

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
April 14, 2010**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at Grand River Dam Authority Administration Headquarters, Vinita, Oklahoma, on April 14, 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 April 13, 2010, at 8:56 a.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair Kerns called the meeting to order at 10:13 a.m. The Secretary called the roll; all members were present with the exception of Director Chernicky. Chair Kerns declared a quorum. Ms. Moore introduced guests.

BOARD MEMBERS

| | |
|---------------------------------|---------|
| Betty Kerns, Chair | Present |
| David J. Chernicky, Chair-Elect | Absent |
| 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 | 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 and Robert Echenrode, NEOEC; Ted Hilmes, KAMO; Mike Doublehead, City of Stilwell; Gary Pruett, Pryor MUB; Randy Krehbiel, Tulsa World; Kathy Parker, Pryor Daily Times; Alan Holt, Global Asset Management; Lance O'Rourke, Brown & Brown; Robert and Teresa Hamm and Richard Case; Chris Broyles and Don Karnes, CYTE; Justin Alberty, Holly Moore, Tamara Jahnke, Darrell Townsend, Melanie Early, Tommy Parker, Dave McCollaum, and Bob Scudder, GRDA.

1. Special Board Minutes of March 25, 2010

2. Claims, \$35,167,718.10

4.a. Resolutions of Commendation:

- (1) Steven D. Rockey**
- (2) Roger R. Burger**
- (3) Jack L. McKee**

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

| <i>Number</i> | <i>Vendor</i> | <i>Amount</i> |
|-------------------------------|----------------------------------|-----------------------|
| 20683 | General Supply & Services | \$169,867.50 |
| 20684 | General Supply & Services | 60,573.50 |
| 20697 | Pryor Stone | 465,000.00 |
| 20718 | Areva T&D | 148,330.00 |
| 20782 | Falcon Steel | 117,606.00 |
| 20783 | V&S Schuler Tubular Products | 69,579.00 |
| 20786 | Southern States | 95,679.00 |
| 20788 | Broken Arrow Electric | 58,940.00 |
| 20822 | Scott-Macon Equipment | 484,750.00 |
| 20905* | Jim C Chase Co. | <u>195,000.00</u> |
| <i>Total Standard</i> | | \$1,865,325.00 |
| 20674 | Siemens Power Generation | \$322,000.00 |
| 20693 | Union Pacific Railroad | 172,224.00 |
| 20714 | Insulation & Refractory Services | 108,549.00 |
| 20784 | Siemens Power Generation | <u>170,000.00</u> |
| <i>Total Emergency Orders</i> | | \$772,773.00 |
| <i>Grand Total Purchases</i> | | <u>\$2,638,098.00</u> |

5.c. Work Order Report

| <i>Number</i> | <i>Title</i> | <i>Amount</i> |
|--------------------------------|--|---------------------|
| RF010-00403 | Firewalls to Protect EMS/SCADA System | \$58,850.00 |
| RF010-00404 | Firewalls to Protect Remote Terminal Units | <u>176,550.00</u> |
| <i>Grand Total Work Orders</i> | | <u>\$235,400.00</u> |

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

REGULAR AGENDA

3. Unfinished Business

3.a. Progress Reports

Regarding the **Monthly Video Update**, Media Services presented the “GRDA April 2010 Update” highlighting approximately \$350,000 of savings on the Pensacola Dam bridge inspection.

Mr. Bob Scudder, GRDA’s Safety Coordinator, made a presentation on GRDA’s safety statistics and plans to address workplace safety.

3.b. Assets Committee Recommendations:

3.b.1. 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 3.b.1., Director Spears reported the Assets Committee recommends granting the easements and moved to approve same, seconded by Director Bartlett, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Frost, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4. New Business

4.b. Assets Committee Recommendations:

4.b.1. Request by Mr. Robert Hamm for Waiver of the 1/3-of-Cove Rule and 1-1/2 Times-the-Length-of-the-Slip Rule for Parallel Docks for

Installation of a Private Dock in Honey Creek on Grand Lake in Delaware County Oklahoma.

4.b.2. Discussion of Lake Security.

Regarding item 4.b.1., Director Spears reported the Assets Committee recommends approval of the request and moved to approve same, seconded by Director Frost, and voted upon as follows: LaGere, Spears, Bartlett, Frost, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item 4.b.2., Director Spears reported no action was taken on this item. Staff will develop a plan for providing additional security during the off season months and will report back to the Board next month.

4.c. Proposed 2010 Final Budget

Ms. Dougherty reported the Board approved a preliminary budget at the December board meeting which was basically identical to the ten-year financial forecast and rate study prepared by C. H. Guernsey. January and February sales were slightly higher than expected. As a result, the revenue projections have been revised slightly. The other big change came from the recently approved contracts. Western Farmers and KMEA will begin taking additional loads in June, and Orchids Paper is expanding in the Industrial Park. Those revenues have now been reflected. The municipal and cooperative loads have been changed slightly, which basically offset each other. The most significant increase is off-system firm revenues. The Redbud fuel cost was increased—a combination of producing extra megawatt hours and the increase in gas prices. GRDA has \$33 million in a reserve and contingency fund and debt service reserve fund that is available because of the changes in the bond resolution. Those

funds are used to keep rates as low as possible. The final budget anticipates using \$22 million of other available funds, so this budget is basically showing GRDA will be \$6 million better off than anticipated and still have the projected debt service coverage of 1.10 times coverage. The budget also shows excess of operations over the debt service payment of \$14 million. Ms. Dougherty commended Jennifer Weatherford for her work in completing more of the budget internally and recommended approval of the 2010 final budget as presented. Discussion followed regarding municipal revenues and Google. Director Bartlett moved to adopt the 2010 Final Budget, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Frost, Kerns, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.d. Renewal of Umbrella Liability Insurance Policies

Ms. Jahnke reported the current policy is up for renewal on May 16. This insurance is made up of two separate layers. AEGIS has the first layer that is up to \$35 million. EIM comes in above that with an extra \$25 million for a total of \$60 million in coverage. GRDA's insurance is either through Risk Management, another agency of the state of Oklahoma, or Brown & Brown, a broker. Today, this insurance is obtained through Brown & Brown. Brown & Brown put the insurance out for quotes this year. They asked for quotes from Chartis Environmental, Chubb Energy Resources, Zurich NA, and RSUI. Three of the four said they could not compete on the current coverage. The other company did not have enough capacity for the initial layer. Ms. Jahnke showed a summary of GRDA's current coverage. The same coverage as last year has been proposed for this year. The premiums have increased over last year. AEGIS is up by about 4 percent, and EIM is up by about 6.8 percent. The increase is not related to

any specific GRDA claim but is because of industry-wide claims as a whole. The current premiums being proposed are \$524,659.72 for AEGIS to cover the first layer. The second layer would be \$102,952.50 with EIM. Staff recommends these two policies be renewed. Director Frost moved to approve same, seconded by Director LaGere, and voted upon as follows: Bartlett, Frost, Kerns, LaGere, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.e. Discussion of Increased Coverage Relating to the Directors & Officers & Employment Practices Liability Policy

Director Kerns reported this item will be discussed under the Policy Committee reports later on the agenda.

4.f. Change Order #8 to Contract Hydro 2005-3, Markham Ferry Hydroelectric Plant Upgrade, with Alstom Hydro US Inc., for Extra Shop and Site Work on Units 1 and 2

Mr. Atkins reported this project was launched in 2007. Three vendors were considered after Unit 3 was dewatered and inspected: Voith, Alstom, and VA Tech. Benham was replaced by Alstom as the engineer and contractor. Units 1 and 2 are on schedule. The higher cost of Unit 1 compared to Unit 2 is reflected in the front-end engineering work, the redesign of the runner hub, and redesign and upgrade of the central control systems. Mr. Atkins explained the unit evaluation process which includes dismantling the turbines at Kerr, inspection (repairs identified; change orders issued), shipment to Canadian Alstom repair facility, Alstom offsite verification (repairs identified; change orders issued), and return of the turbines to Kerr for reinstallation. Mr. Atkins explained the change order process for the project that started in 2007 and will end in

2012 and reviewed the previously approved change orders on all four units. Unit 1 is complete, and Unit 2 is underway with a startup date of July 2010. Change Order 8 is in the amount of \$2,437,930 for Units 1 and 2. The as-found condition for Unit 2 was better than for Unit 1. Mr. Atkins stated GRDA is about continuous improvement, and he has instituted improvements to the change order process. He meets every Friday morning to review site progress, get a project update, and identify issues that may affect the cost or timely execution. Units 3 and 4 are in the future. There is no unit carryover. From a design basis, Units 3 and 4 will each have a dissolved oxygen unit which has been mandated by FERC. Mr. Atkins projected that the impact on revenue generation would be significant enough to recover the amount of investment in the project by 2014. Discussion followed about the recovery of the investment and about the change order timing and staying in Alstom's queue for work on the units. Director Spears moved to approve Change Order 8 for Units 1 and 2 only because, per contract, Alstom performed analysis of as-found conditions of Units 1 and 2, then recommended extra shop and site rehabilitation works to fulfill GRDA's project refurbishment objectives, seconded by Director Frost, and voted upon as follows: Frost, Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.g. Bid Award Recommendation for RFQ 18495,
Salina Pump Station Switchgear Installation**

Mr. Herron reported there are transformers and switchgear along the front of the pump station. Each switchgear has two breakers. One breaker is used when the generator is in operation, and the other breaker is used when the generator is used as a pump. The six switchgear units are about 40 years old, and it is getting difficult to get

parts for them, so they will be changed out. The switchgear has been purchased under a separate contract. They will start arriving at the end of this month. Three will arrive at the end of this month, and three will arrive in the middle of May. This contract is for the installation of that switchgear. The contractor will only be able to work on one unit at a time, so the other five can be available for use. After removing the old switchgear and installing the new switchgear, the contractor will transport the old gear to GRDA's warehouse for surplus disposal. The work is to be performed in May and June of 2010. Four bids were received on this project, and staff is recommending awarding the contract to the low bidder, Whitnah Construction Contractors, in the amount of \$133,596. Discussion followed. Director Bartlett moved to award the contract to Whitnah in the amount of \$133,596, seconded by Director Frost, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Frost, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.h. Change Order #1 to Work Authorization 10342
with Electrical Consultants Inc. for Engineering Design Services
for Kerr Dam Switchgear Replacement and Substation Build-Out Project**

Mr. Herron reported this change order deals with the Kerr Dam substation engineering design services. GRDA employed Electrical Consultants, Inc., to do the design work in the substation. The substation is broken into two parts: 161 kV on one side and 115 kV on the other side. The area between the two sides is where the wires come up from the generators down below. The scope of services has changed since the original work authorization was approved. Electrical Consultants, Inc., was awarded the contract on January 14, 2009, in the amount of \$440,000 to do that work. Since then, changes have been made because of the Energy Control Center remodel, NERC requirements, and the SPP notice to construct Feeder #4 rebuild. The existing 115-kV

breakers are filled with oil and are over 40 years old. Eleven existing oil circuit breakers would be replaced with SF₆ breakers, and that will require modifications to GRDA's existing system. The cost adder is \$55,000. The security system requirements will add a cost of \$5,000. The changes to the control house will add a cost of \$25,000. An added metering stand will cost \$5,000. Two additional breakers for the outgoing 161-kV line will cost \$10,000. The change order also includes credits of \$10,000 to delete two 15-kV breakers, \$3,000 to delete disturbance monitoring equipment (DME) specifications, and \$2,000 to delete a ground system study. The total cost of Change Order #1 is \$85,000. Director Frost moved the Board approve Change Order #1 to Work Authorization 10342 to Electrical Consultants, Inc., to provide additional engineering services needed to complete designs for the Kerr Dam switchgear replacement and substation build-out project, seconded by Director Bartlett, and voted upon as follows: LaGere, Spears, Bartlett, Frost, Kerns, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.i. Bid Award Recommendation for Contract 18749, Saline Creek Microwave Tower

Mr. Herron reported GRDA is building a new substation at Saline Creek and needs a microwave tower at that location. The microwave tower needed will be 220 feet tall with the capacity for two six-foot microwave dishes. The bid requested purchase, delivery, and installation of the tower only. The bidder will construct the tower on a concrete base provided by GRDA and will coordinate installation with the Saline Creek substation construction contractor. Two bids were received. American Tower, LTD, was the low bidder in the amount of \$65,000. Sabre Towers bid \$69,130. Upon evaluation of the bids, several items were found to be omitted from the original quote from American

Tower, and those items increased their bid to \$68,380, but there are two items that are not firm. Staff recommends awarding the contract to Sabre Tower because it is a firm price. Discussion followed about renting tower space from someone else, about GRDA's renting space on its towers, what kind of communications the tower is used for, and what happens if the tower goes down. Director Spears moved to award the contract to Sabre Towers and Poles in the amount of \$69,130 as the lowest acceptable bidder, seconded by Director LaGere, and voted upon as follows: Spears, Bartlett, Frost, Kerns, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.j. Interagency Agreement
between GRDA and Oklahoma Water Resources Board (OWRB)
for Floating Wetland Project**

Dr. Townsend reported this item is directly related to Article 411 of the Pensacola license. The license requires GRDA to deposit money into a wildlife mitigation fund. Last year GRDA deposited \$114,069. Part of that fund has oversight by a technical committee consisting of representatives from the Wildlife Department, OWRB, U.S. Fish and Wildlife, and GRDA, as well as the Corps of Engineers. This year it is proposed to spend about \$85,000 on a new trial test subject for a new type of floating wetland. The technical committee has looked at this project and seen examples of it throughout the rest of the country where they are employed on lakes to improve water quality issues and help with fish and wildlife. GRDA is running out of mitigation items and has tried to do aquatic plantings in the past. Although those plantings are doing well in the enclosures, they have not propagated outside the cages, and there are a lot of problems with maintenance because of the fluctuations in water levels. The idea is to bring in these floating mats that would be attached to the back of docks. GRDA is

looking for volunteers from homeowners, and several are interested. One is already in the back of Honey Creek. The mats will likely attract ducks for nesting, and the root mass below the structures provides structure for fish habitat, primarily small and young fish. The mats also have some water quality contributions in the way of phosphorus and nutrients. It is proposed to install about 20 of these structures and start collecting data from a water quality standpoint and from a wildlife habitat component. The cost for just the mats for the 20 islands is \$12,000. The mats then need to be prepared and planted with aquatic plants. Discussion followed about the funds and what they can be used for, such as land acquisition, as well as who has authority to spend those funds. Mr. Easley added that GRDA has to spend the money. The technical committee makes recommendations, and the Board approves the funding. Discussion also followed about funding the water lab, and Mr. Easley stated that staff needs to look into that. This item was passed; no action was taken.

**4.k. Change Orders to Contract 13548,
Energy Control Center Renovation and Expansion,
with Crossland Construction**

(1) #8 – Upgrade Windows for Security

(2) #9 – Relocation of Backup Generator Fuel Tank

Ms. Moore reported two-thirds of this project is a renovation. The original construction cost was 19 percent under the architect's estimate. On March 23 and 24, staff, with GRDA's KEMA security consultant, recommended making some changes to the security at the ECC building. The recommendation is based on a NERC requirement as a standard of critical assets. Change Order 8 is in the not-to-exceed amount of \$25,000. There is a firm cost to change out some of the exterior windows from regular

glass to a wired glass in the amount of \$23,750.38. Staff is still in the process of evaluating if the wire is needed or if a laminate could be used at a lower cost. Some windows have been ordered. To avoid affecting the construction timeline, Staff is requesting the Board's approval with the option to investigate further to see if KEMA and the regulatory agencies will approve the laminate instead of the wire.

Regarding Change Order #9, once construction began and the new parking lot location was determined, it was staff's concern that using the existing fuel tank, pad, and container was not going to be feasible and would cause problems for fueling. The tank contains diesel fuel for the backup generator, so all ECC can be run for a 24-hour period. The existing tank will be replaced, and the fuel lines will be upgraded. The tank will be relocated 75 feet west, so it will be easily accessible and out of the way of the microwave tower, buried fiber, and switchyard. The total cost of Change Order #9 is \$21,480.97.

Director LaGere moved to approve Change Order #8 to Contract 13548 with Crossland Construction Company to comply with recent federal regulatory mandates and to properly secure the building, seconded by Director Spears, and voted upon as follows: Bartlett, Frost, Kerns, LaGere, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director LaGere moved to approve Change Order #9 to Contract 13548 with Crossland Construction Company to prevent fueling problems and to prevent future maintenance problems, seconded by Director Spears, and voted upon as follows: Frost, Kerns, LaGere, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.l. Approval of Standard Form of Contract for Commercial Service:

(1) Express Integrated Technologies, d/b/a Denny's Classic Diner

(2) C. David Rhoades

Ms. Dougherty reported that a few months ago, when the Board policies were being updated, language was added to allow for utility bonds and letters of credit to be used in lieu of cash deposits for customers. Criteria were also set up. The Board policy language has been added to the standard form of contract for commercial service. Ms. Dougherty recommended approval of the revised contract language. Ms. Dougherty also recommended approval of the two contracts that have been proposed using the new language. One contract is for the Denny's to move from Locust Grove to Pryor in the Industrial Park, and the other contract is for a receiver to have electricity for the Commercial Fabricators business that went under a few months ago. These contracts would normally be listed under the Consent Agenda but are listed on the regular agenda because of the language revisions. Director Frost moved to approve the revised contract language, seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Spears, Bartlett, Frost, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

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

4.m. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

1. **Assets Committee:** Director Spears had no further report.
2. **Audit Committee:** Director LaGere had no report.
3. **Coal Committee:** There was no report.
4. **Marketing Committee:** Director Frost had no report.

5. **Policies and Procedures Committee:** Director Bartlett reported the Committee met this morning and viewed a presentation from the Legal Department regarding the concept of changing the insurance coverage related to the Directors and Officers and Employment Practices Liability Policy. GRDA's coverage is presently \$5 million per occurrence with \$35 million aggregate limit. The \$5 million limit is not per person but for the entirety of GRDA's seven-person Board and four officers. There was a request that the Legal Department look into the valuation of additional coverage. An option sheet was distributed. During the committee meeting, Director LaGere recommended, and the Committee recommends, \$20 million coverage. The quotes received do not include the option for an aggregate of \$35 million. Discussion followed, and Director LaGere stated that staff will check into budget appropriations and do some research to get an understanding of GRDA's exposure. Director Bartlett stated the Policy Committee recommends \$20 million per occurrence with \$35 million aggregate including defense costs with premiums not to exceed \$170,000 and moved to approve same, seconded by Director LaGere, and voted upon as follows: Spears, Bartlett, Frost, Kerns, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

6. **Long-Range Planning Committee:** There was no report.
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**6. Executive Session Concerning Possible Action
Regarding Non-Public Information.**

**7. Executive Session to Discuss Purchase or Appraisal of Real Property for
Transmission Line Easements Located in Delaware County Oklahoma.**

Director LaGere moved to go into executive session at 11:43 a.m., seconded by
Director Frost.


Chair Kerns declared the meeting in regular session at 12:43 p.m.

9. Action on Executive Session Items

Regarding item 6, no action was deemed necessary at this time.

Regarding item 7, this item was not discussed.

Director Spears moved for adjournment at 12:43 p.m., seconded by Director
Kerns, and voted upon as follows: Bartlett, Kerns, LaGere, Spears, yes. *Motion passed*
(4-yes, 0-no, 0-abstained).



Donna M. Jones, Secretary

DATE APPROVED:

June 9, 2010
GRDA Board of Directors