

# Oklahoma Senate Committee on Appropriations

2015-2016 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)*

*Additionally, the GRDA Board of Directors has placed a new emphasis on water quality issues and the conservation and protection of the Grand River Watershed and has adopted new policies to guide this important mission component.*

### **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:

### *Tom Kimball*

- Chairman
- Appointed by Oklahoma Senate President Pro-Tempore
- At-large director
- Term ends 8/29/17
- *Over 50 years of experience in the retail business, including 17 years in the corporate structure and 36 years in private business. He is also a founding member of the Owasso Economic Development Authority (1986).*

### *Ed Townsend*

- Chair-elect
- At-large director
- Appointed by Oklahoma Governor
- Term ends 8/29/18
- *Founder, owner and chief executive officer of Bank of Grove. He previously served as chairman and CEO of Local Oklahoma Bank, a \$3.3 billion commercial bank based in Oklahoma City.*

### *Pete Churchwell*

- Appointed by Oklahoma Governor
- Representing Economic Development interests/lake enthusiasts and property owners
- Term ends 8/29/15
- *Former executive in the electric utility and energy industry sector, with 40 years of experience.*

### *Chris Meyers, PE*

- Oklahoma Association of Electric Cooperatives General Manager
- Ex officio
- *Registered Professional Engineer in Oklahoma with 30 years of experience in the electric utility industry.*

### *James Richie*

- Appointed by Oklahoma Speaker of the House
- At-large director
- Term ends 8/28/16
- *Active in the oilfield equipment auction industry since 1981, serving in every capacity of the industry. Richie has been involved in over \$2 billion in auction sales.*

### *Stephen R. Spears, PE*

- City Manager/Engineer of Cushing, designee of the Municipal Electric Systems of Oklahoma
- Ex officio
- *Has represented GRDA municipal communities on the board since 2000.*

### *Joseph Vandevier, PE*

- Appointed by Oklahoma Governor
- Representing Industrial and Commercial Customers
- Term ends 9/29/19
- *Founder and current managing member of Downhole Dynamics, providing business and technical consulting to the oil and gas industry. A member of the Society of Professional*

*Engineers, he has 40 years of experience in the industry and is the former VP of Operations for Centrilift.*

**GRDA Board Committees:**

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

**Assets:** Churchwell, Spears, Richie

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

**Audit, Finance, Budget and Policy:** Townsend, Spears, Vandevier

- 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:** Kimball, Townsend, Meyers

- 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, Churchwell

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

**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 is now participating in the new integrated markets established by the Southwest Power Pool in March 2014.

- 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 2012 and has been actively participating in task force meetings. CEO Dan Sullivan is a member of both the LPPC Board of Directors and LPPC Steering Committee.
- 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 13 years in a row. CEO Dan Sullivan is a member of the APPA Board of Directors.
- Added a 911 dispatch center and deployed mobile data terminal and computerized records management system.
- Increased our physical security program to meet the changing environment. The law enforcement division now has a current policy manual and is preparing for a review by the Commission on Accreditation for Law Enforcement Agencies.
- Streamlined the dock permitting process for GRDA waters.
- Opened up GRDA-owned property in Ottawa County for use in annual Disabled American Veterans hunts; continued development of the property.
- Continued implementation of the Grand Lake and Lake Hudson Shoreline Management Plans (SMPs).

### **New, efficient generation resource**

In January 2015, GRDA broke ground on a new 495 megawatt (MW), state-of-the-art combined cycle gas plant. The new unit will be fueled by Oklahoma natural gas and will have the potential to be the most efficient combined cycle generator in the United States when it begins operations in the spring of 2017. GRDA is purchasing the unit from Mitsubishi Hitachi Power Systems Americas (MHPSA) and it will be constructed in Savannah, Georgia. While several of these models are in operation in Asia, GRDA's will be the first MHPSA unit of this type in the western hemisphere.

The new facility would not have been possible without the long-term commitment from GRDA's customers, including the 16 Oklahoma municipals that have signed contracts with GRDA for wholesale electric service through 2042. Over the last two years, GRDA researched various options for future generation plans while also gathering input from its customer base.

That effort to move the new generation from idea to reality -- while also keeping costs low -- was a large undertaking and defined much of the last 18 months for GRDA. During the special groundbreaking ceremony, Oklahoma Secretary of Energy and Environment Michael Teague said "Oklahoma has the fifth cheapest electricity in our country right now, because of the work that goes on, as a great example, right here at the Grand River Energy Center."

GRDA Director/Cushing City Manager Steve Spears also said "Let me assure you that every [new generation] option was considered and fully vetted. This new facility will burn Oklahoma natural gas and allow us to further diversify our resources. I consider this a win-win for our customers and the state of Oklahoma."

CEO Dan Sullivan also noted that the long-term relationship with GRDA customers was the foundation that will support this new generation effort. "It's because of the relationships with our customers that [GRDA] exists," said Sullivan. "You stood with us in the decision to build this facility and you've made a long-term commitment to GRDA. We're returning that long-term commitment by building this facility that will serve us for the next 30 years."

Meanwhile, GRDA continues to communicate its message and mission to its primary stakeholders, long recognized as:

- The Oklahoma communities we service and the citizens of Oklahoma.

- Lake home and business owners as well as recreational users
- Oklahoma industries
- Oklahoma bondholders
- GRDA is expanding our message so that residents across the state will understand that GRDA's success contributes to their own success.

### **New focus on economic development**

In April 2014, GRDA brought a new focus to economic development by entering into two contracts geared towards development opportunities in its 16 Oklahoma municipal customer communities.

The GRDA Board approved a contract for industrial development consulting with Smith & Gray Company, LLC and the contract for retail development consulting was approved with Retail Attractions, LLC. Both contracts are for one year, with an opportunity for four renewals, and services will be available to all of GRDA's customer communities.

“Our Oklahoma public power customer communities are great places to do business,” said GRDA Chief Executive Officer/Director of Investments Dan Sullivan. “We want to help promote that and help these communities be prepared when business and industry is looking to expand or relocate.”

### **Credit Rating Upgrades**

In 2014, GRDA received credit rating upgrades and new outlooks from both Moody's Investors Services and Standard & Poor's Ratings Services. That action came just ahead of the Authority's bond issues late in the year which totaled \$375 million.

In September, Moody's raised the Authority's rating from A2 to A1, with a stable outlook while Standard & Poor's raised its rating from A+ to A. Earlier in the year, S&P moved GRDA's outlook stable to positive.

Also in September, Fitch announced it was affirming the “A” rating it had given to GRDA in 2008. The agency has also moved its GRDA outlook to stable from positive.

Those improved ratings not only saved GRDA and its ratepayers money on the bond issue (used to construct the new Unit 3 gas plant) but they will also allow the Authority to save money on natural gas hedging in the future.

These actions reflect a commitment on the part of GRDA's board and management to improve the Authority's financial standing and position it to continue to benefit its customers for decades to come.

### **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.

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 purchase power agreements (GRDA does not own or operate these facilities) from Canadian Hills Project (Canadian County), Mustang Run Project (Osage County, COD mid 2015), Breckenridge Project (Garfield County, COD late 2015).

GRDA is a transmission owner and operator:

- More than 1,200 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:

- Transmission Operator
- Transmission Owner
- Generator Operator
- Generator Owner
- Transmission Planner
- Distribution Provider
- 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 law enforcement, which includes water patrol and the other law enforcement functions directly tied to mandates GRDA must fulfill in order to operate a portion of the national bulk electric system. These mandates are non-delegable and come from electric utility oversight agencies such as the Southwest Power Pool, North American Electric Reliability Corporation and the Federal Energy Regulatory Commission.

In line with its new emphasis on water quality, GRDA has contracted with the Grand Lake Watershed Alliance Foundation to develop an education program to raise awareness of the Grand Lake Watershed and emphasize public involvement in caring for the watershed.

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. The municipal customers served by GRDA then resell the electricity at a higher rate to customers in their towns and use the money generated from those sales to fund other municipally provided services including fire, police, parks and recreation, streets, library, street lighting, etc. This funding source is vital to the city government operations in the GRDA-supplied municipals.

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.