



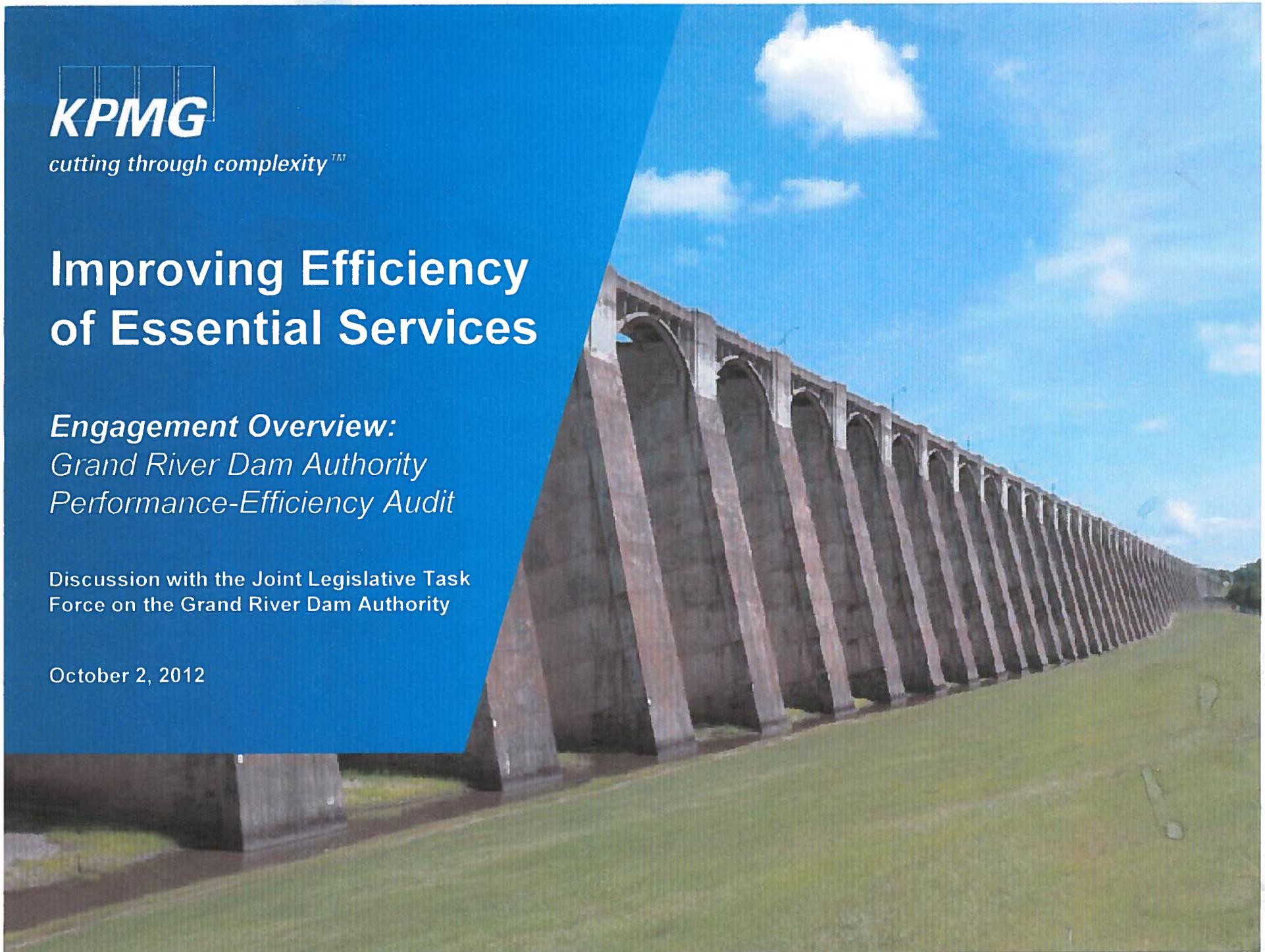
cutting through complexity™

Improving Efficiency of Essential Services

*Engagement Overview:
Grand River Dam Authority
Performance-Efficiency Audit*

Discussion with the Joint Legislative Task
Force on the Grand River Dam Authority

October 2, 2012



KPMG Project Team

Our team sincerely appreciates this opportunity to serve the State of Oklahoma in helping the GRDA reach higher levels of performance and efficiency.



Bill Zizic, Manager

Bill is located in KPMG's Chicago office with 8 years of experience in helping state and local government agencies optimize strategy, performance, and governance to seek enhanced service quality and efficiency.

wzizic@kpmg.com

O: 312-665-2354

C: 312-259-2869



Andrew Fuller, Senior Associate

Andrew is located in KPMG's Chicago office with 8 years of experience providing performance improvement advisory services to federal, state and local government entities and not-for-profit institutions.

andrewfuller@kpmg.com

O: 312-665-3372

C: 312-285-5958



Terry Simonson, Project Advisor

Terry is the principal owner of PathWays Consulting and Government Relations, LLC, with over 30 years of experience serving state and local government entities.

tsimonson@aol.com

C: 918-724-3005

Engagement Overview: *Scope and Approach*

The scope of our Performance-Efficiency Audit focused on identifying how functions/services delivered by the Authority aligned with the strategic and operational criteria posed.

Engagement Scope



Engagement Approach



Authority Operations: At-A-Glance Profile

The Authority operates a multi-facility system to generate and transmit electric power and to manage its lake and waterway resources.

Mission

Our mission is to **provide low-cost, reliable electric power** and related services to our customers and to be **responsive to the interests and concerns** of public power users, the communities we affect, and the people of the state of Oklahoma.

We pledge to **assist in area economic development** and help our customers adapt to changes in their business environments, as well as making certain that on and around our lakes we **will support recreational development, environmental awareness, and good safety practices** to ensure the continued improvement of the quality of life for all of those who utilize our resources.

Customers

- Electric Power Customers
 - *Wholesale*: Municipal (19), Off-System (5), Distribution Cooperative (1)
 - *Retail*: Industrial (31), Commercial (49)
- Lake and Waterway Constituents
 - Residents, Business

System

- 5 Generating Facilities (1 Coal-Fired, 1 Gas, 3 Hydro)
- 1,218 Miles of Transmission Line, ~300 Substations
- 7 Interconnections (e.g., OG&E, KAMO, SWPA)
- 70,000 Surface Acres of Lake and Waterway Managed
- 6 Support Facilities (e.g., Admin., EEC, ECC)

Financials

2011 Financials (In Millions)

Revenue and Expense Statement

- Total Revenues: \$420.1
- Total Expenses: \$362.5
- Increase in Net Assets: \$57.6

Statement of Net Assets

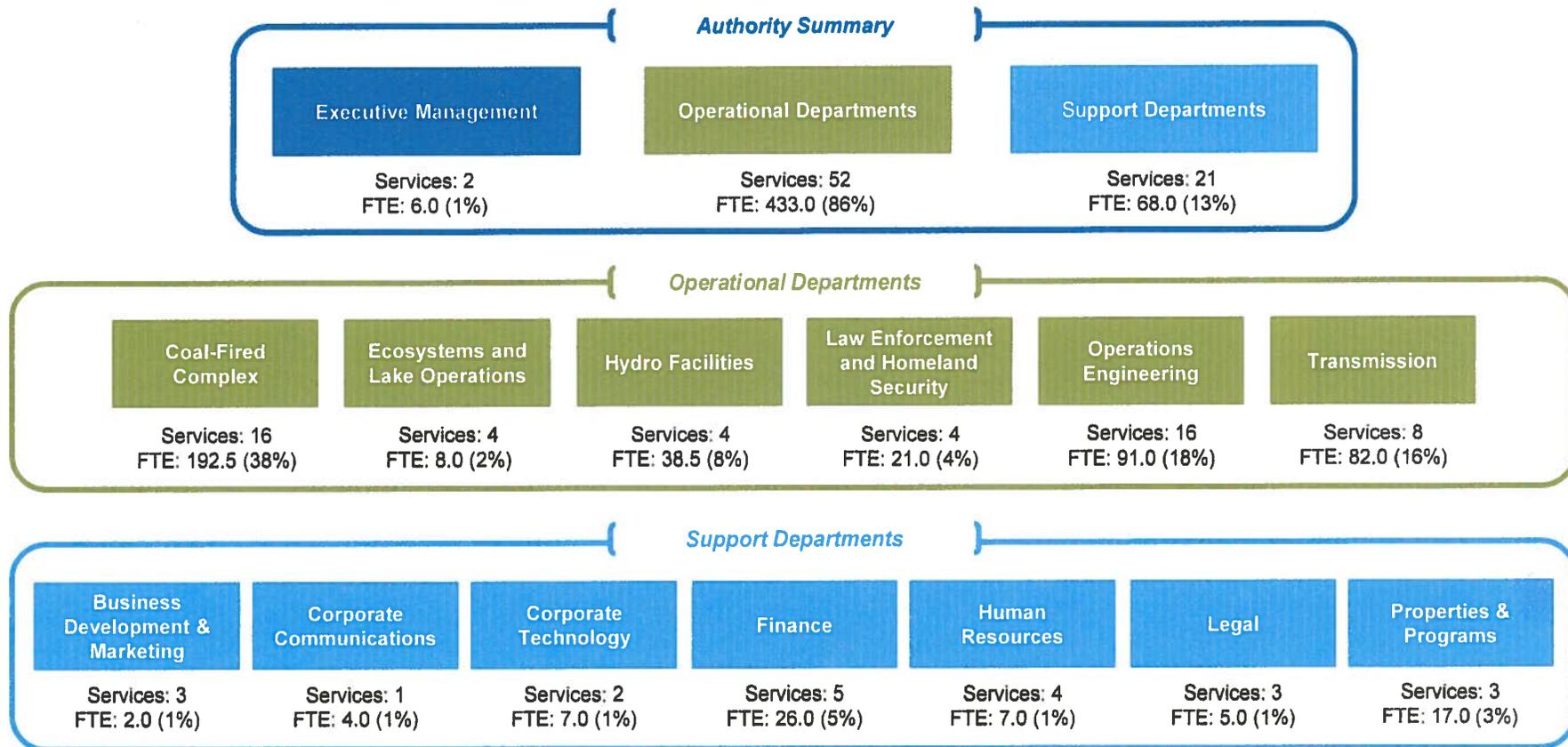
- Total Assets: \$1,526.6
- Total Liabilities: \$1,052.2
- Total Net Assets: \$474.3

Operations

- Energy Sales (2011): 7,893,612 MWh
- O&M Expense / MWh (2011): \$38.68 per MWh
- Operating Revenues / MWh (2011): \$49.98 per MWh
- Equivalent Availability Factor (2009)
 - CFC Unit 1: 90.2%
 - CFC Unit 2: 90.1%

Authority Operations: *Department Structure*

The Authority is comprised of executive management and 13 departments that coordinate to deliver 75 diverse services. The Authority consists of 500+ full-time equivalent employees.



Engagement Findings: *Opportunity Areas*

The Performance-Efficiency Audit identified 7 enterprise and 80 department-level opportunities aligned to 6 themes that aim to improve the Authority's efficiency and effectiveness.

Strategic Recommendations

Enabling management processes to better define the mission of the GRDA, address future risks and response strategies, better demonstrate success and failure to stakeholders, and more clearly align financial resources to essential services.

Operational Recommendations

Improving alignment of the GRDA organization to its essential services as well as the efficiency and effectiveness of key enabling processes in supply, workforce and technology management functions.

Department-Level Recommendations

Potential performance improvement opportunities specific to the efficiency and effectiveness of individual GRDA departments. The review identified 80 opportunities, with the 5 most common improvement themes highlighted below.

Opportunity Areas

Strategic and Operational Management

Performance Management

Operational and Capital Budgeting

Opportunity Areas

Organizational Alignment

Supply Management

Workforce Management

Technology Management

Opportunity Areas

Process Automation/Enablement

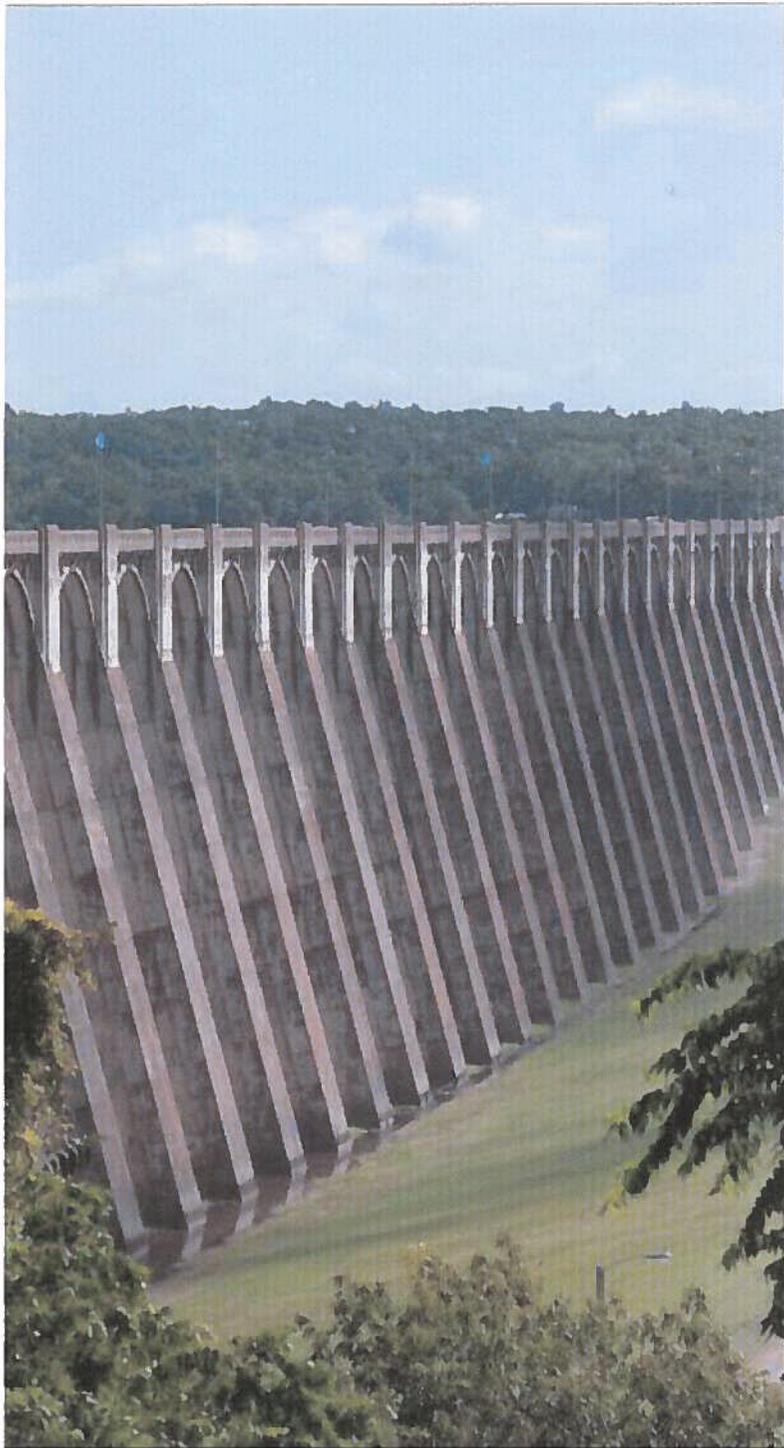
Technology Enablement

Functional Alignment/Responsibilities

Project Management/Coordination

Staff Development

Other Opportunities



Taking Action on Performance Audit Themes

**Presentation to the Joint Legislative Task
Force on the Grand River Dam Authority**

October 2, 2012

Performance Audit Themes 2011-2012

State audit themes focused on governance and control, while KPMG audit themes focused more on performance and efficiency of Authority operations.

State Audit Themes (2011)

- *Board Governance*
- *Compliance Management*
- *Corporate Culture*
- *Expense Management*

KPMG Audit Themes (2012)

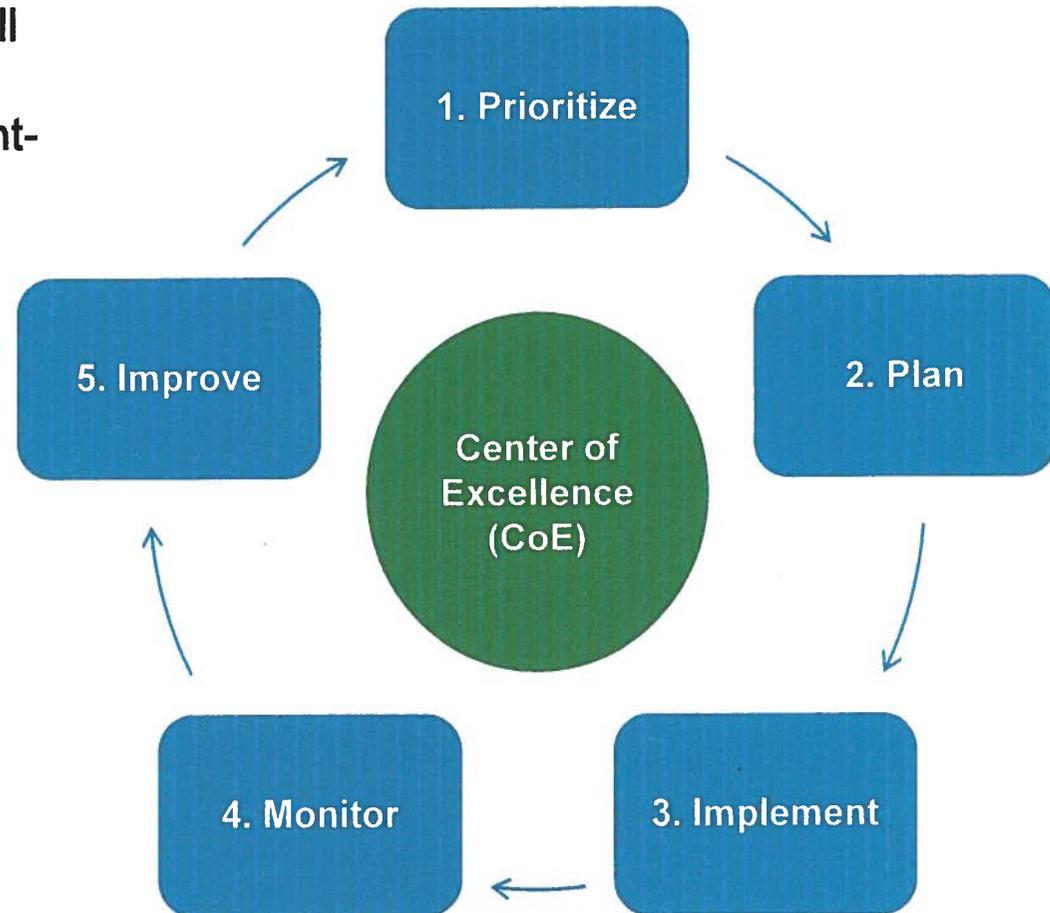
- *Strategic and Operational Management*
- *Performance Management*
- *Operational and Capital Budgeting*
- *Organizational Alignment*
- *Supply Management*
- *Workforce Management*
- *Technology Management*

Preliminary Implementation Model

A Center of Excellence (CoE) will coordinate actions to implement the 87 enterprise and department-level improvement initiatives identified in the KPMG audit.

CoE attributes will include:

- **Ownership:** Joint Senior Management Responsibility
- **Initiatives:** 3-6 and 6-12 Month Initiatives for Each Department
- **Resources:** Department Resources Engaged in Actions
- **Monitoring:** Tracking Progress and Benefits Achieved



Preliminary Action Steps

Senior management has initiated the process of reviewing recommendations and identifying near-term actions that can be taken.

Strategic Recommendations

- *Strategic and Operational Management* – Initiate Stakeholder Engagement and Communication
- *Performance Management* – Identify Authority Success Factors and Performance Indicators
- *Operational and Capital Budgeting* – Structure Budget Development and Accountability Framework

Operational Recommendations

- *Organizational Alignment* – Realign Existing and Explore New Organizational Functions
- *Supply Management* – Propose Increased Senior Management Approval Authority
- *Workforce Management* – Initiate Employee Communication and Outreach Sessions
- *Technology Management* – Expand Asset and Supply Management System Across Authority

Department-Level Opportunities

- *Opportunity Prioritization* – Review Opportunities and Identify Near and Long-Term Improvements
- *Opportunity Roadmaps* – Engage Staff to Develop and Implement Opportunity Action Plans

Oversight and Accountability

Steering Committee participants will continue to provide monthly oversight of audit improvement initiatives to help guide the Authority's progress.

External Participants

- **Greg Grodhaus**
Board Member & Incoming Board Chair of GRDA
- **Rick Littlefield**
Sheriff of Delaware County
- **Dallas Robinson**
Plant Manager of Pryor Chemical
- **Anthony Due**
General Manager of Northeastern Electric Coop.
- **Gary Pruett**
General Manager of Pryor Electric Service

Internal Participants

- **Dan Sullivan**
General Manager & Chief Executive Officer
- **Allison Goodpaster-Carter**
Assistant General Manager of Human Resources
- **Grant Burget**
Superintendent of Business Development & Marketing
- **Justin Alberty**
Superintendent of Corporate Communications

The Authority has also requested that the State Auditor and KPMG teams return next year to review progress on audit findings and recommendations.

Performance Audit Next Steps

With the KPMG audit process complete, the focus now turns to a rapid but organized approach to mobilizing implementation efforts.

