

**Minutes of Regular Meeting  
Grand River Dam Authority  
Board of Directors  
Vinita, Oklahoma  
July 11, 2012**

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 July 11, 2012. 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 1, 2011, at 11:04 a.m.; by posting the agenda with the Craig County Clerk's office on July 10, 2012, at 9:26 a.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 10:04 a.m. Ms. Hicks called the roll; all members were present with the exception of Director Bartlett. 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.	Absent
David J. Chernicky	Present
Betty Kerns	Present
W. Brent LaGere	Present
Chris Meyers	Present

**ADMINISTRATIVE**

Daniel S. Sullivan, General Manager/CEO/Director of Investments	Present
Tim Brown, Chief Operating Officer	Present
Ellen Edwards, General Counsel	Present
Charles J. Barney, AGM Thermal and Hydro Generation	Present
Allison Goodpaster-Carter, AGM Human Resources	Present
Carolyn Dougherty, AGM Market Analysis/Strategic Development	Present
Brian Edwards, AGM Chief of Law Enforcement/Homeland Security	Present
Mike Herron, AGM Engineering, System Operations, & Reliability	Present
Michael Kiefner, AGM Land Management and Properties	Present
Darrell Townsend II, AGM Ecosystems & Lake Operations	Present
Dale Willis, AGM Transmission	Present
Donna M. Jones, Secretary	Absent

Others present were as follows: Harold Robertson and Rick Shurtz, NEOREC; John Bland, City of Siloam Springs; Randy Bundy, KAMO Power; Wendy Gregory, Governor's Office; Paul Slaton, LDONE, Inc. & SWBT; Randy Krehbiel, Tulsa World; Cheryl Franklin, Grove Sun; Denton Thomason, Vinita Daily Journal; Mike Williams, Shangri-La; Justin Alberty, Tamara Jahnke, Holly Moore, Melanie Earl, Heath Lofton, and Mike Stafford, GRDA.

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## CONSENT AGENDA

### 1. Regular Board Minutes of June 13, 2012

### 2. Claims, \$51,281,974.35

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

- (1) Onan Gas Air Compressor
- (2) Three Carrier Current Lint Traps
- (3) Otasco Window A/C Unit
- (4) One Lot Cell Phones
- (5) One Lot File Cabinets

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

<i>Number</i>	<i>Vendor</i>	<i>Amount</i>
36895	K-Powernet LLC	\$210,000.00
37098	Warren Power & Machinery	95,000.00
37410	OATI	22,800.00
37541*	APP Engineering Inc	72,869.00
37543*	Maritec Industries	291,330.00
37545*	Kone Elevator	9,000.00
37573*	Tyco Flow Control	<u>66,108.00</u>
<i>Total Standard</i>		\$767,107.00
15556*	Standley Systems Inc	\$35,401.00
34511	Alcatel-Lucent USA Inc	<u>2,181,350.00</u>
<i>Total Change Orders</i>		\$2,216,751.00
<i>Grand Total Purchases</i>		<u>\$2,983,858.00</u>

#### 5.c. Work Order Report

<i>Number</i>	<i>Title</i>	<i>Amount</i>
RF010-00472	Pensacola 69-KV Sub Yard Upgrade	\$1,617,000.00
RF011-00435	CPP Sub Rebuild/Replacement	<u>5,900,000.00</u>

***Grand Total Work Orders***

**\$7,517,000.00**

Regarding item 4.b, the items were listed in Surplus Property Transfer Forms from (1) Steve Stough dated May 8, 2012; (2) Choya Shropshire dated May 17, 2012; (3) Jarrett Gregory dated May 3, 2012; (4) Nita Wade dated June 22, 2012; and (5) Mary Edmundson dated June 26, 2012.

Regarding item 5.b., Director Spears moved Purchase Order 37543 to the regular agenda.

Director Spears moved to approve the consent agenda, with the removal of Purchase Order 37543; seconded by Director Chernicky; and voted upon as follows: Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**REGULAR AGENDA**

**5.b. Purchase Order 37543**

Director Spears asked about the three boats GRDA is buying for \$291,000. Mr. Edwards reported they are 27-foot Blackwoods, a replication of the newest boat GRDA bought last year. The overall construction of the boat tends to handle the rough waters better. It is an outboard and will allow GRDA to standardize maintenance. GRDA has a certified Mercury mechanic on staff. GRDA has some smaller boats that have towers on them, and there is a continual problem with the towers breaking which makes it harder for personnel to operate. GRDA has some inboard/outboard boats that will be retired that are higher in maintenance than the outboards. It is an overall attempt to standardize the boats, so parts can be standardized and drive some of the maintenance costs down. There are about 15 boats in the fleet, which includes John boats. The

rough waters on the south end of the lake makes the smaller boat very difficult to work out of. Only one bid was received. Mr. Edwards added these boats also have state-of-the-art electronics. A lot of times calls are received from boats in distress at night that do not have any lights, and these new boats have distant-seeking radar units that will allow personnel to navigate at night. Director Chernicky asked that this item be passed to the end of the meeting to get specification information. Ms. Dougherty later reported that the RFP was sent to three different vendors, and it was posted on the Web site. Only one response was received. She also had a copy of the specifications and showed pictures of the boat. *(Continued on page 12.)*

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### **3. Unfinished Business**

#### **3.a. Progress Reports**

Mr. Sullivan reported GRDA recently had a four-day unplanned outage of Unit 2 at the Coal-Fired Complex which was caused by an ash buildup. The problem has been corrected, and Mr. Barney believes a solution has been found that will prevent that problem in the future.

Several people attend the APPA National Conference. Of interest is the fact that everyone in this business is going through the same discussions GRDA is of looking at natural gas versus coal and all the environmental issues related to that. The takeaway from the presentations is that no one has a clear answer.

Staff is working with the Compensation Committee on an IT/Engineering Compensation Plan as mentioned at last month's board meeting. Several meetings have been held to look at putting together a plan of structure within the IT and Engineering departments, so GRDA has a stepwise progression that will assist in

adequately compensating GRDA's engineers as well as dealing with issues related to state obligations. It is planned to have something on the plan for next month.

Staff met yesterday with the Corps of Engineers, the City of Miami, representatives from Senator Inhofe's office, Representative Boren's office, and the Governor's office and is making progress in respect to the rule curve amendment. Ms. Jahnke, Dr. Townsend, and Mr. Sullivan will be leaving for Washington this afternoon to meet with FERC tomorrow and Friday. There are new people at FERC in administrative positions, and those issues will be discussed further with FERC.

GRDA's engineers have been moved into the Engineering and Technology Center (ETC) in Tulsa. GRDA has been able to hire two people as a result, one engineer previously discussed that moved from Arizona and started at the beginning of this month. An engineer that will be working in the IT Department is moving from Florida. Also, an intern will be able to work through the fall because of the Tulsa location.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA July 2012 Update" highlighting APPA's *Pride in Public Power*. Mr. Sullivan added this will be available to GRDA's municipal customers for their discussions with their customer base.

Mr. Sullivan will be attending the Governor's Executive Development Program for State Officials at the end of the month. The Board may be getting an email of a survey that is associated with the program.

A Long-Range Planning Committee meeting will probably be held next month. Staff is working to put together some foundational elements of the long-range research plan.

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#### **4.b. Assets Committee Recommendations:**

**4.b.1. Request by Southwestern Bell Telephone Company, d/b/a AT&T Oklahoma, for an Easement for Buried Telecommunications Cable on GRDA Property Located in Delaware County Oklahoma.**

**4.b.2. Request by Ameristar Fence for a Transmission Easement Release Located in Tulsa County Oklahoma.**

**4.b.3. Assignment of License from Mike and Lisa Peterson to James Byron Richie, Trustee of the James Byron Richie Trust Dated February 4, 2004.**

**4.b.4. Recommendation to Declare Surplus the Remainder of the Line K705, Bixby through River Crossing, from the Bixby Substation Northwest through the River Crossing in Tulsa County Oklahoma.**

Director Kerns reported the Assets Committee met this morning with a quorum present.

Regarding item 4.b.1., Director Kerns reported the request for an easement was approved unanimously by the Assets Committee. Director Kerns moved to recommend approval by the Board of an underground telecommunications easement located in Horse Creek, Delaware County Oklahoma, to Southwestern Bell Telephone, d/b/a AT&T Oklahoma, in the amount of \$4,004; seconded by Director Spears; and voted upon as follows: Grodhaus, Kerns, LaGere, Meyers, Spears, Chernicky, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.b.2., Director Kerns reported this item was passed to next month's meeting to obtain further information and for staff to meet with Ameristar people.

Regarding item 4.b.3., Director Kerns reported the Assets Committee recommends approval and moved the Board approve an assignment of license from

Mike and Lisa Peterson to James Byron Richie, subject to Mr. Richie's consent to a 30-year assignment for property located in Delaware County Oklahoma; seconded by Director Meyers; and voted upon as follows: Kerns, LaGere, Meyers, Spears, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Regarding item 4.b.4., Director Kerns reported this item was passed until next month in order to obtain further information.

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**4.c. Change Order #7 to Contract 22120,  
Tonnece Substation Construction Services,  
with Ernest P. Breaux Electrical Inc.  
for Deletion of Microwave Foundation from Contract Requirements**

Mr. Herron reported this is the final change order for this contract. In the original contract there was a placeholder on a foundation for the microwave tower pending final foundation design. Ernest P. Breaux was not required to construct the tower foundation but was required to provide a price for doing the foundation. Breaux was required to provide a credit for not installing the foundation. The credit is \$8,500 to delete the microwave tower foundation from the contract requirements. With this \$8,500 deletion, the overall change order total is \$204,400.78, or 8.10 percent of the original contract amount of \$2,524,600. Director Chernicky moved the Board approve Change Order #7 to Contract 22120 for a credit of \$8,500 to cover deletion of the microwave tower foundation from the Breaux contract requirements, seconded by Director LaGere, and voted upon as follows: LaGere, Meyers, Spears, Chernicky, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**4.d. Change Order #1 to Contract 28747, Tonnece Microwave Tower,  
with Preferred Tank & Tower Maintenance Division, Inc.,  
to Extend Completion Deadline**

Mr. Herron reported this contract was for \$100,000 and was awarded on June 8, 2011. Notice to Proceed was issued on August 5, 2011. Tower drawings and foundation loading data were required from the contractor. The foundation was to be designed by Black & Veatch and to be included in the general construction contract work which was discussed in the previous item. As of November 11, 2011, no information was received from the contractor, so GRDA moved to terminate the contract. The Purchasing Department and the contractor came to an agreement, and GRDA agreed to continue the contract. The contractor provided tower drawings on November 15, 2011, but still did not get the foundation loading data to GRDA until January 10, 2012. The contractor said the delay was because Rohn Tower did not provide the information to him. Because of the delay, Black & Veatch had finished its design work on the project, so GRDA went to an on-call civil engineering firm and had them design the tower footings. The cost of that work was \$2,835. It was too late for the Tonnece construction contractor to get the foundations installed, so GRDA crews installed the foundations. Preferred Tank then installed the tower the week of April 18; the tower was completed on April 27. Preferred Tank issued a change order requesting an extension of completion date to May 15, 2012 (approximately 135 days), as a no-cost extension. Mr. Herron showed a timeline for the project. The estimated contract completion date was September 9, 2011. Based on an August 15, 2011, Notice to Proceed, the contract completion should have been October 24, 2011. The delay in the Notice to Proceed was because of the contractor not providing necessary insurance data. The actual

completion date was April 27, 2012, or 189 days late. There was \$1,000-per-day liquidated damages charge with a maximum of 20 percent. GRDA has paid \$90,000 on this contract, more than the 20 percent. The credit from Breaux was \$8,500. The cost for the Wallace Engineering foundation design was \$2,835. GRDA's construction cost was \$15,062.56. GRDA had \$17,897.56 invested in the project, plus \$602.44 for GRDA's overhead. GRDA's total cost is \$18,500, and with the \$8,500 credit from Breaux, the remainder due to GRDA is \$10,000. Staff recommends the Board deny the change order request to extend the completion deadline by 135 days and to impose a liquidated damages charge of \$10,000 against the contractor for delays in completing the contract. In talking with staff, if there is another instance like this in the future, GRDA will try to withhold the full amount of the delay (in this case, \$20,000) and get a Board decision on what needs to be done. Director Chernicky moved the Board deny the Change Order #1 request to extend the contract date and withhold \$10,000 from the final payment to Preferred Tank and Tower Maintenance Division, Inc., under Contract 28747 as liquidated damages due to delays in providing necessary foundation design data within the timeframe quoted; seconded by Director Spears; and voted upon as follows: Meyers, Spears, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**4.f. Change Order #1 to Contract 31337, Northwest MAID Substation, with Ernest P. Breaux Electrical, Inc., to Extend Completion Deadline**

Mr. Herron reported the main substation is in the Industrial Park. It will be a 161-kV substation that steps down to distribution voltage. Mr. Herron showed slides of the substation. The construction was estimated at 120 days from the Notice to Proceed. A

liquidated damages clause of \$1,000 per day and a 20 percent maximum applies. Ernest P. Breaux was the low bidder at \$835,000. The Notice to Proceed was issued on January 30, 2012, with completion due by May 31, 2012. The contractor was delayed because of receipt of GRDA-supplied materials. Breaux has asked for a 60-day extension of the completion date. Staff recommends approval of the extension. Director Spears moved the Board approve Change Order #1 to Contract 31337 to extend the completion deadline to July 29, 2012, due to delays in receipt of GRDA-supplied materials; seconded by Director LaGere; and voted upon as follows: Spears, Chernicky, Grodhaus, Kerns, LaGere, Meyers, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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#### **4.g. Renewal of Property Insurance**

Mr. Lofton reported GRDA's property insurance is provided through FM Global. It insures real property (land and buildings) and personal property of GRDA. The current policy expires August 1, 2012. GRDA currently has \$2.148 billion of property insured, and the annual premium for that property is \$1,238,839. The proposal for renewal effective August 1, 2012, has an increased insured value of \$2.162 billion at an annual premium of \$1,310,681. FM Global's proposal consists of a 5.8 percent increase in premium. GRDA was told a few months ago to expect a 5 percent to 10 percent increase this year because of catastrophic weather events last year. The increase in insurable values went up .58 percent. The actual rate increase is about 5.2 percent. In addition, State Risk Management assesses a 3.7 percent administrative fee which is about \$50,000. With property insurance, state law requires that any bids GRDA receives has to be approved by the Director of State Risk Management. GRDA would have to pay the fee to a broker or the agent who placed the coverage. Other carriers

were approached to solicit bids, but no competing bids were received. Director LaGere stated he believes this is a fair deal but suggested that in the future, bids should be solicited about 120 days prior to renewal time. Director LaGere moved to approve the renewal of GRDA's property insurance through FM Global and the payment of the Department of Central Services' administrative fee in an amount not to exceed \$1,360,681; seconded by Director Spears; and voted upon as follows: Chernicky, Grodhaus, Kerns, LaGere, Meyers, Spears, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**4.h. Revisions to the Board of Directors Policy Manual: Second Reading of Policy 7-5 (*Prohibition of Use of Tobacco Products on State Property*)**

Ms. Jahnke reported the first reading of this policy was held last month. The policy was created to comply with the Smoking in Public Places and Indoor Workplaces Act and also Executive Order 2012-1. The policy prohibits use of tobacco on state-owned property and state vehicles, watercraft, and aircraft owned by the state. The policy further discourages visitors on state property from using tobacco. Director Spears asked how this policy applies to the lake. Mr. Lofton reported he contacted the general counsel for the Governor to ask that question, and it was agreed during the telephone call that GRDA could not prohibit smoking on the lake from visitors. The policy has a provision that says this non-smoking policy does not apply to visitors to the lake, but any smoking or use of tobacco is strongly discouraged. It does apply to GRDA employees on the lake during the scope of their employment. Director Chernicky moved the Board approve and adopt Board Policy 7-5 (*Prohibition of Use of Tobacco Products on State Property*),

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

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#### **4.i. Other New Business**

There was no other new business.

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#### **5.b. Purchase Order 37543**

*(Continued from page 4.)*

Director Chernicky moved to approve Purchase Order 37543, seconded by Director LaGere, and voted upon as follows: Kerns, LaGere, Meyers, yes; Spears, no; Chernicky, Grodhaus, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

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Director Kerns asked for an engineering report. Mr. Sullivan stated staff has met to discuss a structured pay plan for Engineering and IT positions, such as Engineering I, II, III, so there would be a progression, and those positions would also be within a salary band to allow GRDA to be competitive. The compensation offered has not been the issue in hiring engineers. The issues have been work conditions and location, and those have been addressed. When compared to the private sector, it was found 9 out of 12 of GRDA's engineers make more than the U.S. Bureau of Labor Statistics' state average, and 8 of 12 make more than the national average. GRDA has also been indexing the cost being paid to consulting engineers as a benchmark because there is approximately a 2.5 times markup on those services. If converted and compared to equivalent GRDA positions, GRDA is within the margin of error. There are currently four posted vacancies. A call was received yesterday from a gentleman in Tulsa regarding the advertisement on the APPA Web site and is sending his resumé this morning. Since last

Monday, there have been 150 views of GRDA's postings on the APPA Web site. GRDA has generated a lot of interest. An engineer has been hired for GRDA's IT Department in which the Tulsa office was a significant factor in his acceptance. Director Grodhaus added that will also be covered under the Compensation Committee's report as the Compensation Committee's first charge is for investigating and being vigilant on the competitiveness and fairness of all compensation to all groups of employees in GRDA. That report will be given under the Committee Reports.

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## **5. Reports**

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

- 1. Assets Committee:** Director Kerns had no further report.
- 2. Audit and Budget Committee:** Director LaGere had no report.
- 3. Fuel Committee:** Director Chernicky reported this item will be addressed in executive session.
- 4. Marketing Committee:** Director Grodhaus had no report.
- 5. Policy Committee:** There was no report.
- 6. Compensation Committee:** Director Grodhaus reported that at the last meeting there was a suggestion that one of the ways to mitigate the problems with filling the engineering openings might be to double the salaries up to about \$200,000 and that GRDA does have the money to do that if needed. If GRDA is not competitive, it needs to be quickly addressed. The problem with hiring the engineers has been with GRDA for about eight years. The Committee has the Office of Personnel Management's report that was just given to GRDA this spring. The report only covers the classified positions at GRDA in salaries, but it covers the benefits for all positions. Under the classified

positions, it shows GRDA is 8.27 percent above market. GRDA is about 3 percent under market in salaries and about 30 percent above market in benefits. Those benefits are the same benefits that flow to the classified positions. Five points of data are continuously used by the management team to scope out the classified position's competitiveness: (1) the Bureau of Labor Statistics, (2) a commercial compensation information bureau which is JJ Keller and Associates (it provides the national and regional averages for the various kinds of engineering positions), (3) outsource engineering firms (e.g., Enercon will give a list of all the engineers and what they will bill GRDA--about two and a half times their cost), (4) interviews from new hires (GRDA has just hired a person from a utility in the Arizona area and found the salary was equal to their previous salary plus overtime), and (5) the management team who are members of various associations where data and competitive information is shared). From these data points, on an objective basis, GRDA can say it is at market on compensation as far as salary and above market as for benefits as far as the engineers. If GRDA is still short and not filling the positions, anybody can have their opinion that the reason is due to location, commuting, etc., but the notion of floating a \$200,000 or other number needs to be put to rest because that has served to cause turmoil amongst employees thinking management has been holding them back in compensation. At the next meeting, the Compensation Committee will do a brief PowerPoint presentation on this subject because other areas have been uncovered that are not compensation-related that could be improved. GRDA needs to put to rest now that it is 100 percent unequivocally competitive with the compensation for the engineering positions compared to both nationally and into GRDA's region.

7. **Long-Range Planning Committee:** Director Meyers had no report.

8. **Ad Hoc Resource Committee:** Director Spears had no report.

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**6. Proposed Executive Sessions:**

**a. Proposed Executive Session Concerning a Pending Investigation, Claim, or Action Related to Non-Public Information.**

**b. Proposed Executive Session Concerning a Pending Action Related to Non-Public Customer Information the Authority is Contractually Obligated to Keep Confidential.**

**c. Proposed Executive Session to Discuss Coal Pricing under Coal Purchase Contract 2001-A.**

**d. Proposed Executive Session Regarding a Personnel Matter.**

Director Chernicky moved to go into executive session at 10:59 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 Spears moved to return to regular session at 11:51 a.m., seconded by Director Chernicky, and voted upon as follows: Meyers, Spears, Chernicky, Grodhaus, Kerns, LaGere, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

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**7. Action on Executive Session Items:**

**a. Action, As Necessary, Concerning Non-Public Information.**

**b. Action, As Necessary, Concerning Non-Public Customer Information.**

**c. Action, As Necessary, Related to Coal Purchase Contract 2001-A.**

**d. Action, As Necessary, Related to a Personnel Matter.**

Regarding item 7.a., Director Chernicky moved that the Board approve entering into the proposed settlement agreement as discussed in executive session, seconded

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

Regarding item 7.b, no action was deemed necessary at this time.

Regarding item 7.c., Director Chernicky moved the Board approve the coal price settlement under Coal Purchase Contract 2001-A with Peabody Energy 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).*

Regarding item 7.d., no action was deemed necessary at this time.

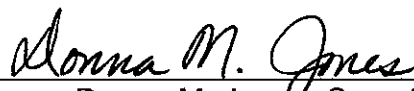
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**4.e. Bid Award Recommendation for Contract 34303,  
Substation Construction Services for Afton Substation**

Director Chernicky moved that the bid award for the Afton Substation be made to the low evaluated bidder 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).*

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Director Chernicky moved for adjournment at 11:54 a.m., seconded by Director Grodhaus, and voted upon as follows: Kerns, LaGere, Meyers, Spears, Chernicky, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained).*



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Donna M. Jones, Secretary

DATE APPROVED:

  
GRDA Board of Directors