

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
September 18, 2018**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at the Grand River Dam Authority, Vinita, Oklahoma, on September 18, 2018. 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 14, 2017, at 9:23 a.m.; by posting the agenda with the Craig County Clerk's office on September 17, 2018 at 9:48 a.m.; by posting said agenda at www.grda.com; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair Kimball called the meeting to order at 10:00 a.m. and introduced Director Lewandowski, the newest Board member. The Secretary Pro Tem called the roll. All members were present, with the exception of Director Richie. Chair Kimball declared a quorum and Mr. Philpott introduced guests.

BOARD MEMBERS

Tom Kimball, Chair	Present
James B. Richie, Chair-Elect	Absent
Pete Churchwell	Present
Dwayne Elam	Present
Mike Lewandowski	Present
Chris Meyers	Present
Joseph Vandevier	Present

ADMINISTRATIVE

Daniel S. Sullivan, Chief Executive Officer	Present
Tim Brown, Chief Operating Officer	Present
Eddie Rothermel, Chief Financial Officer/Corporate Treasurer	Present
Steve Wall, Chief Information Officer	Present
Heath Lofton, General Counsel	Present
Ellen Edwards, Executive VP – Compliance	Present
Brian Edwards, Executive VP – Law Enforcement/Lake Operations	Present
John Goodwin, Executive VP – Human Resources	Present
Nathan Reese, Executive VP – External Relations	Present
John Wiscaver, Executive VP – Corporate/Strategic Communications	Present
Justin Alberty, VP – Corp. & Strategic Communications	Present
Mike Herron, VP – Engineering, System Operations and Reliability	Absent
Ed Fite, VP – River Operations and Water Quality	Present
Steve Jacoby, VP – Hydroelectric Projects	Present
Robert Ladd, VP – Grand River Energy Center Operations	Present
Darrell Townsend II, VP – Ecosystems/Watershed Management	Absent

Mike Waddell, VP – Transmission and Distribution Operations
Sheila Allen, Secretary

Present
Absent

Others present were as follows: Mike Starks, Elton Willard, City of Cushing; Tyler Cline, Derric Lollar, Amanda Nolan, City of Miami; Jared Crisp, Gary Pruett, MUB/City of Pryor; Tom Elkins, Cherokee Nation; Joe and Dana Collins, Josh Jarvis, Jennifer Hinson, Craig Sookes; Jeff Brown, Jerry Cook, Michelle Day, Melanie Earl, Jamie Flud, Lorie Gudde, Bylee Harbuck, Ash Mayfield, Holly Moore, Spencer Moore, Cameron Philpott, and Jeff Wells, GRDA.

CONSENT AGENDA

2. August Claims \$35,211,278.12

4.a. Resolutions of Commendation

- (1) Mike Flint
- (2) Todd Gates
- (3) Kenneth Johnston
- (4) Courtney (Collins) Jarvis – Mr. Sullivan stated Mrs. Jarvis passed away last month and was very well liked by everyone. She started at the Grand River Energy Center, moved to the Finance Department at Administration, and most recently worked as a land agent. The land agent position was a perfect fit with her personality. Mrs. Jarvis worked with virtually every department in the Authority, including Engineering, Transmission, Ecosystems, etc. Mr. Sullivan read her Resolution of Commendation and presented it to her family.

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

Description and/or Make of Item	Model Number
Huskie ACSR Cutter	REC-S40
12 Volt Distribution Recloser Batteries - Lot of 7	
4 oz. Paper Cup Dispensers - Lot of 10	
7 oz. Bottles, Boom Cleaning Concentrate - Lot of 11	
Floor Brush Braces - Lot of 6	

4.c. Power Cost Adjustment (PCA) of \$0.00017 mills per kWh for October 2018

4.d. Power Purchase and Sale Agreement – NGC Industries, LLC

- 4.e. Power Purchase and Sale Agreement – HarbisonWalker International, Inc.
- 4.f. Power Purchase and Sale Agreement – Whiting-Turner Contracting Co.
- 4.g. Temporary Electric Service – Whiting-Turner Contracting Co.
- 4.h. Final Order in Administrative Hearing No. 2018-2 Judi Clanton

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

Standard Purchase Orders		
PO Number	Vendor Name and City State	Amount
42390	JOHNSON CONTROLS FIRE PROTECTION LP, TULSA, OK	310,902.00
42391	ACME ENVIRONMENTAL INC DBA ACME PRODUCTS COMPANY, TULSA, OK	250,000.00
42392	SOONER EMERGENCY SERVICE INC, MUSKOGEE, OK	250,000.00
42402	NORTH AMERICAN ELECTRIC RELIABILITY CORP - NERC, ATLANTA, GA	248,998.00
42387	YELLOWHOUSE MACHINERY CO OF OK, SAND SPRINGS, OK	240,000.00
42397	THE G W VAN KEPPEL CO, KANAS CITY, KS	160,000.00
42384	A & M ENGINEERING & ENVIRONMENTAL SERVICES INC, TULSA, OK	153,700.00
42372	PRYOR STONE INC, PRYOR, OK	130,997.25
94357	ABB INC, ST. LOUIS, MO	62,100.00
42399	ROGERS STATE UNIVERSITY, CLAREMORE, OK	51,750.00
42394	PRYOR WASTE & RECYCLING LLC, PRYOR, OK	19,500.00
42405	ROGERS STATE UNIVERSITY, CLAREMORE, OK	7,000.00
Grand Total Standard POs:		\$1,884,947.25
Change Orders & Renewals		
PO Number	Vendor Name and City State	Amount
93927	IBM CORPORATION, BEDFORD, MA	183,338.54
42168	NORTHEAST TECHNOLOGY CENTERS, PRYOR, OK	152,805.00
94452	SHI INTERNATIONAL CORP, SOMERSET, NJ	63,129.00
93875	CDW GOVERNMENT LLC, VERNON HILLS, IL	56,150.00
90594	REXEL USA INC, BROKEN ARROW, OK	3,338.66
91889	S & C ELECTRIC COMPANY, TULSA, OK	1,590.00
Grand Total Change Orders:		\$460,351.20
Grand Total		\$2,345,298.45

5.c. Work Order Report (* Denotes Addenda Items)

Capital Work Order Summary List		
September 18, 2018		
Number	Title	Amount
RF016-00740	Replace Transformers and Lighting Power Panels for Bridge Deck - Revised Estimate	\$ 1,289,000.00
RF016-00740	Replace Transformers and Lighting Power Panels for Bridge Deck - Original Estimate	\$ 509,506.66
Net Amount of Additional Funding for RF016-00740		\$ 779,493.34
RF018-00911	Turnkey Pensacola Dam, Warehouse & Relay Buildings Fire Alarm System	\$ 377,000.00
RF018-00912	Shoreline Stabilization at ECO Building	\$ 346,600.00
RF018-00913	Replace South Autotransformer Switchgear at GREC # 1	\$ 191,500.00
GF018-00023	Reskin the GE and Recycling Structures and Construct Mobile Storage	\$ 329,400.00
Grand Total Work Orders		\$ 2,023,993.34

Director Kimball moved to approve the consent agenda, seconded by Director Vandevier, and voted upon as follows: Churchwell, yes; Elam, yes; Kimball, yes; Lewandowski, abstained; Meyers, yes; Vandevier, yes. *Motion passed (5-yes, 0-no, 1-abstained).*

REGULAR AGENDA

1. Regular Board Minutes of July 11, 2018 and Regular Board Minutes of August 8, 2018

Director Churchwell moved to approve the regular Board Minutes of July 11, 2018 and the regular Board Minutes of August 8, 2018, seconded by Director Elam, and voted upon as follows: Churchwell, yes; Elam, yes; Kimball, yes; Lewandowski, abstained; Meyers, yes; Vandevier, yes. *Motion passed (5-yes, 0-no, 1-abstained).*

3. Unfinished Business

3.a. Progress Reports

(1) Current Operations Reports

(a) Monthly Video Update – GRDA September 2018

• Overview of GRDA's Scenic River Float Crew

Mr. Sullivan reported the Labor Day weekend resulted in much activity with a boat count of almost 1,500 for Grand Lake, 40 for Lake Hudson, and 850 for the Illinois River. Unfortunately, a drowning occurred on the river.

Mr. Goodwin and Mr. Cook toured the new GRDA-NSU Scenic Rivers and Watershed Research Laboratory located on the campus of NSU. This partnership will help further GRDA's research efforts on the Illinois River and provide teaching opportunities.

The City of Wagoner hosted the Bluegrass and Chili Festival for the first time. GRDA Police assisted with the crowds and demonstrated some of GRDA's equipment. The Skiatook City Substation expansion work has been completed and the changeover for the new equipment occurred on September 9. The City of Sallisaw recently received an Economic Development Administration grant of \$490,000 to help rebuild its north electrical substation. The rebuild will increase power reliability and capacity to meet increasing demands. A thank you is due to Congressman Markwayne Mullin for obtaining the grant.

Last week, a groundbreaking was held for The District, which is a residential and light commercial development north of the Google facility across Highway 69A from the Mid-America Industrial Park ("MAIP"). This is a project that MAIP created and is a great opportunity for housing and other development to help support continued growth in the MAIP. GRDA is coordinating with the Pryor Municipal Utility Board to provide electric service and other utilities for the expansion.

GRDA has a crew of five officers currently located in North Carolina to assist with Hurricane Florence recovery efforts. We do not anticipate being called upon to provide linemen or other support services as sufficient assistance seems to be in place.

4. New Business

4.i. Fiber Optic Installation, Operation, and Maintenance Agreement – Pryor Municipal Utility Board

Mr. Mayfield explained the agreement is beneficial for both GRDA and the City of Pryor as it would improve GRDA's communication systems at a lesser cost and the City of Pryor would have access to a better fiber system than what could otherwise be attained. Under the contract, GRDA will provide the materials and perform fusion splicing. The City of Pryor will install and maintain the fiber on its poles within its right-of-way. Both GRDA and the City of Pryor will have the right to use certain discrete "fiber pairs." GRDA will utilize the fiber for utility purposes whereas it will be used for school and governmental purposes by the City of Pryor. The cost for GRDA is estimated to be less than \$50,000 with a savings of \$248,000 within one year. Based on the continued maintenance obligations for radio equipment for towers, tower inspections, and microwave transmitters a significant amount of money will be saved going forward because the fiber loop eliminates two points of connection from the microwave system. Reliability will be increased for GRDA and this will provide the City of Pryor with a very fast and robust communication system.

Director Vandevier inquired if this expenditure will be expensed or capitalized. Ms. Gudde responded it will be capitalized. Mr. Mayfield added GRDA will own the assets until the end of the contract term in 2042 and then it will transfer to the City of Pryor for nominal consideration. Bandwidth is limited with microwave communication systems, but a significant amount of bandwidth is available with fiber. This will allow for live data monitoring at each of the Pryor substations and implementation of additional protective

schemes by which the substation's protective equipment, the relays, could communicate to the other substations and could operate potentially in just a few cycles. Director Meyers questioned if an opportunity exists to lease some capacity to a third party. Mr. Mayfield replied it is not allowed under the agreement because neither party wants to be jurisdictional and inadvertently become a telecom provider.

Director Elam moved to approve the Fiber Installation, Operation and Maintenance Agreement between the GRDA and the Pryor Municipal Utility Board, subject to final approval of terms by the GRDA General Counsel and Chief Executive Officer, seconded by Director Vandevier, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.j. Change Order No. 1 to Contract 41806 - Benham Pensacola Bridge Design

Mr. Jacoby reported Contract 41806 is an engineering contract approved last year with Benham Engineering. The bridge over Pensacola Dam opened in 1941 and is currently functionally obsolete, which means it is too narrow, its approaches are unsafe, and other structural capacity and traffic issues exist. It has the distinction of being the longest, but narrowest bridge in Oklahoma. It also has the highest count of accidents in the region. The most common deterioration complaint relates to bridge deck surfacing, which is the Oklahoma Department of Transportation's concern. All other deterioration issues are in GRDA's purview. Contract 41806 involved evaluation of widening alternatives, developing design plans, conducting public meetings, the submittal of grant applications to the Federal Highway Administration and other sources for widening, and a structural assessment. All of these tasks have been completed. Construction will begin after Labor Day in 2019 whether widening, structural improvements or modification of the bridge decking in conjunction with structural improvements is chosen. The final design decision is pending a federal government grant decision in December. Widening would

be an expense of roughly \$30-\$32 million, with possibly \$12-\$15 million from the federal government grant. ODOT funding for the bridge decking is approximately \$6 million and GRDA will make up the balance.

There is a limiting load in the primary beams of 13 tons in the calculations performed in the structural analyses. However, the current load rating is 16 tons and loads of 20 tons plus occur daily, which cause deterioration. The traffic count is about 1,600 vehicles daily. It would be very expensive for Benham to conduct a load test. The original design contract is \$1,492,000 and with the proposed amendment it would be \$1,877,420. The net savings over the load test cost is at a minimum \$300,000 and at the high end savings could be \$2,500,000.

Director Vandevier asked if the instrumentation will be in place permanently. Mr. Jacoby responded it will not, but will remain permanently with GRDA. The instrumentation will be left in place until next year when construction begins. Then it will be moved to the base of the buttresses to assist with dam safety monitoring and movement studies for FERC. Director Vandevier inquired as to why loads as high as 20 tons are allowed. Mr. Jacoby explained that is what ODOT agreed to a long time ago. There is a difference between operating and working level loads. Because of the traffic level, ODOT has chosen the operating load limit instead of the working load limit. GRDA could likely have some input, but the larger issue is enforcement. The structural improvements in the contract amendment are intended to bring the bridge up to full load capacity. One major issue that may arise is a potential conflict with the State of Oklahoma Historical Preservation Office if it disagrees with widening or the supplemental structure.

Director Churchwell questioned how often the structural integrity of the dam is inspected. Mr. Jacoby replied evaluations of structural competency and capability are performed visually by FERC on an annual basis and every five years a very thorough

independent consultant's evaluation is conducted. GRDA performs continuous visual monitoring. The original concrete on the dam is of a very good quality. Director Kimball expressed his concern about moving forward with this expensive project without assurances from ODOT that excessive loads will not be allowed that will escalate the deterioration of GRDA's asset.

Director Vandevier moved that Professional Engineering and Planning Service Contract No. 41806 be amended by \$385,420 for the in place load evaluation to a total not to exceed price of \$1,877,420, seconded by Director Meyers, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

4.k. Other New Business – There was no other new business.

Director Kimball requested the Board Committees remain in their current state, unless there is an objection. Staff should review and work with the Committee Chairs to determine if the Committee descriptions need to be revised. Additionally, the administrative rules should be reviewed to ascertain any needed changes.

5. Reports

5.a. Board of Directors Committee Reports

1. Assets Committee:

Director Churchwell had no report.

2. Audit, Finance, Budget, Policy, and Compliance Committee:

(a) Award of the Contract for Audit Services to Baker Tilly Virchow Krause, LLP for 2018 through 2022

Mr. Rothermel reported a request for proposal was sent to eight firms.

An additional firm that was not on the list, RSM, submitted a bid. Proposals were received from Deloitte, Baker Tilly, and RSM. Baker Tilly was the lowest

bid of \$934,700. LPPC conducted a survey of audit firms and costs, and Baker Tilly's bid is lower than what other utilities have paid. Baker Tilly's hourly fees are a little higher than Deloitte; however, Baker Tilly primarily focuses on utility work. Baker Tilly does a significant amount of work with LPPC and municipal organizations. It is likely that GRDA is Deloitte's Tulsa office staff's only utility customer.

If bonds are issued, the same hourly rates will apply and possibly for work concerning federal programs. According to the federal guidelines, it would depend upon how much work is performed, which federal programs the work concerns, and the level of expenditures. Director Kimball noted Baker Tilly's rates are significantly higher and half as many hours are listed than Deloitte's proposal. Additional money could be spent if bonding is done or work is needed regarding federal programs. Mr. Rothermel explained that is not anticipated and if additional work is required a proposal would be requested. If the fees are too high negotiations may be possible or Deloitte could be asked to perform the tasks.

Mr. Sullivan commented Baker Tilly has performed consultant work on special projects for GRDA in the past with efficient results. Deloitte has been GRDA's auditor for approximately 30 years, which is too long to remain with one auditing firm. Director Vandevier explained when the Audit Committee reviewed this item the collective opinion was it was time for a change because that is good business practice for GRDA.

Director Vandevier moved to approve the recommendation for the contract for audit services to be awarded to Baker Tilly Virchow Krause, LLP in accordance with the rates and fees described herein, and voted upon as

follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes.

Motion passed (6-yes, 0-no, 0-abstained).

(b) Westar ISDA

Mr. Mayfield explained this agreement is similar to an ISDA contract that is in place currently with BOK to hedge the natural gas price risk. The Westar ISDA would allow GRDA to hedge the power price risk. For example, if a unit is committed on a day ahead schedule and an unforeseen outage occurs GRDA remains obligated to fulfill the commitment. The Westar ISDA would allow GRDA to fulfill the energy requirement and to reduce exposure to the real time price volatility that would otherwise be experienced if the contract was unfulfilled in the market. The ISDA agreements define the rules that will apply to future transactions, if any, with a counterparty. The ISDA allows multiple hedges to be managed and collateralized under a single master contract.

The Audit Committee approved the Westar ISDA on August 29, 2018 contingent upon approval by the Risk Oversight Committee ("ROC"). On September 10, 2018, ROC approved it with a revised set of threshold values. The revised threshold values are based upon the exposure that one party has to the other and upon the party's credit ratings at the time. The thresholds are the amounts that may be traded under the contract without a party being required to post collateral. ROC approved a higher value of \$10 million for a credit rating of BBB+, but Westar asked for the limit to be lowered to \$7.5 million. Director Vandevier added the Westar ISDA is a non-exclusive agreement giving GRDA the right to purchase power from other entities, as desired, and would be utilized as an option when it benefits GRDA. Director Kimball questioned if there

was a recent event where this arrangement would have saved money. Mr. Mayfield responded there was a recent outage of Unit 3 and if this contract was in place it could have been utilized. Mr. Tim Brown stated saving money is not the primary objective with the hedge, it is for insulation against a blowout in the market. This past spring, Redbud was down for a couple of months. We endured and did okay, but that is not always the case. If the agreement was in place at that time a purchase of some portion of what Redbud was anticipated to have provided could have hedged GRDA against a market increasing to \$30-\$40. The market could go much higher than that. Director Vandevier commented without this agreement GRDA is at the mercy of the market price at the time of purchase and with this agreement it allows for a certain price, so it is a hedge.

Director Vandevier moved to authorize the GRDA Chief Executive Officer to execute an ISDA between GRDA and Westar Energy, subject to final negotiation and approval of the ISDA terms by the GRDA Chief Executive Officer and General Counsel, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

(c) Compliance Committee: Director Vandevier

Director Vandevier had no report.

**3. Compensation and Marketing Committee:
(b) Power Capacity Utilization Subcommittee**

Director Kimball had no report.

4. Fuel and Long-Range Planning Committee:

(a) Amendments to Wholesale Electric Service Policy and the WP Rate Schedule

Director Meyers reported the Fuel and Long-Range Planning Committee has met twice since the last Board meeting. Staff reviewed various load forecast scenarios versus the portfolio and current capacity. This morning, the amendments to the Wholesale Electric Service Policy and the WP Rate Schedule were discussed. It was decided to table this item until the next Board meeting to allow time for the customer group to review. It addresses part of the full requirements piece of the contract to allow for some minor flexibility.

6. Proposed Executive Session

- a. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Investigation, Claim, or Action, related to Federal Energy Regulatory Commission Project No. 1494-348, Which GRDA has Determined, with the Advice of Its Attorneys, that Disclosure of Such Communication Would Seriously Impair the Ability of the GRDA to Process the Pending Investigation, Claim, or Action in the Public Interest.**
- b. **Proposed Executive Session Pursuant to 82 O.S. § 862.1(2)(b) Which Exempts GRDA From the Oklahoma Open Meetings Act for the Purpose of Conferring on Matters Pertaining to Power Purchase Agreements.**
- c. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Claim Related to Northeast Oklahoma Electric Cooperative Which GRDA has Determined, with the Advice of Its Attorneys, that Disclosure of Such Communication Would Seriously Impair the Ability of the GRDA to Process the Pending Claim in the Public Interest.**
- d. **Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Claim Related to Enel Green Power North America Which GRDA has Determined, with the Advice of Its Attorneys, that Disclosure of Such Communication Would Seriously Impair the Ability of the GRDA to Process the Pending Claim in the Public Interest.**

Director Elam moved to proceed to executive session at 11:05 a.m., seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

Director Meyers moved to return to regular session at 12:42 p.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*

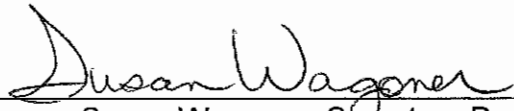
7. Action on Executive Session Items

- a. Action, As Necessary, Concerning Confidential Communications on a Pending Investigation, Claim, or Action.**
- b. Action, As Necessary, Concerning Power Purchase Agreements.**
- c. Action, As Necessary, Concerning Confidential Communications on a Pending Claim.**
- d. Action, As Necessary, Concerning Confidential Communications on a Pending Claim.**

Regarding items a, b, and d, no action was necessary.

Regarding item b, Director Churchwell moved to authorize the execution of the agreement with Northeast Oklahoma Electric Cooperative as discussed in Executive Session, subject to the approval of the final terms by the GRDA Chief Executive Officer and General Counsel, seconded by Director Elam, and voted upon as follows: Churchwell, yes; Elam, yes; Kimball, no; Lewandowski, yes; Meyers, yes; Vandevier, yes. *Motion passed (5-yes, 1-no, 0-abstained).*

Director Churchwell moved for adjournment at 12:47 p.m., seconded by Director Vandevier, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Vandevier, yes. *Motion passed (6-yes, 0-no, 0-abstained).*



Susan Wagoner, Secretary Pro Tem

DATE APPROVED:

10-10-2018
GRDA Board of Directors