

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Tulsa, Oklahoma
December 12, 2018**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at the Grand River Dam Authority Engineering and Technology Center, Tulsa, Oklahoma, on December 12, 2018. Notice was given pursuant to 25 O.S.A. § 301 et seq. by submitting a schedule of regular monthly meetings to the Secretary of State on December 14, 2017, at 9:23 a.m.; by posting the agenda with the Tulsa County Clerks' offices on December 11, 2018, at 10:00 a.m.; by posting said agenda at www.grda.com; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair Kimball called the meeting to order at 10:01 a.m. The Secretary called the roll. All members were present, and Chair Kimball declared a quorum. Mr. Philpott introduced guests.

BOARD MEMBERS

Tom Kimball, Chair	Present
James B. Richie, Chair-Elect	Present
Pete Churchwell	Present
Dwayne Elam	Present
Mike Lewandowski	Present
Chris Meyers	Present
Joseph Vandevier	Present

ADMINISTRATIVE

Daniel S. Sullivan, Chief Executive Officer	Present
Tim Brown, Chief Operating Officer	Present
Eddie Rothermel, Chief Financial Officer/ Corporate Treasurer	Present
Steve Wall, Chief Information Officer	Absent
Heath Lofton, General Counsel	Present
Ellen Edwards, Executive VP – Compliance	Present
Brian Edwards, Executive VP – Law Enforcement/Lake Operations	Present
John Goodwin, Executive VP – Human Resources	Present
Nathan Reese, Executive VP – External Relations	Present
John Wiscaver, Executive VP – Corp. & Strategic Communications	Present
Mike Herron, VP – Engineering, System Operations and Reliability	Absent
Darrell Townsend II, VP – Ecosystems/Watershed Management	Absent
Robert Ladd, VP – Grand River Energy Center Operations	Present
Steve Jacoby, VP – Hydroelectric Projects	Present
Mike Waddell, VP – Transmission and Distribution Operations	Present
Ed Fite, VP – River Operations and Water Quality	Present
Justin Alberty, VP – Corp. & Strategic Communications	Present
Sheila Allen, Corporate Secretary	Present

Others present were as follows: Matt Pinnell, Oklahoma Lieutenant Governor-Elect; Larry Hughes, City of Claremore; Tom Rider, MESO; Jared Crisp and Gary Pruett, Pryor MUB; Chris Howard, Motorola; Tyler Cline, Amanda Nolan, City of Miami; Craig Stokes, City of Collinsville; Phillip Stokes and Glen Seven, City of Siloam Springs; Penny Horton, Invited by Mr. Sullivan; Greg Holm, Clear Result; Lorie Gudde, Jeff Brown, Melanie Earl, Jerry Cook, Michelle Day, Ash Mayfield, Brylee Harbuck, Jennifer Marquis, Holly Moore, Spencer Moore, Tamara Jahnke, GRDA.

CONSENT AGENDA

2. November Claims, \$42,998,907.44.

4.a. Resolutions of Commendation

- 1) Joseph S. Lewis

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

Description and/or Make of Item	Serial Number	Model Number
Alcatel 6850E-24 Switch	P3183406	6850E 24
Alcatel 6850E-24 Switch	M5285786	6850E 24
Alcatel 6850E-24 Switch	N1984784	6850E 24
Alcatel 6850E-24 Switch	R1984338	6850E 24
Alcatel 6850-P24 Switch	H3980391	6850-P24
Alcatel 6850-P24 Switch	K4886518	6850-P24
Alcatel 6850-P24 Switch	G2350539	6850-P24
Alcatel 6850-P24 Switch	G2350516	6850-P24
Alcatel 6850-P24 Switch	K4886514	6850-P24
Alcatel 6850-24 Switch	G3251054	6850-24
Alcatel 6850-P24 Switch	G2350506	6850-P24
Alcatel 6850-24 Switch	G3251181	6850-24
Alcatel 6850-24 Switch	G3251255	6850-24
Alcatel 6850-24 Switch	G3251235	6850-24
Alcatel 6850-24 Switch	K1681722	6850-24
Alcatel 6850-24 Switch	G3251276	6850-24
Alcatel 6850-24 Switch	G3251032	6850-24
Alcatel 6850-24 Switch	G3251197	6850-24
Alcatel 6850-24 Switch	G3251272	6850-24

Alcatel 6850-24 Switch	G3251113	6850-24
Alcatel 6850E-24 Switch	M5285745	6850E 24
Alcatel 6850-24 Switch	G3251283	6850-24
Alcatel 6850E-24 Switch	N4287820	6850E 24
Alcatel 6850E-24 Switch	P3087323	6850E 24
Alcatel 6850E-24 Switch	M3884772	6850E 24
Alcatel 6850-P24 Switch	H3083668	6850-P24
Alcatel 6850E-24 Switch	P3087367	6850E 24
Alcatel 6850E-24 Switch	P3087366	6850E 24
Alcatel 6850E-24 Switch	M3884773	6850E 24
Alcatel 6850E-24 Switch	P3582312	6850E 24
Alcatel 6850E-24 Switch	R1984356	6850E 24
Alcatel 6850E-24 Switch	N1984922	6850E 24
Alcatel 6850E-24 Switch	N4287845	6850E 24
Alcatel 6850E-24 Switch	P3683086	6850E 24
Alcatel 6850-P24 Switch	K3580014	6850E 24
Alcatel 6850E-P24 Switch	N3182569	6850E-P24
Alcatel 6850-P24 Switch	G2350440	6850-P24
Alcatel 6850-P24 Switch	L3782623	6850-P24
Alcatel 6850E-24 Switch	M5285879	6850E 24
Alcatel 6850E-24 Switch	P3183359	6850E 24
Alcatel 6850E-P24 Switch	N0881540	6850E-P24
Alcatel 6850E-P24 Switch	N4485587	6850E-P24
Alcatel 6850-P48 Switch	G2450187	6850-P48
Alcatel 6850-P48 Switch	G3355893	6850-P48
Alcatel 6850E-P48 Switch	P4986510	6850E-P48
Alcatel 6850-P24 Switch	G2051270	6850-P24
Alcatel 6850-P48 Switch	G3355844	6850-P48
Alcatel 6850-P24 Switch	G2051318	6850-P24
Power Supply; Lot of 15		PS-360W-AC
Power Supply; Lot of 65		PS-120W-DC
Desk	NA	NA
Taser	X30000EKT	X2
Taser	X30000EM9	X2
Safety Glasses & Goggles; 1 Lot	NA	098 Section
First Aid Medical Supplies; 1 Lot	NA	052 Section

4.c. Power Cost Adjustment (PCA) of \$0.00052 per kWh for January 2019

4.d. Application and Authorization for Temporary Electric Service – Whiting-Turner Contracting Co.

4.e. Power Purchase and Sale Agreement with Whiting-Turner Contracting Co. – Amendment to Exhibit B Pages

4.f. Power Purchase and Sale Agreement - Oklahoma Ordnance Works Authority – Permanent Facilities

4.g. Power Purchase and Sale Agreement - Oklahoma Ordnance Works Authority – Developmental Facilities

4.h. 7 Acre Riparian Protection Conservation Easement-Illinois River/Adair County, Bryan Tate, Grantor at Cost \$15,750 for 30-Year Term ending January 31, 2049

4.i. 21 Acre Riparian Protection Conservation Easement-Illinois River/Adair County, Bryan Tate, Grantor at Cost \$47,250 for 30-Year Term ending January 31, 2049

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

Standard Purchase Orders & Contracts		
PO Number	Vendor Name and City State	Amount
96076	CHICKASAW TELECOM, TULSA, OK	370,054.89
96079	CHICKASAW TELECOM, TULSA, OK	62,632.44
96078	CHICKASAW TELECOM, TULSA, OK	187,232.33
42528	PRYOR STONE INC., PRYOR, OK	153,100.00
42503	CHICKASAW TELECOM, TULSA, OK	746,551.00
96248	THERMO BOND BUILDINGS LLC, ELK POINT, SD	103,410.00
42519	CENTER FOR AUDIT EXCELLENCE, WASHINGTON, DC	7,300.00
42526	ENVIRONMENTAL WORKS INC., SPRINGFIELD, MO	86,920.00
42524	NORTHEAST TECHNOLOGY CENTER, PRYOR, OK	125,000.00
42533	GREG'S PORT-A-POTTIE, ROSE, OK	6,000.00
42532	REXEL USA, BROKEN ARROW, OK	224,884.00
42363	A2V PARTNERS LLC, SPRINGFIELD, MO	100,000.00
42361	HDR ENGINEERING INC., OMAHA, NE	48,031.00
42360	ELECTRICAL CONSULTANTS INC., JENKS, OK	394,938.00
42535	MOTOROLA SOLUTIONS INC., FARMERS BRANCH, TX	325,000.00
42536	MOTOROLA SOLUTIONS INC., FARMERS BRANCH, TX	775,401.15
Total Standard POs & Contracts:		\$3,716,454.81
Change Orders & Renewals		
PO Number	Vendor Name and City State	Amount
42065	AMERICAN ELECTRIC POWER, CANTON, OH	15,000.00
95917	NORLEM TECHNOLOGY CONSULTING INC., TULSA, OK	237,181.66
42515	STANDLEY SYSTEMS INC., OKLAHOMA CITY, OK	6,018.88
42517	STANDLEY SYSTEMS INC., OKLAHOMA CITY, OK	96,640.56
42236	FASTENAL COMPANY, VINITA, OK	155,762.24
41585	ONENET, OKLAHOMA CITY, OK	2,660.00
40093	ONENET, OKLAHOMA CITY, OK	29,620.00
42258	MERRICK & COMPANY, DENVER, CO	11,130.00
Total Change Orders & Renewals:		\$554,013.34
Grand Total		\$4,270,468.15

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

Number	Title	Gross Work Order Amount	Reimbursement	Net GRDA Cost
RF018-00928	Cisco Phone System Network Separation	\$ 692,900	\$ -	\$ 692,900
RF018-00937	Cisco Switch Project	\$ 219,600	\$ -	\$ 219,600
RF018-00938	Ethernet Switch Replacement at Main Facilities	\$ 472,600	\$ -	\$ 472,600
RF018-00939	Cisco Video Conferencing - Additional Units	\$ 74,200	\$ -	\$ 74,200
Grand Total Work Orders		\$ 1,459,300	\$ -	\$ 1,459,300

Director Vandevier stated there is substantial capital on the Consent Agenda for numerous IT equipment. He asked Mr. Wall to address these before the vote is taken. Mr. Wall said some of GRDA's networking equipment is at the end of life, and some switching items need to be changed as well. He explained the current system is tied to a common core switch, but will need to be separated to be more consistent with what is recommended. Mr. Wall stated GRDA is currently safe in the cyber world, but doing this will allow the Authority to have a true physical separation of systems, both the Corporate Network and Operational Network. This is not a requirement, but is a best practice. He told the Board if something gets misconfigured on the Corporate Network, it can effect something on the Operational Network to a certain extent.

Chairman Kimball asked if this was included in the current year's budget. Mr. Wall confirmed this and said it is within budget as well.

Director Elam moved to approve the consent agenda, with the exceptions of items 4.f. and 4.g., seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding items 4.f. and 4.g., Director Vandevier moved to approve the Power Purchase and Sale Agreements with Oklahoma Ordnance Works Authority for permanent and developmental facilities, seconded by Director Meyers, and voted upon as follows: Churchwell, abstain, Elam, yes, Kimball, yes, Lewandowski, yes, Meyers, yes, Richie, yes, Vandevier, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

REGULAR AGENDA

1. Regular Board Minutes of November 14, 2018.

Director Vandevier moved to approve the regular Board minutes of November 14, 2018, seconded by Director Richie, and voted upon as follows: Churchwell, yes, Elam, yes, Kimball, yes, Lewandowski, abstain, Meyers, yes, Richie, yes, Vandevier, yes.
Motion passed (6-yes, 0-no, 1-abstained).

3. Unfinished Business

3.a. Progress Reports

(1) Current Operations Reports

a) Monthly Video Update – GRDA December 2018

- Storm Response**

Chairman Kimball introduced Mr. Matt Pinnell, Oklahoma's Lieutenant Governor-Elect. Lieutenant Governor-Elect Pinnell gave an overview of what he and Governor-Elect Kevin Stitt are working on, and explained how they plan to work together going forward in the State of Oklahoma. He talked about how the transition is going and how the Authority can help. Lieutenant Governor-Elect Pinnell answered questions from the Board regarding tourism, economic development, job growth, Oklahoma's business environment and working with both political parties in the state and the legislature. He also spoke about Mr. Ken Wagner, recently selected as the next Oklahoma Secretary of Energy and Environment, and said he believes this role will be a very close advisor for the new Governor.

Mr. Sullivan reported GRDA is in the process of implementing an Enterprise Resource Planning (ERP) solution. GRDA's managed service partners for Maximo, Starboard and the ERP, Sopris, visited the GRDA in mid-November to tour warehouses and gain a hands-on understanding of GRDA's current business processes. While at the facilities, they worked with ERP project team members to discuss and develop action plans on how to utilize the ERP and Maximo systems to achieve efficiencies,

improve upon current business processes and walk through how these systems will be integrated. He said the visit went very well.

Mr. Sullivan said he was chosen to give a speech last month at the South Grand Lake Chamber of Commerce annual banquet to talk about the different ways GRDA impacts economic growth in the Grand Lake area and the current status of Pensacola Dam's relicensing process. The event was very well-attended.

The 2018 Oklahoma Governor's Water Conference & Research Symposium was held December 5-6, 2018, in Midwest City. The annual conference attracts both water officials and citizens who share an interest in Oklahoma's water resources management, development and protection. Each year, the latest water issues are addressed by state, federal, and local experts and GRDA is proud to be involved. Mr. Sullivan said this year GRDA had the opportunity to share the video Our Borrowed Waters on the first evening, providing an opportunity for discussion on important water-related issues that affect not only GRDA but others across Northeast Oklahoma and Northwest Arkansas. He showed a photo of Mr. Ken Wagner, Senior Advisor to the USEPA Administrator who will be transitioning in January to serve as Governor-Elect Kevin Stitt's Cabinet Secretary for Energy and Environment, Dr. Darrell Townsend, Steve Nikolai and Ed Fite of GRDA, and Mr. Charles Maguire, Water Division Director at USEPA Region VI Headquarters in Dallas. Mr. Sullivan and Mr. Fite said the video was well received, and Mr. Fite stated there were a number of agencies asking for a copy of the video.

Mr. Sullivan reported that last week some GRDA staff had the opportunity to be present when GRDA was recognized as a global finalist for The Power Award of Excellence at the 2018 S&P Platts Global Energy Awards during an awards ceremony in New York City. GRDA was selected as a global finalist for its contributions and investment in power generation, which was critically evaluated to be impactful and

reliable. Some key aspects judges considered when selecting GRDA were the ability to plan strategically for growth and peak performance, embrace a radically evolving industry and consistently develop for customers. Mr. Sullivan stated GRDA did not win, but was honored to have been nominated. He said this was a great opportunity to showcase what the Authority is doing, and an opportunity for he and Chairman Kimball to attend an energy forum earlier in the day to receive some front-line information on what is happening in the industry.

Mr. Sullivan said GRDA's Excavation and Properties Management crews completed the shoreline stabilization project on Grand Lake last week at the courtesy dock just behind the GRDA Ecosystems and Education Center. He showed a photograph of the area and stated the dock is once again open to the public.

Mr. Sullivan showed photographs from Christmas parades across the state in GRDA service areas and customer communities, and said the GRDA Police were proud to participate again this year.

He introduced the upcoming video on GRDA's storm response associated with the tornadoes and straight-line winds in the Sallisaw area. Mr. Sullivan said GRDA lost 23 structures in the storm event. He stated the City of Sallisaw had a relatively short outage associated with this as their crews were able to redirect power to customers. So GRDA was able to continue repairs without too many delays or further issues.

Chairman Kimball asked if GRDA was able to replace the 23 structures internally without need for a mutual aid request. Mr. Sullivan confirmed this.

Director Elam asked how often GRDA inspects and analyzes the condition of the transmission lines, and what the protocol is for things like this. Mr. Sullivan said this line was constructed in 1986. Mr. Waddell stated GRDA utilizes a walking and air patrol every 3 years for this. Mr. Sullivan stated this is one of the main things the GRDA uses the helicopter for, not only for the structures, but also for line maintenance.

3.b. Assets Committee

3.b.1. Consideration, Discussion and Possible Approval of a Request by the Oklahoma Ordnance Works Authority for a Raw Water Contract

Mrs. Jahnke said currently GRDA has a contract with the Oklahoma Ordnance Works Authority that includes electric and water service together. She stated GRDA would like to separate these, and the electric contract is on the Consent Agenda.

Director Churchwell explained the negotiations on this water contract was actually only completed yesterday, and he believes both sides are happy with the result.

Director Richie moved the Board approve a 50 year raw water contract to the Oklahoma Ordnance Works Authority on the terms and conditions presented and negotiated, seconded by Director Meyers, and voted upon as follows: Churchwell, abstain, Elam, yes, Kimball, yes, Lewandowski, yes, Meyers, yes, Richie, yes, Vandevier, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

4. New Business

4.j. Possible Action Regarding Administrative Rulemaking: Opening of Rulemaking Record Pursuant to the Oklahoma Administrative Procedures Act for Title 300, Chapter 35 Lake Rules

Mr. Edwards stated it is time to open the Administrative Rulemaking process and would like to request permission to do that today. He said this is mostly for housekeeping type items to streamline the process. He went over the proposed rules changes, to include: Styrofoam goods being added to the list of items not permitted to be thrown into the lake or dumped on the shores of the lake, kayaks under 17 feet must stay within 150 feet of the shoreline unless in a no wake, cove, hollow or creek, violation notices will be served in the same manner as a civil summons, except in cases where the permit is not in the current owner's name or the owner is deceased as service will be made by posting the notice on the dock, the Final Order in an administrative hearing shall be sent by mail, and Oklahoma state law related to alcoholic beverages will be applicable to all GRDA

land including areas where off-road activities occur. Mr. Edwards stated the Board will see these again at a later meeting in final form after a series of public meetings are held.

Director Richie asked if those using a kayak under 17 feet would be required to wear a lifejacket. Mr. Edwards confirmed this.

Chairman Kimball asked if paddleboards are already covered under GRDA rules. Mr. Edwards confirmed this as well.

Director Vandevier moved to open the administrative rulemaking pursuant to the Oklahoma Administrative Procedures Act for Title 300, Chapter 35 Lake Rules, seconded by Director Richie, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.k. Annual Review of Board of Directors' Policy Manual and First Reading for Modified Policy No. 2-3

Mr. Lofton explained that Board of Directors' Policy 1-1 provides for an annual review and approval by the Board of Directors. Over the last year, there were no changes to the policy. We will ask you to approve the policies as written. However, you will notice on the agenda there is an item to modify Policy 2-3 for changes to the Board of Directors committee structure. Mr. Lofton provided a hard copy of the policy to each director for their first reading of this policy and we will come back next month for request for approval on this modified policy.

Chairman Kimball reminded the Board that they had asked Mr. Sullivan and the staff to go through the current policies regarding committees and make certain everything was consistent with what GRDA's mission is.

Director Churchwell moved to approve the 2019 Version of the Grand River Dam Authority Board of Directors' Policy Manual as written, seconded by Director

Meyers, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.I. Possible Action Regarding an Amendment to Exhibit D of the Wholesale Electric Service Policy and Wholesale Full Requirements Power Service Rate Schedule

Mr. Mayfield stated a question has arisen over the last year or so about the wholesale customer contract interfering with a city wanting to implement a rooftop solar program adding distributed generation. He said GRDA believes their customer cities are their partners and the organization's success is highly dependent on the cities' success. Mr. Mayfield explained the GRDA "Wholesale Service Policy" is incorporated as Exhibit D into the wholesale customer Power Purchase and Sale Agreements (PPSA). The purpose of the proposed amendments would clarify that the PPSA does not prohibit customers from allowing their end-use retail customers from adding renewable distributed generation. He stated Section 1.10 will clarify that if GRDA decides to develop a community solar resource, GRDA wholesale customers may contract to purchase the energy produced by that facility and will clarify that Exhibit D does not prohibit non-utility end-use retail customers from installing and/or operating renewable generation on the wholesale customer's side of the meter. Certain safety and reporting requirements will apply, and for the "behind the meter" resources greater than or equal to 1MW in the aggregate, certain Southwest Power Pool (SPP) documentation must be completed. The cities would not be financially responsible to make GRDA whole for any solar that is installed by its retail end-use customers unless the sum of that installation reaches 100kW. If the total sum is more than 100kW, the wholesale customer will make GRDA whole for the sum of all end-use customer renewable generation on the customer's system in excess of 100kW. Mr. Mayfield told the Board this concept was presented at the customer meetings about a year or so ago and seemed to have broad support from all GRDA customers. He said this was presented to the Fuel & Long-

Range Planning Committee recently as well. Under Article 13, generation will not be impacted as this type of generation will not count against a wholesale customer's resource limitations described in Article 13 of the PPSA. The annual reporting requirements of the amended terms would require customers to provide state a copy of their current distributed generation policies, lists of interconnected facilities, and the nameplate capacity of each interconnected facility. He said the rate schedule amendments provides for updates to address the amendments to the Exhibit D, including a "Determination of Capacity Billing Demand" and "Determination of Delivery Billing Demand" sections being amended to include a make-whole demand adjustment for distributed generation, and a "Make Whole Demand Adjustment for Distributed Generation" section be added to calculate the make-whole payment, if any. Mr. Mayfield stated the amendments also adds Appendix 1 to include a solar energy matrix that applies a multiplier to be used to calculate the make-whole demand adjustment. The revision to the rate schedule will become effective April 1, 2019.

Director Meyers asked what happens if a city does not want this type of an amendment to their contract. Mr. Mayfield clarified nothing in these edits requires a city to do this, it only opens the door to them if they wish to pursue distributed generation.

Director Vandevier asked if there could ever be an instance where a customer's solar generation would be taken back on GRDA's system. Mr. Mayfield said this is very unlikely, particularly with these limits and the safety restrictions that have to be in place. He described some of these safety restrictions to the Board for clarification.

Chairman Kimball asked if any of the customers present had any questions or comments. Mr. Gary Pruett with Pryor Municipal Utility Board commented he has worked on this concept for almost 2 years and had brought it to the customer group. He stated he is glad all of GRDA, including the customers, are trying to get out in front of this and have a policy in place to provide for solar generation if it comes to a

community. Mr. Pruett said this would eliminate any issues of a conflict with what was originally contained in the customer contract. He knows of some that are waiting on this to be approved to move forward. Mr. Pruett commented he believes this is good for the State of Oklahoma and for the GRDA customer group, and appreciates GRDA's work on this.

Director Elam moved to approve the proposed amendments to: (1) the GRDA Wholesale Service Policy; and (2) the GRDA Schedule WP – Wholesale Full Requirements Service, with both becoming effective April 1, 2019, seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.i. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

1. **Assets Committee:** Director Churchwell had no report.
 - a) **Consideration, Discussion and Possible Approval of Revisions to License to Encroach Application and Rates.**
 - b) **Consideration, Discussion and Possible Approval of Request by Anchors End Homeowners Association for Modification of an Existing Facility Located in Mayes County, Oklahoma.**
 - c) **Consideration, Discussion and Possible Approval of a Request by Shangri-La Development, LLC for an Amendment of an Existing Water Contract.**

Regarding item a, Director Churchwell said the committee has some revisions to GRDA's licenses to encroach application. He stated there are about 30 of these on Grand Lake and approximately 6 on Lake Hudson as of today. Director Churchwell said the committee and staff has identified somewhere between 130 and 150 unpermitted encroachments that need to be dealt with, and all involved have been contacted. The

goal of the changes to the application have to do with making the process more efficient for everyone, with the biggest change creating a new formula the administrators can use to calculate rates for a property owner. The property owner will still have the opportunity to have their own survey done, if they are unhappy with the result of GRDA's. However, this will assist and enhance the process. The committee felt the changes were very fair.

Director Vandevier asked for clarification on the formulas to be used. Chairman Kimball went over the formulas for Grand Lake and Lake Hudson and stated the property owner has the right to acquire an appraisal at their expense if they are unhappy with GRDA's appraisal. He also said if the appraisal comes in lower than GRDA's appraisal, GRDA will evaluate on a case-by-case basis to establish the proper cost.

Director Churchwell moved the Board approve a standard rate for Licenses to Encroach of \$7.00 per square foot (\$0.70/sf per year) for Grand Lake and \$3.00 per square foot (\$0.30)/sf per year) for Lake Hudson to be effective January 1, 2019, also existing licenses will adjust to the current standard rate on their 10-year re-appraisal date, and licensees may present their own appraisal for the Board's consideration, and it was voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item b, Director Churchwell said Anchors End Homeowners Association would be rehabilitating some existing docks, replacing some docks next year, and if growth continues may want to add some additional docks in the future. Dr. Townsend and his staff reviewed the organization's plans, worked with them on the site, and believe they are in complete compliance. The committee recommends approval of this.

Chairman Kimball said the homeowners association was represented by a number of people at the committee meeting, and there were no questions from them. He stated this is a great improvement for this area.

Director Churchwell moved the Board approve the request to modify the current permit for Anchors End Homeowners Association as proposed, and it was voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item c, Director Churchwell stated this is a request from Shangri-La Development LLC for an amendment to their raw water contract to obtain a back-up intake site that formerly belonged to Grand Lake Public Works Authority. The intake was taken out of service in 2014. This would not have any effect on their current water contract, but would serve to give them permission to use this facility and bring it up to standard should they lose their other intake facilities. The committee recommends the Board approve this item.

Director Churchwell moved the Board approve the amendment to Shangri-La Development, LLC's raw water contract to include the additional back-up intake locations, and it was voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

- 2. Audit, Finance, Budget, Policy & Compliance Committee:**
- a) Cash Reserve Policy Amendment – Second Reading
 - b) 2019 Financial Budget

Regarding item a, Director Vandevier said the committee presented the policy to the Board as the First Reading last month. This item has been reviewed by the committee and they recommend approval of the amendment as provided to the Board last month. Director Elam asked for clarification on the effect this item would have on the Rate Stabilization Fund. Director Vandevier stated this would not impact this. Director

Vandevier and Mrs. Gudde also said this fund is included in the policy, but the utilization is not impacted in any way.

Director Vandevier moved to approve the Cash Reserve Policy as presented, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item b., Director Vandevier thanked the GRDA Finance team and leadership for all their hard work on the budget. He stated the amount of detail the committee received this year was commendable.

Mrs. Gudde said this involved months of work, and commented on how proud she was of all involved in the process. She went over the 2019 Budget summary, including the 2019 projected budget, 2018 most probable results, and the 2018 final budget. Mrs. Gudde highlighted an increase in total operating revenues for 2019, an increase in fuel costs due to the needs involved in producing more power, lower income from operations, debt service coverage ratio, capital improvements, and net revenues available for other purposes. She said the team has chosen to draw down reserves rather than increase rates for GRDA's customers.

Director Vandevier stated there was excellent cost control by the staff this past year and it was greatly appreciated.

Mrs. Gudde presented a slide that showed comparative metrics for MWH produced and the costs associated with this. She said, based on the number of MWH GRDA intends to generate, the organization is actually going to see an overall decrease in operating expenses per MWH produced.

Director Vandevier said he has come to the conclusion that the proper metrics for GRDA is to look at our cost to provide power to our customers. He explained GRDA is a cost of service organization, which means ideally there would be no income, but the

Authority has to service debt and pay for capital, as well as making certain the cash reserve policy is within proper metrics.

Mrs. Gudde presented information on GRDA's operating expenses, which will see an increase from the 2018 Most Probable Results of approximately \$6.9 million. She went over some key items included in this increase.

Director Churchwell asked what the business development initiatives included in the increase involve. Mr. Reese said GRDA is working with several organizations, cities outside of Oklahoma, Native American tribes, and potential customers that are looking at moving to the MidAmerica Industrial Park or expanding. Mr. Sullivan stated since the last Board meeting GRDA has signed an MOU with one of the Native American tribes to help them move forward on a project. Director Vandevier said GRDA's strategic goal of course is to expand the power base, and this supports that goal.

Mrs. Gudde said GRDA's 2019 total budgeted capital improvements is expected to be over \$128 million. She explained that in that amount approximately \$9.5 million has already been paid in materials, and the Authority will recover over \$37 million from third parties. She went over the extraordinary capital improvements expected and said this amount is actually less than what could actually be seen. Mrs. Gudde stated once the extraordinary items are backed out, the Authority is very close to historical averages.

Director Vandevier pointed out that last year in the capital budget the Redbud outage was forecasted across 3 years. So it was in the 10-year plan to spend this, but we did not see this amount coming in one year. Director Elam thanked Director Vandevier for pointing this out to everyone. Director Vandevier said the budget is on a reasonable track to what the 10-year plan states.

Mrs. Gudde went over the expected depletion of cash reserves, net revenues available for capital improvements, revenue from capital improvements and net revenues available for other purposes. The forecast is to end 2019 well within targeted levels set

by the Cash Reserve Policy just approved by the Board. Mrs. Gudde showed calculations of expected cash on hand and total 2019 capital additions. She also explained how some of the 2018 capital additions carryovers will be handled. Mrs. Gudde showed the projected December 31, 2019 cash balance to be over \$396 million, and the Rate Stabilization Fund will not be used to fund 2019 capital improvements.

Director Vandevier stated the committee voted unanimously to approve this budget.

Chairman Kimball asked how confident the committee and team is in the \$27 million increase in revenue since the revenue projections were missed this past year. Mrs. Gudde said the miss this past year was based on spot sales, excess sales into the SPP market. She stated the team anticipated more excess sales, but there was not a margin built-in. So for every dollar of reduction in spot sales revenue missed, there is the same amount of fuel coming out of the operating expense. Director Vandevier said spot sales is a great thing for our customers and explained what this means.

Chairman Kimball asked if the new ERP system is a help in GRDA's budgeting process yet. Mrs. Gudde said it will not be this year since it will not be in place until fall of 2019. She stated she hopes it will solve a great number of issues in this way, especially related to budgeting. Chairman Kimball said he sees a 3 percent payroll increase built-in and asked for an explanation for this. Mrs. Gudde said this is a total dollar amount. Chairman Kimball asked how this fits in with our wage and hiring freeze situation, and will all of this have to be approved by the Oklahoma Secretary of Energy & Environment, or can it all be done internally. Mrs. Gudde said it is a combination of this right now. Mr. Sullivan stated this is yet to be determined when the new Governor of Oklahoma is sworn in. He said the initial indication is that there will not be a freeze applicable to a non-appropriated agency like GRDA as it is now. Chairman Kimball commented GRDA had \$13 million in capital projects that did not get completed this past year. He asked if the staff and committee believed this amount can be completed in 2019. Mrs. Gudde said this

was extensively discussed with leadership and they felt the 5-year spending plan was the best marker available as far as the staff's internal ability and time to perform the work. Mr. Sullivan stated that if GRDA was unable to reach the goal set in the budget for capital projects, less money would be taken out of cash reserves. He said the staff is working diligently to make certain the projects are doable and still provide flexibility if something comes up that is unanticipated. Director Vandevier stated GRDA's generation sources are shifting and there is a tremendous opportunity over time to bring the capital investment required per megawatt hour down. With that, there is a capital investment that does not have to be made which protects or reduces the rate. He explained the committee believes GRDA has a significant opportunity, with time, to do something that can return value to the stakeholders.

Chairman Kimball commented since he has been on the Board this is the best presentation he has seen on the budget. He complimented Mrs. Gudde, the GRDA team, and the committee on doing a very in-depth job, and said he appreciates all the hard work. Director Elam said, as a rate payer, he likes to see the utilization of the reserve because that is what it is set up and designed for.

Chairman Kimball asked if any of the customers present had any questions or comments. None replied.

Director Vandevier moved the Board approve the 2019 financial budget as presented, and it was voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

c) Compliance Committee: Director Vandevier had no report.

3. Compensation & Marketing Committee: Director Kimball had no report.

a) Power Capacity Utilization Subcommittee: Director Kimball had no report.

4. Fuel and Long-Range Planning Committee: Director Meyers had no report.

6. Executive Session:

- a. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(3) for the Purpose of Discussing the Purchase or Appraisal of Real Property in Adair County, Oklahoma.**
- b. **Proposed Executive Session Pursuant to 82 O.S. § 862.1(2)(b) Which Exempts GRDA from the Oklahoma Open Meetings Act for the Purpose of Conferring on Matters Pertaining to Power Purchase Agreements.**
- c. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Claim Related to Peabody COALSALES, LLC, Which GRDA has Determined, with the Advice of Its Attorneys, that Disclosure of Such Communication Would Seriously Impair the Ability of the GRDA to Process the Pending Claim in the Public Interest.**
- d. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Investigation, Claim, or Action, related to Federal Energy Regulatory Commission Project No. 1494-348, Which GRDA has Determined, with the Advice of Its Attorneys, that Disclosure of Such Communication Would Seriously Impair the Ability of the GRDA to Process the Pending Investigation, Claim, or Action in the Public Interest.**
- e. **Proposed Executive Session Pursuant to 25 O.S. §307(B)(4) for the Purpose of Confidential Communications between GRDA and its Attorneys Concerning a Pending Claim Against Nooter–Eriksen, Disclosure of Which Will Impair the Ability of GRDA to Process the Claim.**

Director Elam moved to go into executive session at 11.39 a.m., seconded by Director Meyers, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0 no, 0-abstained).*

Director Churchwell moved to return to regular session at 1:28 p.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0 no, 0-abstained).*

7. Action on Executive Session Items

- a. **Action, As Necessary, Concerning the Purchase and Appraisal of Real Property in Adair County, Oklahoma.**
- b. **Action, As Necessary, Concerning Matters Pertaining to Power Purchase Agreements.**
- c. **Action, As Necessary, Concerning the Pending Claim Related to Peabody COALSALES, LLC.**
- d. **Action, As Necessary, Concerning the Pending Investigation, Claim, or Action, related to Federal Energy Regulatory Commission Project No. 1494-348.**
- e. **Action, As Necessary, Concerning a Pending Claim Against Nooter-Eriksen.**

Regarding item a, Director Churchwell moved to allow GRDA management to proceed in negotiations with the Walton Foundation to acquire ownership and/or access to the site. This negotiation is contingent on the site being suitable for construction and terms which are agreeable to the CEO and General Counsel, seconded by Director Meyers, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. Motion passed (7-yes, 0 no, 0-abstained).

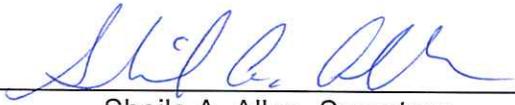
Regarding item b, no action was needed on this item.

Regarding item c, no action was needed on this item.

Regarding item d, no action was needed on this item.

Regarding item e, this item has been stricken from the agenda.

Director Elam moved for adjournment at 1:29 p.m., seconded by Director Richie, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0 no, 0 abstained).*



Sheila A. Allen, Secretary

DATE APPROVED:

February 13, 2019
GRDA Board of Directors