

**Minutes of Regular Meeting
Grand River Dam Authority
Board of Directors
Locust Grove, Oklahoma
December 17, 2019**

A regular meeting of the Board of Directors of the Grand River Dam Authority was held at the Grand River Dam Authority Energy Control Center, Locust Grove, Oklahoma, on December 17, 2019. Notice was given pursuant to 25 O.S.A. § 301 et seq. by submitting a schedule of regular monthly meetings to the Secretary of State on November 27, 2018, at 1:12 p.m.; by posting the agenda with the Mayes County Clerks' offices on December 16, 2019 at 9:30 a.m.; by posting said agenda at www.grda.com; and by posting said agenda at the principal office of GRDA at least 24 hours prior to the meeting.

Chair Richie called the meeting to order at 10:13 a.m. The Secretary called the roll. All members were present. Chair Richie declared a quorum. Mr. Philpott introduced guests.

BOARD MEMBERS

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

ADMINISTRATIVE

Daniel S. Sullivan, Chief Executive Officer	Present
Tim Brown, Chief Operating Officer	Present
Lorie Gudde, Chief Financial Officer/ Corporate Treasurer	Present
Steve Wall, Chief Information Officer	Present
Heath Lofton, General Counsel	Present
Brian Edwards, Executive VP – Law Enforcement/Lake Operations	Present
Nathan Reese, Executive VP – External Relations	Present
John Wiscaver, Executive VP – Corp. & Strategic Communications	Present
Laura Hunter, Chief Human Resources Officer	Present
Darrell Townsend II, VP – Ecosystems/Watershed Management	Present
Robert Ladd, VP – Grand River Energy Center Operations	Present
Steve Jacoby, VP – Hydroelectric Projects	Present
Mike Waddell, VP – Transmission and Distribution Operations	Present
Ed Fite, VP – River Operations and Water Quality	Present
Justin Alberty, VP – Corp. & Strategic Communications	Present
Sheila Allen, Corporate Secretary	Present

Others present were as follows: Former GRDA Board Director Joe Vandevier; Josh West, Kevin McDugle, David White, John McCKyle Hilbert, Terry O'Donnell, Oklahoma House of Representatives – Joint Legislative Task Force on the Grand River Dam Authority; Marty Quinn, , Oklahoma Senate – Joint Legislative Task Force on the Grand River Dam Authority; Matt Duehning, Cate Brantley, Oklahoma Senate Staff; John McComb, City of Claremore; Clifton Adcock, The Frontier; Mike Doublehead, TPWA; Tom Rider, OMA; Ralph Richardson, Joe Frazier, Dena Pitts, Home of Hope; Carolyn Bade, Bade LUP; Jared Ward, District Office of U.S Senator Jim Inhofe; Craig Stokes, City of Collinsville; Jared Crisp, Pryor MUB; Mike Starks, Elton Willard, City of Cushing; Tamara Jahnke, Jeff Brown, Jennifer Marquis, Melanie Earl, Brylee Harbuck, Cameron Philpott, Jerry Cook, Michelle Day, James Bissett, Ash Mayfield, Teresa Hicks, Misty Kirby, Penny Frailey, Ray Flaming, Holly Moore, Matt Martin, Dana Shrum, Gary Pruett, Choya Shropshire, Kevin Wheeler, Scott Horton, Tom Gray GRDA.

4. New Business

4.e. Capital Work Order Report (Deno

Number	Title	Gross Work Order Amount	Reimbursement	Net GRDA Cost
RF019-01004	Kerr Dam Stilling Basin Toe Improvements	\$ 5,607,175	\$ -	\$ 5,607,175
Grand Total Work Orders		\$ 5,607,175	\$ -	\$ 5,607,175

tes Addenda Items)

Mr. Sullivan told the Board there is only 1 item on the Capital Work Order Report today. He said this amount is set aside for repairs on the toe of the Robert S. Kerr Dam as a result of damage from significant flood events over the last several years. He said GRDA has made several efforts to file a claim with FEMA and have been met with denial primarily because they do not have a lot of information to show the pre-event condition. Mr. Sullivan stated they do have adequate documentation today as to what this looks like and will continue to monitor the situation as they move forward with the repairs. At this point, he explained GRDA has visited with the Federal Energy Regulatory Commission and the Dam Safety Office and they have indicated GRDA does need to move forward with this. The project will cost about \$5.6 million in total, with \$3.5 million of this amount included in the 2020 budget.

Director Kimball moved the Board approve the Capital Work Order Report as presented, seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

CONSENT AGENDA

2. November Claims, \$35,819,683.11.

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

Description and/or Make of Item	
Lot of Miscellaneous Office Supplies	Lot: GREC 097 Section - Cutters
Lot: GREC 055 and 058 Sections	Lot: GREC 082 Section - Sootblower Parts
Lot: GREC 119 Section	Lot: GREC 147 Section - Transformer
Lot of 8: Alcatel Ethernet Service Switch	Lot of 6: Cordless Tool Battery Packs
8 Switch Arrangement for 5KV Equipment	Battery Charger
Lot: GREC 065 Section - Gaskets	Lot: GREC 079 Section - Pump Parts
Lot: GREC 090 Section - Misc. Electrical Parts	All Renewable Energy Certificates Produced, or to be Produced, by Kay and Breckinridge During the Period 1/1/2016 through 12/31/2020

4.c. Power Cost Adjustment (PCA) of \$0.01710 per kWh for January 2020

4.d. First Amendment to Memorandum of Understanding – City of Pryor Creek

4.e. Contract for Commercial Service – Elliott Electric Supply, Inc.

4.f. Recommended Change Order No. 1 – Contract 47295 – Repair, Assembly, Startup, and Commissioning of Unit 2

4.g. 2020 USGS-GRDA SRO Stream Monitoring and Gaging Stations Cooperative Contract

4.h. Declaration of 10 foot by 10 foot Precast Concrete Building Located Near Big Cabin, Oklahoma, as Not Necessary to the Business of the GRDA and to Approve the Sale of the Building to Consolidated Communications in Exchange for the Removal and Transportation of the Building, Allowing the GRDA to Avoid Approximately \$5,000 in Costs to Remove the Building

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

Standard Purchase Orders & Contracts		
PO Number	Vendor Name and City State	Amount
103907	GE STEAM POWER, INC. - WINDSOR, CT	152,342.34
103873	BELL LUMBER & POLE COMPANY - NEW BRIGHTON, MN	261,088.00
42897	UNIVERSITY OF OKLAHOMA - NORMAN, OK	43,192.00
42904	SBL STRATEGIES, LLC. - WASHINGTON, DC	90,000.00
42905	NORTHEAST TECHNOLOGY CENTERS - PRYOR, OK	100,000.00
42898	GRAND LAKE WATERSHED ALLIANCE FOUNDATION, INC. - GROVE, OK	106,115.00
Grand Total Standard POs & Contracts:		\$752,737.34
Change Orders & Renewals		
PO Number	Vendor Name and City State	Amount
41095	UNIVERSITY OF OKLAHOMA - NORMAN, OK	0.00
104058	PINNACLE BUSINESS SYSTEMS - TULSA, OK	320,391.16
41806	BENHAM DESIGN, LLC. - TULSA, OK	0.00
Grand Total Change Orders & Renewals:		\$320,391.16
Grand Total		\$1,073,128.50

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

REGULAR AGENDA

1. Regular Board Minutes of November 7, 2019.

Director Churchwell moved to approve the regular Board minutes of November 7, 2019, seconded by Director Meyers, and voted upon as follows: Churchwell, Elam,

Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

3. Unfinished Business

3.a. Progress Reports

3.a.1.a. Monthly Video Update – GRDA December 2019

- **I Am GRDA – Mike Vernon**

Mr. Sullivan told the Board the grant application for the widening of State Highway 28 over the Pensacola Dam by GRDA and the Oklahoma Department of Transportation (ODOT) has again been denied at this time by the U.S. Department of Transportation. He said the ODOT has been very supportive in their assistance with these applications. Mr. Sullivan explained GRDA intends to move forward with plans for structural improvements under the bridge, which will require closings of the bridge without making it wider or safer. He said it will be structurally stronger and kept up to date, but will still be the narrowest bridge in the ODOT's inventory. It will be another year before another application for this widening project can be submitted.

Mr. Sullivan said GRDA set a new hydro generation record in 2019 for the most yearly total megawatt hours generated at the Pensacola Dam and Robert S. Kerr Dam, excluding December. The previous record was in 1993 for Pensacola Dam and in 1985 for Robert S. Kerr Dam. He said for January through November of 2019 the Pensacola Dam generated 787,648 megawatt hours, and the Robert S. Kerr Dam generated 528,896 megawatt hours. Mr. Sullivan expressed how happy GRDA is to have this generation for their customers. As GRDA moves through the relicensing of the Pensacola Project, he stated they will continue to look at additional operational opportunities and hope to have an announcement on something related sometime today.

The 40th Annual Oklahoma Governor's Water Conference and Research Symposium was held on December 4-5, 2019, at the Reed Conference Center in Midwest

City, Oklahoma. GRDA was a Platinum Sponsor this year. Mr. Sullivan told the Board the conference and symposium attracts hundreds of water planning officials, industry representatives, state and local officials, and citizens who share a stake in Oklahoma's water resources management, development, and protection. The conference theme this year, "Water Means Business," represents the importance that Oklahoma's water resources and infrastructure plays in the economic prosperity and growth of the State of Oklahoma. He stated GRDA is very glad to have been able to participate in this event this year.

Mr. Sullivan reminded the Board that over the last couple of months GRDA has received credit rating reviews from 2 of the 3 rating agencies. There was a recent story this week from the APPA Public Power daily publication that stated Moody's maintains a stable outlook for the public power sector, and specifically mentioned GRDA and a couple of other utilities across the country that received favorable rating reviews from Moody's, especially since the rating agencies have changed their criteria used in scoring. GRDA was affirmed with an A+ stable rating and received an affirmation from Fitch for a A1 credit rating. He expresses his gratitude to the team.

Mr. Sullivan said GRDA is proud to play a role in community Christmas events this year, including Claremore's West Bend Winterland and Wagoner's automated lightshow. GRDA Police Officers also participated in holiday parades in various communities across Oklahoma, along with parades in Coffeyville, KS and Siloam Springs, AR. He showed photographs from the events and said he is happy to announce GRDA has received a third place award in the walking division for the 2019 Cushing Chamber Christmas Parade.

Mr. Sullivan said the public duck hunts in the GRDA Neosho River Bottoms area was held December 13 and 14, 2019. He showed photographs from a hunt and said it

was a great opportunity for GRDA to use some of their property in Ottawa County for the public benefit.

Mr. Sullivan stated GRDA employees raised \$1,300 from the Grand River Energy Center, Transmission Headquarters, and Energy Control Center charitable campaign chili cook-offs, GRDA employee individual donations, and the GRDA Police fundraiser No Shave November. This money was presented on December 14, 2019, to DHS for their Shop with a Cop program. The donation provided 13 children with \$100 each. Mr. Sullivan showed a photograph of GRDA Police officers and Building Properties Coordinator Misty Kirby presenting the check, and said he appreciated the generosity of GRDA employees and the Board of Directors for their role last month at the final cook-off.

Approximately 350 GRDA employees attended the GRDA Family Day event on Saturday, December 14, 2019, held at a Tulsa Oilers hockey game. Mr. Sullivan showed pictures from the event and talked about how much everyone enjoyed the evening.

Mr. Sullivan introduced the videos and other items on the agenda.

3.a.1.b. Customer Recognition for Comments: Citizen Potawatomi Nation – Dr. Jim Collard

Mr. Sullivan reminded the Board that at the last Board of Directors Meeting the Power Purchase and Sale Agreement with the Citizen Potawatomi Nation Utility Authority was approved. He said he and the staff wanted to recognize and make special mention of this today because of the unique nature of this relationship. The Citizen Potawatomi Nation have recently formed a utility authority and signed this agreement to serve the 600-acre Iron Horse Industrial Park near Shawnee, Oklahoma. He said Pro-Pipe USA LLC has signed an agreement to be the first tenant at the industrial park, and has broken ground on a 50,000 square foot production facility. Mr. Sullivan showed a photograph from the groundbreaking ceremony and introduced Dr. Jim Collard who has been leading

the effort to develop and organize the industrial park. He expressed his deep appreciation to Dr. Collard and the Citizen Potawatomi Nation.

Dr. Collard said this project began in August 2008 when Tribal Chairman John Barrett began looking to diversify the tribe's economy. He explained how the project came about and how his past experience and the current project was put into place. Dr. Collard recognized Mr. Tom Gray and Mr. Sullivan for bringing GRDA's ideas to them. He said he believes GRDA is the right provider to partner with, as the local provider simply did not have the capacity to meet the needs of the tenants in the park. Dr. Collard showed an aerial photo of the park's location, and the location of where Pro-Pipe will be located. He said GRDA's credibility is well-established and has a similar vision to the tribe. Dr. Collard told the Board there are several others in line to come to the industrial park. He thanked Mr. Sullivan and his team for their hard work. Dr. Collard stated the Citizen Potawatomi Nation has been speaking with a company from China that has been interested in the park previously, and is coming back. He said this is a very large project, which could result in electric needs estimated at 25-50 megawatts.

3.a.1.c. Recognition of Director Joe Vandevier

Mr. Sullivan thanked Director Joe Vandevier on behalf of all of GRDA for his leadership and expertise, and said he has left an indelible mark on GRDA. He said Director Vandevier is one of the brightest people he has ever met and has always appreciated their interactions. Mr. Sullivan said he believes the idea that "iron sharpens iron". As the head of our Audit Committee, he stated Director Vandevier has definitely been the iron. Mr. Sullivan expressed how much he appreciated Director Vandevier and all he has done for GRDA.

Director Vandevier said he appreciated the opportunity to attend the meeting today and see people he has had the opportunity to work with over the last 5 years. He stated

his background is in the oil and gas industry which is difficult with changes in the market, making him be more “on his game” and aware of financials. Director Vandevier said when he came to GRDA he found an attitude of excellence from the beginning. The more he pressed, the more Dan and the team responded. He said he thinks GRDA is currently an entity of excellence, but there are challenges ahead. Director Vandevier said over the last 5 years he has seen a lot of things happen and has 10 top deliverables and accomplishments These include building the most efficient combined-cycle power plant in the United States, if not the world; launching an enterprise resource planning program to see higher efficiencies and better data and operations, making GRDA a “Best in Class”; completed the strategic planning process which has developed the 5 E’s of Excellence for GRDA; optimized GRDA’s portfolio by bringing on more wind power and taking off more coal generation, making GRDA’s one of the best portfolio balances of any utility he is aware of; continue to invest in water quality where it will help Oklahoma and GRDA in years to come; integrated the Oklahoma Scenic Rivers Commission that is a gem for the residents of Oklahoma; partnered with people in Northeast Oklahoma to sponsor a Bassmaster Classic event; initiated broad measurements and efficiency efforts across the Authority; established a multi-million dollar Rate Stabilization Fund for GRDA’s customers. He stated he is very pleased to have a part in all of this. Director Vandevier expressed his gratitude to the Board and the GRDA Team, and said he will continue to root for GRDA from the sidelines.

Mr. Sullivan presented an award to Director Vandevier in the form of a turbine blade from GRDA Unit 2. He said GRDA employees in the GREC shop put this together for him, and he thanked him again for all of his work on behalf of all of GRDA.

4. New Business

4.i. Possible Action Regarding Administrative Rulemaking: Opening of Rulemaking Record Pursuant to the Oklahoma Administrative Procedures Act for Title 300, Chapter 1 – Operations and Procedures; Chapter 15 – Surplus Property; Chapter 25 – License to Encroach Rules

Mr. Lofton said it is time to formally open the Administrative Rulemaking Process. He said GRDA intends to make changes to the surplus property rules and encroachment rules. Mr. Lofton explained what some of the changes could be and said the changes to the encroachment rules would include increasing the number of years a license to encroach can be given. Under the current rules, it is 30 years. The GRDA staff is asking to increase this to 99 years. For the surplus property rules, the changes are the result of legislative amendments that exempted GRDA from the Oklahoma Surplus Property Act. Under the current rules, we are required to go through the Oklahoma Office of Management and Enterprise Services to sell surplus vehicles, and the staff would like that to change this rule to reflect that update. Although, GRDA may use that service if preferred. Mr. Lofton explained current rules provide a list of ways GRDA can dispose of property, but the staff would like to eliminate the list and adhere to state law which would require a super majority of the Board of Directors (5) to declare the property as surplus and approve the terms to sell the property. He said the first step in this entire process is to provide Governor Stitt and Secretary Ken Wagner with a copy of the proposed rules, and go through the legislative approval process. These would then be brought back to the Board in March 2020.

Director Elam asked why moving the encroachment time from 30 to 99 years is needed. Mr. Sullivan said he is happy to discuss this further, but this is what has come out of discussion with some of the homeowners that have had these licenses for a number of years. He stated GRDA wants to make it an almost perpetual license that gives them more certainty on their fees, as long as those fees are paid.

Director Meyers asked if the structure is removed would the license goes away. Mr. Sullivan confirmed this.

Director Kimball moved to open the Administrative Rulemaking Process pursuant to the Oklahoma Administrative Procedures Act for (1) the Rules pertaining to the Licenses to Encroach in Title 300, Chapter 25 of the Oklahoma Administrative Code, and (2) the Rules pertaining to the Sale of Surplus Property in Title 300, Chapter 15 of the Oklahoma Administrative Code., seconded by Director Lewandowski, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.j. First Reading of Modified Board of Directors' Policy Manual

Mr. Lofton said this was presented to the Audit, Budget, Policy & Compliance Committee after GRDA's last Board of Directors meeting. He went over details of the proposed changes to Policy 1-1 Policy Review, Policy 2-4 Conflict of Interest, Policy 6-2 Investment of Funds, and Policy 7-3 Harassment. There is no action necessary on this item.

4.k. First Reading of Proposed Revisions to the GRDA Bylaws

Mr. Lofton said this was presented to the Audit, Budget, Policy & Compliance Committee after GRDA's last Board of Directors meeting. He went over details of the proposed changes to the GRDA Bylaws, to include Article II, Section 3 on Voting; Article II, Section 4 on Special Meetings; Article II, Section 10 on Director Employment; Article III, Section 6 on Duties of the Secretary; Article III, Section 8 on Executive Officers; Article IV, Section 1 on Duties of the CEO; Article VI on Contracts; Article VII, Section 4 on Board Approval; and Article VIII on Amendments of Bylaws. There is no action necessary on this item.

4.l. 10-Year Review – GRDA's Long-Term University Partnerships

Dr. Townsend said this is part of GRDA's education program to inform stakeholders about GRDA's water quality efforts. He provided a hard copy of the information to each director. Dr. Townsend went over GRDA programs and projects such as the Rush for Brush, Adopt-the-Shoreline, Educational Outreach Programs, and Water Quality Monitoring. He said in the booklet provided there is also a section on GRDA-supported research projects through fellowships and various other means with Oklahoma State University, University of Oklahoma, Rogers State University, Pitt State University, Northeast Oklahoma A&M University and Northeastern State University. Dr. Townsend stated this has helped with a lot of FERC issues and statutory requirements GRDA is responsible for, as GRDA wants to be seen as a natural resource agency.

Director Kimball stated that with Mr. Fite at Scenic Rivers Operations coming onboard and partnerships with Oklahoma universities this is very good information, and many stakeholders have no idea the millions of dollars GRDA customers pay for that benefit the entire state. He expressed how thankful he is GRDA is doing this.

Director Elam complimented the team on these efforts. He said this is vitally important as "water is life".

There is no action necessary on this item.

4.m. Contract 42896 – OSU Water Lab Research Agreement

Dr. Townsend explained that previously the staff was unable to eliminate the overhead cost with Oklahoma State University (OSU). He showed a map of the watershed and stated this agreement helps with GRDA's FERC compliance for modeling and flood routing, metal contamination at Coal/Elm Creek, and statutory compliance related to water quality, blue-green algae, bacteria management, and watershed management.

Director Kimball asked if GRDA has done any follow-up to see which students had stayed in the State of Oklahoma after graduation. Dr. Townsend said he does not have

an exact number, but knows there are several that have went to work for Oklahoma engineering and consulting firms, Oklahoma Water Resources Board, or the Oklahoma Department of Environmental Quality.

Director Elam moved to approve the Interagency Agreement between GRDA and the Board of Regents of Oklahoma State University for \$80,000/year/10 years, seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

4.n. Consideration, Discussion and Possible Approval - RFP 42893 – Recreation Facilities Inventory & Use Survey for GRDA – Pensacola Project Relicensing Process (P-1494) and the Markham Ferry Project (P-2183)

Mr. Edwards said as part of the relicensing process for the Pensacola Project, a Recreation Facilities Inventory & Use Survey has to be performed as part of the study plan. In addition to this, he stated GRDA has to provide an update for the recreational plan for the Markham Ferry Project. The goal is to gather information regarding the current recreational use and to identify recreation resources and activities possibly affected by the continued operation of the projects. He went over the objectives and plan for the Pensacola Project, saying that information will be provided in the initial Study Report due on September 30, 2021. Mr. Edwards went over the scope of work for the Markham Ferry Project and said for this project GRDA is required to file a recreation plan update every 6 years, per Article 405 of the project license. He stated the contractor will collect recreational use data from January 2020 to January 2021. This report will summarize the use of existing recreation facilities, project future needs and proposed new recreation facilities or improvements if necessary. The first 6-year update is due to the Federal Energy Regulatory Commission (FERC) by April 1, 2021. Mr. Edwards said the project was sent out for bid and only received 2 bids. The proposal submitted by Back Land was non-conforming due to the dates not coinciding with FERC requirements. The proposal

submitted by Mead & Hunt would be in accordance with FERC requirements. He told the Board the amount requested would be \$298,587 for both projects.

Director Churchwell asked, with the exception of state parks, what are considered to be “recreational areas” under GRDA’s jurisdiction and what those facilities entail. Mr. Edwards stated that for the most part it is primarily boat ramps.

Mr. Edwards and Dr. Townsend explained to the Board and guests how the relicensing process is proceeding with regard to this aspect and how this could affect the process and GRDA’s jurisdiction on the lakes.

Director Elam asked Mr. Edwards why he thought only 2 bids were received. Mr. Edwards said he did not know exactly, but believes a number of companies are not familiar with operating within a regulatory environment and GRDA did want some experience with these types of studies, which would narrow the field significantly.

Mr. Sullivan commented about this being in response to issues raised during the comment period by individuals or resource agencies that wanted to have a say in this process.

Director Churchwell asked when a plan might be shared on the Honey Creek area on Grand Lake. Mr. Sullivan said the GRDA staff met yesterday with state officials, and a plan is currently being formulated.

Director Kimball moved to award RFQ #42893 to Mead and Hunt for a not to exceed value of \$298,587 to conduct the Recreation Facilities Inventory and Use Survey for the Pensacola and Markham Ferry Projects, seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Director Kimball left the room at 11:29 a.m., and returned at 11:31 a.m.

4.o. Consideration, Discussion and Possible Approval – RFP 42754 - Sale of Real Property – Administrative Headquarters Building

Mrs. Moore presented the timeline in relation to the Board's approval, inspection of the property, questions from potential buyers, and the offer opening for the sale of the Administrative Headquarters in Vinita, Oklahoma. She said GRDA received 2 bids from Home of Hope and Grand Lake Mental Health with very similar offers, with the highest bidder being Home of Hope. Mr. Sullivan stated this amount does include furnishings.

Director Kimball asked when GRDA expects to close on this. Mrs. Moore said the target date for closing is April 1, 2020.

Director Churchwell asked if the facilities at the Grand River Energy Center (GREC) would be ready by then to accommodate GRDA employees that are moving. Mr. Sullivan confirmed this is the case.

Director Elam moved to affirm that the Administrative Headquarters property in Vinita, Oklahoma, is not necessary to the business of the Grand River Dam Authority, and to authorize the sale of the property to Home of Hope, Inc., for \$1,501,000, subject to the Chief Executive Officer's approval of the final terms and conditions, seconded by Director Richie, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Mr. Sullivan introduced Mr. Ralph Richardson, Chief Executive Officer for the Home of Hope organization.

Mr. Richardson said his organization is very excited for this opportunity and explained what Home of Hope is, as well as thanking the Board of Directors. Mr. Richardson stated Home of Hope has been in Vinita for over 50 years and has always operated from there. They employ about 600 individuals, with 200 of those having developmental or intellectual disabilities. In Vinita alone, He said there are about 270

employees total. Mr. Richardson told the Board they are still in a building where the program began in 1968. The building has been steadily deteriorating for some time and they have been planning to do something to improve the situation. He again expressed how appreciative he is for the extra space, saying they will have about 48 offices as it stands right now with room for continued growth. Mr. Richardson said this is a fantastic thing for Vinita, Craig County, and for Oklahoma.

4.p. Other New Business

There was no other new business.

5. Reports

5.a. Board of Directors Committee Reports

1. Assets Committee:

- a) **Consideration, Discussion and Possible Approval of Amended Changes to the Minimum Plumbing and Structural Standards for Habitable Structures.**

Regarding item a, Director Churchwell said there was a good discussion this morning during the committee meeting. He stated the item has been tabled and the item will be further discussed with the owners and the committee will be coming back to the Board of Directors at a later date. There is no action necessary on this item today.

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

- a) **2020 Financial Budget**
- b) **Audit Planning – Baker Tilly Virchow Krause, LLP**

Regarding item a, Director Lewandowski said he wanted the customers present at the meeting to know that the Accounting teams under Mr. Sullivan and Mrs. Gudde did a great job preparing and stepping the committee through the process to complete the budget. Following in the footsteps of former Director Vandevier, he said the team continues to do

great work in economizing. Director Lewandowski stated there was great discussion among the entire group, and they had a unanimous vote on the 2020 Budget.

Mr. Sullivan went over GRDA's 2020 budget goals and objectives. He said through the continuation of efficient utilization and leverage of GRDA's cash reserves to fund capital projects and major maintenance activities, rather than go out to the bond market and obtain new debt, GRDA has been working toward a bond refunding in the first quarter of 2020. However, because of changes to the federal tax policy, he said GRDA cannot advance refund tax-exempt debt. They can refund tax-exempt debt for taxable municipal bonds, but the spread between the two right now is very narrow and would not have a significant impact. Mr. Sullivan told the Board GRDA is going through the Request for Proposal (RFP) process and working with the State Bond Advisor's Office, now housed in the Treasurer's Office in Oklahoma City, to move through the process. GRDA is maintaining a level base rate by the pursuit of efficiencies in operation while also retaining key employee talent, a key issue for GRDA. They are also focusing on customer attraction and current customer involvement through expansion of customer programs. He said others can see that in our Citizen Potawatomi Nation agreement discussed earlier, and with work being done with our current customers in expansions likely to occur in some of their customer cities. Mr. Sullivan stated this will be the fourth consecutive year with no across-the-board base rate increase for GRDA. He said they did have a rate change last year, but have been assisting customer cities to restructure their rates based on this.

Mrs. Gudde said the most difficult thing about examining financial performance for GRDA is because we do not look at net income. She went over the 2020 projected budget, including the 2019 budget, 2019 most probable results, and the 2020 projected budget numbers in detail. What GRDA recovers through total operating revenues and what GRDA is paying in expenses is how rating agencies and their customers view their overall financial health. Mrs. Gudde explained how the rating agencies look at Debt Service Coverage and how agencies are graded based on this. She also said GRDA took a drastically different

approach to their capital budget for 2020, and stated, if all goes as planned, GRDA plans to dip into their cash reserves for \$8.4 million. Mrs. Gudde said GRDA's projected 2020 operating expenses other than fuel is anticipated to be \$105,034,269, an increase from 2019 most probable results by approximately \$9.3 million. She said an increase of 4 percent in base salaries and 2 percent in payroll benefits, major maintenance projects, increased Information Technology expense, bond refunding fees, increased training initiatives, business development initiatives, and an increase in capitalization of Supervision & Engineering and Administrative overhead make up this number. Mrs. Gudde showed the 2020 total capital improvements budget to be \$52 million. She said that presenting the Board of Directors every single capital project to be proposed in the next 5 to 10 years was excessive and that the Executive Team decided it is their job to prioritize those capital additions, as the budget is here to set what is to be collected through rates. In GRDA's base rate recovery, Mrs. Gudde stated they have \$50 million built into the budget and anything above this would mean they would have to look at third party reimbursement, a bond issue, or dipping into cash reserves. She explained rating agencies are also now looking at debt-to-equity. So, the GRDA Team is making the strategic decision to draw down cash, avoiding an increase in debt. This figure is now \$52 million because the capital work order report presented earlier in the meeting was thought to be reimbursable by FEMA and was added back in. She listed some other extraordinary capital improvements, and added in typical capital improvements, as well as showing a 5-year average spending from GRDA's Revenue Fund of \$35,081,200, noting that each project listed is the current year portion of a multi-year project. Mrs. Gudde said GRDA is not far off of what they think they will end up at. She showed the numbers relative to the impact to the Utility Capital Addition Cash Reserve, and went over how these numbers were reached for the 2019 final budget, 2019 most probable results and 2020 projected budget. They expect a depletion of cash reserves by \$8.4 million, which keeps them within the targeted range that was established by the Cash Reserve Policy adopted by the Board in 2018. She showed the target minimum and

maximum level of cash reserves, expected cash on hand as of December 31, 2019, the amount of 2019 capital addition carryovers and the expected revenue fund. She also explained how this would affect the bottom line and said the projected cash balance would be \$457,826,131 at the end of 2020. Mrs. Gudde also stated the Rate Stabilization Fund will not be utilized to fund 2020 capital improvements.

Director Churchwell complimented Mrs. Gudde and the team on a very straightforward and clear budget presentation.

Director Elam commented that the team did a great job in putting this together for 2020, as the rest of the Board agreed.

Director Lewandowski moved for the approval of the 2020 financial budget as presented, and it was voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Regarding item b, Mrs. Gudde explained this is a letter, included in the information the Board of Directors received, from Baker Tilly that basically spells out their statements that are required communication by the auditing standards that ensures the Board is aware they have ultimate authority over the staff and the audit. There is no action needed on this item.

3. Compensation & Marketing Committee: Director Kimball had no report.

4. Fuel and Long-Range Planning Committee: Director Meyers had no report.

4.q. Recognition of Oklahoma's Joint Legislative Task Force on the Grand River Dam Authority

Mr. Sullivan announced that the language GRDA supported for U.S. Senator Jim Inhofe to place in the National Defense Authorization Act has now passed the U.S. House of Representatives and U.S. Senate, and is headed to the President's desk. He stated this will be beneficial in the demarcation line between what the FERC has jurisdiction over on lake levels versus the U.S. Corps of Engineers. The U.S. Corps of Engineers is in

support of this language as they recognize that any movement into that area by the FERC limits their ability to maintain flood control. More information will hopefully come soon.

Mr. Sullivan told the Board and audience that GRDA has some very special guests today from the Oklahoma Joint Legislative Task Force on the Grand River Dam Authority. He welcomed them and expressed how much he appreciated them taking the time to be here today. Mr. Sullivan offered tours of the GRDA Energy Control Center control room and the Grand River Energy Center facilities nearby for any of our guests, to include customers. He explained how the task force was created, before opening the floor to the task force and introducing task force Co-Chair Representative Marty Quinn.

Representative Quinn said the group appreciates the job that GRDA is doing and amazing information they have been fortunate enough to receive and share today. He expressed his appreciation for Mr. Sullivan's work both in the House of Representatives and at GRDA, adding he believes the image of GRDA has significantly changed for the better since Mr. Sullivan has come to GRDA. Representative Quinn said the group is proud to be present as a legislative group. He recognized the staff that assists the task force and said how appreciative he is for their work behind the scenes. He commended GRDA for the job that is being done and said he looks forward to seeing what the future brings.

Representative Kevin McDugle expressed his appreciation for how GRDA personnel handled the flooding this past year, and said it saved lives, farms, livestock, among other things. He stated this is his third year to serve on this task force and looks forward to continuing to serve.

Representative Terry O'Donnell said he represents the Catoosa and Verdigris area, as well as Tulsa and Wagoner Counties. He expressed his appreciation of the way the flood was managed this last year as well, but also appreciates the Board's time and effort.

Senator Michael Bergstrom said he represents all of Craig County, Ottawa County, over half of Mayes County, and half of Delaware County. He stated almost all of Grand Lake and all of Lake Hudson is in his district. Senator Bergstrom expressed his appreciation for what GRDA does, and has come to understand and value what GRDA does for the State of Oklahoma and the region. Senator Bergstrom said he has found that often times in working with Mr. Sullivan and GRDA there have been very open discussions to explore ways to solve the problems. He stated the City of Miami is frustrated with the language added to the National Defense Authorization Act. Mr. Sullivan said within the language that Senator Inhofe authored it does call for a U.S. Corps of Engineers study of upstream interests, and there will be a further look at issues related particularly to the Miami area. He stated that it has been GRDA's position that we only control up to the top of the conservation pool, and then it is the U.S. Corps of Engineers' responsibility above that. Mr. Sullivan explained that when GRDA received the project back from the federal government around 1947 the Authority had to transfer to the federal government everything owned above elevation 750 feet. This has been a part of this discussion, and GRDA welcomes the opportunity to look at ways to help ease issues like this for their customer community. Mr. Sullivan said GRDA wants them to be successful in their endeavors, and appreciates everyone's comments as the GRDA always has an open door for discussions like these.

Director Kimball said he appreciated Senator Quinn's recognition of his staff that works behind the scenes. He stated the task force had a small sampling of some of the people working at GRDA today, and complimented the staff and Mr. Sullivan on the changes that have been made regarding safety and public service, as well as other things. He thanked the task force for coming to the Board meeting.

Mr. Sullivan mentioned that the shortage of Linemen is increasingly becoming an issue industry-wide, for our electric cooperatives, and our customer cities. He talked about the Oklahoma State University Institute of Technology's great program. However, he said graduates usually already have a position waiting for them. Mr. Sullivan stated GRDA is working within our Training Department with MidAmerica Industrial Park and with local technology centers to come up with training programs that bring this opportunity to the local area and helps grow the pool of candidates. He said this is a nationwide concern to keep your eye on. Mr. Sullivan stated the staff at Northeast Technology Center has been very helpful and committed to meeting this need as well.

Senator Bergstrom said a few months back the Tourism Department decided not to renew their lease at Snowdale State Park on Lake Hudson. He state there has been interest from several different individuals wanting to take over this property, with one actually owning property right next to it. Senator Bergstrom said he believes this piece of property is the only state park on Lake Hudson, and would be very upsetting for the people in the area to have it go away. The owner adjacent to the park would like to get a long-term lease on the property to adjoin it to their plans for that area of the lake geared toward tourism. He explained he has talked with Lieutenant Governor Matt Pinnell about this, as well as Executive Director of the Oklahoma Tourism & Recreation Department Jerry Winchester, along with Mr. Sullivan, and it looks like this may be a very real possibility. Senator Bergstrom explained how this project would be beneficial for the state and the district, and said he has asked the adjacent owners to develop a business plan as soon as possible to get out to all stakeholders, including GRDA. Mr. Sullivan thanked Senator Bergstrom for his work on this and said the state seems very open to looking at good solutions. He did say one of the biggest challenges at this location is that when the lake is high almost the entire park is under water, and making the improvements needed will

be a challenge and limits some options. Mr. Sullivan stated this will hopefully work out because Lake Hudson does not have enough recreation on it in GRDA's opinion. He committed to do anything GRDA can to encourage this. Senator Bergstrom thanked Mr. Sullivan for his help on this.

Director Meyers commented that the task force's job is a difficult one, and he appreciates them taking the time to come to the meeting, and welcomes them back at any time to our Board meetings.

Director Elam commented on his appreciation of the task force's time and efforts, but asked them to keep in mind as we go forward that they be mindful of those that could want to sell GRDA. He asked the task force to keep in mind the assets of GRDA are paid for by their customers, and discussion like that can be detrimental to the Authority and all of the communities they serve. Senator Quinn said before he served in the legislature he would have been of the mind to limit the term a member of the House or Senate to be much shorter. However, he stated his mind has now changed a bit and believes that this is the cause of the repetitive conversations about selling GRDA. Much is lost if the legislators do not know the history or may not have followed what GRDA gives back to the state. Senator Quinn asked for GRDA's help in talking this through with other members of the House and Senate and making sure they all know that battle has already been fought, and there is no reason to continually fight the same battle over and over.

The Board, GRDA staff and visitor broke for lunch before beginning the Executive Session.

6. Executive Session:

- a. Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Investigation, Claim, or Action, related to Federal Energy Regulatory Commission Project No. 1494-348, Which GRDA has Determined, with the Advice of Its Attorneys, that Disclosure of Such**

Communication Would Seriously Impair the Ability of the GRDA to Process the Pending Investigation, Claim, or Action in the Public Interest.

- b. Proposed Executive Session Pursuant to 25 O.S. § 307(B)(4) for the Purpose of Confidential Communications Between GRDA and Its Attorneys Concerning the Pending Investigation, Claim, or Action, Related to BNSF Railway Company.**

Director Kimball moved to go into executive session at 1:10 p.m., seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Director Churchwell moved to return to regular session at 2:03 p.m., seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

7. Action on Executive Session Items

- a. Action, as Necessary, Concerning the Pending Investigation, Claim, or Action Related to Federal Energy Regulatory Commission Project No. 1494-348.**
- b. Action, as Necessary, Concerning the Pending Investigation, Claim, or Action, Related to BNSF Railway Company.**

Regarding item a, no action was needed on this item.

Regarding item b, Director Churchwell moved to approve the agreement as presented in Executive Session, seconded by Director Elam, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*

Director Kimball moved for adjournment at 2:04 p.m., seconded by Director Churchwell, and voted upon as follows: Churchwell, Elam, Kimball, Lewandowski, Meyers, Richie, Sublett, yes. *Motion passed (7-yes, 0-no, 0-abstained).*



Sheila A. Allen, Secretary

DATE APPROVED:

February 12, 2020
GRDA Board of Directors