

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Chandler, Oklahoma
July 13, 2011**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at North American Insurance Company, Chandler, Oklahoma, on July 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 submitting a Notice of Changed Meeting to the Secretary of State on June 30, 2011, at 10:31 a.m.; by posting the agenda with the Craig County Clerk's office on July 12, 2011, at 9:51 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 10:40 a.m. Teresa Hicks called the roll; all members were present with the exception of Director Bartlett. 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.	Absent
Greg R. Grodhaus	Present
Betty Kerns	Present
W. Brent LaGere	Present
Chris Meyers	Present

ADMINISTRATIVE

Kevin A. Easley, General Manager/CEO	Absent
Michael Kiefner, Chief Operating Officer	Present
Gretchen Zumwalt-Smith, General Counsel	Present
Charles J. Barney, AGM Thermal and Hydro Generation	Present
Carolyn Dougherty, AGM Market Analysis/Strategic Development	Present
Dale Willis, AGM Transmission	Present
Mike Herron, AGM Engineering, System Operations, & Reliability	Present
Donna M. Jones, Secretary	Absent

Others present were as follows: Harold Robertson and Rick Shurtz, NEOREC; Randy Bundy, KAMO Power; Mike Doublehead, Stilwell Utilities; Shane Woolbright, MESO; Mary Jo Mitts, Senate Staff; John Keys and Jerry Endler, DTE Energy; John Curtis, Greenhill Properties; Randy Krehbiel, Tulsa World; Michael Junk and Connie Pearson, Senator Tom Coburn's Office, Tulsa; Justin Alberty, Tamara Jahnke, Holly

CONSENT AGENDA

1. Regular Board Minutes of June 8, 2011

2. Claims, \$33,990,806.31

4.a. Resolutions of Commendation:

(1) Thomas Russel Ramsey

(2) Kevin A. Easley

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

(1) NP3050 Canon Copier

(2) Selectric II IBM Typewriter

(3) Two WH Oil Circuit Breakers (OCBs)

(4) One WH Oil Circuit Breaker (OCB)

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
29472	ABB JH Davidson Inc	\$77,088.00
30036	Yellowhouse Machinery	80,000.00
30122	Southwire	448,158.00
30132	Royal Switchgear Mfg	66,500.00
30158	NGK Locke Inc	60,891.96
30165	Presidio Networked Solutions	299,848.92
30175	Fishnet Security Systems	69,631.00
30194	William E Munson Co	78,540.81
30203	Shannahan Crane & Hoist	61,820.00
30216	Acoustic Emission Consulting	160,000.00
30224	Electrical Technologies	144,664.50
30238	Fisher Scientific	143,082.63
30277*	Megger	<u>59,815.00</u>
<i>Total Standard</i>		\$1,750,040.82
28793	Dowley Security	<u>\$23,882.56</u>
<i>Total Change Orders</i>		\$23,882.56
<i>Grand Total Purchases</i>		<u>\$1,773,923.38</u>

5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF008-00329	Childers Substation Rebuild (Revised)	\$1,554,000.00
RF011-00429	Gore Substation Modifications (Revised)	1,372,000.00
RF011-00430	Sallisaw Interconnect Expansion (Revised)	2,483,000.00
RF011-00438	Install New Flow Meters at Salina Pump Station	156,450.00
RF011-00442	Storage Area Network & Server Virtualization	1,425,635.20
RF011-00453	HP Tipping Point Intrusion Prevention System	335,248.92
CF079-00000	Electrical Fault & Dynamic Swing Recorder	<u>72,137.91</u>
<i>Grand Total Work Orders</i>		<u>\$7,398,472.03</u>

Regarding item 4.b, the items were listed in Surplus Property Transfer Forms from (1) Herman Werkman dated May 20, 2011; (2) Peggy Stroup dated May 25, 2011; (3) Dewey Epps dated May 26, 2011; and Choya Shropshire dated June 23, 2011.

Director LaGere moved to approve the consent agenda, seconded by Director Meyers, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Chernicky, yes. *Motion passed (6-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 July 2011 Update" highlighting the Grand Lake blue-green algae issue and how GRDA's lab is essential in testing water quality on Grand Lake and Lake Hudson.

Dr. Townsend reported that at the July 1, 2011, emergency board meeting, based on the available data, GRDA recommended against bodily contact with the water in Grand Lake because of the toxin level. The good news today is GRDA is prepared to withdraw that recommendation at this point. Based on all the information available, the toxin levels have decreased. The last test results were completely negative associated

with the main part of the lake. However, GRDA is still warning people to use common sense and avoid the scums in the back of the coves. Those scums are still producing toxins and can be fairly elevated. GRDA will continue to monitor the situation. As discussed at the emergency board meeting, there are still changes that can take place. GRDA will continue to watch how this particular bloom progresses and, if necessary, will update its advisories and warnings.

3.b. Assets Committee Recommendations:

3.b.1. Request for Variance to Blast and Access Easement between GRDA and Greenhill Materials, L.C.

Director Kerns reported the Assets Committee met this morning and unanimously recommends approving the variance to blast and to accept a 100-foot easement from Greenhill Properties, LLC. Some items on the contract were tweaked with agreement of the parties involved, so it was unanimously approved by the Committee. Director Kerns moved the Board approve the request, seconded by Director Spears, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4. New Business

4.c. Assets Committee Recommendations:

4.c.1. Possible Options for Rebuild of Luther to Warwick Tap Transmission Line.

4.c.2. Lease Agreement between GRDA and Shangri-La Marina Partners, 2011, LLC, for 0.13 Acres of Land Located near Shangri-La Marina in Delaware County Oklahoma

Regarding item 4.c.1., Director Kerns reported Mr. Herron gave the Assets Committee five options for the rebuild. The Committee unanimously recommends Option 5, where KAMO will build the line and receive a credit under the terms of the Integrated Transmission System Agreement (ITS) which will increase KAMO's capital costs in the ITS. Under this Option, GRDA would retain ownership of the line and the easements. Director Kerns moved to approve same, seconded by Director Chernicky, and voted upon as follows: LaGere, Meyers, Spears, Chernicky, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.c.2., Director Kerns reported the Assets Committee unanimously recommends approval of the lease agreement with Shangri-La Marina Partners, 2011, LLC, and moved to approve same, seconded by Director Chernicky, and voted upon as follows: Meyers, Spears, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.d. All Risk Property Insurance Coverage through Risk Management

Ms. Jahnke reported this insurance is obtained through Risk Management. Although Risk Management solicited quotes from other companies, FM Global is the only quote GRDA received this year. FM Global has been GRDA's carrier for several years, and GRDA has had a very good relationship with this company. The rates have remained the same for five years, and they are proposing the rate remain the same this year as well. The premium has increased slightly because of the increase in the assets. GRDA will now be covering \$2.148 billion in assets for the premium of \$1,284,054. The other change this year is that FM Global has not offered the membership credit. They offered that last year but not the year before. It is hoped they will offer it for GRDA's

policy the year after this coming year. The broker fees remain about the same: about 3.64 percent. Staff recommends renewal of the policy with FM Global at the premium as stated. Director LaGere reported he has reviewed the policy. Property rates are going up, but GRDA's did not. The coverage is good, and the services behind it appear to be good. Director LaGere moved to renew the insurance policy with FM Global, seconded by Director Spears. In response to a question by Director Spears, Ms. Jahnke stated the membership credit is linked to some extent with the company's retained assets. In years they want to keep the assets, they do not offer a membership credit. The motion was voted upon as follows: Spears, Chernicky, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

**4.e. Change Order #7 to Contract 20748, Substation Construction Services,
Kerr Dam Substation, with BBC Electrical Services Inc.
to Extend Completion Date**

Mr. Herron reported GRDA is responsible for scheduling line outages through the Southwest Power Pool (SPP) for the contractors working on the substation. Because of summer loads, GRDA has not been able to schedule outages in the timely fashion needed by the contractor. Therefore, the contractor has been delayed. The contractor has a liquidated damages clause in the contract and is requesting GRDA extend the deadline through December 15 for him to complete the project. It is hoped the fall will allow quicker switched outages. This change order involves no additional cost for the extension. The change order percent is 4.48 percent. Director Chernicky moved the Board approve Change Order #7 to Contract 20748 because contractor's original completion date must be extended due to delays in the ability of GRDA to schedule line outages through SPP during the summer load season, seconded by Director LaGere,

and voted upon as follows: Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, yes.
Motion passed (6-yes, 0-no, 0-abstained).

**4.f. Change Order #3 to Contract 24059, Tonnece to Siloam Springs
Transmission Line, with Tribal Construction
to Extend Contract Completion Date**

Mr. Herron reported this change order has two parts. Regarding change order 3.a., the contractor has a firm completion date on this contract, and liquidated damages apply. Previously, the contractor had requested an extension through May 11 and then another through June 15 because of inclement weather. This particular request is due to the addition of gates and additional sediment fencing (three days each for installation of nine added gates and ten days for installation of additional sediment fencing). Regarding change order 3.b., GRDA requested the contractor install one additional double gate. The time was included in change order 3.a. The cost is \$2,466 per gate and was included in the bid as an optional item. The change order total is \$22,721.75 or 7.77 percent of the original contract amount of \$292,335. Director LaGere moved the Board approve Change Order #3 to Contract 24059 to revise the completion date due to installation time required for added gates and sediment fencing and to add one more double gate to the project, seconded by Director Spears, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.g. Engineering Cost Percentages Report

Mr. Herron reported this is an informational report for the Board in response to questions from the Board at the last board meeting regarding the percent value of the

engineering cost versus the value of the project. Mr. Herron referred to a summary table showing the contracts that had been done by engineers during the last six years and their fees as a percentage of the construction estimate. The numbers run from 46 percent for one job that required a lot of study work to a minimum of eight percent. The engineering costs are dependent upon the type of design work: new construction, rebuild, or additions. For substations, new projects are usually cheaper than rebuild work. Rebuilds require designing around existing equipment, planning for coordinating construction around outages, keeping parts of the substation energized while working on other parts, and fitting new equipment into fixed available spaces. A good example is the Afton Substation. One side is 69 kV with five lines going out of it. The other side is 161 kV. GRDA has been directed by SPP to install a second transformer, but GRDA is not able to just tap the 161 kV and feed it because a ring bus will have to be installed on the high side with the breakers needed to switch the two lines going both directions and the transformers. The five lines from the 69-kV side feed the Grove and lake area. Three of the lines feed to NEO substations that need to be fed all the time. GRDA will have to make provisions to work on part of it and transfer the load to the new part and then tear down the old part and rebuild that part. For transmission lines, rebuild projects are usually cheaper than new lines. New lines require routing studies, easement procurement, environmental studies and approvals, and various permits and agency approvals. Mr. Herron gave the example of the Feeder #4 rebuild. The work consisted of the engineering firm shooting the center line, checking the grade, and designing it. A new line would require determining the line route and doing the studies accordingly. Mr. Herron showed the same summary that included if the project was a rebuild or new

construction. Staff will continue to monitor consultant costs and use in price negotiations. Mr. Herron showed a list of nine additional projects under consideration at present under DCS #1100038. Staff will attempt to have the new projects on the August board agenda. No action is deemed necessary at this time.

**4.h. Work Authorization No. 2011-35 with C. H. Guernsey & Company for
2011 Review of Tax Compliance Report**

**4.i. Work Authorization No. 2011-36 with C. H. Guernsey & Company for
Validation of Loss Calculation Process**

**4.j. Work Authorization No. 2011-375 with C. H. Guernsey & Company for
Production Cost Modeling**

Ms. Dougherty asked that these three items be passed.

**4.k. Bid Award Recommendation for Contract 27906
for HPMP (Historical Properties Management Plan)
for Compliance of Article 404 of the Markham Ferry Project**

Dr. Townsend reported this contract is tied directly to GRDA's Markham Ferry license. GRDA filed its plan on August 31, 2010. It was approved by FERC on November 17, 2010. Bids were solicited. AMEC received GRDA's last contract in 2007 to do Phase 1 of the archeological survey. Part of that was in preparation to develop the plan approved by FERC in November. GRDA is starting to implement Phase 2. In Phase 2, there are about 27 archaeological sites that were found in the vicinity of the Lake Hudson. As part of its license, GRDA is required to further assess those sites and determine what relevance those have from an archeological standpoint. GRDA received three responses; one was a "no bid." AMEC submitted a bid in the amount of \$1,095,999, and Cardinal Engineering submitted a bid in the amount of \$3,578,877.

This will be essentially a five-year project. AMEC proposes to do three to five of those sites annually, and it averages around \$225,000 a year to complete those. The first year will involve training associated with the Lake Patrol on what to look for on these sites and how to address looting of sites. This plan is associated with Section 106, a federal process all licensees and agencies have to deal with. In response to some questions by Director Spears, Dr. Townsend stated Section 106 is a new law. In 1964, when the project was built, it was not a requirement at that time. Now that GRDA is relicensing the project, this law applies. The Oklahoma Archaeological Society and State Historical Society do not perform these services, but they were highly involved in the development of the plan. Director Chernicky moved the Board award RFP #27906 to AMEC for implementation of the Historic Properties Management Plan (HPMP) to ensure compliance with Article 404 of the Markham Ferry License (2183), seconded by Director Meyers, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.1. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

1. **Assets Committee:** Director Kerns had no further report.

2. **Audit Committee:** Director LaGere reported the Committee met this morning.

Deloitte & Touche is GRDA's current auditing firm. The financial audit has not been bid for about five years. The cost of the audit is now roughly \$150,000 a year. The

Committee decided to take bids. The Committee also reviewed the Baker Tilly Benchmarking Analysis Report. It is very favorable to GRDA compared to GRDA's peer group. It shows GRDA is performing well and is financially solid. Director Kerns asked everyone to look at a chart on rates. Ms. Dougherty stated GRDA uses two accounting firms for the most part. GRDA uses Deloitte & Touche for its annual financial audit and another firm, Baker Tilly, formerly Virchow & Krause, does a lot of work in public power and audits several of the public power entities. They are one of the top 15 accounting firms in the world. The firm has auditors, CPAs, and engineers on staff, so they do a significant amount of utility work. GRDA uses them for special audits. KAMO and GRDA jointly hired the firm to audit the ITS (Integrated Transmission System). GRDA, OG&E, and OMPA jointly use them to perform the annual Redbud audit. GRDA asked them to benchmark GRDA against some of the other regional and public power entities. The firm looked at GRDA's assets, debt to equity, and some operating statistics. They compared GRDA's operating costs to other utilities, and GRDA compared favorably. It is staff's understanding that OG&E is no longer going to serve wholesale cities in Oklahoma and have given notice to its wholesale municipal customers that they need to find another power supplier, and PSO only serves South Coffeyville. Director Grodhaus stated this would be a good opportunity to do some positive marketing work and show the actual rates these numbers correspond to. Ms. Dougherty stated it is difficult to get actual rates. Baker Tilly tried to find public applies-to-apples information from annual filings and use it for comparison. Copies of the Baker Tilly report were provided to each of the directors.

3. Coal Committee: Director Chernicky had no report.

4. **Marketing Committee:** There was no report.
5. **Policies and Procedures Committee:** There was no report.
6. **Long-Range Planning Committee:** There was no report.
7. **Ad Hoc Committee:** Director LaGere will have a report after the executive session.

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6. **Executive Session for the Purpose of Discussing the Employment, Hiring, Appointment, Promotion, or Resignation of the General Manager/Chief Executive Officer and Director of Investments.**
 7. **Executive Session for the Purpose of Discussing the Possible Appointment of an Interim General Manager/Chief Executive Officer and Director of Investments.**
 8. **Executive Session for the Purpose of Confidential Communications Concerning a Pending Investigation, Claim or Action Related to Nonpublic Information.**
 9. **Executive Session for the Purpose of Discussing Refined Coal Proposal from DTE Energy.**

Director Chernicky moved to go into executive session at 11:40 a.m., seconded by Director LaGere, and voted upon as follows: LaGere, Meyers, Spears, Chernicky, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Director Chernicky moved to return to regular session at 1:30 p.m., seconded by Director Kerns, and voted upon as follows: Meyers, Spears, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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10. **Action on Executive Session Items**
 - a. **Action, As Necessary, Related to the Employment, Hiring, Appointment, Promotion, or Resignation of the General Manger/Chief Executive Officer and Director of Investments.**

- b. Action, As Necessary, Related to the Appointment of an Interim General Manager/Chief Executive Officer and Director of Investments.**
- c. Action, As Necessary, Concerning the Pending Investigation, Claim or Action Related to Nonpublic Information.**
- d. Action, As Necessary, Related to the Refined Coal Proposal from DTE Energy.**

Regarding item 10.a., Director LaGere reported the Ad Hoc Committee has met and considered candidates and will be continuing moving forward in the selection process. The Committee is going to cut off the application deadline as of today. No action is deemed necessary at this time.

Regarding item 10.b., Director Chernicky moved the Board appoint Michael Kiefner to the position of Interim General Manager/CEO and Director of Investments effective today as discussed in executive session and that Michael Kiefner shall hold such position until such time as a permanent General Manager/CEO and Director of Investments is appointed by this Board. Further, Director Chernicky moved that the Interim General Manager be designated as the agency's Appointing Authority and that all power and duties as outlined in the GRDA By-laws and Oklahoma Statutes be delegated to the Interim General Manager/CEO and Director of Investments; seconded by Director LaGere; and voted upon as follows: Spears, Chernicky, Grodhaus, yes; Kerns, no; LaGere, Meyers, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

Regarding item 10.c., Director Chernicky moved the Board approve the Settlement Agreement relating to Nonpublic Information as discussed and recommended by staff in executive session, seconded by Director LaGere, and voted upon as follows: Chernicky,

Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 10.d., Director Chernicky reported there are several motions for this item:

(1) Director Chernicky moved the Board approve the Commercial Test Burn Agreement as discussed in executive session, seconded by Director Kerns, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

(2) Director Chernicky moved the Board approve the Permit Cost Splitting Letter Agreement as discussed in executive session, seconded by Director Spears, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

(3) Director Chernicky moved the Board approve the Coal Feedstock Purchase Agreement as discussed in executive session, seconded by Director Kerns, and voted upon as follows: LaGere, Meyers, Spears, Chernicky, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

(4) Director Chernicky moved the Board approve the Coal Handling Agreement as discussed in executive session, seconded by Director Kerns, and voted upon as follows: Meyers, Spears, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

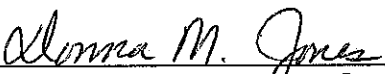
(5) Director Chernicky moved the Board approve the Initial Coal Inventory Agreement as discussed in executive session, seconded by Director Kerns, and voted

upon as follows: Spears, Chernicky, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

(6) Director Chernicky moved the Board approve the License and Service Agreement as discussed in executive session, seconded by Director LaGere, and voted upon as follows: Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

(7) Director Chernicky moved the Board approve the Refined Coal Supply Agreement as discussed in executive session, seconded by Director LaGere, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Director Chernicky moved for adjournment at 1:40 p.m., seconded by Director Kerns, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*



Donna M. Jones, Secretary

DATE APPROVED:

August 10, 2011
GRDA Board of Directors