

**Minutes of Special Meeting  
Grand River Dam Authority  
Board of Directors  
Tulsa, Oklahoma  
October 13, 2011**

A special meeting of the Board of Directors of the Grand River Dam Authority was held at New Dominion LLC, Tulsa, Oklahoma, on October 13, 2011. 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 October 5, 2011, at 11:11 a.m.; by posting the agenda with the Craig County Clerk's office on October 11, 2011, at 2:04 p.m.; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

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Chair Spears called the meeting to order at 8:06 a.m. The Secretary called the roll; all members were present. Chair Spears declared a quorum. Ms. Moore introduced guests.

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**BOARD MEMBERS**

Stephen R. Spears, Chair	Present
Greg R. Grodhaus, Chair-Elect	Present
Dewey F. Bartlett, Jr.	Present
David J. Chernicky	Present
Betty Kerns	Present
W. Brent LaGere	Present
Chris Meyers	Present

**ADMINISTRATIVE**

Michael Kiefner, Interim GM/CEO/Director of Investments/COO	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	Present

Others present were as follows: Harold Robertson and Rick Shurtz, NEOREC; Chris Cariker and Ted Hilmes, KAMO Power; John Bland, City of Siloam Springs; Gary Pruett, Pryor MUB; Mike Doublehead, Stilwell Utilities; Tim Schook, City of Stroud; Mark Chesney, TPWA; Shane Woolbright, MESO; Wendy Gregory, Governor's Office; Randy Krehbiel, Tulsa World; Bob Bitting, AEP; Dave Davis, KOTV; David Arnett, Tulsa Today; Justin Alberty, Tamara Jahnke, Holly Moore, Darrell Townsend, Melanie Earl, Dave McCollaum, Eddie Rothermel, Grant Burget, and Will Shelton, GRDA.

**5. Executive Session for the Purpose of Discussing Proposed Amendments to Coal Purchase Contracts 2001-A and 2003-E with Peabody Coal to Include Application of Dust Suppression Topping Agent on Coal Railcars.**

**6. Executive Session for the Purpose of Discussing a Gas Supply Contract for the Redbud Facility.**

**7. Executive Session for the Purpose of Discussing the Employment, Hiring, Appointment, Promotion, or Resignation of the General Manager/Chief Executive Officer, Director of Investments, Chief Operating Officer, and Chief Technical Officer.**

Regarding item 5, Director Chernicky moved to go into executive session at 8:08 a.m., seconded by Director LaGere, and voted upon as follows: Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 7, Director Chernicky moved to go into executive session at 8:08 a.m., seconded by Director LaGere, and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 6, Director Chernicky moved to go into executive session at 8:08 a.m., seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Chair Spears called the Board back into session at 10:07 a.m. The roll was called as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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## **8. Action on Executive Session Items**

**a. Action, As Necessary, Related to the Proposed Amendments to Coal Purchase Contracts 2001-A and 2003-E.**

- b. Action, As Necessary, Related to the Gas Supply Contract for the Redbud Facility.**
- c. Action, As Necessary, Related to the Employment, Hiring, Appointment, Promotion, or Resignation of the General Manager/Chief Executive Officer, Director of Investments, Chief Operating Officer, and Chief Technical Officer.**

Regarding item 8.a., Director Grodhaus moved the Board approve the amendments to the Coal Purchase Contracts 2001-A and 2003-E between GRDA and Peabody Caballo Mining, LLC, regarding the application of a dust suppression agent; seconded by Director Spears; and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 8.b., Director Grodhaus moved to approve the Fuel Management Services Agreement between GRDA and Seminole Energy Services, LLC, for a three-year period fixed regarding the supply of gas and services at the Redbud gas-fired electric generating facility; seconded by Director LaGere; and voted upon as follows: Spears, Bartlett, Chernicky, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 8.c., Director Grodhaus moved that Director LaGere, on behalf of the Board of Directors, contact the candidate discussed in executive session and offer him the position of General Manager/Chief Executive Officer and Director of Investments to include the compensation package as discussed in executive session; seconded by Director LaGere; and voted upon as follows: Bartlett, Chernicky, Grodhaus, yes; Kerns, no; LaGere, yes; Meyers, Spears, no. *Motion passed (4-yes, 3-no, 0-abstained).*

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## CONSENT AGENDA

1. Regular Board Minutes of September 14, 2011,  
and Special Board Minutes of September 29, 2011

2. Claims, \$44,753,833.17

3.a. Resolution of Commendation for Kevin S. Woods

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

(1) Amana P.T.A.C. A/C Unit

(2) 57 Fuji T-30 Video Cassette Tapes, 21" Space Saver TV Wall Mount,  
Logan 700 SGM SimpleMat Cutter, GBC Heat Seal H700 Laminator,  
Portable Projection Screen, Xante FilmStar2 for Platemaker3, AJA Video IO  
- IOLA Uncompressed Converter, Mackie 14 Channel Mic/Line, Impact  
Mobile Audio Monitor, Electro-Voice Microphone, Sony Trinitron Color  
Video, Sanyo Progressive DVD/VCR, Magnovox DVD Recorder/VCR, Sony  
Stereo Cassette Recorder, Sony FM-AM Receiver, JVC Monitor

4.b. Purchase Order Report (\* Denotes Addenda Items)

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
31788	EMC Intl. US	\$2,233,115.00
31841	Buckman Laboratories Inc	75,200.00
31865	Macrotech Industries Inc	82,570.00
31900	Falcon Steel Co	74,277.00
31928	Bell Tower Corp	370,350.00
31955	Brenntag Southwest	275,000.00
32000	Interstate Helicopters Inc	70,836.00
32003	CIT Group/Capital Finance	2,916,000.00
32024	Alcatel-Lucent USA, Inc	168,874.00
32038	Voith Siemens Hydro Power	<u>220,232.00</u>
<i>Total Standard</i>		\$6,486,454.00
28237	Keystone Electrical	<u>\$166,999.81</u>
<i>Total Change Orders</i>		\$166,999.81
<i>Grand Total Purchases</i>		<u>\$6,653,453.81</u>

4.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
CF080-00000	Low-NOx Burner System at CFC	\$23,913,750.00

<b>RF010-00402</b>	<b>Air Products Transformer Replacement</b>	<b>2,319,000.00</b>
<b>RF011-00441</b>	<b>Transmission Warehouse Rail Spur/Transformer Containment Structure</b>	<b>850,000.00</b>
<b>RF011-00444</b>	<b>Tahlequah West Sub Addition</b>	<b>918,000.00</b>
<b>RF011-00445</b>	<b>Tahlequah West-Sleepy Hollow Line</b>	<b>899,635.00</b>
<b>RF011-00447</b>	<b>Pawnee 138-kV Switching Station</b>	<b>2,019,000.00</b>
<b>RF011-00448</b>	<b>Feeder 39 Rebuild</b>	<b>10,584,880.00</b>
<b>RF011-00450</b>	<b>Claremore Interconnect-Centrilift</b>	<b>996,962.00</b>
<b>RF011-00451</b>	<b>Ketchum Substation</b>	<b>2,159,000.00</b>
<b>RF011-00454</b>	<b>FireEye MPS 2000 Malware Protection System</b>	<b>82,131.00</b>
<b>RF011-00465</b>	<b>Wilgro #1 Additional Load</b>	<b><u>158,643.19</u></b>
	<b><i>Grand Total Work Orders</i></b>	<b><u>\$44,901,001.19</u></b>

Regarding item 4.b, the items were listed in Surplus Property Transfer Forms from (1) Dave Carnahan dated September 19, 2011, and (2) Justin Alberty dated July 25, 2011.

Director Bartlett moved to approve the consent agenda, seconded by Director Meyers, and voted upon as follows: Chernicky, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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## REGULAR AGENDA

### 3. New Business

#### **3.c. Change Order No. 1 to Engineering Services Contract with Enercon Services, Inc., for the Tahlequah West Substation Addition to Correct Existing Substation Drawings**

Mr. Herron reported Enercon was awarded this contract based on the DCS process. At that time, Enercon was identified to do two of GRDA's contracts: the Hulbert Tap Switching Station and the Tahlequah West Substation Addition. Enercon provided not-to-exceed costs for designs and for optional inspection services on both of those projects. The design costs for Hulbert and for Tahlequah were \$362,200 and \$144,200, respectively. Enercon has since done a field visit at the Tahlequah West substation and

reviewed GRDA's drawings and found they were not accurate. Accurate drawings are needed to start the modification of the designs, and GRDA Engineering does not have time to do the field review and correct the drawings. Enercon provided a quote for doing the field verification and drawing updates. The total additional cost is \$6,932. The original contract price was \$144,200, and this change order brings the total to \$151,132. The project estimate is \$918,000, so this amount is an engineering percentage of 16.46 percent. In response to a question by Director Bartlett, Mr. Herron reported the drawings were historical drawings GRDA had. The substation is old and has had work done on it, and the drawings were not updated. Director Chernicky moved the Board approve Change Order No. 1 to the Enercon Services, Inc., design contract for Tahlequah West for a total of \$6,932 to correct the existing substation drawings; seconded by Director Bartlett; and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**3.d. Change Order No. 1 to Engineering Services Contract with Garver, LLC,  
for Sallisaw Interconnect 69-KV Capacitor Banks  
for Addition of Capacitor Banks**

Mr. Herron reported Garver was identified using the DCS process. GRDA recently awarded work to Garver to do the Air Products Substation Upgrade and Sallisaw Interconnect 161-kV Breakers. Garver provided not-to-exceed costs for designs and for optional inspection services. The design costs for those projects are \$303,070 and \$263,350, respectively. The capacitor banks and connection equipment were included in the original work order but were not included in the original scope of services that was given to Garver. At that time, GRDA was doing ongoing studies to indicate whether or not those capacitor banks were needed. GRDA has since requested a change to revise

the scope of services to include capacitor banks. The work will require additional field study as well as design work. The additions include expanding the 69-kV bus, adding two breakers, installing one 7.2 MVAR capacitor bank, providing for a second (future) bank, and installing control panels for breakers and capacitor controllers. The total amount for the identified additional work is \$83,050. The original cost for the project was \$263,350. The revised total is \$346,400. The project estimate which included capacitor banks was \$2,483,000, and the engineering percentage is 13.95 percent. Director Bartlett moved the Board approve Change Order No. 1 to the Garver, LLC, contract for the not-to-exceed cost addition of \$83,050 for adding capacitor banks at the Sallisaw Interconnect Substation; seconded by Director LaGere; and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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### **3.e. Bid Award Recommendation for Substation Construction Services Contract No. 22122, Siloam Springs Expansion**

Mr. Herron reported this construction project has to do with the Tonnece transmission line. Modifications include the construction of an additional 161-kV bay with dead-end structure, addition of a 161-kV breaker, relocation of Feeder 105, addition of a power PT to 69-kV bus, replacement of relays and eight control panels, and installation of nine CCVTs and six lightning arrestors. GRDA will be furnishing most of the materials and equipment, and the contractor will be doing the installation. Construction has a completion line of 180 days after notice to proceed. Liquidated damages do apply. Work will be done on an energized substation, and outages will need to be scheduled through the Southwest Power Pool and GRDA's operators. Bids

were opened on October 7, 2011, and two valid bids and one no-bid were received. BBC is the low bidder in the amount of \$817,494. Re-Con submitted an acceptable bid in the amount of \$1,409,370, and a no-bid was received from E. P. Breaux, the company doing the actual construction of the Tonnece substation. They do not have enough time to do this additional work. In response to questions by Director Bartlett, Mr. Herron responded this contract allows GRDA to connect the new transmission line from Tonnece to the Siloam Springs substation and gives GRDA additional redundancy. If Feeder 105 is out for some reason, GRDA cannot get enough power from Arkansas to serve GRDA's load. This will allow GRDA to back feed that area of GRDA's system. Director Chernicky moved the Board approve award of Contract 22122, Substation Construction Services, Siloam Springs Substation, to the low bidder, BBC, for the quoted price of \$817,494; seconded by Director Spears; and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**3.f. Bid Award Recommendation for Substation Construction Services  
Contract No. 31337, NW MAID Substation**

Mr. Herron reported the bids for the contract were opened Monday. Because of increased load in the MidAmerica Industrial Park, GRDA needs an additional substation and transformer capacity. The land was purchased in 2007. Project backlog delayed getting this design finished. It was designed in-house. The work order estimate is \$2,832,200. The work involves constructing a 161-kV switching and distribution substation; installing three 161-kV breakers; installing a 28-MVA step-down transformer with breakers for four outgoing 13.8-kV distribution circuits; and installing a control

house, relaying, SCADA, metering and other equipment. GRDA is furnishing most of the materials and equipment, and the contractor will be assembling it. GRDA will have the option of adding another transformer later on and another set of distribution equipment if needed, and GRDA may do that depending on how this area of the park increases in load. Construction completion is required within 120 days of notice to proceed. A liquidated damages clause applies. Bids were opened on October 10; five valid bids and two no-bids were received. Bids ranged from \$835,000 to \$1,574,184. E.P. Breaux is the low bidder. GRDA has had good experience with Breaux on the current project at the Tonnece Substation. Breaux is also the contractor for the Saline Creek Substation, which is on hold at present, waiting on FERC approval. Staff recommends award of the contract to E. P. Breaux. Director Chernicky moved the Board award Contract 31337, Substation Construction Services, Northwest MAID Substation, to the low bidder, E.P. Breaux, for the quoted price of \$835,000; seconded by Director Meyers; and voted upon as follows: Spears, Bartlett, Chernicky, Kerns, LaGere, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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### **3.g. Southwestern Power Administration (SWPA) Amendatory Agreement to Contract DE-PM75-98SW00380-M004**

Mr. Herron reported this is the fourth amendment to an existing contract with SWPA. GRDA has a contract with SWPA for interconnections at four locations: Stigler, Checotah, Gore, and Sallisaw. Stigler and Checotah are back-to-back interconnections: SWPA sells power to GRDA through SWPA meters, GRDA then sells the power to KAMO/AECI through GRDA meters, there is no GRDA use other than that to transfer the power to KAMO/AECI, and the configuration is remaining from the time when KAMO

was a GRDA customer. The Stigler and Checotah interconnect substations are both owned by KAMO. GRDA has no reason to maintain these back-to-back arrangements any longer because SWPA has direct contracts with AECI. The Stigler Substation is being modified and requires another metering point, and GRDA did not want to invest unnecessarily in additional metering. Through mutual agreement with KAMO and SWPA, GRDA agreed to remove its metering from Stigler and Checotah. The balancing authority changes were made effective October 1, 2011. GRDA meters were physically removed from Stigler and Checotah on October 3 and 4. Contract changes will be retroactively effective to October 1 for billing purposes. This is a cost-saving modification for GRDA, and it removes two metering locations from GRDA's balancing authority requirements. It will save GRDA on balancing time every month and also maintenance and operation of metering. The document also includes minor changes to several sections of the contract and a rewriting of Article V to remove Stigler and Checotah from the identified interconnection points. Staff recommends approval of the agreement. Director Chernicky moved the Board approve the Amendatory Agreement between United States of America and Grand River Dam Authority, Contract DE-PM75-98SW00380-M004; seconded by Director Spears; and voted upon as follows: Bartlett, Chernicky, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**3.h. Proposed Amendment No. 1 to Work Authorization No. 28973  
with Black & Veatch Engineering Corporation for Engineering Services for  
Procurement and Installation of Low-NOx Burners  
at the Coal-Fired Complex**

Mr. Barney reported the Environmental Protection Agency (EPA) is in the process of issuing dozens of new complicated regulations. To meet new regulations, GRDA anticipates needing to add new emission control equipment. Additional equipment would be needed to remove additional sulfur dioxide, mercury, fine particulate, and nitrogen oxide. In May of this year, the Board approved engaging Black & Veatch to assist in developing a specific plan, so when the rules are finalized, staff can present to the Board a detailed proposed plan, including associated costs. Economically, it appears the best choice is to comply with the new rules as soon as they are finalized. It is expected the new rules will be finalized at the end of 2011 or early 2012. EPA proposed a new and surprise rule in July 2011 which would require substantial reductions in nitrogen oxide (NOx) emission from Oklahoma power plants, including GRDA, beginning in 2012. To meet aggressive EPA timelines, GRDA needs to expedite the existing plan to procure and install low-NOx burners with overfire air at the Coal-Fired Complex. Mr. Barney explained the NOx-burner technology and indicated it is estimated to cost \$24 million for Units 1 and 2. Staff anticipates coming back to the Board with a specific plan to do this in a few months. Installing the low-NOx burners is the lowest-cost option to achieve the EPA-mandated requirements on GRDA's operation. GRDA expects to get a reduction of 35-50 percent. Staff recommends proceeding immediately with this project using Black & Veatch Engineering who has already done preliminary work associated with the project. One aspect of the project involves an air permit application that needs to be prepared and submitted. The process

can take up to a year. It is hoped the state will expedite it considering the new EPA rules. Another aspect is specifications that would need to be prepared to go out for bids for the low-NOx burner systems. It is anticipated the earliest GRDA would be able to install burners would be the fall of 2012. Right now, that would not meet EPA's schedule, but that is the best GRDA can do. GRDA and other Oklahoma utilities have made objections to EPA. The Governor and the Attorney General have expressed their objections to the EPA rule. Mr. Barney is optimistic there will be some adjustment. At this time, there is not, so Mr. Barney recommended proceeding immediately. Mr. Kiefner pointed out that GRDA had previously planned for this expense and has budgeted funds to do it. It is part of GRDA's existing bond issues to do the work. Director Bartlett asked about a cost-benefit study. Mr. Barney stated one option is GRDA could reduce power out of the generating units during the summer by roughly 50 percent. Another option would be to go into the marketplace and buy credits from eastern utilities. Mr. Barney stated the smartest and lowest-cost option and least risk to GRDA's customers is to install low-NOx burners. There are additional technologies available. There are additional measures that can be taken, but they are very expensive. Director Chernicky moved the Board authorize Amendment No. 1 to Work Authorization No. 28973 with Black & Veatch Engineering for engineering services to procure and install low-NOx burners at the GRDA Coal-Fired Complex in an amount not to exceed \$334,000, seconded by Director Spears. Director Spears added this item was discussed by the Coal Committee, and the Committee recommends entering into the contract. The motion was voted upon as follows: Chernicky, Kerns, LaGere, Meyers, Spears, Bartlett, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**3.i. Amendment to Engagement Letter  
with Oklahoma State Auditor & Inspector for Audit**

Ms. Dougherty reported the State Auditor's office recognizes how complex an organization GRDA is, and that was one of the reasons they indicated they needed additional money above the initial \$125,000 estimate of fees. Because they had not previously completed a performance audit at GRDA, they did not realize how much work it would entail. The State Auditor's office wanted Ms. Dougherty to relay that staff has been very good at responding and getting them the information they have requested. It is hoped the report not only reflects things GRDA needs to improve but also recognizes progress already made. Ms. Dougherty recommended approval of the extra \$25,000. Director Spears moved the Board approve the Amendment to Engagement Letter with the Oklahoma State Auditor & Inspector, seconded by Director Bartlett, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Bartlett, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**3.j. Amendment No. 2 to First Amended Power Purchase and Sale Agreement  
with Google, Inc.**

Mr. Kiefner asked that this item be passed to the next board meeting. Additional work and renegotiation is needed on that agreement.

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**3.k. IDIQ Engineering Services Contract with Wallace Engineering  
for On-Call Miscellaneous Concrete Foundation Design**

Mr. Herron reported this IDIQ process is the same one for gaining engineering services for smaller jobs. The engineers have been previously vetted by the state. The state assigns the engineering firms based on design qualifications and the requested

scope of services the user provides. The design costs are for less than \$100,000, and the project costs are normally less than \$1.5 million. GRDA needs someone to design miscellaneous concrete foundations and requested engineering services to do that work. GRDA needs designs for miscellaneous substations structures and miscellaneous transmission line and communication tower foundations. This is for work that is not part of a major project. The state requires ten percent for handling. It requires board approval of the \$100,000 not-to-exceed design cost. Additional board approval of \$10,000 is needed for DCS handling charges. Director Spears asked why someone in-house cannot do the work. Mr. Herron reported GRDA had a civil engineer—Steve Martin—who did that work, but he passed away in August, and that particular position has not been filled. GRDA does not have a civil engineer on staff that can stamp drawings to indicate they have been reviewed by a professional engineer. At present, GRDA is not looking to replace that position. Mr. Herron would like to track costs for a year to see how much is spent. It may be cheaper to have this type of firm doing the work rather than hiring someone fulltime. Director Chernicky moved the Board approve an engineering contract with Wallace Engineering for a not-to-exceed price of \$100,000 and approve a contract with the Oklahoma Department of Central Services for \$10,000 for handling fees of these IDIQ process services, seconded by Director Meyers, and voted upon as follows: LaGere, Meyers, Spears, Bartlett, Chernicky, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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### **3.1. Other New Business**

There was no other new business.

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

1. **Assets Committee:** Director Kerns had no report.
2. **Audit Committee:** Director LaGere had no report.
3. **Coal Committee:** Director Chernicky had no further report.
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.
7. **Ad Hoc Committee:** Director LaGere had no report.

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Director Chernicky moved for adjournment at 10:48 a.m., seconded by Director Spears, and voted upon as follows: Meyers, Spears, Bartlett, Chernicky, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*



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Donna M. Jones, Secretary

DATE APPROVED:

November 9, 2011  
GRDA Board of Directors