changes in the future, if there is a statutory change on the authority the CEO has, the rules would follow the statutory limitations. Regarding the Lake Rules, the changes primarily involve clean-up language removing some dates that have already passed that are in the current Lake Rules, and it also eliminates a section that is no longer needed dealing with irrigation billing. Director Meyers asked the urgency of doing this today, and Mr. Sullivan stated it needs to go through the legislative process. The Legislature has rulemaking oversight. In order to complete that during the session, the rules need to be submitted. That is why the process was started in December. Director Kerns asked why it is just now being done. Ms. Edwards stated GRDA cannot adopt administrative rules until a period of public comment has passed. This is the first full board meeting following the public comment period which closed on February 21. Director Kerns stated if a director is not on the Policy Committee, they do

not see these changes. Ms. Edwards stated a redlined version was offered during the December board meeting. The Purchasing Rules are essentially the same as the rules presented to the Board last year that the Board approved. It went through the process, and when it got on the Governor's desk, the Governor's attorney had a few questions and asked that GRDA withdraw its rules. Ms. Edwards stated she could go through the rules line by line if needed. The old rules do not track the statutes. The changes tighten up things in respect to emergency acquisitions. The language is cleaner. Eddie Rothermel and Tina Balmer felt this was a priority, and the State Auditors' Report brought it up. Director Kimball said he did not see anything out of line in the changes. In response to a question by Director Kimball, Mr. Sullivan stated the Governor's office was satisfied with the wording change. Director Kimball moved to adopt the amendments to the Administrative Rules, seconded by Director Spears, and voted upon as follows: Kerns, Kimball, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

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#### **4.I. Other New Business**

Ms. Edwards reported that less than a year ago, there was an accident at the Redbud plant where one of OG&E's employees was killed in an explosion. This morning a claim was received. Heath Lofton is the attorney who will be assigned this project, and there will be a recommendation at the next board meeting as to how to proceed.

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Director Spears moved for adjournment at 12:48 p.m., seconded by Director Kimball, and voted upon as follows: Kimball, Meyers, Spears, Kerns, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

*Donna M. Jones*

Donna M. Jones, Secretary

DATE APPROVED:

April 10, 2013  
GRDA Board of Directors