

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
April 10, 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 April 10, 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 submitting a notice of changed meeting to the Secretary of State on January 9, 2013, at 1:15 p.m.; by posting the agenda with the Craig County Clerk's office on April 9, 2013, at 8:35 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 10:00 a.m. Ms. Hicks called the roll; all members were present. Chair Grodhaus declared a quorum. 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 (arrive at 10:02 a.m.)	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	Absent

Others present were as follows: Harold Robinson, NEOREC; Ted Hilmes, KAMO; Mike Doublehead, TPWA; Gary Pruett, City of Pryor/MUB; Gene Ratzlaff, Mike Shook,

and Steve McGie, City of Coffeyville; Maressa Treat, Secretary of Energy's Office; Tom Rider, MESO; Mike Williams, Shangri-La; Randy Krehbiel, Tulsa World; Bill Goldner, Jay Leeper and Tommy Vaughn, Goldner Co. LLC; Mark Tedford, Tedford & Associates; Justin Alberty, Tamara Jahnke, Holly Moore, Grant Burget, Melanie Earl, Heath Lofton, Jennifer Weatherford, Debbie Shepard, and Teresa Hicks, GRDA.

CONSENT AGENDA

2. Claims, \$56,900,942.86

4.a. Resolutions of Commendation:

- (1) Deborah Shepard**
- (2) Mary Jane Akin**

4.b. 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)

(3) Ground Fault Relay Ground Shields (3), Differential Relay Ground Shields (3) General Electric Time Overcurrent Relays (11), General Electric Plastic Shorting Paddles (11)

(4) Detronics Flame Amplifiers (15), Main Flame Amplifiers (24), Miscellaneous AFS Cards (506)

(5) Miscellaneous Transformers (10)

(6) Nash Two-Stage Vacuum Pump

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>			
40067	US Lime Company / Lime	RFQ15112	\$4,426,800.00
40081	Brainerd Chemical Co / Sulfuric Acid	RFQ15247	\$377,580.00

40091*	Fairpoint Communications / Local Loop Access for Network	RFQ15356	\$650,280.00
40093*	OneNet / Local Carrier Access (Transport)	RFQ15327	\$910,100.00
43714*	Perfection Equipment / Truck Crane	RFQ11649	\$281,785.00
Total Standard Orders			\$6,646,545.00

Change Orders			
30388*	Standley Systems Inc / Fax Line Addition	ITSW171	\$356.58
Total Change Orders			\$356.58

Grand Total All Orders			\$6,646,901.58
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5.c. Work Order Report (* Denotes Addenda Items)

Number	Title	Amount
RF009-00374	Additional Rock for Cleveland 345-KV Substation	\$159,666.51
Grand Total Work Orders		\$159,666.51

Director LaGere moved to approve the consent agenda, seconded by Director Wright, and voted upon as follows: Kerns, no; Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

Chair Grodhaus stated this is a great day and a sad day. Two long-time employees are retiring: Deborah Shepard and Mary Jane Akin. They have been with GRDA for 27 and 34 years, respectively. The Board thanks these ladies for their contributions. Ms. Shepard was present, and Director Grodhaus presented her with a retirement commendation.

REGULAR AGENDA

1. Regular Board Minutes of March 20, 2013

Director Meyers moved to approve the regular board minutes of March 20, 2013; seconded by Director Spears; and voted upon as follows: Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

3. Unfinished Business

3.a. Progress Reports

Mr. Sullivan reported the video has an update on the status of the refurbishment of the unit at Kerr Dam. It also shows the kickoff of the implementation phase of the Workforce Management program that began last week.

Mr. Sullivan stated Ms. Shepard will be greatly missed. She heads up the Corporate IT Department.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA April 2013 Update" highlighting an update on the refurbishment at the Robert S. Kerr Dam and an update on the GRDA Workforce Management project.

Director Grodhaus asked if the message is clear to the employees that the Workforce Management is not another consulting study; this is investing, implementing, and making people more valuable, as well as the GRDA. Mr. Sullivan stated that was the purpose of the kickoff, and that was the message delivered to the management teams to get that message to the people they work with. It has also been communicated through the *Friday Flyer* and through the Employee Communication group—that this is an implementation, not just another study.

Director Kimball stated the lake season is almost here. There has been a good size investment in some new watercraft for the Lake Patrolmen. Director Kimball asked if those have all been received and are operational. Mr. Sullivan stated they are all ready for service. Last Sunday, there were two people who capsized a boat off Monkey Island, and some citizens called it in. One of the Patrol Officers was on duty in the Duck Creek area and was able to respond in a very quick manner with three-foot waves to get those people out of 50-degree water. It is because of the equipment that GRDA was able to respond in a timely fashion and also the investment the Board has made and the training provided to the officers. Some of the older boats were declared surplus. Staff is continuing to reevaluate, and Mr. Edwards advises on a weekly basis on what is being done regarding repairs and what to keep in service. The boats take a beating over the summer.

4. New Business

4.c. Assets Committee Recommendations:

4.c.1. Request by Jay Leeper for Waiver of the One-Third-of-Cove Rule for Installation of a Private Dock in Elk River on Grand Lake in Delaware County Oklahoma.

4.c.2. Request by the Brighton Bay Homeowners Association for Replacement and Modification of an Existing Facility Located in Delaware County Oklahoma and for Waivers (i) to Exceed the One-Third-of-Cove Rule, (ii) to Exceed the 125-Foot Rule, and (iii) for Slips to Be Located Parallel to the Shoreline.

4.c.3. Lease with the South Grand Lake Regional Airport Managing Authority for an Aircraft Hangar.

4.c.4. Fuel Sales Agreement with the South Grand Lake Regional Airport Managing Authority for Aircraft Fuel.

Director Kerns reported the Assets Committee met this morning with all members present.

Regarding item 4.c.1., Director Kerns reported the Assets Committee recommends approval of the waiver, and she added it is significant the 745' elevation is being utilized rather than 750' elevation. Dr. Townsend explained that in the past there was typically a one-third-of-cove measurement used for private dock issues as well as for some of the commercial marinas, and that was typically measured from the 750' elevation. In most cases, that 750' elevation works as long as there are similar slopes on both sides. In this case, there were very steep slopes on the east bank. The measurement was taken from the 750' elevation in the past because it is GRDA's general taking line. Recently, as the permitting process has been evaluated, it is believed 745' elevation may be a better measurement for one third of the cove because it better reflects the surface area of water in any given period because GRDA typically operates between 744' and 741' elevations, depending on the rule curve for that year. Because this slope was very steep, as the points are moved back, it moves away from the surface of the water. At 750' elevation, that pushed the third of the cove back farther from where the actual water surface lies. When using the 745' elevation, which gets closer to the surface area of the water, the measurement falls within one-third of the cove, and it is a better reference because it is closer to the surface area of the water. Director Kerns asked if the contour of the land would dictate whether the 745' or 750' elevation would be used. Dr. Townsend stated staff will be proposing to change to use of the 745' contour on everything because it is a better representation of the shoreline relative to the surface area of the water during most conditions. Director Kerns moved the Board waive the requirement for measuring one-third of the cove utilizing 745' elevation rather than the

750' elevation (Pensacola Datum) and approve the application as submitted by Jay Leeper for installation of a private dock in Elk River on Grand Lake, seconded by Director Grodhaus, and voted upon as follows: LaGere, Meyers, yes; Spears, no; Wright, Grodhaus, Kerns, Kimball, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

Regarding item 4.c.2., Director Kerns reported this project has already been approved by FERC, and GRDA would be reaffirming approval because the configuration of the docks are different now than when it was approved by FERC. There is also a change of homeowners association name. Dr. Townsend added that three additional slips are also being added. The Assets Committee recommends approval. Director Kerns moved the Board reaffirm the application for Brighton Bay Homeowner's Association to include waivers for the following rules: one-third of cove, 125-feet, and parallel slip and approve the dock dimensions as submitted in the most recent application including three additional personal watercraft lifts; seconded by Director Spears; and voted upon as follows: Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.c.3., Director Kerns reported this item was passed by the Assets Committee for gathering of additional information and presentation at a later time.

Regarding item 4.c.4., Director Kerns reported this item was passed by the Assets Committee for gathering of additional information and presentation at a later time.

**4.d. Recommendation to Award Design Engineering Contract
for CAP# 13SOL022 to Burns & McDonnell
for Design of Rebuild of Feeders 22 and 32**

Mr. Herron reported NERC sent an alert out about 2011. They wanted GRDA to evaluate all its transmission lines above 100 kV and review them for clearances and

divide them into three groups. Year 1 was 345 kV, Year 2 was 161 kV, and Year 3 was 138 kV. Those were definitions set up by GRDA. GRDA completed the Year 1 mitigations during 2012. The Year 2 items are now being worked on and are supposed to be completed by the end of 2013. Year 3 involves many more lines. Some are major lines, and there are some problems with them. Feeder 22 is 31.2 miles long and was built in 1960. It has 233 spans with clearance problems on 178 spans. Feeder 32 is 14.7 miles long and was built in 1962. It has 116 spans with clearance problems on 67 spans. Both are H-frame wood pole construction with 795 mcm ACSR conductor. More than likely the work on these lines will have to be done "hot" because GRDA will not be able to take them out of service. The RFP included two options. Option 1 assumed rebuilding the lines under GRDA's current standards: steel monopoles with 1590 mcm ACSR conductor. The estimated cost is about \$23 million. Option 2 is a selective structure replacement with taller poles or use "extenders," which are metal braces, to increase pole heights. Option 2 would use the same wire and structure locations. The costs are unknown at present because it is not known how many items would have to be raised and what the cost would be. This project was put in a CAP DCS format, and the engineering firms presented were evaluated. Burns & McDonnell was identified to do the work. The Option 1 cost is \$1,220,000, and the Option 2 cost is \$1,156,000 for the design engineering work. The extender cost option is still being evaluated. Because of the short time frame involved, geotechnical work is required under both options. If Option 2 is used, GRDA would not have time to go back and complete that geotechnical work given the time spent on evaluation. Engineering costs would be billed on hours expended with not-to-exceed totals. There is a six-month period that puts construction over the winter months extending into 2014. That will probably be a problem with

NERC, but they have not established any deals or costs involved in that. There are still many unknowns. Staff was going to request approval of the higher engineering cost. Then, if Option 2 is used later for either or both of the lines, the engineering cost would defer back to the lower rate, but it will not need to come back to the Board for approval. Funding for the engineering and projects will be coming from operating revenues. Director Grodhaus stated that buying the ETC building was supposed to help with recruiting engineers to be able to lessen the amount of the outside consulting firms and asked why this could not be done in-house. Mr. Herron stated there are still about 35 projects on the books. GRDA has hired one civil engineer who is being trained to be a transmission engineer, but he is not a qualified transmission engineer yet. GRDA does not have any Transmission engineers who are qualified to do this work. This engineer will eventually be qualified in about a year and a half to be able to do this work internally. He was just hired three or four weeks ago. Director Meyers asked how many more of these lines are anticipated to have these clearance issues. Mr. Herron stated other lines are being looked at, but they are not as great a problem as these are. The others will be for sections of lines or individual pole modifications. Mr. Herron will be coming back to the Board for more work on those, and they will be grouped into other smaller projects. These were major lines. Director Meyers asked if the different conductor changes the capacity of the line. Mr. Herron stated that would double the capacity. These lines were built in the '60s, and these lines are expected to be used another 30 or 40 years. There might be a slightly cheaper price if using a 795 conductor with steel poles instead of the 1590 conductor. It would probably not decrease the cost substantially. GRDA will not have to go through SPP for upgrading the line but will still have to inform SPP about it. Mr. Brown added staff is looking to see if by working with

SPP if there are going to be other entities that will be bringing these projects forward for Notice to Construct, which means there could be some SPP funding, which would help offset the price. Director Grodhaus moved the Board approve award of CAP#13SOL022 to Burns & McDonnell for the not-to-exceed price of \$1,220,000, seconded by Director Spears, and voted upon as follows: Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.e. Renewal of Excess Public Liability, Aircraft, and Pollution Insurance Coverage

Mr. Lofton reported GRDA has several liability insurance policies that come up for renewal next month, May 15: aircraft, pollution, and public liability. Last year the renewals were presented at the May board meeting, about a week before the renewal date. There were several questions from various members of the Board about the premium calculations. There was not a lot of time to address those questions, so this year, the goal was to get the quotes to the Board the month before. If there were other issues to be discussed with the underwriters, there would be time to do that. GRDA gave a deadline to the various insurance companies of today's date, and the quotes were received late last night, about 10 p.m. GRDA's agent, Mr. Tedford, was present to make a brief presentation. Mr. Tedford reported the primary rate increases are driven by an increase in payroll. Mr. Tedford had asked for the worst-case scenario for the pricing. He expects the pricing levels to go down. Mr. Tedford stated that he has questioned the liability policy underwriters about why GRDA's increase in payroll has led to an increase in premiums, arguing that the increase was largely attributable to engineering payroll, which is not operational and should not cause an increase in the liability premiums. Mr.

Tedford believes that the liability carriers will reduce their premiums before the renewal date. Irrespective of the premium increase attributable to an increase in the payroll, the liability insurance industry is increasing premiums approximately five percent across the board. Director LaGere asked if the liability carriers gave any reason for the premium increases other than the payroll, and Mr. Tedford indicated that no other explanation was given. Director LaGere added there is a very limited marketplace for this coverage, so there are probably only six or seven viable candidates to write this coverage. Mr. Tedford believes the overall increase will be eight to ten percent. Mr. Lofton commented the pollution coverage is through Chartis Specialty which is an AIG company, and there is a seven percent decrease being seen. Just last month, AIG sent an auditor to meet with Dan Hudnall and Mike Bednar at the Coal-Fired Complex. The auditor left the meeting seemingly impressed with GRDA's recordkeeping and operations, which may be an explanation for the decrease. Mr. Tedford thinks there was some contractual protection from an agreement at the Redbud Facility that allowed them to take some credit on that policy. Director Grodhaus stated Marketing and Communications should recognize those people because recordkeeping is a pain, and if GRDA received a decrease because of people who were favorably impressed with the work that has been done, that should be recognized. Director Grodhaus asked Ms. Dougherty if that payroll corresponds to the numbers that will be voted on today regarding final budget payroll. Ms. Dougherty stated that was actually less because the numbers were given to the Board were updated this week. The numbers given to Chase were from a couple of months ago. No action was deemed necessary at this time.

4.f. Interagency Agreement with Oklahoma Water Resources Board (OWRB) for Dissolved Oxygen Monitoring Project for Fiscal Year 2014

Dr. Townsend reported that the last three to four years GRDA has been working on dissolved oxygen (DO) plans for each hydro facility: Pensacola, Markham Ferry, and Salina Pumped Storage Project. GRDA is in the middle of the five-year relicensing process for Salina. Some FERC meetings will be held later this month regarding that process and submitting some of the preliminary reports to FERC. GRDA has been developing the DO plan to accomplish two objectives: to prevent fish kills in the tailraces and to meet state water quality criteria. The contract with OWRB is to help maintain GRDA's infrastructure and develop the plan currently being utilized to meet DO needs and to help with the analysis and reporting for FERC mitigation activities. The OWRB is being used to bring a level of credibility to GRDA because they are the state agency responsible for monitoring on a statewide basis. Last year, there were several study plans in place. Dr. Townsend showed the budget associated with each of those from 2012 and what is being considered for 2013. Last year, all projects combined cost \$424,000. This year, what was developed from those study plans over the past four years is a solid plan to meet not only DO demands to prevent fish kills downstream from Pensacola but also getting close to meeting state water quality standards throughout the year. That would be a unique accomplishment this year because most of the rest of the state is not able to meet those demands during July, August, and September. The plan this year is to implement what has been learned over the last three or four years. With the addition, there is some potential to do some slack modifications to the implementation and monitoring it to see how it impacts whether or not state water quality standards can be met. The contract is in the amount of \$152,130. Director

Wright moved the Board approve the interagency agreement with the Oklahoma Water Resources Board to maintain compliance with FERC license articles in an amount not to exceed \$152,130, seconded by Director LaGere, and voted upon as follows: Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.g. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

- 1. Assets Committee:** Director Kerns had no further report.
- 2. Audit, Finance, Budget and Policy Committee:**
 - (a) Proposed 2013 Final Budget**
 - (b) Rate Schedule Revisions**
 - (c) Revisions to the Board of Directors Policy Manual:**
 - (i) Policy 5-1 (*Development of Annual Budget and Provision for Board Review*)**
 - (ii) Policy 4-1 (*Power Cost Adjustment and Provision for Board Review*)**
 - (d) Revision of GRDA Terms and Conditions of Industrial Service**

Regarding item (a), Director LaGere reported the Committee met yesterday and reviewed the proposed 2013 final budget. It was voted unanimously by the Board to approve the budget for 2013, and Director LaGere moved to approve same, seconded by Director Wright. Director Kerns

asked where income from operations comes from and why is it less in the final budget than last year. Ms. Dougherty stated it is basically total operating revenues minus total operating expenses. It is less because this budget assumes GRDA will implement a rate reduction effective July 1, 2013. Director Grodhaus added that cost \$28.6 million—determined by GRDA to be better in its customers pockets than in GRDA's right now. Director Kerns asked what is the status of the contract with OMPA. Ms. Dougherty stated OMPA has the Unit Output contract on Unit 1, and they have not been taking much energy under it, so the revenues were adjusted to reflect what they have been taking versus what they have historically taken. Ms. Dougherty thanked the Board for supporting succession planning. The CPA who helped with the personnel side of the budget is resigning. Director Kerns also asked why there is such an increase in law enforcement from last year. Ms. Dougherty reported it is mainly because the budget has eight positions that were not filled last year. Director Kerns asked what percent increase are expenses budgeted from last year. Ms. Dougherty referred to the 2012 Actual Results that shows \$272 million versus \$289 million for 2013. Director LaGere reported a lot of that expense is coming from the coal facilities and the Salina facility. Ms. Dougherty added a lot of that will be capital. Director Kerns asked what accounts for the increase in Administrative and General. Ms. Dougherty stated pension benefits and insurance historically have run through that line regardless where the employee works. Director Kerns asked what it means that GRDA is in hole \$2 million when there was \$8 million available in 2011 in Net Revenues Available for Other Purposes. Ms. Dougherty stated those bottom two lines are

not technically part of the operating and maintenance budget. The last few years GRDA has been paying for a lot of capital additions out of revenues and if the capital additions exceed excess revenues, the money is taken out of unrestricted cash and investments. In essence, the total of Income from Operations and Other Available Funds, which is the \$17.8 million that will come from excess debt service reserve funds, will provide enough money to cover \$38 million of the \$40 million intended for capital. That means that \$2.5 million will come from GRDA's bank account. That line gives an indication of whether cash is being built up or if it is being used, and staff is projecting more cash to be used this year. Director Kerns referred to the \$290 million budgeted for expenses for 2013 from \$244 million in 2010, and Administrative and General went from \$23 million in 2010 and \$28 million in 2013, and asked if that is pensions, insurance, health, etc. Ms. Dougherty stated fuel and purchased power are the main drivers, and for that time period, there were a lot of costs included for communications data which are considered general plant expenses. Some of the costs associated with that are considered Administrative and General expenses. Director Grodhaus stated those are all good questions, and the committee members were also concerned about the same things. Director Grodhaus added the budget policy will change the final budget's being approved in December, and that will be a good thing. The motion was voted upon as follows: Grodhaus, yes; Kerns, no; Kimball, LaGere, Meyers, Spears, Wright, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

Regarding item (b), Ms. Dougherty reported the Committee spent the majority of its time on these rate revisions yesterday. In a previous action the

Board elected to take the rates back to the 2009 rate levels as of July 1, 2013. Staff has updated rate schedules to reflect that change and also tried to incorporate a few other concepts garnered from meetings with customers. The main changes related to setting the PCA. The customers would like the energy rate to reflect more of the cost of service for the fuel. Of the energy rate for 2009, eight mills went for operation and maintenance expense, and 13 mills was the base cost collected for fuel and purchased power. GRDA's current cost for fuel and purchased power are closer to \$25 per MWh instead of \$13 per MWh. This change in PCA is revenue neutral and does not change how much the customer pays for their total energy components on their bill, but ten mills was shifted from the PCA to the base energy rate. In the 2009 rate it will now show \$8 for the O&M as in 2009 but instead of \$13 for fuel, it will show \$23 for fuel, and then the ten mills is taken out of the PCA. The PCA will also be calculated more frequently. The customers have indicated they would prefer the swings be taken out—there are a lot of seasonal swings—plus if GRDA under or over collects any particular time, there is a catch-up phase, and it could cause an elastic band effect. The PCA will now be calculated on a rolling 12-month period. The capacity payments made for customer-owned generation in the PCA was moved to the capacity charge. When GRDA calls on the customer to run the energy, those fuel and energy and variable costs will continue to be in the PCA energy component. For future planning, it was decided to move from a non-coincident peak for GRDA's customers and to totalize their meters at the same voltage level for the customers that are on current rate schedules. There are still a couple of customers on closed rate

schedules, and that practice will not be done for them. For the customers on current rate schedules, a customer coincidence peak will be used for them. For example, if a customer had four substations, and they are all at the same voltage level, the generation diversity will be captured. To do that the demand charge would be increased slightly because there will be fewer billing units. The other thing being done, which is at zero cost, is the implementation of the concept of on- and off-peak pricing on both the energy and the demand components. This would charge the same for on and off peak to give customers an idea and give them a chance to look at their load shapes. Staff thinks that is smart because when looking at the Southwest Power Pool energy market pricing, the off-peak energy costs about two-thirds of what the on-peak energy costs. Because that is the market GRDA is working in, that will ultimately reflect the trend in GRDA's cost. Staff wants to plant the seed and work with the customers over the next six months. Those provisions, before any changes would be made, would come back to the Board for a vote, and that will be done before January. Staff likes the idea of implementing some rate design that will help GRDA's customers use their energy more efficiently because that will ultimately save GRDA money in that GRDA can either forestall or build smaller generation that might otherwise have to be built. One other change that was not mentioned to the Committee yesterday but was discussed with Director Spears this morning is regarding the power factor on the WP Rate Schedule. It has been adjusted, so it will be the same as all the other customers. Staff has told the customers for a few years that GRDA would be doing that in the future, and it makes sense to do it now when the

demand charge is going down. It only impacts a couple of customers. Staff would like to recommend the Board approve the rate schedules as presented, and staff will take time to talk to the customers and give the two-and-a-half hour version of the presentation, so they can fully understand where GRDA is going and provide feedback. Director LaGere moved to approve the Rate Schedules as presented with the rate changes being effective July 1, 2013; seconded by Director Spears. Director Grodhaus asked that by doing the load change of on peak and off peak to help GRDA to maybe be able to better manage its costs, but if GRDA better manages its costs, it is ultimately reflected in the rates to GRDA customers. Ms. Dougherty indicated that is correct because the idea would be GRDA's future generation capacity charges would be less; the goal is to be able to invest less in peaking generation. This will ultimately benefit GRDA's customers. Director Meyers asked if the rates will remain the same for now, and Ms. Dougherty stated that is correct. Director Meyers stated if a municipal, for example, does not take that and do something with it, it would actually add risk to the municipal system if their consumer does not behave differently. As long as that is understood, it can be worked through. Director Spears stated that is correct, although he is not a big proponent of it. The motion was voted upon as follows: Kerns, Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item (c), Ms. Dougherty reported Policy 5-1 has to do with the approval of the annual budget. GRDA's old Base Bond Resolution 4800 required a preliminary budget be adopted in December and a final budget in

April. The board policy referred to that older language. GRDA is now under Base Bond Resolution 5107, and it just requires an annual budget. The proposed policy change is for the final budget to be adopted in December of each year, after it has been reviewed by the Audit, Finance, Budget and Policy Committee. Director LaGere moved to adopt the policy change, seconded by Director Kerns, and voted upon as follows: Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Ms. Dougherty reported the final policy change has to do with the PCA. The wording had previously been changed so that the PCA could be adopted more frequently if circumstances warranted a change. Staff is asking to change the policy so that the PCA will be updated at least every six months, so it can accommodate the monthly PCA change the customers requested and lose the provision that there needs to be a reason. Director LaGere moved to adopt the policy change, seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item (d), Ms. Dougherty reported the Terms and Conditions of Industrial Service are an attachment that goes with the standard contracts, along with the rate schedules and the technical specifications for serving that customer. Mr. Herron reported this was a minor change to remove the certificate from the terms and conditions, remove the wording that required the certificate, and also standardize the formatting on the document. This will now be brought to the Board on an annual basis for review. This particular document was approved in 2005 and has not been modified since then.

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

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 reported the Committee met yesterday, but there is no report.

6. Executive Sessions:

a. Executive Session Concerning Pending Investigation, Claim or Action Related to Non-Public Information.

b. Executive Session Concerning a Pending Investigation, Claim and Possible Action by a Public Interest Group.

Director Spears moved to go into executive session at 11:10 a.m., 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).*

Director Spears moved to return to regular session at 12:34 p.m., 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).*

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 Investigation, Claim and Possible Action by a Public Interest Group.

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

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

Director Spears moved for adjournment at 12:36 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).*



Donna M. Jones, Secretary

DATE APPROVED:

May 8, 2013
GRDA Board of Directors