

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
May 13, 2009**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at the Grand River Dam Authority Administration Headquarters, Vinita, Oklahoma, on May 13, 2009. 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 December 2, 2008, at 11:28 a.m.; by posting the agenda with the Craig County Clerk's office on May 11, 2009, at 1:54 p.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chairman LaGere called the meeting to order at 10:22 a.m. The Secretary called the roll; all members were present with the exception of Director Chernicky. Chairman LaGere declared a quorum. Ms. Moore introduced guests.

BOARD MEMBERS

W. Brent LaGere, Chairman	Present
Gerald H. Gay, Chairman-Elect	Present
Dewey F. Bartlett, Jr.	Present
David J. Chernicky	Absent
Terry G. Frost	Present
Betty Kerns	Present
Stephen R. Spears	Present

ADMINISTRATIVE

Kevin A. Easley, General Manager/CEO	Present
Michael Kiefner, Chief Operating Officer	Present
Gretchen Zumwalt-Smith, General Counsel	Present
Charles J. Barney, AGM Thermal Generation	Present
Carolyn Dougherty, AGM Market Analysis/Strategic Development	Present
Anthony Due, AGM/Operations and Hydro	Present
Dale Willis, AGM Transmission and Engineering	Present
Donna M. Jones, Secretary	Present

Others present were as follows: Robert Echenrode and Harold Robertson, NEOEC; David Rountree, City of Miami; Steve McGie, City of Coffeyville; Ted Hilmes, KAMO Power; Rusty Fleming, GLUE; Kathy Parker, Pryor Daily Times; Candy Woodruff, Grand Lake Business Journal; Don Beck, Beck Design; Alan Holt, Global Asset Management; Gerald Dorsey and Jesse Powell, Fox Pointe; Lance O'Rourke,

Brown & Brown; Darrell Townsend, Justin Alberty, Dave McCollaum, Ken Burrow, Holly Moore, Melanie Earl, Tamara Jahnke, Mike Herron, and Jason Littlefield, GRDA.

CONSENT AGENDA

1. Board Minutes of April 8, 2009

2. Claims, \$34,927,034.79

4.a. Resolution of Commendation for Kenneth L. Kerns

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

(1) Bobcat Loader and CAT Scraper Water Wagon

(2) Fiat-Allis Dozer

(3) Four Transformers and Seven Oil Circuit Breakers (OCBs)

(4) Generator Stator, Motor Control Center, Static Exciter
and Voltage Regulator, Six Turbine Blades, Miscellaneous Steel,
and Miscellaneous Cable and Wire

(5) Two GE Oil Circuit Breakers (OCBs)

4.c. Contract for Commercial Service with Oklahoma Natural Gas Company

5.b. Purchase Order Report

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
12373	Manta Test Systems	\$50,665.00
12943	Aspen – Advanced Systems for Power	3,213.00
12944	Aspen – Advanced Systems for Power	7,853.11
13280	Keystone Equipment Company	80,000.00
13281	Sapphire Technologies/Think Resources	338,000.00
13294	APP Engineering Inc.	84,850.00
13307	K A Steel Chemicals Inc.	51,352.00
13308	Harcros Chemicals Inc.	163,900.00
13317	Southern States LLC	113,718.00
13323	ABB Inc., c/o J. H. Davidson & Associates	100,904.00
13330	GE Energy Management Services Inc.	353,389.00
13332	Royal Switchgear Mfg. Co., c/o Power Reps Inc.	53,385.00
13359	Stuart C Irby Company	121,430.34
13390	Tower Performance Inc.	<u>271,700.00</u>
<i>Total Standard</i>		<i>\$1,794,359.45</i>

	(1) Addendum to Purchase Order Report:	
13434	Nesco Sales & Rentals	\$153,766.00
	(2) Addendum to Purchase Order Report:	
13500	FreightCar America Inc.	<u>6,742,980.00</u>
	<i>Total Addendum Orders</i>	<u>\$6,896,746.00</u>
	<i>Grand Total Purchases</i>	<u><u>\$8,691,105.45</u></u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF009-00349	Security System Access Control/Video Surveillance Equipment for Critical Substations	\$85,000.00
RF009-00350	Pensacola 161/115-KV Transformer #7 Replacement	<u>2,029,000.00</u>
<i>Total</i>		<u><u>\$2,114,000.00</u></u>

Regarding item 4.b, the items were listed in Surplus Property Transfer Forms as follows: (1) from John Zibert dated April 14, 2009; (2) from John Zibert dated April 15, 2009; (3) from Dewey Epps dated April 20, 2009; (4) from Herman Werkman dated April 21, 2009; and (5) from Dewey Epps dated April 22, 2009.

Director Bartlett moved to approve the consent agenda, seconded by Director Spears, and voted upon as follows: Frost, yes; Gay, yes, but abstained as to item 2 (claims); Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA May 2009 Update" that included footage spotlighting GRDA floodgate operations and an update on the Claremore interconnect project.

3.b. Change Order #2 to Contract 5413, Ecosystems & Education Center Construction, with Crossland Construction Company for Time Extension

Ms. Moore reported that in February Crossland Construction originally requested 101 days and an additional \$17,110.68 to complete the project. After further documentation requests, Beck Design recommended a contract extension of 47 days at no additional cost to GRDA. Fourteen of the days were for delay for solid rock encountered during foundation work. Thirty-three days were for the rejected backfill. The Board had asked the Legal Department and Beck Design to study the contract. The construction contract notes that "changes in the Contract time may be authorized for rock excavation." Mr. Beck reported the geotechnical soil report prepared by Parragon identified the rock as having veins or fissures through it which means the rock would be easier to break up. The geotechnical test was distributed and available to all the bidders and all the general contractors. The subcontractors that actually perform the excavation work used that document in preparing their bids and scope of work. When the rock was excavated, it was in such large chunks and boulders that it could not be used effectively for backfill. Crossland notified GRDA on January 20 the backfill was rejected. Parragon then sent a proposal to Crossland for \$40,250 to remove the rejected backfill and haul in new, acceptable material. GRDA explored the option of using GRDA employees to perform needed dirt work. Soil samples were tested and rejected. Testing was finally approved on February 12. Actual work started on February 18 and was completed on February 25. Director Spears stated the copy of the contract answered his questions, and he moved to approve Change Order #2 for Contract #5413 based on the fact Crossland Construction Company encountered unexpected rock formations and

unsuitable backfill material which were beyond their control and caused unanticipated delays, seconded by Director Kerns, and voted upon as follows: Gay, Kerns, LaGere, Spears, Bartlett, yes; Frost, no. *Motion passed (5-yes, 1-no, 0-abstained).*

4. New Business

4.d. Renewal of Annual Stream Gaging Agreement between Oklahoma Water Resources Board, United States Geological Survey, and Grand River Dam Authority

Mr. Easley reported this expenditure is GRDA's annual contribution for the stream gages GRDA employs to monitor the river system in conjunction with the United States Geological Survey (USGS) and the Oklahoma Water Resources Board (OWRB). This year GRDA's contribution would be \$66,900. This amount includes a small increase over last year. Typically, the U.S. Congress does not appropriate any additional money for this project, and if there is any increase in cost, GRDA has to pay the difference. There are 11 stations along the river system, and the readings can be accessed on GRDA's Web site anytime. The Corps of Engineers also uses this information in their calculations. Director Frost moved to approve renewal of the agreement, seconded by Director Bartlett, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Frost, Gay, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.e. Renewal of Umbrella Liability Insurance Policies

Ms. Jahnke reported this item is in regard to renewal of GRDA's excess liability coverage. This is not primary insurance. This insurance becomes effective above any primary insurance coverage GRDA might have. GRDA currently has two separate layers. After the initial \$500,000 which is either through other insurance policies or through self insurance, GRDA has a policy with AEGIS (the first layer) for \$35 million.

The second layer is with EIM for \$25 million. GRDA has a total of excess liability in the amount of \$60 million. Some of GRDA's insurance is through the State Risk Management division of the Department of Central Services, and some of GRDA's insurance is through Brown & Brown. The premium for AEGIS is \$501,300.50, and the premium for EIM is \$95,892.90. The premiums have increased over last year. AEGIS is up by about \$65,000; EIM is up about \$6,000. The increases are not because of any claims GRDA has submitted. Premiums for insurance have increased somewhat in all of GRDA's policies coming up for renewal. Staff recommends entering into another renewal policy with AEGIS and EIM for excess liability coverage. In response to a question by Director Frost, Ms. Jahnke stated GRDA has submitted flood claims to AEGIS and EIM but has not been notified whether or not GRDA will be covered. In response to a question by Director Bartlett, Ms. Jahnke stated Brown & Brown shops the market every year for this coverage. GRDA is a unique agency, so there are not a lot of companies interested in insuring hydro and coal-fired facilities because of the potential liability. Director Frost moved to accept the renewal, seconded by Director Gay, and voted upon as follows: LaGere, Spears, Bartlett, Frost, Gay, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.f. Recommendation for Entering into an Engineering Services Agreement with EPS Engineering & Design, Inc.

Mr. Herron reported that since the last board meeting, staff was able to interview another engineering firm. EPS is a small firm from Springfield, Missouri. In Mr. Herron's professional opinion, EPS looks like a good firm, and he would like to give them an opportunity to work on a job to see how they work out. Approving an engineering

services agreement with EPS would be the first step. EPS is immediately available, and they have experienced utility engineers on staff. Their specialties are substations (transmission and distribution), transmission lines, SCADA, T&D relay systems, and they also do economic analysis and rate design. Director Bartlett asked about rates being cost plus ten percent. Mr. Herron stated the ten percent is tacked on for their internal processing of the bills. Other engineering firms charge in a like manner. Mr. Easley reported based on overall costs, this firm would be a good potential to use in the future. Director Frost moved to accept the proposal as presented, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Frost, Gay, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.g. Work Authorization No. 13228 with EPS Engineering & Design, Inc.,
for Design of Dry Gulch Substation**

Mr. Herron reported this work authorization would be in association with the engineering services agreement with EPS that was just approved. This work authorization is for the design of a the Dry Gulch substation, a 161-kV substation with a four-breaker ring bus (there will only be three used now). There will be 161-kV metering to supply an NEO substation that will be built adjacent to GRDA's substation. It will be located east of Pryor. EPS quoted a not-to-exceed price of \$95,000. Design would be completed by fall 2009. NEO has requested GRDA have the substation completed by the end of the year, so GRDA can supply their load. It is not certain GRDA can be finished by the end of the year, but by pushing the engineering to be complete by the fall, there is a good chance the substation can be completed. Director Spears moved to approve the work authorization, seconded by Director Gay, and voted upon as follows:

Bartlett, Frost, Gay, Kerns, LaGere, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.h. Change Order No. 1 to Work Authorization No. 6848 with Black & Veatch for Routing Study for Tonnece 161-KV Transmission Line

Mr. Herron reported this change order involves a 161-69 kV transmission line from a new Tonnece substation to the existing Siloam Springs substation. The line is dual circuit part of the way and 161 kV the rest of the way. The study was to identify any needed permits or additional study requirements on this virgin territory. This change order is to allow additional engineering time for items that were identified in the study: permits, tribal nation commitments, right-of-way acquisition, and a memorandum of understanding with the U.S. Fish & Wildlife Service. The original work authorization was for 590 hours at \$140,800. This change order would add 205 hours in the amount of \$42,510. Director Bartlett moved to approve Change Order No. 1 for Work Authorization 6848 to provide needed permitting and routing support activities required for completion of the routing study project, seconded by Director Kerns, and voted upon as follows: Frost, Gay, Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.i. Agreement with Employment Agency for Temporary Engineering Services

Mr. Herron reported that at the last board meeting, there were questions about additional help the Engineering Department could get. Bids were solicited for temporary employment services for specifically two positions: a substation engineer and a relay/control engineer. Five quotes were received. The low bidder was Pinnacle Place

Group, but there is a concern regarding their lack of experience. The lowest acceptable quote was from THINK Resources, an employment agency. The company places only engineers and technical professionals. They provided a quote of \$338,000 on an annual basis (\$213,200 for a substation engineer and \$124,800 for a relay/control engineer). Those prices would be billed on a weekly basis, based on the hours the person actually works. If a person works over 40 hours, he is incurring overtime rates. Mr. Herron stated he would limit overtime as much as possible, but he would like to request authorization for \$350,000 total cost to cover any miscellaneous overtime. The quoted rates include the salary, benefits, living expenses, and the company's part. Discussion followed regarding hiring people rather than contracting for them. Mr. Easley added that these kind of engineers are hard to find, and the marketplace is above GRDA's pay bands. GRDA could potentially extend offers to these people if they work out well. GRDA would have to pay a headhunter fee, but there is nothing that would prohibit GRDA from hiring them. In Mr. Easley's opinion, this format to try out their services to see if GRDA wants to extend offers is better for GRDA than trying to recruit or hire from other agencies. GRDA needs about eight more engineers, but there is no place to put them right now. Director Frost asked for information on what the engineering personnel needs would be over the next year or two. Mr. Herron stated he would prepare for the next meeting a report that shows the projects that need to be done and how many engineers it would probably take to do the work and also an estimate of the cost involved. Director Frost moved to accept Mr. Herron's recommendation to award the bid to THINK Resources, seconded by Director Kerns, and voted upon as follows: Gay, Kerns, LaGere, Spears, Bartlett, Frost, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.j. Change Order #2 with Altech Environmental for Contract CFC 200710304-01, Mercury Continuous Emission Monitoring System, for Procurement of Software Changes

Mr. Barney reported Change Order #1 added an optional long-term service contract to help keep the mercury monitors maintained. Change Order #2 is in response to changes that were necessary for the contractor involved to make to the software as a result of changes in government rules. Mr. Barney gave an overview of the Coal-Fired Complex and the emissions monitoring. The original contract is in the amount of \$795,837. This change order is in the amount of \$14,504. Director Bartlett moved to approve Change Order #2 to Contract CFC 200710304-01 to reimburse Altech Environmental for procurement of out-of-scope software changes to meet new regulations, seconded by Director Kerns, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Frost, Gay, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.k. Work Authorization No. 13342 with Black & Veatch Corporation to Perform Engineering Services for Plans for Emission Control Upgrade at Coal-Fired Complex

Mr. Barney reported the Coal-Fired Complex operates 24/7. GRDA's customers depend on this facility; it is the key generation facility where the majority of GRDA's electricity is made. One of the potential problems that can be incurred is with the Environmental Protection Agency (EPA). The federal government has been requiring coal-fired utilities to install emission control equipment that meets the latest standards. GRDA's Unit 1 was built pursuant to the rules that were in place at the time. When Unit 2 was built, there was a rule that the unit had to have a sulfur dioxide scrubber. If a plant were built today, it would have to meet even stricter standards. The government has been pursuing a strategy of requiring older facilities to install the latest, available,

the best achievable coal technology for emissions, primarily for nitrogen oxide, sulfur dioxide, and particulate, and they are getting set to do mercury. GRDA has seen this coming and has set aside \$12.5 million in a special account for future potential upgrades. GRDA has been waiting for the government to set the rules. That has not occurred; instead, the government has pursued lawsuits against utilities. In a few cases, utilities have developed voluntary plans for making improvements. Mr. Easley has asked that a voluntary plan be pursued where GRDA would work with the government to meet the standards rather than putting GRDA in an adversarial position. Staff believes it would be best for the environment and the lowest overall cost if GRDA could instead voluntarily upgrade the plant in a planned manner. In observing what has happened to other utilities going through the adversarial process, it costs customers more and puts the utility in great stress. Staff made an assessment of engineering firms that could help with this work, and it was narrowed to two firms: Black & Veatch and Burns & McDonnell. Mr. Barney and staff met with these two firms. There is no guarantee the government would agree to GRDA's plan; however, the intent is to develop and present to government regulatory authorities a plan for GRDA to voluntarily transition the facility over a ten-year period to meet the latest standards for air emissions. Both firms gave very good proposals and are extremely experienced, top professionals that have done this type of work multiple times, but in staff's judgment, Black & Veatch has the strongest team and proposal. The work authorization is in the amount of \$970,000, and the work would be accomplished this year. Director Bartlett moved to approve the work authorization, seconded by Director Spears, and voted upon as follows: LaGere, Spears, Bartlett, Frost, Gay, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.l. Authorization to Purchase Two Used Tanker Trailers for the Transport and Storage of Transformer Oil

Mr. Willis reported when GRDA does maintenance on transformers at the substations, the oil has to be removed. Some of the transformers can hold up to 26,000 gallons of oil. GRDA has only one 9,000-gallon tanker. A lot of oil has to be transported back to GRDA's holding tanks at transmission. If the oil could be kept on site, it would save a lot of working time. GRDA has leased these tankers before for incidents, but sometimes an emergency arises, and it takes too long to lease one. Also, the oil has to be filtered back into the transformers to keep it from getting contaminated. A used tanker trailer could probably be purchased for about \$35,000; a new one would cost about \$75,000 to \$80,000. Mr. Willis asked for authorization up to \$75,000, plus delivery costs, for two used tanker trailers. Director Bartlett moved to approve the purchase, seconded by Director Frost, and voted upon as follows: Spears, Bartlett, Frost, Gay, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.m. Renewable Attributes Purchase Agreement with Green Mountain Energy Company

Mr. Due reported this contract is very similar to the contract approved in 2007 and 2008. The purchases are also referred to as "Hydro Tags." The definition of a Renewable Attribute is "any Environmental Attributes associated with the generation of hydroelectric energy from hydro resources." Basically, GRDA generates a megawatt at Pensacola or Kerr, and GRDA can sell for \$.50 per megawatt hour a green tag for each megawatt that is generated at either facility. Last year GRDA received \$570,014.50 from Green Mountain; the year before GRDA received \$384,000. Mr. Due

recommended approval of a contract for calendar year 2009. Director Gay moved to approve the contract, seconded by Director Spears, and voted upon as follows: Bartlett, Frost, Gay, Kerns, LaGere, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.n. Reconsideration of Application for Commercial Dock Permit Submitted by Fox Pointe Development Related to Requirement Board Action Be Taken Prior to Issuance of Private Dock Permit in the Fox Pointe Development Subdivision

Ms. Jahnke reported that last month the Board approved a commercial permit for Fox Pointe for 19 slips and 21 personal watercrafts (PWCs). At that time the application was modified somewhat in that there were PWCs on Dock A that were moved to allow Mr. Miller to have better access to his nearby dock. The Board also voted to flag Fox Pointe so that future private dock applications in this development would need to be brought before the Board for approval. GRDA received a letter from Fox Pointe requesting the last provision of flagging future applications be reconsidered. Fox Pointe is similar to other developments around the lake. Dr. Townsend stated Fox Pointe indicated the docks approved last month are primarily for interior lots associated with the development. Director Spears expressed his concerns about cluttering that cove with more docks and that FERC has recommended that GRDA look at encouraging more commercial docks rather than residential docks to preserve the shoreline. Director Frost stated that for a development to be successful, the interior lots have to have access to the lake. There has to be shoreline set aside for those interior lots to have their boats. GRDA has allowed private docks to be put around the lake in front of their shoreline. In Director Frost's opinion, GRDA would be setting a dangerous precedent. Gerald Dorsey reported Fox Pointe is a 20-acre development divided into 30 lots of

which 19 lots are covered by the two commercial docks. Mr. Dorsey requested the Board remove the flag off the docks. There is a total of 11 lots that have waterfront out of 2,700 feet of waterfront, and those lots meet all the requirements for a private dock. One has already been permitted and installed for a model home, so there would only be ten private docks. Mr. Dorsey believed it would be less of a burden to the Board because Fox Pointe would be working with staff, and Fox Pointe is not asking for any exceptions to the rules but that Fox Pointe be treated the same as anyone else who follows GRDA's rules for private dock applications. Discussion followed about the process a developer goes through. Ms. Jahnke stated GRDA does not get involved in a development until an application is received. Director Bartlett moved to remove the flag that was approved at the last board meeting, seconded by Director Frost, and voted upon as follows: Frost, Gay, Kerns, LaGere, yes; Spears, no; Bartlett, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

4.o. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

- 1. Assets Committee:** Director Kerns had no report.
- 2. Audit Committee:** Director LaGere reported the Committee met this morning with GRDA's auditors, Deloitte & Touche, and they gave a clean, unqualified audit opinion for 2008. They also mentioned they found no material weaknesses or other significant issues and that management was very cooperative in working with them. It was recommended that when an audit is performed on the Redbud facility, that OG&E

and OMPA and GRDA split the cost, rather than exercise the option to conduct a separate audit and absorb all the costs. Director LaGere stated the financial condition of GRDA has improved tremendously over the past six years and commended Ms. Dougherty and her staff. Director Frost added that GRDA's 2008 debt service ratio was 1.6x which enables GRDA to sell bonds and get the bonds much cheaper.

3. **Coal Committee:** There was no further report.
4. **Marketing Committee:** Director Frost had no report.
5. **Policies and Procedures Committee:** Director Bartlett had no report.
6. **Long-Range Planning Committee:** Director Gay had no report.

Director Frost moved for adjournment at 12:02 p.m., seconded by Director Gay, and voted upon as follows: Gay, Kerns, LaGere, Spears, Bartlett, Frost, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Donna M. Jones

Donna M. Jones, Secretary

DATE APPROVED:

June 10, 2009
GRDA Board of Directors