

Oklahoma Senate Committee on Appropriations

2013-2014 Performance Report

Grand River Dam Authority

Agency Mission Statement:

The Mission of the Grand River Dam Authority 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 uses, 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 supporting recreational development, environmental awareness and good safety practices on and around our lakes to ensure the continued improvement of the quality of life for all those who utilize our resources. *(Adopted by the GRDA Board of Directors on May 20, 1998)*

Lead Administrator:

Daniel S. Sullivan

Chief Executive Officer/Director of Investments

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Governance:

GRDA is governed by a seven-member board of directors comprised of representatives from each GRDA customer class (municipals, electric cooperatives and industrials) as well as the GRDA lakes area. Two at-large representatives also sit on the board.

Appointments are made by:

- The Oklahoma Governor (3),
- Speaker of the Oklahoma State House of Representatives, and
- President Pro Tempore of the Oklahoma State Senate

Two other board positions are ex-officio positions, filled by:

- The general manager of the Oklahoma Association of Electric Cooperatives (OAEC) or designee
- Executive director of the Municipal Electric Systems of Oklahoma (MESO) or designee

Board members serve staggered, five-year terms, with one position opening each year, to ensure continuity. Customer representation on the Board is characteristic of GRDA's status as a public power entity. Board meeting agendas are posted publicly; additionally, board meetings are held on the second Wednesday of each month and open to the public.

Current GRDA Directors:

Greg Grodhaus

- Chairman
- Appointed by Oklahoma Governor
- At-large director
- Term ends August 2013

Chris Meyers, PE

- Chair-elect
- Oklahoma Association of Electric Cooperatives General Manager
- Ex officio

Stephen R. Spears, PE

- City Manager of Cushing, designee of the Municipal Electric Systems of Oklahoma
- Ex officio

Allen B. Wright

- Appointed by Oklahoma Governor
- Representing Industrial and Commercial Customers
- Term ends August 2014

Betty Kerns

- Appointed by Oklahoma Governor
- Representing Economic Development interests/lake enthusiasts and property owners
- Term ends August 2015

W. Brent LaGere

- Appointed by the Speaker of the Oklahoma State House of Representatives
- At-large director
- Term ends August 2016

Tom Kimball

- Appointed by President Pro Tempore of the Oklahoma State Senate
- At-large director
- Term ends August 2017

GRDA Board Committees:

Directors are committed to utilize an active committee structure to establish an appropriate tone at the top.

Assets: Kerns, Spears, Wright

- Management of real estate
- Lake operations and management
- Dock applications, rentals, leases of real property
- Lake rules and regulations

Audit, Finance, Budget and Policy: LaGere, Grodhaus, Spears

- Financial reporting, auditors, budget and internal control
- Policies and bylaws

Fuel: Spears, Meyers, Kimball

- Purchase, sale and transportation of coal, natural gas or other fuels
- Disposition of combustion by-products or residue

Compensation and Marketing: Grodhaus, LaGere, Kimball

- Competitive compensation, recommendations related to bi-annual OPM compensation study
- Marketing plans to support mission and communicate value of services provided to Oklahomans

Long-range planning: Meyers, Wright and Kerns

- Review resources
- Plan for future needs of GRDA and customers

Ad Hoc: Grodhaus, Spears, LaGere

- Evaluate generation alternatives in response to environmental regulations and future customer needs

Governance Accountability:

Board policy directs that, to make the most effective decisions for GRDA and the state of Oklahoma, directors are expected to attend board meetings and actively participate in committees. Additionally, per statute, any director who fails to attend three regularly scheduled board meetings in a calendar year may be removed by his or her appointing authority. Current directors adhere to the attendance policy and statute.

Modernization Efforts:

GRDA has teamed with other strong Public Power Partners to capitalize on best industry practices and better prepare to compete in the new integrated markets being established by the Southwest Power Pool:

- GRDA has engaged The Energy Authority (TEA) to assist in preparation for markets and to assist with the development of strengthened risk management policies.
- GRDA joined the Large Public Power Council (LPPC) in June and has been actively participating in task force meetings. Dan Sullivan is a CEO board member.
- Several employees actively participate in, and even chair, committees at the Southwest Power Pool (SPP)
- GRDA has been an active member of American Public Power Association and the Government Finance Officers of America and Canada for many years, receiving the Award for Excellence in Financial Reporting for 11 years in a row.

Since 2011, GRDA has undergone several external efficiency or performance reviews, which have resulted in improved policies and procedures:

- Baker Tilly, an audit firm that has a strong emphasis on utility accounting, performed a benchmarking analysis in 2011 to identify how GRDA’s overall service and costs compared to other Oklahoma utilities as well as out-of-state public power utilities organized much like GRDA. The results pointed out areas where GRDA is competitive and where we can improve.
- GRDA internally identified that expansion of the Maximo work management system would help streamline internal processes and provide improved controls and efficiencies. As part of the implementation of an upgrade, GRDA underwent a business process review.
- At the request of the Governor of Oklahoma, the Oklahoma State Auditor and Inspector performed an extensive audit of GRDA. The state audit focused on governance and control. The purpose of the audit was to:
 - Determine whether executive management’s and the board of directors’ actions have been consistent with the statutory mission of GRDA.
 - Determine if the current structure of the GRDA is in the best interest of Oklahoma.
 - A priority of the board after the state audit was for GRDA to do a better job of communicating the agency’s value both internally and externally.
- In the summer of 2012, GRDA contracted with the KPMG auditing firm to complete an organization-wide efficiency audit. While the state audit was focused on identifying any wrongdoing, the KPMG audit looked at whether GRDA is using money wisely. The KPMG audit focused on performance and efficiency. That effort produced solid data on areas where modernization/efficiency can take place. Many of those recommendations are being implemented now.
 - GRDA has engaged The AOE Group to provide workforce management consulting services.
 - GRDA is working with Oklahoma State University to expand GRDA’s intern program to enhance and expedite IT solutions.
 - Administrative Rules have been revised to incorporate some of the procurement streamlining procedures.
- GRDA is communicating our message. The Authority has long recognized that the primary stakeholders are:
 - The Oklahoma communities we service and the citizens of Oklahoma.
 - Lake home and business owners as well as recreational users
 - Oklahoma industries
 - Oklahoma bondholders
 - Almost \$300 million in bonds are held by Oklahomans, and that at least one bondholder lives in 76 of Oklahoma’s 77 counties.
 - GRDA is expanding our message so that residents across the state will understand that GRDA’s success contributes to their own success.
- GRDA is on the forefront of government modernization. Through GRDA’s voluntary participation in the state of Oklahoma’s PCard program, including the use of the electronic payments program, the state has been able to leverage GRDA’s purchasing power to negotiate higher PCard rebates than the state would otherwise receive. Additionally, by utilizing statewide contracts, GRDA provides increased volume that allows the state to negotiate better pricing. GRDA often serves as a “test agency” for new state programs.

- In order to modernize its competitive bidding process and to make it more accessible to potential bidders, GRDA began posting bidding opportunities on its website (grda.com) in 2012, along with other information relevant to potential vendors and bidders. Following board meetings, bid awards are also posted to the site.
- In 2012, GRDA began posting real-time water quality/conditions data to its website. This is information pulled from electronic floating water quality monitors located above and below Pensacola and Robert S. Kerr dams. GRDA also participates in the state-wide lake advisory program and submits data on a regular basis for inclusion on the www.travelok.com/checkmyoklake website.

Core Mission:

GRDA's core mission is very broad – lake and ecosystems management and electricity generation and transmission. Because it is so broad, generally all of GRDA's service areas are contained within the core mission. The recent KPMG performance audit identified 75 diverse services provided by GRDA's 500+ full-time equivalent employees. Importantly, the audit confirmed none of the services fell outside GRDA's mandate and that GRDA provides all legislated services. Utility operations dominated the FTE's with 80% of the employees. Furthermore, GRDA provides electricity to some portion of 75 of Oklahoma's 77 counties.

GRDA manages a diversified generation portfolio, all of which is located in Oklahoma:

- Run-of-River Hydro generation at Pensacola Dam which creates Grand Lake
- Run-of-River Hydro generation at Kerr Dam which creates Lake Hudson
- A unique pumped-storage hydro, Salina Pumped-Storage which stores “energy” in the W.R. Holway Reservoir
- Thermal Generation at the Chouteau Coal-fired Complex.
- Thermal Generation at the Redbud Combined-Cycle Gas Plant, operated by OG&E
- Wind Generation through a purchase power agreement from Canadian Hills Project.

GRDA is a transmission owner and operator:

- More than 1200 miles of transmission with voltages ranging from 69kV up to 345kV
- Owns and operates approximately 100 substations

GRDA is capable of providing all-requirements electric service and is registered with the Southwest Power Pool, Regional Transmission Organization as providing the following services:

- Balancing Authority
- Transmission Operator
- Transmission Owner
- Generator Operator
- Generator Owner
- Transmission Planner
- Resource Planner
- Load-Serving Entity
- Purchasing-Selling Entity

GRDA manages Grand Lake O'The Cherokees, Lake Hudson, and Chimney Rock Lake, which includes being a good steward of 70,000 surface acres of lakes in Northeast Oklahoma. Those duties also include lake safety and law enforcement.

GRDA lakes provide storage and water supply for 50 Oklahoma water districts and municipal water systems, including Tulsa. The water supply is becoming an ever-increasing focus for

GRDA. GRDA's lakes are often the most recognized feature of the Authority. While clean water is important to the quality of life and economies of Oklahoma, any revenues from lake management have a relatively small impact on the overall financial results.

While other state agencies are involved in lake and ecosystems management (Oklahoma Water Resources Board, Oklahoma Department of Wildlife Conservation) GRDA has primary jurisdiction over the waters of the Grand River system and the lakes created by the GRDA hydroelectric facilities (Pensacola Dam, Robert S. Kerr Dam, Salina Pumped Storage Project). GRDA works with other agencies to prevent the replication of services.

Because it has jurisdiction over its lakes/Grand River system, GRDA provides its own lake patrol. Other law enforcement/homeland security functions are directly tied to mandates GRDA must fulfill in order to operate a portion of the national bulk electric system. Those mandates come from electric utility oversight agencies such as the Southwest Power Pool, North American Electric Reliability Corporation and the Federal Energy Regulatory Commission.

The Oklahoma Department of Commerce has estimated the economic impact of the GRDA to Oklahoma's economy was \$453 million in 2012.

Private alternatives:

Electric generation/transmission functions are also performed by private, investor-owned utilities in Oklahoma. These investor-owned utilities sell mainly retail electricity – directly to the consumer – while GRDA is a wholesale electricity supplier, selling its power at not-for-profit rates to municipals and cooperatives. OGE has announced it is discontinuing wholesale service in Oklahoma; PSO has discontinued wholesale service to all but one municipal; OMPA, another state agency provides wholesale service to municipals; WFEC and KAMO provide wholesale service primarily to cooperatives.

Baker Tilly performed a benchmarking analysis in July 2011. The benchmarking compared GRDA to Oklahoma utilities as well as to other comparable public power peers from other states. According to the analysis, GRDA's rates are the most competitive, comparing a three-year average, except for the utility located closer to the Powder River Basin (with lower coal freight haul length.) Rates will become even more economical because of the July 1, 2013 base rate decreases already approved by GRDA's Board of Directors. Favorable, competitive rates provide flexibility to adequately recover costs and maintain a secure financial position.