

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
December 8, 2010**

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 December 8, 2010. 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, 2009, at 3:33 p.m.; by posting the agenda with the Craig County Clerk's office on December 7, 2010, at 8:49 a.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair-Elect Spears called the meeting to order at 10:16 a.m. The Secretary called the roll; all members were present with the exception of Directors Chernicky, Frost, and Kerns. Chair-Elect Spears declared a quorum. Ms. Moore introduced guests.

BOARD MEMBERS

David J. Chernicky, Chair	Absent
Stephen R. Spears, Chair-Elect	Present
Dewey F. Bartlett, Jr.	Present
Terry G. Frost	Absent
Betty Kerns	Absent
W. Brent LaGere	Present
Chris Meyers	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
Dale Willis, AGM Transmission	Absent
Mike Herron, AGM Engineering, System Operations, & Reliability	Present
Donna M. Jones, Secretary	Present

Others present were as follows: Harold Robertson, NEOEC; Gary Pruet, Pryor MUB; Ted Hilmes, KAMO Power; Art Farine, City of Siloam Springs; Randy Krehbiel, Tulsa World; Kathy Parker, Pryor Daily Times; Drew Anderson, A-1 Fencing; Justin Alberty, Tamara Jahnke, Chuck Atkins, Melanie Earl, Holly Moore, Darrell Townsend, Grant Burget, Jim Frailey, and Casey Davis, GRDA.

1. Regular Board Minutes of November 3, 2010

2. October Claims, \$33,230,946.67; November Claims, \$34,122,706.54

4.a. Resolutions of Commendation:

- (1) Rebecca D. Oliver**
- (2) Floyd H. Hocutt**
- (3) Paul H. Abbott**
- (4) Sandra J. Shaffer**
- (5) Burl E. Raymer**

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

- (1) Kubota Riding Lawn Mower**

4.c. GRDA Customer and Industrial Development Plan for 2011

5.b. Purchase Order Report (* Denotes Addenda Items)

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
25555	Schneider Electric	\$215,319.00
25647	Seves USA	86,054.60
25701	Schneider Electric	64,491.00
25800	APPA	52,712.94
25894	Dell	1,289,532.60
25900	APP Engineering	52,367.00
25901	CIT	488,150.00
25904	Warren Power	469,930.00
25905	Crop Production Services	189,000.00
25910	Southwest Trailer & Equipment	66,280.00
25927	Alstom Power	67,380.00
25941	AT&T Mobility	60,000.00
25965*	Dowley Security Systems	<u>55,921.58</u>
<i>Total Standard</i>		\$3,157,138.72
25557 Virginia Transformers		<u>\$861,722.00</u>
<i>Total Emergency Orders</i>		\$861,722.00
<i>Grand Total Purchases</i>		<u>\$4,018,860.72</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF010-00411	Upgrade GE SCADA System (Revised)	\$2,018,838.00

RF010-00421 Tahlequah Interconnect-OGE Panel Change	83,000.00
RF010-00422 Cushing Substation Rebuild	83,000.00
RF010-00413 Records Retention Building Addition	<u>1,386,000.00</u>
<i>Grand Total Work Orders</i>	<u>\$3,487,838.00</u>

Regarding item 4.b, the item was listed in a Surplus Property Transfer Form from Zibert dated October 26, 2010. Mr. Easley asked that this item be removed from the consent agenda as it requires five votes.

Director LaGere moved to approve the consent agenda with the removal of item 4.b. (surplus), seconded by Director Bartlett, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Media Services presented the "GRDA December 2010 Update" highlighting the advances of technology and equipment along GRDA's transmission system.

4. New Business

4.d. Assets Committee Recommendations:

4.d.1. Request by Mayes County Rural Water District No. 6 for a Permanent Easement for Water Intake Pipeline Located in Mayes County Oklahoma.

4.d.2 Request by Mayes County Rural Water District No. 6 for a New Raw Water Contract Increasing the Raw Water Amount Allowed to Take from Lake Hudson.

Regarding item 4.d.1. and 4.d.2., Mr. Easley reported the Assets Committee did not meet; therefore, there was no action to be taken on these item.

4.e. Change Order #1 to Contract 22118, Sallisaw Interconnect Transformer Addition, with Irby Construction Company for Three Concrete Piers and Modification of Oil Containment Structure

Mr. Herron presented a slide showing where the transformer would be added. After bids were solicited, it was discovered that three more piers were needed. The piers were added in the "for construction" plans. The original plan included compacted clay beneath the transformer for a containment base. There is not enough space between the beams to get adequate compaction. The plans were changed to pour concrete under the transformer. The added piers are in the amount of \$7,449.40, and the modified containment area amounts to \$2,423, totaling \$9,872.40, or 4.21 percent of the original contract amount of \$224,796. Director Meyers moved the Board approve Change Order #1 to Contract 22118 because three concrete piers were needed that were not in the original plans and a modification of the planned oil containment structure was required on Transformer #1, seconded by Director LaGere, and voted upon as follows: Meyers, Spears, Bartlett, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.f. Bid Award Recommendation for Contract 24948, LIDAR Mapping, PLS-CADD Modeling, and Thermal Rating Analysis for Transmission System above 100 KV

Mr. Herron reported lines are designed with a certain amount of clearance between the bottom wire and the ground. Changes can happen after the line is installed, e.g., dirt can be added below the line, plus the contractor could possibly make mistakes. The North American Electric Reliability Corporation (NERC) issued an alert on October 7, 2010. It required an assessment of the existing transmission system to

determine if actual line clearances were as planned for transmission lines above 100 kV. GRDA is required to have a plan of the assessment by December 15, 2010, with discrepancies identified by April 7, 2011. After NERC issued the alert, they got so much back feed from the industry as a whole that they changed the date from December 15 to April 18, 2011, with discrepancy reports due December 31, 2011. Completion of remediation of problem locations is required within one year of identification of the problem; if it is longer than one year, GRDA must have an approved mitigation plan by the Regional Entity. Although not mandated by NERC, the assessment requires LiDAR (Light Detection and Ranging) aerial surveying, PLS-CADD modeling of each span of transmission line, and thermal rating analysis to determine actual clearances. GRDA has 584 miles that qualify. Nationally, there are approximately 450,000 miles of line requiring analysis. GRDA issued requests for proposals (RFP) on October 25. Bids were to be opened on November 15, but there were no responses. GRDA issued another RFP to an expanded bid list on November 16 and received one response at the December 2 bid opening. The bid was from Network Mapping, Inc., of Wilmington, Delaware (based in England), in the amount of \$935,000. Time constraints will place LiDAR services in high demand over the next year. Their schedule is to start the LiDAR survey on January 1, 2011, and complete the LiDAR data capture by January 15, 2011. They will work seven days a week, approximately ten hours a day. The analysis has been broken into segments with information being submitted in February, March, April, and May. Staff recommends approval. Discussion followed, and concerns were expressed about there only being one bidder and the amount of the bid. It was suggested testing the market. Mr. Easley suggested passing this to the January

meeting and in the meantime, getting information on what TVA or other public power entities pay for this type of work on a per-mile basis. Director Spears stated there is some new technology in the survey business using a scanning system, and it might be beneficial to check into it. Network Mapping posted a \$47,000 bid bond, so GRDA may be able to extend the bid.

4.g. Bid Award Recommendation for RFP 25270, System Operations Training Program Development and Training Proposal

Mr. Herron reported the material for this item has changed since the board mailing. This item was discussed at the staff meeting on Monday, and some different view points were shared. This is for NERC-required training for system operators. The request for proposal (RFP) was to evaluate the present system operator training program in reference to NERC requirements, identify gaps in training, prepare training materials to fill gaps, provide needed training and necessary documentation for a NERC audit, and to train the trainer to continue the program. Phase 1 is to provide the services for necessary operator NERC requirements and to complete that training and documentation by March 2011. Phase 2 is to provide services for any additional training items (long term or ongoing training requirements) and to complete those services at an unspecified time after March. The RFP requested pricing for each phase. Four responses were received, and they were from SOS International, General Physics Corporation, KEMA, and 360training.com, Inc. SOS International quote \$34,000 with travel expenses at cost for Phase 1 and \$67,500 with travel expenses at cost for Phase 2. Phase 2 is to be determined after Phase 1. KEMA quoted a higher price (\$190,000 plus \$13,600 travel), and they gave no cost estimate for Phase 2. The

360training.com, Inc., gave no not-to-exceed totals and only quoted a daily rate of \$2,880 plus expenses with ten percent markup. Since the posting of the RFP, GRDA has advertised for a trainer; the position has not yet been filled. Depending upon the experience of the trainer, the new person may be able to handle the Phase 2 requirements. Staff recommends that GRDA proceed with only the Phase 1 part of the project at present. Phase 2 will be considered based on the outcome of the hiring and of the initial training in Phase 1. Board approval will be requested later if Phase 2 is needed. Director LaGere moved the Board approve award of the Phase 1 portion of RFP 25270 to SOS International for a maximum of \$34,000 plus expenses, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, LaGere, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.h. Power Cost Adjustment (PCA) for the First Six Months of 2011

Ms. Dougherty presented background for both the PCA and the preliminary budget. Both are based on the ten-year financial forecast. The PCA agrees with the ten-year financial forecast. The preliminary budget was updated to include the results of the 2010 bond issue and updated reserve balances. Ms. Dougherty went through the slides that were reviewed with the rating agencies and are being reviewed with the GRDA customer groups. The first slide showed the capital additions by plant by funding source. There is still about \$100 million left over from the 2008 bond money, and a lot of that is designated to transmission and substations. The plan goes through 2020 and amounts to about \$1 billion, but because debt service falls off in 2014, there is plenty of room for the improvements. GRDA had really good coverages in 2007 and 2008. In 2009, it was 1.07 when the declining economy hit. The Board took action and raised

rates in 2010, and GRDA's coverage is up in 2010. The projections were incorporated. GRDA's operation and maintenance is remaining fairly steady. Operating revenues were modeled assuming a two percent base rate decrease on July 1, 2011, and reverting back to the pre-2010 rate on January 11, 2013, and shows GRDA will have excess revenues if projections hold true. Debt service coverages after 2013 are more than adequate. In reality, in 2013 GRDA will probably do a rate study. Because of long-term contracts, staff feels positive about load projections. When spot sales are modeled, most are not counted in the financial forecast. Fuel is key. GRDA has coal and freight contracts through 2016. After that, an escalation was used. GRDA's existing debt is modeled using the capital projects and having future debt service relating to those. Even through 2020, GRDA's debt service is going to be much less than it is now. That makes GRDA very competitive. In 2010, GRDA gave back \$14 million in over collections of the PCA, and the over/under collections should be at almost zero by the end of the year. GRDA is projecting an 8.1 overall PCA for the calendar year. One of the assumptions is that GRDA will give a two percent base rate decrease July 1, 2011, and those results are reflected in the preliminary budget. Director Bartlett moved to approve a 6.44 mill surcharge for the Power Cost Adjustment for January through June 2011 as presented, seconded by Director Meyers, and voted upon as follows: Bartlett, LaGere, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.i. Preliminary 2011 Budget

Ms. Dougherty reported the preliminary budget is based on the ten-year financial forecast. The coverage is 1.09x. Historically, the Board does not like to approve a budget with less than 1.10x coverage. It is hoped GRDA will have more spot sales than

indicated. Staff has been conservative in the load forecasting, so staff feels comfortable recommending approval. A final budget will be approved in April. This budget factors in a rate decrease, and the Board needs to action on that if they want that to happen. Director Bartlett moved to approve the preliminary 2011 budget, seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.j. Annual Designation of Additional Supplemental Reserve Funds

Ms. Dougherty reported there are two funds the Board has designated. One is GRDA's environmental fund. The plan was to reserve \$2.5 million annually for future use for extraordinary maintenance, operational, or environmental expenses. The fund currently has \$15 million, and it is recommended another \$2.5 million be designated today. The other fund is the risk management fund. It includes \$15 million for unforeseen risks such as unscheduled outages, unexpected power purchases, or other extraordinary expenses not covered by insurance proceeds. No additional designation is recommended this year. The \$2.5 million would be moved from the unrestricted reserve and contingency fund. Director LaGere moved that an additional \$2.5 million be designated to the Supplemental Reserve Fund I to bring the total up to \$17.5 million, seconded by Director Bartlett, and voted upon as follows: Meyers, Spears, Bartlett, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.k. Bid Award Recommendation for Contract 226967, Energy Control Center/Kerr Dam Complex Exterior Security Protection and Fencing Project

Ms. Moore reported the operators have been moved back into the control room. This agenda item completes the project. At the beginning of the year, the Federal

Energy Regulatory Commission (FERC) notified GRDA that two of GRDA's hydro facilities were upgraded to a level 1 security group. Therefore, the security at the Kerr Dam Complex needed to be upgraded. The work will include new security fencing, replacement of dilapidated fencing, automatic security gates, a security monitoring system, security lighting, and a concrete mow strip. Ms. Moore presented a slide of the Kerr Dam Complex and showed the area to be fenced. Bids were solicited; notice was advertised in Craig and Mayes counties. The Purchasing Department contacted over 30 vendors. KC Electric, Enid, appeared to be the low bidder in the amount of \$1,144,404; however, they took exceptions to GRDA's terms. The next lowest bidder was Crossland Construction in the amount of \$1,227,000, and they took no exceptions to GRDA's terms. Construction will start the first of January, and total construction would be completed by April 15, 2011. This project was planned for in the 2008 bond issue. Ms. Moore recommended the contract be awarded to Crossland Construction with the addition of installation of security fencing and a concrete mow strip at the retaining wall in the amount of \$387,500 (Alternate #1 and Alternate #4 in the bid packet). Director Bartlett moved that the Board approve Contract 22696R, including Alternate #1 and Alternate #4, with Crossland Construction Company, Inc., to complete the Security Fencing Project at Energy Control Center/Kerr Dam Complex for \$1,614,500; seconded by LaGere; and voted upon as follows: Spears, Bartlett, LaGere, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.l. Second Amendment to the Service Schedule PPA Power Purchase and Sale Agreement with Western Farmers Electric Cooperative (WFEC)

Mr. Burget reported GRDA has a longstanding Interconnection Agreement and service schedule for banking energy with WFEC with “grandfathered” transmission. WFEC began taking firm deliveries under a service schedule with standard terms on January 1, 2010. WFEC has additional capacity requirements and was looking for a firm supply. GRDA contracted with WFEC for up to 150 MWs with a stipulation that GRDA can limit the amount of capacity to be provided. WFEC and GRDA would both like to firm the capacity, so both entities can better plan for generation needs and forecast revenues. GRDA is especially concerned that Stillwater has not signed a new municipal contract. There are limited municipal customers to replace their potential loss of load. WFEC and GRDA have a firm, grandfathered 200-MW transmission path to back any transaction. This agreement is a “take or pay” contract at a minimum 75 percent load factor. This amendment would firm the contract quantity allowing both parties to count on a full 150-MW sale beginning June 1, 2015, through the remaining term of December 31, 2025. Director LaGere moved that the Second Amendment to the Service Schedule PPA Power Purchase and Sale Agreement be approved as presented, seconded by Director Meyers, and voted upon as follows: Bartlett, LaGere, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.m. Second Amended Contract for the Sale and Purchase of Electric Power and Energy with Chickasaw Tribal Utility Authority (CTUA)

4.n. Third Amended Contract for the Sale and Purchase of Electric Power and Energy with Byng Public Works Authority (BPWA)

Mr. Easley asked that these two items be passed for additional information.

4.o. Proposed Technical Services Agreement between GRDA and Black & Veatch Corporation for Engineering Inspection of High-Energy Piping at Coal-Fired Complex

Mr. Barney reported the coal-fired plant has two units that consist of a boiler connected to turbines. Connecting the two units is large high-energy piping that operates at very high pressure and temperatures. They transport steam and water at the extremes of 3,000 psi and 1,000° F. The pipes are designed and constructed very carefully to prevent a catastrophic rupture from ever occurring. Regretfully, the power industry has suffered a few very serious such rupture catastrophes over the last 30 years, so it is, therefore, a prudent utility practice to inspect and examine high-energy piping from time to time. Mr. Barney showed slides of some examples of failures in pipes. GRDA personnel inspect these piping systems annually. In addition, GRDA engaged specialized engineers in 1996 to do more detailed inspections. Mr. Barney recommended engaging Black & Veatch Engineering of Kansas City, Missouri, to perform specialized engineer inspections in 2011. The requested expenditure authorization is in the not-to-exceed amount of \$87,900. Director Bartlett moved the Board engage Black & Veatch Engineering to perform an engineering assessment of the high-energy piping systems at the GRDA Coal-Fired Complex, in accordance with their proposal "Exhibit A," dated December 1, 2010, in a not-to-exceed amount of \$87,900; seconded by Director Spears; and voted upon as follows: LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.p. Bid Award Recommendation for Contract 21230, Pensacola Powerhouse Roof Project

Mr. Atkins reported the original roof was installed in 1940. There is a 30-year life span for this type of roof. There are six major leaks at present that are causing deterioration of the mezzanine ceiling and leakage onto the generator floor which can cause hazards. Further roof deterioration and leaks could damage the turbines. This project was included in the 2010 bond issue. Burns & McDonnell, an independent consultant, prepared roof designs and specifications for a modified bituminous membrane roof and with a style consistent with the original building design. On October 4, a request for proposal (RFP) was advertised in area newspapers and sent to Oklahoma Roofing, a statewide vendor. Three responses were received: Tribal Construction, Grove, in the amount of \$174,294; Hart Roofing; Stroud, in the amount of \$379,800; and Guaranteed Roofing, Joplin, in the amount of \$684,000. All three posted bid bonds. Burns & McDonnell's estimate for the job was \$651,751. Burns & McDonnell used a standardized task price schedule, and a cost comparison analysis revealed a wide disparity in the bids. Tribal Roofing and Hart Roofing submitted incomplete bids. Hart Roofing also did not complete an experience profile. Tribal Roofing has not been a prime contractor on projects of this size. Guaranteed Roofing is the recommended vendor as they provided the most comprehensive bid for the project. The project start date is on or before March 15, 2011. Discussion followed regarding the discrepancies. This item was passed for further study and analysis to a future meeting.

**4.q. Bid Award Recommendation for Contract 20372,
Salina Pumped Storage Project Log Boom (Debris Screen) Project**

Mr. Atkins reported that no trash racks are present on the intake at the Salina Pumped Storage Project (SPSP). The original trash racks became dislodged from the

after bay many years ago. FERC required GRDA to repair the trash racks to reduce the chance of logs and debris from getting into the turbines when operating in pump-back mode. Burns & McDonnell performed an evaluation and determined that a debris screen is the most cost-effective solution. FERC approved this alternative. A request for proposal (RFP) was issued electronically to 25 firms on November 2, 2010; bids were opened on November 30, 2010. Roy Case Construction was the sole bidder at \$160,283. This firm has completed three other projects for GRDA. Unfortunately, Mr. Case was killed in an accident, so the project had to be rebid. An RFP was issued electronically on November 2 to 25 firms. Three bids were received, and all three posted performance bonds. It is recommended Williams Construction, the low bidder, be awarded the contract in the amount of \$120,445. Williams Construction has provided services to GRDA for over 30 years. Director Meyers moved the Board award contract 20372 to Williams Construction in the amount of \$120,445, seconded by Director LaGere, and voted upon as follows: Meyers, Spears, Bartlett, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

4.r. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

- 1. Assets Committee:** There was no report.
- 2. Audit Committee:** Director LaGere had no report.

3. **Coal Committee:** Director Spears reported the Coal Committee met by teleconference on December 6, and this item would be addressed under the executive session.

4. **Marketing Committee:** There was no report.

5. **Policies and Procedures Committee:**

(a) **2010 Annual Review of Bard Policies**

(b) **Revision to GRDA Personnel Manual Subsection 6**

Director Bartlett reported the Committee met this morning and reviewed the Board policies. The Committee also reviewed the two proposed changes to Subsection 6 of the Personnel Manual. The purpose of the first change is to bring GRDA policy into conformity with 61 O.S. § 3 by allowing alternative work schedules, including 12-hour shift rotations which result in work weeks that exceed or fall below 40 hours. The second change adds language that was mistakenly deleted in a previous revision. Director Bartlett moved to approve the revisions to Subsection 6 of the GRDA Personnel Manual, seconded by Director LaGere, and voted upon as follows: Spears, Bartlett, LaGere, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

6. **Long-Range Planning Committee:** There was no report.

7. **Ad Hoc Committee Established for 2010 Bond Issues:** There was no report.

6. **Executive Session Related to Coal Purchase Contract 2001-A**

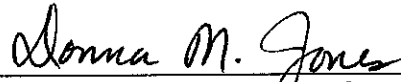
Director LaGere moved to go into executive session at 12:17 p.m., seconded by Director Meyers, and voted upon as follows: Bartlett, LaGere, Meyers, Spears, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director LaGere moved to return to regular session at 12:31 p.m., seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items

Regarding item 6, Director Spears moved to accept the amendment to Coal Purchase Contract 2001-A as discussed in executive session, seconded by Director Meyers, and voted upon as follows: Meyers, Spears, Bartlett, LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director LaGere moved for adjournment at 12:32 p.m., seconded by Director Meyers, and voted upon as follows: Spears, Bartlett, LaGere, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

January 12, 2011
GRDA Board of Directors