

**Minutes of Special Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
March 25, 2010**

A special meeting of the Board of Directors of the Grand River Dam Authority was held at New Dominion LLC, Tulsa, Oklahoma, on March 25, 2010. Notice was given pursuant to 25 O.S.A. § 301 et seq. by submitting a notice of special meeting to the Secretary of State on March 11, 2010, at 11:51 a.m.; by posting the agenda with the Craig County Clerk's office on March 23, 2010, at 2:52 p.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair-Elect Chernicky called the meeting to order at 10:34 a.m. The Secretary called the roll; all members were present with the exception of Director Kerns. Chair-Elect Chernicky declared a quorum. Ms. Moore introduced guests.

BOARD MEMBERS

Betty Kerns, Chair	Absent
David J. Chernicky, Chair-Elect	Present
Dewey F. Bartlett, Jr.	Present
Terry G. Frost	Present
W. Brent LaGere	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	Absent
Carolyn Dougherty, AGM Market Analysis/Strategic Development	Present
Dale Willis, AGM Transmission and Engineering	Absent
Mike Herron, AGM Engineering, System Operations, & Reliability	Present
Donna M. Jones, Secretary	Present

Others present were as follows: Harold Robertson and Robert Echenrode, NEOEC; Ted Hilmes, KAMO; Bob Howard, The Landings, and Attorney Kathy Wallace; Justin Alberty, Holly Moore, Tamara Jahnke, Darrell Townsend, and Jim Fraley, GRDA.

1. Board Minutes of February 10, 2010

2. Claims, \$35,689,994.23

**4.a. Power Purchase and Sale Agreement
with Orchids paper Products Company**

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
19530	Alcatel-Lucent USA Inc.	\$453,623.00
19786	Standley Systems Inc.	16,033.80
19826	Infrastruct Security Inc.	52,940.00
19895	Airgas, Inc.	5,939.54
19936	Alstom Power Inc.	213,744.00
19942	Pelco Structural LLC	89,581.00
19995	Warren Power & Machinery	1,399,525.00
*20058	Mayes County Petroleum	<u>153,394.74</u>
<i>Total Standard</i>		\$2,384,781.08
*6428	Total Weed Control	<u>\$43,458.50</u>
<i>Total Change Orders</i>		\$43,458.50
19154	Williams Scotsman Inc.	\$8,687.00
*20086	Kansas & Oklahoma Railroad	<u>9,968.00</u>
<i>Total Emergency Orders</i>		\$18,655.00
<i>Grand Total Purchases</i>		<u>\$2,446,894.58</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF010-00392	MAID Disturbance Monitoring Equipment	\$347,360.00
RF009-00350	Pensacola Transformers #7 & #10 Replacement	2,738,100.00
RF010-00399	Salina Dike Riprap	<u>990,325.00</u>
<i>Grand Total Work Orders</i>		<u>\$4,075,785.00</u>

Director Bartlett moved to approve the minutes, seconded by Director Spears, and voted upon as follows: Chernicky, Frost, LaGere, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director LaGere moved to approve the consent agenda, seconded by Director Spears, and voted upon as follows: Frost, LaGere, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Mr. Easley asked that the “GRDA March 2010 Update” regarding approximately \$350,000 of savings on the Pensacola Dam bridge inspection be passed to the next meeting because of time constraints today, and there would be more people present at the next meeting to be able to view it.

3.b. Assets Committee Recommendations:

3.b.1. Recommendation to Board of Directors on Adoption of Amendments to Administrative Rules:

(a) OAC Title 300, Chapter 35: Lake Rules

3.b.2. Settlement Agreement Regarding Compliance Violations of the Landings Marina LLC Located on Monkey Island, Grand Lake, Delaware County Oklahoma.

Regarding item 3.b.1., Director Chernicky reported the Assets Committee recommends the Lake Rules be adopted as amended, seconded by Director Spears, and voted upon as follows: LaGere, Spears, Bartlett, Chernicky, Frost, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item 3.b.2., Director Chernicky reported the Assets Committee recommends the settlement be approved and the reconfiguration of Dock “F” be approved, seconded by Director Frost, and voted upon as follows: Spears, Bartlett, Chernicky, Frost, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4. New Business

4.b. Assets Committee Recommendations:

4.b.1. Request by Ottawa County for an Easement to Build a Parking Area and Boat Ramp near Connors Bridge Located in Ottawa County Oklahoma and for Dedication of Six Acres for Mitigation.

4.b.2. Request by KAMO for (i) an Easement for its MAID Reactor Station and (ii) an Access Easement to the Station Located in Mayes County Oklahoma.

Regarding item 4.b.1., Director Chernicky reported the Assets Committee recommends approval of the request. In response to a question by Director Frost, Ms. Jahnke stated Ottawa County is responsible for the bridge. Director Chernicky moved to approve the request, seconded by Director Spears, and voted upon as follows: Bartlett, Chernicky, Frost, LaGere, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item 4.b.2., Director Chernicky reported this item was withdrawn by KAMO.

4.c. Change Order #4 to Contract 16737, Feeder #4 Reconstruction, with KDM Construction to Extend Completion Deadline by 28 Days

Mr. Herron reported that when the contract was bid, it was assumed GRDA would have all the materials needed at the time the contractors started work. GRDA experienced delayed receipt of some of the materials for the line construction because of board meeting timelines and the Christmas holidays. The delay was 28 days later than had been indicated on bid documents, which affected the ability of the contractor to proceed with construction as planned. The contract needs to be extended by 28 days for completion. The contract has a liquidated damages clause, and the liquidated damages will apply after the 28 days. The delay will not affect GRDA in other ways. The

outage time has been extended with SPP on the circuit. The change order has zero cost, so the change order percentage remains at 4.09 percent. To avoid delays in the future, engineering staff will declare an emergency and issue the award immediately with Board approval afterward. Director Chernicky moved to approve Change Order #4 to Contract 16737 to extend the completion date by 28 days due to delays in receipt of materials, seconded by Director Bartlett, and voted upon as follows: Chernicky, Frost, LaGere, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.d. Change Order #5 to Contract 16737, Feeder #4 Reconstruction, with KDM Construction to Correct Foundation Costs Based on Final Designs

Mr. Herron reported this change order is a correction. At the time the project was bid, GRDA had to estimate the size and depth and diameter of the holes that were going to be drilled for some of the concrete foundations. The geotechnical data was not available at the time. Those estimates were used for the bid, but the original bid also requested per-unit costs for variations of those dimensions. The original bid was \$1,089,040. This change order is a credit of \$15,285.01, which brings the change order percentage to 3.71 percent. Director Chernicky moved the Board approve Change Order #5 to Contract 16737 to adjust concrete drilled shaft foundation costs to actual design requirements, and voted upon as follows: Frost, LaGere, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.e. Change Order #1 to Work Authorization 12779 with Black & Veatch to Include a Microwave Tower into Design of Tonnece Substation

Mr. Herron reported GRDA's original scope of services did not include a microwave tower for communications, and GRDA staff identified a need for a tower.

GRDA was going to try to design the tower in house by farming it out to an engineering firm and then using the information to get the tower information. However, GRDA personnel cannot do that work in a timely fashion, so Black and Veatch provided additional scope of services and cost for the work. Black and Veatch quoted 180 additional engineering hours and \$21,730 in added cost. Their original quote was \$996,000, so this will bring the total to \$1,017,730. Director Chernicky moved the Board approve Change Order #1 for Work Authorization 12779 to Black & Veatch to provide the engineering services needed to include a microwave tower at the Tonnece Substation, seconded by Director LaGere, and voted upon as follows: LaGere, Spears, Bartlett, Chernicky, Frost, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.f. Change Order #7 to Contract 13548, Energy Control Center Renovation and Expansion, with Crossland Construction, for Elevator Upgrade

Ms. Moore reported two-thirds of this project is a renovation. The elevator was installed when Kerr Dam was built, so it is almost 50 years old. It is a four-story, four-stop elevator that runs 125 feet from the bottom of the dam to the top of the second floor of the Energy Control Center. It was recently discovered that the current manufacturer is having extreme difficulty finding replacement parts, so the idea was investigated to keep the existing cab of the elevator and replace the drive motor, cables, doors, etc. It is believed by doing so would save GRDA money in the long run because GRDA has an electrician already on site. The elevator would be included in the Crossland warranty, and the whole building would be on one consistent construction timeline. The change order is in the amount of \$211,250.90. This change order would bring the change order total to 5.11 percent of the total contract price. Director Bartlett

moved to approve Change Order #7 to Contract 13548 to prevent future maintenance problems and to avoid future operational inconveniences, seconded by Director Chernicky, and voted upon as follows: Spears, Bartlett, Chernicky, Frost, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.g. First Amendment
to Service Schedule PPA Power Purchase and Sale Agreement
with Western Farmers Electric Cooperative**

Ms. Dougherty reported GRDA and Western Farmers Electric Cooperative (WFEC) have had a longstanding relationship with an Interconnection Agreement and banking arrangements. Last fall GRDA expanded that relationship to make firm deliveries to WFEC starting January 1, 2010. Ms. Dougherty showed a map of WFEC's service area which overlaps OG&E's territory in the western and southern part of the state. They have linked about 19 distribution coops, and they serve Altus Air Force Base. Prior to the firm deliveries, since GRDA has been operating out of Redbud, GRDA had been heavily relying on spot sales to WFEC. GRDA sold \$15 million to WFEC in 2008, which was five percent of GRDA's sales. GRDA sold \$11 million to WFEC in 2009—in both years, approximately 300,000 MWh. Normally, spot sales prices are much higher than GRDA's contract prices. This past year WFEC only paid an average of \$34. Because gas prices are so low, what GRDA collected in spot sales revenues was much less than GRDA's firm sales to WFEC. WFEC is asking for 50 additional megawatts. GRDA currently delivers 10 MWs under the contract, which ramps up to a total of 100 MWs by 2013. The amendment would increase each increment by 50 MWs. The agreement is a "take or pay" contract. They pay the demand charge; they have to take at least 75 percent of the energy, or they have to pay for it

anyway. The annual increase is worth \$15 million to \$18 million annually. WFEC has expressed they are looking for some firm options because they need to purchase capacity as opposed to just the energy GRDA has provided in the past. It is important to GRDA not to lose this sale. Director Spears commended staff for trying to get additional loads. He added he believes the 50-MW sale is good for the short term but is concerned about the long term of increasing from 2013-2025. The reason GRDA bought Redbud is because GRDA was capacity poor, and if GRDA starts selling off all its capacity, it will be capacity poor in 2013 again. Director Spears suggested amending staff's recommendation that in June 1, 2012, or May 31, 2012, not giving the 125 MW WFEC is requesting but cut that back to 93 MW and give them a maximum of 125 MW. As long as GRDA has it to sell, GRDA will sell WFEC the 125 MW, but they are guaranteed 93 MW. The following period from June 1, 2013, through the termination date, cut that back to 112 MW and sell WFEC up to 150 MW if GRDA has it available. Director Frost added that would give GRDA some opportunity for spot sales. Discussion followed, and Ms. Dougherty called WFEC in the meantime and reported back that they would accept the amendment. Director Spears moved to approve his amendment as set forth above, seconded by Director Frost, and voted upon as follows: Bartlett, Chernicky, Frost, LaGere, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.h. Ottawa County Land Acquisitions:
Designation as Wildlife Refuge and Implementation of No Hunting Policy**

Dr. Townsend reported GRDA is acquiring anywhere from 10,000 to 20,000 acres in Ottawa County to primarily address the flooding issues and to also serve as mitigation with GRDA's FERC licenses. With cap and trade on the horizon, it is felt if

GRDA begins to plan now, it could also secure some potential carbon credits in that area. GRDA is currently under state statute that opens these lands for hunting and recreation purposes, unless, in the opinion of the Directors, such use would be dangerous or would interfere with the proper conduct of its business or for public health and safety reasons. GRDA is starting to get a lot of calls and conflicts with the hunting pressure associated with the fragmented areas. The boundaries are not clearly marked. This past winter the Lake Patrol has been responding to public versus private uses with adjacent landowners. People have been cutting locks, tearing down gates, etc. There are also real estate issues with livestock utilizations. Staff is proposing dedicating all these acquisitions as a no-hunting area and a wildlife refuge. Staff feels it is important to do that because of safety concerns and conflicts. Staff recommends designating the lands as a wildlife refuge and implementing a no-hunting policy at this time. Director Chernicky suggested that instead of setting the lands aside on a permanent basis to set a moratorium for five to ten years to prevent any agricultural leasing, hunting, etc., while the program is being studied. Discussion followed. Director Chernicky moved to place a moratorium on all Ottawa County land owned by GRDA which has been acquired since 2005 or might be acquired thereafter which prohibits all public access including hunting and fishing and, further, agricultural and ranching activities within and upon these lands to ensure public safety and prevent interference of proper conduct of GRDA business until December 31, 2013, seconded by Director Frost, and voted upon as follows: Frost, LaGere, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.i. Interlocal Agreement
between Mayes Emergency Services Trust Authority (MESTA)
and Grand River Dam Authority (GRDA)
for Emergency Dispatch Services**

Mr. Fraley reported MESTA does emergency dispatching services out of Mayes County. Most of GRDA's facilities are in Mayes County. GRDA currently uses MESTA for afterhours dispatching. GRDA did have a dispatcher in the Lake Patrol office; she retired, and that position is not going to be replaced. Staff would like to enter into an agreement for MESTA to handle GRDA's dispatching 24/7. If GRDA did this in-house, GRDA would have to hire five people to cover dispatching 24/7. Now that GRDA has 24/7 patrol, GRDA needs 24/7 dispatching. It has already saved GRDA on overtime and response time. Mr. Fraley recommended moving from the existing contract for \$3,600 a month for afterhours to \$5,000 per month for 24/7 dispatching. The other addition to the agreement is GRDA would have a 30-day out. Director Chernicky moved to accept the contract with MESTA for 24/7 dispatching services, seconded by Director Spears. Discussion followed. Director Frost asked for a discussion or a recommendation at the next meeting regarding getting patrolmen on the lake in the winter to try to help with catching people committing burglaries. The motion was voted upon as follows: Chernicky, Frost, LaGere, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**5. Reports
5.a. Board of Directors Committee Reports**

1. **Assets Committee:** Director Chernicky 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 had no report.

5. **Policies and Procedures Committee:** Director Bartlett reported the Committee met this morning regarding the following items:

(a) Recommendation to the Board of Directors on Adoption of Amendments to Administrative Rules:


(i) OAC Title 300, Chapter 20: Purchasing Rules

(ii) OAC Title 300, Chapter 35: Lake Rules

The Committee recommends the amendments be adopted with regard to the Purchasing Rules, seconded by Director Chernicky, and voted upon as follows: LaGere, Spears, Bartlett, Chernicky, Frost, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

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

Director LaGere moved for adjournment at 11:32 a.m., seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Chernicky, Frost, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

April 14, 2010
GRDA Board of Directors