

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Langley, Oklahoma
August 14, 2019**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at the Grand River Dam Authority Ecosystems & Education Center, Langley, Oklahoma, on August 14, 2019. 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 27, 2018, at 1:12 p.m.; by posting the agenda with the Mayes County Clerks' offices on August 13, 2019 at 9:55 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 10:02 a.m. The Secretary called the roll. All members were present, with the exception of Director Richie. Chair Kimball declared a quorum. Mr. Philpott introduced guests.

BOARD MEMBERS

Tom Kimball, Chair	Present
James B. Richie, Chair-Elect	Absent
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
Lorie Gudde, Chief Financial Officer/ Corporate Treasurer	Present
Steve Wall, Chief Information Officer	Present
Heath Lofton, General Counsel	Present
Brian Edwards, Executive VP – Law Enforcement/Lake Operations	Present
Nathan Reese, Executive VP – External Relations	Present
John Wiscaver, Executive VP – Corp. & Strategic Communications	Present
Darrell Townsend II, VP – Ecosystems/Watershed Management	Present
Robert Ladd, VP – Grand River Energy Center Operations	Present
Steve Jacoby, VP – Hydroelectric Projects	Present
Mike Waddell, VP – Transmission and Distribution Operations	Absent
Ed Fite, VP – River Operations and Water Quality	Present
Justin Albery, VP – Corp. & Strategic Communications	Present
Sheila Allen, Corporate Secretary	Present

Others present were as follows: Jim Caldwell, Williams Construction Company; Jared Crisp and Travis Willis, MUB/City of Pryor; Tom Rider, OMA; Phil Stokes and Glenn

Severn, City of Siloam Springs; Loren Smith, City of Stillwater; Tamara Jahnke, Jeff Brown, Jennifer Marquis, Melanie Earl, Brylee Harbuck, Cameron Philpott, Jerry Cook, Logan Francis, Eric Scrimsher, Ed Ferguson, Michelle Day, Jeff Tullis, Ash Mayfield, Kevin Wheeler, Teresa Hicks, Mike Bednar, Laura Townsend, GRDA.

a. Nominations for Chair-Elect
b. Election of Chair Elect (Will Serve as Vice-Chair)

Chair Kimball declared nominations open for Chair-Elect. Chair Kimball moved to nominate Mike Lewandowski as Chair-Elect, seconded by Director Meyers. There being no other nominations, the nomination was voted upon as follows: Churchwell, yes, Elam, yes, Kimball, yes, Lewandowski, abstain, Meyers, yes, Vandevier, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

CONSENT AGENDA

2. July Claims, \$33,672,890.82.

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

Description and/or Make of Item	Serial Number	Model Number
Fortgate	FJ300B3910601071	
Alcatel 4308	3EM17860AAAA	
Cisco 3400	FOC1716V03A	
Alcatel 6850 - Lot of 3		
Cicso 1841 - Lot of 3		
Alcatel 5505	JMX1418LOL2	
Cisco 5550		JMX1418LOLW
Alcatel 7450 - Lot of 17		
Alcatel 4324		
Cisco 3550		CaT070421CB
Raritan		FWRTL8169SC-1.0
Fortinet	FG300B3910602929	
Panasonic ToughPad	4CTYA65181	FZ-G1
Microsoft Surface - Lot of 3		
Toshiba laptop computers - Lot of 2		
HP Printer	TH6618127T	OfficeJet 6812
Dell laptop computers - Lot of 14		
Dell desktop computers - Lot of 19		

Dell monitors - Lot of 29		
Ford - F150 - 2004		
Chevrolet - Silverado 2500 - 2008		
Ford - Escape - 2009		
Chevrolet - Malibu - 2007		
Chevrolet - Express 3500 - 2008		
Ford - F550 - 2012		
Ford - F350 - 2008		
Chevrolet - Express 3500 - 2009		
Ford - F250 - 2008		
International - 4900 - 1998		
Ford - F150 - 2012		
Ford - F250 - 2011		
Chevrolet - Impala - 2006		
Chevrolet - Tahoe - 2013		
Ford - E350 - 2011		
Chevrolet - Tahoe - 2012		
Ford - E350 - 2011		
Chevrolet - Tahoe - 2013		
Ford - 500 - 2005		
Chevrolet - Tahoe - 2012		
Ford - F550 - 2009		
Polaris - Sportsman 450 - 2006		
LOT (Chimney Strobe Lighting)		089 Section

4.b. Power Cost Adjustment (PCA) of \$0.001509 per kWh for September 2019

4.c. Deed of Conservation Easement – Hattie Mae King Estate (O’Seland, Inskeep, King) – 5.14 Acres in Cherokee County, Oklahoma

4.d. Deed of Conservation Easement – Rucker Trust – 48.2 Acres in Cherokee County, Oklahoma

4.e. Deed of Conservation Easement – Wayne L. Faddis and Retha Mae Faddis – 21.9 Acres in Adair County, Oklahoma

4.f. Deed of Conservation Easement – Hank E. Faddis and Patricia G. Faddis – 3 Acres in Adair County, Oklahoma

4.g. Deed of Conservation Easement – Randall Darrell Inskeep and Melba J. Pettit-Inskeep – 6.407 Acres in Cherokee County, Oklahoma

4.h. Deed of Conservation Easement – Rural Water District 12 in Cherokee County, Oklahoma

- 4.i. Deed of Conservation Easement – Harvey L. Chaffin and Paula K. Chaffin – 27 Acres in Cherokee County, Oklahoma**
- 4.j. Contract for Commercial Service – Pryor Public Schools**
- 4.k. Exhibit B-1 Amendment – Power Purchase and Sale Agreement – Pryor Chemical Company**
- 4.l. First Amendment to Power Purchase and Sale Agreement – Pawnee Public Works Authority**
- 4.m. First Amendment to Power Purchase and Sale Agreement – Sallisaw Municipal Authority**
- 4.n. First Amendment to Power Purchase and Sale Agreement – City of Collinsville**
- 4.o. Memorandum of Understanding – Pawnee Public Works Authority**
- 4.p. Sale of Propane Tank, Microwave Tower and Related Equipment Located at Jay Substation to KAMO**
- 4.q. Change Order #1 – Contract 42644 – Transmission Line Structures**
- 4.r. Change Order #3 – Contract 42549 – Transmission Line Hardware**
- 5.b. Purchase Order Report (* Denotes Addenda Items)**

Standard Purchase Orders & Contracts			
PO Number	Vendor Name and City State		Amount
101225	DEPARTMENT OF ENVIRONMENTAL QUALITY, OKLAHOMA CITY, OK		131,236.42
101686	MITSUBISHI POWER SYSTEMS AMERICAS INC, LAKE MARY, FL		54,935.74
42763	GALT FOUNDATION, OKLAHOMA CITY, OK		150,000.00
101735	MITSUBISHI POWER SYSTEMS AMERICA INC., LAKE MARY, FLORIDA		484,650.86
101820	OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES, OKLAHOMA CITY, OK		380,636.00
42711	HIGHER POWER ELECTRICAL LLC, TULSA, OK		871,375.37
101771	WEG TRANSFORMERS USA INC, WASHINGTON, MO		52,178.00
101858	KOBLECO COMPRESSORS AMERICA INC., CORONA, CA		123,942.00
Grand Total Standard POs & Contracts:			\$2,248,954.39
Change Orders & Renewals			
PO Number	Vendor Name and City State		Amount
42208	MAIL FINANCE INC, MILFORD, CT		430.00
42743	OKLAHOMA WATER RESOURCES BOARD, OKLAHOMA CITY, OK		70,600.00
101502	FEDERAL ENERGY REGULATORY COMMISSION, ST. LOUIS, MO		401,625.94

42320	HITACHI T&D SOLUTIONS INC, SUWANEE, GA		366,510.00
101556	STORMWIND LLC, SCOTTSDALE, AZ		14,950.00
42068	AMERICAN PUBLIC POWER ASSOCIATION, ARLINGTON, VA		4,066.80
40492	CONSOLIDATED COMMUNICATIONS, WESTFIELD, NY		67,200.00
101741	CDW GOVERNMENT LLC, VERNON HILLS, IL		56,600.00
42147	BURNS & MCDONNELL ENGINEERING CO INC, KANSAS CITY, MO		294,700.00
Grand Total Change Orders & Renewals:			\$1,276,682.74
Grand Total			\$3,525,637.13

Director Churchwell moved to approve the consent agenda as presented, seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

REGULAR AGENDA

1. Regular Board Minutes of July 10, 2019.

Director Churchwell moved to approve the regular Board minutes of July 10, 2019, seconded by Director Vandevier, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

3. Unfinished Business

a. Progress Reports

1.a. Monthly Video Update – GRDA August 2019

- 2019 Grand Lake Legislative Getaway Recap**

Mr. Sullivan reported GRDA was proud to be one of the sponsors for the *2019 Stand Up Rural America Summit*, held in Tulsa on July 23-25, 2019. Mr. Rickey Hayes with Retail Attractions was one of the featured guest speakers. This event was the organization's first annual summit and had over 150 registrants from 20 states in

attendance. He said included with these registrants were 21 economic development representatives from 15 of GRDA's municipal customer communities.

Mr. Sullivan told the Board he was among the guest speakers on August 8, 2019, for Northeast Tech's *Claremore Campus 10th Anniversary* commemorative celebration. He said he spoke about the beneficial partnership between GRDA and Northeast Tech and the important role this partnership continues to play in workforce development, particularly in the MidAmerica Industrial Park.

Mr. Sullivan said the Claremore Industrial and Economic Development Authority (CIEDA) was recognized recently at the *Governor's Economic Development and Workforce Development Summit* of which GRDA was a sponsor. He stated they received the *Inaugural Project of the Year* for populations 16,000 to 40,000. The award recognized Claremore's partnership and project with MST Manufacturing recently completed.

Mr. Sullivan stated last month he had explained to the Board about the new *GRDA POWER Program*. He said 3 new candidates have been selected and will go through the program at different intervals. Mr. Travis Hinshaw is the first to begin the 22-week program on August 26, 2019. Mr. Sullivan explained Mr. Donald Hollar will begin his training after the first of the year, and Mr. Cameron Philpott will begin his training in June 2020. He commented he is looking forward to hearing from them further on their experiences.

Mr. Sullivan commented there was a great turnout at GRDA's *2019 Grand Lake Legislative Getaway* held July 18 through 20 this year, making this event the most successful one yet. He introduced the upcoming video of the event.

After the video was shown, Mr. Sullivan thanked Chairman Kimball and Dr. Doug Cox for their help and hosting part of the event at their residences. He stated this was a great opportunity to show off Grand Lake and to host some that had never been to this

part of Oklahoma before, as many of the legislators were freshmen members. Mr. Sullivan expressed his appreciation for Director Churchwell's involvement as well.

Chairman Kimball said there was an amazing turnout at the event. He also stated U.S. Senator Jim Inhofe was a blessing to have present, as was U.S. Congressman Markwayne Mullin, along with members of the Oklahoma Senate and House including the President pro tempore. Chairman Kimball told the group many of the legislators continually tell him they tentatively plan their summer around this event, and are amazed at the GRDA staff and how they work together. He thanked Shangri-La for all of their help and stated it was a phenomenal event.

4. New Business

4.s. Capital Work Order Report (* Denotes Addenda Items)

Number	Title	Gross Work Order Amount	Reimbursement	Net GRDA Cost
RF019-00982	Communications Shelter ECC	\$ 71,240	\$ -	\$ 71,240
RF019-00981	Emergency 69 kV Metering Repairs - Miami Freehauf Interconnect	56,741	-	56,741
RF019-00979	GREC Unit 3 Auxiliary Boiler Control System Project	113,136	-	113,136
JF088-00000	3A/3B Chiller Replacement	158,434	-	158,434
RF018-00870	Fiber Install Feeder 60 - Revised Estimate	472,884	-	472,884
RF018-00870	Fiber Install Feeder 60 - Original Estimate	388,200	-	388,200
	Additional Funding Requested	84,684	-	84,684
RF018-00906	GREC3 Auxiliary Boiler Enclosure - Revised Estimate	2,054,040	-	2,054,040
RF018-00906	GREC3 Auxiliary Boiler Enclosure - Original Estimate	745,200	-	745,200
	Additional Funding Requested	1,308,840	-	1,308,840
Grand Total Work Orders		\$ 1,793,075	\$ -	\$ 1,793,075

Mr. Sullivan explained items on the report and said the last 2 items would be removed for the GREC3 Auxiliary Boiler Enclosure as this will be something that will continue to be worked on as the scope on this has changed. He said their hope is to come back to the Board on this item at the beginning of 2020.

Director Churchwell moved the Board approve the Capital Work Order Report with the changes presented, seconded by Director Vandevier, and voted upon as

follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.t. Recommendation to Award Contract 42596 - Pre-Engineered Metal Buildings for GREC3 Auxiliary Boiler Enclosure

Mr. Sullivan and Mr. Ladd said this item will be stricken from the agenda coinciding with the Capital Work Order Report items.

4.u. Recommendation to Award Contract 42769 – Engineered Turbine Generator Disassembly & Repair Assessment

Mr. Ladd provided background information on the event occurring July 29, 2019, creating a shutdown of the Grand River Energy Center's (GREC) Unit 2. The abnormal event and subsequent shutdown resulted in damages to the low pressure (LP) section of the turbine. He showed a diagram of the turbine-generator centerline components and explained this and where the initial trip occurred at 10 mills vibration at the Bearing 2 pedestal location. Mr. Ladd said there was actually an issue in the LP section of the turbine and showed photos of GREC Unit 2 on July 1, 2016, after the catastrophic event, and a photo from August 13, 2019. Mr. Ladd showed a more detailed diagram of the unit turbine and explained the information included as to what happened with the turbine, saying that when the rotor and blades came in contact with the casing damage occurred. He presented a photo of the LP turbine rotors and blades, blade tips and bases, as well as showing where the damage was found. Following this event, Mr. Ladd said GREC staff contacted General Electric (GE) and Siemens Energy, Inc. regarding the development of a 5 phased plan to thoroughly assess the damages and restore the machine to a safe operating condition. They also discussed whether this damage would be covered under warranty. Siemens responded to GRDA's request for

support, but to date GE has not supplied onsite support. Siemen's Energy, Inc. presented a time and material based proposal for the completion of Phase 1 and Phase 2 based on an estimated budget of \$1,050,000 (2019 time and material rates), terms and conditions similar to those used in Contract 41489, as under this contract they were the lead contractor in restoring GREC Unit 2 following the catastrophic failure on July 1, 2016. GRDA's FM Global insurance deductible is \$1,300,000 as of July 29, 2019. He showed the budget for materials and payments to contractors for 2019 as well.

Director Vandevier asked if these amounts were for Operations and Maintenance for all of the GREC. Mr. Ladd confirmed it was for all of GREC. Director Vandevier asked what other projects were a part of this budget. Mr. Ladd said they were planning to do a more extensive fall 2019 outage to make an assessment on the unit, but they do not believe this is necessary at this time with the most recent inspections.

Mr. Ladd stated lead time on the parts needed for this project are from 4 to 12 months. He explained GE does have an emergency set of blades in the U.S. for 1 row that can be sent to GRDA. If GRDA does not need to replace the generator end, there would only be a 16-week lead time. There are other entities that would have parts should this be the case, including Siemens Energy, Inc.

Director Vandevier asked if all 3 pressure regulating valves were wide open at 100 percent at the time this happened. Mr. Ladd confirmed this. Director Vandevier asked if they are automated and if the transmitter did not function correctly. Mr. Ladd confirmed this and explained exactly what happened.

Director Elam asked if there were any alarm or control features in place for when a valve stays open, etc. Mr. Ladd confirmed there is not for the valve directly, but

said there is some alarming available for expansion. He also stated this unit will have more safeguards added in the coming months.

Director Vandevier asked if this amount is just a beginning to what this repair will need. Mr. Ladd confirmed this and said this is just to get to the root of the problem. He also stated he was being conservative until there was a full metallurgical analysis completed. Mr. Sullivan explained GRDA has contacted FM Global and they have been involved from the onset.

Director Meyers asked if the unit was being dispatched much, and will this have any impact on the amount of power GRDA will be purchasing. Mr. Brown said it was not and would not have much of an impact.

Mrs. Gudde noted that part of these 2 phases will settle to a capital project.

Director Meyers moved the Board award Contract 42769 to Siemens Energy, Inc., in the not-to-exceed amount of \$1,050,000, subject to approval of final terms that are satisfactory to the General Counsel and Chief Executive Officer, seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.v. Recommendation for Award of Contract 42731 – Substation Construction Services for S636 – Tahlequah Interconnect Upgrades

Mr. Tullis said the Tahlequah Interconnect Substation was completed in 1970 and has much of its original equipment. He explained there are old electromechanical protective relays, oil-filled equipment operating beyond its expected life, missing circuit switchers (CSR's) on the transformers, and no line arresters or oil containment at the site. He said it is within the 2019 budget to upgrade this substation. Mr. Tullis showed a diagram of the substation and said GRDA would replace the remaining old circuit

breakers with SF6 circuit breakers, add CSR's ahead of both the 161/69kV autotransformers, replace relay panels, add oil containment, add line terminal lightning arresters, and replace oil-filled metering instrument transformers. He stated GRDA received 3 bids on this project, with the lowest bidder excluding some material, not providing a bid bond, as well as being new to GRDA. Mr. Tullis stated the second lowest bidder was Re-Con Company, Inc. He told the Board this company took no exceptions to the terms and GRDA has worked with this contractor in the past. Mr. Tullis said the design engineering is done by Electrical Consultants, Inc., and GRDA staff has estimated the construction cost to be approximately \$1,179,500.

Director Vandevier asked what happens when this substation is taken out of service for the construction. Mr. Tullis said this issue does complicate things by the need to work on this project while it is energized. However, the work will be completed by taking small portions of the substation out of service at a time. The project will take about 9 months to complete partially because of this.

Director Elam moved the board award Contract 42731 – Substation Construction Services for Tahlequah Interconnect Upgrades to the lowest responsible bidder, Re-Con Company, Inc. for the quoted price of \$1,198,479.64, seconded by Director Churchwell, and voted on as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.w. First Reading for Modified Board Policy No. 3-1

Mr. Lofton said in order to modify a Board of Directors' Policy it must be brought to the Board at a regularly scheduled meeting and then approved at the following meeting. He stated there are a number of minor language changes and an update to the President and Chief Executive Officer's title from "General Manager".

However, the substantive change he is proposing to Policy 3-1 is on item 4.f. which updates the policy to say the President and Chief Executive Officer “Approves, as delegated by the Board of Directors or in accordance with the provisions of the GRDA Purchasing Policy, purchases and contracts where the amount of money involved is One Hundred and Fifty Thousand (\$150,000) or less.” This change is due to the statutory change affecting GRDA which also states it would include contracts for more than one year.

Mr. Sullivan said the \$150,000 amount lines up with GRDA’s changes in purchasing procedures that set bid limits and follows the FEMA guidelines given GRDA does more and more work that is FEMA-related.

Director Vandevier said this was discussed with the Audit, Finance, Budget, Policy & Compliance Committee, and the committee is comfortable with this.

Mr. Lofton stated no action is required on this item today.

4.x. Recognition of Outgoing Chair

Mr. Sullivan said, on behalf of all of GRDA, Chairman Kimball’s leadership over the past year is greatly appreciated. Mr. Sullivan presented Chairman Kimball with a plaque in appreciation of his leadership and steady hand as Chairman of the Board of Directors of the Grand River Dam Authority from August 2018 to August 2019. He expressed his appreciation for his hard work and dedication to his role as Chairman, and said it has been a blessing to GRDA to have him on the Board.

Mr. Sullivan stated, in keeping with tradition, he would also like to present Chairman Kimball with a print of the GREC Unit 3 made from the photographs of all GRDA employees on behalf of himself, the customers and employees of GRDA for his dedication to the organization and to remember his time as Chairman.

Chairman Kimball said it has been a privilege to serve as Chairman, and that all of the employees are very near and dear to his heart. So this will be a cherished gift. He also said he has enjoyed being an ambassador for GRDA during his time on the Board of Directors for the last 7 years, and always enjoys hearing from others how much better it is to work with GRDA than in the past, which he said says a lot for Mr. Sullivan and all of the GRDA employees. He thanked GRDA and the Board for providing him with the opportunity to participate in such a dynamic organization. Chairman Kimball expressed his gratitude for the gifts.

4.y. Other New Business

There was no other new business

5. Reports

5.a. Board of Directors Committee Reports

1. Assets Committee:

- a) Consideration, Discussion, and Possible Approval of a Request to Release an Easement for a GRDA Microwave Tower near the Jay Substation Located in Delaware County, Oklahoma.**
- b) Consideration, Discussion and Possible Approval of a Request by Patricia Island for an Extension of a Commercial Permit.**

Regarding item a, Director Churchwell moved to approve a Release of Easement for the Microwave Tower near the Jay substation in Delaware County, Oklahoma, and was voted on as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item b, Director Churchwell moved to approve a 7-year extension to the commercial permit held by Patricia Island Country Club, LLC, and was voted on as

follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

2. Audit, Finance, Budget, Policy & Compliance Committee: Director Vandevier had no report today, but said that the Finance Team is working on the 2020 Budget and the Board can expect to hear more about that soon.

3. Compensation & Marketing Committee: Director Kimball had no report, but will have an item in Executive Session.

4. Fuel and Long-Range Planning Committee:

a. GREC Unit 1 Discussion and Recommendation

Regarding item a, Director Meyers said the committee met last week to discuss 2 items, 1 of which will be covered in Executive Session, and the other was regarding the future of GREC Unit 1. He asked Mr. Ladd to cover this.

Mr. Ladd provided background and current operational status of GREC Unit 1. He said there are 2 available options. These are to operate the unit to maintain optionality, or to fully retire and decommission the unit. Mr. Ladd said on April 16, 2017, the unit became non-compliant and is no longer permitted to burn coal, and the Department of Energy (DOE) granted GRDA's request for the unit to remain available for emergency operation. On July 15, 2017, the DOE Emergency Order expired and the unit was not operated during the emergency order period. On September 19, 2017, the unit was operated for a 1-hour period demonstrating available capacity of about 40MW. Mr. Ladd said being able to operate the unit in calendar year 2017 provided protection through 2019. On April 13, 2018, the unit was fired and the turbine was rolled to Full Speed No Load (FSNL). This tested the equipment and kept the unit on standby. Mr. Ladd showed a timeline of the history of the environmental issues and showed a map of the states covered by the CSAPR and explained this. He presented the CASPR NOx allowances

for each of GRDA's units, and said to maintain allowances the unit must "operate" prior to September 19, 2019. Mr. Ladd stated the hurdles in operating the unit include there being no SPP agreement, the Continuous Emissions Monitoring System (CEMS) equipment is disqualified, and it is subject to equipment inspections. He said the unit allocated NOx allowances will remain with GRDA, and such allowances can be traded in the CASPR market at \$200 to \$600 per ton. If GRDA required quick and cheap capacity, the unit could quickly be converted to natural gas. Mr. Ladd showed a graph illustrating this. He said to fully retire and decommission the unit, GRDA must consider that the capacity position forecasts do not support the annual operating and maintenance costs required to maintain the optionality of converting the unit to natural gas. Also, recent levelized cost of energy studies reflect that future generation needs will be better fulfilled by more efficient and renewable or fast start assets. Data being reported to the Environmental Protection Agency, Oklahoma Department of Environmental Quality, Energy Information Administration, and other regulatory agencies regarding the current status of the unit is very complex, and GREC Unit 2 would still maintain the optionality to be converted to natural gas should the need arise. Unnecessary operating and maintenance expenses could be avoided and the staff could begin retiring unit assets should the Board approved this recommendation. He showed a cash flow summary chart related to GREC Unit 1 assets and 2 graphs related to emissions, explaining each.

Director Vandevier asked what GRDA's book value would be on the unit roughly. Mr. Ladd and Mrs. Gudde did not know, but could get that information for Director Vandevier, if needed. They all agreed it is fair to say it would be a fairly significant amount and would mean a large write-off of the book value.

Director Meyers said the committee heard this report last week and had a number of questions. He stated the committee felt comfortable with this GRDA staff recommendation.

Mr. Sullivan said the time to salvage the asset for any value is coming to an end related to the value GRDA could get for the components of GREC Unit 1.

Discussion ensued on gas prices.

Director Meyers moved the Board authorize GRDA staff to proceed with the decommissioning of GREC 1 and report the unit as being fully retired to State and Federal Regulatory Agencies, and was voted on as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

6. Executive Session:

- a. **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.**
- b. **Proposed Executive Session Pursuant to 82 O. S. § 862.1(2)(a) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning Coal or Gas Fuel Supply and Transportation Contracts, Which are Exempt from the Provisions of the Open Meetings Act.**
- c. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(1) to Discuss the Annual Review and Salary of the Chief Executive Officer.**

Director Churchwell moved to go into executive session at 11:17 a.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Director Churchwell moved to return to regular session at 12:35 p.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items

- a. Action, as Necessary, Concerning the Pending Investigation, Claim, or Action, related to Federal Energy Regulatory Commission Project No. 1494-348.**
- b. Action, as Necessary, Concerning Coal or Gas Fuel Supply and Transportation Contracts.**
- c. Action, as Necessary, Concerning the Annual Review and Salary of the Chief Executive Officer.**

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

Regarding item b, Director Meyers moved the Board approve the coal pricing settlement under Coal Purchase Contract 2003-E, with Peabody COALSALES, LLC, as discussed in Executive Session, subject to the approval of final terms by the CEO and General Counsel, seconded by Director Vandevier, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item c, Director Kimball moved to adjust the Chief Executive Officer's salary as discussed in Executive Session, seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Director Churchwell moved for adjournment at 12:37 p.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Sheila A. Allen, Secretary

DATE APPROVED:

GRDA Board of Directors