

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Vinita, Oklahoma
October 10, 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 October 10, 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 October 9, 2018 at 9:35 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 10:03 a.m. The Secretary Pro Tem called the roll and all members were present. Chair Kimball declared a quorum and Mr. Philpott introduced guests.

BOARD MEMBERS

Tom Kimball, Chair	Present
James B. Richie, Chair-Elect	Present
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	Present
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	Present
Mike Waddell, VP – Transmission and Distribution Operations	Present
Sheila Allen, Secretary	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;

Robin Haggard, Keith Skelton, City of Sallisaw; Phil Stokes, Glenn Severn, City of Siloam Springs; Dower Combs, City of Tahlequah; Tom Rider, MESO; Gary Wright, Rachel Godsey; Jot Hartley, Hartley Law Firm; Miya Boyken, Jeff Brown, Jerry Cook, Michelle Day, Melanie Earl, Ed Ferguson, Lorie Gudde, Brylee Harbuck, West Hilburn, Tamara Jahnke, Jennifer Marquis, Matt Martin, Ash Mayfield, Holly Moore, Spencer Moore, Cameron Philpott, Susan Wagoner, GRDA.

CONSENT AGENDA

2. September Claims \$32,935,160.01

4.a. Resolutions of Commendation

(1) Gary Pruett, Municipal Utility Board, Pryor, Oklahoma

Mr. Sullivan expressed his appreciation for Mr. Pruett's input and participation over the years and announced the Municipal Utility Board is hosting a retirement party later this month in Pryor. Mr. Sullivan read and presented a special resolution for Mr. Pruett.

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

Description and/or Make of Item	Serial Number	Model Number	VIN Number or Serial Number
2007 Dayton			4101137
2007 Dayton			3198266
2007 Dayton			3198477
2007 Dayton			3190881
Shop-made Spray Rig			
1993 Vermeer Chipper			3811
2008 Polaris Ranger			4XARH68A682701164
1983 Chevrolet C3500			1GBHC34M3DV114659
2008 Ground Hog			FEI736030343
2011 Ford F250			1FT7W2B64BEC81865
2007 Dayton			3203152
Amana PTAC	704051758	PTC153B35AM	
Amana PTAC	1106180128	PTC153E35AXXXAA	
FR Lab Coats			
Light Fixtures: Lot of 12		358904	
Bulbs: Lot of 142	428-631-21		
Drop In Fixtures: Lot of 6	2SP2040A12-120		
8' Light Fixtures: Lot of 4	LUN8-296HO-120 Waterproof		
1980 Lincoln Arc Welder with Trailer	923872	SAM-650	

- 4.c. Power Cost Adjustment (PCA) of \$0.00000 mills per kWh for November 2018
- 4.d. Final Order in Administrative Hearing No. 2018-9 Pete and Desiree Powers
- 4.e. Amendment to LGS-SS Rate Schedule to Increase Eligibility Threshold
- 4.f. Temporary Electric Service – Whiting-Turner Contracting Co.
- 5.b. August Purchase Order Report (*Denotes Addenda Items)

Standard Purchase Orders		
PO Number	Vendor Name and City State	Amount
95033	TRANSAMERICAN POWER PRODUCTS INC DBA TAPP INC, HOUSTON, TX	6,824,709.00
94920	DIS-TRAN PACKAGED SUBSTATIONS LLC, PINEVILLE, LA	1,905,612.00
42416	WARREN POWER & MACHINERY LP DBA WARREN CAT, TULSA, OK	420,000.00
94926	MCFARLAND CASCADE HOLDINGS INC, TACOMA, WA	129,640.00
42299	HOIDALE CO INC, TULSA, OK	95,169.40
42420	OATI - OPEN ACCESS TECHNOLOGY INTERNATIONAL INC., MINNEAPOLIS, MN	19,750.00
42431	UNITED STATES GEOLOGICAL SURVEY, OKLAHOMA CITY, OK	15,000.00
Grand Total Standard POs:		\$9,409,880.40
Change Orders & Renewals		
PO Number	Vendor Name and City State	Amount
42417	SOUTHWEST POWER POOL, LITTLE ROCK, AR	60,000,000.00
94917	PINNACLE BUSINESS SYSTEMS, TULSA, OK	471,256.50
42413	AMERICAN PUBLIC POWER ASSOCIATION - APPA, ARLINGTON, VA	122,000.00
94858	PINNACLE BUSINESS SYSTEMS, TULSA, OK	93,238.20
42419	SOUTHWEST POWER POOL, LITTLE ROCK, AR	80,000.00
42412	AMERICAN ELECTRIC POWER, CANTON, OH	75,000.00
40358	360 TRAINING.COM INC / L&K INTERNATIONAL TRAINING, AUSTIN, TX	33,000.00
42267	STANDLEY SYSTEMS INC, OKLAHOMA CITY, OK	1,000.00
Grand Total Change Orders:		\$60,875,494.70
Grand Total		\$70,285,375.10

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

Number	Title	Amount
GF018-00024	GREC Roadway Construction	\$ 554,000
GF018-00025	GREC Perimeter Security Fencing	\$ 156,700
JF086-00000	GREC Landfill Eastern Boundary - CCR Compliance	\$ 1,648,000
RF017-00842	Kerr/ECC Grey Water Replacement	\$ 594,300
RF018-00921	Replace Grand Lake Dock Fuel Tank	\$ 78,500
RF018-00923	Structure #5 Relocation - Line 391A	\$ 284,300
RF018-00925	Tipping Point Refresh	\$ 175,000
RF018-00926	Fleet Fuel System Upgrade	\$ 240,000
Grand Total Work Orders		\$ 3,730,800

Director Churchwell moved to approve the consent agenda, seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

REGULAR AGENDA

1. Regular Board Minutes of September 18, 2018

Director Meyers moved to approve the regular Board Minutes of September 18, 2018, seconded by Director Vandevier, and voted upon as follows: Churchwell, yes; Elam, yes; Kimball, yes; Lewandowski, yes; Meyers, yes; Richie, abstained; Vandevier, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

3. Unfinished Business

3.a. Progress Reports

(1) Current Operations Reports

Mr. Sullivan reported this week is Public Power Week and a map was presented of all of the United States public power facilities, with a significant amount located in the middle of the country. We recognize the benefits of what GRDA helps to provide in the

communities it serves and the ability of the citizens to have access to reliable, low-cost power.

GRDA hosted the annual Federal Energy Regulatory Commission (FERC) Shoreline Management Workshop a couple of weeks ago. The workshop took place at Shangri-La, with a variety of accompanying activities such as a tour of Pensacola Dam, dinner at the Ecosystems & Education Center, boat rides highlighting points of interest, and participation in artificial fish habitat construction.

GRDA employees participated in the Lineworkers' Rodeo recently. David Hefner placed first and Jerry Doak placed second in the Veteran Equipment Change. Casey Walters placed third in the Mutual Aid Event. On a previous hurricane restoration effort, some GRDA employees had to climb poles to help restore service because the equipment could not be located close enough. Some of the skills practiced for the rodeo are actually applied from time to time in real life situations.

An economic development workshop was held recently for communities focusing on their websites and economic development opportunities. The presenter, Ms. Ady of Ady Advantage, viewed all of the websites and provided individual feedback.

A team of 31 employees was sent to Tallahassee, Florida to assist with Hurricane Michael restoration efforts. The team is compiled of individuals possessing diverse skills to assist in different areas.

- (a) **Monthly Video Update – GRDA October 2018**
 - Recap of Mutual Aid Recovery Efforts Following Hurricane Florence
 - I am GRDA – Choya Shropshire

- (b) **Enterprise Resource Planning (ERP) Project Status Update – 4th Quarter 2018**

Ms. Boyken reported the ERP is a large software project that will tie in all of the core business functions together of Finance,

Purchasing, and Human Resources. Last year, the ERP team defined the functional business requirements and began designing how the integration with Maximo will be accomplished. Maximo is an asset management system that is needed for the operational and asset management and preventive maintenance program. The test ERP environment has been populated with a sampling of GRDA data. Observations are being conducted of the navigation of this information through all of the interconnected modules and necessary modifications and tweaks are being done.

This next quarter work will begin on "sprints," which are grouped tasks. There are seven sprints in the schedule concerning the interconnected modules because all of the same data flows through a database through this application. The sprints last approximately three to four weeks. Sprint 1 has been completed and Sprint 2 will begin soon. The vendor presented a challenge for us to scrutinize the current business processes to utilize a system that is very industry standard. Currently, the human resources function is the area where the most efficiencies are being experienced as there are 11 legacy human resources systems and this application assembles them all together.

The implementation of the ERP is a two year endeavor with five years of managed services with Sopris, who was recommended by Microsoft. The Microsoft Dynamics 365 software application was chosen which is also on the cloud. There are 424 project tasks and 15% of those are completed. So far, 12% of the project budget has

been spent on implementation costs. The next steps include continuing to build, design, and populate GRDA's data into the test environment of the ERP.

4. New Business

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

5. Reports

5.a. Board of Directors Committee Reports

1. Assets Committee:

a) Consideration, Discussion, and Possible Action Regarding a License to Encroach held by Rachel Godsey and Gary Wright Located in Mayes County, Oklahoma

Ms. Jahnke explained a License to Encroach covers structures encroaching on GRDA property. The square footage that encroached on GRDA property was approximately 240 square feet consisting of a wooden deck that spanned the length of the house. The license was originally issued to the previous landowners as part of a sale transaction in July 2013. The license was later assigned to Mr. Wright and Ms. Godsey in November 2013. They signed an Assignment agreeing to be bound by the terms of the License to Encroach that was originally issued to the previous landowners. Unfortunately, the house burned in April of this year. Their neighbor and builder of their home, Darrin Lauer, called last July and asked if the deck could be rebuilt. He was informed the deck could not be rebuilt as the rules state once the encroaching structure is destroyed it may not be rebuilt. Mr. Wright and Ms. Godsey poured the slab around the end of August on their property. Sections of the Enabling Act, the Oklahoma Administrative Code, and the License to Encroach were displayed

describing that GRDA has discretion to issue licenses for structures built on GRDA land prior to June 1, 2005, and that any improvements in existence on the encroachment property may not be rebuilt if destroyed.

One item that was required as part of the FERC Shoreline Management Plan was to prepare an inventory of all of the encroachments on GRDA property within the project boundary. The inventory report is nearly complete. If the structure was allowed to be rebuilt, justification to FERC would be required as to why all of the rules were disregarded. FERC prefers not to have any encroachments and wants the inventory for management of the structures on GRDA property. Staff recommends that the structure not be rebuilt. Director Churchwell stated the Assets Committee, with complete sympathy to Mr. Wright and Ms. Godsey, voted to pass the motion and denied the opportunity to rebuild the deck.

Mr. Hartley pointed out that Mr. Wright and Ms. Godsey had no knowledge of Mr. Lauer's conversation with Ms. Jahnke about not being able to rebuild the deck before the slab was poured. He encouraged the Board to pay attention to a statement in the Enabling Act which describes the Board has discretion and asked the Board to exercise its discretion to allow Mr. Wright and Ms. Godsey to continue their use that was assigned to them when they purchased their property. Ms. Godsey stated their property is located near Scotty's Cove and all of the houses have encroachments. All of the decks are over the water and the property values will be decreased when the decks need to be replaced and it cannot be done. Mr. Meyers asked about the possibility of rebuilding since the supporting poles have remained in place. Ms. Jahnke explained cantilevered decks are not allowed as the airspace above the property is being

used. It is public property and people should be able to walk along the shorelines.

Mr. Richie stated if the property owners are not allowed to rebuild the deck it harms them. Mr. Sullivan explained the deck was built on property that was not owned by Mr. Wright and Ms. Godsey. When they purchased the property they were aware a License to Encroach existed that had to be transferred to them before the sale was closed. The License clearly states if the encroachment is destroyed it cannot be rebuilt. FERC's original position was to remove all encroachments. Through the work of Representative Cox and others, GRDA was given some discretion to allow encroachments to be licensed if they were in place prior to June 1, 2005. Anything after that date has to be removed. It would not be proper to allow the deck to be rebuilt. The Shoreline Management Plan now requires us to fly the lake every month and look for new construction to verify that GRDA property is not being built upon to prevent these situations. Mr. Hartley added it is not a free use as his clients pay an annual license fee. Mr. Vandevier expressed his sympathy for Mr. Wright and Ms. Godsey, but there will be a precedent established on this issue. The dilemma is all of the people in the future who will want the same exception. Director Churchwell presented a motion to recommend denial of the request by Mr. Wright and Ms. Godsey to rebuild the deck, and voted upon as follows: Churchwell, yes; Elam, yes; Kimball, yes; Lewandowski, yes; Meyers, yes; Richie, no; Vandevier, yes. *Motion passed (6-yes, 1-no, 0-abstained).*

2. Audit, Finance, Budget, Policy, and Compliance Committee:
(a) Electric Rate Schedule Revisions

Ms. Gudde explained the current electric rate structure includes a customer charge which is intended to recover the fixed costs of metering and billing the

customer (also referred to as the capacity charge). Additionally, there is a demand component which recovers a different piece of the fixed cost and is charged on a monthly peak usage. The municipal customers have a ratchet built into their rate structure. For example, their peak demand may be 100 in July, 200 in August, and 175 in September. Some rate structures are designed once a customer reaches 200 they will always be billed at 200. This covers the capacity, the cost of the generation and assets used to serve the monthly peak, the delivery to the service point based on the monthly peak, and the pure energy. Those are the variables incurred due to the kilowatt hour sent across the line. There is an on peak rate and an off peak rate for energy and the power cost adjustment ("PCA"), which handles items such as purchased power from the integrated marketplace and the actual costs of fuel. Currently, \$23 per megawatt hour is included in the base rate. Load factor is the peak demand multiplied by the hours in relationship to energy. The best example is a water pipe. The peak demand completely fills it, but the pipe is not always full maybe the water level is at 60% the rest of the time, which is the load factor. The lower the load factor the higher the costs per kilowatt hour because in relation to the energy consumed more is paid for demand, which is a fixed portion of the invoice versus energy which is the variable parts. As the monthly load factor decreases, the costs per kilowatt hour rises.

Staff's first part of the rate restructure recommendation is to move the \$23 that is built in the base rate from the base rate into the PCA, so there will be zero fuel or purchased power built into the base rate as it will strictly be contained in the PCA. GRDA's benchmark will be more comparable to its competitors such as OG&E and PSO. Currently, on paper GRDA appears

higher than its competitors because the base rate includes a portion of fuel. The rate restructure also provides clarity in reporting, and would eliminate the possibility of a negative PCA in the future. When actual fuel costs fall below the \$23 per megawatt hour then the PCA turns negative, which causes some customers hardships and may require them to make the same shift in their rate structure. If the rate structure change is approved, the revenue staff will be preparing invoices utilizing the current methodology and the new methodology through the effective date, so the customers have some visual representation of the impact to them.

The second part of the proposed rate restructure is to shift fixed costs from the energy component of the rate to the demand component of the rate. When the energy rate recovers anything more than just strictly variable costs, overcompensation happens for the variable costs and under recovery of the costs associated with the service connection to the customer occurs. This hedges against energy loss. A rate workshop was held in August with the customers to emphasize this point. Taking rate action now proactively could influence the use of those system resources, so peaks are not set that will influence the load factor. It is imperative to be proactive in adjusting rates at current costs. A presentation was shown demonstrating the difference between incandescent light bulbs compared to LED light bulbs in an average household. If the savings is multiplied many times over that can diminish kWh sales. If a utility's rates are not structured appropriately, and all of the recovery is going through energy significant money is lost. There is no need for a base rate increase for 2019 between the cost savings efforts of staff, some increasing

industrial loads, development of a cash reserve policy, the rate stabilization fund for any unforeseen events, and cash levels are adequate.

The proposed changes are revenue neutral to GRDA. The total overall impact has been structured so that no customer experiences a rate shock. The municipal customers will have an impact of no more than 1% either up or down. The following groupings of customers will have a zero percent change: wholesale-all requirements, wholesale-partial requirements, and retail-industrial. The retail-commercial group will experience a 3% percent change. Staff will be working with several customers in this group that are believed to be on the wrong rate structure. Since an agreement was made with the customers to begin the new rate structure on April 1, 2019, effective January 1, 2019 the PCA rate shall not be less than \$1.00. This will put GRDA in an over recovered situation, but it will be refunded very quickly with the rate change. Director Meyers commented he believes this is the right move to make as all utilities are trying to gather all of the fixed costs in one bucket. If the change is not made, the wrong price signals are sent to the consumers who are attempting to evaluate energy efficiency, distributed generation, etc. Director Elam added this is the direction the industry is moving towards.

Director Vandevier moved to accept the recommendation of staff to restructure rates as follows, effective April 1, 2019: (1) shift the fuel base from the base rate into the PCA rate and (2) shift fixed costs into the demand rate by \$1 per kW and a corresponding shift from the energy rate that results in a revenue neutral impact to GRDA. Effective January 1, 2019, the PCA rate shall not be less than \$1.00. This item was voted upon as follows: Churchwell, Elam,

Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-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:

Director Meyers had no report.

6. Proposed Executive Session

a. 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 Coal or Gas Fuel Supply and Transportation Contracts.

Director Meyers moved to proceed to executive session at 11:30 a.m., seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

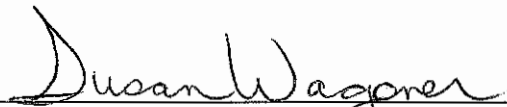
Director Churchwell moved to return to regular session at 12:01 p.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items

a. Action, As Necessary, Concerning Confidential Communications on a Pending Investigation, Claim, or Action.

Director Vandevier moved to authorize management to proceed as discussed in executive session, seconded by Director Churchwell, and voted upon as follows: Churchwell, yes; Elam, yes; Kimball, yes; Lewandowski, yes; Meyers, yes; Richie, abstained; Vandevier, yes. *Motion passed (6-yes, 0-no, 1-abstained).*

Director Churchwell moved for adjournment at 12:03 p.m., seconded by Director Richie, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Vandevier, yes. *Motion passed (7-yes, 0-no, 0-abstained).*



Susan Wagoner, Secretary Pro Tem

DATE APPROVED:

11-14-2018
GRDA Board of Directors