

**Minutes of Regular Meeting  
Grand River Dam Authority  
Board of Directors  
Vinita, Oklahoma  
January 16, 2013**

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 January 16, 2013. 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 November 6, 2012, at 2:51 p.m.; by posting the agenda with the Craig County Clerk's office on January 15, 2013, at 8:55 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 Grodhaus called the meeting to order at 10:01 a.m. All members were present. Chair Grodhaus declared a quorum. Ms. Moore introduced guests.

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**BOARD MEMBERS**

Greg R. Grodhaus, Chair	Present
Chris Meyers, Chair-Elect	Present
Betty Kerns	Present
Tom Kimball (arrived 10:02 a.m.)	Present
W. Brent LaGere (arrived 10:04 a.m.)	Present
Stephen R. Spears	Present
Allen B. Wright	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	Present

Others present were as follows: Anthony Due, Larry Cisneros, and Rick Shurtz, NEOREC; Ted Hilmes, KAMO Power; John Bland, City of Siloam Springs; Mike Furnas, City of Miami; Mark Chesney, Kansas Power Pool; Marissa Treat, Secretary of Energy's Office; Roger Pelcher, Kingston Properties/Crown Pointe; Mike Williams, Shangri-La;

Randy Krehbiel, Tulsa World; Justin Alberty, Tamara Jahnke, Holly Moore, Grant Burget, Dave McCollaum, Melanie Earl, Heath Lofton, and Lori Starks, GRDA.

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- a. Nominations for Treasurer**
- b. Election of Treasurer**
- c. Nominations for Secretary**
- d. Election of Secretary**

Chair Grodhaus declared nominations open for Treasurer and Secretary. Director Spears moved to nominate Carolyn Dougherty for Treasurer, seconded by Director Kerns. There being no other nominations, the nomination was voted upon as follows: Kerns, Kimball, Meyers, Spears, Wright, Grodhaus, yes. *Motion passed (6-yes, 0-no, 0-abstained)*. Director Spears nominated Donna Jones for Secretary, seconded by Director Kerns. There being no further nominations, the nomination was voted upon as follows: Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained)*.

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## **CONSENT AGENDA**

### **2. Claims, \$53,459,941.42**

#### **4.a. Resolution of Commendation for Steven B. Grossman**

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

##### **(1) CR Plus Medtronic Lifepak Defibrillator**

##### **(2) Porter Transformer**

##### **(3) Two Sony BM-890 Microcassette Dictation Machines, Sony Power Adaptor, Sony Handset for Dictation, Sony BM-815 Micro-Transcriber with Foot Pedal**

**5.b. Approval/Ratification of Purchase Orders Which Are Consistent with GRDA Policies and Procedures (\* Denotes Addenda Items)**

<i>PO No.</i>	<i>Vendor/Description</i>	<i>Pursuant to</i>	<i>Amount</i>
<b><i>Standard Orders</i></b>			
41035	Hometown Bottled Water LLC / Water Service	RFQ 11615	\$35,000.00
41119	Mail Finance Inc / Postage Machine Rental	NJPA Contract #043012-NPI	\$1,400.64
41222	MVA Power Inc / Steel Structures	RFQ 11704	\$83,808.00
41286	Scott-Macon Equipment / Crane Truck	RFQ 11649	\$269,518.00
41368	Trench Limited / Sure Service Support	RFQ 11733	\$70,100.00
41371	Emerson Process Management / Sure Service Support	RFQ 11685	\$187,708.00
41374	Keystone Electrical Mfg / Relay Panels	RFQ 11723	\$88,570.21
41377*	Air Products & Chemicals Inc / Hydrogen	RFQ 11647	\$300,000.00
41416*	MVA Power Inc / Transformers	RFQ 11668	\$53,183.58
41442*	Schneider Electric USA Inc / Support Agreement	RFQ 11792	\$75,570.00
<b><i>Total Standard Orders</i></b>			<b>\$1,164,858.43</b>

<b><i>Change Orders</i></b>			
34362*	TransAmerican Power Products Inc Change Order #3	2 Additional Poles Needed	\$10,356.00
<b><i>Total Change Orders</i></b>			<b>\$10,356.00</b>

<b><i>Emergency Orders</i></b>			
41378*	Gardner Denver Inc / Vacuum Pump	RFQ 11786	\$55,281.64
<b><i>Total Emergency Orders</i></b>			<b>\$55,281.64</b>

<b><i>Grand Total All Orders</i></b>			<b>\$1,230,496.07</b>
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**5.c. Work Order Report (\* Denotes Addenda Items)**

<i>Number</i>	<i>Title</i>	<i>Amount</i>
<b>RF012-00553</b>	<b>Skiatook Tap Motor Operator Installation &amp; Telemetry</b>	<b>\$131,050.00</b>
<b>RF012-00554</b>	<b>Stillwater North Tap - Breaker Replacement</b>	<b>\$213,000.00</b>
<b>Grand Total Work Orders</b>		<b>\$344,050.00</b>

Regarding item 4.a, Chair Grodhaus stated Steve Grossman has been with GRDA for 32 years. He is a superintendent at the Coal-Fired Complex, and he began as a Laborer in 1981. GRDA will miss his expertise and skills and knowledge. The Board wants to recognize Mr. Grossman and wish him well in his retirement.

Director Wright moved to approve the consent agenda, seconded by Director Meyers, and voted upon as follows: LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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**REGULAR AGENDA**

**1. Regular Board Minutes of December 12, 2012**

Chair Grodhaus stated the minutes have been circulated to the Board, and he has not heard any issues with them. In response to a question by Chair Grodhaus, Ms. Jones stated the executive session minutes are done and are available for review upon request by the directors. Director LaGere moved to approve the regular board minutes of December 12, 2012; seconded by Director Spears; and voted upon as follows: Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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### **3. Unfinished Business**

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

Mr. Sullivan reported 2013 has started off very fast. Yesterday, the first of two customer meetings was held at the Ecosystems & Education Center with the municipal customers. Another meeting will be held Friday with the industrial customers and off-system customers. There was an excellent turnout; only one person who RSVP'd did not show up. There were excellent presentations by staff, and the information was well received. It will help staff in getting prepared to make some further updates and recommendations at the February board meeting regarding GRDA's generation plans.

Regarding the **Monthly Video Update**, Media Services presented a video entitled "GRDA December 2012 Update" highlighting a review of GRDA for 2012.

Mr. Sullivan stated the 2013 board meeting schedule has been updated and circulated. There was a conflict on the third Wednesday. January and March are the only two months that will be held on the third Wednesday.

A shoreline cleanup is being coordinated before the Bassmaster Classic. There has been a lot of good input from the lake community on that project; it is encouraging to see all the folks participating in the cleanup.

Regarding the rule curve amendment with FERC last year, the process is being started anew with FERC because of the drought condition, and there is no forecast that condition is going to change anytime soon. Staff will be asking FERC to allow GRDA to maintain up to 744' elevation if additional rain is received to hold it until it is determined the drought pattern is over. There is no reason to spill the water if there is a drought pattern. GRDA has been able to maintain the 742' level now because there is no generation out of Pensacola, but the City of Tulsa has been drawing water out of Lake

Hudson, so GRDA has to keep enough to keep the Pump Storage available for use on Lake Hudson to be able to send down there as needed. Staff will restart that process and engage all the stakeholders in discussions with FERC.

Director Grodhaus commented on the video and stated that strength and confidence are shown by not only talking about what went right but also what did not. The video is an excellent marketing presentation, but he would like to see in the review of 2012 what GRDA did not do so good and what the plan is to do about it. Also, GRDA advertises it serves directly and indirectly 75 out of 77 counties, yet both in print and in the video it is shown as the 24-county area that GRDA serves. In Director Grodhaus's opinion, that minimizes GRDA's presence throughout the entire state. Mr. Sullivan responded that was something there were comments about yesterday with some of GRDA's customers that GRDA does have the primary service area where GRDA has direct service in the 24 counties, but through OMPA, for example, they serve a lot of other communities, but GRDA does not serve those directly. GRDA serves Western Farmers that serves the vast majority of the rural areas of Oklahoma. There are some sensitivities in how GRDA presents that information, so the City of Edmond, for example, does not think that GRDA is saying it services them because they are served by OMPA. GRDA provides power to OMPA. Director Grodhaus stated this June will mark the second anniversary that he has been asking to get the list out from Marketing to be able to show where GRDA does cover in the state. Right now, there is a great portion of the state that is served indirectly by GRDA that has no idea they have any tie into GRDA. It seems that in governance that would put GRDA at risk if there was some kind of emergency that GRDA had to alert all of its customers everywhere—indirect or

direct. There should be a way to do that without stepping on toes. Director Kerns stated she disagrees. OMPA does not buy all its power from GRDA. She believes it is disingenuous to say GRDA serves 75 counties. Mr. Sullivan stated it is a fact that the power GRDA generates touches 75 counties. GRDA does not completely serve all those communities and areas. In the cities like Pryor and Claremore that GRDA serves, GRDA serves 100 percent of those loads. GRDA covers most of the lake area through Northeast Electric because GRDA serves NEO a great majority of its power. Those are the areas GRDA does not want to overstate what it does but certainly not understate. GRDA also does not want to create issues with its customers because of trying to overstate. Director Grodhaus stated that if that is the case, GRDA needs to change some of the counties it does serve. For example, GRDA does not supply Vinita. It needs to be done consistently. Mr. Sullivan stated most of Craig County is served by Northeast Electric, and through them, GRDA does serve this area. It is through GRDA's partnerships with the other organizations that GRDA serves 75 counties in some form or fashion. Director Grodhaus stated that from a marketing point and the Marketing Committee, the ones GRDA does serve directly are the ones where GRDA may offer the biggest value to the state of Oklahoma because those are places that are buying power from GRDA and reselling it. The profit from the resale is what they are using to fund their community services like city hall, EMS, police, fire, etc. Mr. Sullivan stated the point is what value does GRDA provide, and GRDA contributes to that all across the state. Director LaGere added it would be fine and needs to be said if it is stated accurately and correctly.

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

#### **3.b.1. Request by Kingston Properties, LLC, for Lease of GRDA Property for a Concrete Deck in Delaware County Oklahoma.**

Director Kerns reported the Assets Committee met this morning with all members present.

Regarding item 3.b.1., Director Kerns reported this item was addressed last month. Language was added to the lease as requested by the Board last month that a structured integrity certificate would be provided every five years. Director Kerns moved the Board approve a 20-year lease to Kingston Properties, LLC, of a 1,540-square-foot concrete deck located in Delaware County for the amount of \$1,224.84 per year; seconded by Director Spears; and voted upon as follows: Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*  
(Continued on page 27.)

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## **4. New Business**

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

#### **4.c.1. Request by Oklahoma Department of Transportation for an Easement to Construct a Road in Mayes County Oklahoma.**

#### **4.c.2. Request by Osage Hollow to Install a Boat Ramp in Ottawa County Oklahoma.**

Regarding item 4.c.1., Director Kerns reported the property size is .08 acres, which amounts to \$192. Because ODOT pays not less than \$500, they will pay GRDA \$500 for the easement. Director Kerns moved the Board approve a highway easement for .08 acres to the Oklahoma Department of Transportation in Mayes County for the amount of \$500, seconded by Director Spears, and voted upon as follows: Wright,

Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item 4.c.2., Director Kerns reported the Assets Committee recommends approval. Director Kerns moved the permit application to construct a boat ramp at Osage Hollow be approved to support recreational access for guests occupying the Osage Hollow RV Park and public access is available, seconded by Director Spears, and voted upon as follows: Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, Wright, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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**4.d. Bid Award Recommendation for IDIQ Contract ID13043-01 and ID13043-02 with Garver Energy Services Group for MAID Transmission Line Designs**

Mr. Herron reported GRDA Engineering is in need of some engineering services to design two short transmission line extensions in the MAIP park and approached DCS for an IDIQ (Indefinite Delivery-Indefinite Quantity) to assign an engineering firm to do this work. IDIQ is a state process for smaller engineering jobs and to approve them beforehand. When GRDA requests work, DCS assigns the engineering firm. GRDA negotiated with the firm to come up with a price based on the scope of services. These are usually projects where the engineering is less than \$100,000 and project costs are about \$1.5 million. The State adds a seven percent handling fee on top of that price. There are two small projects that are required by SPP and to be completed by June. The lines are 1.3 and 1.4 miles in the MidAmerica Industrial Park. DCS has assigned Garver as the designated firm to do the work. In the scope with Garver, the prices are not-to-exceed costs. The DCS handling fee is seven percent. The preliminary design fee and design prices for ID13043-01 is \$109,008 with a DCS fee of \$7,630.56. The

fees for ID13043-02 is \$111,899.20 with a DCS fee of \$7,832.94. In response to question by Director Spears, Mr. Herron stated the estimate for the projects are \$1.3 million and \$1.5 million, so the fee is around ten percent. Director Spears responded to a question by Director Grodhaus that the number is normal for small projects and depends on the size of the project. Mr. Herron stated if the lines were longer, the price would be less as a percentage. Director Grodhaus moved the Board award engineering IDIQ Contract DCS ID13043-01 to Garver Energy Services Group for a not-to-exceed price of \$109,008 and Oklahoma Department of Central Services (DCS) handling fees of \$7,630.56, and that the Board award engineering IDIQ Contract DCS ID13043-02 to Garver Energy Services Group for a not-to-exceed price of \$111,899.20 and DCS handling fees of \$7,832.94; seconded by Director Meyers; and voted upon as follows: Kerns, Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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#### **4.e. Bid Award Recommendation for Workforce Management**

Mr. Sullivan reported this item will be deferred to February. Four bids have been received to GRDA's RFP process. It was indicated in the RFP that management and the Audit Committee would make the recommendation. An Audit Committee meeting is scheduled for next month to meet with GRDA's Deloitte & Touche auditors, so the intention is to present a recommendation to the Audit Committee at that point and then consideration by the full board.

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**4.f. Assignment and Amendment of Contract 25327 for Consulting Services  
Related to the Salina Pumped Storage Project Relicensing  
from Long View Associates to McMillen, LLC**

Dr. Townsend reported this is a housekeeping item. Long View has sold to McMillen, LLC, and they work with GRDA's legal staff on the contracts. No real changes in consulting services are expected. The key personnel will remain the same, as well as the contract rates. This is a simple assignment from Long View to McMillen. Director Grodhaus asked why the Board needs to act on this. Dr. Townsend stated it was his understanding the original contract was approved by the Board, so any changes would have to come back to the Board for approval. Director Grodhaus moved to approve staff's recommendation that the Assignment and Amendment of Contract 25327, currently with Long View Associates, be approved with McMillen, LLC; seconded by Director Wright; and voted upon as follows: Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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**4.g. Change Order #1 to Purchase Order 32590  
with Normandeau Environmental Consultants  
for Desktop Entrainment Study  
for Salina Pumped Storage Project Relicensing Process**

Dr. Townsend reported Normandeau conducted a desktop entrainment study to determine what GRDA's probability is of having fish mortality incidences with pumping and generation at Salina. They are the leading firm associated with the desktop entrainment study and modeling. During a study review meeting in November, FERC requested additional analyses. As a part of that, Normandeau was required to gather data directly from the Oklahoma Department of Wildlife Conservation (ODWC) to include into the model. The original effort only looked at probabilities of entrainment

associated with fish in the turbines. At the study review meeting, FERC requested they provide GRDA with some actual numbers of entrainment. To do that requires considerable effort from Normandeau's part looking at some historic data from ODWC. To expand the scope of work will cost \$5,600, and staff recommends approval of Change Order #1. Director Spears moved the attached proposal associated with Change Order #1 (Purchase Order 32590) be authorized in a not-to-exceed amount of \$5,600, seconded by Director Meyers, voted upon as follows: LaGere, Meyers, Spears, Wright, Grodhaus, Kerns, Kimball, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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#### **4.h. Update on Revisions to Codified Lake Rules**

Dr. Townsend reported these are housekeeping issues with the lake rules and are completely separate from GRDA's permits. Public meetings were held associated with the Styrofoam issues. There is notification of the expiration of the permit; that is associated with Title 300 Chapter 35 Lake Rules. Language is being removed associated with permits being issued on or before March 9, 2005. Those that are not complete by March 9, 2005, expire seven years from the date of that permit, or March 9, 2012. The language is no longer needed in the codified rules because of the timeframe, so those have been stricken. Irrigation billing is the most significant change. The irrigation billing rules are being removed to work in the billing requirements under the permit itself. Georgia Power has some good raw water permit rates that GRDA could adopt to ease that process. Previously, GRDA's irrigation billing had been fairly complicated for the public and difficult to calculate, so the plan is to simplify the billing for the raw water users. More and more of those requests are coming because of the drought. Farmers may come in and get a 400 or 500-gallon load. Typically, for irrigation

billing, there is a large process to calculate acre feet, and it is believed the process can be simplified. There is a minor change associated with 300:35-21-4, Hearing Officers, as well as with 300:35-21-8, Noncompliance, Violations and Penalties. Director Spears asked what happens in the interim when the rules are revoked with irrigation billing. Dr. Townsend stated GRDA is not getting a lot of raw water permits at this time. It is hoped to have this ironed out before the summer season. Ms. Edwards stated these changes have to go through the rulemaking process and to the legislature and to the Governor, so the current rule remains in effect until the changes have been codified. Dr. Townsend stated no action is required by the Board today. In response to a question by Director Meyers, Dr. Townsend stated the idea is to put the language into the permits themselves, similar to how GRDA handles its dock permitting. Some of the issues with the Styrofoam are included in the dock permits. Those are easier to change than going through the legislative process like with the codified rules. Mr. Sullivan stated staff wanted to make it clear that this process did not have anything to do with the permits and the Styrofoam issues and other issues that have been discussed. Ms. Edwards added it is an administrative rulemaking process where GRDA writes the rule, puts it out for public comment, and an up-and-down vote of the legislature and for approval or otherwise by the Governor's office. If it makes it through that process, then the rule is in place. If it does not make it through the process, the old rules remain in effect. There is a public meeting February 21 on this, and it is listed on GRDA's Web site.

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#### **4.i. Renewal of Workers' Compensation Insurance Coverage**

Mr. Lofton reported the policy comes up for renewal February 1. GRDA received from CompSource, the current insurer, the renewal estimate which is \$1,352,239,

roughly a \$190,000 increase over last year's estimated premium. The actual premium is calculated and billed on a monthly basis. As monthly payroll and monthly benefits fluctuate, then the premium amount also fluctuates. The actual premium this year is trailing about \$80,000. Director LaGere added the benefits will not fluctuate. Mr. Lofton stated the medical payments will fluctuate. Director LaGere stated that would not affect the premium; it is just based on payroll. Mr. Lofton added that actual costs are exceeding last year's estimates by about \$80,000. Next month, staff will likely ask the Board for approximately an additional \$80,000 to carry out the year. Thus, even though, when comparing last year's estimate with this year's estimate, there appears to be a \$190,000 increase in the workers' compensation insurance premium; the actual increase is only about \$100,000. Staff met with the CompSource vice president over underwriting last week to discuss why GRDA's estimated premium has increased when claims and costs were down significantly last year. Staff was told the underwriting process considers five years of data in determining the premium that will be assessed. A couple of years ago a decision was made to increase GRDA's workers' compensation premium, and that increase was to be spread out over several years, rather than assessing the increase at once. Even though GRDA had one good year, that will not affect GRDA's premium. GRDA needs to experience a trend of good years. Historically, GRDA has around 50 to 55 claims per year. This year the claims were down to 45. Some of those claims involved minor injuries that were reported but for which no expenses have been incurred. The amount of benefits CompSource pays in medical payments and indemnity to cover the lost wages and the amount they reserve based on those claims in 2010 and 2011 was about \$1.25 million. Thus far for 2012, the amount

that CompSource has paid and/or reserved is around \$450,000, so there is a significant decline. If that trend continues, GRDA will eventually see a change in its premium. For the last couple of years, GRDA has applied a \$500-per-claim medical payment deductible which results in a reduction of premium of about 2.7 percent, or roughly \$50,000. Staff recommends applying that deductible again. With the 50 to 55 claims and \$50,000 reduction, that will give GRDA a savings of about \$25,000. There is always a risk of an increase in the number of claims, but it would take at least 100 claims for GRDA to spend the \$50,000 deductible and effectively lose the \$50,000 savings. Bids were solicited from competing insurance carriers. Both AIG and Liberty Mutual declined the opportunity to consider GRDA's loss run reports or submit a bid. Zurich took a cursory look at GRDA's loss run reports and advised that its premium would be in the range of \$1.8 million. The CompSource bid of \$1.3 million is the best option. It is staff's recommendation to renew the policy with CompSource and elect the \$500-per-claim deductible, and the Board approve payments to CompSource in the amount of \$1,341,052. Director LaGere commented that GRDA's experience rating modifier went up significantly and is based on the last three years. Mr. Lofton stated it went up about 15 points this year. Director LaGere added that GRDA cannot rely on the \$450,000 year of losses because those losses are green. Normally, workers' comp claims develop over time significantly. Mr. Lofton added that when CompSource goes back and looks at the past four to five years of historic data, they do not give a great deal of weight to the most recent year. More weight is given to the previous four to five years. Director LaGere added that in 2010 and 2011, GRDA was running 100 percent loss ratio, and it is a competitive price, but that does not fix the problem. Director LaGere referred to

something Mr. Sullivan and staff were going to do to try to increase safety efforts. If GRDA considers self-insurance, it would probably cost money for a while because of the history. When there is a culture of entitlement in an organization, it is hard to turn it around. Mr. Sullivan added that is true. GRDA is blessed to have 30+ year employees, but that is also a challenge when it comes to workers' compensation. GRDA is trying to strengthen its safety program to minimize those claims to the extent possible. Director LaGere stated the 70 percent modifier means that GRDA is 70 percent worse than the average within its group, so that indicates some things need to be done. Mr. Sullivan added that Ms. Edwards has helped close out a couple of longstanding claims. GRDA is heading in the right direction. GRDA's experience rating does change because of the past, so GRDA will have to deal with that for the next couple of years. Mr. LaGere added that some of the claims can be closed out; even death claims can be lump summed out for a lot less money in Oklahoma if they are addressed early. CompSource is just not geared up to do a lot of those things, so their loss ratio historically runs 105 to 108 percent. In Oklahoma it drives up the costs to about a third of the market, which increases insurance costs by 12 to 15 percent. That explains why other insurers will not submit a quote to GRDA. In response to a question by Director Spears, Director LaGere stated the experience modifier is a rolling calculation. Mr. Sullivan reiterated there was decision made a couple of years ago to increase GRDA's premium because of those bad years, so that was spread out over a couple of years. Mr. Lofton reminded the Board that there are still a couple of weeks left on the current policy period. Ms. Edwards stated Mr. Scudder has been in contact with and has worked with CompSource's safety personnel, and GRDA is going to increase that effort. GRDA has

an open employment position for a second safety official. Director Grodhaus moved to renew the workers' compensation insurance policy with CompSource Oklahoma, elect the \$500-per-claim medical deductible option, and approve payments to CompSource in the amount of \$1,341,052; seconded by Director Wright; and voted upon as follows: Spears, Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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**4.j. Amendment No. 2 to First Amended Power Purchase and Sale Agreement with Oklahoma Municipal Power Authority (OMPA)**

Mr. Burget reported OMPA currently has a 40,000-kW contract demand. On June 1, 2014, the contract indicated OMPA would go up to 50,000 kW. OMPA has asked GRDA to keep the contract demand at 40,000 kW. Staff agreed to increase the minimum load factor effective June 1, 2014, from 75 percent to 87.5 percent. The minimum energy billed for any hour effective June 1, 2014, will be no less than 20,000 kW. The way the contract reads now, OMPA can go down to zero during off-peak time. This is revenue neutral for GRDA; staff recommends approval. Director LaGere moved to approve staff's recommendation the Board approve OMPA Contract Amendment No. 2 to First Amended Power Purchase and Sale Agreement, seconded by Director Meyers. Director Spears asked what OMPA's history is in terms of what percentage they are taking. Mr. Burget stated when OMPA is at zero, they do not take. Mr. Brown stated they have been scheduling their 40 MW just on the on-peak and basically dropping the zero. Director Meyers stated that the minimum load factor takes care of that. Director Grodhaus asked if the reason to do this is that with the two changes—agreeing to keep it at 40 MW and increasing the load factor from 75 to 87.5 percent—

should cause GRDA to be revenue neutral, so GRDA is not giving up anything in substance, and Mr. Burget stated that is correct. Mr. Sullivan stated that power is also available for other customers. The motion was voted upon as follows: Wright, Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

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#### **4.k. Presentation of Compensation Plan**

Mr. Sullivan reported that nearly half of GRDA's workforce is eligible for retirement in the next five years. GRDA has had a challenge in retaining key employees that have transferable skills, especially in the Engineering Department. A group came in working contract with PSO. They made an attempt to take several of GRDA's engineers. Some of those it was agreed to give pay increases to retain them, but final approval has not been obtained. That lag is causing a problem with morale in maintaining the type of personnel needed. GRDA's flexibility is limited with the statewide hiring and wage freeze. There are approximately 60 pending requests in that process. One of those 60 covers the 14 classified employees that the Board approved to change as a result of the OPM study. It is recognized that replacing existing employees is more costly than retaining them with training and overtime costs. GRDA has been losing its competitive advantage in recruiting new employees in the marketplace. GRDA recently advertised for a lineman position and only had three people apply for it while others in the area have had similar openings with five times that response. That is in direct relation to the offer of wages. Since 2009, inflation rates have risen an average of 2.34 percent—almost ten percent. The last time GRDA gave a raise to the classified employees was January 2009 at two percent. The wages of those employees have eroded over the last

four years by almost eight percent. To add insult to injury, there is a two percent increase in FICA that is taking place across the board for all employees beginning January 1, 2013. The plan of action is to continue to work with the Governor's office to resolve the pending freeze exemptions. Staff is recommending a three percent across-the-board increase for all classified employees. GRDA is limited on what it can do for classified employees. Everyone within a class is paid the same rate, so the only way to do this is to increase those specific job codes, which was done in response to the OPM study for about 14 remaining employees who had a discrepancy, but the only other way is to do across-the-board increases. The cost, including benefits, is about \$750,000. That number was included in the proposed budget that was presented last month. That budget also includes an approximate 8.7 percent rate decrease for GRDA's customers. Therefore, GRDA could do this plan and additional raises to be discussed later and still give its customers the promised rate decrease. It is believed the cost of not implementing the plan will be much higher, with waste of significant management time and effort and cause great employee dissatisfaction with morale and service. It is difficult to have meaningful discussions with employees about what can be done to move forward when their biggest concern is when are they going to get a raise. Not having one for the classified employees for four years is a significant barrier to moving forward in that process. Director Wright asked if the Governor had an executive order freezing pay increases and if Mr. Sullivan is suggesting the Board can override that. Mr. Sullivan stated he is suggesting the Board approve this plan and then move forward with getting the Governor's approval. Director Grodhaus stated that when an exception request is sent, the first question asked is if the Board has approved it. Everything is an

exception because of the wage freeze. It also has to be within GRDA's budget. Just because the Board approves it does not mean the Governor will approve it. Mr. Sullivan added that ownership of the plan by the staff and Board is important to be able to demonstrate to the Governor and others that are overlooking the process that there is a unified process and ownership by all involved. Mr. Sullivan stated he expects other bills will be offered in the legislative session for wage increases for other state agencies. This plan may get mixed in with that process, but it is important for GRDA to have its plan in place as the process is entered. This will not end the need that exists. The plan is basically a one percent net increase when the FICA increase is considered. An effective date was not put in the motion because it does need to go through the other process. Director Meyers asked if the Governor's office understands a request is being made to the Board. Mr. Sullivan stated staff has informed them of the request, and he anticipates several plans offered in the legislature for across-the-board increases for other state agencies. That may have an impact on the timing when this is decided. Director Grodhaus expressed his frustration that the 2011 performance audit that mentioned the employees' extreme dissatisfaction with their compensation that is leading to a volatile environment of corruption, fraud, and waste; and GRDA is trying to responsibly address the situation but has its hands tied to do anything about the situation. The last time there was increase for the classified employees was two percent in January 2009, so this increase is long overdue. Director Kerns stated what is not fair is that non-classified employees get huge raises, and the classified employees do not get anything. That is what leads to extreme discontent. Director Grodhaus stated classified employees are protected by the Merit Review Board, and GRDA cannot give

any classified employees an increase unless they get an across-the-board raise or a promotion, or the job classification is changed. A non-classified employee does not have that protection but has the ability to get merit reviews. Director Wright stated he is struggling to discern the plan and asked if the plan is just simply to increase pay. Director Grodhaus stated it is an increase for the pay of classified employees only. There are about 200 non-classified employees, about 300 classified employees, and about 50 part-time employees. It is approving an action. Director Wright felt the motion is misleading as the increase would still be dependent upon approval by the Governor. Director Wright suggested the motion be amended to reflect that fact. Director Grodhaus moved the 2013 Compensation Plan with a three percent increase for all classified employees be adopted by the GRDA Board of Directors, and this action and recommendation be sent to Governor's office for approval. Director Kimball expressed his concerns that GRDA would appear to the politicians or the Governor's office that the Board has approved the increase and is now forcing their hand to approve it. Director Grodhaus stated that it has to be that way because GRDA is under executive order from the Governor's office that all new hiring and salary increases are frozen and any exceptions must be submitted to their office for approval. Mr. Sullivan added when the OPM study came out in January 2012, that is a statutory requirement that GRDA do that study every two years. The statute specifically says upon the issuance of any such report the Board of Directors of the Grand River Dam Authority shall implement the classification and compensation recommendations as appropriate if fiscal constraints and commitments to ratepayers permit. Staff had conversations with the Governor's office about submitting that plan, and they asked that the Board take official action

before submitting it to them. Director Kimball stated he is for the increase—that it is probably on the light side. In Owasso, as soon as a police officer was trained, some other community hired them. Owasso is now the second highest paid department in the state and do not now lose officers. Owasso saves more money in training than what it cost to retain those officers. GRDA has a complicated system, and the classified employees have to be highly skilled. The worst thing GRDA can do is have higher turnover than necessary. In the retail industry, there is a wage cost factor. If retail can pay higher, it is done with less people and better people. Director Kimball is a strong supporter of paying the employees. Director Kerns asked if the Board votes on every exception sent to the Governor's office. Mr. Sullivan stated the Board has not, but the same process is being followed with the other classified employees with the OPM study. Director Grodhaus stated that all the single exceptions did get passed by the Compensation Committee which was delegated to the Committee if it was within budget and at a standard classification. If GRDA submits this plan to the Governor without Board approval, then they will turn it back to GRDA for the Board to approve before they will consider it. They are being responsible by saying they are not going to approve without knowing if GRDA's own Board approves. Mr. Sullivan stated they have never made that request on individual items submitted, but on requests for multiple people, they did make that specific request. Director Wright asked if it is known the Governor will favorably consider this request. Mr. Sullivan stated he does not know the answer to that question and reiterated this may be included in the whole discussion of what they are going to do with employees statewide. Knowing what GRDA's position is as a non-appropriated agency assists in that process. Director Grodhaus reiterated the

performance audit and the Governor's office were highly critical of GRDA for the handling and the classified employees' attitude of dissatisfaction. Mr. Sullivan stated there was a recent article in the Oklahoma City paper about ODOT's plan for an increase to their beginning and middle-level positions because of the retention issue. They are an appropriated agency. There will probably be other agencies take action to demonstrate what they believe is the right thing to do. Those can all be assimilated as the legislative process begins. Director Kimball asked about adding "subject to the Governor's approval" to the motion. Director Wright agreed that "subject to" is the appropriate deference. Mr. Sullivan stated he had considered adding that language but did not want it to appear as some challenge. Director Grodhaus moved that the 2013 Compensation Plan with a three percent increase for all classified employees be adopted by the GRDA Board of Directors, subject to approval by the Governor's office; seconded by Director LaGere; and voted upon as follows: Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, Wright, yes. *Motion passed (7-yes, 0-no, 0-abstained)*. Director Spears added all this discussion was about the process, not about whether or not the employees deserve the increase.

*Director LaGere left the meeting at 11:07 a.m. and returned at 11:10 a.m.*

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#### **4.1. First Reading of Proposed Revisions to Bylaws**

Ms. Edwards reported this item does not require a motion. There are some revisions that change names to reflect current titles (the Office of Personnel Management is now the Office of Management and Enterprise Services), amends Article II Sections 2 and 6 to comply with the Open Meetings Act, and it adds a new Section 8 to Article II to include specific details required for minutes. The revised bylaws

will be presented for possible approval at the next meeting. Director Grodhaus recalled the tapes of the meetings being kept for five years and that it was agreed at the last meeting that Ms. Edwards had advised that once minutes in the written form are approved, then it takes precedence over any tape anyway, that the taped minutes would be backup and for good governance on getting the minutes drawn and approved. Once the minutes were officially approved, the tapes would then be destroyed. Ms. Edwards stated it was discussed, and now is the time to make those changes. Director Kimball stated he could not support keeping the tapes for five years. In response to a question by Director Wright, Ms. Edwards stated there is a document retention plan. The minutes are subject to the Open Meetings Act. An Attorney General opinion with respect to the Open Meetings Act and minutes essentially says that a verbatim transcription of a meeting does not qualify as minutes under the Open Meetings Act. The tape recording helps the Secretary transcribe the minutes, but the official copy of the minutes are the approved minutes, and that takes precedence over the tape recording. This discussion is pertaining to open meetings, not executive session meetings. If the Board wants that wording stricken, and the bylaws can reflect that the tape recordings will, may or shall be destroyed once the minutes are approved. Director Grodhaus stated he believed once the minutes are approved, the tapes are then gone.

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#### **4.m. Renewal of Consulting Services Agreement with Erling & Associates**

Mr. Sullivan reported this renewal is for the government relations consulting contract GRDA has with Erling & Associates. Jamie Longacre has been working with Margaret Erling and representing GRDA at the capitol. The renewal is for the same amount as last year: \$60,000. This new contract has an automatic rollover if notices are

not given. Until such time as they request an increase, unless GRDA gives notice, the contract would be renewed on an annual basis. Director Meyers moved to renew a contract with Longacre Inc. and Erling and Associates for state lobbying for an amount not to exceed \$60,000, inclusive of costs and expenses; seconded by Director Grodhaus; and voted upon as follows: Kerns, Kimball, LaGere, Meyers, Spears, Wright, Grodhaus, yes. *Motion passed (7-yes, 0-no, 0-abstained)*. Director Grodhaus asked about using these lobbyists for government relations in presenting items such as the Compensation Plan to the Governor. Mr. Sullivan stated Director Grodhaus anticipated his call to them tomorrow. Director Grodhaus added that all board members come with different sets of expertise. Part of the value of a board member is being able to use their expertise. Director Wright's position in his company, a large Oklahoma energy company, is the vice president in charge of government relations. Maybe his expertise could be utilized. Director Wright stated he would be happy to help.

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#### **4.n. Other New Business**

There was no other new business.

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### **5. Reports**

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

- 1. Assets Committee:** Director Kerns had no further report.
- 2. Audit, Finance, Budget and Policy Committee:** Director LaGere had no report. Director Grodhaus stated other companies go into the year having a budget in final form. They do not know their final year-end accounting any more than GRDA does. In Director Grodhaus's opinion, it is not good to be operating GRDA and all the

departments without a final budget until April. Director Grodhaus asked how to have a final budget by the end of the year. Ms. Dougherty stated the preliminary budget has to be adopted in December, but she did not know any reason that could not also be the final budget. The final budget has to be approved on or before April under current policy. Director Grodhaus asked if that could be addressed with an agenda item.

**3. Fuel Committee:** Director Spears reported the Committee has met and will discuss an item in executive session.

**4. Compensation and Marketing Committee:** Director Grodhaus had no report.

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

**6. Ad Hoc Resource Committee:** Director Spears reported the Committee has met, and a plan was discussed regarding going forward with the plan for upgrading GRDA's resources. The plan was presented to the customers yesterday for their input. Another customer meeting is scheduled for Friday. The plan will be presented to the full Board at the next meeting.

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**3.b.1. Request by Kingston Properties, LLC, for Lease of GRDA Property for a Concrete Deck in Delaware County Oklahoma.**

*(Continued from page 8.)*

Director Kimball requested this item be readdressed, so he could change his yes vote to abstaining as he abstained the last time he voted on this item. It is a company that his company does business with. That is why this item was on the agenda again because it required five affirmative votes, and the Board was absent two members last month. Director Kerns moved to reconsider the vote on item 3.b.1., seconded by Director Spears, and voted upon as follows: Kimball, abstained; LaGere, Meyers,

Spears, Wright, Grodhaus, Kerns, yes. *Motion passed (6-yes, 0-no, 1-abstained)*.  
Director Kerns moved to approve the request by Kingston Properties, seconded by  
Director Spears, and voted upon as follows: LaGere, Meyers, Spears, Wright,  
Grodhaus, Kerns, yes; Kimball, abstained. *Motion passed (6-yes, 0-no, 1-abstained)*.

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## **6. Executive Sessions:**

### **a. Executive Session Concerning a Proposed Fuel Purchase for the Redbud Combined-Cycle Plant.**

#### **b. Executive Session Concerning a Pending Action.**

Director Spears moved to go into executive session at 11:57 a.m., seconded by  
Director LaGere, and voted upon as follows: Meyers, Spears, Wright, Grodhaus, Kerns,  
Kimball, LaGere, yes. *Motion passed (7-yes, 0-no, 0-abstained)*.

Director Kerns moved to return to regular session at 1:00 p.m., seconded by  
Director LaGere, and voted upon as follows: Spears, Wright, Grodhaus, Kerns, Kimball,  
LaGere, Meyers, yes. *Motion passed (7-yes, 0-no, 0-abstained)*.

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

### **a. Action, As Necessary, Concerning Proposed Fuel Purchase for the Redbud Combined-Cycle Plant.**

#### **b. Action, As Necessary, Concerning a Pending Action.**

Regarding item 7.a., Director Grodhaus moved to approve the plan as discussed  
in executive session, seconded by Director LaGere, and voted upon as follows: Wright,  
Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, yes. *Motion passed (7-yes, 0-no,  
0-abstained)*.

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

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Director Wright moved for adjournment at 1:01 p.m., seconded by Director Meyers, and voted upon as follows: Grodhaus, Kerns, Kimball, LaGere, Meyers, Spears, Wright, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

*Donna M. Jones*

Donna M. Jones, Secretary

DATE APPROVED:

*February 13, 2013*  
GRDA Board of Directors