

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
April 13, 2011**

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 April 13, 2011. 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, 2010, at 2:24 p.m.; by posting the agenda with the Craig County Clerk's office on April 12, 2011, 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 Chernicky called the meeting to order at 10:05 a.m. The Secretary called the roll; all members were present with the exception of Director Kerns. Chair Chernicky declared a quorum. Ms. Moore introduced guests.

BOARD MEMBERS

David J. Chernicky, Chair	Present
Stephen R. Spears, Chair-Elect	Present
Dewey F. Bartlett, Jr.	Present
Betty Kerns	Absent
W. Brent LaGere	Present
Chris Meyers	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: Gary Pruett, Pryor MUB; Mike Doublehead, Stilwell Utilities; Randy Bundy, KAMO Power; Harold Robertson, NEOREC; Wendy Gregory, Governor's Office; Kendra Montana, Grove Sun/Miami News Record; Denton Thomason, Vinita Daily Journal; Kathy Parker, Pryor Daily Times; Toney Foster, Taylor-Burrage; Randy Wheezer, Wheezer Interests; Rusty Fleming, Grand Lake Online; Darrell Rye and Granville Martin, RWD#6, Mayes; John Mayes, Vintage on Grand Lake; Justin Alberty, Tamara Jahnke, Holly Moore, Darrell Townsend, Melanie Earl, Grant Burget, Ronnie Starks, and Dave McCollaum, GRDA.

CONSENT AGENDA

1. Regular Board Minutes of March 9, 2011

2. Claims, \$39,737,398.23

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

- (1) Kubota Riding Lawn Mower
- (2) Mini Refrigerator
- (3) WM6X Paper Shredder
- (4) Kenmore Under-Counter Refrigerator, NEC Projector, and Da-Lite Projector Screen
- (5) One Transformer and Eleven Oil Circuit Breakers (OCBs)
- (6) Hewlett Packard Design Jet 750C Plus Plotter
- (7) Oil Circuit Breaker (OCB)
- (8) Oil Circuit Breaker (OCB)
- (9) Substation Control Building
- (10) Melroe T-135 Trencher Bob Cat, John Deere 80 HP Tractor, Knaphyde Service Body, Dakota Saddle Pack Bins, Yanmar Backhoe Attachment, Four 2011 Ford Van Bench Seats, Champion Air Compressor, and Hankison Air Dryer
- (11) Four Transformers, Voltage Regulator, and Two Oil Circuit Breakers (OCBs)

4.b. Contracts for Commercial Service:

- (1) Kaman Industrial Technologies Corporation
- (2) TI Management, LLC, D/B/A Days Inn

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
27920	Evans Enterprises	\$53,675.00
28147	Environmental Management	100,000.00
28189	M&D Controls	60,491.81
28217	Marmic Fire & Safety Co.	4,300.00
28237	Keystone Electrical Mfg.	165,799.81
28254	Simplex Grinnell	250,196.55
28336	Buckman Laboratories	454,353.13
28367	Open Access Technology	6,000.00
28376	Sun-Net Consulting	263,000.00

28419* Alstom Power	<u>62,271.00</u>
<i>Total Standard</i>	<u>\$1,420,087.30</u>
17909 Southwest Electric	<u>\$246,944.00</u>
<i>Total Change Orders</i>	<u>\$246,944.00</u>
28298 GE Energy Management Srv.	<u>\$153,316.00</u>
<i>Total Emergency Orders</i>	<u>\$153,316.00</u>
<i>Grand Total Purchases</i>	<u>\$1,820,347.30</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
CF078-00000	Fire Suppression Control Upgrade-CFC	<u>\$251,000.00</u>
	<i>Grand Total Work Orders</i>	<u>\$251,000.00</u>

Regarding item 4.a, the items were listed in Surplus Property Transfer Forms from (1) John Zibert dated October 26, 2010; (2) Sam Ziara dated December 21, 2010; (3) Monica Fowler dated December 22, 2010; (4) Monica Fowler dated January 4, 2011; (5) Dewey Epps dated January 6, 2011; (6) Jeff Tullis dated January 26, 2011; (7) Dewey Epps dated January 26, 2011; (8) Dewey Epps dated February 8, 2011; (9) Mike Ragsdale dated March 16, 2011; (10) Mark Haley dated March 22, 2011; and (11) Dewey Epps dated March 22, 2011.

Director Bartlett moved to approve the consent agenda, seconded by Director LaGere, and voted upon as follows: Chernicky, LaGere, Meyers, 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 a video entitled "GRDA April 2011 Update" highlighting the April 2011 floodgate operations.

3.b. Assets Committee Recommendations:

3.b.1. Request by Mayes County Rural Water District No. 9 for Second Amendment to Lease for Use of GRDA Land, Extending the Lease to August 9, 2051.

3.b.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.

3.b.3. Request by Shangri-La Country Club to Lease GRDA Land for Golf Course in Delaware County Oklahoma.

Director Chernicky reported the Assets Committee met this morning.

Regarding item 3.b.1., Director Chernicky reported the Assets Committee recommends approval, and he moved to approve the request to extend the lease to August 9, 2051, seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

Regarding item 3.b.2., Director Chernicky reported the increase is to provide water to two other districts which will provide economy of scale as the other districts were customers as well. Therefore, the change is effectively neutral to GRDA's delivery amounts. The Assets Committee recommends approval, and Director Chernicky moved to approve the contract, seconded by Director Spears, and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item 3.b.3., Director Chernicky reported this was land that was previously used for a golf course. Director Chernicky moved to approve the lease, seconded by Director Spears, and voted upon as follows: Spears, Bartlett, Chernicky, LaGere, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4. New Business

4.c. Assets Committee Recommendations:

4.c.1. Request by Vintage on Grand Lake for an Extension of Time to Complete the Dock Construction Authorized by GRDA and FERC under FERC Order Issued March 16, 2004.

Regarding item 4.c.1., Director Chernicky reported the Assets Committee recommends approval of the request for a one-year extension and moved to approve same, seconded by Director Spears, and voted upon as follows: Bartlett, Chernicky, LaGere, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.d. Proposed 2011 Final Budget

4.e. Possible Action on Proposed Rate Decrease

Ms. Dougherty reported 2009 was GRDA's low year with only 1.07x debt service coverage. When the economy slowed, GRDA raised rates. The increased rates and the increase in sales to more normal levels is what made the debt service increase in 2010 to 1.27x coverage. Staff presented a preliminary budget in December based on the ten-year financial forecast. It assumes a two percent base rate decrease effective July 1, 2011. This budget incorporates that decrease. Stillwater is the only municipal that has not signed a wholesale contract. This budget assumes Stillwater remains a customer. Spot sales were increased from the preliminary budget. GRDA has already sold what was originally projected. PCA revenues and the over and under-collected balance were also increased because there was a \$6 million under collection at the end of the year. Other operating revenues were also adjusted to lower transmission revenues. Fuel costs were increased to reflect the spot sales. Administrative and General was also

slightly increased to reflect recent increases from insurance, benefits, and retirements costs; OG&E "Outside Services" costs related to Redbud operations; and injuries and damage expenses. Anticipated interest Sinking Fund requirements were reduced to reflect capitalized interest already on deposit. When the rate increase was approved in October 2009, the motions were that it would only remain in effect for as long as it was needed. If the debt coverage ratio reached 1.1x, GRDA would do a rate decrease. Also, in no case would the rate increase last longer than May 31, 2014. Staff feels that can be accommodated sooner. Ms. Dougherty showed a slide that showed existing rates with 11.95 percent increase in rates prior to January 1, 2010. Staff is recommending an overall decrease of two percent July 1, 2011, and also to revert back to the June 1, 2010, rates. Instead of on July 1, 2014, the rates revert effective July 1, 2013. Ms. Dougherty showed a slide that showed what the debt coverage would be if those two changes were made. A debt service coverage of 1.09x is still being projected for 2012, but very conservative spot sales have been predicted. It is hoped the actual results will be higher than that. She also showed a slide of annual contract sales price with two percent rate decrease effective July 1, 2011 and a decrease to 2009 rate level in 2013 which included the PCA projections. Another slide showed what the debt service coverage ratio would be with an additional ten percent decrease in 2014. GRDA will definitely want to do a rate study in either 2013 or 2014. Ms. Dougherty also showed what the overall rates would be with an additional ten percent decrease in 2014. Discussion followed about Stillwater. Mr. Easley added that GRDA has other potential customers besides Stillwater that is close to any potential lost load. Discussion followed about the PCA. Director Chernicky moved to approve the final 2011 budget as

proposed, seconded by Director Spears, and voted upon as follows: Chernicky, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Spears moved to decrease the base rates, effective July 1, 2011, by two percent and remain in effect through June 30, 2013; seconded by Director Chernicky; and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Chernicky moved that effective July 1, 2013, the base rates decrease to the levels in effect as of December 2009; seconded by Director Spears; and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Chernicky asked if they were sure they could do this with Mr. Easley's exorbitant salary.

4.f. Change Order No. 1 and No. 2 to Contract 22120, Tonnece Substation Construction Services, with Ernest P. Breaux Electrical Inc. for a Delay in Installation of Foundation and to Widen Entrance Drive

Mr. Herron reported construction started last fall on this very large substation. The 345-kV transformer is being moved across the state right now. There is 345-kV, 161-kV, and 69-kV all in the same substation. The plan had been for the transformer to be sitting on its pad as of November 1. It should get to the substation site this weekend. As a result of the delay, the contractor had to stop putting in foundations. A very large truck and crane will have to be on the site, so the contractor had to stop installing foundations to allow for the transformer to be delivered. This change order involves that delay and is in the amount of \$54,450. A certain sized driveway had been planned. It was determined not to be wide enough, so the contractor was requested to widen the drive

by eight feet. The cost for that work is \$1,189.08. Mr. Herron showed slides of the transformer hauler and stated the transformer weighs about 380,000 pounds. The hauling unit weighs about 500,000 pounds. Mr. Herron also showed the planned delivery route. The hauler takes up about two lanes and only moves about 25 mph. The change order total is \$55,639.08, or 2.20 percent of the original contract amount of \$2,524,600, making the new contract total \$2,580,239.08. Director LaGere moved the Board approve Change Order No. 1 and No. 2 to Contract 22120 to provide for a delay in the installation of some of the foundations and to widen the entrance drive to accommodate the transformer hauler equipment, seconded by Director Meyers, and voted upon as follows: Spears, Bartlett, Chernicky, LaGere, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.g. Recommendation for Approval of IDIQ Contract #A/E ID 10043 with Garver Engineering Consulting Services for GRDA Industry Track #138 Rehabilitation and Contract with Oklahoma Department of Central Services for Handling Fees of IDIQ Process Services

Mr. Herron explained IDIQ stands for Indefinite Delivery Indefinite Quantity. GRDA normally goes through a fairly long state process when an engineer is hired. Mr. Herron recently learned about the IDIQ state process for smaller engineering jobs. The state assigns engineering firms based on design qualifications. The engineering work cannot cost more than \$100,000, and the projects are usually less than \$1.5 million. This project involves rail track that lies near the Transmission building. Part of the track was upgraded in about 2005. It is now a heavier track. When the train company took out a couple of switches, they basically isolated GRDA. GRDA needs the track to get equipment in. The train company said GRDA would have to do the work. The work will

require a new switch, new ties, the roadbed re-compacted, the curve removed, the straight track extended, and concrete access and a storage area. GRDA requested engineering services to inspect the old railroad siding at the Transmission Warehouse location, prepare drawings and specifications for bidding rehabilitation services, and design a curbed, concrete containment area for storage of large substation transformers adjacent to the tracks. The Department of Central Services (DCS) designated Garver LLC for the project. GRDA and Garver came to agreement on the scope of services. Garver provided a not-to-exceed total cost of \$79,508 for the design services. Garver also estimated \$34,450 to provide construction phase services that include attendance at a pre-construction meeting, periodic inspections at critical phases, response to contractor questions, review/approval of shop drawings, review of monthly pay requests, and final inspection. DCS requires ten percent for handling this process. The project requires Board approval of \$113,958 for Garver LLC and \$11,396 for the DCS handling charges. Discussion followed about using the normal state process versus the IDIQ process and the handling fees and time involved using either process. Director Chernicky moved the Board award an engineering contract to Garver LLC for a not-to-exceed price of \$113,958 and approve a contract with DCS for \$11,396 for handling fees of these IDIQ process services, seconded by Director LaGere; and voted upon as follows: Bartlett, Chernicky, LaGere, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

4.h. Ratification of Approval of IDIQ Contract 28245 with Enercon LLC for Consulting Services for As-Built Facility Ratings and Contract with Oklahoma Department of Central Services for Handling Fees of IDIQ Process Services

Mr. Herron reported GRDA requested engineering services to investigate ground clearance distances for select transmission line segments—a maximum of 70 segments. The contractor was to identify current carrying capacity ratings for the segments. This work is being done mostly on 69-kV lines not covered by the LiDAR survey the Board previously approved. The LiDAR addressed 100-kV and above, and that work is being completed. This work is being done in response to a mitigation plan with a June 30 deadline. The engineer has to have his work completed by June 20. The Department of Central Services (DCS) designated Enercon for the project. GRDA and Enercon came to agreement on the scope of services at a not-to-exceed cost of \$99,000. The billing would be based on actual time required. The state requires ten percent for handling fees. GRDA issued an emergency confirmatory to proceed with the purchase order and get the engineer started as the work was time sensitive. The contract requires Board ratification and additional approval of the \$9,900 for DCS handling charges. Director Chernicky moved the Board ratify an engineering contract with Enercon for a not-to-exceed price of \$99,000 and approve a contract with DCS for \$9,900 for handling fees of these IDIQ process services, seconded by Director LaGere, and voted upon as follows: Chernicky, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.i. Change Order No. 1 to Contract 24059,
Tonnece-Siloam Springs Right-of-Way Clearance, with Tribal Construction
Company for Additional Gates and Silt Fencing
and to Extend the Completion Date**

Mr. Herron referred to information he had handed out. This contractor has been doing tree trimming and clearing for the project. GRDA has an approved Storm Water Pollution Prevention Plan (SWPPP) received after bidding the clearance work. The SWPPP required an additional 700 feet of silt fencing. The contractor quoted \$2,719.75 for that fencing. The contract includes a firm completion date and liquidated damages. Inclement weather during the winter caused delays. Therefore, the contractor requests extension of the completion deadline to May 11, 2011. There would be no cost for this change, and the additional time will not hinder the project. The contractor is to install 27 right-of-way access gates—some single and some double. The contract quoted a price for the installation of additional gates if needed. Eight more gates were needed. The cost for those gates is \$17,536. The total of Change Order No. 1 is \$20,255.75, or 6.93 percent of the original contract amount of \$292,335, bringing the revised contract total to \$313,590.75. Director Chernicky moved the Board approve Change Order No. 1 to Contract 24059 to complete the work and to revise the completion date due to delays from inclement weather, seconded by Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

**4.j. Power Purchase and Sale Agreement with People's Electric Cooperative
and Related Planning for Power Sales**

Director Chernicky reported this item has been passed.

4.k. Other New Business

There was no other new business.

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 reported this item would be addressed in executive session.
4. **Marketing Committee:** There was no report.
5. **Policies and Procedures Committee:** Director Bartlett had no report.
6. **Long-Range Planning Committee:** There was no report.

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6. **Executive Session Concerning the Appraisal of Real Property Located in Grove, Delaware County Oklahoma.**
 7. **Executive Session Related to the Purchase and Appraisal of Real Property Located in Ottawa County Oklahoma.**
 8. **Executive Session to Discuss Negotiations Concerning Employees and Representatives of Employee Groups to Include Possible Salary and Benefit Adjustment to All Eligible GRDA Employees.**
 9. **Executive Session to Discuss Coal Pricing under Coal Purchase Contract 2003-E.**
 10. **Executive Session to Discuss Employment of General Manager/CEO and Director of Investments.**

Director Chernicky moved to go into executive session at 10:47 a.m., seconded by Director Meyers, and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, LaGere, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Director Chernicky moved to return to regular session at 11:46 a.m., seconded by Director LaGere, and voted upon as follows: Spears, Bartlett, Chernicky, LaGere, Meyers, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

11. Action on Executive Session Items

- a. Transfer of Title of Real Property Located in Grove, Delaware County Oklahoma.**
- b. Action, As Necessary, Related to the Purchase and Appraisal of Real Property Located in Ottawa County Oklahoma.**
- c. Action, As Necessary, Related to Possible Salary and Benefit Adjustment to GRDA Employees.**
- d. Action, As Necessary, Related to Coal Purchase Contract.**
- e. Action, As Necessary, Related to the Employment of General Manager/CEO and Director of Investments.**

Regarding item a, Director Spears moved the Board approve the sale of the real property located in Delaware County, City of Grove, Oklahoma, near the corner of South Broadway Street and Har-Ber Road as specifically described in the Quit Claim Deed to Integris Rural Health, Inc., for the total amount of \$5,150, seconded by Director Bartlett, and voted upon as follows: Bartlett, Chernicky, LaGere, Meyers, Spears, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item b, Director Spears moved the Board authorize the outside condemnation attorneys to make good faith offers and purchase real property located in

Ottawa County on the basis discussed in executive session, seconded by Director Bartlett, and voted upon as follows: Chernicky, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item c, Director Spears reported no action was deemed necessary at this time.

Regarding item d, Director Spears moved the Board approve the coal Purchase contract 2003-E as discussed in executive session, seconded by Director Meyers, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (5-yes, 0-no, 0-abstained).*

Regarding item e, Director Spears moved the Board accept the resignation of Kevin Easley as General Manager/CEO and Director of Investments for GRDA as discussed in executive session, seconded by Director LaGere, and voted upon as follows: Meyers, Spears, Bartlett, yes; Chernicky, absent; LaGere, yes. *Motion passed (4-yes, 0-no, 0-abstained).*

Director LaGere moved for adjournment at 11:49 a.m., seconded by Director Bartlett, and voted upon as follows: Spears, Bartlett, LaGere, Meyers, yes. *Motion passed (4-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

May 11, 2011
GRDA Board of Directors