APPENDIX D:

OCTOBER 16, 1937 LETTER FROM THE PWA TO GRDA

Section III. Development of the Project

On September 18, 1937, President Roosevelt approved the allocation of $20,000,000 for the Pensacola Project. Two days later the Board of Directors of the Authority met and planned a trip to Austin, Texas, to view the Buchanan Dam, then under construction by the Public Works Administration. This was a multiple-arch dam, planned and partly constructed by a private utility which had later abandoned it. The Lower Colorado River Authority, a public power agency of the State of Texas similar to the Grand River Dam Authority of Oklahoma, had received a loan and grant from the Public Works Administration to complete the construction of the dam. PWA decided to complete the dam by force account and placed their Chief Engineer, Clarence McDonough, in charge of construction. He was a classmate of mine at M.I.T. and he recommended our firm to the Directors of the Authority.

On September 22-23, almost the entire Board of Directors accompanied by Jack Rorschach of Vinita and Clay Babb of Grove, made the trip. R. P. Colley of Tulsa, one of the Directors, at the request of Congressman Disney, invited me to go with them.

On September 26, a large celebration was held in Vinita, an occasion bringing to public notice and celebrating the approval of the Pensacola Project by the President of the United States.

Following the President's approval of the allocation, PWA made an offer to finance the Pensacola Dam Project by a loan of $11,563,000 and a grant of $8,437,000. The Authority, at its Board meeting on October 16, 1937, accepted the offer of the U.S. Government. The text of the Loan and Grant Agreement follows here:

W. 77329-3

FEDERAL EMERGENCY ADMINISTRATION

copy

OF PUBLIC WORKS

Washington, D.C.,
Dated: Oct. 16, 1937
Docket No.Okla.1097-P-DS

Grand River Dam Authority,

Vinita, Oklahoma.

1. Subject to the Terms and Conditions (PWA Form No. 230) which are made a part hereof, the United States of America hereby offers to aid in financing the construction of a dam to provide water storage for the purpose of flood control and of hydroelectric power development, together with a hydroelectric generating plant and transmission lines, including

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necessary equipment and the acquisition of the necessary lands and rights of way therefor (herein called the "Project"), by making a grant to Grand River Dam Authority (herein called the "Applicant") in the amount of 45 percent of the cost of the Project upon completion, as determined by the Federal Emergency Adminstrator of Public Works (herein called the "Administrator") but not to exceed, in any event, the sum of $8,437,000, and by purchasing, at the principal amount thereof plus accrued interest thereon, from the Applicant, obligations of the description set forth below (or such other description as shall be mutually satisfactory) in the aggregate principal amount of $11,563,000, out of an authorized issue of $12,500,000:

(a) Obligor: Grand River Dam Authority:

(b) Type: Negotiable, special obligation, water and electric power revenue, serial, coupon bond:

(c) Denomination: $1,000;

(d) Date: October 1, 1937:

(e) Interest rate and interest-payment dates: 4 percent per annum, payable semi-annually on April 1 and October 1 in each year;

(f) Place of payment: At the office of the Trustee hereinafter mentioned or (at the option of the holder) at a bank or trust company in the Borough of Manhattan, City and State of New York;

(g) Registration privileges:

(h) Maturities: On October 1 in amounts and years as follows:

$ 63,000 in 1942,
100,000 in 1943 to 1946, inclusive,
200,000 in 1947 to 1950, inclusive,
300,000 in 1951 to 1955, inclusive,
400,000 in 1956 to 1960, inclusive,
500,000 in 1961 to 1965, inclusive,
600,000 in 1966 to 1971, inclusive,
700,000 in 1972.

(i) Redemption provision, if any: As to principal only; Redeemable in the inverse order of maturities, at the option of the Applicant, in whole or in part (selection as between bonds of the same maturity to be by lot) on any interest payment date after not less than 30 days' published notice, at a redemption price equal to the principal amount and accrued interest, plus a premium of 1/4% of such principal amount for each year or fraction thereof from the redemption date to the date of maturity, such premium, however, not to exceed 5% of such principal amount;

(j) Payable as to both principal and interest from and secured by a first pledge of the gross income and revenues of the Applicant, from whatever source derived, including the gross income and revenues from the Project and all improvements, replacements, renewals and extensions thereof, and additions thereto (all such income and revenues of the Applicant to be set aside in a special fund to be used for the payment of reasonable and proper expenses of maintenance and operation and the principal of and interest on the bonds and for other proper corporate purposes), and issued under and additionally secured by an indenture and deed of trust from the Applicant to a bank or trust company satisfactory to the Administrator, as Trustee, said indenture to be in form satisfactory to the Administrator and to provide for the issuance of not exceeding $12,500,000 principal amount of bonds maturing as follows:

$ 70,000 in 1942,
110,000 in 1943 to 1946, inclusive,
210,000 in 1947 to 1950, inclusive,
320,000 in 1951 to 1955, inclusive,
430,000 in 1956 to 1960, inclusive,
540,000 in 1961 to 1965, inclusive,
650,000 in 1966 to 1971, inclusive, and
800,000 in 1972.

2. This Offer is made subject to the following special conditions:

(a) Anything in this Offer or in said Terms and Conditions to the contrary notwithstanding, the United States of America shall be under no obligation to take up and pay for any of the obligations herein described or to make any payment on account of the said Grant unless and until

First the Applicant shall have satisfied said Administrator, in such manner (whether by judicial determination or otherwise) as the Administrator may deem advisable, as to the validity and constitutionality of the Grand River Dam Authority Act and all amendments thereto (including specifically Article 1 and Article 2 of Chapter 70 of the Session Laws, 1937, of the State of Oklahoma), as the validity of the organization of the applicant and its power to construct and operate the Project as proposed, as to the validity of the proceedings for the authorization, issuance and proposed sale of the said obligations, and the validity of the obligations themselves and the covenants and agreements of the applicant contained in said obligations and in the proceedings for their authorization, issuance and sale and as to the validity of the contract between the Applicant and the United States of America to be created by the acceptance of this

Offer, including in all cases, specific determinations of such questions concerning the foregoing as the Administrator or his counsel may present;

Second the Applicant shall submit such further data as the Administrator may require to confirm the estimates of cost set forth in the amended application of the Applicant, and showing that the final cost of the Project, including generating facilities with a sufficient capacity to liquidate the loan, will not exceed $20,000,000;

Third the Administrator shall be satisfied as to the extent and validity of the water rights of the Applicant, including the right of the Applicant to store the necessary waters for the operation of the Project, and to use such waters for irrigation and for the development of electric energy;

(b) No additional funds, whether from the Federal Emergency Administration of Public Works or from any other department, bureau or agency of the Federal Government, will be requested by or on behalf of the Applicant in connection with the Project or any subsequent additions or improvements thereto;

(c) The cost of all lands, rights of way and easements shall be excluded from the cost of the Project for the purpose of computing the Grant, and the Applicant shall submit evidence satisfactory to said Administrator that such lands, rights of way and easements as are required for the construction and operation of the Project can be purchased or acquired at a cost not to exceed $1,250,000;

(d) No payments shall be made to the Grand-Hydro interests, so-called, from any funds made available by the United States of America, except payments for such lands as may be required for the Project, the cost of which lands shall be subject to the approval of the Administrator;

(e) The Applicant will begin work on the Project as early as possible but in no event later than January 1, 1938, and will complete the Project with all practicable dispatch, and in any event by July 1, 1939;

(f) The Administrator may designate a Project Engineer and a Project Auditor as his representatives on the Project and may require that no disbursements shall be made from the Construction Account except such as the Project Engineer shall certify to be in accordance with the Certificate of Purposes previously filed with and accepted by the Government and to be reasonable in amount. If the Administrator shall so request, the Applicant will pay the salaries and expenses of the Project Engineer and Project Auditor;

(g) The Applicant will submit estimates of all proposed expenditures for periods of not less than three months each, which shall be approved by the Administrator; and

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(h) The Applicant shall appoint a General Manager who shall have charge of the construction of the Project and who shall at all times during the construction period be satisfactory to the Administrator.

UNITED STATES OF AMERICA

Federal Emergency Administrator
of Public Works

BY (sgd) E.W.Clark
For the Administrator

The following memorandum to President Franklin D. Roosevelt accompanied the Agreement when it went to him for his signature:

FEDERAL EMERGENCY ADMINISTRATOR
OF PUBLIC WORKS
WASHINGTON

MEMORANDUM for the President:

Attached is a President's Book in which an allotment is recommended for the project of the Grand River Dam Authority in Oklahoma. You will recall our discussion of this project.

When the project was last mentioned to you, we discussed it on the basis of an estimate of land cost of about $3,000,000 made by the P.W.A. Power Division and you suggested that you would be willing to consider an allotment of $20,000,000 provided none of the land cost should come from the Federal grant. In reducing the project to a definite estimate on the basis of including all of the flood control features embraced in the War Department's estimate and a sufficient power installation to supply present requirements, it has been considered advisable to use an estimate for land purchase of $1,250,000 instead of the $3,000,000. If it is not possible to acquire the land at that value, however, the offer will provide that no part of the Federal grant will go for land purchase. The applicant will require a loan for the amount of the land purchase.

A somewhat detailed statement of the project is included in the attached President's Book No. 92. It provides for a grant of $8,437,500 and a loan of $11,562,500. The conditions to be inserted in the offer appear in this detailed statement and subject to those conditions, the allotment as set forth is recommended.