75th Anniversary

ENABLING ACT...The fifteenth Oklahoma Legislature passed Senate Bill No. 395, Oklahoma Session Laws of 1935, known as the Grand River Dam Authority Act, on April 26, 1935, creating a "conservation and reclamation district."

GRAND RIVER DAM AUTHORITY

A component unit of the state of Oklahoma

Comprehensive Annual Financial Report for the Year Ended December 31, 2010

1935–2010

Looking to the Future, Celebrating the Past

Grand River Dam Authority

A component unit of the state of Oklahoma

Comprehensive Annual Financial Report for the Year Ended December 31, 2010

Prepared by GRDA's Finance and Corporate Communications Departments table of contents

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This publication, printed by CP Solutions is issued by the Grand River Dam Authority, at no cost to taxpayers, as authorized by 82 O.S. 1981. Sec. 861 et seq. 750 copies have been printed at a cost of $10,885.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

GRDA 2010 Comprehensive Annual Financial Report

introductory section

Grand River Dam Authority

April 15, 2011

To GRDA Customers, Bondholders, and the Citizens of Oklahoma:

On behalf of the Grand River Dam Authority (GRDA), we respectfully submit this Comprehensive Annual Financial Report for the year ended December 31, 2010. The GRDA Finance and Corporate Communications Departments prepared this comprehensive report in conformity with accounting principles generally accepted in the United States of America. We believe the information presented is accurate in all material respects and that all disclosures have been included, which are necessary to enable the reader to gain an adequate understanding of the Authority's financial position and results of operations. Responsibility for the accuracy, completeness, and fairness of the financial statement presentation and disclosures rests with the management of the Authority.

The Grand River Dam Authority is a non-appropriated agency of the state of Oklahoma, utilizing revenues earned as a public power agency to finance our activities as a conservation and reclamation district. Our financial statements are included by the State as a discretely presented component unit.

The following pages illustrate why the Authority, together with our customers and other partners, have reasons to look to the future while celebrating the past. Management's discussion and analysis "MD&A" immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. MD&A complement the introductory section and should be read in conjunction with it.

Throughout its existence GRDA has celebrated low-cost electricity rates and the benefits to Oklahoma's economy as a result. Those low-cost rates, reliable electrical service and financial stability are key reasons to celebrate as GRDA has positioned the Authority to serve Oklahoma for decades to come. The pages of this report will demonstrate how the Authority has met its mission through cost-savings measures, more diversified generating resources, upgraded transmission, and a secure and more diversified revenue stream.

These initiatives, combined with strong leadership, solid customer relationships, an increased focus on safety and compliance, and a firm history rooted in 75 years of service to Oklahoma, are what allow GRDA employees to meet the mission every day. These are some of the reasons we celebrate a productive history, and are excited about the future.

Sincerely,

Kevin A. Easley
Chief Executive Officer/Director of Investments

Carolyn Vowell Dougherty
Chief Financial Officer/Treasurer

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"When you put your hand in a flowing stream, you touch the last that has gone before and the first of what is still to come."

– Leonardo da Vinci





PENSACOLA DAM

ORIGINAL CONSTRUCTION:
1938-1940, Total Cost - $27,000,000
Earth Excavation - 2,870,00 cubic yards
Rock Excavation - 590,000 cubic yards
Cement - 655,000 barrels
Concrete - 535,000 cubic yards
Reinforcing Steel - 20,000,000 pounds
Structural Steel - 10,000,000 pounds
Copper - 75,000 pounds

DAM:
Dam and Spillway Length - 6,565 feet
Multiple-Arch Section Length - 4,284 feet
Width of Hollow Buttress (52) - 24 feet
Clear Arch Span (51 arches) - 60 feet
Maximum Height of Dam - 150 feet
Generation Capacity (6 units) - 96 MW

1938

Looking to The

The potential for the Grand River Dam Authority existed long before the GRDA idea was born. Winding its way for centuries through what would one day become Northeast Oklahoma, the Grand River was both the inspiration and the foundation for GRDA.

When GRDA was created in 1935, its mission was to harness the waters of the river. In doing so, new bene-

Future, Celebrating The Past

fits were realized for the very waters that had already helped to sustain mankind for thousands of years.

Harnessing the Grand

Those new benefits began even before Pensacola Dam was completed. In the early days of the dam's construction, thousands of men and women flocked to the construction site between the sudden boom towns of Disney and Langley, looking for work during some of the darkest days of the Great Depression. Together, they built Oklahoma's first hydroelectric facility and one of the world's longest multiple-arch dams, giving a concrete and steel reality to the GRDA idea. By the end of 1940, Pensacola Dam was in full operation and providing electricity to Northeastern Oklahoma.




Yet, the Grand held more potential. Just 20 years later, GRDA was again constructing a dam and meeting the growing needs of the economy and electricity customers.

Just a few miles downstream from Pensacola Dam and Grand Lake O' the Cherokees, the Markham Ferry Project was completed in 1962. Also known as Robert S. Kerr Dam, this facility recaptured the power of the Grand and put it to work again, producing more megawatts for Oklahoma.

Atop the dam, on a bluff overlooking newly created Lake Hudson, GRDA also constructed its Energy Control Center (ECC). This facility would become the new hub of GRDA's sophisticated energy delivery system from which low-cost, reliable hydroelectricity could be dispatched to GRDA customers across Northeast Oklahoma. An upgrade and expansion to the ECC, completed in late 2010, ensures it will remain the nerve center of GRDA for decades to come.

1962

ROBERT S. KERR DAM, ENERGY CONTROL CENTER

ORIGINAL CONSTRUCTION:
1962-1964, Total Cost - $35,000,000

DAM:
Dam Length - 3,900 feet
Spillway Length - 824 feet
Concrete in Dam - 210,000 cubic yards
Earth Embankment - 930,000 cubic yards
Concrete Section Above River Bed - 85 feet
Depth of Rock Excavation - 54 feet
Turbine Centerline to Power Pool Top - 55 feet
Generating Units - 4
Generation Capacity - 114 MW
Generator Rating, each at 90 rpm - 30,000 kVA
Turbine Rating, each at 51 feet - 35,000 HP
Tainter Gates, 17 - 37 feet x 40 feet
Lake Area at Top of Flood Pool - 19,000 acres
Flood Storage - 240,000 acre-feet

Formal Dedication

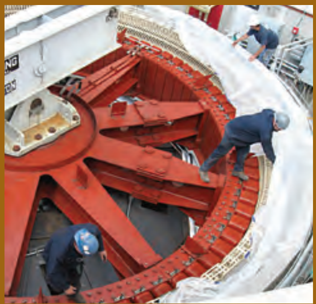
Grand River Dam Authority's Markham Ferry Project

(Robert S. Kerr Dam and Lake Hudson)

On Grand - Neosho River, two miles west, one and one half miles north of Locust Grove, Okla.

Saturday, Oct. 17, 1964
2 p.m.


WHITING
HARVEY ILL.
200 TON

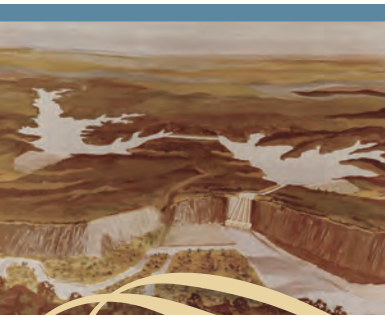


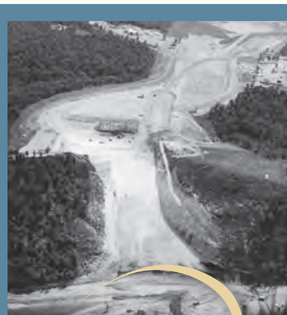
By the the late 1960s, both Pensacola and Robert S. Kerr Dams were producing abundant hydroelectricity for Oklahoma, yet there was still a need for even more generation capability.

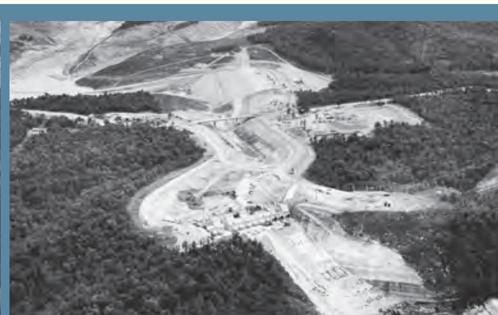
To meet that need, GRDA leaders made what many considered to be a risky decision when they approved the construction of the Salina Pumped Storage Project (SPSP) on the Saline Creek arm of Lake Hudson.

"That experimental facility will break GRDA," said some critics, as the Authority moved ahead on SPSP construction. A large earth and rock dam was built across the Chimney Rock Valley southeast of Salina, while rock was blasted from the surrounding hills to make way for the powerhouse, penstocks and the W.R. Holway Reservoir.

A pumped storage project is a unique hydroelectric facility because water can be pumped from a lower reservoir (like Lake Hudson) into an upper reservoir, where it can be stored for later use. Throughout its years in the GRDA fleet, the Salina "Pumpback" has operated as planned, providing necessary peaking power for GRDA customers when demand was high. Needless to say, it has been a successful "experiment" for GRDA. Today, the ability to "store" electricity remains as valuable as ever.







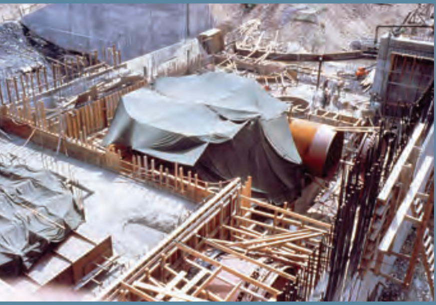
1968

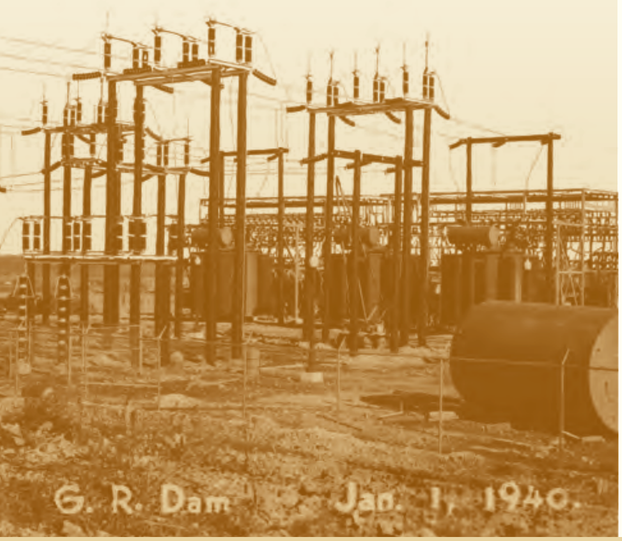
SALINA PUMPED STORAGE PROJECT

ORIGINAL CONSTRUCTION:
Stage 1 completed 1968; Stage 2 completed 1971
Total Cost - $36,000,000

POWERHOUSE:
Forebay Structure - 336 feet long x 60 feet high
Forebay Gates and Penstocks - 6
Penstock - 14 feet diam. x 740 feet long
Number of Pump Turbines - 6
Generation Capacity - 260 MW
Machine Rating: 64,000 HP (pump), 48,000 kVA (generator), 171.4 RPM (pump-turbine speed)
Vertical Lift to Upper Reservoir - 251 feet
Pumping Capacity - 5,400,000 gallons/min

W.R. HOLWAY RESERVOIR:
Length of Earthen Dam - 2,300 feet
Height of Dam above Rock Foundation - 200 feet
Earth Fill in Dam - 3,700,000 cubic yards
Reservoir Area - 785 acres
Fluctuation in Reservoir Level - 20 feet
Canal - 40 feet wide (bottom), 340 feet (top), 60 feet deep, and 1,850 feet long





Delivering the power

Of course, harnessing the power of the Grand River for hydroelectric generation also requires transporting that power to customers. So, while construction was being done on the dams, GRDA electric linemen were also building power lines across the service area. And in the early days of GRDA, line construction was not an easy job.

Today, sophisticated tools have eased the lineman's burden somewhat, but the top electric system priority in those early days is still the top priority for GRDA Engineering and Transmission personnel today: ensuring there is always a reliable path in place to move electricity. While that involves clearing rights of way, installing transformers, designing substations, testing equipment and hundreds of other tasks, it all comes back to delivering the "power of the Grand" to customers across the system.

TRANSMISSION AND ENGINEERING HEADQUARTERS

Because of its proximity to the majority of the GRDA service area, the original Transmission Maintenance Department was headquartered in Pryor, Oklahoma.

However, as the system, along with the department grew, a greater need for space led to the department's relocation adjacent to the MidAmerica Industrial Park (MAIP) in the 1970s. That relocation has also allowed transmission personnel to be even closer to the bulk of GRDA's retail customers in MAIP.

Plans have already been made to expand the current GRDA Transmission and Engineering building in the near future. From this location, employees will maintain GRDA's complex transmission system throughout northeastern Oklahoma.


GRDA

Expanding generation

While the hydroelectric facilities were performing as planned, the demand for GRDA power continued to grow. By the late 1970s GRDA, like the rest of the country, was facing the predicted energy crisis of the early 1980s. Suddenly, the 40-year-old hydroelectric producer was at a crossroads: either add additional generation, or get out of the business.

The answer to the looming crisis was found in coal. For GRDA, which had been in the hydroelectric business for 40 years, building and operating a coal-fired generation plant was uncharted territory. However, the Oklahoma Legislature approved the plan by a 93-to-3 vote in the Oklahoma House and a unanimous 45-to-0 vote in the Senate. GRDA management viewed that as “an emphatic vote of confidence in GRDA.”

Construction on the GRDA Coal-Fired Complex (CFC) began in the summer of 1978 on a 1,244-acre site of land near the MidAmerica Industrial Park, just east of Chouteau, Oklahoma. In 1982, Unit 1 began commercial operations and provided much-needed power for GRDA customers. By 1985, Unit 2 was also online, and GRDA’s newest generation facility suddenly changed the Authority from a small, Northeast Oklahoma hydroelectric producer to a major power supplier for the region.

COAL-FIRED COMPLEX: UNIT 1 AND UNIT 2

1978 & 1982

ORIGINAL CONSTRUCTION:

UNIT 1
Constructed - 1978-1981
Total Cost - $331,000,000
Generation Capacity - 490 MW

UNIT 2
Constructed - 1982-1985
Total Cost - $456,000,000
Generation Capacity - 520 MW
(GRDA's 62% - 322 MW)

UNIT 1 & UNIT 2
Coal - 40-acre storage site,
units combined burn 600 tons of coal/hour
Boilers - 217 feet
Steam - 2,400 PSI at 1,000° F
Water - comes from Grand River
Turbine - 3,600 RPM, making
electricity at 24,000 volts
Chimneys - 507 feet

Providing recreation

Though dams and power plants support GRDA's foundation, the "face" of the Authority has always been a lake. From the wide open expanses of Grand Lake—created by the construction of Pensacola Dam—to the scenic and secluded shores of Lake Hudson (Robert S. Kerr Dam), GRDA waters have benefited the region in countless ways beyond electric generation.

The paint was not even dry in the Pensacola Dam powerhouse before the first recreational boats found their way onto Grand Lake. Boaters have been on the lake ever since. Additionally, homes and recreational businesses around the lake's highly-developed shores contribute to the region's large tax base. Just down river from Grand Lake, anglers have called Lake Hudson Oklahoma's "best kept secret."

Protecting resources

The commitment to the Grand River came full circle for GRDA in April 2010 when the doors to the new GRDA Ecosystems and Education Center officially opened. Located adjacent to historic Pensacola Dam, it is only fitting the "Eco

Center" stands near the site where the GRDA dream first became a reality over 75 years ago.

The building is the latest tool utilized by GRDA's Ecosystems Management Department to maintain its reputation as a good steward of the natural resources under its control. Established in 2004 to bring a greater focus to lake management, the department has made habitat restoration and ecological conservation of the Grand River Basin its top priority.

The past, the present, the future

Of course—like a river that has carved its path across the landscape—hundreds of men and women have molded the GRDA throughout its 75 years.

Throughout its history, Team GRDA has made sure past efforts would produce present successes and future potential. GRDA has a rich history of resiliency. While tools and processes have improved, GRDA assets and the employees who maintain and operate them are the pillars of GRDA's value to Oklahoma.

Team GRDA understands that yesterday's successes and tomorrow's potential are not enough. It also takes a keen awareness, planning, preparation and analysis to enter a new era. GRDA has endured financial market turbulence, volatile wholesale markets, severe weather, regional recession and contract renegotiation. As a state entity, GRDA has always faced political scrutiny.

Recent management efforts have been devoted to identifying, addressing, and managing risk exposure. As a result of the strategic analysis, GRDA can mold past trends with present conditions to benefit the future of Oklahoma.

GRDA LAKES

GRAND LAKE O' THE CHEROKEES:
- 46,500 surface acres
- Normal elevation range of 742 to 744 feet above sea level
- 1,300 miles of shoreline

LAKE HUDSON:
- 12,000 surface acres
- Normal elevation 619 feet above sea level
- 200 miles of shoreline

W.R. HOLWAY RESERVOIR:
- 712 surface acres
- 21 miles of shoreline
- Storage reservoir for Salina Pumped Storage Project

2010

GRDA's Ecosystems & Education Center

Major Risk Assessment Initiatives

More recently, in evaluating risks and strategically planning, the Authority had to prioritize which threats to address first and which opportunities to capitalize on. Successfully responding to those priorities effectively demonstrated progress as GRDA reached milestones to financial health.

As previously mentioned, for 75 years, GRDA has served Oklahoma proudly. Initiatives over the last few years focused on positioning the organization to make the right decisions to improve the future and to help customer communities grow and prosper. Stabilizing and securing the revenue stream was an initial priority. GRDA and its customers worked together to negotiate and execute long-term wholesale power supply contracts. Many customer contracts have terms extending to 2042. Over 95% of GRDA operating revenues come from electric generation and transmission sales, so executing the long-term contracts not only enabled GRDA to count on future revenues, but also allows for more accurate planning of future requirements to meet the customers' needs.

Simultaneous with efforts to secure future revenues were efforts to mitigate risks and manage significant costs. Management focused on mitigating future contingencies by settling several flooding claims. As further mitigation, GRDA instituted a program to acquire flood-prone land in Ottawa County. The land acquisition plan should go a long way in reducing exposure to future flooding claims while also providing opportunities for ecosystems management.

GRDA's most significant annual expense relates to fuel costs. The coal for the Coal-Fired Complex is delivered from the Powder River Basin in Wyoming. Additionally, in 2008 with the acquisition of Redbud, GRDA transitioned to the purchase and delivery of gas supply to the plant near Luther, Oklahoma. GRDA has a long history of dealing with the coal mines and railroad companies directly but, with limited experience in the volatile gas markets, has relied on an energy company to assist with securing the gas supply for the Redbud plant. GRDA successfully and diligently worked to maintain adequate coal inventories by negotiating with the railroads on delivery costs.

The next most significant expense on an annual basis is debt. GRDA relies on issuing revenue bonds to finance capital project requirements. The efforts to prioritize risks, to secure revenues, and control expenses, in addition to other management initiatives, resulted in improved credit ratings. Those improved credit ratings have allowed GRDA to manage interest costs on recent bond issues by substantially lowering borrowing costs. Additionally, it allowed GRDA the market capacity to issue a sufficient amount of debt to meet needed financing levels. Together, the fuel and debt costs amount to over 75% of GRDA's annual cash requirement needs.

After tackling the most immediate challenges, GRDA focused on expanding its generation and transmission system. GRDA knew from the beginning that additional generation and transmission were key components to achieving its overall goals. Load studies completed as part of the long-term planning identified the need for an intermediate generating resource. Approximately $310 million of the 2008 bond proceeds were issued to purchase a 36 percent interest in the Redbud combined-cycle gas plant. As discussed in greater detail in Note 1 to the financial statements, Oklahoma Gas and Electric and the Oklahoma Municipal Power Authority are partners in the 1,230-MW plant located near Luther, Oklahoma.

The addition of the gas plant substantially reduces GRDA's reliance on costly market purchases to meet customer load requirements and significantly improves generation reliability. It also provides diversity to GRDA's low-cost hydroelectric and coal portfolio.

Securing Reliability

The customers' ability to secure firm transmission service is as critical to the electric delivery process as having adequate generation. With the expansion of the wholesale energy markets, GRDA's generation is frequently dispatched because of its low heat rate and competitively priced output. As a result, Southwest Power Pool (SPP) has also become a significant energy customer. Those are key reasons why GRDA actively participates in committees of the SPP where rules for new transmission and energy markets are formed. SPP is a Regional Transmission Organization (RTO), one of eight regional entities of North American Electric Reliability Corporation (NERC) mandated by the Federal Energy Regulatory Commission (FERC) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. Involvement on the technological and regulatory fronts is important to ensure GRDA is in the best position it can be to prepare for the future.

ADMINISTRATION HEADQUARTERS

The founding fathers were able to influence legislation, so the headquarters of the newly formed state agency would locate in Vinita, Oklahoma, where it remains today.

GRDA's participation in committees and rule making translates into greater influence in helping to shape the future of electric transmission in Oklahoma. Developing and planning transmission projects, tied to future customer demands, was a priority. The Authority understands that maintaining reliability and shaping rules across the region is vital, but so is keeping the lights on in the homes, along the main streets, and in the factories of GRDA's customers.

That understanding has translated into the creation of a new, high-profile Compliance Department which reports directly to the CEO and has direct access to the Board of Directors through the chairman of the Policy Committee. The department's sole focus is to comply with ever-changing and technologically complex NERC and FERC requirements.

The NERC and FERC compliance goals were incorporated into a 2010 revenue bond issue. In December 2010, GRDA issued $162.2 million tax-exempt and $77.1 million taxable bonds for capital addition requirements through 2012. The bonded projects included many transmission projects to address SPP and NERC requirements, integrated transmission system planning, as well as transmission line and substation upgrades to meet customers' loads. Additionally, the project listing included Supervisory Control and Data Acquisition (SCADA) upgrades and improvements to meet additional compliance requirements. Other projects related to efficiency and environmental-related projects for the Coal-Fired Complex and hydroelectric projects as well as Authority-wide security infrastructure projects.

These recent initiatives culminated with achievements that had significant financial implications, discussed in greater detail in the Management's Discussion and Analysis (MD&A) in the financial section of this report. Currently, the Authority is focused on important, but relatively less material risks and opportunities as it shifts the focus to ongoing operating, maintenance and administrative cost controls and efficiencies. It is anticipated that the Oklahoma State Auditor and Inspector will conduct a performance audit of GRDA during 2011.

LOCAL ECONOMY

No local economy identifies better with the recreational playground of GRDA than the area served by GRDA's largest customer, Northeast Oklahoma Electric Cooperative (NEO). Through NEO, GRDA provides electricity indirectly to the Grand Lake region. The Grand Lake "community" grows to be the third-largest concentration of people in the state during busy holiday and summer weekends and boasts some of the most developed lakeshores in Oklahoma.

Like GRDA, NEO is headquartered in Vinita and is experiencing significant and sustained growth as the lake area continues to grow. Since 1946, GRDA has provided for the needs of NEO's customers, primarily residential and commercial loads. The cooperative's customer base is also diverse and includes highly developed waterfront properties and marinas as well as a more rural agricultural landscape. Recently, NEO has gained additional incremental growth by serving numerous casinos operated by local Native American tribes. As mentioned in the Notes to the Financial Statements, sales to NEO continue to account for more than ten percent of GRDA's annual power sales.

Providing Public Power

Look no farther than the main streets in Oklahoma's public power communities to see proof of the success that comes from working hard and working together to accomplish great things. Several of the municipal customers have been partners for almost 70 years. Most of GRDA's municipal customers have executed a standard, long-term contract with a term through 2042. Together, GRDA and the communities have powered the region, transforming the landscape from a rural area to a thriving recreation and economic engine in the process. GRDA customer communities own and operate their own distribution systems.

Because of the competitive electricity rates charged by GRDA, the local utilities can also keep their own rates low while collecting revenues to fund other city services and promote economic growth. Local streets, parks, police and fire protection all benefit from the economic engine provided by public power. The Authority serves 16 Oklahoma municipal customers and two others just across the state border.

Coffeyville, Kansas, is GRDA's largest municipal customer and is located just across the state line. Coffeyville has a population of over 11,000 with a strong industrial base, accounting for two-thirds of GRDA's power sales to the city. Many Oklahomans work in Coffeyville's industrial park which includes a nitrogen fertilizer facility and other large employers such as divisions of John Deere, Amazon.com, CVR Energy and Acme Foundry. Other large employers in the city include the Coffeyville Community College, city government and the Coffeyville Regional Medical Center.

With a contract term through September 2012, the city of Stillwater, Oklahoma, is currently GRDA's second-largest municipal customer. Major employers for the city include Oklahoma State University, the Stillwater Medical Center, Wal-Mart, Stillwater Public Schools, and Stillwater National Bank. With a population of approximately 47,000, the city has a large industrial park as well as a large and diversified residential and commercial base. Stillwater is the only municipal customer that has not signed the standardized, long-term power contract with GRDA.

Claremore, another large municipal customer, is located just north of Tulsa and boasts a population of over 17,000. Two adjacent industrial parks with approximately 225 acres are home to many of the city's largest manufacturers, including Baker Hughes/Centrilift, AXH Air Coolers. Other large employers include Claremore Regional Hospital, Claremore Indian Hospital, Rogers State University, Claremore Public Schools and Wal-Mart.

Benefiting All Oklahomans

The economic benefits of GRDA's low-cost reliable power and energy are not limited to Northeastern Oklahoma. Since 1985, GRDA has served at least 35 other Oklahoma cities indirectly through the Oklahoma Municipal Power Authority (OMPA). OMPA is a joint action agency which is also a component unit of the state of Oklahoma, created to provide adequate, economical and reliable electric power for member cities.

Since the mid 1980s, deliveries to OMPA were pursuant to a 25-MW, unit-contingent output contract based on the production from Unit 2 at the Coal-Fired Complex. Recently, GRDA and OMPA mutually agreed to reduce the output contract from 25 MW to 20 MW. GRDA and OMPA signed a second contract for another 25 MW of firm power and electricity in 2008 and amended it in 2009 to phase in an additional 25 MW. Four communities—Edmond, Ponca City, Altus and Duncan—account for over two-thirds of OMPA's total member kWh sales.

Additionally, for decades, GRDA and Western Farmers Electric Cooperative (WFEC), its 19-member distribution cooperatives and Altus Air Force Base have counted on each other for reliability. Through a longstanding interconnection agreement, including SPP grandfathered bi-lateral transmission rights and a banking arrangement, GRDA and WFEC have mutually relied on each other, especially during times of plant outages. In today's energy markets, banking transactions have been replaced to a great extent with short-term energy purchases and sales. GRDA and WFEC signed an amendment during late 2009 which will improve generation and supply planning for both systems. Beginning in January 2010, the deliveries to WFEC and its member cooperative communities will be on a firm scheduled basis.

Mitigating Exposure, Capturing Diversity

The expanded relationships with OMPA and WFEC reinforce the GRDA mission that benefits Oklahomans across the state. The result is that GRDA has not only diversified its generation resource portfolio but has also diversified and secured its revenue projections as well. GRDA's contracts with OMPA and WFEC diversify the power sales revenues geographically from Northeast Oklahoma concentration to include communities all across the state of Oklahoma. Additionally, the expanded relationship with WFEC provides further diversity among the customer groups just as the other off-system contracts have provided.

Since 1992, GRDA has maintained long-term relationships with other off-system firm customers in public power communities in adjoining states. GRDA has served as a regional public power supplier to Kansas Municipal Energy Agency (KMEA); Paragould, Arkansas; Poplar Bluff, Missouri; and Springfield, Missouri, which provided needed loads when the Authority needed the revenues. Together, the Authority and these public power suppliers have captured the economic and load diversity of a broader geographical region, providing more stability to all.

Attracting Jobs

The majority of GRDA's industrial and commercial customers are located in the MidAmerica Industrial Park near Pryor. The park is owned and operated by the Oklahoma Ordnance Works Authority (OOWA), a public trust of the state of Oklahoma and the nation's largest rural industrial park (by acreage). The 9,000-acre park is home to nearly 80 companies that employ over 4,500 people. The park provides a large industrial and commercial base for GRDA, and GRDA provides low-cost electricity essential for the development of the park. Currently, the Authority's largest industrial customers include Solae, Air Products, Orchid Paper Products, and American Castings. Pryor Plant Chemicals purchased and reopened a large liquid fertilizer plant prior to year end. Orchid Paper Products began construction during 2009 of additional space, which will double their warehouse size. The expansion will consolidate their entire Oklahoma operations within the industrial park.

GRDA's Transmission and Engineering Headquarters and the Coal-Fired Complex are located on the park's perimeter, allowing technical personnel to move quickly to respond to any customer needs.

INTERNAL CONTROL FRAMEWORK AND BUDGETARY CONTROLS

Communicating High Expectations

GRDA management is responsible for the establishment and maintenance of internal controls and takes that responsibility seriously. Even though public power utilities are not subject to the requirements of the Sarbanes-Oxley Act of 2002, the GRDA Board of Directors has created an environment reflecting clear expectations that GRDA conduct business in a professional and responsible manner.

Key to successful controls is the tone reflected from the top. For GRDA, the assurance that the state agency properly focuses on priorities comes from a seven-member board of directors established by state statute. The Board's understanding of its fiduciary responsibilities, the importance it places on compliance, and its attention to policy helped ensure the Authority's recent initiatives and direction were taken within the context of due diligence.

GRDA directors review Authority policies at least annually to provide reasonable assurance an effective system is in place to assure the internal control objectives will be achieved and the resources will be protected. GRDA directors also reinforced the importance of sound business practices by personally participating in ethics training. Two board committees, Policies and Procedures Committee and Audit Committee, adopt or revise administrative rules and procedures. The Assets Committee has prioritized making sure GRDA properties are adequately safeguarded and the lake is properly managed, while the Coal Committee and other committees direct utility business.

Of significance in maintaining accountability to the public, GRDA business is conducted in a transparent environment. The GRDA Board of Directors provides direction and authority for management to conduct day-to-day business in monthly meetings open to the public.

Supporting Professionalism

Key to a successful internal control system is the continual professional development of employees: having employees that are knowledgeable about various requirements, remain current with changes, develop cost-effective and efficient solutions and have management's support as they consistently implement compliance procedures. Refinement of internal procedures and professional training for employees continue.

Inherent Limitations

An internal control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance that the internal control system objectives will be met. The Authority does not have unlimited resources; therefore, the cost of the internal control system must be balanced with the benefits of the internal controls. Inherent limitations to any internal control system include but are not limited to errors or misunderstanding of instructions, mistakes in judgment, collusion, management override, or even deterioration of controls over time. Still, it is possible to design the internal control process to safeguard assets and reduce risk of a material misstatement in the financial statements. GRDA management continues to improve controls.

Maintaining Accountability

GRDA's control structure also has several layers of oversight. The first level comes from Title 82, Section 866, of Oklahoma statutes. An independent financial audit is to be completed within 90 days after the close of the calendar year. The audit report must be placed and kept on file with the Oklahoma Governor, State Treasurer, Oklahoma Department of Libraries, Oklahoma State Auditor and Inspector, and the Director of State Finance. Additional oversight is exercised through requirements placed on the Bond Fund Trustee by the bond resolutions.

Both the state statutes and the general bond resolution require additional protections for the citizens and bondholders. For example, GRDA has agreed to adopt a preliminary budget in December each year and to finalize and adopt a budget by, or before, the April board meeting each year. Significant bond covenants are discussed in the long-term debt note to the financial statements found in the financial section of this report.

DEBT MANAGEMENT

The Authority's debt structure provides viable alternatives to staggering any additional debt requirements, future electricity capacity rate reductions, or some combination of both. As reflected in the notes to financial statements found in the financial section of this report, outstanding debt issued prior to 2008 will be retired by June 1, 2014. Maturities for the 2008 and the 2010 bond issues were wrapped around the previously existing debt in order to mitigate the impact on customer rates. Additionally, a portion of the interest cost on the 2010 bond issue was capitalized. Specific details about the bond issue and GRDA's debt limitation are discussed in the Bonds Payable Note to the financial section as well as in the statistical section of this report. As discussed in the financial statement notes, improvements to GRDA's financial position resulted in improved credit ratings which allowed GRDA to issue the 2008 and 2010 bonds at more favorable interest rates. Any bond issues must first be approved by the Oklahoma Council of Bond Oversight.

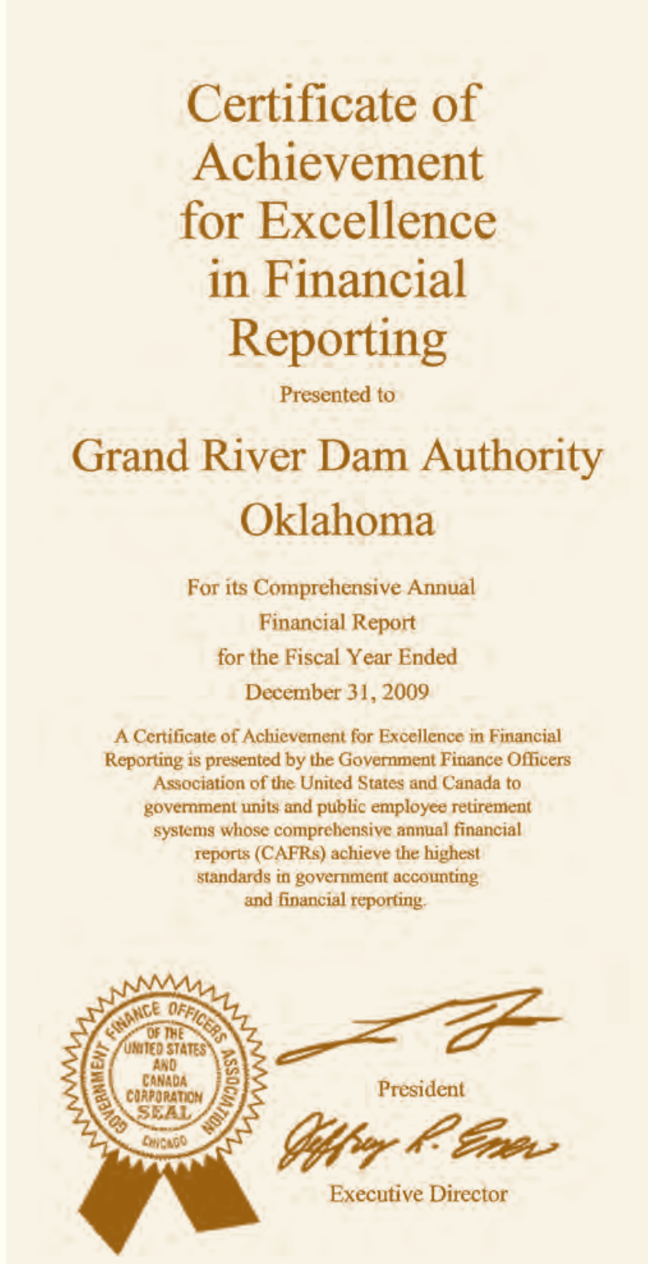
INDEPENDENT AUDIT

The financial statements are the responsibility of management. As required by state statutes and bond covenants, independent public accountants are required to express an opinion on the Authority's financial statements based on an audit. The annual audit of the financial statements of the Authority has been completed by Deloitte & Touche LLP for the calendar year ended December 31, 2010, and their opinion is included in the financial section of the report along with the accompanying financial statements and notes.

CERTIFICATE OF ACHIEVEMENT AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the calendar year ended December 31, 2009. This was the tenth consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

GRDA believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and the Authority is submitting it to the GFOA to determine eligibility for another certificate.


Certificate of Achievement for Excellence in Financial Reporting

Presented to

Grand River Dam Authority
Oklahoma

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the GRDA's Finance and Corporate Communications Departments. GRDA would like to thank our independent auditors, Deloitte & Touche LLP, for the highest standards of professional service. We can not celebrate the past without giving credit to those who created the Authority, the employees who fulfilled the Public Power mission throughout the decades, and our partners in the process—our customers. The combined efforts transformed northeastern Oklahoma decades ago, but the benefits to Oklahoma through recreational and economic improvements continue today, and will into the future.

Our appreciation also goes to the GRDA Board of Directors for their commitment to GRDA and our stakeholders. In particular, engaged and actively participating Audit Committee members have played an instrumental role in the improvement of GRDA's financial situation. They pushed us to be better, expected nothing short of dedication and professionalism, while supporting and encouraging us throughout the process. The Authority's board members and our CEO, Kevin Easley, consistently make the tough decisions necessary for GRDA's continued success and provide us with the support and tools to do our jobs well.

We recently learned that our strong and driven leader and CEO will be leaving the Authority to join the private sector. We say goodbye to him with mixed feelings. Although we are excited for his personal opportunities and are grateful he developed a renewed organizational structure strong enough to thrive in his absence, we will miss his energy, direction and progressive ideas. Mr. Easley stepped in at a critical time in GRDA's financial history. Just as GRDA's 75-year existence is attributable to strong leadership, dedicated, hard-working employees and a vision of what GRDA could be, Mr. Easley led actions to stabilize GRDA and position it to serve Oklahoma for the next 75 years. Implementing change is frequently not easy or popular, and while not everyone was a fan, GRDA is a stronger organization now than when Mr. Easley arrived in 2004. We wish him the best as we celebrate the past and look to the future.

BOARD OF DIRECTORS

David J. Chernicky
Chair
Tulsa, OK
Govenor Appointee
Representing Industrial and Commercial Customers
Term ends Aug 2014

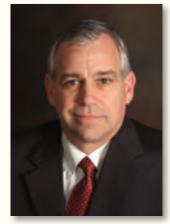
Stephen R. Spears
Chair-elect
Cushing, OK
Ex Officio Director
Municipal Electric Systems of Oklahoma
Executive Director

Dewey F. Bartlett, Jr.
Tulsa, OK
Senate Pro-Tempore Appointee
At-large director
Term ends Aug 2017

Terry G. Frost*
Afton, OK
Govenor Appointee
At-large director
*Resigned Jan 2011
Position Currently Vacant

Betty Kerns
Stillwater, OK
Govenor Appointee
Representing Economic Development Interests, Lake Enthusiasts and Property Owners
Term ends Aug 2015

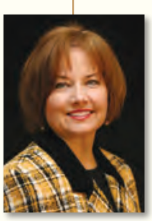
W. Brent LaGere
Chandler, OK
House Speaker Appointee
At-large director
Term ends Aug 2016



Chris Meyers
Ex Officio Director
Oklahoma Association of Electric Cooperatives
General Manager

MANAGEMENT AND ORGANIZATIONAL CHART

Kevin A. Easley**
Chief Executive Officer, Director of Investments



Gretchen Zumwalt-Smith
General Counsel

Michael S. Kiefner
Chief Operating Officer

Donna M. Jones
Corporate Secretary

James M. Stafford
NERC & FERC Compliance

Charles J. Barney
Assistant General Manager of Thermal Generation

William M. Herron
Asst. General Manager of Engineering, System Operations and Reliabilty

Carolyn Vowell Dougherty
Chief Financial Officer
Treasurer

Dale Willis
Assistant General Manager of Transmission

Justin Alberty
Corporate Communications

Charles Atkins
Hydro Operations

Robert Billingsley
Flight Operations

Grant Burget
Business Development & Marketing

James Fraley
Homeland Security, Lake Patrol, IT

Allison Goodpaster-Carter
Human Resources

Holly Moore
Properties & Programs

Darrell Townsend II
Ecological & Lake Operations

** At the April 13, 2011, meeting of the Board of Directors, Mr. Easley tendered his resignation effective August 1, 2011.

GRDA 2010 Comprehensive Annual Financial Report

financial section

Deloitte.

Deloitte & Touche LLP
100 S. Cincinnati Ave., Suite 700
Tulsa, OK 74103
USA

Tel: +1 918 477 8800
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Grand River Dam Authority:

We have audited the accompanying basic financial statements listed in the table of contents of the Grand River Dam Authority (the "Authority"), a component unit of the State of Oklahoma, as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority at December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 20 through 29 and the Required Supplementary Information on page 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The other information listed in the table of contents as Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. This additional information is the responsibility of the Authority's management. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on this other information.

Deloitte & Touche LLP

March 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

The following discussion and analysis of the Grand River Dam Authority's ("GRDA" or the "Authority") financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2010, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

Using This Financial Report

This annual financial report consists of a series of financial statements and reflects the self-supporting, proprietary activities of the Authority funded primarily by the sale of electrical power and energy.

The state of Oklahoma reports the business-type activities of the Authority as a discretely presented major component unit.

The basic financial statements presented in this report consist of the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, the Statements of Cash Flows, and Notes to Financial Statements.

Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; Statements of Cash Flows; and Notes to Financial Statements

The Authority's Statements of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets provide an indication of the Authority's financial health.

The Statements of Net Assets include all of the Authority's assets and liabilities, using the accrual basis of accounting as well as an indication of which assets can be utilized for general purposes and which are restricted as a result of bond covenants or for other purposes.

The Statements of Revenues, Expenses, and Changes in Net Assets report all of the Authority's revenues and expenses during the time periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income or bond proceeds and other cash uses such as cash payments for repayment of bonds and capital additions.

The Notes to Financial Statements provide additional explanation and details about the financial information.

Financial Highlights

In 2004, the GRDA Board of Directors and management diligently and earnestly embarked on a mission to improve and stabilize GRDA's financial position. Over the next five years, the Authority increased revenues by implementing rate increases to recover the costs of providing service. GRDA also secured the revenue stream by signing long-term purchase and sale agreements with municipal and off-system firm customers. At the same time, key costs were controlled by negotiating coal-freight delivery charges with the railroads and settling flooding lawsuits. The Authority increased participation in regional transmission planning and operations and instituted a department to emphasize ecosystem management. Most significantly, GRDA and customers worked together to evaluate how GRDA could best meet their future needs, and in 2008, achieved financial benefits as a result of the combined efforts. In September 2008, GRDA successfully completed a bond issue and used the proceeds to expand the generation portfolio and transmission network. GRDA utilized $309 million of the bond proceeds to purchase a 36% interest in the Redbud Power Plant, a natural gas-fired combined-cycle power plant located near Luther, Oklahoma. Oklahoma Gas and Electric purchased a 51% interest in the plant and operates the facility. Oklahoma Municipal Power Authority (OMPA) purchased a 13% interest. The financial impacts of bond issue and generation plant purchase in 2008 were noticeably reflected in the Statement of Net Assets.

In 2009, the financial impacts of those transactions appear more readily in the Statements of Changes in Net Assets. Although Purchased Power decreased by 75% in 2009 after the purchase of the Redbud Power Plant, expenses for Fuel, Depreciation, Operations, Maintenance, and Interest increased. Financial and load forecasts had indicated that customer growth and increased demand for electricity would provide the additional revenues needed to cover the incremental expenses of the new generation and transmission assets. However, the recent recession and corresponding economic conditions prevented that growth from materializing. Revenues from sales of power decreased 2.2% during 2009. After meeting with customers in April and again in October of 2009, and in order to maintain the financial health which has been achieved over the past few years, the GRDA Board announced a base rate increase averaging 11.95% effective January 1, 2010.

In 2010, the financial impacts of the rate increase, in combination with sales rebounding from the recession to more anticipated levels, were reflected in the Statements of Changes in Net Assets. Revenues from sales of power increased 20.9% in 2010. Additionally, in December 2010, GRDA completed a $239.3 million bond issue. The financial impacts of the bond issue and corresponding increases in construction deposits with the trustee were noticeably reflected in the Statement of Net Assets in 2010. The bond proceeds will be utilized to construct capital additions, make repairs and improvements to the electric power and energy system, and to pay a portion of the interest accruing on the 2010 bonds.

Net Assets

Net Assets increased by $63.2 million or by 17.9% in 2010 after increasing only $20.5 million or by 6.2% in 2009, the lowest increase since 2004. As mentioned, the GRDA Board implemented rate actions in 2004, 2006 and 2010, and as a result, the Net Assets increased. In 2008, Net Assets increased by $82.9 million or by 33.2%. Total Assets increased by $183.5 million or by 13.4% in

Financial Highlights - December 31, 2010, 2009 and 2008

	2010	2009	2008
CONDENSED SCHEDULE OF NET ASSETS			
Assets:			
Current assets	**$ 278,502,458**	$ 320,324,339	$ 443,547,555
Net utility plant	**801,422,915**	778,489,258	730,162,939
Restricted investments	**444,945,573**	244,179,432	206,646,566
Other noncurrent assets	**24,228,271**	22,589,056	22,723,419
Total assets	**1,549,099,217**	1,365,582,085	1,403,080,479
Liabilities:			
Current liabilities	**118,474,852**	152,199,370	117,860,150
Noncurrent liabilities	**1,013,865,944**	859,841,618	952,157,405
Total liabilities	**1,132,340,796**	1,012,040,988	1,070,017,555
Net Assets:			
Invested in capital assets - net	**188,760,234**	154,704,963	178,061,740
Restricted for:			
Debt service	**66,485,014**	59,544,174	51,568,437
Other special purposes	**513,456**	394,469	407,705
Unrestricted	**160,999,717**	138,897,491	103,025,042
Total net assets	**$ 416,758,421**	$ 353,541,097	$ 333,062,924
CONDENSED SCHEDULE OF CHANGES IN NET ASSETS			
Operating Revenues:			
Sales of power	**$ 374,524,747**	$ 309,678,303	$ 316,628,436
Other operating revenues	**7,476,042**	7,990,674	7,118,751
Total operating revenues	**382,000,789**	317,668,977	323,747,187
Non-Operating Revenues:			
Interest Income	**10,712,439**	14,819,878	14,825,144
Net increase (decrease) in fair value of investments	**173,550**	(2,012,928)	3,287,302
FEMA grant revenues	**44,447**	-	1,680,009
Income from non-utility operations	**4,072,921**	4,793,766	1,572,381
Deferral of costs to be recovered from future revenues	**1,410,896**	1,341,601	1,262,100
Total non-operating revenues	**16,414,253**	18,942,317	22,626,936
Total revenues	**398,415,042**	336,611,294	346,374,123
Operating Expenses:			
Fuel	**(151,322,794)**	(130,956,467)	(98,340,950)
Depreciation	**(44,101,788)**	(48,595,784)	(32,644,506)
Maintenance	**(33,720,522)**	(27,581,156)	(22,597,687)
Administrative and general	**(23,946,136)**	(19,745,003)	(20,185,919)
Operations	**(23,480,280)**	(28,885,899)	(21,574,439)
Purchased power - net	**(11,154,488)**	(7,589,678)	(30,339,495)
Total operating expenses	**(287,726,008)**	(263,353,987)	(225,682,996)
Non-Operating Expenses:			
Interest expense	**(46,953,286)**	(52,111,791)	(36,859,464)
Amortization of debt discount and expense	**(2,211,997)**	(2,383,970)	(1,896,048)
Amortization of bond premium	**1,693,573**	1,716,627	1,033,252
Total non-operating expenses	**(47,471,710)**	(52,779,134)	(37,722,260)
Total expenses	**(335,197,718)**	(316,133,121)	(263,405,256)
Net increase in net assets	**$ 63,217,324**	$ 20,478,173	$ 82,968,867

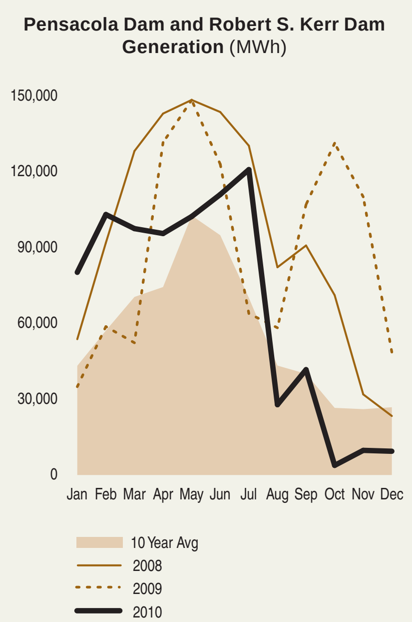
2010 as a direct result of the bond proceeds being deposited in the Construction Accounts. Total Assets decreased by $37.5 million or by 2.7% in 2009, following an increase of $624.0 million or 80.1% in 2008. Net Utility Plant has continued to increase since 2006, following several years of declines. The substantial 2008 increases are directly related to utilization of GRDA's bond proceeds to purchase the Redbud Power Plant. The 2009 and 2010 increases in Net Utility Plant reflect the utilization of additional 2008 bond proceeds on construction projects. More detailed information about changes in Net Utility Plant is also presented in the Notes to Financial Statements, Utility Plant.

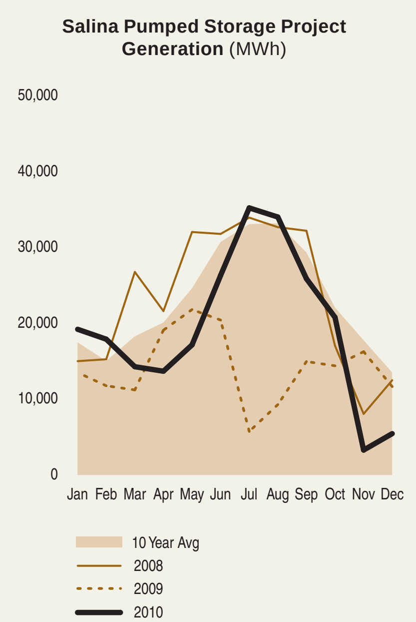
Current Assets decreased by $41.8 million or by 13.1% during 2010 and decreased $123.2 million or 27.8% during 2009. Of the 2010 decrease in Current Assets, $40.1 million was related to the decrease in construction funds that were spent on capital improvements. Increases in cash and under recovered fuel costs were partially offset by a $7.3 million decrease in fuel inventories and $1.7 million decrease in materials and supplies. During 2009, GRDA spent over $90 million on construction projects, and had invested a portion of the construction fund deposits. Other 2009 significant shifts in Current Assets came from inventories. In 2009, materials and supplies inventories alone increased by $9.5 million, primarily as transformers and other line and substation equipment with long order times were received and waited installation on the construction projects. Details about capital additions are discussed in the Capital Assets section.

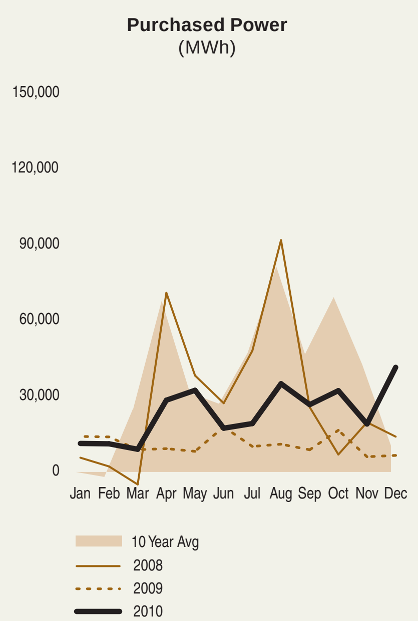
Restricted Investments increased by $200.8 million or 82.2% in 2010 and increased by $37.5 million or 18.2% in 2009. During 2010, the construction fund increased $216.8 million from the issuance of the 2010A&B Bonds in December 2010. This increase was offset from a decrease in the 2008 Construction Funds that were spent on capital improvements. A new General Bond Resolution effective July 2009 eliminated the mandatory restriction, and the balances were utilized to make principal payments on the debt service in 2009 and 2010. Additional information about the Restricted Investments is presented in the Notes to Financial Statements, Deposits and Investments. Restricted Assets are discussed in more detail in the Significant Assets and Debt Administration section. Other Noncurrent Assets include Costs to be Recovered from Future Revenues and will continue to increase at approximately $1.4 million per year until the 2002B debt matures on June 1, 2014.

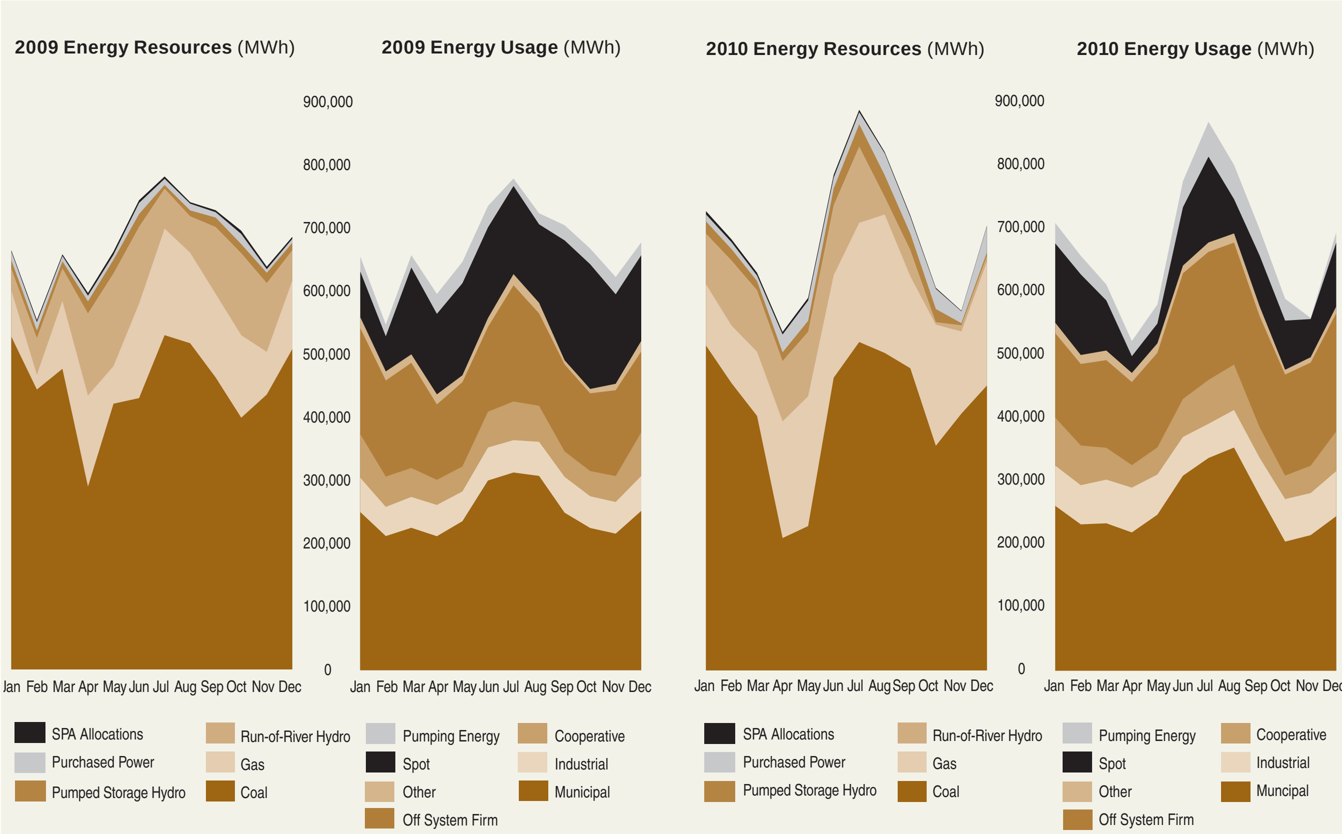
As previously mentioned, actions during September 2008 brought changes to many components of the Statements of Net Assets as $575.6 million in revenue bonds were issued to finance the purchase of the Redbud Power Plant and purchase investments to finance construction projects. The addition of the debt from the 2008 bond issue almost doubled Total Liabilities to a total of $1.1 billion. Bonds payable increased by another $239.3 million in December 2010 when additional revenue bonds were issued to finance electric system improvements. The bonds payable increases were offset by sizeable principal payments on the outstanding debt. GRDA paid $72.6 million in bond redemptions in 2009 and $95.5 million in 2010. Additional details about bonds outstanding and amortization of bond related expenses are presented in the Notes to Financial Statements, Bonds Payable. Current Liabilities returned to a level more consistent with the 2008 balances following an increase in 2009 of $34.8 million or 29.7%. When GRDA issued the 2008 debt, $19 million of the bonds were issued as taxable debt awaiting a ruling from the Internal Revenue Service. It was anticipated that the taxable debt would be rolled over into long-term debt when it matured in June 2010. However, GRDA had sufficient cash to redeem the bonds when they matured. The 2008B bonds reflected as current assets in 2009 and an over-recovered fuel cost liability of $14.5 million accounted for the one year increase in current liabilities in 2009.

Unrestricted Net Assets—the part of net assets used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal agreements has fluctuated, but increased by $58 million or by 56.3% during the past two year period. The majority was held as unrestricted and board designated cash and investments and increased materials









and supplies inventory. Additionally, Net Assets Invested in Capital Assets Net of Related Debt increased by $10.7 million over the same two-year period. The primary drivers for the change were the sizable debt principal payments that were made, offset by annual depreciation provisions. Net Assets Restricted for Debt Service increased in proportion to the increasing principal portion of sinking fund payments for repayment of long-term debt in both 2009 and 2010.

Operating Results

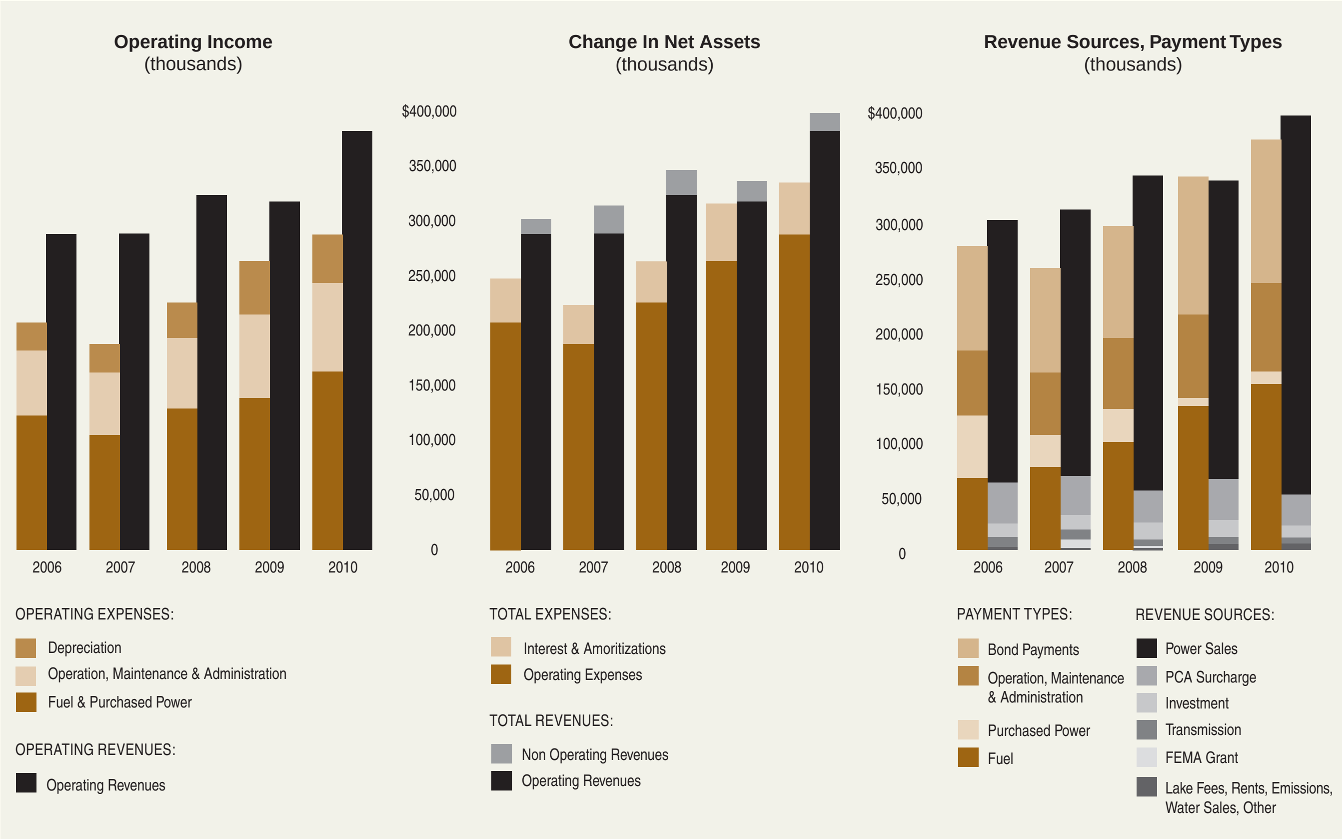
Three of the Authority's recent priorities were to increase debt service coverage ratios, to obtain long-term contracts to replace the relatively short customer contracts containing numerous termination clauses, and to secure resources to cover the lack of sufficient generation to meet customers' load growth. The renewed relationships with customers and the new relationships with other Oklahoma utilities enabled GRDA to meet those objectives and to start 2009 with a renewed generation mixture. GRDA continued to work with customers to identify load requirements and maintain the reliable service they expect. GRDA's new generation mixture brought a change in how the generation is dispatched.

Although run-of-river generation did not set any new records in 2010, the 2008 and 2009 generation approached previous high generation levels, providing virtually free energy, as reflected in the graph title, "Pensacola Dam and Robert S. Kerr Dam Generation." While not as high as the preceding years, 2010 generation levels were still higher than what is considered the historical norm.

Generation from Salina Pumped Storage Project (SPSP) exceeded historic averages in 2008. However, with the purchase of Redbud, the role of the pumped-storage shifted more towards reliability and less for economic dispatching. The graph labeled "Salina Pumped Storage Project Generation" reflects the decrease in generation in the fourth quarter of 2008 and throughout 2009, as the Authority relied more on the Redbud Power Plant for peaking and intermediate needs. GRDA relied on SPSP's strength of being capable of supplying reliable generation during 2010 as Oklahoma weather set some historic records. At times, GRDA utilized both SPSP and Redbud to meet customers' load requirements.

The "Purchased Power" graph also reflects a decrease in purchases beginning with the fourth quarter of 2008 and throughout 2010 as GRDA began to generate with Redbud.

The graphs titled "2009 and 2010 Energy Resources and Usage" indicate the extent that GRDA relies on thermal generation and gas generation to meet the customer's load needs no matter what season of the year. The "Purchased Power" graph reflects how the availability of hydro, thermal, and gas generation benefits GRDA customers. As the graph reflects, historical purchases for the most part were to supplement generation during the routine Spring and Fall outages at the Coal-Fired Complex and across the peak summer load period. In 2009 and 2010 however, purchased power decreased significantly throughout the year since GRDA had both adequate inflows for hydro generation as well as a reliable gas energy supply through Redbud operations. Importantly, the Redbud Power Plant has provided the reliable generation it was anticipated to supply. The availability of adequate generation along with a reliable transmission system and firm customer contracts drive the operating and financial results.



Operating Income

Operating Income increased by $40.0 million or by 73.6% in 2010 after decreasing by $43.8 million, or by 44.7% in 2009. Operating Revenues increased by $64.3 million or 20.3% in 2010 after decreasing $6.1 million or 1.9% in 2009. The increases in Operating Income and Operating Revenues were driven by a combination of electricity rate increases and sales levels that started to rebound after the decrease in late 2008 and early 2009 as a result of the recession. As previously mentioned, a temporary rate increase was implemented effective January 1, 2010 because of 2009 sales levels being lower than projected as a result of the economic pressures. Operating Expenses increased by $24.4 million in 2010, and $37.7 million in 2009.

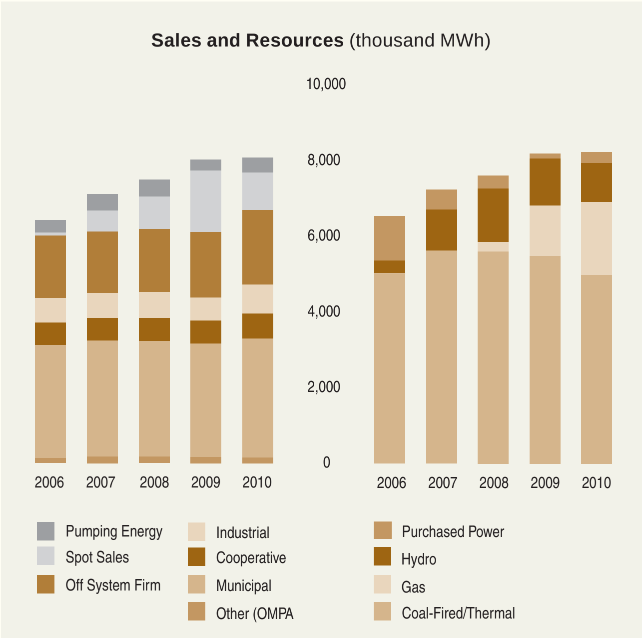
Fuel costs remained the big expense driver. Fuel costs accounted for $20.4 million of the current year increase in Operating Expenses and for $32.6 million of the increase in 2009. Depreciation expense accounted for another $16.0 million in 2009 although it decreased by $4.5 million in 2010. Although maintenance expenses increased with the addition of costs relating to the Redbud Power Plant, purchased power continued to show sizeable decreases from pre-Redbud levels. The $22.8 million decrease in 2009 represented a 75% decrease in purchased power costs from 2008 purchased power. Increases in delivered coal and natural gas prices accounted for the majority of the increase in fuel costs between 2009 and 2010.

The graph labeled "Operating Income" indicates both operating revenues and operating expenses, and the difference in the column height reflects operating income. Operating Revenues are combined with other Non-operating Revenues, primarily interest and investment income to pay the Authority's expenses. As can be seen in the "Change in Net Assets" graph to the right of the "Operating Income" graph, revenues have consistently exceeded expenses since the implementation of the rate increases. Although the difference was not as large in 2009, it increased in 2010 following the increases in both electric rates and sales. The third graph, labeled "Revenue Sources, Payment Types," shows the extent to which Sales of Power provide the majority of money to repay GRDA's debt and cover operating costs.

While the first two graphs reflect the income statement amounts, the third graph includes the debt payments, principal and interest, recovered through the Authority's rates. GRDA's rate structure is based on a cost-of-service approach of which debt service, fuel and purchased power, and other operating expenses are the principal components. The difference in the column height of the third graph reflects the source of funds, other than bond proceeds reinvested in the system. During 2009, GRDA had intended to supplement the revenues collected with $35.4 million in "other available funds", by utilizing excess Reserve and Contingency Funds to make debt principal payments. However, GRDA only used $22 million during 2009. The remaining $13.4 million Reserve and Contingency excess was utilized during 2010. The sources and uses of funds is further shown in a table calculating Debt Service coverage included in the statistical section of the Authority's Comprehensive Annual Financial Report each year.

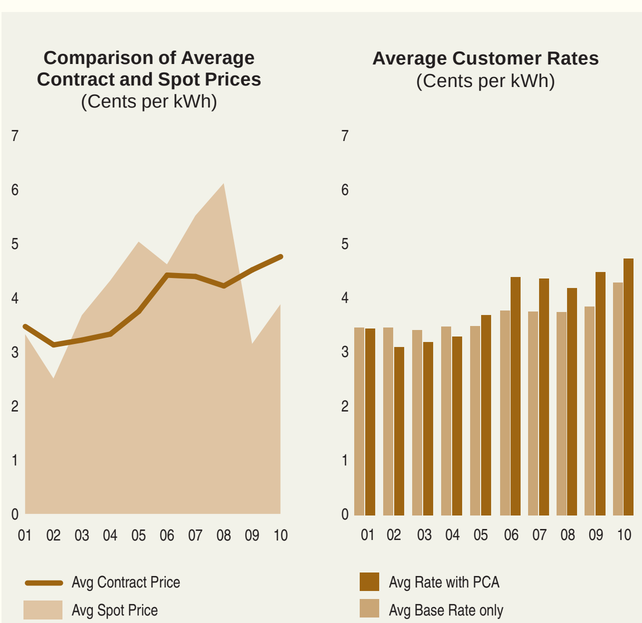
Operating Revenues

In 2010, Total Operating Revenues and Sales of Power both increased by just over 20% after decreasing by approximately 2% in 2009. As mentioned previously, the revenue increases were from



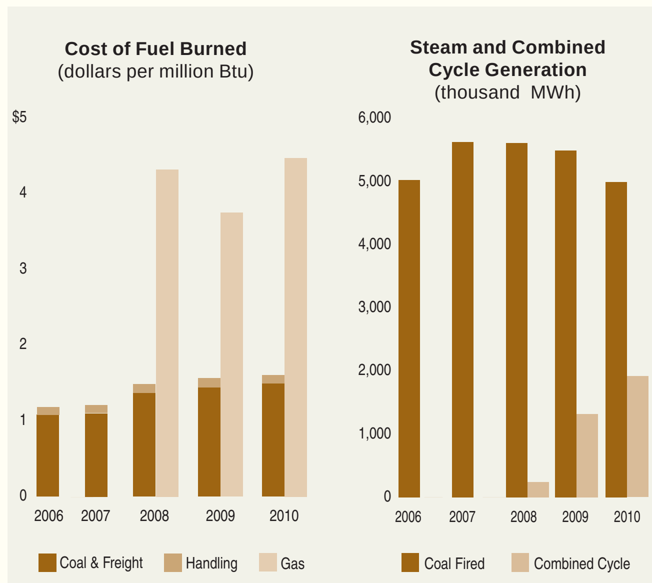
a combination of improving sales and economic conditions plus an increase in the electricity rates. In 2009, contract sales leveled although spot sales increased. However, the spot sales prices, and corresponding margins, were relatively low during 2009. The spot sales margins remained low during 2010, but contract sales increased in all customer categories except "other" which is the portion OMPA schedules under their coal-fired Unit 2 output contract. The trend in customer sales by category can be seen in the graph titled "Sales and Resources." The graph also compares GRDA's customer sales mix and generation resources over the past five years.

GRDA's electricity rate structure has three main components: a demand charge, an energy charge, and a Power Cost Adjustment (PCA). The PCA recovers any corresponding increases in fuel or purchased power. GRDA's power cost adjustment mechanism with customers is calculated on a rolling 12-month basis and is normally revised twice a year. Sales of Power include any PCA surcharge as the "true up" adjustment passes through the cost of the generating fuel and purchased power.



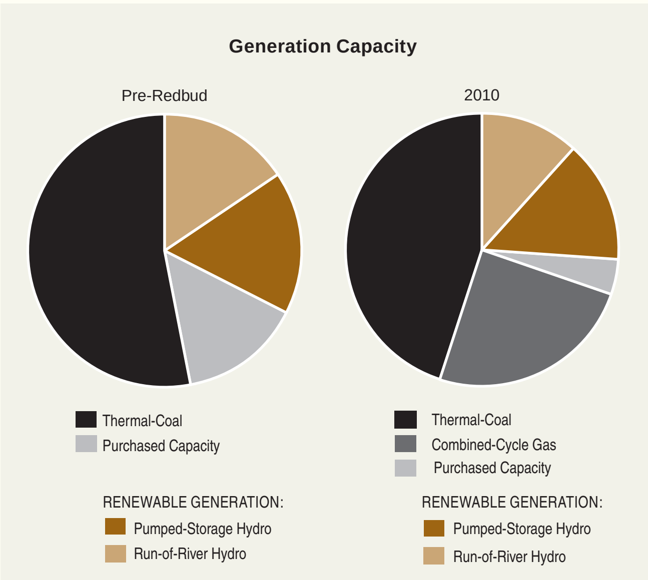
The revenues also reflect an accrual of any over or under collected fuel cost. GRDA collected surcharges for the PCA of $28.4 and $37.5 million during 2010 and 2009, respectively. Sales of Power included an accrual of $20.7 million of Under Recovered Fuel Costs during 2010 and a reduction of $15.3 million from Over Recovered Fuel Costs during 2009.

Even with the collection of fuel surcharges, GRDA contract rates remain among the lowest in the region. The graph comparing GRDA's historic average contract prices to GRDA's average spot prices for any excess energy sold at market prices provides an indication of the competitiveness of the Authority's rates and the advantage that abundant hydro generation provides. The graph of average customer rates reflects that GRDA's average rates remain approximately 4.7 cents per kWh. The average rates collected in 2009 were slightly higher than the average rates collected during 2008, primarily due to a increase in the PCA surcharge collected for higher anticipated fuel costs. Average rates in 2010 were higher because of the rate increase. When the increase was implemented, the board intended for it to be temporary until the financial results improved. Assumptions in the 2011 financial forecast include a 2% reduction in capacity and energy billing components, but the board will have to evaluate current conditions and will need to vote on any rate reduction before it can be implemented.



Operating Expenses

Operating Expenses increased by $24.4 million and by $37.7 million in 2010 and 2009, respectively. As mentioned earlier, fuel was the primary increase in operating expenses over the past two years. Coal and freight are the largest operating expenses at the Coal-Fired Complex. To help address difficulty in obtaining coal deliveries, GRDA entered into leases for additional rail cars and has continued to pursue improved coal deliveries and price protection. In 2009, GRDA purchased aluminum rail cars which reduced the lease expenses in 2010. As the graph indicates, the rising cost of coal and freight has increased the average cost of fuel burned. Fuel costs increased by $32.6 million in 2009 and by $20.4 million in 2010 as a result of both an increase in the delivered price of coal as well as two full years of generation and gas consumption for the Redbud Power Plant. Fuel expenses included $62.4 million and $36.3 million of gas burned at the Redbud Power Plant during 2010 and 2009 respectively. The graph reflects the cost per Btu of coal and gas as well as a comparison of the annual generation at the coal and gas plants.



In 2009, GRDA operated the Redbud Plant for the first full year. The acquisition of Redbud in late 2008 was the primary reason for the $16.0 million increase in depreciation, $7.3 million increase in operations, and the $5.0 million increase in maintenance during 2009. Other than fuel, the most significant increase in operating expenses in 2010 related to the $6.1 million increase in maintenance expenses. Every six years, the coal-fired complex has a planned, major maintenance outage. The outage for Unit 1, which GRDA owns 100%, occurred in the Spring of 2010. The Unit 2 major maintenance outage, which GRDA owns jointly with KAMO Power, is scheduled for 2012. Generally, purchased power will also be slightly higher in years such as 2010 when GRDA has a coal-fired plant down for a major, more extended outage. Other increases to administrative and general costs related to the settlement of flooding claims, insurance deductibles, employee insurance premiums and post-retirement benefit increases.

Significant Assets and Debt Administration

Capital Assets

As part of the commitment to customers to maintain reliability of service, GRDA also made a priority of rebuilding and maintaining generation and transmission assets. As shown in the Utility Plant Note to Financial Statements, the majority of Net Utility Plant consists of an economical mixture of renewable hydroelectric and thermal generation resources which now also includes natural gas generation resources and a transmission system for the delivery of power and energy.

After several years of decreases to Net Utility Plant because annual depreciation expense exceeded capital additions, the trend began reversing in 2006. The purchase of the Redbud Power Plant had a significant impact on Net Utility Plant in 2008. The pie charts reflect GRDA's generating capacity before and after the Redbud acquisition. Prior to the purchase of the combined-cycle plant, GRDA was purchasing capacity and energy from the previous plant owners. Currently, the only capacity GRDA purchases is from two municipal customers, Coffeyville and Cushing, which own generation. The concept is to enhance generation and transmission reliability by having access to emergency generation should the need arise. The major capital asset additions in 2008 included most notably the purchase of a 36% interest in the Redbud Power Plant. In 2009, the upgrades to the Kerr Dam were the most significant capital additions, Other major additions in 2009 and 2010 related to the purchase of aluminum rail cars and upgrades to the transmission system utilizing 2008 bond proceeds. As previously mentioned, 2010 was a year for a major maintenance outage on the Coal-Fired Complex Unit 1. During the major outage, the generator excitation was restored and superheater tube panels and speed control equipment were upgraded. Lines and substations continue to be added in order to handle the loads of new and growing customers. Additional general plant projects include such projects as microwave rebuilds, voice systems replacements and network infrastructure improvements. The capital portion of long-term service agreements increase Redbud capital additions annually.

Restricted Assets

The Authority's bond resolutions require reserve funds be set aside. The previous General Bond Resolution No. 4800 required the Bond Service Reserve account be equal to the "Maximum Aggregate Bond Service" and the Reserve and Contingency Fund be equal to 25% of that same amount. Prior to the 2008 bond issue, the restricted amount of $120,151,735 included $96,121,388 of bond service reserve and $24,030,347 reserve and contingency funds, which were the required amounts to be set aside to comply with the bond covenant. After the September 2008 bond issue, the maximum aggregate debt service increased to include the debt service on the 2008 bonds. As a result, the bond service reserve increased by $45.4 million to $141,560,060, and the Reserve and Contingency Fund increased by $11.4 million to $35,390,015. A new General Bond Resolution 5107 became effective in July 2009. Under the new bond resolution, the Bond Service Reserve account still has a minimum balance equal to the "Maximum Aggregate Bond Service." However, the Reserve and Contingency Fund is no longer required by the new General Bond Resolution. As a result, GRDA utilized $22 million of the $35.4 million for principal payments during 2009 and utilized the remaining $13.4 million for 2010 principal payments. Upon issuance of the 2010 bonds, the Debt Service Reserve requirement increased to $135,981,667. Excess debt service reserve funds will also be used to make future principal payments. As discussed further in the Notes to Financial Statements, any excess balances in the Debt Service Reserve and the Reserve and Contingency accounts were reflected as restricted assets because bond proceeds were used to initially fund the accounts, and carry associated restrictions on how the funds can be used.

Additional amounts are restricted for the bond service sinking fund payments made to the trustee for annual principal and semiannual interest payments. Sinking fund payments were a requirement of the previous General Bond Resolution No. 4800. The Authority has continued to make sinking fund payments to the trustee to better manage cash flows although the new General Bond Resolution 5107 does not require the amounts be set aside monthly.

The Authority currently has two construction accounts. The 2008 construction account balance is attributable to unexpended proceeds from the 2008 bond issue. In September 2008, $518.2 million was deposited with the trustee in the construction project accounts. Of the bond proceeds, $310 million was designated for the purchase and other costs associated with the acquisition of the Redbud Power Plant. The remaining $208.2 million was to be utilized for generation, transmission and other projects. With the exception of the Redbud purchase, which closed in September 2008, disbursements for the construction projects are initially paid from revenue funds. Reimbursements are then submitted to the trustee and monies are transferred from the construction project accounts to operating and revenue accounts. At the end of 2010, $100.5 million remained in 2008 construction account. The 2010 construction account includes the $216.8 million deposit of 2010 bond proceeds. Consistent with the 2008 projects, construction projects are initially paid from revenue accounts. At December 31, 2010, no requests for reimbursements had been submitted to the trustee for 2010 bond projects.

The final restricted accounts for special purposes relate to wildlife mitigation pursuant to hydro licensing requirements. Each of the restrictions is discussed in further detail in the Notes to Financial Statements, Deposits and Investments.

Regulatory Assets

The Authority follows Statement of Financial Accounting Standards (SFAS) No. 71, as codified in Accounting Standards Codification 980, in regulatory reporting which requires utilities to match costs in the same period the revenues are collected. The regulatory asset consists of the deferred interest costs related to the 2002B capital appreciation bond issue. The balance in Costs to Be Recovered from Future Revenues includes the cumulative deferral of interest expense net of any interest income earned on the 2002B Construction Fund Investments. The amount deferred in 2010 was $1.4 million, and the 2009 deferral was $1.3 million. The deferred asset totaled $7.9 million at the end of 2010. The deferred asset will continue to increase annually until revenues are collected to pay the 2002B principal and cumulative interest at maturity on June 1, 2014. The 2002B Accrued Interest Payable is reflected in the financial statements as a Non-current Liability. For more detail, see the Notes to Financial Statements, Costs to be Recovered from Future Revenues.

The bondholders are then paid annual principal payments on June 1 and semiannual interest payments on December 1 and June 1 of each year. Until the September 2008 bond issue, GRDA's debt service payments were structured to remain fairly constant at approximately $96 million per year through 2013. The principal and interest totaling approximately $34 million on the 2002B capital appreciation bonds will be repaid on June 1, 2014.

The 2008 debt service was wrapped around the previously existing debt in order to minimize the impact of the additional debt service. Only interest will be paid on the 2008 tax exempt bonds until 2014. Principal redemptions for the 2008 bonds will phase in as the older debt matures and continue through 2033. GRDA requested a private letter ruling from the Internal Revenue Service and had issued 2008 taxable debt short-term with a June 1, 2010 maturity. The taxable debt was intended to be refinanced as either taxable or tax-exempt bonds. However, GRDA was able to make sufficient bond sinking fund payments from revenues, and redeemed the $19 million when the taxable bonds matured on June 1, 2010. Additionally, the 2010 bonds were wrapped around the outstanding debt. A portion of the interest costs will be capitalized until December 2012 to reduce the impact of the debt service on customer rates. The 2010 bonds were issued to mature beginning in 2015 through 2040. The graph labeled "Future Debt Service Principal and Interest" provides an indication of how much principal and interest are due each year until all currently outstanding bonds mature in 2040. The graph distinguishes between the older debt, the 2008 issue and the 2010 issue.

The 1995 and 2002 bonds outstanding are not subject to redemption prior to the maturity of the bonds. The 2008A tax-exempt bonds maturing on and after June 1, 2019 are subject to early redemption on or after June 1, 2018. The 2010A tax-exempt bonds maturing on and after June 1, 2021 are subject to early redemption on or after June 1, 2020. The 2010B taxable bonds are subject to redemption at any time subject to a "Make-Whole Redemption" clause. In conjunction with the bonds, the Authority has made certain covenants and must file continuing disclosures with bond repositories. Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings initially gave the 1995, 2002, 2008, and a portion of the 1993 issues ratings of Aaa, AAA and AAA, respectively, since municipal bond insurance policies were purchased as the bonds were issued.

AMBAC Indemnity Corporation insures the Authority's $173.4 million outstanding 1995 bonds with maturities in June 2011 and 2013. FSA, now Assured Guaranty Municipal, insures GRDA's $86.2 million 2002 Series A maturing in June 2012 and $18.6 million

Long-Term Debt

The repayment of GRDA's outstanding bonds continued to impact the change in net assets in a positive manner by increasing the ratio of utility plant to debt. The trustee paid bondholders, on behalf of the Authority, principal payments of $95.5 million, $72.5 million and $68.8 million on June 1, 2010, 2009 and 2008, respectively.

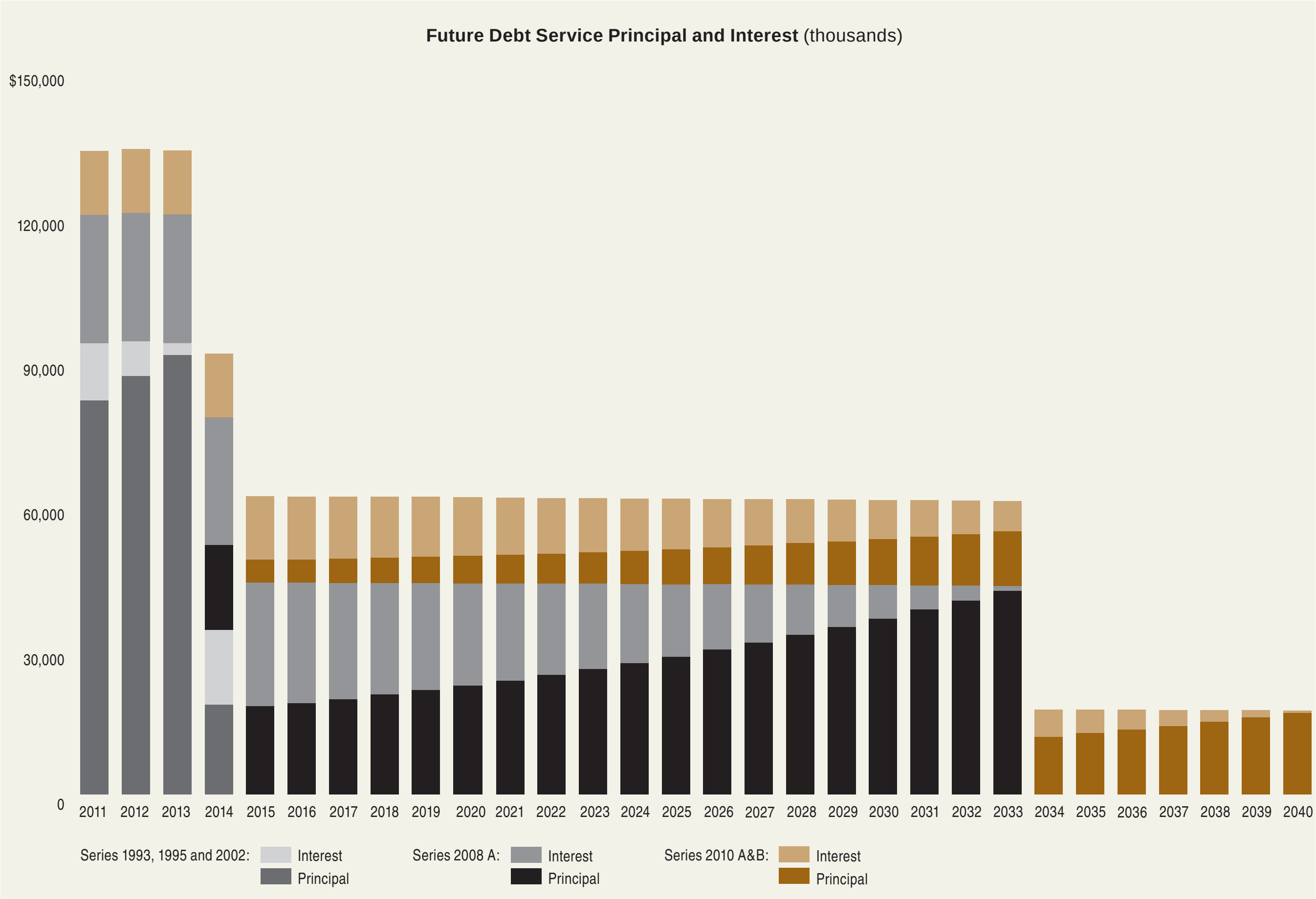
As indicated in the Notes to Financial Statements, Bonds Payable, GRDA makes monthly sinking fund payments to the bond trustee, which are reflected as Current Investments "restricted for bond service."

GRDA CREDIT RATING IMPROVEMENTS: 2005-2010

Rating Agency	Prior to 2005	2005-2006	2007	2008-2010
Standard & Poor's	BBB+ Negative Credit Watch	BBB+ Stable	A- Positive	A Stable
Moody's Investors	A2 Negative	No Action	A2 Stable	A2 Stable
Fitch Ratings	A- Stable	A- Positive	No Action	A Stable

BBB+ Negative Credit Watch: *Adequate capacity to meet financial commitments, but more subject to adverse economic conditions and moderate credit risk. Obligations are considered medium grade and as such may possess certain speculate characteristics. Negative Credit Watch indicated a heightened probability for a potential downgrade over a relatively short period.*

A Stable: *Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. Obligations are considered upper-medium grade and are subject to low credit risk. Stable outlook indicates no significant upward or downward pressures at the time of the rating.*



Series B bonds maturing in June 2014. Finally, Berkshire Hathaway Assurance Corporation insures the 2008 tax-exempt bonds maturing June 2014 through June 2033. None of the municipal bond insurers currently carry AAA ratings. As of the date of these financial statements, Moody's Investors Service rates Ambac Caa2 on review for an upgrade, Berskhire Hathaway Aa1 with a stable outlook, and Assured Guaranty Municipal Aa3 with a negative outlook. Standard and Poor's (S&P) rates Ambac an R which means it is under regulatory intervention due to its financial situation. S&P rates Berkshire Hathaway AA+ with a stable outlook and Assured Guaranty Municipal AA+ with a stable outlook. Fitch Ratings no longer rates any of the insurers of GRDA bonds.

Prior to 2007, GRDA had mixed ratings from the agencies, and was rated as low as BBB+ by Standard and Poor's. Since 2008, GRDA has had ratings of A from Fitch Ratings and Standard and Poor's, and has had a rating of A2 from Moody's. Each agency assigned a stable outlook. No changes were made to ratings in 2009. All three of the agencies reaffirmed GRDA's ratings prior to the 2010 bond issue. The rating upgrades and outlook improvements reaffirmed the benefits of the hard financial decisions GRDA has made to improve its financial stability and to continue its role as a low-cost, competitive power supplier. The rating agencies continue to monitor GRDA's underlying credit.

Change in Financial Position

Other than 2009, a year in which the downturn in the economy had a negative impact to the Authority's sales, and notwithstanding, GRDA's performance held steady. Otherwise, GRDA's financial position has improved annually since 2004.

While a fundamental strength of GRDA has always been the ability to provide low-cost, reliable electricity, the real foundation is its relationship with customers, many of which have been public power partners with GRDA for 65 years. Whether on the main street of a municipal customer community that GRDA employees call home, or in the warehouse of an industrial customer, located just down the road from the Coal-Fired Complex and Transmission Headquarters, the Authority's relationships with customers are about being a good neighbor. With that as a background, GRDA's future economic outlook is always linked to customer growth.

While the dollar impacts are significant, just as important are the actions that have been taken to prepare for the future of GRDA and its customers. With a stronger financial condition, GRDA focused on its public power mission and on renewing long-term relationships with customers. As a result, long-term revenue projections also became more stable as most municipal customers signed 35-year, all-requirements contracts. A stronger financial position enabled the Authority to follow through with the public power commitment to provide customers with low prices and reliable service. Because of that solid background, and the revenue security those contracts provide, GRDA was able to make it through a very tough year in 2009 and delay the effective date of the latest rate increase until January 1, 2010. Together, GRDA and the customers updated load forecasts, and in 2010, sales returned to previously forecast levels. The increased sales and rate increase were the prime drivers for the improved results in 2010.

As a result of the mutual commitment to public power and the joint actions with customers, Total Net Assets have quadrupled from $104.6 million to $416.8 million over the past five years. The improvement in GRDA's financial position provided a sound foundation for a successful $575 million bond issue in September 2008 to finance the acquisition of additional generation and other capital additions through 2010. Another successful $239.3 million bond issue in December 2010 to finance electric system improvements through 2012 was also the result of that improved financial position.

GRDA has also strengthened the foundation behind the improved financial position. At the same time GRDA was improving the revenue stream and working to control risks, the Authority was also securing the internal infrastructure. While risks with large financial impacts were prioritized and tackled first, risks such as the revenue stream, flooding mitigation, fuel supply, optimizing adequacy of generation supply with contracted customer loads, and reliable transmission, compliance and safety were also at the forefront. Behind the improved financial position are numerous policies and procedures adopted over the past five years. Employee training is ongoing. The result is a more sustainable utility less reliant solely on day-to-day priorities, and more driven by an overall focus and goal. As a result of the business and organization priorities and processes throughout 2009 and 2010, GRDA was able to successfully dispatch the generation so as to serve the customers loads in the optimal manner.

Economic Outlook

While the Authority accomplished addressing initial risks and threats which resulted in a fairly quick improvement to the financial position, the outlook continues to be favorable, yet significant risks remain. A key fact that should not be overlooked is GRDA's debt profile. GRDA's forecasted debt service, a key component of the capacity portion of the rates, is currently scheduled to be half the current debt service level after debt issued in and prior to 2002 matures by June 1, 2012. That known decrease provides future flexibility to either reduce capacity rates substantially, or it provides the debt capacity margin to finance future electric system needs, or some combination of both. The low rates GRDA provides are key to the economic stability of Oklahoma's communities and industries.

Oklahoma has not been immune to the financial challenges confronting the rest of the United States, and 2009 was a particularly tough year financially. The Authority has very conservative investment requirements and as a result, did not incur investment losses, although the yields earned on eligible investments declined significantly. GRDA did not experience a significant drop in industrial sales, although industrial sales were down slightly in 2009. Municipal and cooperative customer loads flattened from projections made in early 2008. Municipal loads decreased slightly during 2009 while cooperative loads continued to grow. In addition, markets and prices for spot sales were low as a result of unseasonably mild weather in early 2009. With the purchase of the Redbud Power Plant, additional debt service and operating costs had to be recovered from the collection of sufficient base rates.

Prior to the acquisition, capacity and energy were purchased, and the costs were recovered through the PCA surcharge. Because the loads were starting to show signs of the downturn in the economy in late 2008 and because of the uncertainty of future sales, the Authority together with the customers, revised the load and financial forecasts. That financial work resulted in GRDA's Board of Directors passing a rate increase effective January 1, 2010, with an average increase of 11.95%. Additionally, GRDA expanded its relationships with Oklahoma Municipal Power Authority and Western Farmers Electric Cooperative by contracting to provide increased firm sales. The additional revenues will provide the incremental resources to maintain stable financial ratios. If the improvement from 2010 sales and revenues continues, GRDA hopes to return the benefits to customers in the form of a slight 2% base rate decrease in late 2011, and additional, more significant, decreases in 2013.

However, the GRDA Board will need to vote on any rate actions before they are implemented and consider balancing the revenue requirements to provide the lowest rates possible to benefit GRDA customers against risks and threats of the Authority going forward. While one of the units at GRDA's coal-fired complex already has a scrubber, there are increasing environmental and regulatory risks for any coal-fired generation. Future costs are anticipated to be substantial although not all the future requirements have been prescribed or finalized by the regulatory authorities. Additionally, ongoing technological, compliance, and regulatory requirements require constant monitoring and investment in not only capital but personnel to remain in compliance.

GRDA has created a compliance department to manage ever-changing Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC) regulations. GRDA's hydro facilities are also operated under FERC licenses and have a multitude of environmental, safety and even recreational facets. Additionally, the Authority will undergo a performance audit in 2011.

GRDA's goals are to respond to the upcoming demands and regulations and be a good steward of Oklahoma's resources with the most cost-effective, long-term solutions in order to continue to provide reliable service and electricity to Oklahoma customers for decades to come. In 2010, GRDA celebrated 75 years of providing power to a developing state, and is well positioned to aid Oklahoma's economy in the future.

Management's Discussion and Analysis

This report is intended to provide our customers, bondholders, citizens of the state of Oklahoma, and other interested parties with a general overview of GRDA's financial position, results of operations, and to demonstrate accountability for the revenues GRDA receives.

Questions about this report or requests for additional financial information should be directed to the Authority at:

Grand River Dam Authority
PO Box 409, 226 West Dwain Willis Avenue
Vinita, Oklahoma 74301-0409

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS:		
Current assets:		
Cash and cash equivalents — general operating account	**$ 22,752,566**	$ 17,205,719
Investments	**157,432,677**	197,530,279
Accounts receivable — net	**36,931,490**	39,230,907
Accrued interest receivable	**752,273**	1,428,311
Fuel stock	**13,566,511**	20,876,895
Materials and supplies	**36,538,942**	38,274,668
Under recovered fuel costs	**6,199,203**	-
Prepaid assets	**4,328,796**	5,777,560
Total current assets	**278,502,458**	320,324,339
Noncurrent assets:		
Restricted investments	**444,945,573**	244,179,432
Other receivables	**572,428**	719,237
Net utility plant — at original cost less depreciation	**801,422,915**	778,489,258
Other noncurrent assets:		
Costs to be recovered from future revenues	**7,924,095**	6,513,199
Unamortized debt issuance costs	**15,698,734**	15,323,606
Nonutility property — at original cost	**33,014**	33,014
Total other noncurrent assets	**23,655,843**	21,869,819
Total noncurrent assets	**1,270,596,759**	1,045,257,746
Total assets	**1,549,099,217**	1,365,582,085
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	**33,055,611**	38,409,519
Accrued interest payable	**3,754,241**	3,838,755
Bonds payable — current portion	**81,665,000**	95,470,000
Over recovered fuel costs	**-**	14,481,096
Total current liabilities	**118,474,852**	152,199,370
Noncurrent liabilities:		
Bonds payable — net	**997,997,959**	844,164,321
Unamortized proceeds on debt service forward purchase agreements	**2,895,997**	4,094,454
Other noncurrent liabilities	**2,880,472**	2,903,230
Accrued interest payable	**10,091,516**	8,679,613
Total noncurrent liabilities	**1,013,865,944**	859,841,618
Total liabilities	**1,132,340,796**	1,012,040,988
NET ASSETS:		
Invested in capital assets — net of related debt	**188,760,234**	154,704,963
Restricted for:		
Debt service	**66,485,014**	59,544,174
Other special purposes	**513,456**	394,469
Unrestricted	**160,999,717**	138,897,491
TOTAL NET ASSETS	**$ 416,758,421**	$ 353,541,097

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Sales of power	**$ 374,524,747**	309,678,303
Other operating revenues	**7,476,042**	7,990,674
Total operating revenues	**382,000,789**	317,668,977
OPERATING EXPENSES:		
Fuel	**(151,322,794)**	(130,956,467)
Depreciation	**(44,101,788)**	(48,595,784)
Maintenance	**(33,720,522)**	(27,581,156)
Administrative and general	**(23,946,136)**	(19,745,003)
Operations	**(23,480,280)**	(28,885,899)
Purchased power — net	(11,154,488)	(7,589,678)
Total operating expenses	**(287,726,008)**	(263,353,987)
OPERATING INCOME	**94,274,781**	54,314,990
NONOPERATING REVENUES AND (EXPENSES):		
Interest income	**10,712,439**	14,819,878
Net increase (decrease) in the fair value of investments	**173,550**	(2,012,928)
FEMA grant revenue — operating	**3,363**	-
Income from nonutility operations	**4,072,921**	4,793,766
Interest expense	**(46,953,285)**	(52,111,791)
Deferral of costs to be recovered from future revenues	**1,410,896**	1,341,601
Amortization of debt discount and financing costs	**(2,211,997)**	(2,383,970)
Amortization of bond premium	**1,693,572**	1,716,627
Total nonoperating expenses	**(31,098,541)**	(33,836,817)
CAPITAL CONTRIBUTIONS — FEMA grant revenue — capital	**41,084**	-
NET INCREASE IN NET ASSETS	**63,217,324**	20,478,173
NET ASSETS — Beginning of year	**353,541,097**	333,062,924
NET ASSETS — End of year	**$ 416,758,421**	$ 353,541,097

See notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from user charges	$ 392,745,795	$ 371,653,236
Received from FEMA — operating revenues	3,363	251,317
Payments to employees for services	(29,085,981)	(28,853,998)
Payments to suppliers for goods and services	(222,906,799)	(236,827,397)
Net cash provided by operating activities	140,756,378	106,223,158
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to utility plant	(75,449,883)	(84,434,517)
Payments for retirements of utility plant	(3,004,952)	(3,926,937)
Received from FEMA — capital revenues	41,084	357,461
Proceeds from bond issue	239,315,000	-
Bond discouont	(4,913,532)	-
Bond issuance costs	(1,816,264)	-
Repayment of principal	(95,495,000)	(72,590,000)
Interest paid	(43,581,016)	(53,160,500)
Net cash provided by (used in) capital and related financing activities	15,095,437	(213,754,493)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	10,300,758	14,513,954
Purchases of securities	(286,565,269)	(30,956,186)
Proceeds from sales and maturities of securities	125,959,543	124,935,440
Net cash provided by (used in) investing activities	(150,304,968)	108,493,208
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,546,847	961,873
CASH AND CASH EQUIVALENTS — Beginning of year	17,205,719	16,243,846
CASH AND CASH EQUIVALENTS — End of year	$ 22,752,566	$ 17,205,719
NONCASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES —		
Noncash purchases of utility plant included in accounts payable	$ 11,419,389	$ 5,322,729
NONCASH ITEMS FROM INVESTING ACTIVITIES:		
Unrealized gain (loss) on investments	$ 173,550	$ (2,012,928)
Amortization of premiums and discounts	$ 110,737	$ 485,701
Amortization of debt service forward purchase agreements	$ 1,198,457	$ 1,198,457
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 94,274,781	$ 54,314,990
Noncash items included in net operating income:		
Income from nonutility operations	4,076,284	4,436,305
Depreciation	44,101,788	48,595,784
Changes in assets and liabilities:		
Receivables:		
Customers	1,893,143	(1,175,637)
Other	553,085	(3,144,992)
Fuel stock	7,310,385	5,765,146
Materials and supplies	1,735,726	(9,435,208)
Other	1,201,127	(3,323,905)
Accounts payable and accrued liabilities	6,065,481	(5,571,361)
Over (under) recovered fuel costs	(20,680,299)	15,302,733
Other noncurrent liabilities	224,877	459,303
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 140,756,378	$ 106,223,158

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — The Grand River Dam Authority (the "Authority") was created as a nonappropriated agency by the State of Oklahoma in 1935 as a conservation and reclamation district. The Authority has the power to control, store, preserve, and distribute the waters of the Grand River and its tributaries for any useful purpose and to develop and generate water power, electric power, and electric energy within the boundaries of the Authority and to buy, sell, resell, interchange, and distribute electric power and energy. The Grand River lies entirely within Oklahoma, but its drainage basin also extends over the states of Arkansas, Kansas, and Missouri. As part of the Authority's licensing agreements, the Authority also has lake area responsibilities. The costs of those activities are funded primarily through electricity sales to rural cooperative, municipal, industrial and off system customers located in Oklahoma, Kansas, Missouri, and Arkansas. The Authority's financial statements are included in the State of Oklahoma Comprehensive Annual Financial Report as a discrete proprietary component unit.

Basis of Accounting — The Authority is licensed to operate under the Federal Power Act, which requires the use of the uniform system of accounts, prescribed for public utilities and licensees. The Authority is a cost of service organization and establishes its rates to provide revenues sufficient to pay all expenses necessary for the operation and maintenance of the system, all payments, transfers, and deposits related to outstanding debt, and all other charges or obligations imposed by law or contract.

Basis of Presentation — The Authority's basic financial statements conform to the provisions of standards issued by the Governmental Accounting Standards Board (GASB). GASB establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Asset — Net of Related Debt — This component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues, and unamortized debt expense reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted — This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets — This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets — net of related debt."

The financial statements of the Authority are prepared under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Authority has elected to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements, as codified in Accounting Standards Codification (ASC), unless those pronouncements conflict with GASB pronouncements.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — Cash and cash equivalents include unrestricted cash in banks, unrestricted money market funds, and unrestricted certificates of deposit with original maturities of three months or less. Balances are presented on a net basis to the extent such balances are subject to the right of offset.

Investments — Investments principally comprise U.S. government securities, U.S. government agencies, Guaranteed Investment Agreements, State of Oklahoma agency bonds, bank TARP bonds unconditionally guaranteed by the United States of America, restricted money market funds, and certificates of deposit. The Authority reports investments, except for certain money market investments and nonparticipating investment contracts, at fair value. Fair value is determined using quoted market prices.

Fuel Stock — Coal fuel stock is carried at average cost and includes the costs of coal, freight, and labor. These amounts are charged to expense as the fuel is consumed. Gas fuel stock, if any, is carried at average cost and includes the costs of gas, transportation, and gas management fees.

Materials and Supplies — Materials and supplies are valued using the average cost and specific identification methods.

Under/Over Recovered Fuel Costs — The Authority's rate structure as approved by the Board of Directors provides for the Authority to make adjustments in revenue collections from municipal, industrial, cooperative and off system firm customers to recover variations between estimated and actual fuel costs incurred by the Authority. This adjustment, referred to as the Power Cost Adjustment (PCA), is generally calculated twice each year. The Authority's base rate is calculated using 13 mills as an estimated PCA. The cumulative difference between the actual fuel costs and the 13 mill base PCA rate is reflected as either an asset ("under recovery") or liability ("over recovery") in the Authority's accompanying Statements of Net Assets, because such amounts will either be collected from or refunded to customers of the Authority in subsequent periods.

Joint Participant — Among the Authority's assets is Coal-Fired Complex Unit 2 (which is 62% owned by the Authority and 38% owned by KAMO Power (KAMO). The Authority and KAMO also jointly own an integrated transmission system. Additionally, GRDA jointly owns the Redbud combined cycle gas plant with Oklahoma Gas and Electric (OG&E) and Oklahoma Municipal Power Authority (OMPA). The Redbud Power Plant is operated by OG&E, with OG&E, GRDA, and OMPA owning 51%, 36%, and 13% respectively. These financial statements and notes to financial statements include the transactions for the Authority's ownership of these assets.

Acquisition of Net Assets in the Redbud Facility — On October 1, 2008, the Authority purchased certain assets and assumed certain liabilities in the Redbud combined cycle gas plant near Luther, Oklahoma. GRDA's undivided interest in the assets and liabilities of the facility is 36%, while OG&E's interest is 51% and OMPA's interest is 13%. Total cash paid by GRDA for its 36% interest was $309,183,470, which includes $2,415,542 in investment banking advisory, legal, and other professional fees. The total purchase price was recorded as follows in accordance with FERC and GASB 14 guidance for undivided interests: GRDA's allocated pro-rata portion of the original historical cost of $241,824,107 was recorded in the electric plant in service accounts, the associated historical accumulated depreciation of $41,602,146 was recorded in the accumulated provision for depreciation accounts, and the difference of $108,961,510 between the purchase price paid by the Authority and the original partially depreciated cost was recorded in an electric plant acquisition adjustment account, all of which are included in Net utility plant — at original cost less depreciation on the accompanying statement of net assets. The original cost and the acquisition adjustment are being depreciated or amortized over the remaining estimated useful life of the related classes of assets, ranging from 3 to 32 years.

GRDA can schedule up to its ownership share, 36%, of the available power output of the plant. The output from Redbud is combined with the output from GRDA's other resources, such as coal and hydroelectric generation. Revenues from the sale of total system generation resources are included in sales of power as shown on the statements of revenues, expenses, and changes in net assets.

GRDA has entered into short term natural gas supply contracts to purchase and provide its share of fuel supply for the Redbud plant and the statements of revenues, expenses, and changes in net assets include $62,433,378 and $36,371,265 related to natural gas fuel expenses included in fuel operating expenses for 2010 and 2009, respectively.

OG&E operates the Redbud facility under an operating agreement with GRDA and OMPA and allocates certain costs and expenses attributable to Redbud to GRDA and OMPA in accordance with their undivided ownership interests (36% and 13%, respectively). GRDA's statements of revenues, expenses, and changes in net assets include the following related to those allocations: $5,842,490 and $3,262,403 in Maintenance, $1,282,598 and $2,918,732 in Operation, and $2,158,628 and $1,774,918 in Administrative and general line items of the Operating expenses section for 2010 and 2009, respectively.

The Redbud facility has long term service agreements with a large industrial manufacturer for the maintenance of the gas and steam turbines and the related long term purchase commitments totaling $65 million and $83.9 million for 2010 and 2009, respectively, these amounts have been included in the contractual commitments in Note 9.

Utility Plant and Depreciation — The cost of utility plant includes direct material, direct labor and indirect costs such as engineering, supervision, transportation, insurance, and interest expense (net of applicable interest income) capitalized during construction. The Authority follows the Federal Energy Regulatory Commission (FERC) electric plant instruction guidelines in defining capital assets. Generally, assets which have a cost of $500 or more at the date of acquisition and have an expected useful life of one year or more, and are not consumable, are capitalized. The cost of maintenance and repairs to property is expensed. Consistent with the Redbud plant operator's treatment, certain costs of the long term service agreements payments are capitalized. The original cost of property together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is retired and removed from service. Gain or loss is recognized on retirements and dispositions that management believes to be unusual in nature.

Depreciation is computed on the cost of utility plant by the composite method over the following estimated useful lives and annual depreciation percentages:

Coal-fired plants	34 years	2.90%
Redbud combined-cycle plant	3–32 years	33.33%–3.13%
Hydraulic production plants	87 years	1.15%
Transmission system	30 years	3.33%
Other properties and production plant	5–30 years	20.00%–3.33%

Long-Lived Assets — The Authority reviews long lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Management of the Authority has determined that no impairment adjustments required recognition in 2010 or 2009.

Costs to be Recovered from Future Revenues — Certain items included in operating costs are recovered by the Authority through rates set by the Board of Directors. The Authority, as a self regulated utility, is subject to the requirements of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, as codified in ASC 980 *Regulated Operations*. ASC 980 provides that certain costs that would otherwise be charged to expense can be deferred as regulatory assets, based on the expected recovery from customers in future rates. Historically, recognition of these costs was deferred to the extent that such costs were later included in rates charged by the Authority in future years.

In 2004, the Authority determined that it should defer interest costs related to the 2002B capital appreciation bond issue and expense these costs in 2014, when the related bonds mature. The Authority believes it will fully recover the deferred interest expense, net of any interest income earned on unexpended related construction funds, during 2013 and 2014 as revenues are collected to pay the accrued interest and principal on June 1, 2014. At December 31, 2010 and 2009, the Authority had approximately $7.9 million and $6.5 million, respectively, of costs to be recovered from future revenues.

Management continuously monitors the future recoverability of regulatory assets, and when, in management's judgment, any future recovery becomes impaired, the amount of the regulatory asset will be reduced or written off, as appropriate.

Bonds Payable — Effective June 1, 2009, the Authority is operating under General Bond Resolution No. 5107 ("Resolution No. 5107"), which provides for the issuance of revenue bonds and defines eligible investment securities. Resolution No. 5107 replaces General Bond Resolution No. 4800.

Unamortized Debt Discount or Premium and Expense — Debt discount or premium and expense are amortized using the bonds outstanding method over the periods of the applicable issues.

Unamortized Gains and Losses on Advance Refunding of Long-Term Debt — Recognition of gains and losses realized on advance refunding of long term debt is deferred and amortized over the shorter of the life of the new bonds or the related refunding issues using the bonds outstanding method.

Operating and Nonoperating Revenues and Expenses — Operating revenues include the sales of power and other operating revenues such as rents from electric property, consisting primarily of revenues from transmission and ancillary services. Other operating revenues also include sales of water and any sulfur dioxide emissions credits conversions. Operating expenses include costs to operate and maintain the Authority's generation and transmission assets including fuel, purchased power, depreciation and related administrative and general expenses. Nonoperating revenues include interest income, FEMA grant revenue-operating (noncapital), net increase in the fair value of investments, deferral of costs to be recovered from future revenues, and income from nonutility operations. Nonoperating expenses include interest expense, amortization of costs to be recovered from future revenues and amortization of bond-related expenses.

Purchased Power — Purchased power includes the cost of electricity purchased for resale and settlements for exchange of electricity and imbalance market transactions.

Income Taxes — The Authority is a governmental agency organized under the laws of the State of Oklahoma and is not subject to federal or state income taxes.

Recently Issued Accounting Standards — The following accounting standards have been recently issued and have been or will be adopted as applicable by the Authority in future years:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement was implemented by the Authority in 2010 and did not have a material impact on the Authority's financial statements.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement was effective for the Authority in 2009 and did not have a material impact on the Authority's financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires that the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. Additional information about derivatives is disclosed in the notes to the financial statements, including identification of the risks to which hedging derivative instruments themselves expose a government. This statement was effective for the Authority in 2010 and did not have a material impact on the Authority's financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. This statement will be effective for the Authority in 2011 and management does not expect that it will impact the Authority's enterprise activities.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles. This statement was effective for the Authority in 2009 and did not have a material impact on the Authority's financial statements.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The guidance in this statement addresses three issues from the AICPA's literature — related party transactions, going concern considerations, and subsequent events. It brings existing guidance (to the extent appropriate in a governmental environment) without substantive changes into the GASB's body of standards. This statement was effective for the Authority in 2009 and did not have a material impact on the Authority's financial statements.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. This statement will be effective for the Authority in 2012, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. This statement was effective for the Authority in 2010 and did not have a material impact on the Authority's financial statements.

GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement will be effective for the Authority in 2011 and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement will be effective for the Authority in 2012 and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. This Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This statement will be effective for the Authority in 2013 and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or on contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee Accounting Procedure.

This statement will be effective for the Authority in 2012 and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

2. DEPOSITS AND INVESTMENTS

The Authority's Resolution No. 5107, provides for the issuance of revenue bonds and defines eligible investment securities as investments allowed pursuant to the Authority's investment policy. The Authority's Board Policy 5-2 defines the following categories of investments (1) bonds or other obligations which are direct obligations of the United States of America, (2) bonds or other specifically named obligations which are indirectly guaranteed by the United States of America, (3) direct and general obligations of any state which are rated in the two highest major categories of Moody's, Standard & Poor's (S&P), or Fitch, (4) certificates of deposit issued by a savings and loan association or a bank and trust company which are collateralized by the securities described in (1) and (2) or which are fully insured by the Federal Deposit Insurance Corporation (FDIC), (5) repurchase agreements with banks or government bond dealers which are secured by securities described in (1) and (2), (6) investment agreements with companies or banks whose senior debt obligations are rated no lower than the second highest category of Moody's,, S&P, or Fitch, (7) short-term obligations of any state or political subdivision which are rated in the highest short-term category by Moody's or S&P, and (8) any cash swap or similar arrangement of the Bond Fund Trustee, the investments of which are limited to securities described in (1) and (2).

The Authority carries its investments at fair value except for certain nonparticipating investment contracts, such as its Guaranteed Investment Agreements, which are carried at amortized cost. The Guaranteed Investment Agreements are not classified as collateral risk because they are not evidenced by securities that exist in physical or book entry form. The Authority and trustees monitor collateral pledged to secure deposits in financial institutions for compliance with rules and regulations promulgated by the Oklahoma State Treasurer.

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority has no formal policy to address exposure to fair value losses resulting from changes in interest rates. However, Resolution No. 5107 requires that investments not mature later than such times as the funds shall be necessary to provide monies when needed for payments to be made from the Debt Service Account, and in the case of the Debt Service Reserve Account, unless otherwise provided in a Supplemental Resolution, not later than ten (10) years from the date of investment. Board Policy 5-2 provides that general fund investments shall not mature later than five (5) years from the date of investment. The Authority attempts to hold the investments to maturity which minimizes the exposure to rising interest rates.

As of December 31, 2010 and 2009, the Authority had the following investments (classified as either cash equivalents, investments or restricted investments on the statements of net assets) and corresponding maturities:

	2010				
		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
U.S. gov't/agency securities	**$ 282,182,367**	**$ 206,710,281**	**$ 59,278,875**	**$ 15,149,961**	**$ 1,043,250**
Certificates of deposits	**7,234,769**	**7,234,769**	-	-	-
Money market funds	**315,002,026**	**315,002,026**	-	-	-
State of Oklahoma agency bonds	**17,620,000**	**17,620,000**	-	-	-
Cash deposits — net	**3,091,654**	**3,091,654**	-	-	-
Total investments	**$ 625,130,816**	**$ 549,658,730**	**$ 59,278,875**	**$ 15,149,961**	**$ 1,043,250**

	2009				
		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
U.S. gov't/agency securities	$ 169,205,079	$ 59,571,969	$ 85,722,380	$ 22,910,730	$ 1,000,000
Certificates of deposits	7,036,183	7,036,183	-	-	-
Money market funds	162,422,826	162,422,826	-	-	-
State of Oklahoma agency bonds	19,495,000	19,495,000	-	-	-
Bank TARP bonds	29,734,357	29,734,357	-	-	-
Guaranteed investment contracts	68,400,000	68,400,000	-	-	-
Cash deposits — net	2,621,985	2,621,985	-	-	-
Total investments	$ 458,915,430	$ 349,282,320	$ 85,722,380	$ 22,910,730	$ 1,000,000

As of December 31, 2010 and 2009, the Authority had the following U.S. government/agency investments and maturities:

	2010				
		Investment Maturities (In Years)			
	Fair Value	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
General operations	**$ 39,768,842**	**$ 11,785,506**	**$ 11,790,125**	**$ 15,149,961**	**$ 1,043,250**
Board designated	**32,500,000**	-	**32,500,000**	-	-
Construction	**74,980,775**	**74,980,775**	-	-	-
Bond service reserve	**134,932,750**	**119,944,000**	**14,988,750**	-	-
Total U.S. gov't/agency securities	**$ 282,182,367**	**$ 206,710,281**	**$ 59,278,875**	**$ 15,149,961**	**$ 1,043,250**

	2009				
		Investment Maturities (In Years)			
	Fair Value	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
General operations	$ 38,467,839	$ 19,571,969	$ 8,375,155	$ 10,520,715	$ -
Board designated	30,000,000	-	30,000,000	-	-
Construction	40,000,000	40,000,000	-	-	-
Bond service reserve	47,347,225	-	47,347,225	-	-
Reserve and contingency	13,390,015	-	-	12,390,015	1,000,000
Total U.S. gov't/agency securities	$ 169,205,079	$ 59,571,969	$ 85,722,380	$ 22,910,730	$ 1,000,000

Credit Risk — Credit risk is the risk that the insurer or other counterparty to an investment will not fulfill his obligation. Mortgage backed securities (MBS) are not rated because the agencies that issue such securities did not apply to any of the nationally recognized statistical rating organizations (NRSRO) such as Moody's Investors Service ("Moody's") and Standard & Poor's (S&P) for ratings on their MBS. However, the agencies carry AAA ratings from both Moody's and S&P for their debentures, and the MBS which carry their label (e.g. Federal National Mortgage Association — "FNR"; Federal Home Loan Bank — "FHR") are direct obligations of the agencies. With the exception of Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), which are government sponsored quasi governmental agencies (which also received U.S. government backing during 2008), the agencies have the backing of the U.S. Government; therefore, the AAA rating is implied. MBS issued by the Government National Mortgage Association, with the label GNR, carry the explicit full faith and credit of the U.S. Government. Fannie Mae and Freddie Mac are rated Aaa/AAA/AAA by Moody's, Standard & Poor's, and Fitch credit rating agencies. The MBS are senior in the credit structure to the debentures for the FNMA and FHLMC. The bank TARP bonds are bonds issued under the U.S. Treasury Department Loan Guarantee Program (TLGP) and they do not have a rating. Bonds issued under the TLGP carry the backing of the FDIC which itself carries the full faith and credit of the U.S. Government, therefore, the AAA rating is implied. The State of Oklahoma bonds are Oklahoma Water Resource Board bonds and have an AA rating. The certificates of deposit are held by various banks and are subject to the FDIC guarantees ($250,000 as of December 31, 2010). The Guaranteed Investment Contract and the Money Market Funds are held by a bank and are collateralized at over 100% of the cash market value with U.S. Treasury and U.S. Agency securities. Board Policy 5-2 provides that investments be backed by the U.S. government, collateralized, fully insured by the FDIC, or be rated no lower than the second highest category of Moody's , S&P, or Fitch.

As of December 31, 2010 and 2009, the Authority's investments had the following ratings:

	2010				
	Investment Rating — Moody's/S&P/Fitch				
Investment Rating Moody's/S&P/Fitch	**Aaa/AAA/AAA**	**Aa/AA/AA**	**Not Rated**	**Credit Risk Not Applicable**	**Total**
Money markets	$ -	$ -	$ -	$ 315,002,026	$ 315,002,026
Certificates of deposits	-	-	-	7,234,769	7,234,769
US gov't securities	33,094,447	-	-	-	33,094,447
US gov't agencies	249,087,920	-	-	-	249,087,920
State of Oklahoma Agency bonds	-	17,620,000	-	-	17,620,000
Cash deposits — net	-	-	-	3,091,654	3,091,654
	$ 282,182,367	$ 17,620,000	$ -	$ 325,328,449	$ 625,130,816

	2009				
	Investment Rating — Moody's/S&P/Fitch				
Investment Rating Moody's/S&P/Fitch	**Aaa/AAA/AAA**	**Aa/AA/AA**	**Not Rated**	**Credit Risk Not Applicable**	**Total**
Money markets	$ -	$ -	$ -	$ 162,422,826	$ 162,422,826
Certificates of deposits	-	-	-	7,036,183	7,036,183
US gov't securities	45,075,595	-	-	-	45,075,595
US gov't agencies	124,129,484	-	-	-	124,129,484
State of Oklahoma Agency bonds	-	19,495,000	-	-	19,495,000
Bank TARP bonds	-	-	29,734,357	-	29,734,357
Guaranteed investment contracts	-	-	68,400,000	-	68,400,000
Cash deposits — net	-	-	-	2,621,985	2,621,985
	$ 169,205,079	$ 19,495,000	$ 98,134,357	$ 172,080,994	$ 458,915,430

As of December 31, 2010 and 2009, the Authority had the following portfolio of investments with credit exposure by investment type as a percentage of total investments:

	2010	**2009**
U.S. government securities	**5.3 %**	10.0 %
U.S. government agencies:		
FHLB	**7.8**	0.5
GNMA	**0.2**	0.3
FHLMC	**27.5**	3.0
FNMA	**4.2**	23.5
Other	**0.2**	0.2
Money market funds	**50.9**	35.5
Certificate of deposits	**1.1**	1.5
State of Oklahoma agency bonds	**2.8**	4.0
Bank TARP bonds	**0.0**	6.5
Guaranteed investment contracts	**0.0**	15.0

Custodial Credit Risk — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment for collateral securities that are in the possession of an outside party. All money to be held by the Authority under Resolution No. 5107 is required to be deposited in one or more depositories in the name of the Authority. All money deposited under the provisions of Resolution No. 5107 with the Bond Fund Trustee and the Construction Fund Trustee is required to be held in trust and applied only in accordance with the provisions of Resolution No. 5107; money held by the Authority and deposited in any depository is required to be held and secured in the manner provided by Oklahoma law.

Carrying Values — Cash and cash equivalents and current and noncurrent investments at December 31, 2010 and 2009, follows:

	2010		
	Current	**Noncurrent**	**Total**
Cash and cash equivalents — cash deposits — net	**$ 22,752,566**	**$ -**	**$ 22,752,566**
Investments:			
General operating account	**72,268,842**	**-**	**72,268,842**
Certificates of deposits — original maturity greater than 3 months	**6,745,976**	**-**	**6,745,976**
Restricted for bond service	**66,485,014**	**-**	**66,485,014**
Restricted for construction	**11,419,389**	**305,804,580**	**317,223,969**
Restricted for bond service reserve	**-**	**139,140,993**	**139,140,993**
Restricted for other special purposes	**513,456**	**-**	**513,456**
Total investments	**157,432,677**	**444,945,573**	**602,378,250**
Total cash and investments	**$ 180,185,243**	**$ 444,945,573**	**$ 625,130,816**

	2009		
	Current	**Noncurrent**	**Total**
Cash and cash equivalents — cash deposits — net	$17,205,719	$ -	$ 17,205,719
Investments:			
General operating account	68,315,064	-	68,315,064
Certificates of deposits — original maturity greater than 3 months	6,668,714	-	6,668,714
Restricted for bond service	59,544,174	-	59,544,174
Restricted for construction	62,607,858	89,229,357	151,837,215
Restricted for bond service reserve	-	141,560,060	141,560,060
Restricted for reserve and contingency	-	13,390,015	13,390,015
Restricted for other special purposes	394,469	-	394,469
Total investments	197,530,279	244,179,432	441,709,711
Total cash and investments	$ 214,735,998	$ 244,179,432	$ 458,915,430

The amount restricted for reserve and contingency was zero at December 31, 2010. Bond Resolution No. 5107, effective July 2009, does not require the reserve and contingency fund and the funds were used for debt principal payments in 2009 and 2010 which is an acceptable use of tax exempt proceeds under U.S. tax rules and regulations.

Restricted noncurrent investment funds in the bond service reserve account, the reserve and contingency account, and certain funds in the construction account are included in restricted investments in noncurrent assets on the Statement of Net Assets. Restricted current investment funds in the bond service account and certain deposits in the construction account are included in Investments — unrestricted and restricted in current assets on the Statement of Net Assets. Restricted investments (noncurrent and current) are not available for general operations. The balance in the restricted for bond service reserve account includes $133,807,299 restricted for bond service reserve per Bond Resolution No. 5107, the $5,333,694 excess is restricted because it was originally part of tax exempt bonds and will be used for future debt principal payments which is an acceptable use of tax exempt proceeds per the tax codes. The reserve and contingency account is not required by Bond Resolution No. 5107 but is still restricted because it was originally part of tax exempt bonds and will be used for future debt principal payments which is an acceptable use of tax exempt proceeds per the tax codes. Bond Resolution No. 5107 was effective June 1, 2009.

Cash and investments at December 31, 2010, include the following:

	General Operations	Board Designated	Bond Service (Restricted)	Construction (Restricted)	Bond Service Reserve (Restricted)	Reserve and Contingency (Restricted)	Other Special Purposes (Restricted)	Total
Cash deposits — net	$ 3,091,654	$ -	$ -	$ -	$ -	$ -	$ 488,793	$ 3,580,447
Money market funds	19,660,912	-	66,485,014	224,623,194	4,208,243	-	24,663	315,002,026
U.S. government securities	39,768,842	32,500,000	-	74,980,775	134,932,750	-	-	282,182,367
State of Oklahoma agency bonds	-	-	-	17,620,000	-	-	-	17,620,000
Certificates of deposits — maturity > 3 months	6,745,976	-	-	-	-	-	-	6,745,976
Total cash and investments	$ 69,267,384	$ 32,500,000	$ 66,485,014	$ 317,223,969	$ 139,140,993	$ -	$ 513,456	$ 625,130,816

Cash and investments at December 31, 2009, include the following:

	General Operations	Board Designated	Bond Service (Restricted)	Construction (Restricted)	Bond Service Reserve (Restricted)	Reserve and Contingency (Restricted)	Other Special Purposes (Restricted)	Total
Cash deposits — net	$ 2,621,985	$ -	$ -	$ -	$ -	$ -	$ 367,469	$ 2,989,454
Money market funds	14,583,734	-	59,544,174	62,607,858	25,660,060	-	27,000	162,422,826
U.S. government securities	38,315,064	30,000,000	-	40,000,000	47,500,000	13,390,015	-	169,205,079
State of Oklahoma agency bonds	-	-	-	19,495,000	-	-	-	19,495,000
Bank TARP bonds	-	-	-	29,734,357	-	-	-	29,734,357
Certificates of deposits — maturity > 3 months	6,668,714	-	-	-	-	-	-	6,668,714
Guaranteed investment agreements	-	-	-	-	68,400,000	-	-	68,400,000
Total cash and investments	$ 62,189,497	$ 30,000,000	$ 59,544,174	$ 151,837,215	$ 141,560,060	$ 13,390,015	$ 394,469	$ 458,915,430

The balances in the investment accounts include Guaranteed Investment Agreements (GIA) entered into by the Authority to receive interest payments at a fixed rate for a designated time period based upon receipt of an agreed upon investment amount deposited by the Authority. The restricted balances are the minimum amounts required to be maintained.

Unrealized holding gains and losses on U.S. government securities included in the reserve and contingency account are included in the general operating account as the balance in the reserve and contingency account is established at a stated amount through an allocation of general operating account investment balances.

Additional information concerning these GIAs and additional information relating to cash and investment restrictions follows:

Bond Service — On April 19, 1994, the Authority entered into a debt service forward purchase agreement with Lehman Brothers Special Financing, Inc. ("Lehman"). Under this agreement, the Authority received an advance payment of $22,925,000 in an exchange that granted Lehman the right to receive interest income earned on a GIA earning 7% until it matured on December 1, 2003, and the right to invest remaining sinking fund payments required by the applicable bond indenture through June 1, 2013. Lehman has not exercised its right to invest the sinking fund payments since August 2008. Under the agreement, GRDA has the right to invest the sinking fund deposits overnight and retain any earnings until Lehman presents an investment security. Beginning in September 2008, GRDA's trustee has placed the sinking fund payments in a money market fund and will retain the funds until the principal and interest payments are due to the bond holders according to the agreement. The Authority recorded the $22,925,000 advance payment received in 1994 as a deferred credit and is amortizing the amount to income over the life of the agreement. The Authority makes deposits with the bond fund trustee pursuant to the bond repayment schedules in effect at the time of the 1994 Lehman agreement to avoid various prepayment penalties. The annual minimum amounts the Authority needs to deposit per bond year with the bond fund trustee bank pursuant to the Lehman agreement are:

Payment Date	Total
2011	$ 93,685,926
2012	93,968,376
2013	93,297,192
Total	$ 280,951,494

On December 31, the bond service fund in the accompanying balance sheet reflects the minimum restricted amount sufficient to pay seven months of principal and one month of interest due the following June 1.

Construction — A 2008 construction fund was established in September 2008 with the proceeds from the Revenue Bonds, Series 2008A and 2008B. Initial disbursements were for the purchase of a 36% interest in the 1230 MW gas fired, combined cycle power generation facility located in Luther, Oklahoma (see Note 1). Additional costs to be funded from the remaining balance include capital additions, repairs and improvements to the Authority's coal-fired generation complex, transmission system, hydroelectric generating facilities and ecosystems.

A 2010 construction fund was established in December 2010 with the proceeds from the Revenue Bonds, Series 2010A and 2010B. The proceeds from the 2010 Bonds will be used to fund certain System Costs consisting of capital additions, repairs and improvements to the Authority's coal-fired generation complex, transmission system, hydroelectric generating facilities, ecosystems and the gas-fired, combined-cycle generation facility.

Bond Service Reserve — The balance in the bond service reserve account includes a GIA, which essentially pays an interest rate of 5.78% through June 1, 2010, on $68,400,000 debt service reserve requirements relating to the 1993 bonds. The restricted amount in the accompanying balance sheet reflects the maximum aggregate debt service for all bonds outstanding and consists of the GIA together with other investments. The balance in the restricted for bond service reserve account includes $133,807,299 restricted for bond service reserve per Bond Resolution No. 5107, the $5,333,694 excess is restricted because it was originally part of tax exempt bonds and will be used for future debt principal payments which is an acceptable use of tax exempt proceeds per the tax codes.

Reserve and Contingency — Through June 2009, the restricted amount in the accompanying balance sheet reflected 25% of the maximum aggregate debt service for all bonds outstanding which is the minimum amount restricted as working capital reserves. Bond Resolution No. 5107, effective July 2009, does not require the reserve and contingency fund. The reserve and contingency account is not required by Bond Resolution No. 5107 but is still restricted because it was originally part of tax exempt bonds and will be used for future debt principal payments which is an acceptable use of tax exempt proceeds per the tax codes.

Restricted for Other Special Purposes — Because of agreements with FERC, the Authority has restricted money for two purposes. The first restriction is for the fish and wildlife mitigation fund, established in June 2003 as required by FERC. The Authority funded an initial deposit of $260,000 in 2003, and is required to make $100,000 annual contributions (adjusted for inflation) each year the Pensacola Dam license is in effect. Generally, the purpose of this fund is to support projects to protect and enhance fish and wildlife resources at the direction of various groups external to the Authority. Expenditures of approximately $0 and $133,300 were made from the fund in 2010 and 2009, respectively. The second restriction is for the nature conservancy fund, established in May 2008 as required by FERC. The Authority funded an initial deposit of $27,000 in 2008. The Authority is required to replenish the fund to $27,000 on the first working day in January of each year. Generally, the purpose of this fund is to maintain bat caves protection on Grand Lake. Expenditures of approximately $2,337 and $0 were made from the fund in 2010 and 2009, respectively.

In addition to these restricted funds are two special funds (designated by the Authority's Board of Directors in December 2004) which are unrestricted:

The Special Reserve and Contingency Fund I — This designated though unrestricted fund was established in December 2004 to reserve $2.5 million annually for future use, if needed, for extraordinary maintenance, operational, and environmental expense. Total funding of $17.5 million from available unrestricted funds was board designated as of December 31, 2010.

The Special Reserve and Contingency Fund II — This designated though unrestricted fund was established in December 2004 to reserve $2 million annually for future use, if needed, related to unforeseen risk, including, but not limited to, unscheduled outages, unexpected purchased power expense, and other extraordinary expense not covered by insurance proceeds. An initial amount of $11 million was formally designated in 2004, which combined with the $2 million designated in 2005 and the $2 million designated 2006 from available funds totaled $15 million as of December 31, 2010.

For purposes of computing gross realized gains and gross realized losses, cost is determined by specific identification. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on any investments that had been held for more than the current year may have been recognized as an increase or decrease in the fair value of investments reported in prior years.

Proceeds, gross realized gains and gross realized losses on sales of investment securities for the years ended December 31, 2010 and 2009, were as follows:

	2010	2009
Proceeds	**$ 39,110,666**	$ 28,195,165
Gross realized gains	**302,038**	650,562
Gross realized losses	**(33,635)**	(13,792)

Gross realized gains and losses are included in income from nonutility operations in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets.

3. RECEIVABLES

Accounts receivable is comprised at December 31, 2010 and 2009, of the following amounts:

	2010	2009
Customers (less allowance for doubtful accounts of $50,000)	**$ 29,962,988**	$ 31,856,131
Other	**6,968,501**	7,374,776
Total	**$ 36,931,489**	$ 39,230,907

In general, other accounts receivable include KAMO Power's participation as a co-owner of Authority's Coal fired plant Unit No. 2, reimbursable work for other entities, the current portion of receivables for aid of construction, and dock billings.

At December 31, 2010 and 2009, the Authority had other noncurrent receivables for aid in construction, scheduled for collection through 2012, of $137,542 and $219,663, respectively, and noncurrent receivables for closure and post-closure costs related to the ash landfill at the Coal Fired Complex of $434,886 and $499,575, respectively.

4. UTILITY PLANT

A summary of changes in utility plant for the years ended December 31, 2010 and 2009, follows:

	2010			
	Balance December 31, 2009	Additions	Retirements	Balance December 31, 2010
Capital assets — nondepreciable:				
Land	$ 33,278,726	$ 237,464	$ -	$ 33,516,190
Construction work in progress	86,338,825	15,747,329	-	102,086,154
Total capital assets — nondepreciable	119,617,551	15,984,793	-	135,602,344
Capital assets — depreciable:				
Coal-fired plant Unit No. 1 (reduced by cost of common facilities applicable to joint ownership of Unit No. 2 (Note 1))	322,568,193	13,956,884	(4,419,359)	332,105,718
Coal-fired plant Unit No. 2 (Note 1)	317,406,630	4,807,818	(221)	322,214,227
Redbud combined-cycle plant	356,576,006	6,845,953	(7,293,780)	356,128,179
Hydraulic production plants	92,696,046	867,619	(35,741)	93,527,924
Transmission system	216,531,773	6,332,932	(5,506,907)	217,357,798
Other properties and production plant	53,562,410	18,148,087	(529,744)	71,180,753
	1,359,341,058	50,959,293	(17,785,752)	1,392,514,599
Less accumulated depreciation:				
Coal-fired plant Unit No. 1	(230,427,723)	(9,550,586)	3,754,004	(236,224,305)
Coal-fired plant Unit No. 2	(208,514,461)	(9,309,732)	(138,319)	(217,962,512)
Redbud combined-cycle plant	(64,336,675)	(14,038,696)	7,502,212	(70,873,159)
Hydraulic production plants	(33,903,243)	(1,653,273)	3,652,461	(31,904,055)
Transmission system	(123,565,644)	(6,409,813)	2,612,027	(127,363,430)
Other properties and production plant	(39,721,605)	(3,139,689)	494,727	(42,366,567)
	(700,469,351)	(44,101,789)	17,877,112	(726,694,028)
Total capital assets — depreciable	658,871,707	6,857,504	91,360	665,820,571
Net utility plant	$ 778,489,258	$ 22,842,297	$ 91,360	$ 801,422,915

	2009			
	Balance December 31, 2008	Additions	Retirements	Balance December 31, 2009
Capital assets — nondepreciable:				
Land	$ 31,392,295	$ 1,886,431	$ -	$ 33,278,726
Construction work in progress	47,625,258	38,713,567	-	86,338,825
Total capital assets — nondepreciable	79,017,553	40,599,998	-	119,617,551
Capital assets — depreciable:				
Coal-fired plant Unit No. 1 (reduced by cost of common facilities applicable to joint ownership of Unit No. 2 (Note 1))	310,071,081	28,432,690	(15,935,578)	322,568,193
Coal-fired plant Unit No. 2 (Note 1)	318,434,827	(232)	(1,027,965)	317,406,630
Redbud combined-cycle plant	350,554,769	8,333,300	(2,312,063)	356,576,006
Hydraulic production plants	85,974,522	6,721,524		92,696,046
Transmission system	202,125,229	14,505,339	(98,795)	216,531,773
Other properties and production plant	49,215,916	4,969,201	(622,707)	53,562,410
	1,316,376,344	62,961,822	(19,997,108)	1,359,341,058
Less accumulated depreciation:				
Coal-fired plant Unit No. 1	(234,072,008)	(9,254,664)	12,898,949	(230,427,723)
Coal-fired plant Unit No. 2	(200,515,115)	(9,203,017)	1,203,671	(208,514,461)
Redbud combined-cycle plant	(46,602,993)	(20,045,746)	2,312,064	(64,336,675)
Hydraulic production plants	(32,680,642)	(1,201,888)	(20,713)	(33,903,243)
Transmission system	(113,356,781)	(6,567,038)	(3,641,825)	(123,565,644)
Other properties and production plant	(38,003,419)	(2,323,431)	605,245	(39,721,605)
	(665,230,958)	(48,595,784)	13,357,391	(700,469,351)
Total capital assets — depreciable	651,145,386	14,366,038	(6,639,717)	658,871,707
Net utility plant	$ 730,162,939	$ 54,966,036	$ (6,639,717)	$778,489,258

The change in construction work in progress during 2010 and 2009, is presented on a net basis to avoid a duplication of additions and retirements in the above tables. The Authority had depreciation and amortization expense of approximately $44,102,000 and $48,596,000 for 2010 and 2009, respectively. The increase in accumulated depreciation exceeds the decrease in capital assets for certain classes due to the treatment of removal costs per the uniform system of accounts required by the Authority's license to operate under the Federal Power Act.

The Authority had contractual commitments at December 31, 2010, of approximately $40,645,000 for equipment and construction contracts. Major projects include the Markham Ferry Hydroelectric Plant Upgrade for approximately $30,598,000, the Energy Control Center construction for approximately $307,000, upgrades of the SCADA equipment for approximately $1,091,000, the purchase of a dozer for $470,000, upgrades at the Coal Fired Complex for approximately $674,000, and the construction of Transmission Lines and Substations for approximately $6,116,000.

5. COST TO BE RECOVERED FROM FUTURE REVENUES

At December 31, 2010, the deferred regulatory asset consists of interest deferrals on the 2002B capital appreciation bonds maturing in 2014. A rollforward of costs to be recovered from future revenues follows:

	2010	2009
Beginning balance	**$ 6,513,199**	$ 5,171,597
Deferral of 2002B interest	**1,410,896**	1,341,602
Ending balance	**$ 7,924,095**	$ 6,513,199

6. BONDS PAYABLE

A summary of changes in bonds payable for the years ended December 31, 2010 and 2009, follows:

	2010			
	December 31, 2009	Bonds Issued	Retirements	December 31, 2010
Revenue Bonds, Refunding Series 1993 — 5.5% maturing through 2010	$ 76,515,000	$ -	$ (76,515,000)	$ -
Revenue Bonds, Refunding Series 1995:				
6.25% maturing in 2011	81,690,000	-	(25,000)	81,665,000
5.5% maturing in 2013	91,715,000	-	-	91,715,000
Total Series 1995	173,405,000	-	(25,000)	173,380,000
Revenue Bonds, 2002 Series A & B:				
5% Refunding Series 2002A — maturing in 2012	86,160,000	-	-	86,160,000
5.1% Capital Appreciation Bonds Series 2002B — maturing in 2014	18,636,340	-	-	18,636,340
Total Series 2002 A & B	104,796,340	-	-	104,796,340
Revenue Bonds, 2008 Series A & B:				
3.2% to 5% Series 2008A — maturing in 2014 through 2028	364,490,000	-	-	364,490,000
4.8% to 5% Series 2008A — maturing 2033	191,930,000	-	-	191,930,000
4% Series 2008B (fully taxable) — maturing 2010	18,955,000	-	(18,955,000)	-
Total Series 2008 A & B	575,375,000	-	(18,955,000)	556,420,000
Revenue Bonds, 2010 Series A & B:				
3% to 5.25% Series 2010A — maturing in 2015 through 2040	-	162,185,000	-	162,185,000
3.71% to 7.155% Series 2010B (fully taxable) — maturing 2015 through 2040		77,130,000	-	77,130,000
-				
Total Series 2010 A & B	-	239,315,000	-	239,315,000
Total bonds payable	930,091,340	$ 239,315,000	$ (95,495,000)	1,073,911,340
Less current portion	(95,470,000)			(81,665,000)
Long-term portion	834,621,340			992,246,340
Add (deduct):				
Unamortized debt premium	15,721,365	$ -	$ (1,693,572)	14,027,793
Unamortized debt discount	(1,757,120)	(4,913,532)	770,861	(5,899,791)
Unamortized loss on advance refunding	(4,421,264)	-	2,044,881	(2,376,383)
Long-term bonds payable	$ 844,164,321			$ 997,997,959

	2009			
	December 31, 2008	Bonds Issued	Retirements	December 31, 2009
Revenue Bonds, Refunding Series 1993 — 5.5% maturing through 2010	$ 149,105,000	$ -	$ (72,590,000)	$ 76,515,000
Revenue Bonds, Refunding Series 1995:				
6.25% maturing in 2011	81,690,000	-	-	81,690,000
5.5% maturing in 2013	91,715,000	-	-	91,715,000
Total Series 1995	173,405,000	-	-	173,405,000
Revenue Bonds, 2002 Series A & B:				
5% Refunding Series 2002A — maturing in 2012	86,160,000	-	-	86,160,000
5.1% Capital Appreciation Bonds Series 2002B — maturing in 2014	18,636,340	-	-	18,636,340
Total Series 2002 A & B	104,796,340	-	-	104,796,340
Revenue Bonds, 2008 Series A & B:				
3.2% to 5% Series 2008A — maturing in 2014 through 2028	364,490,000	-	-	364,490,000
4.8% to 5% Series 2008A — maturing 2033	191,930,000	-	-	191,930,000
4% Series 2008B (fully taxable) — maturing 2010	18,955,000	-	-	18,955,000
Total Series 2008 A & B	575,375,000	-	-	575,375,000
Total bonds payable	1,002,681,340	$ -	$ (72,590,000)	930,091,340
Less current portion	(72,590,000)			(95,470,000)
Long-term portion	930,091,340			834,621,340
Add (deduct):				
Unamortized debt premium	17,437,994	$ -	$ (1,716,629)	15,721,365
Unamortized debt discount	(2,658,431)	-	901,311	(1,757,120)
Unamortized loss on advance refunding	(7,416,467)	-	2,995,203	(4,421,264)
Long-term bonds payable	$ 937,454,436			$ 844,164,321

Oklahoma state statutes have authorized the Authority to issue revenue bonds from time to time with the aggregate outstanding indebtedness not to exceed $1,410,000,000.

In December 2010, the Authority issued $239,315,000 of 2010 Series A and Series B Revenue Bonds to fund capital additions, repairs and improvements to the System, to fund a portion of the interest accruing on the 2010 Bonds to December 1, 2012, and to pay certain costs of issuance of the 2010 Bonds.

In September 2008, the Authority issued $575,375,000 of 2008 Series A and Series B Revenue Bonds for the purchase of a 36% interest in the 1230MW gas-fired, combined-cycle Redbud Power Plant (see Note 1), to fund capital additions, repairs and improvements to the System, to make deposits into the Bonds Service Reserve Account and the Reserve and Contingency Accounts and to pay certain costs of issuance for the 2008 Bonds.

In 2002, the Authority issued $104,966,340 Revenue Bonds for the acquisition, construction and equipment purchases related to approved Authority Projects and to refund the remaining outstanding 1987 revenue bonds. This consisted of $86,330,000 Revenue Bonds, Refunding Series 2002A (the "2002A Bonds") to refund $86,160,000 remaining of the 1987 Bonds. The 2002A refunding bonds were issued at a $4.5 million premium. The Authority recorded an initial accounting loss of approximately $371,000 in connection with this advance refunding, which was recorded as a deferred contra liability and is being amortized to expense over the life of the new bonds. The difference between the present values of the old and new debt service payments was $2.0 million. The Authority realized all of the aggregate bond savings by decreasing the June 1, 2002, debt service payment. Additionally, the Authority also issued $18,636,340 Capital Appreciation Bonds, Revenue Bonds 2002B (the "2002B Bonds") for the acquisition, construction and equipment of Authority projects. As previously noted in Note 5, the Authority will defer interest on the 2002B capital appreciation bonds until the bonds mature on June 1, 2014, at which time the deferred regulatory asset will be expensed.

In 1995, the Authority issued $173,405,000 Revenue Bonds, Refunding Series 1995 (the "1995 Bonds") to advance refund $171,755,000 of the outstanding 1987 Bonds. The Authority recorded an initial accounting loss of approximately $17.0 million in connection with this advance refunding, which was recorded as a deferred contra liability and is being amortized to expense over the life of the new bonds which matches the maturity of the old bonds. The difference between the present values of the old and new debt service payments was $3.8 million. The Authority will realize $5.7 million in decreased aggregate debt service payments.

In 1993, the Authority issued $764,585,000 Revenue Bonds, Refunding Series 1993 (the "1993 Bonds") to advance refund $681,190,000 of the outstanding 1987 Bonds. The Authority recorded an initial accounting loss of approximately $113.7 million in connection with this advance refunding, which was recorded as a deferred contra liability and is being amortized to expense over the life of the new bonds which matches the maturity of the old bonds. The difference between the present values of the old and new debt service payments is $18.2 million, including $6.1 million from an investment contract premium on the bond reserve funds, and the Authority will realize $20.1 million in decreased aggregate debt service payments. The 1993 Bonds matured on June 1, 2010.

Monies from the 2002A, 1995 and 1993 refunding bonds were placed in escrow for the payment of principal and interest on all the defeased bonds and were invested in obligations of the United States of America, which were deposited in irrevocable trusts with recourse against the trustee if funds are not available to pay principal, interest and any redemption premium on a timely basis. Since the revenue bonds that are defeased are no longer direct liabilities of the Authority, they are not reflected on the accompanying Statements of Net Assets.

Defeased bonds of $28,970,000 were outstanding at December 31, 2010 and 2009.

The scheduled maturities of bonds payable at December 31, 2010, are as follows and reflect the scheduled payments to be remitted by the trustee to the bondholders:

Years Ending December 31	Annual Principal	Semiannual Interest	Calendar Year Total
2011	$ 81,665,000	$ 27,158,501	
		24,606,466	$ 133,429,967
2012	86,765,000	24,606,466	
		22,435,833	133,807,299
2013	91,110,000	22,435,833	
		19,930,309	133,476,142
2014	36,306,340	35,403,969	
		19,633,540	91,343,849
2015	22,965,000	19,633,541	
		19,218,024	61,816,565
2016–2020	129,860,000	178,435,968	308,295,968
2021–2025	163,145,000	143,907,306	307,052,306
2026–2030	208,940,000	96,882,833	305,822,833
2031–2035	177,510,000	40,353,448	217,863,448
2036–2040	75,645,000	11,724,249	87,369,249
	$ 1,073,911,340	$ 706,366,286	$ 1,780,277,626

Under Resolution No. 4800, the Authority made equal monthly sinking fund installments to the trustee from June through May of each year to meet the June 1 annual principal payment and June 1 and December 1 semiannual interest payments. Pursuant to General Bond Resolution No. 4800 and the Seventh Supplemental Resolution No. 5107, Berkshire Hathaway Assurance Corporation as the insurer along with the Underwriters of the 2008 Bonds consented to the amended and restated General Bond Resolution No. 5107 authorized by the Eighth Supplemental Resolution adopted by the Board of Directors on August 8, 2008. The criteria for the amended General Bond Resolution to become effective was met after the June 1, 2009, bond principal payments are made and will be applicable to all outstanding bonds. Sinking Fund payments will no longer be required under the amended resolution and the annual debt coverage requirement will be equal to the calendar year totals stated above.

The following is a schedule of the debt service sinking fund payments for each year ending December 31:

Years Ending December 31	
2011	$ 126,945,945
2012	129,920,933
2013	110,116,054
2014	74,485,639
2015	62,231,478
2016–2020	311,166,055
2021–2025	311,149,785
2026–2030	311,157,833
2031–2035	196,693,668
2036–2040	79,153,040
	$ 1,713,020,430

To secure the bonds, the Authority has pledged all revenues of the Authority. Resolution No. 4800, No. 5107 and supplemental bond resolutions specify multiple covenants made by the Authority to the Bond Fund Trustee and bondholders. Among the more significant requirements, the Authority has covenanted to charge adequate rates, operate and maintain the facilities and make any necessary repairs, renewals, replacements and improvements. System properties are not to be encumbered or sold or disposed of and additional parity bonds are not to be issued unless certain conditions are met. As of December 31, 2010, the Authority was in compliance with bond covenants.

In general, federal tax laws require the Authority to rebate to the U.S. Treasury any profit from investments that yield a higher rate than the tax-exempt revenue bond proceeds. The Authority has an accrued liability balance for arbitrage rebate of approximately $0 and $12,100 at December 31, 2010 and 2009, respectively, which is included in accounts payable in the accompanying Statements of Net Assets. Increases in this obligation are recorded against interest income.

7. RETIREMENT PLANS, POSTRETIREMENT, AND OTHER EMPLOYEE BENEFITS

The Authority participated in five retirement plans during 2010 and 2009. The plans currently available to Authority personnel include three defined benefit plans and two defined contribution plans. A summary of significant data for each of the retirement plans and discussion of postemployment and other employee benefits follows:

Oklahoma Public Employees Retirement Plan:

Plan Description — The Authority contributes to the Oklahoma Public Employees Retirement Plan (the “OPERS Plan”), a cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Oklahoma Public Employees Retirement System (OPERS), a component unit of the State of Oklahoma (the “State”). The OPERS Plan provides retirement, disability and death benefits to its members and beneficiaries, primarily state, county and local agency employees. The benefits provided are established and may be amended by the legislature of the State. Title 74 of the Oklahoma Statutes, Sections 901 through 943, as amended, assigns the authority for management and operation of the OPERS Plan to the Board of Trustees of the OPERS.

OPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for OPERS. That annual report may be obtained on line at www.opers.ok.gov, by writing to OPERS, PO Box 53007, Oklahoma City, OK 73152 3007, or by calling 1 800 733 9008.

Funding Policy — OPERS members and the Authority are required to contribute to the OPERS Plan at a rate set by statute. Contribution rates are established and may be amended by the legislature of the State. Each member participates based on gross salary earned (excluding overtime). As state employees, GRDA employees contribute 3.5% on salary. The Authority contributed 15.5%, 14.5% and 13.5% on all salary for the fiscal years ended June 30, 2010, 2009 and 2008, respectively. The Authority's contribution rate remains at 15.5% for the OPERS fiscal year ending June 30, 2011. Effective July 1, 2011 the contribution rate will increase to 16.5% and will remain at that level thereafter.

OPERS members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county and local government employees, except for elected officials and hazardous duty members.

The Authority made the required contributions of approximately $4,824,000, $4,537,000, and $4,107,000, for the years ended December 31 2010, 2009, and 2008, respectively. These contributions equal the Authority's annual OPERS pension cost for the respective years.

Oklahoma Law Enforcement Retirement Plan:

Plan Description — Legislation passed during 2003 mandated that any lake patrolmen and dispatchers hired after August 29, 2003, shall participate as members of the Oklahoma Law Enforcement Retirement Plan (the "OLERS Plan"), a cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Oklahoma Law Enforcement Retirement System (OLERS), a component unit of the State. The OLERS Plan provides retirement, disability and death benefits to its members and beneficiaries, primarily state employees providing law enforcement. The benefits provided are established and may be amended by the legislature of the State. Three GRDA patrolmen elected to transfer from the OPERS Plan to the OLERS plan under Title 47 Section 2 315 which provided that Authority lake patrolmen and dispatchers as of June 30, 2003, could make an irrevocable written election by January 1, 2004, to either pay the difference between the amount transferred between the plans or receive eligible prorated service credit as defined in statute. Title 47 of the Oklahoma Statutes, Sections 2 300 through 2 303, as amended, assigns the authority for management and operation of the OLERS Plan to the OLERS Board.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information for OLERS. That annual report may be obtained on line at www.olers.state.ok.us, by writing to OLERS, 421 NW 13th St, Suite 100, Oklahoma City, OK 73103 or by calling 1 877 213 0856.

Funding Policy — System members and the Authority are required to contribute to the OLERS Plan at a rate set by statute. These are established and may be amended by the legislature of the State. Each member participates based on gross salary earned (excluding overtime). GRDA patrolmen and dispatchers participating in the OLERS Plan contribute 8.0%, and the Authority contributes 10% of total base salary.

Participation in the OLERS plan was effective January 1, 2004. The Authority made the required contribution of $28,181, $21,756, and $20,470, for the years ended December 31, 2010, 2009, and 2008, respectively. These contributions equal the Authority's annual OLERS pension cost for the respective years.

Oklahoma State Employees Deferred Compensation Plan:

Plan Description — Employees of the Authority may also participate in the Oklahoma State Employees Deferred Compensation Plan (the "State Plan"), a voluntary deferred compensation plan administered by OPERS. The State Plan is a defined contribution plan available to all Authority employees, which permits participants to defer receipt of a portion of their salary until future years under Section 457 of the Internal Revenue Code. The minimum amount allowable to be deferred under the State Plan is $25 per month. Under state law, each employee is eligible to receive a $25 monthly matching contribution from the Authority to be deposited in a 401(a) retirement account. Employee contributions to the Plan totaled approximately $528,000, $514,000, and $490,000, for the years ended December 31, 2010, 2009, and 2008, respectively. The Authority paid matching contributions and administrative fees of approximately $135,000, $138,000, and $137,000, for the years ended December 31, 2010, 2009, and 2008, respectively.

GRDA Employees Retirement Plan:

Plan Description — Employees of the Authority are also eligible to participate in the GRDA Employees Retirement Plan (the "GRDA Plan"), a voluntary deferred compensation plan administered by Nationwide Retirement Solutions and provided for under Section 457 of the Internal Revenue Code. The GRDA Plan is a defined contribution plan available to all Authority employees, which permits participants to defer receipt of a portion of their salary until future years. The Authority does not make any matching contributions to this plan. Employee contributions to the GRDA Plan totaled approximately $421,000, $424,000, and $533,000, for the years ended December 31, 2010, 2009, and 2008, respectively.

Contributions by individual employees to either or both the State Plan and GRDA Plan in aggregate may not exceed 25% of adjusted gross salary or $16,500 for the year 2010, whichever is less, except under a "catch-up" provision that allows participants who are within three years of attaining the normal retirement age of 65 to contribute up to twice the "annual contribution limit." For these participants, the maximum amount allowed is actually the lesser of twice the annual limit or the annual limit plus the total amount of underutilized contributions from prior years. An additional provision allows for employees over the age of 50 to defer an additional $5,500 during the plan year. Employees are not allowed to participate in both the "over 50" provision and the "catch-up" provision during the same plan year. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

GRDA Postemployment Healthcare Plan:

Plan Description — GRDA Postemployment Healthcare Plan is a single employer defined benefit healthcare plan administered by the Authority. GRDA Postemployment Healthcare Plan provides medical and dental insurance benefits to eligible retirees. Beginning in 2003, revisions to Title 82, Section 864.1 of the Oklahoma Statutes authorized the Authority to pay up to $60 per month of eligible employee only health insurance premiums for each Authority retiree. Legislation passed in 2005 removed the $60 limitation. At the December 2005 board meeting, the Authority's directors authorized the Authority to increase the amount to a defined benefit allowance of $105 per month for eligible retiree premiums, effective January 1, 2006. At the November 2007 board meeting, the Authority's directors authorized the Authority to increase the amount to $200 per month for eligible retiree premiums, effective January 1, 2008. This increase resulted in increases in the Annual Required Contribution and the Actuarial Accrued Liability after January 1, 2008 as reflected below and in the Required Supplementary Information section.

Funding Policy — The contributions of plan members and the Authority are established and may be amended by the Board of Directors within the limits of Oklahoma statutes. The contribution is based on estimated pay as you go financing requirements. For the year ended December 31, 2010, 2009 and 2008, the Authority contributed $368,814, $337,991, and $284,584 respectively to the plan which consisted entirely of current premiums and included no additional contribution to prefund benefits.

Annual OPEB Cost and Net OPEB Obligation — The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority net OPEB obligation to GRDA Postemployment Healthcare Plan (included in Other noncurrent liabilities on the Statement of Net Assets):

	2010	2009	2008
Annual required contribution	**$ 767,180**	$ 659,696	$ 659,696
Interest on net OPEB obligation	**29,766**	7,527	7,527
Adjustment to annual required contribution	**(25,481)**	(5,973)	(5,973)
Annual OPEB cost (expense)	**771,465**	661,250	661,250
Contributions made	**(368,814)**	(337,991)	(284,584)
Increase in net OPEB obligation	**402,651**	323,259	376,666
Net OPEB obligation — beginning of year	**850,462**	527,203	150,537
Net OPEB obligation — end of year	**$ 1,253,113**	$ 850,462	$ 527,203

The authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2010, and the two preceding years were as follows:

Year-End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	$ 661,250	43.14 %	$ 527,203
December 31, 2009	661,250	51.11	850,462
December 31, 2010	**771,465**	**47.81**	**1,253,113**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress immediately following the notes to the financial statements and presented as required supplementary information, presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumption — Projections of benefits for financial reporting purposes are based on the benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

In the most recent actuarial valuation, as of January 1, 2010 the unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate, which is approximately based on the employer's own long-term rate of return on investments, a 4.25% projected annual payroll increase and no increase to the post-retirement benefit. Healthcare cost are assumed to increase by 10.5% in 2010, 9.5% in 2011, 8.5% in 2012, 7.5% in 2013, 6.5% in 2014, 6.0% in 2015, 5.5% in 2016 and 5% in 2017 and thereafter. The unfunded actuarial accrued liability is being amortized over the maximum permissible amortization period of thirty years as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2010, was 26 years.

Funded Status and Funding Progress — As of January 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $11,839,457, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $11,839,457. The covered payroll (annual payroll of active employees covered by the plan) was $31,092,799, and the ratio of the UAAL to the covered payroll was 38.08%.

Other Employee Benefits — The Authority has accrued a liability for annual and compensated leave, and related payroll taxes, of $3,741,676 and $3,742,080 at December 31, 2010 and 2009, respectively, which is included in accounts payable and accrued liabilities in the accompanying financial statements.

8. OTHER RELATED-PARTY TRANSACTIONS

The primary organizations considered related parties are those municipal, industrial, electric cooperative and other governmental organizations or lake area organizations that have representatives serving on the Authority's Board of Directors. The primary transactions in the ordinary course of business with these related parties, except for various transactions with KAMO (see Note 1) which are described elsewhere in the notes to financial statements, include sales of electrical power and transmission and memberships in related trade associations, or organizations or tourism and economic development activities associated with the management of the lakes, including commercial and private dock permit fees. OG&E operates the Redbud facility under an operating agreement with GRDA and OMPA and allocates certain costs and expenses attributable to Redbud to GRDA and OMPA in accordance with their undivided ownership interests – see Acquisition of Net Assets in the Redbud Facility in Note 1 for further discussion.

9. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority makes and receives commitments for purchases of coal and other materials and supplies inventory. In addition, in the normal course of business the Authority enters into agreements which commit the Authority to provide varying amounts of electric power to its customers. Management of the Authority does not believe the honoring of these commitments will have any material adverse effect on the Authority.

The Authority had contractual commitments at December 31, 2010, for long term coal and freight purchases through 2020 under contracts with estimated minimum obligations. The minimum obligations below are based on the Authority's contract rates and represents management's best estimate of future expenditures under long term arrangements.

Years Ending December 31	Amount
2011	$ 120,615,000
2012	145,980,000
2013	149,660,000
2014	153,460,000
2015	157,460,000
2016	161,540,000
2017	23,841,000
2018	23,841,000
2019	23,841,000
2020	23,841,000
Total	$ 984,079,000

The Authority had contractual commitments as of December 31, 2010, for railcar operating leases with minimum obligations of approximately $1.9 million through the year 2012.

The Authority had contractual commitments as of December 31, 2010, for the Redbud facility of approximately $65 million through the year 2028. These long term service agreements are with a large industrial manufacturer for the maintenance of the gas and steam turbines.

The Authority is a defendant in a lawsuit which involves approximately 50 landowners from flooding which occurred in the 1990s. The individuals are claiming a constitutional taking due to flooding. The potential exposure related to this case, if any, cannot be predicted by management of the Authority.

In November, 2008, the Authority was sued by over 300 Plaintiffs for flooding damages which allegedly occurred beginning in 2007. The damages were allegedly caused by the operation of the Authority's Pensacola Dam or for which the operation of the Pensacola Dam contributed to the extent and/or duration of the flooding. The potential exposure related to this case, if any, cannot be predicted by management of the Authority.

Like many other utilities currently and in the past, the Authority is the subject of a preliminary investigation by FERC into allegations of failure to comply with some of the federally-mandated bulk power reliability requirements imposed on all electric utilities. The Authority already has remediated most of the individual violations identified to date, and will remediate all of the others. The investigation is ongoing and, at this time, the Authority cannot predict the outcome of the proceedings, including the final scope of the remediation that will be required, the total cost of the remediation, and penalties, if any, that may be imposed. The Authority has taken, and will continue to take, all steps necessary to ensure compliance with all federal standards and to operate a safe and reliable electric system. The potential exposure related to this case, if any, cannot be predicted by management of the Authority.

10. FLYASH LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Authority maintains a flyash landfill in Chouteau, Oklahoma. The Authority accounts for this flyash landfill in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (Statement No. 18).

State Regulations will require the Authority to place a final cover on the flyash site when it discontinues its depositing of flyash and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure costs occur as the landfill is used, and in a manner consistent with the closure plan, postclosure costs will be paid near or after the date of discontinuance of use of the landfill. Statement No. 18 requires proprietary funds to report a portion of these costs as an operating expense in each period based on capacity and utilization. The amount recorded as a liability for the closure and postclosure costs at December 31, 2010 and 2009, was $1,207,118 and $1,384,891, respectively, which represents 80% and 79% of the total estimated closure and postclosure costs. There was a decrease in the liability from 2009 to 2010 of $177,773. The Authority will recognize the remaining estimated cost of closure and postclosure care of approximately $303,000 as the remaining estimated capacity is filled. These estimated closure amounts are based on what it would cost to perform all closure and post closure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulation.

This flyash landfill has a total capacity of 7,449,987 cubic yards in which 3,874,228 cubic yards have been used through December 31, 2010. The remaining useful life at December 31, 2010, was approximately 60 years.

11. RISK MANAGEMENT

The Authority is exposed to a variety of losses and has purchased commercial insurance to cover these risks, subject to various coverage limits and exclusions. Resolution No. 5107 requires that, in each case where it is obtainable and at a reasonable rate and terms, facilities be insured, liability insurance be maintained, and officers and employees be bonded.

In general, property coverage, aircraft, auto, equipment, watercraft, flooding, earthquake, hazardous material cleanup, expediting, director and officer liability, etc. is purchased through the State of Oklahoma. Workers' compensation insurance is also purchased from CompSource Oklahoma, the State's insurance fund. Additional coverage is purchased from private carriers for general, excess public, and umbrella liability, bonding, and contractors' equipment. The Authority added endorsements for certified "acts of terrorism" as defined in the Federal Terrorism Risk Insurance Act of 2002 to the general liability and excess public liability policies. Settled claims resulting from the identified risks, except for the flooding litigation discussed in Note 9, have not exceeded commercial insurance coverage in any of the past three years.

In October 2009, the Authority received payment of $550,000, which represented insurance recovery for a failed 161/115 kV transformer. In accordance with GASB 42, the difference between the cost of the nonmonetary asset and the amount of monetary assets received was reported in income.

State Audits — In the normal course of operations, the Authority may be subject to audits performed by the Office of the State Auditor and Inspector for the State of Oklahoma ("State Auditor"). In February 2011, Governor Mary Fallin requested the State Auditor to conduct a performance audit of the Authority, which is currently in progress.

In addition, the Authority is subject to generation supply and market price risks, which are continually evaluated as to level of risk and how to best mitigate exposure to loss. Concentration of revenues from a single external customer also increases credit and market concentration risks. The Authority had one customer in 2010 and two customers in 2009 that accounted for 10% or more of the Authority's operating revenues for the year. In 2010, sales to Northeast Electric Cooperative totaled $35.6 million. In 2009, sales to the City of Coffeyville totaled $31.1 million and sales to Northeast Electric Cooperative totaled $31.1 million.

12. FAIR VALUE INFORMATION

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, as codified in ASC 825, *Financial Instruments*. The estimated fair value amounts have been determined by the Authority, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Authority could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and Cash Equivalents, Accounts Receivable and Accounts Payable and Accrued Liabilities — The carrying amounts of these items are a reasonable estimate of their fair value.

Investments — Investments are carried at fair value in the accompanying Statements of Net Assets based on quoted market prices for the investments, except for guaranteed investment agreements which are carried at cost as they are nonparticipating.

Long-Term Debt — The fair value of long term debt is approximately $1,082 million and $994 million at December 31, 2010 and 2009 respectively, based on interest rates that are currently available to the Authority for issuance of debt with similar terms and remaining maturities. All bonds issued prior to 2008 and the federally taxable 2008B bonds are not redeemable prior to their stated maturities. The 2008A series bonds maturing on and after June 1, 2019, are subject to redemption prior to the maturity at the option of the Authority on or after June 1, 2018. The 2010A Bonds maturing on and after June 1, 2021 are subject to redemption prior to maturity at the option of the Authority on or after June 1, 2020 at any time in any order of maturity determined by the Authority. The 2010B Bonds are subject to redemption prior to their respective stated maturities at any time at the option of the Authority.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2010 and 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

13. FEMA GRANT REVENUE

The Authority received financial assistance from the Federal Government in the form of grants from the U.S. Department of Homeland Security for ice storm damage incurred in January and December 2007 and a tornado in May 2008. Those grants were passed through to the Authority from the Oklahoma Department of Emergency Management (OEM) and are generally conditioned upon compliance with terms and conditions of the applicable federal regulations, including the expenditure of the resources for eligible purposes. In addition, the Authority received assistance from the State of Oklahoma in the form of grants from the OEM for part of these damages. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the Authority.

In February 2011, the Authority received a notice from the Office of Inspector General of the U.S. Department of Homeland Security that they plan to conduct an audit of FEMA public assistance funds awarded to the Authority under FEMA Disaster Number 1678-DR-OK, resulting from severe winter storms, which occurred during the period of January 12-26, 2007. The objective of the audit will be to determine whether the Authority accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. The Authority received approximately $7.1 million in financial assistance under this disaster declaration from federal and state emergency management agencies.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

ACTUARIAL INFORMATION — OTHER POSTEMPLOYMENT BENEFITS PLAN — SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

Actuarial Valuation Date	Actuarial Values of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	$ -	$ 4,280,606	$ 4,280,606	- %	$ 33,000,000	12.97 %
January 1, 2008	$ -	$ 8,234,641	$ 8,234,641	- %	$ 33,000,000	24.95 %
January 1, 2010	$ -	$ 11,839,457	$ 11,839,457	- %	$ 31,092,799	38.08 %

Funded Status and Funding Progress — As of January 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. Covered payroll (annual payroll of active employees covered by the plan) was estimated prior to 2010. The discount rate was lowered to 3.5% for the actuarial valuation dated January 1, 2010. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits, for additional information about GRDA's Postemployment Healthcare Plan.

statistical section

This statistical section of GRDA's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Statistical information is provided for five primary categories:

REVENUE CAPACITY: these schedules contain information to help the reader assess the Authority's most significant revenue source, electric revenues.

DEBT CAPACITY: these schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.

FINANCIAL TRENDS: these schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

OPERATING INFORMATION: these schedules contain generation and transmission data to help the reader understand how the information in the Authority's financial report relates to the services GRDA provides and the activities it performs.

DEMOGRAPHIC AND ECONOMIC INFORMATION: these schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Revenue Capacity

LARGEST 20 CUSTOMERS BY NET REVENUES

2010

Customer Name	Customer Since	Customer Classification	Net Revenue Percentage
Northeast Oklahoma Electric Cooperative, Inc.	1946	Cooperative	10 %
City of Coffeyville, Kansas	1999	Municipal	9
Kansas Municipal Energy Agency	2000	Off-System Firm	6
Stillwater Utilities Authority	1987	Municipal	6
Paragould, Arkansas, Light and Water Commission	1992	Off-System Firm	6
Western Farmers Electric Cooperative	1983	Off-System Firm & Spot	5
Southwest Power Pool	2007	Regional Transmission Organization	5
Claremore Public Works Authority	1946	Municipal	4
Oklahoma Municipal Power Authority	1986	Other Contractual Agreement/Off-System Firm	4
City of Poplar Bluff, Missouri	1992	Off-System Firm	4
City of Siloam Springs, Arkansas	1989	Municipal	3
Miami Public Utilities Board	1947	Municipal	3
Tahlequah Public Works Authority	1947	Municipal	3
Pryor Plant Chemical Company	2004	Industrial	2
Sallisaw Municipal Authority	1952	Municipal	2
Air Products Manufacturing Corporation	1976	Industrial	2
Solae, LLC	1975	Industrial	2
City of Pryor Creek Municipal Utility Board	1951	Municipal	1
Cushing Municipal Authority	1953	Municipal	1
Associated Electric Cooperative	1963	Off-System Spot	1
Net Revenues as a Percentage of Sales of Power			79 %

Nine Years Ago - 2001

Customer Name	Customer Since	Customer Classification	Net Revenue Percentage
Northeast Oklahoma Electric Cooperative, Inc.	1946	Cooperative	9 %
Stillwater Utilities Authority	1987	Municipal	9
City of Coffeyville, Kansas	1999	Municipal	7
City Utilities, Springfield, Missouri	1992	Off-System Firm	6
Paragould, Arkansas, Light and Water Commission	1992	Off-System Firm	6
Claremore Public Works Authority	1946	Municipal	6
KAMO Power	1948 to 2003	Cooperative	5
City of Siloam Springs, Arkansas	1989	Municipal	5
Kansas Municipal Energy Agency	2000	Off-System Firm	5
City of Poplar Bluff, Missouri	1992	Off-System Firm	4
Rolla, Missouri Municipal Utilities	2000 to 2005	Off-System Firm	4
City of Miami	1947	Municipal	4
Tahlequah Public Works Authority	1947	Municipal	3
Oklahoma Municipal Power Authority	1986	Other Contractual Agreement	3
Grede Foundries, plant owned by American Castings, LLC	1994 to 2002	Industrial	2
Solae, LLC	1975	Industrial	2
Wagoner Public Works Authority	1947	Municipal	2
Air Products Manufacturing Corporation	1976	Industrial	2
City of Pryor Creek Municipal Utility Board	1951	Municipal	2
Stilwell Area Development Authority	1950	Municipal	2
Net Revenues as a Percentage of Sales of Power			88 %

Source: Grand River Dam Authority

Revenue Capacity

RATE HISTORY

	2010	2009	2008	2007	2006
ELECTRIC SERVICE RATES:					
Capacity Charges per kW:					
Wholesale - Distribution Primary	$ 12.13	$ 10.09	$ 10.09	$ 10.09	$ 10.09
Wholesale - Transmission	11.24	9.32	9.32	9.32	9.32
Wholesale - Generation Bus	10.60	8.76	8.76	8.76	8.76
Industrial - Distribution, Schedule LGS	12.51	10.40	10.40	10.40	10.40
Industrial - Distribution, Schedule GS	12.83	10.40	10.40	9.99	9.99
Industrial - Distribution Primary, Schedule LGS	12.25	10.19	10.19	10.19	10.19
Industrial - Distribution Primary, Schedule GS	12.07	9.64	9.64	9.23	9.23
Industrial - Transmission	11.36	9.42	9.42	9.42	9.42
Energy Charges per kWh:					
Wholesale - Distribution Primary	0.0220	0.0210	0.0210	0.0210	0.0210
Wholesale - Transmission	0.0220	0.0210	0.0210	0.0210	0.0210
Wholesale - Generation Bus	0.0220	0.0210	0.0210	0.0210	0.0210
Industrial - Distribution, Schedule LGS	0.02248	0.0214	0.0214	0.0214	0.0214
Industrial - Distribution, Schedule GS	0.02304	0.0214	0.0214	0.0210	0.0210
Industrial - Distribution Primary, Schedule LGS	0.02203	0.0210	0.0210	0.0210	0.0210
Industrial - Distribution Primary, Schedule GS	0.02304	0.0214	0.0214	0.0210	0.0210
Industrial - Transmission, Schedule LGS	0.02203	0.0210	0.0210	0.0210	0.0210
Commercial - SGSC	0.0735	0.06442	0.06442	0.06442	0.06442
Commercial - GSC	0.1000	0.06442	0.06442	0.06442	0.06442
Power Cost Adjustment per kWh:					
PCA - 1st half of Year	0.00249	0.00626	0.00775	0.00788	0.00288
PCA - 2nd half of Year	0.00611	0.00645	0.00595	0.00446	0.00966
PCA - 4th Quarter (2001 only)					
WATER RATES: per thousand gallons					
Grand Lake	$ 0.100	$ 0.060	$ 0.030	$ 0.0150	$ 0.0150
Lake Hudson	0.100	0.060	0.030	0.0100	0.0100
Fort Gibson Lake	0.100	0.060	0.030	0.0040	0.0040
WR Holway Reservoir	0.100	0.060	0.030	0.0216	0.0216
River Pump Station	0.068	0.100	0.100	0.0850	0.0850
DOCK PERMIT RATES:					
Private Docks:					
Docks less than 1100 sq. feet:					
Base charge, including first slip	$100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
Per each additional slip	25.00	25.00	25.00	25.00	25.00
Docks greater than 1100 sq. feet:					
Base charge	100.00	100.00	100.00	100.00	100.00
Per square foot	0.06	0.06	0.06	0.06	0.06
Commercial Docks:					
Minimum charge	200.00	200.00	200.00	200.00	200.00
Per slip	25.00	25.00	25.00	25.00	25.00
Per square foot	0.06	0.06	0.06	0.06	0.06

Source: Grand River Dam Authority

2005	2004	2003	2002	2001
$ 10.09	$ 10.09	$ 9.66	$ 9.66	$ 9.66
9.32	9.32	8.92	8.92	8.92
8.76	8.76	8.38	8.38	8.38
10.40	10.40	(LGS became effective in 2004)		
9.99	9.99	9.56	9.56	9.56
10.19	10.19	(LGS became effective in 2004)		
9.23	9.23	8.83	8.83	8.83
9.42	9.42	(Rate became effective in 2004)		
0.01873	0.01873	0.01792	0.01792	0.01792
0.01873	0.01873	0.01792	0.01792	0.01792
0.01870	0.01870	0.01789	0.01789	0.01789
0.0214	0.0214	(LGS became effective in 2004)		
0.01873	0.01873	0.01792	0.01792	0.01792
0.0210	0.0210	(LGS became effective in 2004)		
0.01873	0.01873	0.01792	0.01792	0.01792
0.0210	0.0210	(Rate became effective in 2004)		
0.06442	0.06442	(Rate became effective in 2004)		
0.06442	0.06442	0.06165	0.06165	0.06165
0.00271	-0.003310	-0.002540	-0.003150	0.001360
0.00176	-0.000370	-0.000210	-0.002940	0.001100
		-0.002000		
$ 0.0150	$ 0.0150	$ 0.0150	$ 0.0150	$ 0.0150
0.0100	0.0100	0.0100	0.0100	0.0100
0.0040	0.0040	0.0040	0.0040	0.0040
0.0216	0.0216	0.0216	0.0216	0.0216
0.0850	0.0800	0.0800	0.0630	0.0630
$ 100.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
25.00	12.00	12.00	12.00	12.00
100.00	-	-	-	-
0.06	0.045	0.045	0.045	0.045
200.00	200.00	40.00	40.00	40.00
25.00	25.00	-	-	-
0.06	0.06	0.045	0.045	0.045

Per Oklahoma Statute as well as General Bond Resolution 5107, the Authority's board of directors has the sole responsibility and authority for establishing sufficient rates.

Debt Capacity

DEBT SERVICE COVERAGE

	2010	2009	2008	2007	2006
Operating Revenues	**$ 382,000,789**	$ 317,668,977	$ 323,747,187	$ 288,469,008	$ 287,922,648
Over/(Under) Recovered Fuel Cost	**-**	-	(2,687,159)	18,434,306	(5,816,468)
Revenues Available for Debt Service	**382,000,789**	317,668,977	321,060,028	306,903,314	282,106,181
Operating Expenses, excluding depreciation	**(243,624,219)**	(214,758,203)	(193,038,490)	(161,698,734)	(181,698,016)
Other Income, excluding noncash amortizations, market adjustments, and other excluded interest	**11,834,590**	17,588,591	14,929,690	19,691,690	11,464,742
Other Available Funds	**15,874,058**	22,000,000	28,104,674	-	-
Net Revenue Available for Debt Service	**$ 166,085,218**	$ 142,499,365	$ 171,055,902	$ 164,896,270	$ 111,872,906
Sinking Fund Requirements:					
Principal	**87,427,504**	95,392,385	71,002,500	67,223,750	63,572,082
Interest	**43,497,512**	38,333,851	31,642,622	28,205,822	31,908,647
Debt Service Requirements	**$ 130,925,016**	$ 133,726,236	$ 102,645,122	$ 95,429,572	$ 95,480,729
Net Revenues Available for Capital Improvements and Other Purpose	**$ 35,160,202**	$ 8,773,129	$ 68,410,780	$ 69,466,698	$ 16,392,178
Debt Service Coverage	**1.27**	1.07	1.67	1.73	1.17
Debt Service/MWh Generated	**$ 16.48**	$ 16.60	$ 14.12	$ 14.23	$ 17.78

Source: Grand River Dam Authority

REVENUE BONDS OUTSTANDING AND LIMITS

	2010	2009	2008	2007	2006
Long Term Portion	**$ 992,246,340**	$ 834,621,340	$ 930,091,340	$ 427,306,340	$ 496,086,340
Current Portion	**81,665,000**	95,470,000	72,590,000	68,780,000	65,045,000
Total Outstanding Bonds	**$ 1,073,911,340**	$ 930,091,340	$ 1,002,681,340	$ 496,086,340	$ 561,131,340
Bond Indebtedness Limit	**1,410,000,000**	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000
Bond Indebtedness Margin	**336,088,660**	479,908,660	407,318,660	913,913,660	848,868,660
Margin as a percentage of Limit	**23.8 %**	34.0 %	28.9 %	64.8 %	60.2 %
Outstanding Debt Per Capita in District	**$ 691**	$ 605	$ 659	$ 328	$ 375
Outstanding Debt to Total Personal Income	**786 %**	704 %	746 %	402 %	484 %

Source: Grand River Dam Authority

2005	2004	2003	2002	2001
$ 279,602,389	$ 227,002,783	$ 204,221,411	$ 187,548,040	$ 189,751,591
(11,753,913)	(1,759,365)	3,026,638	(6,098,153)	12,467,820
267,848,476	225,243,418	207,248,049	181,449,887	202,219,411
(164,443,402)	(121,399,149)	(109,850,235)	(104,944,294)	(101,017,937)
10,816,182	8,665,975	9,888,845	10,159,145	11,923,741
-	-	-	2,154,000	-
$ 114,221,256	$ 112,510,244	$ 107,286,659	$ 88,818,738	$ 113,125,215
60,137,082	57,110,833	54,558,750	52,057,500	48,970,000
35,354,402	38,216,133	40,730,791	43,830,548	46,768,872
$ 95,491,484	$ 95,326,966	$ 95,289,541	$ 95,888,048	$ 95,738,872
$ 18,729,772	$ 17,183,278	$ 11,997,118	$ (7,069,310)	$17,386,343
1.20	1.18	1.13	.93	1.18
$ 15.10	$ 14.92	$ 14.72	$ 16.32	$ 16.14

Per General Bond Resolutions 4800 and 5107, the Authority shall establish and collect rates, which together with other available funds, will be sufficient to make all payments pertaining to bond payments, maintenance and operations costs, and any other charges against the Authority. The Debt Service Coverage calculations for the years 2000 through 2008 were calculated under Resolution 4800. Calendar years 2009 and 2010 were calculated under the Bond Resolution 5107 which became effective July 2009. See Notes to Financial Statements Summary of Significant Accounting Policies and Bonds Payable for additional information about change in General Bond Resolutions.

2005	2004	2003	2002	2001
$ 561,131,340	$ 622,641,340	$ 680,856,340	$ 736,421,340	$ 770,935,000
61,510,000	58,215,000	55,565,000	53,150,000	50,120,000
$ 622,641,340	$ 680,856,340	$ 736,421,340	$ 789,571,340	$ 821,055,000
1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000
787,358,660	729,143,660	673,578,660	620,428,660	588,945,000
55.8 %	51.7 %	47.8 %	44.0 %	41.8 %
$ 421	$ 465	$ 504	$ 542	$ 568
587 %	681 %	795 %	876 %	911 %

The Authority's bond issuance limit of $1,410,000,000 is established per Oklahoma statute and relates to the amount of bonds outstanding at any time. The state of Oklahoma has pledged not to limit or alter GRDA's ability to collect fees and charges or impair the rights of bondholders until such bonds are fully discharged.

UNAUDITED

Financial Trends

NET ASSETS AND CHANGE IN NET ASSETS

	2010	2009	2008	2007	2006
NET ASSETS					
Assets:					
Current Assets	**$ 278,502,458**	$ 320,324,339	$ 443,547,555	$ 238,279,411	$ 224,355,142
Net Utility Plant	**801,422,915**	778,489,258	730,162,939	413,627,666	399,876,856
Restricted Investments	**444,945,573**	244,179,432	206,646,566	120,151,735	120,151,735
Other Noncurrent Assets	**24,228,271**	22,589,056	22,723,419	7,027,004	7,693,303
Total Assets	**1,549,099,217**	1,365,582,085	1,403,080,479	779,085,816	752,077,036
Liabilities:					
Current Liabilities	**118,474,852**	152,199,370	117,860,150	98,373,459	98,694,983
Noncurrent Liabilities	**1,013,865,944**	859,841,618	952,157,405	430,618,300	494,392,661
Total Liabilities	**1,132,340,796**	1,012,040,988	1,070,017,555	528,991,759	593,087,644
Net Assets:					
Invested in Capital Assets - net	**188,760,234**	154,704,963	178,061,740	72,505,255	666,401
Restricted for:					
Debt Service	**66,485,014**	59,544,174	51,568,437	42,339,465	40,479,164
Construction	**-**	-	-	-	-
Other Special Purposes	**513,456**	394,469	407,705	336,863	329,290
Unrestricted	**160,999,717**	138,897,491	103,025,042	134,912,474	117,514,537
Total Net Assets	**$ 416,758,421**	$ 353,541,097	$ 333,062,924	$ 250,094,057	$ 158,989,392

	2010	2009	2008	2007	2006
CHANGE IN NET ASSETS					
Operating Revenues:					
Sales of power	**$ 374,524,747**	$ 309,678,303	$ 316,628,436	$ 278,464,783	$ 276,823,553
Other operating revenues	**7,476,042**	7,990,674	7,118,751	10,004,225	11,099,095
Total Operating Revenues	**382,000,789**	317,668,977	323,747,187	288,469,008	287,922,648
Operating Expenses:					
Fuel	**(151,322,794)**	(130,956,467)	(98,340,950)	(75,652,926)	(65,511,589)
Depreciation	**(44,101,788)**	(48,595,784)	(32,644,506)	(26,270,163)	(25,905,702)
Maintenance	**(33,720,522)**	(27,581,156)	(22,597,687)	(21,840,687)	(24,090,585)
Administrative and general	**(23,946,136)**	(19,745,003)	(20,185,919)	(15,700,875)	(16,544,857)
Operations	**(23,480,280)**	(28,885,899)	(21,574,439)	(19,529,286)	(18,408,195)
Purchased power - net	**(11,154,488)**	(7,589,678)	(30,339,495)	(28,974,960)	(57,142,790)
Total Operating Expense	**(287,726,008)**	(263,353,987)	(225,682,996)	(187,968,897)	(207,603,718)
Operating Income	**94,274,781**	54,314,990	98,064,191	100,500,111	80,318,930
Other Non-Operating Revenues	**14,962,273**	17,600,716	21,057,910	19,823,951	12,964,864
Capital Contributions	**41,084**	-	306,926	4,927,020	-
Interest and Bond-Related Amortizations	**(47,471,710)**	(52,779,134)	(37,722,260)	(35,213,108)	(39,844,233)
Increase (Decrease) in Costs to be Recovered	**1,410,896**	1,341,601	1,262,100	1,066,691	920,067
Net Increase (Decrease) in Net Assets	**$ 63,217,324**	$ 20,478,173	$ 82,968,867	$ 91,104,665	$ 54,359,628

Source: Grand River Dam Authority

2005	2004	2003	2002	2001	
$ 219,637,633	$ 154,144,877	$ 142,764,595	$ 134,796,867	$ 141,849,200	
399,405,266	419,973,721	437,415,532	456,718,653	469,665,964	
120,151,735	150,478,282	152,710,431	160,575,016	(Detail for preceding years is not available. Total Noncurrent Assets below:)	
8,471,461	29,026,800	53,248,454	74,227,433	239,091,007	
747,666,095	753,623,680	786,139,012	826,317,969	850,606,171	
89,386,090	77,221,653	76,074,491	73,171,800	73,984,306	
553,650,241	608,348,181	658,279,467	705,801,659	728,133,701	
643,036,331	685,569,834	734,353,958	778,973,459	802,118,007	
(80,525,056)	(90,856,753)	(88,505,272)	(87,318,481)	(Detail for preceding years is not available.)	
38,711,816	37,066,254	35,705,638	34,540,492		
27,500,00	27,500,000	27,500,000	27,500,000		
349,132	278,130	260,000	-		
118,593,872	94,066,215	76,824,688	72,622,499		
$ 104,629,764	$ 68,053,846	$ 51,785,054	$ 47,344,510	$ 48,488,164	

2005	2004	2003	2002	2001
$ 270,165,092	$ 211,421,154	$ 196,011,036	$ 179,108,803	$ 182,387,439
9,437,297	15,581,629	8,210,373	8,439,237	7,364,152
279,602,389	227,002,783	204,221,409	187,548,040	189,751,591
(61,999,460)	(56,396,019)	(60,691,493)	(54,969,577)	(53,900,186)
(25,542,010)	(25,575,452)	(25,248,587)	(25,830,207)	(24,189,979)
(15,668,193)	(21,254,173)	(15,095,451)	(17,131,920)	(16,990,522)
(20,389,494)	(13,853,224)	(12,506,648)	(12,240,789)	(10,606,699)
(18,405,394)	(15,249,434)	(13,783,260)	(13,487,497)	(13,686,337)
(47,980,861)	(14,646,299)	(7,773,383)	(7,114,511)	(5,834,193)
(189,985,412)	(146,974,601)	(135,098,822)	(130,774,501)	(125,207,916)
89,616,977	80,028,182	69,122,587	56,773,539	64,543,675
10,265,325	8,638,542	8,902,326	15,472,034	14,109,280
-	-	-	-	-
(44,164,242)	(47,857,967)	(51,167,623)	(54,711,526)	(57,939,496)
(19,142,142)	(24,539,965)	(22,416,746)	(18,677,701)	(14,816,495)
$ 36,575,918	$ 16,268,792	$ 4,440,544	$ (1,143,654)	$ 5,896,964

Financial Trends

CASH AND INVESTMENT BALANCES

	2010	2009	2008	2007	2006
General Operating	**$ 69,267,384**	$ 62,189,497	$ 56,055,494	$ 56,724,276	$ 29,516,930
Board Designated	**32,500,000**	30,000,000	27,500,000	25,000,000	22,500,000
Restricted for:					
Bond Service	**66,485,014**	59,544,174	51,568,437	42,339,465	40,479,164
Construction	**317,223,969**	151,837,215	241,949,727	29,612,591	30,882,894
Bond Service Reserve	**139,140,993**	141,560,060	141,560,060	96,121,388	96,121,388
Reserve and Contingency		13,390,015	35,390,015	24,030,347	24,030,347
Other Special Purposes	**513,456**	394,469	407,705	307,066	329,290
Total Cash and Investments	**$ 625,130,816**	$ 458,915,430	$ 554,431,438	$ 274,135,133	$ 243,860,013

Source: Grand River Dam Authority

Operating Information

HISTORICAL ENERGY RESOURCES (MWH)

Year	Run-of-River Hydro Generations	Pumped-Storage Hydro Generation	Steam Generation	Combined Cycle Gas Generation	Purchased Power	Total GRDA	Municipal SPA Allocations	Total Resources
2001	494,221	227,263	5,209,614	-	142,570	6,073,668	23,324	6,096,992
2002	417,758	279,642	5,178,284	-	229,391	6,105,075	29,361	6,134,436
2003	362,757	376,792	5,734,196	-	203,072	6,676,817	24,048	6,700,865
2004	844,100	443,913	5,099,124	-	547,293	6,934,430	37,622	6,972,052
2005	687,192	276,189	5,361,969	-	828,723	7,154,073	33,900	7,187,973
2006	140,975	199,626	5,029,856	-	1,163,942	6,534,399	17,313	6,551,712
2007	808,193	267,255	5,630,573	-	527,821	7,233,842	35,362	7,269,204
2008	1,140,029	279,154	5,612,618	239,073	343,244	7,614,118	52,395	7,666,513
2009	1,069,449	170,326	5,493,609	1,322,444	128,920	8,184,748	43,801	8,228,549
2010	**804,231**	**233,436**	**4,991,403**	**1,915,495**	**280,870**	**8,225,435**	**38,952**	**8,264,387**

Source: Grand River Dam Authority

HISTORICAL SALES BY CUSTOMER GROUP (MWH)

Year	Municipal	Cooperative	Industrial	Other	Off-System Firm	Total Contract Sales	Off-System Spot	Total Sales
2001	2,434,449	657,999	600,223	168,304	1,426,534	5,287,510	327,908	5,615,418
2002	2,522,446	510,416	520,369	169,838	1,440,934	5,164,003	412,178	5,576,181
2003	2,747,333	484,946	531,136	171,755	1,593,488	5,528,658	476,615	6,005,273
2004	2,850,359	443,742	593,349	170,278	1,622,823	5,680,551	484,467	6,165,018
2005	3,140,142	555,078	638,268	155,001	1,866,390	6,354,879	346,451	6,701,330
2006	2,990,548	583,181	650,148	141,144	1,642,752	6,007,773	90,254	6,098,027
2007	3,068,267	587,543	668,840	176,206	1,625,919	6,126,775	547,964	6,674,739
2008	3,047,991	605,556	686,806	181,709	1,660,683	6,182,745	864,608	7,047,353
2009	3,000,980	607,723	616,543	160,818	1,730,040	6,116,104	1,612,029	7,728,133
2010	**3,132,069**	**661,648**	**770,321**	**159,263**	**1,965,468**	**6,688,769**	**993,433**	**7,682,202**

Source: Grand River Dam Authority

2005	2004	2003	2002	2001
$ 58,832,974	$ 43,420,331	$ 47,760,394	$ 45,882,188	$ 61,811,533
18,000,000	13,500,000	-	-	-
38,711,816	37,066,254	35,705,638	34,540,492	33,051,850
34,145,383	34,693,962	42,014,530	44,868,281	27,500,000
96,121,388	96,121,388	96,121,388	96,121,388	96,121,388
24,030,347	24,030,347	24,030,347	24,030,347	24,030,347
349,132	278,130	260,000	-	-
$ 270,191,040	$ 249,110,412	$ 245,892,297	$ 245,442,696	$ 242,515,118

See Notes to Financial Statements, Deposits and Investments for additional information about restrictions.

MAJOR EMPLOYERS IN COMMUNITIES SERVED BY GRDA

Employer	Location	Type	Statewide Employment
State of Oklahoma	Statewide	Government	37,000
Wal-Mart	Statewide	Retail/Distribution Center	33,000
U. S. Postal Service	Statewide	Government	16,500
Oklahoma State University	Stillwater	Education	12,000
Cherokee Nation of Oklahoma	Tahlequah, Stilwell, Others	Services	5,900
AT&T	Statewide	Services	4,600
YUM! Brands	Statewide	Food	4,500
Lowe's Home Centers	Statewide	Retail	3,500
Dollar General Stores	Statewide	Retail	2,600
Walgreen Company	Statewide	Retail	2,600

Source: Compiled from www.okcommerce.gov - Oklahoma Department of Commerce Information for previous nine years is not available. Additionally, total community employment is unavailable so percentage of employer to total employment cannot be calculated.

NUMBER OF FULL-TIME EMPLOYEES

GRDA Facility	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Thermal Generation	**196**	210	212	210	217	210	215	207	203	205
Hydroelectric Generation	**40**	40	41	43	43	44	43	43	44	42
Transmission and Engineering	**134**	105	106	102	101	91	88	97	95	92
Energy Control and Operations	**28**	28	30	30	25	22	23	17	16	17
Information Technology	**13**	32	34	29	32	31	30	12	10	11
Ecosystems and Lake Patrol	**19**	17	17	16	16	17	11	12	13	13
Other Administrative	**55**	57	57	56	54	51	51	59	59	58
Total Employees by Function	**485**	489	497	486	488	466	461	447	440	438
Employees per MW of Generation	**0.28**	0.28	0.28	0.37	0.37	0.36	0.35	0.34	0.34	0.34

Source: Grand River Dam Authority

Miscellaneous Operating information

NATURE OF CAPITAL ASSETS

Generating Facilities	Location	Rated Capability	Generating Fuel	Date of Commercial Operations
Pensacola Project				
Grand Lake O' the Cherokees:				
Pensacola Dam Units 1, 2, 3, 4, 5 and 6	Langley, OK	105 MW	Hydro	1941
Markham Ferry Project,				
Lake Hudson:				
Robert S. Kerr Dam Units 1, 2, 3 and 4	Locust Grove, OK	108 MW	Hydro	1964
Salina Pumped Storage Project				
W. R. Holway Reservoir:				
Salina Units 1, 2 and 3	Salina, OK	130 MW	Hydro	1968
Salina Units 4, 5 and 6	Salina, OK	130 MW	Hydro	1971
Coal-Fired Complex				
GRDA Unit 1	Chouteau, OK	490 MW	Thermal	1982
GRDA Unit 2 (GRDA's 62%)	Chouteau, OK	322 MW	Thermal	1985
Combined Cycle Gas				
Redbud Power Plant (GRDA's 36%)	Luther, OK	443 MW	Gas	Purchased 2008

Other Facilities	Location
Administration Headquarters	Vinita, OK
Ecosystem & Education Center	Langley, OK
Energy Control Center	Locust Grove, OK
Cushing Field Office	Cushing, OK
Transmission, Distribution, and Engineering Headquarters	Pryor, OK
Satellite Office	Oklahoma City, OK

TRANSMISSION

Interconnections

American Electric Power (AEP)
Associated Electric Cooperative Company (AECI)
Empire District Electric Company (Empire)
KAMO Power (KAMO)
OG&E Electric Services (OG&E)
Southwestern Power Administration (SWPA)
Western Farmers Electric Cooperative (WFEC)

Voltage - Miles of line

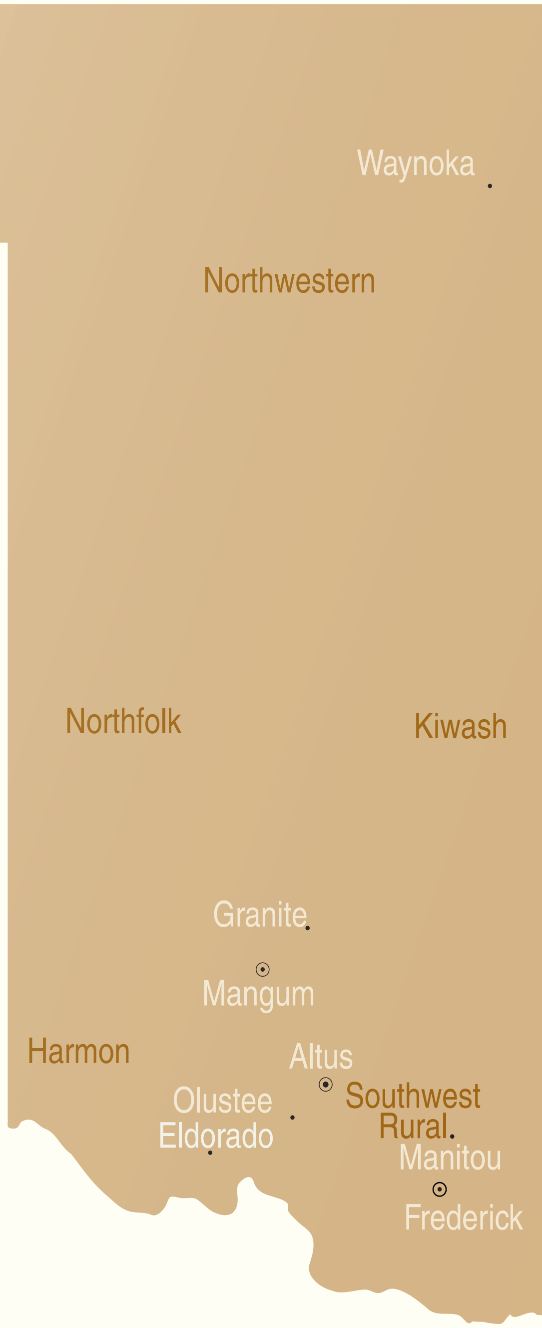
69 kV - 645
138 kV - 92
161 kV - 365
345 kV - 111

Regional Transmission Organization

Southwest Power Pool (SPP)

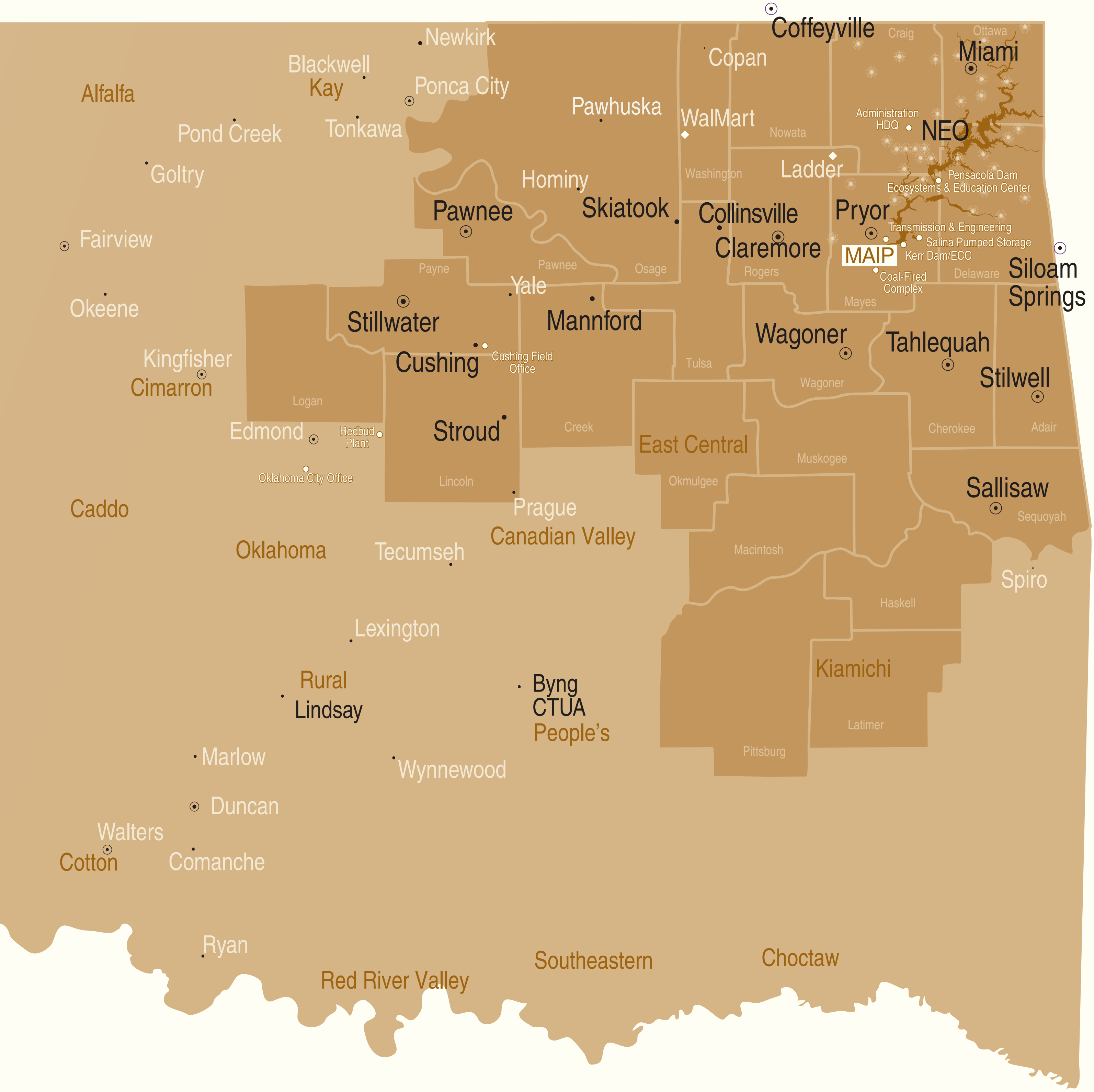
MAP OF CUSTOMERS AND GRDA FACILITIES

Municipal Customers - Served by GRDA in BLACK lettering; many served since 1940s.
Northeast Electric Cooperative - Represented by WHITE STAR BURST, served since 1946.
Industrial Customers - Majority located in MidAmerica Industrial Park (MAIP)
Oklahoma Municipal Power Authority customers in LIGHT TAN lettering; served since 1985.
Other Public Power Partners - (Not shown) KMEA; Paragould, AR; Poplar Bluff, MO.
Western Farmers Electric Cooperative customers in BROWN lettering
GRDA Facilities - Shown in small WHITE lettering.



See Notes to Financial Statements, Utility Plant for additional information capital assets.

Source: Grand River Dam Authority


Coffeyville
Craig
Ottawa
Miami
Newkirk
Blackwell
Kay
Ponca City
Copan
Alfalfa
Pawhuska
WalMart
Nowata
Administration HDQ
NEO
Pond Creek
Tonkawa
Goltry
Washington
Ladder
Hominy
Pensacola Dam
Ecosystems & Education Center
Pawnee
Skiatook
Collinsville
Pryor
Fairview
Transmission & Engineering
Claremore
Salina Pumped Storage
MAIP
Kerr Dam/ECC
Siloam Springs
Payne
Pawnee
Osage
Rogers
Coal-Fired Complex
Delaware
Yale
Okeene
Mayes
Stillwater
Mannford
Wagoner
Tahlequah
Kingfisher
Cimarron
Cushing
Cushing Field Office
Tulsa
Stilwell
Wagoner
Logan
Edmond
Redbud Plant
Stroud
Creek
East Central
Cherokee
Adair
Muskogee
Oklahoma City Office
Lincoln
Okmulgee
Sallisaw
Caddo
Prague
Sequoyah
Canadian Valley
Oklahoma
Tecumseh
Macintosh
Spiro
Haskell
Lexington
Rural
Lindsay
Kiamichi
Byng
CTUA
People's
Latimer
Marlow
Wynnewood
Pittsburg
Duncan
Walters
Cotton
Comanche
Ryan
Southeastern
Choctaw
Red River Valley

Demographic and Economic Indicators

STATE OF OKLAHOMA DEMOGRAPHICS

Year	Population	Unemployment Rate	Per Capita Income	Total* Personal Income
2001	3,460,100	3.8 %	$ 26,015	$ 90,160,848
2002	3,493,700	4.3 %	$ 25,861	$ 90,177,804
2003	3,511,500	6.0 %	$ 26,417	$ 92,599,241
2004	3,523,500	4.2 %	$ 28,370	$100,026,970
2005	3,543,442	4.4 %	$ 29,908	$106,118,631
2006	3,579,212	4.0 %	$ 32,210	$115,959,812
2007	3,617,000	4.3 %	$ 34,153	$123,541,111
2008	3,642,361	3.8 %	$ 36,899	$134,399,865
2009	3,687,050	6.4 %	$ 35,268	$132,132,000
2010	**3,751,351**	**6.8 %**	**$ 36,421**	**$136,627,222**

Source: www.okcommerce.gov - Oklahoma Department of Commerce and www.bea.gov - U.S. Bureau of Economic Analysis
** In Thousands*

POPULATION CHANGE: 1990 - 2010

	Ranking 2000-2010	Growth % 1990 to 2000	Growth % 2000 to 2010	Growth % 1990 to 2010	Population 2010	Population 2000	Population 1990
Wagoner County	2	20.1 %	27.1 %	52.6 %	73,085	57,491	47,883
Logan County	4	16.9 %	23.4 %	44.2 %	41,848	33,924	29,011
Rogers County	5	28.0 %	23.0 %	57.5 %	86,905	70,638	55,170
Payne County	10	10.9 %	13.4 %	25.8 %	77,350	68,190	61,507
Delaware County	11	32.1 %	11.9 %	47.8 %	41,487	37,077	28,070
Cherokee County	13	24.9 %	10.5 %	38.0 %	46,987	42,521	34,049
Sequoyah County	15	15.2 %	8.8 %	25.3 %	42,391	38,972	33,828
Haskell County	17	7.8 %	8.3 %	16.7 %	12,769	11,792	10,940
Adair County	20	14.2 %	7.8 %	23.1 %	22,683	21,038	18,421
Mayes County	21	15.0 %	7.5 %	23.7 %	41,259	38,369	33,366
Tulsa County	22	11.9 %	7.1 %	19.9 %	603,403	563,301	503,341
Lincoln County	24	9.8 %	6.8 %	17.3 %	34,273	32,080	29,216
Osage County	25	6.7 %	6.8 %	14.0 %	47,472	44,434	41,645
Latimer County	34	3.5 %	4.3 %	7.9 %	11,154	10,692	10,333
Pittsburg County	35	8.3 %	4.3 %	11.9 %	45,857	43,953	40,581
McIntosh County	38	16.0 %	4.1 %	20.7 %	20,252	19,456	16,779
Washington County	39	1.9 %	4.0 %	6.1 %	50,976	48,996	48,066
Creek County	40	10.6 %	3.9 %	14.9 %	69,967	67,369	60,915
Muskogee County	46	2.0 %	2.2 %	4.3 %	70,990	69,451	68,078
Okmulgee County	53	8.8 %	1.0 %	9.8 %	40,069	39,685	36,490
Craig County	54	6.0 %	0.5 %	6.6 %	15,029	14,950	14,104
Pawnee County	55	6.7 %	-0.2 %	6.4 %	16,577	16,612	15,575
Nowata County	58	5.8 %	-0.3 %	5.4 %	10,536	10,569	9,992
Ottawa County	68	8.6 %	-4.1 %	4.2 %	31,848	33,194	30,561
Total for GRDA 24 County District		12.3 %	8.4 %	21.7 %	1,555,147	1,434,754	1,277,921
Total for all of Oklahoma's 77 Counties		9.7 %	8.7 %	19.3 %	3,751,351	3,450,654	3,145,585

Sources: www.okcommerce.gov - Oklahoma Department of Commerce

GRDA MISSION STATEMENT

Our mission is to provide low-cost, reliable electric power and related services to our customers and to be responsive to the interests and concerns of public power users, the communities we affect, and the people of the state of Oklahoma.

We pledge to assist in area economic development and help our customers adapt to changes in their business environments, as well as making certain that on and around our lakes we will support recreational development, environmental awareness, and good safety practices to ensure the continued improvement of the quality of life for all of those who utilize our resources.

75th Anniversary

GRDA

Grand River Dam Authority

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