

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
June 10, 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 June 10, 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 June 9, 2009, at 9:06 a.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 10:13 a.m. The Secretary called the roll; all members were present. 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	Present
Terry G. Frost	Present
Betty Kerns	Present
Stephen R. Spears	Present

ADMINISTRATIVE

Kevin A. Easley, General Manager/CEO	Present
Michael Kiefner, Chief Operating Officer	Absent
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; Ted Hilmes, KAMO Power; Mike Doublehead, SADA/Stilwell; Gary Pruett, Pryor MUB; Kathy Parker, Pryor Daily Times; Candy Woodruff, Grand Lake Business Journal; Don Beck, Beck Design; Alan Holt, Global Asset Management; Darrell Moore, Attorney for RWD#9; Robert Knox & Robert Nairn, University of Oklahoma; Randall Kolar, Austin School of Civil Engineering and Environmental Science; Darrell

Townsend, Justin Alberty, Dave McCollaum, Ken Burrow, Holly Moore, Melanie Earl, Tamara Jahnke, Mike Herron, and Jim Fraley, GRDA.

CONSENT AGENDA

1. Board Minutes of May 13, 2009

2. Claims, \$35,164,170.86

4.a. Resolutions of Commendation for:

- (1) Walter E. Jackson
- (2) Roger B. Williams

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

- (1) Fourteen Transformers and Four Oil Circuit Breakers (OCBs)

5.b. Purchase Order Report

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
13486	GE Energy Management Services, Inc.	\$159,614.00
13747	Areva T & D Inc Service	674,000.00
13839	Baldor Electric Company	98,422.00
14024	Phoenix Coal	733,530.00
14095	G W Van Keppel Company	116,012.00
14131	Total Radio Inc.	141,885.18
14139	State Electric Company Inc.	135,000.00
14142	Power & Industrial Services Corp.	257,280.00
14147	Delta Star Inc.	<u>1,404,930.00</u>
<i>Total Standard</i>		\$3,720,673.18
<i>Grand Total Purchases</i>		<u><u>\$3,720,673.18</u></u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF007-00263	Claremore Interconnect Substation Transformer Upgrade	\$4,428,214.00
RF009-00351	Emergency Response Communications for Homeland Security/Lake Patrol Personnel	151,943.73
RF009-00353	Rebuild Feeder #4	<u>10,014,000.00</u>
<i>Total</i>		<u><u>\$14,594,157.73</u></u>

Regarding item 4.b, the items were listed in a Surplus Property Transfer Form from Dewey Epps dated May 27, 2009.

Director Spears moved to approve the consent agenda, seconded by Director Frost, and voted upon as follows: Chernicky, Frost, Gay, Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA June 2009 Update" that included footage spotlighting the IT update on new technology and reconfiguration of switchgear at the Salina pump house.

4. New Business

4.c. Assets Committee Recommendations:

4.c.1. Request by Rural Water District #9, Mayes County, for a Water Line Easement on GRDA Property Located in Mayes County Oklahoma.

4.c.2. Request by KAMO for an Electric Line Easement on GRDA Property Located in Mayes County Oklahoma.

4.c.3. Lease of GRDA Property Located in Mayes County Oklahoma by Jensen's RV Park.

4.c.4. Lease of GRDA Property Located in Mayes County Oklahoma by Lakeside Terrace Mobile Home Park & RV Campground.

4.c.5. Lease of GRDA Property Located in Mayes County Oklahoma by Spring Cove Resort Mobile Home Park.

4.c.6. Lease of GRDA Property Located in Delaware County Oklahoma by Pelican Landing, Inc.

Regarding item 4.c.1., Director Kerns reported the Assets Committee recommends approval of the easement with the stipulation that the water line be laid in the outer seven feet of either side of the center line at the road, with the road crossings marked, and the compensation be for \$250 for the easement. Director Kerns moved to adopt the recommendation of the Assets Committee, seconded by Director Bartlett, and voted upon as follows: Frost, Gay, Kerns, LaGere, Spears, Bartlett, Chernicky, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.c.2., Director Kerns reported the Assets Committee recommends approval of the easement with the stipulation that the easement conforms to Exhibit A and the compensation be for \$3,019 per acre. Director Kerns moved to adopt the recommendation of the Assets Committee, seconded by Director Chernicky, and voted upon as follows: Gay, abstained; Kerns, LaGere, Spears, Bartlett, Chernicky, Frost, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

Regarding item 4.c.3., Director Kerns reported the Assets Committee recommends approval of a two-year lease. Director Kerns moved to adopt the recommendation of the Assets Committee, seconded by Director Gay, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Chernicky, Frost, Gay, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.c.4., Director Kerns reported the Assets Committee recommends approval of a five-year lease, the term being beneficial to the business of the district by reducing administrative costs. Director Kerns moved to adopt the recommendation of the Assets Committee, seconded by Director Spears, and voted upon as follows: LaGere, Spears, Bartlett, Chernicky, Frost, Gay, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.c.5., Director Kerns reported the Assets Committee recommends approval of a five-year lease, the term being beneficial to the business of the district by reducing administrative costs. Director Kerns moved to adopt the recommendation of the Assets Committee, seconded by Director Chernicky, and voted upon as follows: Spears, Bartlett, Chernicky, Frost, Gay, Kerns, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.c.6., Director Kerns reported the Assets Committee recommends approval of a five-year lease, the term being beneficial to the business of the district by reducing administrative costs. Director Kerns moved to adopt the recommendation of the Assets Committee, seconded by Director Frost, and voted upon as follows: Bartlett, Chernicky, Frost, Gay, Kerns, LaGere, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

**4.d. Change Order No. 3 to Contract 5413,
Ecosystems & Education Center Construction Project,
with Crossland Construction Company for Minor Modifications to Contract**

Ms. Moore reported that as the project was completed, there were some unforeseeable items during the design and construction document phase. Some items being added are a water stub out, electrical outlets, carpet in the Lake Patrol area, some window shades, a window, and some track lighting. Some items being deleted from the scope of work includes some stained concrete, a projector screen in the community room, a concrete bench, and a column cover. Some glass is also being changed. The total cost is in the not-to-exceed amount of \$6,715.73. The amount of carpet in the Lake Patrol area may be reduced. Director Chernicky moved to approve Change Order #3 to Contract 5413 to reduce costs and make minor modifications to the

building which will adequately finish the project at the same level of design as the rest of the project, seconded by Director Frost, and voted upon as follows: Chernicky, Frost, Gay, yes; Kerns, no; LaGere, Spears, Bartlett, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

4.e. Power Cost Adjustment (PCA) for the Last Six Months of 2009

Ms. Dougherty showed a graph of the PCA history and ten-year projections from November 2008 and April 2009. GRDA adopted a change in the resolution in which GRDA would give customers credit for the full incremental cost of fuel used to make spot sales. In addition, fuel costs have gone down from the initial projections. The PCA being recommended for the last half of 2009 is 6.45 mills. Director Chernicky moved to approve the PCA of 6.45 mills for the second half of 2009, seconded by Director Spears, and voted upon as follows: Frost, Gay, Kerns, LaGere, Spears, Bartlett, Chernicky, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.f. Power Purchase and Sale Agreements:

- (1) Carthage Water and Electric Plant**
- (2) Paragould Light & Water Commission**

Regarding item (1), Ms. Dougherty showed a graph and explained the comparison of sales for industrials, cooperatives, and municipals. At the end of 2008 the economic recession started to have an impact on GRDA. Another reason the actual results are lower than the original projections, especially in April and May of this year, has to do with extraordinarily mild temperatures. At the beginning of the year, the Board passed a work authorization with C. H. Guernsey, and GRDA's load forecast was updated. Ms. Dougherty reported that these two contracts are an attempt to close the gap between

the original and revised projections and make up some of the revenues. These two contracts, and two short-term contracts the Energy Control Center has done with Western Farmers and SWPA for off-system power, will total close to \$10 million in revenues. The first contract is with Carthage, Missouri. GRDA previously served Carthage. This contract is for five megawatts for one year. It is a standard off-system firm contract, identical to the OMPA, Paragould, and Poplar Bluff contracts. Director Spears moved to approve the contract with Carthage Water and Electric Plant, seconded by Director Chernicky, and voted upon as follows: Gay, no; Kerns, LaGere, Spears, Bartlett, Chernicky, Frost, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

Regarding item (2), Ms. Dougherty reported the second contract is with Paragould. It begins with 10 megawatts and goes up to 15 megawatts in 2012. It maxes out at 20 megawatts in 2014. Paragould, Poplar Bluff, and Springfield were three customers GRDA has served since the second coal-fired plant came on line. Paragould's other contract is for a fixed block of power, and this is to provide for a little load growth for them and some revenues for GRDA. Director Chernicky moved to approve the contract with Paragould Light & Water Commission, seconded by Director Kerns, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Chernicky, Frost, yes; Gay, no. *Motion passed (6-yes, 1-no, 0-abstained).*

4.g. Re-dispatch Agreement between GRDA, Kansas Power Pool (KPP) and Southwest Power Pool (SPP)

Mr. Due reported the Board approved a similar re-dispatch agreement with OMPA last year. Basically, anytime the SPP asks GRDA to re-dispatch generation, GRDA agrees but is completely reimbursed. GRDA has not been asked to re-dispatch since

the energy imbalance market was implemented in 2007, and GRDA has netted approximately \$10 million in the energy imbalance market since 2007. Director Frost asked if this was done in the summer during a peak period, will GRDA be reimbursed at cost or will GRDA be paid at whatever the market is at that time. Mr. Due responded GRDA will be made whole at the market sales cost through the energy imbalance market. Mr. Easley added that SPP says what the market cost will be, and GRDA will be reimbursed that number, and it will be higher than what GRDA is. In response to a question by Director Gay, Mr. Due stated this is an out-of-state contract that basically allows OMPA to sell to the Kansas Power Pool. Director Frost asked if this contract will allow OMPA to take up some of the slack on the off market. Ms. Dougherty explained GRDA's contracts prevent the remarketing of the power OMPA buys from GRDA. OMPA has other generation they actually own and operate, and they can move power from other contracts. They cannot move the power they buy from GRDA. Director Frost expressed his concerns that if GRDA did not sell OMPA electricity to fill that void, GRDA might be filling that void at a much better rate and giving GRDA's ratepayers a better premium than what they are getting. Mr. Due stated as an energy imbalance market participant, GRDA has basically agreed to re-dispatch generation at SPP's request. GRDA can reject the re-dispatch agreement. If GRDA does so, Kansas Power Pool and OMPA will not receive the transmission they need to serve the additional customers they would like to serve. They would have to purchase the power from someone else and also get someone else to transmit the power from the generator to the ultimate load, and they do that through SPP. Director Chernicky moved to approve the agreement, seconded by Director Bartlett, and voted upon as follows: LaGere, Spears,

Bartlett, Chernicky, yes; Frost, Gay, no; Kerns, yes. *Motion passed (5-yes, 2-no, 0-abstained).*

**4.h. Work Authorization No. 200910275-34
with Burns & McDonnell Engineering Company, Inc.,
for Pensacola Part 12 Inspection and Other Routine 2009 Tasks
for Pensacola, Markham Ferry, and Salina Pumped-Storage Project**

Mr. Due reported the Federal Energy Regulatory Commission (FERC) requires GRDA to have its hydro projects inspected and the reports filed by a FERC-recognized engineering firm. GRDA has a contract with Burns & McDonnell the Board approved about two years ago. This work authorization basically allows Burns & McDonnell to complete the projects and reports GRDA's needs to send to FERC for 2009. The work authorization is in the not-to-exceed amount of \$198,500. FERC also requires GRDA to look to other engineering firms over a period of approximately five years, so staff will probably ask the Board to approve a contract with another FERC-recognized engineering firm such as Benham or Black & Veatch. Some firms may not want to jump the hurdles to become FERC recognized. GRDA had a FERC inspection three weeks ago, and FERC was very complimentary toward GRDA's Hydro Department. Director Chernicky moved to approve the work authorization, seconded by Director Bartlett, and voted upon as follows: Spears, Bartlett, Chernicky, Frost, Gay, Kerns, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.i. Interagency Agreement between GRDA, Oklahoma State University (OSU), and the Board of Regents of the University of Oklahoma (OU) Regarding the GRDA Ecosystems & Education Center Research Laboratory

Dr. Townsend introduced Robert Knox and Robert Nairn of the University of Oklahoma and Randall Kolar of the University of Oklahoma's School of Civil Engineering and Environmental Science. Dr. Townsend illustrated the Grand Lake watershed and some of the challenges that threaten the water quality of Grand Lake and Lake Hudson. Some of the issues include poultry, feed lots, waste-water treatment, and Tar Creek at the Superfund Site. Three-fourths of the lakes and streams in Oklahoma do not meet beneficial uses, and one-fourth of the native fish are threatened or endangered. It is believed this partnership will help address some of the broad-scale issues. GRDA hopes to tap into the vast resources available through the universities to address mitigation issues and some of the watershed challenges that could threaten economic development for the Grand Lake community and Northeast Oklahoma. It is hoped GRDA can access some of the technologies Dr. Nairn is introducing in the Tar Creek area. Loren Smith of Oklahoma State University is the department head of Zoology, and he has connections in Washington, D.C. Those types of connections should enhance GRDA's credibility in Washington, D.C., specifically at the FERC level. It should also help with the local resource agencies of Oklahoma Department of Wildlife Conservation and U.S. Fish & Wildlife. The agreement has a term of ten years, and it will address FERC mitigation issues, the relicensing of the Salina Pumped-Storage Project, watershed conservation and restoration, and wildlife refuge in Miami where GRDA can address some carbon sequestration issues. It is felt GRDA could get some important carbon credits associated with the acquisition in Miami if legislation passes

from the Obama administration. The University of Oklahoma and Oklahoma State University combined will contribute \$195,000 (\$65,000 per year for three years) for lab equipment and supplies. GRDA's part is \$100,000 per year for ten years for graduate students to come in and work on the watershed issues in conjunction with GRDA. It is cheaper to pay graduate students to do the work than it is to pay a biologist of a resource agency. Dr. Knox made some comments. Discussion followed. Director Frost moved to approve the agreement, seconded by Director Chernicky, and voted upon as follows: Bartlett, Chernicky, Frost, Gay, Kerns, LaGere, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.j. 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 further report.
2. **Audit Committee:** Director LaGere had no report.
3. **Coal Committee:** Director Chernicky had no report.
4. **Marketing Committee:** Director Frost reported the Committee met this morning regarding next-year planning, but there is nothing to report at this time.
5. **Policies and Procedures Committee:** Director Bartlett had no report.
6. **Long-Range Planning Committee:** Director Gay had no report.

6. Executive Session to Discuss:

- (a) Gas Transportation Contract with ONEOK Gas Transportation LLC.**
- (b) Coal Pricing under Coal Purchase Contract 2001-A.**

7. Executive Session Regarding Federal Tax Assessment with No Penalties or Interest Due.

8. Executive Session Concerning *Steadfast Insurance Co. v. GRDA and Agricultural Insurance Co.*; In the District Court of Craig County, State of Oklahoma, Case No. CJ-06-147.

9. Executive Session Regarding Application of Grand River Dam Authority; No. 106,900 before the Supreme Court of the State of Oklahoma.

10. Executive Session Concerning Mid-Year Review of Employment of Chief Executive Officer/General Manager Including Possible Employment Contract.

11. Executive Session Regarding Non-Public Information.

Director Chernicky moved to go into executive session at 11:07 a.m., seconded by Director Kerns, and voted upon as follows: Chernicky, Frost, Gay, Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Director Gay moved to return to regular session at 12:56 p.m., seconded by Director Frost, and voted upon as follows: Frost, Gay, Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

12. Action on Executive Session Items

Regarding item 6.a., Director Spears moved the Board approve a gas transportation contract with ONEOK Gas Transportation LLC as discussed in executive session, seconded by Director Bartlett, and voted upon as follows: Gay, Kerns, LaGere, Spears, Bartlett, Frost, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 6.b., Director Spears moved that the Board approve the coal pricing under the Coal Purchase Contract 2001-A as discussed in executive session, seconded by Director Frost, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Frost, Gay, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 7, Director Spears moved that the Board approve the agreement regarding the federal tax assessment with no penalties or interest due as discussed in executive session, seconded by Director Frost, and voted upon as follows: LaGere, Spears, Bartlett, Frost, Gay, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 8, no action was deemed necessary at this time.

Regarding item 9, no action was deemed necessary at this time.

Regarding item 10, Director Frost moved to table this item for one month, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Frost, Gay, yes; Kerns, no; LaGere, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

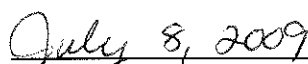
Regarding item 11, no action was deemed necessary at this time.

Director Frost moved for adjournment at 1:00 p.m., seconded by Director Spears, and voted upon as follows: Bartlett, Frost, Gay, yes; Kerns, absent; LaGere, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:



GRDA Board of Directors