

**Arizona Independent Scheduling  
Administrator Association  
(Az ISA)**

**Implementation Plan  
Detail  
August 21, 2000**

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## Executive Summary

This document was prepared by the Az ISA to meet the requirements set forth by the Board in the April 7, 2000 resolution conditionally accepting the Protocols Manual. Item 9 of the April 7, resolution required the Az ISA staff to “.....simultaneously present to the Board a detailed plan indicating how the AISA will perform the obligations it represents it will perform upon approval of its [FERC]filing.”.

To meet the Board’s requirements this document is structured to expand on Phase I (Initial Phase), of the Proposed Implementation Plan (Proposed Plan) approved by the Az ISA Board of Directors June 8, 2000. The implementation details in this document will focus on the actions required by the Az ISA to meet the obligations set forth in the PM for Phase I, the Agreements

Phase I of the Proposed Plan is divided into sequential stages. The first stage, which would take effect immediately upon FERC acceptance or approval of the Az ISA filing, is a start up phase which contemplates oversight of PM activities designated as Phase I PM activities in the attached Obligations Matrix and the provision of ADR services, both on an as required basis. The Az ISA will devote its limited resources to the Phase I activities most warranting attention. With a staff of one professional and one administrator, certain Phase I tasks will be implemented in a summary fashion until the Az ISA Board authorizes additional staffing. Other Phase I tasks, such as monitoring compliance with transmission related standards of conduct, will not be implemented unless the Board authorizes additional staffing.

The second implementation stage would result in the Az ISA assuming a more active administration of the PM. The Az ISA will review the plan prepared later this year by DSTAR, expected to be filed at the FERC by October 15, 2000, for the formation of an RTO and determine whether to undertake the transition to second stage implementation depending upon the schedule contemplated for implementation of DSTAR. Transition will also be contingent on the Az ISA’s ability to fill additional vacant staff positions with qualified applicants. If the decision is made to go forward at that time, this document would be revised to include the additional Az ISA functions and a timetable for implementation.

Estimated annual costs for initial startup and continued operation of the first stage is \$466,391, not including repayment of capitalization loans. Transition to the more active administration of the PM as contemplated by Stage 2 would increase the annual operating costs by \$227,876. This includes adding three employees and increased administrative costs. Both amounts include 10 percent budget increase for contingencies. Total estimated annual operating costs for implementation of Phase I \$694,267

<b>Phase</b>	<b>Staffing</b>	<b>Annual Cost (\$000)<sup>1</sup></b>
<b>Phase I, Initial</b>	5	694 <sup>2</sup>
<b>Phase II, Full Compliance</b>	18	2,258
<b>Phase II, Expanded Features</b>	2	2,105
<b>Total</b>	<b>25</b>	<b>5,057</b>

1 Includes 10% Budget Contingency

2 Startup, \$466K; PM Administration, \$227K

## Summary of Key Implementation Plan Details

### *Summary of Phasing, June 8, Proposed Implementation Plan*

The Proposed Plan was prepared by an Az ISA work group to provide the Board, membership, ACC, and interested parties with information on Az ISA organizational structures, costing, and implementation timelines that would be required to meet the intended purpose of the organization. In addition, the Proposed Plan provided information on what had been accomplished thus far.

The work group developed a plan that gave the Az ISA flexibility to implement specific PM functions based on immediate and future needs and events. With the exception of the auction and trading functions, the Proposed Plan closely followed the functional requirements in ACC Rule 1609 for an Independent Scheduling Administrator. As noted in the Proposed Plan, the Full Compliance and Expanded Features have different trigger mechanisms for implementation. Full Compliance implementation is subject to timely RTO development and Az ISA Board approval for implementation of each separate function. Expanded Features implementation is subject to: (i) surpassing the level of competitive retail load served in Arizona stated in the PM, (ii) Az ISA Board approval of a funding mechanism that equitably allocates the costs associated with these features included in this function, and (iii) approval of a Business Plan by the Az ISA Board. See attachment "PM Implementation by Major Function" listed in the Appendices.

Phase I (Stages 1 and 2) of the Proposed Plan proposed a sequential implementation. Startup stage 1 consists of ADR services and limited PM oversight. In Stage 2, the Az ISA would transition from limited PM oversight to administration of the PM, assuming the hiring of the additional staff necessary.

The implementation stages in the Proposed Plan are:

**Phase I (Startup and Initial Phase)** - This phase includes Alternative Dispute Resolution (ADR) and Limited Protocol Manual oversight. This oversight function includes monitoring of OASIS and Allocated Retail Network Transmission (ARNT). All TPs/CAOs will implement the Az ISA's protocols, except those specifically granted waivers.

**Phase II (Full Compliance Phase)** - In this phase, Az ISA functions will include all responsibilities in ACC Competition Rules. In addition to the Phase 1 functions, Az ISA will: a) monitor ATC releases and be responsible for OASIS/ATC calculations, b) cause the utilization of standardized procedures for transmission reservation & scheduling, c) implement a statewide transmission planning process, d) administer a statewide OASIS; and e) oversee TP determinations of total retail Committed Use reservations.

**Phase II (Expanded Features Phase)** - Although not a part of the Competition Rules, there are features which can enhance the Az ISA functionality. Namely ARNT and Energy Imbalance (EI) trading and ARNT auction settlement.

### *Az ISA Obligations*

An Obligations Matrix is attached that lists the obligations assumed by the Az ISA upon implementation of Phase 1. In addition to the obligations assigned to the Az ISA by the PM, the list also includes obligations assigned to the Az ISA by the Az ISA-TP Agreement, the Az ISA-SC-TP Agreement and the Az ISA By-laws.

### *2001 Task 1 Budget*

A 2001 operating budget was prepared for a Phase 1 startup implementation. The estimate for fiscal year 2001 is \$466,391 or an average monthly operating cost of \$38,865. Assuming the first repayment of startup funds starts in December 1999, the 2001 annual debt repayment is \$744,599, monthly cost is \$62,050. If the repayment period is delayed for 4 months (with the Az ISA retaining the debt repayment of \$62,050/month), the monthly repayment increases to \$89,074/month for 20 months. The proposed 2001 annual budget by month is attached.

Transition to a more active administration of the PM will increase the Az ISA annual costs by \$227,876. Principal cost factor is the addition of staff. Three additional staff members adds \$185,647 to the annual costs.

### *Funding*

As proposed in the Az ISA-TP Agreement, the funding source for the Az ISA monthly costs and debt repayment will be based on the Az ISA FERC Electric Tariff Rate Schedule No. 1 (Rate Schedule). The Rate Schedule describes the procedures for a monthly calculation and collection of the Az ISA charges and remittance of said charges to the Az ISA. The collection and remittance of these charges to the Az ISA are the responsibility of each TP providing transmission services to SCs. Examples of the data and worksheets needed to implement the collection and remittance procedures in the agreement are attached.

### *Az ISA Exposure to Liability*

An assessment was made regarding the potential liability exposures of the Az ISA under the Az ISA-TP and Az ISA-SC-TP Agreements, the Az ISA By-laws, and the PM. A copy of the assessment by the Az ISA's local attorney is attached. Standard commercial general liability coverage was reviewed and compared to the responsibilities and obligations of the Az ISA set forth in the agreements and the PM. It was determined that this type of insurance would not offer the insurance coverage needed by the Az ISA.

The assessment further concluded that the Az ISA should procure errors and omissions coverage. This coverage must be broad enough to cover the Az ISA's obligations and responsibilities set forth in the Agreements, the PM and the By-laws.

### *ADR--Agreements*

The Agreements provide for dispute resolution between the Az ISA and TPs and/or the Az ISA and SC and the applicable TP. Disputes are limited to disagreements regarding the interpretation of the provisions of the Agreements, the performance of any Party's obligations under the Agreements or the PM. Specified dispute resolution procedures are set forth in each Agreement. If the Az ISA is a party to the dispute, it would be responsible for its own costs incurred during the arbitration process. Costs associated with disputes where the Az ISA is the arbiter would be borne by the parties to the dispute in accordance with Section 6 of the Az ISA Bylaws.

### *Az ISA Staffing*

Due to the fact that the Az ISA will cease to exist in a relatively short timeframe, attracting qualified staff will be problematic. The Az ISA work group, when considering the staffing available in the short term to carry out full PM implementation, determined that the day one Az ISA responsibilities must be structured to utilize the current Az ISA staff. During the discussions that lead up to the Proposed Plan, it was noted that some form of incentive package may have

to considered if the Az ISA needs to expand beyond its present staff in order to accommodate additional responsibilities.

## Implementation Plan Details

### ADR Services

#### *Az ISA Obligation or Responsibility*

The Az ISA will provide dispute resolution services as defined in the Az ISA By-laws. The By-laws provide for two separate ADR procedures—**(i)** a fast-track arbitration procedure to resolve near-term issues and **(ii)** a more typical mediation and/or arbitration procedure to resolve disputes that are more complex. In addition to the two separate dispute resolution services, the Director or the Assistant Director shall make immediate decisions, based on the PM with respect to disputes between transmission providers and transmission users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes.

#### *Implementation*

The Az ISA will keep on file and use a list of dispute mediators/arbitrators qualified by and used by the Regional Transmission Organizations in the WSCC (see example of one in the list of the Az ISA's qualified mediators/arbitrators).

TP information required by the Az ISA to perform ADR and oversight functions are EHV and HV **(i)** system switching diagrams, **(ii)** transmission system maps, **(iii)** transmission path and transmission line ratings (include WSCC path ratings), **(iv)** transmission path operating procedures (including curtailment procedures), **(v)** reference to planning or operating study establishing transmission path or transmission limit and **(vi)** if available, method(s) used to compute transmission path or transmission line schedule. The Az ISA will request from each TP a copy of the above items prior to Az ISA operation.

### OASIS Monitoring

#### *Az ISA Obligation or Responsibility*

The Az ISA will have a “same-time view” of each TP's OASIS site, permitting it to monitor TTC, ATC, outages, and transmission usage. One of the uses of this information will be in resolving disputes with respect to the next-day/same-day schedules.

#### *Implementation*

The TPs will provide the Az ISA with the required access privileges and instructions to monitor the OASIS site using the Az ISA web browser computer software. The monitoring will be done manually by the Az ISA. The Az ISA will contact the TPs prior to the start of Az ISA operation to obtain the necessary information to begin OASIS monitoring.

### Protocols Manual Oversight

As mentioned previously, the Az IA will initially implement Phase I (Initial) of the Proposed Implementation Plan. A matrix list of the obligations assumed by the Az ISA is attached to this Plan and listed “Obligations Matrix” in the Appendices. Initially, the Az ISA functions will be limited to oversight of the TPs' and SCs' compliance with the PM and Agreements with a transition to more active administration of the PM, after the Board considers whether to

authorize additional staff, based in part on the ability of DSTAR or another RTO to assume Az ISA functions and related timing.

### ***Data Collection***

#### *Az ISA Obligation or Responsibility*

To perform limited PM oversight, the PM requires the TPs, CAOs and SCs to maintain, and to provide to the Az ISA in a format reasonably requested by the Az ISA, complete and accurate records concerning Load forecasts, Schedule reservations and ARNT adjustments for a period of 13 months. Voice recordings will be retained for 30 days. Further, if a matter is in dispute, any records related to the dispute would need to be retained until the matter is resolved.

#### *Implementation*

The Az ISA will meet with the TPs prior to Az ISA operation to determine the data formats available and agree on what if any data format changes must be made to meet Az ISA data format requirements.

### ***Participation in Various Operating and Planning Activities***

#### *Az ISA Obligation or Responsibility*

- Participate in TTC/ Committed Use determinations for ITS and chair OC efforts to achieve consistent application of same.
- Oversee TP determination of total retail Committed Use reservations
- Cause Az ISA to become an affiliated member of WSCC and attend specified meetings
- Participate in SWRTA trans./joint Az utility TTC planning efforts
- Participate in coordination of trans. maintenance schedules among TPs.

#### *Implementation*

With the exception of WSCC, the Az ISA will inform the organizations and study groups of its intent to follow their activities and request to be added as a correspondent. The Director will determine the level of involvement, if any, required based on the subject matter and how it relates to Az ISA issues.

The Az ISA will initiate the process to become an affiliated member of WSCC. The Director will determine what WSCC activities require participation by the Az ISA.

### ***Allocated Retail Network Transmission (ARNT)***

#### *Az ISA Obligation or Responsibility*

Reevaluate temporary ARNT mechanism if ARNT auction and trading not in place by 9/1/01 to see if extension is required

#### *Implementation*



If the ARNT auction and trading mechanism is not in place by September 1, 2001, the Az ISA staff will coordinate with the Az ISA membership to determine if the mechanism specified in PM Section 4.3.4.1 can be extended beyond December 31, 2001.

*Az ISA Obligation or Responsibility*

Initiate dispute resolution procedures in cases of disputed transmission access decisions.

*Implementation*

The Az ISA will provide dispute resolution services as defined in the Az ISA By-laws. The By-laws provide for two separate ADR procedures—(i) a fast-track arbitration procedure to resolve near-term issues and (ii) a more typical mediation and/or arbitration procedure to resolve disputes that are more complex. In addition to the two separate dispute resolution services, the Director or the Assistant Director shall make immediate decisions, based on the PM with respect to disputes between transmission providers and transmission users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes.

*Az ISA Obligation or Responsibility*

Post on ISA website lists showing: committed uses reservations by path; and congested interfaces

*Implementation*

The Az ISA will post to its website all static seasonal committed uses reservation by path and congested interfaces.

**Scheduling protocol**

The Az ISA will provide dispute resolution services as defined in the Az ISA By-laws. The By-laws provide for two separate ADR procedures—(i) a fast-track arbitration procedure to resolve near-term issues and (ii) a more typical mediation and/or arbitration procedure to resolve disputes that are more complex. In addition to the two separate dispute resolution services, the Director or the Assistant Director shall make immediate decisions, based on the PM with respect to disputes between transmission providers and transmission users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes.

**Ancillary Services Protocol**

*Az ISA Obligation or Responsibility*

Initiate dispute resolution procedures in cases of disputed ancillary services decisions

*Implementation*

The Az ISA will provide dispute resolution services as defined in the Az ISA By-laws. The By-laws provide for two separate ADR procedures—(i) a fast-track arbitration

procedure to resolve near-term issues and (ii) a more typical mediation and/or arbitration procedure to resolve disputes that are more complex. In addition to the two separate dispute resolution services, the Director or the Assistant Director shall make immediate decisions, based on the PM with respect to disputes between transmission providers and transmission users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes.

### ***After the Fact Checkout Protocol***

#### *Az ISA Obligation or Responsibility*

Initiate dispute resolution procedures in cases of disputes related to after-the-fact checkout

#### *Implementation*

The Az ISA will provide dispute resolution services as defined in the Az ISA By-laws. The By-laws provide for two separate ADR procedures—(i) a fast-track arbitration procedure to resolve near-term issues and (ii) a more typical mediation and/or arbitration procedure to resolve disputes that are more complex. In addition to the two separate dispute resolution services, the Director or the Assistant Director shall make immediate decisions, based on the PM with respect to disputes between transmission providers and transmission users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes.

### **Az ISA-TP Agreement**

#### ***Az ISA O&M Funding and Repayment of Startup Loans***

#### *Implementation*

The Az ISA will develop procedures to invoice each TP monthly for Az ISA monthly operating costs and startup capital repayment. Data to support the billing invoice will be provided to the TPs by the Az ISA by the 20th day of each month. The Az ISA will calculate and communicate to the TP, an estimate of total operating costs for the subsequent billing month, and a good faith estimate of the TP's share of the Az ISA's monthly operating costs. That good faith estimate shall include, to the extent practicable, actual operating costs known at the time the estimate is prepared.

The Az ISA will use its existing accounting system to report actual costs and to prepare budget estimates. Examples of the documents that the Az ISA will use to meet the requirements of the Agreement are attached.

#### ***Compliance with Transmission Provider Standards of Conduct***

#### *Implementation*

The Az ISA will require the TP to advise the Az ISA in advance (or designate on transmission-related documents provided) information subject to standards of conduct restrictions. The Az ISA shall take all reasonable actions to comply, or cause its agents for purposes of implementing the PM to comply, with the TP's

Standards of Conduct, to the extent necessary, to ensure that said transmission-related information is not improperly disclosed.

### **Section 15.03 Insurance**

#### *Implementation*

As mentioned in the Plan Summary, the Az ISA should procure errors and omissions coverage. The Az ISA is working with its insurance broker to obtain quotes for errors and omissions coverage at different coverage limits. The Az ISA staff will prepare a summary of findings for the Board to consider when data becomes available. Also, see attached June 30, 2000 letter from local counsel for details of the assessment regarding the potential liability exposures of the Az ISA under the Az ISA-TP and Az ISA-SC-TP Agreements, the Az ISA By-laws, and the PM

### **Az ISA-TP-SC Agreement**

#### ***Billing and Payment***

#### *Implementation*

The Az ISA shall post a summary of its actual or estimated monthly costs to be collected pursuant to Rate Schedule 1 and any subsequent changes to those costs on its website each billing month, and shall provide a forecast of its costs for the subsequent billing month on its website each billing month.

The Az ISA will use its existing accounting system to report actual costs and to prepare budget estimates. Examples of the documents that the Az ISA will use to meet the requirements of the Agreement are attached.

### **Section 13.04 Insurance**

#### *Implementation*

As mentioned in the Plan Summary, the Az ISA should procure errors and omissions coverage. The Az ISA is working with its insurance broker to obtain quotes for errors and omissions coverage at different coverage limits. The Az ISA staff will prepare a summary of findings for the Board to consider when data becomes available. Also, see June 30, 2000 letter from local counsel for details of the assessment regarding the potential liability exposures of the Az ISA under the Az ISA-TP and Az ISA-SC-TP Agreements, the Az ISA By-laws, and the PM

### **Az ISA By-laws**

The Az ISA by-laws have an extensive list of responsibilities and obligations to be performed by the Az ISA. Most are listed in Section 5.3, "Duties" of the Director. The Az ISA Board of Directors have narrowed the number of duties to be performed initially by the Director. The initial duties of the Director under Section 5.3 will be limited to those outlined in this Plan and are referred to as the Phase I. Details of the Phase I implementation are shown throughout this document.

The Az ISA By-laws Section 6.0, Dispute Resolution was previously addressed in the Plan's Section "ADR Services"

## APPENDICES

Appendix I.	Obligations Matrix
Appendix II.	2001 Startup and PM Administration Budgets
Appendix III.	PM Implementation by Major Function
Appendix IV.	Billing Worksheets and Timelines
Appendix V.	Az ISA Risk Assessment
Appendix VI.	Mediator/Arbitrator Information
Appendix VII.	August 21, 2000 Proposed Implementation Plan

# **APPENDIX I**

## **OBLIGATIONS MATRIX**

## AZ ISA OBLIGATIONS MATRIX

	<b>PM OBLIGATIONS</b>	<b>BYLAWS OBLIGATIONS</b>	<b>AGREEMENTS OBLIGATIONS</b>	<b>ACTIVATION (PER IMPL PLAN)</b>	<b>FUNCTIONS/ACTIVITIES (PER PM)</b>
1	(I) To insure compliance with PM	Director shall "...provide oversight and take action, as required, to ensure compliance with the Protocols Manual ...." 5.3.10	Perform all obligations and responsibilities assigned to it pursuant to the Bylaws, the PM and these Agreements (ISA-YP/ISA-SC-TP)	ALimited Protocol Manual oversight@-Initial Phase Phase 1, Task 1	Phase I
2	(I) Monitor operations of Interconnected Trans. System (ITS); insure compliance with FERC-recognized standards of conduct related to trans. Access and the operation of the ITS.	A... ensure compliance with .... FERC recognized Standards of Conduct related to transmission access and operation of the ITS ....@5.3.10		Phase 1, Task 1	Phase I
3	(I) Act on complaints related to application of PM and standards of conduct and resolve other issues related to discriminatory treatment in the provision of trans. services.	Ainvestigate and take action on complaints related to the application of the Protocols Manual and such Standards of Conduct and to resolve other issues related to discriminatory treatment in the provision of transmission services.@5.3.10		Phase 1, Task 1	Phase I
4	(I) Monitor Conditions indicating market anomalies or market inefficiencies and take action to remedy such conditions.	AMake immediate decisions, based on the Protocols Manual, with respect to irregularities discovered during the performance of his/her duties described in Section 5.3.10 and with respect to disputes between trans. providers and trans. users.@ 5.3.11		Phase 3, Task 1	Phase II
5	(I) Conduct a survey of available SCs			Phase 1, Task 1 (completed)	Phase I (completed)

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## AZ ISA OBLIGATIONS MATRIX

	PM OBLIGATIONS	BYLAWS OBLIGATIONS	AGREEMENTS OBLIGATIONS	ACTIVATION (PER IMPL PLAN)	FUNCTIONS/ ACTIVITES (PER PM)
6	(III) Participate in TTC/ Committed Use determinations for ITS and chair OC efforts to achieve consistent application of same.  (V) Oversee TP determination of total retail Committed Use reservations	Director shall A[p]articipate in (i) operating studies used to determine TTC,... (iii)member CAOs= and TOs= determinations of TTC, and (iv) determination of committed uses on the ITS.@ 5.3.2		<i>Participate in TTC/Committed Use Designations - Phase 1, Task 1</i>  <i>Oversee TP Committed Use reservations - Phase 3, Task 1</i>	Phase I  Phase II
7	(III) Cause Az ISA to become an affiliated member of WSCC and attend specified meetings			Phase 1, Task 1	Phase I
8	(III) Participate in SWRTA trans./joint Az utility TTC planning efforts			Phase 1, Task 1	Phase I
9	(III) Participate in coordination of trans. maintenance schedules among TPs.	Director shall participate in A(ii) coordination of transmission maintenance schedules,@5.3.2		Phase 1, Task 1	Phase I
10	(IV) Exercise oversight of TPs= OASIS sites (same time view); administer a single state-wide OASIS (retail and wholesale) until an RTO is functional	Director shall A[m]onitor the OASIS with the ultimate objective of developing and operating one state-wide OASIS on which (i) all ATC is posted, (ii) all trans. reservation requests are received, and (iii) ancillary serv. And secondary trans. are posted.@ 5.3.5		<i>(TP) OASIS Oversight - Phase 1, Task 1</i>  <i>Administer Statewide OASIS - Phase 2, Task 1</i>	Phase I  Phase II

## AZ ISA OBLIGATIONS MATRIX

	<b>PM OBLIGATIONS</b>	<b>BYLAWS OBLIGATIONS</b>	<b>AGREEMENTS OBLIGATIONS</b>	<b>ACTIVATION (PER IMPL PLAN)</b>	<b>FUNCTIONS/ACTIVITIES (PER PM)</b>
11	(IV) Monitor release of ATC; begin development of system for ATC calculation	Director shall calculate ATC. Director shall monitor releases of ATC to ensure compliance with the PM. Director shall update ATC after receipt of accepted trans. reservations and confirmed energy schedules.		Phase 2, Task 1	Phase II
12	(V) Ensure that systems are in place for ARNT auction/trading and exchange of ARNT for ATC			Phase 3, Task 1	Phase II
13	(V) Post on ISA website lists showing: committed uses reservations by path; and congested interfaces. (See also PM X, Sect. 3)			Phase 1, Task 1	Phase I
14	(V) Conduct ARNT auctions, post the results, render statements for monies due and owed.			Phase 3, Task 1	Phase II
15	(V) Review SC forecasts of hourly Retail Network Load and insure release of any excess amounts of ARNT and reallocation to other capacity-deficient SCs in the Load Zone/Monitor SC activities (market anomalies) to preclude gaming and take action, as required.	Director shall make immediate decisions, based on the Protocols Manual, with respect to irregularities discovered during the performance of the duties described in Section 5.3.10 and with respect to disputes between trans. providers and trans. users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes.		Phase 3, Task 1	Phase II



## AZ ISA OBLIGATIONS MATRIX

	PM OBLIGATIONS	BYLAWS OBLIGATIONS	AGREEMENTS OBLIGATIONS	ACTIVATION (PER IMPL PLAN)	FUNCTIONS/ ACTIVITES (PER PM)
16	(V) Implement an ARNT trading mechanism, exchange of ARNT for ATC			Phase 3, Task 1	Phase II
17	(V) Instruct SCs to adjust designated Retail Network Resources to reduce transmission path reservations if it exceeds TTC			Phase 3, Task 1	Phase II
18	(V) Reevaluate temporary ARNT mechanism if ARNT auction and trading not in place by 9/1/01 to see if extension is required			Phase 1, Task 1	Phase I
19	(VI) Initiate dispute resolution procedures in cases of disputed scheduling decisions	Director shall A[i]mplement the dispute resolution procedures provided in Section 6 as appropriate.@5.3.9		Phase 1, Task 1	Phase I
20	(IV) AAz ISA will have a same-time view into each TP=s OASIS so that it can be actively notified of all new transmission reservation requests and transmission reservation status changes. . .@ (VI) Upon Az ISA=s request, receive from SCs, CAOs and TPs copies of all schedules and schedule changes	Director shall A[r]eceive transmission reservation requests and energy schedules concurrently with receipt by member CAOs and TOs.@ 5.3.6		Phase 1, Task 1	Phase I
21	(VII) Initiate dispute resolution procedures in cases of disputed ancillary services decisions	Director shall A[i]mplement the dispute resolution procedures provided in Section 6 as appropriate.@5.3.9		Phase 1, Task 1	Phase I

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## AZ ISA OBLIGATIONS MATRIX

	PM OBLIGATIONS	BYLAWS OBLIGATIONS	AGREEMENTS OBLIGATIONS	ACTIVATION (PER IMPL PLAN)	FUNCTIONS/ ACTIVITES (PER PM)
22	(VIII) Calculate and communicate each SC's share of Local Generation Requirement for each hour of the month and each SC's ARNT for each trans. path for each day of the month (once ARNT trading is implemented)			Phase 3, Task 1	Phase II
23	(IX) Oversee Trading Entity implementation of Energy Imbalance Procedures			Phase 3, Task 1	Phase II
24	(XI) Initiate dispute resolution procedures in cases of disputes related to Emergency operations	Director shall implement the dispute resolution procedures provided in Section 6 as appropriate.@5.3.9		Phase 1, Task 1	Phase I
25	(XII) Initiate dispute resolution procedures in cases of disputes related to after-the-fact checkout.	Director shall implement the dispute resolution procedures provided in Section 6 as appropriate.@5.3.9		Phase 1, Task 1	Phase I
26			Provide TPs with a good faith estimate of operating costs for current month and actual expenses for prior month (ISA-TP)	Phase 1, Task 1	Phase I (not addressed in PM – per FERC transmittal letter)
27			Advise TPs of any disagreement with debt repayment calculations (ISA-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)

## AZ ISA OBLIGATIONS MATRIX

	<b>PM OBLIGATIONS</b>	<b>BYLAWS OBLIGATIONS</b>	<b>AGREEMENTS OBLIGATIONS</b>	<b>ACTIVATION (PER IMPL PLAN)</b>	<b>FUNCTIONS/ ACTIVITES (PER PM)</b>
28			Pay monies owed to TPs (ISA-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
29			Provide TPs with information required to permit TPs to bill SCs for AZ ISA - related expenses. (ISA-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
30			Comply with TP standards of conduct, to the extent necessary, to insure nondisclosure of trans. related information. (ISA-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
31			Post current cost information and cost forecasts on website (ISA-SC-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
32			Provide information necessary for TPs or SCs to verify bills to recover ISA costs (ISA-SC-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
33			Provide services and disclose information in an impartial, not unduly discriminatory manner (ISA-SC-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)

7/25/00

## AZ ISA OBLIGATIONS MATRIX

	<b>PM OBLIGATIONS</b>	<b>BYLAWS OBLIGATIONS</b>	<b>AGREEMENTS OBLIGATIONS</b>	<b>ACTIVATION (PER IMPL PLAN)</b>	<b>FUNCTIONS/ACTIVITIES (PER PM)</b>
34			Make appropriate filings at FERC (ISA-SC-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
35			Review SC compliance with requirements for SC certification (ISA-SC-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)
36			Conduct audits and take appropriate action for defaults, as required. (ISA-SC-TP)	Phase 1, Task 1	Phase I (not addressed in PM - per FERC transmittal letter)

## **APPENDIX II**

### **2001 STARTUP/PM BUDGET**

**2001 BUDGET/CASH FLOW - Aug 21, Protocols Manual Phase I, Startup**

	Dec '00	Jan '01	Feb '01	Mar '01	Apr '01	May '01	Jun '01	Jul '01	Aug '01	Sep '01	Oct '01	Nov '01	Dec '01	TOTAL
<b>CASH AND INCOME</b>														
Cash Carry Over From Previous Month	103,508	131,201	217,806	259,755	324,475	332,919	341,357	343,580	351,751	360,189	362,082	370,519	367,627	
Carry over from 1999	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Membership Dues	-	16,000	-	-	-	-	-	-	-	-	-	-	-	16,000
Tariff (Loan)	62,050	62,050	62,050	62,050	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	988,715
Tariff (O&M ISA)	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	492,000
Tariff (Outsource ARNT/EI and Website)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CASH IN - TOTAL</b>	<b>206,558</b>	<b>250,251</b>	<b>320,856</b>	<b>362,805</b>	<b>454,649</b>	<b>463,093</b>	<b>471,531</b>	<b>473,753</b>	<b>481,925</b>	<b>490,363</b>	<b>492,256</b>	<b>500,693</b>	<b>497,801</b>	<b>1,496,715</b>
<b>EXPENSES</b>														
<b>Insurance</b>														
Workers Compensation	-	-	-	-	-	-	-	242	-	-	-	-	-	242
D&O, Liability, and E&O Insurance	10,000	-	26,000	-	-	-	400	-	-	-	-	10,300	10,300	47,000
<b>Payroll and Relocation Expenses</b>														
Includes Payroll, Benefits and Relocation	15,921	16,717	16,717	16,717	16,717	16,717	16,717	16,717	16,717	16,717	16,717	16,717	16,717	200,605
<b>Professional Fees</b>														
Accounting and EOY Acct & Tax Preparation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Consulting	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Contract Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FERC and Local Legal Fees	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
<b>Office Expenses and Supplies</b>														
Office Furniture and Supplies	200	250	300	350	350	350	350	350	350	350	350	350	350	4,050
Rent	5,250	-	-	5,250	-	-	5,250	-	-	5,250	-	-	5,250	21,000
Postage and Delivery	125	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Printing and Reproduction	200	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Telephone	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Dues and Subscriptions	200	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Web Page and Internet	110	104	104	104	104	110	110	110	110	110	110	110	110	1,296
<b>Travel &amp; Entertainment</b>														
Meals	300	300	300	300	300	300	300	300	300	1,000	300	300	300	4,300
Travel	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
<b>Other Expenses</b>														
Used for Actual Expense Reconciliation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Az ISA CORE EXPENSES - TOTAL</b>	<b>68,506</b>	<b>29,496</b>	<b>55,546</b>	<b>34,846</b>	<b>29,596</b>	<b>29,602</b>	<b>35,252</b>	<b>29,844</b>	<b>29,602</b>	<b>35,552</b>	<b>29,602</b>	<b>39,902</b>	<b>45,152</b>	<b>423,992</b>
10% Budget Contingency	6,851	2,950	5,555	3,485	2,960	2,960	3,525	2,984	2,960	3,555	2,960	3,990	4,515	42,399
<b>EXPENSES PLUS CONTINGENCIES - TOTAL</b>	<b>75,357</b>	<b>32,446</b>	<b>61,101</b>	<b>38,331</b>	<b>32,556</b>	<b>32,562</b>	<b>38,777</b>	<b>32,828</b>	<b>32,562</b>	<b>39,107</b>	<b>32,562</b>	<b>43,892</b>	<b>49,667</b>	<b>466,391</b>
<b>Capitalization Loan plus Accrued Interest</b>														
Repayment Starting 60 days after FERC	1,358,220	1,368,407	1,378,670	1,389,010	1,399,427	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	802,566
<b>Outsourced ARNT/EI Website</b>														
<b>Az ISA EXPENSES - TOTAL</b>	<b>75,357</b>	<b>32,446</b>	<b>61,101</b>	<b>38,331</b>	<b>121,729</b>	<b>121,736</b>	<b>127,951</b>	<b>122,002</b>	<b>121,736</b>	<b>128,281</b>	<b>121,736</b>	<b>133,066</b>	<b>138,841</b>	<b>1,268,957</b>
<b>CASH REMAINING (Deficit)</b>	<b>131,201</b>	<b>217,806</b>	<b>259,755</b>	<b>324,475</b>	<b>332,919</b>	<b>341,357</b>	<b>343,580</b>	<b>351,751</b>	<b>360,189</b>	<b>362,082</b>	<b>370,519</b>	<b>367,627</b>	<b>358,960</b>	<b>358,960</b>
<b>ASSUMPTIONS: Phase 1, Startup</b>														
AZ ISA Functions: 1- Limited Oversight of Az ISA Protocols 2- Provide ADR Services 3- Manage limited Az ISA Website														
* Two full time Az ISA employees including vacation, holiday and sick leave pay.														
* Benefits at 30% including State and Federal Taxes														
* Local Technical Consultant 30 hrs/month at \$100/hr = \$3000/mo														
* Attorneys \$72K/yr														
* Accounting and Tax Preparation \$1200/mo														
* D&O and E&O insurance add 3% to 2000 for inflation														

**2001 BUDGET/CASH FLOW - Aug 21, Protocols Manual Phase I, Administer PM**

	Dec '00	Jan '01	Feb '01	Mar '01	Apr '01	May '01	Jun '01	Jul '01	Aug '01	Sep '01	Oct '01	Nov '01	Dec '01	TOTAL
<b>CASH AND INCOME</b>														
Cash Carry Over From Previous Month	103,508	131,201	189,050	212,858	259,492	249,850	240,209	224,353	214,271	204,630	188,443	178,802	157,830	
Carry over from 1999	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Membership Dues	-	16,000	-	-	-	-	-	-	-	-	-	-	-	16,000
Tariff (Loan)	62,050	62,050	62,050	62,050	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	988,715
Tariff (O&M ISA)	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	492,000
Tariff (Outsource ARNT/EI and Website)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CASH IN - TOTAL</b>	<b>206,558</b>	<b>250,251</b>	<b>292,100</b>	<b>315,908</b>	<b>389,666</b>	<b>380,024</b>	<b>370,383</b>	<b>354,527</b>	<b>344,445</b>	<b>334,804</b>	<b>318,617</b>	<b>308,976</b>	<b>288,004</b>	<b>1,496,715</b>
<b>EXPENSES</b>														
<b>Insurance</b>														
Workers Compensation	-	-	-	-	-	-	-	400	-	-	-	-	-	400
D&O, Liability, and E&O Insurance	10,000	-	26,000	-	-	-	400	-	-	-	-	10,300	10,300	47,000
<b>Payroll and Relocation Expenses</b>														
Includes Payroll, Benefits and Relocation	15,921	32,188	32,188	32,188	32,188	32,188	32,188	32,188	32,188	32,188	32,188	32,188	32,188	386,252
<b>Professional Fees</b>														
Accounting and EOY Acct & Tax Preparation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Consulting	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Contract Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FERC and Local Legal Fees	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
<b>Office Expenses and Supplies</b>														
Office Furniture and Supplies	200	10,000	400	400	400	400	400	400	400	400	400	400	400	14,400
Rent	5,250	-	-	5,250	-	-	5,250	-	-	5,250	-	-	5,250	21,000
Postage and Delivery	125	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Printing and Reproduction	200	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Telephone	500	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Dues and Subscriptions	200	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Web Page and Internet	110	200	200	200	200	200	200	200	200	200	200	200	200	2,400
<b>Travel &amp; Entertainment</b>														
Meals	300	300	300	300	300	300	300	300	300	1,000	300	300	300	4,300
Travel	500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
<b>Other Expenses</b>														
Used for Actual Expense Reconciliation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Az ISA CORE EXPENSES - TOTAL</b>	<b>68,506</b>	<b>55,638</b>	<b>72,038</b>	<b>51,288</b>	<b>46,038</b>	<b>46,038</b>	<b>51,688</b>	<b>46,438</b>	<b>46,038</b>	<b>51,988</b>	<b>46,038</b>	<b>56,338</b>	<b>61,588</b>	<b>631,152</b>
10% Budget Contingency	6,851	5,564	7,204	5,129	4,604	4,604	5,169	4,644	4,604	5,199	4,604	5,634	6,159	63,115
<b>EXPENSES PLUS CONTINGENCIES - TOTAL</b>	<b>75,357</b>	<b>61,201</b>	<b>79,241</b>	<b>56,416</b>	<b>50,641</b>	<b>50,641</b>	<b>56,856</b>	<b>51,081</b>	<b>50,641</b>	<b>57,186</b>	<b>50,641</b>	<b>61,971</b>	<b>67,746</b>	<b>694,267</b>
<b>Capitalization Loan plus Accrued Interest</b>														
Repayment Starting 60 days after FERC	1,358,220	1,368,407	1,378,670	1,389,010	1,399,427									
	-	-	-	-	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	89,174	802,566
<b>Outsourced ARNT/EI Website</b>														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Az ISA EXPENSES - TOTAL</b>	<b>75,357</b>	<b>61,201</b>	<b>79,241</b>	<b>56,416</b>	<b>139,815</b>	<b>139,815</b>	<b>146,030</b>	<b>140,255</b>	<b>139,815</b>	<b>146,360</b>	<b>139,815</b>	<b>151,145</b>	<b>156,920</b>	<b>1,496,833</b>
<b>CASH REMAINING (Deficit)</b>	<b>131,201</b>	<b>189,050</b>	<b>212,858</b>	<b>259,492</b>	<b>249,850</b>	<b>240,209</b>	<b>224,353</b>	<b>214,271</b>	<b>204,630</b>	<b>188,443</b>	<b>178,802</b>	<b>157,830</b>	<b>131,084</b>	<b>131,084</b>
<b>ASSUMPTIONS: Phase I, Administer PM</b>														
<b>AZ ISA Functions: 1- Administer Az ISA Protocols 2- Provide ADR Services 3- Manage Az ISA Website and Data Collection</b>														
* Five full time Az ISA employee including vacation, holiday and sick leave pay.														
* Benefits at 30% including State and Federal Taxes														
* Local Technical Consultant 30 hrs/month at \$100/hr = \$3000/mo														
* Attorneys \$72K/yr														
* Accounting and Tax Preparation \$1200/mo														
* D&O and E&O insurance add 3% to 2000 for inflation														

## **APPENDIX III**

### **PM IMPLEMENTATION BY MAJOR FUNCTION**



## PM Implementation by Major Function

	<b>PM Phase<sup>1</sup></b>	<b>PM Function Implemented<sup>2</sup></b>	<b>Implementation Date<sup>3</sup></b>	<b>Implementation Requirements<sup>4</sup></b>
1	Phase I	ADR and limited PM oversight that includes temporary <sup>5</sup> : 1. ARNT allocation mechanism in Section 4.3.4.1 of the ARNT Protocol. 2. Must-Run Generation Procedures in Section 6 of the Must-Run Protocol. 3. Imbalance settlement mechanism in Section 3.6.1 of the Energy Imbalance Protocol.	FERC accepts tariff	1. Board approval of implementation details (Implementation Plan) 2. Board approves funding 3. Board approves FERC filing
2	Phase I	Fully administer PM functions with the exception of items 3, 4, 5 and 6.	FERC accepts tariff	1. Ability to hire technical staff on short-term assignments 2. Monitor RTO development 3. Board approval of implementation details (Implementation Plan) 4. Board approves funding for additional staff
3	Phase II	OASIS and ATC Calculation	None	1. Delay in RTO startup 2. Board approval –funding, revised implementation plan
4	Phase II	State wide scheduling	None	1. Delay in RTO startup 2. Board approval – funding, revised implementation plan
5	Phase II	State wide transmission planning	None	1. Delay in RTO startup 2. Board approval – funding, revised implementation plan
6	Phase II	ARNT and EI trading , auction and settlements	None	1. Competitive served retail load reaches 300 MW 2. Business Plan Approved by Board 3. Agreement reached on ARNT and EI functions cost allocations 4. TP funding issues

<sup>1</sup> PM phasing established by April 7, 2000 Board resolution.

<sup>2</sup> PM functions implementation overview ,“Proposed Implementation Plan”, approved by Board June 7, 2000

<sup>3</sup> Date for PM function implementation

<sup>4</sup> Meeting listed preconditions prior to implementation

<sup>5</sup> See Item 6 Phase II requirements

## **APPENDIX IV**

### **BILLING WORKSHEETS**

**Arizona Independent Scheduling Administrator Asso.  
Actual Costs Less Miscellaneous Revenue  
May 2000**

	<b>Total</b>	<b>APS</b>	<b>SRP</b>	<b>TEP</b>	<b>AEPCO</b>	<b>Citizens</b>
<b>MWh Allocation (1)</b>	5,907,310	2,486,232	2,244,936	784,328	267,123	124,691
<b>Percentage Allocation</b>	100.00%	42.09%	38.00%	13.28%	4.52%	2.11%
<b>Miscellaneous Revenue (2)</b>	-	-	-	-	-	-
<b>Actual Costs</b>						
<b>Dues and Subscriptions</b>	-	-	-	-	-	-
<b>Insurance</b>	-	-	-	-	-	-
<b>Office Expenses and Supplies</b>	803.19	338.04	305.23	106.64	36.32	16.95
<b>Payroll and Relocation Expenses</b>	21,662.01	9,116.97	8,232.14	2,876.12	979.54	457.24
<b>Postage and Delivery</b>	32.00	13.47	12.16	4.25	1.45	0.68
<b>Printing and Reproduction</b>	-	-	-	-	-	-
<b>Professional Fees</b>	58,470.37	24,608.65	22,220.31	7,763.25	2,643.98	1,234.19
<b>Rent</b>	5,250.00	2,209.59	1,995.14	697.06	237.40	110.82
<b>Telephone</b>	264.09	111.15	100.36	35.06	11.94	5.57
<b>Travel &amp; Ent</b>	671.10	282.45	255.04	89.10	30.35	14.17
<b>Total Costs</b>	87,152.76	36,680.31	33,120.38	11,571.49	3,940.97	1,839.61
<b>Actual Costs Less Revenues</b>	87,152.76	36,680.31	33,120.38	11,571.49	3,940.97	1,839.61
<b>Dollars per mWh (3)</b>	0.0148	0.0148	0.0148	0.0148	0.0148	0.0148

(1) Represents Aggregate Retail Load (AGGRL) and Transmission Provider's Retail Load (TPRL) as defined in Section 2.01 of Az ISA FERC Electric Tariff, Rate Schedule No. 1

(2) Represents Monthly Revenue (FEES) as defined in Section 2.04 of the Az ISA FERC Electric Tariff, Rate Schedule No. 1

(3) Represents an 'adjusted' Operating Cost Rate (OCR) that excludes any estimated costs. See Section 2.05 of the Az ISA FERC Electric Tariff, Rate Schedule No. 1 for definition of Operating Cost Rate (OCR).

**Arizona Independent Scheduling Administrator Asso.  
Estimated Monthly Revenue Requirement  
May 2000**

	<b>Total</b>	<b>APS</b>	<b>SRP</b>	<b>TEP</b>	<b>AEPCO</b>	<b>Citizens</b>
<b>Estimated mWh Allocation</b>	5,841,000	2,490,000	2,250,000	750,000	250,000	101,000
<b>Percentage Allocation</b>	100.00%	42.63%	38.52%	12.84%	4.28%	1.73%
<b>Estimated Operating Costs</b>						
Dues and Subscriptions	200.00	85.26	77.04	25.68	8.56	3.46
Insurance	-	-	-	-	-	-
Office Expenses and Supplies	310.00	132.15	119.41	39.80	13.27	5.36
Payroll and Relocation Expenses	16,458.00	7,015.99	6,339.75	2,113.25	704.42	284.58
Postage and Delivery	125.00	53.29	48.15	16.05	5.35	2.16
Printing and Reproduction	200.00	85.26	77.04	25.68	8.56	3.46
Professional Fees	59,925.00	25,545.84	23,083.59	7,694.53	2,564.84	1,036.20
Rent	-	-	-	-	-	-
Telephone	500.00	213.15	192.60	64.20	21.40	8.65
Travel & Ent	900.00	383.67	346.69	115.56	38.52	15.56
<b>Total Estimated Operating Costs</b>	<b>78,618.00</b>	<b>33,514.61</b>	<b>30,284.28</b>	<b>10,094.76</b>	<b>3,364.92</b>	<b>1,359.43</b>
<b>Operating Account Estimate (1)</b>	<b>120,000.00</b>	<b>51,155.62</b>	<b>46,224.96</b>	<b>15,408.32</b>	<b>5,136.11</b>	<b>2,074.99</b>
<b>Total Monthly Revenue Requirement (2)</b>	<b>198,618.00</b>	<b>84,670.23</b>	<b>76,509.24</b>	<b>25,503.08</b>	<b>8,501.03</b>	<b>3,434.41</b>
<b>Estimated Dollars per mWh</b>	<b>0.0340</b>	<b>0.0340</b>	<b>0.0340</b>	<b>0.0340</b>	<b>0.0340</b>	<b>0.0340</b>

(1) Operating Account Estimate represents estimated amounts needed in the Az ISA bank account for the period between payment of operating expenses and reimbursement of these expenses from invoices issued to the Transmission Providers. See Section 2.06 of the Az ISA FERC Electric Tariff, Rate Schedule No. 1.

(2) Monthly Revenue Requirement (REV) is estimated costs as defined in Section 2.07 of the Az ISA FERC Electric Tariff, Rate Schedule No. 1.

**Arizona Independent Scheduling Administrator Asso.  
Estimated Monthly Revenue Requirement  
June 2000**

	<b>Total</b>	<b>APS</b>	<b>SRP</b>	<b>TEP</b>	<b>AEPCO</b>	<b>Citizens</b>
<b>Estimated mWh Allocation</b>	6,055,000	2,560,000	2,310,000	800,000	275,000	110,000
<b>Percentage Allocation</b>	100.00%	42.28%	38.15%	13.21%	4.54%	1.82%
<b>Estimated Operating Costs</b>						
<b>Dues and Subscriptions</b>	200.00	84.56	76.30	26.42	9.08	3.63
<b>Insurance</b>	400.00	169.12	152.60	52.85	18.17	7.27
<b>Office Expenses and Supplies</b>	310.00	131.07	118.27	40.96	14.08	5.63
<b>Payroll and Relocation Expenses</b>	16,458.00	6,958.30	6,278.77	2,174.47	747.47	298.99
<b>Postage and Delivery</b>	125.00	52.85	47.69	16.52	5.68	2.27
<b>Printing and Reproduction</b>	200.00	84.56	76.30	26.42	9.08	3.63
<b>Professional Fees</b>	70,300.00	29,722.21	26,819.65	9,288.19	3,192.82	1,277.13
<b>Rent</b>	5,250.00	2,219.65	2,002.89	693.64	238.44	95.38
<b>Telephone</b>	500.00	211.40	190.75	66.06	22.71	9.08
<b>Travel &amp; Ent</b>	1,300.00	549.63	495.95	171.76	59.04	23.62
<b>Total Estimated Operating Costs</b>	<b>95,043.00</b>	<b>40,183.33</b>	<b>36,259.18</b>	<b>12,557.29</b>	<b>4,316.57</b>	<b>1,726.63</b>
<b>Operating Account Estimate (1)</b>	<b>120,000.00</b>	<b>50,734.93</b>	<b>45,780.35</b>	<b>15,854.67</b>	<b>5,450.04</b>	<b>2,180.02</b>
<b>Total Monthly Revenue Requirement (2)</b>	<b>215,043.00</b>	<b>90,918.26</b>	<b>82,039.53</b>	<b>28,411.96</b>	<b>9,766.61</b>	<b>3,906.64</b>
<b>Estimated Dollars per mWh</b>	0.0355	0.0355	0.0355	0.0355	0.0355	0.0355

(1) Operating Account Estimate represents estimated amounts needed in the Az ISA bank account for the period between payment of operating expenses and reimbursement of these expenses from invoices issued to the Transmission Providers. See Section 2.07 of the Az ISA FERC Electric Tariff, Rate Schedule No. 1.

(2) Monthly Revenue Requirement (MRR) is estimated costs as defined in Section 2.07 of the Az ISA FERC Electric Tariff, Rate Schedule No. 1.

**Arizona Independent Scheduling Administrator Association  
Transmission Provider Debt Repayment  
APS**

Date	Beginning Balance (1)	Monthly Payment (2)			Total	Ending Balance
		Interest	Principal	Principal Adjustment		
01-Feb-01	538,104.48	(4,035.78)	(20,547.38)	-	(24,583.16)	517,557.10
01-Mar-01	517,557.10	(3,881.68)	(20,701.49)	-	(24,583.16)	496,855.61
01-Apr-01	496,855.61	(3,726.42)	(20,856.75)	-	(24,583.16)	475,998.87
01-May-01	475,998.87	(3,569.99)	(21,013.17)	-	(24,583.16)	454,985.69
01-Jun-01	454,985.69	(3,412.39)	(21,170.77)	-	(24,583.16)	433,814.92
01-Jul-01	433,814.92	(3,253.61)	(21,329.55)	-	(24,583.16)	412,485.37
01-Aug-01	412,485.37	(3,093.64)	(21,489.52)	-	(24,583.16)	390,995.84
01-Sep-01	390,995.84	(2,932.47)	(21,650.70)	-	(24,583.16)	369,345.15
01-Oct-01	369,345.15	(2,770.09)	(21,813.08)	-	(24,583.16)	347,532.07
01-Nov-01	347,532.07	(2,606.49)	(21,976.67)	-	(24,583.16)	325,555.40
01-Dec-01	325,555.40	(2,441.67)	(22,141.50)	-	(24,583.16)	303,413.90
01-Jan-02	303,413.90	(2,275.60)	(22,307.56)	-	(24,583.16)	281,106.34
01-Feb-02	281,106.34	(2,108.30)	(22,474.87)	-	(24,583.16)	258,631.47
01-Mar-02	258,631.47	(1,939.74)	(22,643.43)	-	(24,583.16)	235,988.04
01-Apr-02	235,988.04	(1,769.91)	(22,813.25)	-	(24,583.16)	213,174.79
01-May-02	213,174.79	(1,598.81)	(22,984.35)	-	(24,583.16)	190,190.44
01-Jun-02	190,190.44	(1,426.43)	(23,156.74)	-	(24,583.16)	167,033.70
01-Jul-02	167,033.70	(1,252.75)	(23,330.41)	-	(24,583.16)	143,703.29
01-Aug-02	143,703.29	(1,077.77)	(23,505.39)	-	(24,583.16)	120,197.90
01-Sep-02	120,197.90	(901.48)	(23,681.68)	-	(24,583.16)	96,516.22
01-Oct-02	96,516.22	(723.87)	(23,859.29)	-	(24,583.16)	72,656.93
01-Nov-02	72,656.93	(544.93)	(24,038.24)	-	(24,583.16)	48,618.69
01-Dec-02	48,618.69	(364.64)	(24,218.52)	-	(24,583.16)	24,400.16
01-Jan-03	24,400.16	(183.00)	(24,400.16)	-	(24,583.16)	0.00

(1) Beginning Balance for 2/1/2001 equals \$476,014 loan amount plus \$62,090.48 accrued interest.  
 (2) Represents Transmission Provider's Repayment (TPREPAY) as defined in Section 2.12 of the Az ISA  
 FERC Electric Tariff, Rate Schedule No. 1

**Arizona Independent Scheduling Administrator Asso.  
P.O. Box 6277  
Phoenix, AZ 85005-6277**

# Invoice

DATE	INVOICE#
6/20/2000	C991084

*(non-paying)*  
**PAID**

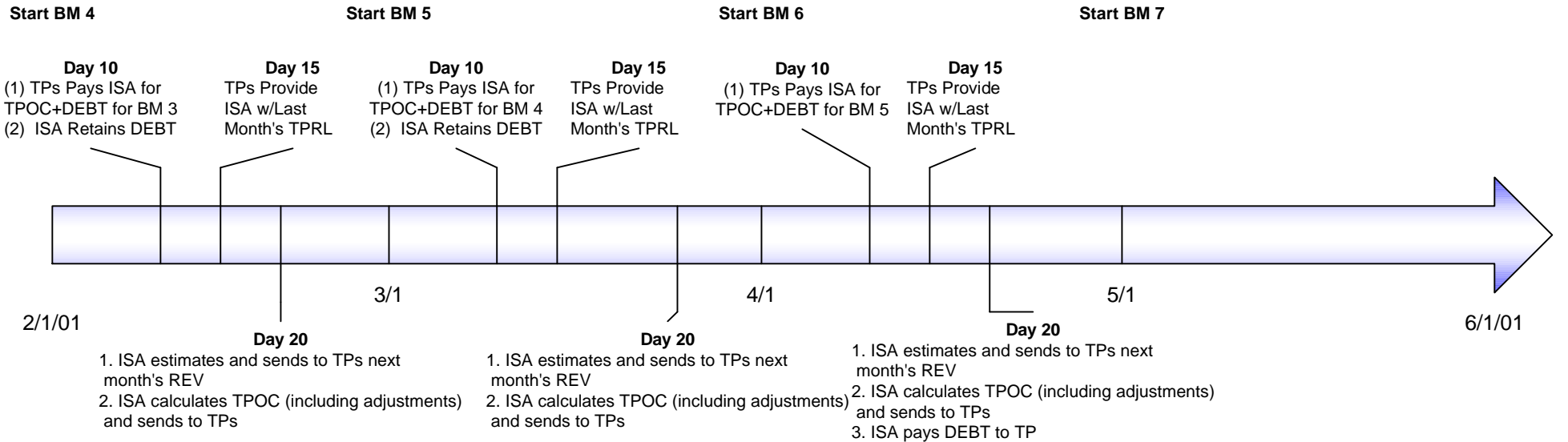
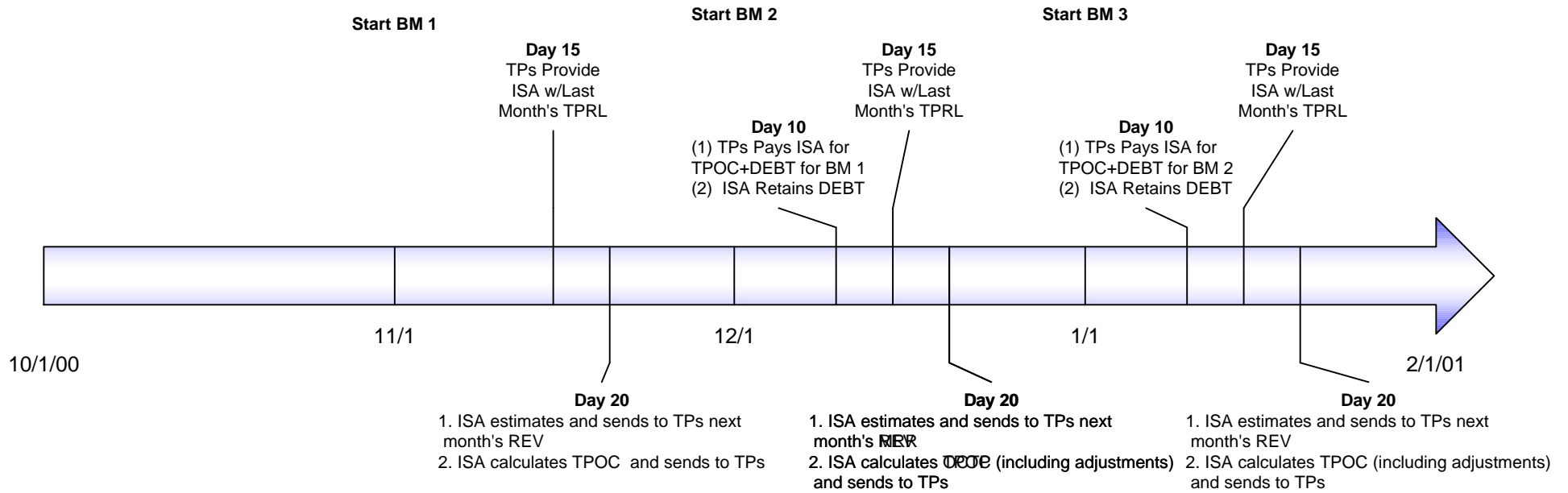
**BILL TO:**

Arizona Public Service  
Mr. Cary Deise  
P.O. Box 53999  
Phoenix, AZ 85072-3999

DUE DATE
7/10/2000

DESCRIPTION	AMOUNT
Prior month Actual Costs Less Miscellaneous Revenues - Attachment 1	36,680.31
Less: Prior Monthly Revenue Requirement - Attachment 2	-84,670.23
Add: Current Monthly Revenue Requirement - Attachment 3	90,918.26
Subtotal - Operating Cost Transmission Provider (OCTP)	42,928.34
Transmission Provider Debt Repayment (TPDR) - Attachment 4	24,583.16
<b>Total</b>	<b>\$67,511.50</b>

# Az ISA Billing Timeline



TPRL -- "Transmission Provider's Retail Load"  
 REV -- ISA's "Monthly Revenue Requirement" Estimate  
 DEBT -- ISA's "Monthly Debt Requirement"  
 TPOC -- Transmission Provider's Share of ISA Operating Costs



## **APPENDIX V**

### **AZ ISA RISK ASSESSMENT**

**LOW & CHILDERS, P.C.**  
ATTORNEYS AT LAW

2999 North 44th Street, Suite 250 • Phoenix, Arizona 85018

J. Michael Low  
S. David Childers  
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in Minnesota\*\*Also licensed  
in Oklahoma

June 30, 2000

**VIA FACSIMILE**Mr. Patrick J. Sanderson  
AISA  
120 N. 44<sup>th</sup> Street, Suite 100  
Phoenix, Arizona 85034-1822**Re: ISA-TP Agreement and ISA-SC-TP Agreement**

Dear Mr. Sanderson:

Pursuant to your request, I reviewed the Arizona Independent Scheduling Administrator Association ("ISA") draft agreements with Transmission Providers ("ISA-TP Agreement") and with Scheduling Coordinators and Transmission Providers ("ISA-SC-TP Agreement"). Based on my review, I have the following comments regarding the potential liability exposures of the ISA under the agreements.

First, it should be noted that the ISA's exposure to liability is not limited to its failure to perform just those responsibilities and obligations of the ISA set forth in the ISA-TP Agreement and the ISA-SC-TP Agreement. Each agreement also provides that ISA must perform all of the obligations and responsibilities set forth in the ISA by-laws and in the protocols manual. Thus, the parties arguably could commence actions against the ISA based on alleged negligence in performing obligations under the by-laws or the protocols manual.

In reference to the ISA-TP Agreement it is important to note that Section 4.04 provides that Transmission Providers ("TP") serve as agents of the ISA for purposes of collecting ISA operating costs from Scheduling Coordinators ("SC"). Furthermore, Section 6 of the ISA-TP Agreement provides that the ISA shall take reasonable action to cause agents, for purposes of implementing the protocols manual, to comply with TP's standards of conduct. The designation of TPs as agents of the ISA for the purpose of collecting operating costs and in complying with the protocols manual may expose the ISA to a claim under the law of agency should the TPs negligently perform their collection obligations or perform their obligations in such a manner as to result in an injury to a third party. Although Section 15.01 of the ISA-TP Agreement provides for indemnification by the TPs for any act or omission on the part of the TPs under the ISA-TP Agreement, Section 15.03 requires the ISA to obtain insurance coverage and seek indemnification under the insurance contract before seeking indemnification under Section 15.01. Hence, the indemnification provided by the TPs under

Mr. Patrick J. Sanderson  
June 30, 2000  
Page 2

the ISA-TP Agreement only constitutes a source of excess funds for the ISA should a claim exceed the coverage limits of any insurance protection procured by the ISA.

The ISA-TP Agreement also provides that the ISA is to calculate aggregate retail load, ensure the transmission information is not improperly disclosed and comply with any restrictions regarding information that is received from the TPs. *See*, ISA-TP Agreement, Sections 4(b) and 6. If the ISA were to improperly disclose information or fail to comply with restrictions it had received from the TPs and such failures resulted in injury to the TP or a third party that resulted in determinable monetary damage, it is likely that the injured parties would seek to recover such amounts from the ISA. As a consequence, the ISA would need adequate insurance coverage for such types of incidences.

With regard to the ISA-SC-TP Agreement the ISA is required to post actual monthly costs to be collected and changes thereto, and a forecast of costs for the next billing month on its website. *See*, ISA-SC-TP Agreement, Section 4. In addition, the ISA must provide its services and perform its functions in a non-discriminatory manner, prepare and make appropriate filings and amendments to tariffs and operating procedures in accordance with the protocols manual, review SC compliance with the agreement and the protocols manual, and perform audits of TPs and SCs to confirm they are performing their duties and obligations under the ISA-SC-TP Agreement. The failure of the ISA to perform any of the preceding obligations or its negligent performance of the preceding obligations would again expose ISA to a claim for liability by a party that has been injured as a consequence of the acts or omissions of the ISA.

I reviewed the standard commercial general liability insurance policy form and have concluded that it would not offer the insurance coverage protection that would be needed by the ISA as a consequence of its obligations under the ISA-TP and ISA-SC-TP Agreements. Therefore, it appears that the ISA needs to procure errors and omissions coverage that is broad enough in form to cover the obligations and responsibilities that have been summarized above. The actual amount of coverage to be procured by the ISA will have to be left to the discretion of the Board of Directors after receiving information from you as the acting executive director. In that regard, it would prudent for you to request the assistance of the ISA's insurance broker in obtaining quotes for errors and omissions coverage at different coverage limits. In selecting coverage limits, the Board should consider the fact that both the ISA-TP and ISA-SC-TP Agreements provide for indemnification by the TPs and SCs for any liabilities incurred by the ISA as a consequence of acts or omissions of the TPs and SCs under the agreements once the insurance coverage limits have been exhausted. In addition, it is important to note that the ISA is a non-profit corporation and as a consequence, members of the ISA are not personally liable for the acts, debts, liabilities or obligations of the ISA. *See*, A.R.S. § 10-3612.

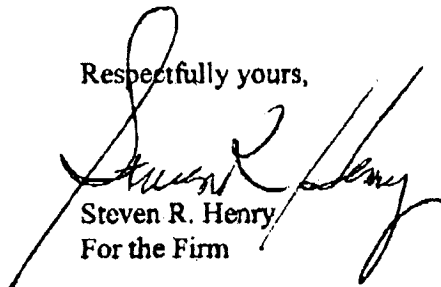
Mr. Patrick J. Sanderson

June 30, 2000

Page 3

If you would like to discuss the ISA's insurance coverage needs or have us review the proposed errors and omissions policy form that will provide coverage to the ISA, please do not hesitate to contact us.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Steven R. Henry", written over a printed name and title.

Steven R. Henry  
For the Firm

SRH/kmr

cc: S. David Childers, Esq.

O:\APPS\SECY3\AISA\Cornf.005kmr.srh.wpd  
10866-014

# **ATTACHMENT VI**

## **MEDIATOR/ARBITRATOR INFORMATION**

## ADR Qualifications

First Name

Telephone

Fees and Expense

Last Name

Fax

Present Employer

E-Mail

Preferred Address 1

Preferred Address 2

City  State  ZIP

Arbitrator

Mediator

Technical Advisor

### School, Degree, Date

New Mexico State University, BSME, 1969; Distinguished Graduate in Engineering  
UCLA, Completed Graduate Engineering Management Program, 1982  
Stone & Webster Electric Utility Management Program

RTA Level I Mediator Training

RTA Level II Mediator Training

### Other ADR Training

Completed Western Transmission System ADR Training Program, 1996.

### ADR Experience

Represented PNM in disputes with vendors on major plant systems; rendered consensus. Debated on industry behalf with almost all major environmental groups for transmission and generation project development, reaching mediated consensus. Represented in mediation/negotiation extremely complex Native American clients including sovereignty resolutions.

Participated in hearings in Santa Fe. I have written numerous interrogatories covering disputes in licensing, asset sales, economic cost sharing issues, and have developed conclusive packages based on same.

### Particular ADR Skills

I have 25+ years of energy experience in managing people in multiple areas and of varied disciplines. Strong ability to deal fairly with all.

### Electric Industry Knowledge/Experience

Vice President of Engineering and Resources at a major I.O.U. President of Energy Consulting Company.

I have participated in the entire array from internal utility development of nomographs to E&O committee representation primarily from a supervisory/managerial perspective.

I am not necessarily a technical expert on all aspects of WSCC transmission. However, I have participated in WSCC Technical Study Committees, Steering Committees, etc. and have a strong knowledge of transmission and especially regional concerns. I have participated in management decisions on transmission assets. I am a past chairman of the EEI teaching faculty on matters concerning the electric utility industry and EPRI.

## **APPENDIX VII**

### **PROPOSED IMPLEMENTATION PLAN**

**Arizona Independent Scheduling  
Administrator Association  
(Az ISA)**

**Proposed  
Implementation Plan  
Revision 1  
August 21, 2000**



**PROPOSED Az ISA IMPLEMENTATION PLAN**  
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# SECTION 1

## EXECUTIVE SUMMARY

### Background

The Retail Competition Rules adopted by the Arizona Corporation Commission (Commission or ACC) directed that the Affected Utilities that own or operate transmission facilities form an Arizona Independent Scheduling Administrator (Az ISA). The Rules (R14-2-1609.D) describe five characteristics that the Az ISA would be required to possess. These characteristics or responsibilities are:

- Calculation of Available Transmission Capacity (ATC) for the Arizona transmission utilities of Affected utilities and other Az ISA participants and develop and operate a statewide OASIS
- Implement and oversee nondiscriminatory application of operating protocols to ensure transmission access
- Provide dispute resolution processes to resolve claims of discriminatory treatment in the reservation, scheduling, use and curtailment of transmission services
- Utilize a single standardized procedure for all requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling the use of the Arizona transmission facilities belong to the Affected Utilities and other Az ISA participants
- Implement a transmission planning process to assure that future load requirements will be met.

The Rules (R14-2-1609E) also require that the Affected Utilities file an Az ISA implementation plan that addresses:

- Az ISA governance, incorporation, financing, and staffing
- Acquisition of physical facilities and staff
- Schedule for the phased development of the Az ISA functionality and proposed transition to a regional Independent System Operator (ISO) or Regional Transmission Organization (RTO)
- Contingency plans to ensure that critical functionality is in place no later than 3 months following the adoption of the Competition Rules
- Other significant issues related to the timely and successful implementation of the Az ISA.

## Summary of Implementation Plan

Since the ACC adopted the Competition Rules, FERC has issued Order 2000. Under FERC Order 2000, all public utilities that own, operate or control interstate transmission facilities and are not members of an approved ISO must file by October 15, 2000 a plan to participate in an RTO that will be operational by December 15, 2001 or explain why it cannot now join an RTO and its timeline for future efforts. Items that have been identified for implementation by the Az ISA include functionalities that may best be deferred until an RTO is operational. By the latter part of 2000 the Az ISA will be able to review plans filed by the utilities for RTO implementation and make an informed decision on the need for the Az ISA to undertake certain functions prior to an RTO providing the function. The transition from the ISA to an RTO will be dependent on the schedule for completing the development of an RTO such as Desert STAR. RTO formation is currently under development in response to the December 20, 1999, FERC final rule on regional transmission organizations. Docket No. RM99-2-000 (FERC 2000). Currently, Desert STAR anticipates filing its FERC tariff in the third quarter of 2000. The Az ISA Implementation Plan is presented in a staged format to allow for Az ISA functions that could be deferred until an RTO is operational.

The following summarizes each of the required aspects of the Az ISA Implementation Plan (Plan) in accordance with R14-2-1609. Each element is discussed in detail in Sections 2 and 3 of the Plan.

### Az ISA governance, incorporation, financing, and staffing

The Az ISA was incorporated in September 1998 as a non-profit Arizona corporation. Governance of the Az ISA was established in its by-laws dated October 29, 1998. The by-laws established the duties and responsibilities of the Az ISA and also defined membership classes and participation eligibility.

The initial financing of the Az ISA has been primarily from loans from transmission owners and certain Affected Utilities including Arizona Public Service Company, Tucson Electric Power, Citizens Utilities, Arizona Electric Power Cooperative, and Salt River Project, and to a minor extent from membership dues. The initial capitalization loans, amounting to approximately \$1.2 million, will be repaid with interest over a two-year period after FERC acceptance and implementation of the Az ISA tariff.

The phased development of Az ISA is based on two~~three~~ implementation phases identified in the PM, as follow:

1. Phase I<sup>1</sup> (Initial) - This phase includes Alternative Dispute Resolution (ADR) and Limited Protocol Manual oversight. This oversight function includes OASIS and Allocated Retail Network Transmission (ARNT). The transmission providers (TPs)/Control Area Operators (CAOs) will implement the protocols except where waivers are specifically granted.

---

<sup>1</sup> Phase I as defined in PM

2. Phase II<sup>2</sup> (Full Compliance) Phase - In this phase Az ISA functions will include all responsibilities in Competition Rules. In addition to the Initial Phase I function, Az ISA will: a) be responsible for OASIS/ATC calculations, b) utilize standardize procedure for transmission reservation & scheduling and c) implement a statewide transmission planning process.
3. Phase II (Expanded Features) Phase - Although not a part of the Competition Rules, there are features which can enhance the Az ISA functionality. The functions are ARNT and Energy Imbalance (EI) trading and ARNT auction settlement.

Only the Initial Phase is currently planned to become operational. The Phase II Full Compliance and Expanded Features Phases will be reviewed after the FERC Order 2000 filings to determine if and when these phases should be implemented.

Staffing requirements and estimated annual cost for the each phase described about are shown in the following table.

<b>Phase</b>	<b>Staffing</b>	<b>Annual Cost (\$000)<sup>1</sup></b>
1. <u>Phase I</u> , Initial	5	757 <sup>2</sup>
2. <u>Phase II</u> , Full Compliance	18	2,258
3. <u>Phase II</u> , Expanded Features	2	2,105
<b>Total</b>	<b>25</b>	<b>5,120</b>

- 1 Includes 10% Budget Contingency
- 2 Startup, \$490K; Administer PM, \$267K

In addition, there is a Capitalization repayment-funding requirement of \$693K/year for two years.

#### Acquisition of Physical Facilities and Staff

Currently the Az ISA is housed in the offices of Western Area Power Administration (Western). The Western facilities, located on 43<sup>rd</sup> Avenue in Phoenix, have sufficient space available for the foreseeable future that can be used by the Az ISA. Therefore, it is not anticipated that the Az ISA will need additional space within its anticipated lifespan.

As noted above, the Az ISA will require additional staff to fulfill its functions. It is anticipated that staffing will be acquired through advertisements in trade journals and utilizing staffing specialists as required. One of the major difficulties that the Az ISA will face is the ability to attract qualified staff. The utility business, as a whole, is facing difficulty attracting and retaining qualified staff. The Az ISA's ability to attract staff will be exacerbated because of the fact that, by design, the entity will cease to exist in a relatively short timeframe.

#### Schedule for Phased Development

The following table lists the key elements in the Az ISA development:

### **Proposed Az ISA Implementation Plan Timeline**

<sup>2</sup> Phase II as defined in PM

- |   |  |
|---|--|
| 1. Affected Utilities submit Protocols Manual to ACC                                  | June 15, 2000                              |
| 2. Affected Utilities submit Implementation Plan to ACC for review                    | June 15, 2000                              |
| 3. Az ISA draft FERC filing completed and distributed to Az ISA membership for review | June 30, 2000                              |
| 4. Az ISA Board considers approval of FERC Filing                                     | <del>August 21</del> <u>July 17</u> , 2000 |
| 5. Az ISA provides ACC with copy of draft FERC Filing                                 | August 28, 2000                            |
| 6. <del>ACC Open Meeting</del>  | <del>August 22-23, 2000</del>              |
| 7. Az ISA files tariff with FERC  | By September 23, 2000                      |
| 8. Az ISA implements FERC approved tariff   | By November 23, 2000                       |

Other Significant Issues

The Az ISA passed a significant milestone with the conditional ~~acceptance~~ approval of the Protocol Manual by the Board of Directors on April 7, 2000. Other significant milestones still must be met including the preparation and filing of a FERC tariff. The membership of the Az ISA consists of organizations with a broad spectrum of interests and structures, which makes for significant debate before consensus can be reached. This has resulted in the inability to meet the initial schedules identified by the Commission in the Retail Electric Competition Rules.

Among the issues that the Az ISA must address before it can successfully move forward with implementation are:

- Funding - R14-2-1609G states “It is the intent of the Commission that prudently-incurred costs incurred by Affected Utilities in the establishment of the Arizona Independent Scheduling Administrator and subsequently the Independent System Operator, should be recovered from customers using the transmission system, including the Affected Utilities’ wholesale customers, Standard Offer retail customers, and competitive retail customers on a non-discriminatory basis through Federal Energy Regulatory Commission-regulated rates.” The rules also indicate that the Commission may authorize Affected Utilities to recover the Az ISA costs through a distribution surcharge should the FERC not permit recovery of such costs. The Az ISA board of directors is currently addressing the cost recovery issues and has not reached consensus. It should be noted that many of the Az ISA participants are neither Commission nor FERC regulated. Further, some Affected Utilities purchase their power requirements at wholesale from out-of-state suppliers. Although the Commission’s Rules indicate that it expects transmission owners to recover costs associated with the Az ISA through regulated rates or distribution surcharges, locally-controlled utilities such as SRP are not rate-regulated by the Commission or FERC. Cost recovery is a significant issue for Az ISA.
- Staffing – As previously noted, the Az ISA may have difficulty attracting qualified staff members. It may become necessary to staff the Az ISA through contract employees or by utilizing consultants. This will add to the costs of the Az ISA operations.

## SECTION 2

### IMPLEMENTATION PLAN OVERVIEW

#### **Background**

The Az ISA was formed in September 1998 as a non-profit Arizona corporation to support the provision of comparable, non-discriminatory retail access to the Arizona transmission system to facilitate a robust and efficient competitive electric market in Arizona. The Az ISA is intended to serve as an interim electric transmission scheduling administrator to facilitate the operation of Arizona's competitive electric retail market until the implementation of an RTO that supercedes the Az ISA. As of April 25, 2000, the Az ISA had 62 members. A membership list is included in the Plan Appendix.

#### **Governance**

The Az ISA is governed by a Board of Directors chosen from Az ISA member representatives. The current Board of Directors roster is included in the Plan Appendix. There are five member classes: transmission facilities providers; local load servicing entities; aggregators; independent generators and wholesale power marketers; and end-users. The Az ISA Board consists of eleven voting members, including two representatives from each member class, plus the Az ISA Acting Director. All votes of the Board require a two-thirds majority, and no business shall be conducted without two-thirds of the Board present.

#### **Alternate Dispute Resolution**

The Az ISA By-laws also provide for three alternative dispute resolution forums, including a fast-track arbitration that provides a decision within 24 hours, an expedited arbitration that is completed within two weeks, and, by mutual agreement of the disputing parties, mediation. For complicated disputes, the By-laws provide that parties to the dispute may initiate peer review or a mediation process in accordance with the By-laws or the Director of the Az ISA shall cause an arbitration procedure to be initiated unless the parties to the dispute choose to take the dispute directly to FERC or the courts, whichever is appropriate.

#### **Funding**

The Az ISA issued promissory notes to each utility contributing to the Az ISA start-up costs. Total amount for start-up loans is \$1,200,000. Repayment of these start-up loans will begin 60 days after the FERC tariff is approved. Repayment period is 24 months.

Still to be determined is the tariff structure the Az ISA will use to fund repayment of start-up loans as well as annual operation and maintenance costs. The type(s) and amounts will be included in the draft tariff document scheduled for distribution to the Az ISA membership for review June 30, 2000.

#### **Operating Protocols**

During the development of the plan for the Az ISA, the stakeholders determined the need for a set of operational and administrative protocols to govern operations of the Az ISA. The protocols have been developed through a participatory process open to all stakeholders. The protocols define the duties to be performed and the procedures to be followed by the Az ISA, control area operators (CAO), and transmission providers (TP) that become members of the Az ISA, and scheduling coordinators (SC). It is intended that the protocols will result in the CAOs and TPs employment of uniform and non-discriminatory standards and procedures for the use of the interconnected transmission system in Arizona for retail electric service.

The protocols address the following subjects as they affect transmission for retail electric competition: total transmission capability determination; retail transmission allocation; retail transmission reservations and OASIS; congestion management; emergency operations; must-run generation; ancillary services; energy imbalance for retail transmission; scheduling; and after-the-fact checkout/settlement for retail transmission.

On April 7, 2000, the Az ISA Board of Directors ~~conditionally accepted~~ **approved** the operational and administrative protocols that will be used by most entities serving retail load in Arizona. The Az ISA is now preparing the FERC and ACC filings requesting authority to implement the Protocols. A copy of the resolution of the Board of Directors that approved the Protocols Manual is included in the Appendix.

### **Next Steps**

The Plan accounts for Az ISA functions that may be deferred until an RTO is operational. RTO formation is currently under development in response to the December 20, 1999, FERC final rule on regional transmission organizations. Docket No. RM99-2-000.

Under this Order, all public utilities that own, operate or control interstate transmission facilities and are not members of an approved ISO must file by October 15, 2000 a plan to participate in an RTO that will be operational by December 15, 2001, or explain why it cannot now join an RTO and its timeline for future efforts. Items that have been identified for implementation by the Az ISA include functionalities that may best be deferred until an RTO is operational. By the latter part of 2000 the Az ISA will be able to review plans filed by the utilities for RTO implementation and make an informed decision on the need for the AISA to undertake certain functions prior to an RTO providing the function.

The following table “Az ISA Action or Document and Equivalent ACC Rule R14-2-1609 Requirement” presents the association between ACC Rule 1609 and the Az ISA documentation that meets the ACC requirements. Note that implementation of many functions (items 1,2,5,6 and 8) will be considered by the Board after the public utilities that own, operate or control interstate transmission facilities and are not members of an approved ISO file with the FERC a plan to participate in an RTO that will be operational by December 15, 2001. Other future implementation dates will require Az ISA Board approval of the FERC tariff filing and a Monitoring Plan that is included in the April 7, 2000 Board resolution.

**Az ISA Action or Document  
and Equivalent ACC Rule R14-2-1609 Requirement**

Item	R14-2 1609	Requirement	Az ISA Document or Action	<u>Imple Phase</u>
1	D.1	The Az ISA shall calculate Available Transmission Capacity (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants.	<u>Operating Protocols Section IV</u> Transmission Reservation and OASIS Management Principles	<u>Phase II</u>
2	D.1	Az ISA shall develop and operate an overarching statewide OASIS	<u>Operating Protocols Section IV</u> Transmission Reservation and OASIS Management Principles	<u>Phase II</u>
3	D.2	The Az ISA shall implement and oversee the nondiscriminatory application of operating protocols to ensure statewide consistency for transmission access.	<ul style="list-style-type: none"> <li>• Az ISA Approval of Operating Protocols</li> <li>• FERC Approval of Az ISA Tariff</li> </ul>	<del>Phase I</del>
4	D.3	The Az ISA shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use, and curtailment of transmission services.	Az ISA Bylaws	<u>Phase I</u>
5	D.4	All requests (wholesale, Standard Offer retail and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other Az ISA participants shall be made to, or through, Az ISA using a single, standardized procedure.	<u>Operating Protocols</u> Oversight only	<u>Phase II</u>
6	D.5	The Az ISA shall implement a transmission planning process.	<u>Operating Protocols Section III</u> Total Transmission Capability Determination Principles	<u>Phase II</u>
7	E	Implementation Plan	<ol style="list-style-type: none"> <li>1. Articles of Incorporation</li> <li>2. By-laws</li> <li>3. Governance</li> <li>4. Protocols</li> <li>5. Tariff</li> <li>6. File Tariff</li> <li>7. Implement Tariff</li> </ol>	<del>Phase I</del>
8	I	Under auspices of the Az ISA, the Affected Utilities and other stakeholders shall develop statewide protocols for pricing and availability of services from Must-Run Generating Units.	<u>Operating Protocols Section VIII</u> Must-Run Generation Protocol	<u>Phase I</u>



Item	R14-2 1609	Requirement	Az ISA Document or Action	<u>Imple Phase</u>
9	J	The Affected Utilities and other stakeholders, under the auspices of the Az ISA, shall identify statewide services to be settled on and developed fair and reasonable pricing mechanisms to assure a consistent and fair settlement process.	<ul style="list-style-type: none"> <li>Az ISA Approval of Operating Protocols</li> </ul>	<u><del>Phase</del></u>

**Assumptions:**

1. Tariff filing approved by the Board prior to August 2, 2000
2. FERC filing by September 23, 2000

The Plan is intended to provide the Az ISA Board of Directors, the Arizona Corporation Commission (Commission), and other interested parties with information on Az ISA organizational structures, costs, and implementation timelines that would be required to meet the intended purpose of the organization.

An Az ISA work group was formed to develop an Implementation Plan that would meet the requirements of the Az ISA Board of Directors and the ACC. The work group developed a plan that included several stages in the development of Az ISA functions. The benefits of this approach are separation of information on costing and implementation considerations associated with each function. The information can be used to evaluate the current and future needs of the Az ISA. The implementation stages are:

1. Phase I<sup>3</sup> (Initial) Phase- This phase includes Alternative Dispute Resolution (ADR) and Limited Protocol Manual oversight. This oversight function includes OASIS and Allocated Retail Network Transmission (ARNT). All TPs/CAOs will implement the Az ISA's protocols, except those specifically granted waivers.
2. Phase II<sup>4</sup> (Full Compliance) Phase - In this phase, Az ISA functions will include all responsibilities in Competition Rules. In addition to the Initial Phase I function, Az ISA will: a) be responsible for OASIS/ATC calculations, b) utilizing standardized procedures for transmission reservation & scheduling and c) implementing a statewide transmission planning process.
3. Phase II (Expanded Features) Phase - Although not a part of the Competition Rules, there are features which can enhance the Az ISA functionality. Namely ARNT and Energy Imbalance (EI) trading and ARNT auction settlement.

Each phase of implementation is covered individually in Section 3. Section 3 includes references to the part of By-laws, Protocols or ACC rule that require the function, and the plan for implementing the function.

The format for the detailed plan is the following:

<sup>3</sup> Phase I PM implementation

<sup>4</sup> Phase II PM implementation

- Identification of the phase and task
- Identification of the activities to be undertaken
- Identification of the controlling rule or requirement for the activity (i.e. the Protocol Manual, the By-Laws of the Az ISA, and/or Arizona Corporation Commission Rule applicable to Affected Utilities)
- Activities included in the phase
- Activities not included in the phase
- Implementation Requirements ( Equipment and Resources, Staffing , Capital, Operations and Maintenance Expenses, Timeframe for Completion, Timeframe for Implementation, Contingency Plan
- Plan Detail and Costs

### **Proposed Az ISA Implementation Plan Timeline**

- |   |  |
|---|--|
| 1. Utilities submit Protocols Manual to ACC   | June 15, 2000                              |
| 2. Utilities submit Implementation Plan to ACC for review                             | June 15, 2000                              |
| 3. Az ISA draft FERC filing completed and distributed to Az ISA membership for review | June 30, 2000                              |
| 4. Az ISA Board considers approval of FERC Filing                                     | <del>August 21</del> <b>July 17</b> , 2000 |
| 5. Az ISA provides ACC with copy of FERC Filing                                       | August <del>28</del> , 2000                |
| 6. <del>ACC Open Meeting</del>  | <del>August 22-23, 2000</del>              |
| 7. Az ISA files tariff with FERC  | By September 23, 2000                      |
| 8. Az ISA implements FERC approved tariff   | By November 23, 2000                       |

## SECTION 3 IMPLEMENTATION PLAN PHASES

### Phase ~~I1 (Initial)~~, ~~Task 1~~ ADR Process

#### Implementation Directives

##### Protocols Manual

Protocols Manual Section I “Introduction”, Paragraph 6.”Disputes”: “ Disputes arising from the application or implementation of these Protocols shall be resolved pursuant to the dispute resolution procedures contained in Section 6 of the Az ISA By-Laws.”

##### Az ISA By-laws

“5.3.9. Implement the dispute resolution procedures provided in Section 6 as appropriate;”

“5.3.10. Provide oversight and take action, as required, to ensure compliance with the Protocols Manual and FERC-recognized Standards of Conduct related to transmission access and operation of the Interconnected Transmission System; investigate and take action on complaints related to the application of the Protocols Manual and such Standards of Conduct and to resolve other issues related to discriminatory treatment in the provision of transmission service;”

“5.3.11. Make immediate decisions, based on the Protocols Manual, with respect to irregularities discovered during the performance of his/her duties described in Section 5.3.10 and with respect to disputes between transmission providers and transmission users”

“6. Az ISA Dispute Resolution Process that includes: Section 6.1, “Fast-Track ADR”, Section 6.2., “Alternative Dispute Resolution Procedures”, and Section 6.3. “Disputes Involving Government Agencies”.”

##### ACC Rule R14-2-1609

R14-2-1609D-3. “The Arizona Independent Scheduling Administrator shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use, and curtailment of transmission services.”

#### Activities included in Phase ~~I1 (Initial)~~, ~~ADR Process Task 1~~

Executive Director to provide ADR  
Limited Protocol Manual oversight

#### Activities not included in Phase ~~I1 (Initial)~~, ~~ADR Process Task 1~~

Protocol Manual Oversight  
Data collection from Transmission Providers

Phase ~~I~~ (Initial), ADR Process ~~Task 1~~ Implementation Plan

**ADR and Limited PM Oversight**

I.	Equipment and Resources	Executive Director to provide ADR
II.	Staffing	1. Executive Director 2. Full time administrative support
III.	Capital	None
IV.	O and M Expenses	Staffing and Other Expenses \$490K
V.	Timeframe	By November 23,2000
VI.	Implementation	N/A – Staff available
VII.	Contingency Plan	None

Phase ~~I~~ (Initial), ADR Process ~~Task 1~~ Detail and Costs

ADR and Limited PM Oversight				
Item	Function	Capital \$1000	O and M \$1000/yr	Staffing Requirements
1	ADR		100	1
2	PM Oversight		100	1
3	Administrative and Infrastructure		218	
4	Legal		72	
	<b>Total</b>	-	\$490	2

Az ISA Costs		
Item	Cost Item	\$/yr
1	O and M	\$490,000
2	Capital for 2yr	-
	<b>Total</b>	\$490,000

## **Interim Protocols Manual.**

The Interim Protocols Manual (PM) is the set of Protocols as amended and conditionally accepted by the Az ISA board on April 7, 2000. The Az ISA Board approved implementation of the Protocols on an interim basis until a FERC approved Regional Transmission Organization is established. The Board further approved implementation of the Protocols on an interim basis subject to certain conditions being met. Furthermore, implementation of many of the Az ISA organizational responsibilities specified in the PM would be contingent on meeting defined retail transaction levels.

## **Implementation Directives**

### **Protocols Manual**

Protocols Manual Section I “Introduction”, Paragraph 3 – “ During the development of the plan for the Az ISA, the stakeholders determined the need for a set of operational and administrative protocols -- the "Protocols Manual" -- to govern operations of the Az ISA.”

Protocols Manual Section I “Introduction”, Paragraph 3 – “The Protocols Manual, as set forth herein, defines the duties to be performed and the procedures to be followed by the Az ISA, CAOs and TPs that become members of the Az ISA, and SCs.”

### **Az ISA By-laws**

“5.3.3 Develop with interested representatives of the Member Classes the Protocols Manual for the approval of the Board”

“5.3.10. Provide oversight and take action, as required, to ensure compliance with the Protocols Manual and FERC-recognized Standards of Conduct related to transmission access and operation of the Interconnected Transmission System; investigate and take action on complaints related to the application of the Protocols Manual and such Standards of Conduct and to resolve other issues related to discriminatory treatment in the provision of transmission service;”

### **ACC Rule R14-2-1609**

R14-2-1609D-2. “The Arizona Independent Scheduling Administrator shall implement and oversee the nondiscriminatory application of operating protocols to ensure statewide consistency for transmission access. These operating protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, Must-Run Generating Units, energy scheduling, and energy imbalances.”

**Activities included in Phase ~~I4 (Initial)~~, Administer Interim Protocols Manual-Task 2:**

ADR

Administer Protocols Manual

Limited monitoring of TPs OASIS and ARNT scheduling functions

**Activities not included in Phase ~~I4 (Initial)~~, -Task2 Administer PM**

State wide OASIS

State wide scheduling

State wide planning

ARNT auction and trading

Energy Imbalance trading and settlement

**Phase ~~-I4 (Initial)~~, Task 2 Administer PM - Implementation Requirements**

I.	Equipment and Resources	Personal computers, and office supplies
II.	Staffing	1. 2 Data technicians 2. Engineer
III.	Capital	1. 3 PC workstations 2. Office furniture Total \$15K
IV.	O and M Expenses	1. Staffing 2. Other Expenses Total \$259
V.	Timeframe	By November 23,2000
VI.	Implementation	Staff in place by October 23, 2000
VII.	Contingency Plan	No staff in place by October 23, 2000 1. TPs to provide data to Az ISA as needed for ADR and oversight 2. Director available to perform ADR and limited oversight 3. Continue to recruit: (i) engineer, (ii) analysis (part time office manager onboard)

Phase ~~1~~ (Initial), ~~Task 2~~ **Administer PM** - Plan Detail and Costs

April 7 PM w/o Planning/Scheduling or ARNT/EI Additions				
Item	Function	Capital \$1000	O and M \$1000/yr	Staffing Requirements
1	ATC/OASIS		56	1
2	Administer PM	15	112	2
3	Administrative and Infrastructure		19	
4	Legal		72	
	<b>Total Task 2</b>	15	\$259	3.0

Az ISA Costs	
Cost Item	\$/yr
O and M	259,000
Capital for 2yr	8,223
<b>Total</b>	<b>\$267,223</b>

**Phase II2 (Full Compliance), ~~Task 1~~- OASIS and ATC Calculation**

**Implementation Directives**

**Protocols Manual**

Protocols Manual Section 4 “Transmission Reservations and OASIS Management Principles” addresses the approach the Az ISA will utilize to implement a statewide OASIS. Prior to the Az ISA’s implementation of a statewide OASIS, OASIS management for RNITS will continue to be performed by the TPs, with Az ISA oversight. After the Az ISA has implemented the statewide OASIS, the Az ISA will administer this single statewide OASIS for reservations for both RNITS and wholesale transmission service provided pursuant to the TP’s OATT until such time as a RTO takes over such function.

Protocols Manual Section 4 “Transmission Reservations and OASIS Management Principles” addresses the process the Az ISA will utilize to monitor and calculate ATC.

Paragraph 4.3: Az ISA will monitor release of ATC on each TP’s OASIS.

Paragraph 4.4: Az ISA will begin to develop systems to allow it to calculate and update ATC.

**Az ISA By-laws**

“5.3.4 Calculate ATC.

5.3.5 Monitor the OASIS with the ultimate objective of developing and operating one state-wide OASIS on which (i) all ATC is posted, (ii) all transmission reservation requests are received, and (iii) ancillary services and secondary transmission are posted.

5.3.7. Update ATC after receipt of accepted transmission reservations and confirmed energy schedules.

5.3.8 Monitor releases of ATC to ensure compliance with the Protocols Manual.”

**ACC Rule R14-2-1609**

R14-2-1609D-1: “The Arizona Independent Scheduling Administrator shall calculate Available Transmission Capacity (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants and shall develop and operate an overarching statewide OASIS.”

**Activities included in Phase II2 (Full Compliance), ~~Task 1~~ OASIS and ATC Calculation**

Az ISA developed OASIS and Website  
Staff to operate and maintain OASIS  
Staff to monitor ATC

**Activities not included in Phase II2 (Full Compliance), ~~Task 1~~ OASIS and ATC Calculation**

N/A



**Phase ~~II~~ (Full Compliance), ~~Task 1~~ - OASIS and ATC Calculation Implementation Requirements**

I. Equipment and Resources	<ol style="list-style-type: none"><li>1. 2 PC workstations</li><li>2. Office furniture</li><li>3. High speed data communication link</li><li>4. Adapt existing OASIS site</li></ol>
II. Staffing	2 engineers
III. Capital	<ol style="list-style-type: none"><li>1. 2 PC workstations</li><li>2. Office furniture</li></ol> Total \$15K
IV. O and M Expenses	<ol style="list-style-type: none"><li>1 Staffing \$200K</li><li>2. OASIS site \$10K</li></ol> Total \$210
V. Timeframe	Post October 15, 2000
VI. Implementation	<ol style="list-style-type: none"><li>1. Az ISA Technical workgroup will determine technical requirements of Az ISA OASIS site</li><li>2. Az ISA Technical workgroup to determine data, software and hardware needed for Az ISA to compute ATC, CU and TTC</li><li>3. Post October 15, 2000 specifics will determine timetable for staffing, equipment and facilities requirements.</li><li>4. Recruit staff</li></ol>
VII. Contingency Plan	TPs to provide data to Az ISA as needed

<b>OASIS and ATC Calculation</b>				
Item	Function	Capital \$1000	O and M \$1000/yr	Staffing Requirements
1	ATC/OASIS	15	210	2
2	Administer PM			
	<b>Total</b>	15	210	2

<b>Az ISA Costs</b>	
Cost Item	\$/yr
O and M	210,000
Capital for 2yr	8,223
<b>Total</b>	<b>\$218,223</b>

**Phase II2 (Full Compliance), Task 2 - State Wide Standardized Scheduling Procedure (including Wholesale)**

**Implementation Directives**

**Protocols Manual**

Protocols Manual Section VI “Scheduling Protocol” defines the processes and requirements for scheduling energy over specific transmission path(s) for Retail Network Load.

**Az ISA By-laws**

“5.3.6. Receive transmission reservation requests and energy schedules concurrently with receipt by Member control area operators and transmission owners”

**ACC Rule R14-2-1609**

R14-2-1606D-4. “All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants shall be made to, or through, the Arizona Independent Scheduling Administrator using a single, standardized procedure.”

**Phase II2 (Full Compliance), Task 2 - State Wide Standardized Scheduling Procedure (including Wholesale) Implementation Plan**

I.	Equipment and Resources	1. 2 Scheduling consoles 2. 4 PC workstations
II.	Staffing	1. 2 – 7x24 Scheduling Desks 10 – Schedulers 2. 3 Preschedulers 3. Supervisor
III.	Capital	1. Scheduling Software \$500k 2. Network Software, Interface to TPs, Voice recorder, Computer hardware and PCs -- \$200k
IV.	O and M Expenses	1. Payroll \$1,400k 2. Technical support services \$45k
V.	Timeframe	Post October 15, 2000
VI.	Implementation	Hire personnel, procure hardware and software by September 1, 2000
VII.	Contingency Plan	Using staff identified under “Monitoring PM”: TPs to copy schedules to Az ISA as requested

<b>State Wide Standardized Scheduling Procedure (including Wholesale) State-wide Scheduling</b>				
Item	Function	Capital \$1000	O and M \$1000/yr	Staffing Requirements
1	State wide scheduling	700	1,445	14
	<b>Total</b>	700	1,445	14

<b>Az ISA Costs</b>	
Cost Item	\$/yr
O and M	1,445,000
Capital for 2yr	383,752
<b>Total</b>	<b>\$1,828,752</b>

## Implementation Directives

### Protocols Manual

Protocols Manual Section III “Total Transmission Capability (TTC) Determination Principles” identifies transmission planning/operations areas that the Az ISA will participate subject to the Az ISA Board’s direction.

- “2. Subject to the Board’s Direction, the Az ISA Executive Director shall:
- 2.1 Participate in the determination of TTC and Committed uses within the Interconnected Transmission System and revisions thereto.
  - 2.2 Cause the Az ISA to become an affiliate member of the WSCC.
  - 2.3 Participate in SWRTA-sponsored regional coordinated transmission planning efforts.
  - 2.4 Attend, as needed, WSCC Operational Transfer Capability Study Group (OTCSG) meetings for discussion of seasonal ratings on qualified paths within the AZ-NM sub-region of the WSCC.
  - 2.5 As Operating Committee chair, preside over efforts to achieve consistent application of Committed Use determinations within the Interconnected Transmission System.
  - 2.6 Participate in Arizona joint-utility operating and planning study efforts for TTC.
  - 2.7 Participate in the coordination of transmission maintenance schedules among TPs.”

### Az ISA By-laws

“5.3.2 Participate in (i) operating studies used to determine TTC, (ii) coordination of transmission maintenance schedules, (iii) Member control area operators’ and transmission owners’ determination of TTC, and (iv) determination of committed uses on the Interconnected Transmission System”

### ACC Rule R14-2-1609

R14-2-1609D-5 “The Arizona Independent Scheduling Administrator shall implement a transmission planning process that includes all Arizona Independent Scheduling Administrator participants and aids in identifying the timing and key characteristics of required reinforcements to Arizona transmission facilities to assure that the future load requirements of all participants will be met”

**Phase ~~II~~ (Full Compliance), ~~Task 3~~ - State Wide Transmission Planning Implementation Plan |**

I.	Equipment and Resources	2 High-end PC workstations
II.	Staffing	2 – Planning engineers
3.	Capital	Workstations and office equipment Total 20K
4.	O and M Expenses	Payroll \$200K
5.	Timeframe	Post October 15, 2000
6.	Implementation Plan	Hire experienced personnel, procure hardware and software.
7.	Contingency Plan	Participate in SWRTA, WSCC and Arizona operating and planning studies. Continue to recruit for planning engineers.

Phase ~~II~~ (Full Compliance), ~~Task 3~~ – State Wide Transmission Planning Plan Detail and Costs

<b>State Wide Transmission Planning</b>				
Item	Function	Capital \$1000	O and M \$1000/yr	Staffing Requirements
1	State wide planning	20	200	
	<b>Total</b>	20	200	2

<b>Az ISA Costs</b>	
Cost Item	\$/yr
O and M	200,000
Capital for 2yr	10,964
<b>Total</b>	<b>\$210,964</b>

**Phase II3 (Expanded Features), Task 1 - Additional PM Requirements -- Allocated Retail Network Transmission Protocol (ARNT) and Energy Imbalance (EI) Trading, Auction and Settlements**

**Implementation Directives**

**Protocols Manual**

Protocols Manual Section V “Allocated Retail Network Transmission Protocol” identifies ARNT auction and trading mechanisms.

Protocols Manual Section IX “Energy Imbalance Protocol” identifies EI trading and settlement mechanisms

**Phase II3 (Expanded Features), Task 1 --Implementation Plan  
Allocated Retail Network Transmission Protocol (ARNT) and Energy Imbalance (EI) Trading, Auction and Settlements**

I.	Equipment and Resources	2 PC workstations
II.	Staffing	2 – Accounting Technicians
III.	Capital	Workstations and office equipment Trading and settlement software Total 1,020K
IV.	O and M Expenses	Payroll 100K
V.	Timeframe	Board approval of business plan prior to June 30,2001 and competitive retail load levels reach 500 MW
VI.	Implementation Plan	Hire experienced personnel, procure hardware and software.
VII.	Contingency Plan	None



**Phase II3 (Expanded Features), ~~Task 1~~ - Plan Details and Costs**  
Allocated Retail Network Transmission Protocol (ARNT) and Energy Imbalance (EI) Trading, Auction and Settlements

<u>Allocated Retail Network Transmission Protocol (ARNT) and Energy Imbalance (EI) Trading, Auction and Settlements</u> <del>Additional Requirements -- ARNT and EI</del>				
Item	Function	Capital \$1000	O and M \$1000/yr	Staffing Requirements
1	ARNT and EI	10	2,100	2
	<b>Total</b>	10	2,100	2

<b>Az ISA Costs</b>	
Cost Item	\$/yr
O and M	2,100,000
Capital for 2yr	5,482
<b>Total</b>	<b>\$2,105,482</b>

## **SUMMARY of REVISIONS**

### **Revision 1 8/21/00**

- 1 Updated Phase I (Initial) ADR Process and Administer PM cost tables to track 2001 budget estimates in Detailed Implementation Plan:
  - a. Full time Office Manager
  - b. Legal Costs
  - c. Add 10% for budget contingencies
- 2 Revised summary costs in Executive Summary to reflect #1
- 3 Revised Plan's phase implementation naming convention to correspond with PM.
- 4 Added Summary of Revisions section

## APPENDICES

- Appendix A - Az ISA Membership List
- Appendix B - Board of Directors
- Appendix C - April 7, 2000 Resolution

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

**APPENDIX A**

**Transmission Facilities Providers**

Class Chair – Mike Raezer, TEP

Member	Representative	Alternate
Arizona Electric Power Cooperative (AEPCO)	Larry D. Huff	Patricia Cooper
Arizona Public Service Company (APS)	Cary Deise	Robert Smith
Electrical District #3 of Pinal County	Grant R. Ward	Dennis L. Delaney
Graham County Electric Cooperative	Nelson Peck	Larry D. Huff
Tucson Electric Power Company (TEP)	Michael Raezer	Ed Beck

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

**Local Load Serving Entities**

Class Chair – Resal Craven, Citizens Utilities

Member	Representative	Alternate
Aguila Irrigation District	Henry A. Brubaker	Dennis L. Delaney
Ak-Chin Indian Community	Leonard S. Gold	Dennis L. Delaney
Buckeye Water Conservation & Drainage District	Jackie Meck	Dennis L. Delaney
Chandler Heights Citrus Irrigation District	Dan Kleinman	Dennis L. Delaney
Citizens Utilities Company	Resal A. Craven	Tyge Legier
City of Mesa	John Branch	Jerry Brouwer
City of Safford/Gila Resources	Kenneth Mecham	Dennis L. Delaney
City of Williams	Dennis Dalbeck	Michael Margrave
Duncan Valley Electric Cooperative	Jack Shilling	Patricia Cooper
Electrical District #7 of Maricopa County	R. D. Justice	Dennis L. Delaney
Electrical District #8 of Maricopa County	James Downing	Dennis L. Delaney

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

Member	Representative	Alternate
Electrical District #1 of Pinal County	Grant R. Ward	Dennis L. Delaney
Electrical District #2 of Pinal County	Thomas S. Martin	Andrew McBride
Electrical District #4 of Pinal County	Ron McEachern	Dennis L. Delaney
Electrical District #5 of Pinal County	William D. Woehlecke	Dennis L. Delaney
Electrical District #6 of Pinal County	Henry C. Douglas	Dennis L. Delaney
Harquahala Valley Power District	Jeffrey J. Woner	Dennis L. Delaney
HoHoKam Irrigation & Drainage District	Jack Long	Thomas S. Martin
Maricopa Water District	James R. Sweeney	Dennis L. Delaney
McMullen Valley Water Conservation & Drainage District	James D. Downing	Dennis L. Delaney
Navajo Tribal Utility Authority	Randall N. Medicine Bear	Walter F. Wolf, Jr.
Ocotillo Water Conservation District	Jackson Bogle	Dennis L. Delaney
Page Electric Utility	William Kent Romney	Rolland McHaney

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

Member	Representative	Alternate
Roosevelt Irrigation District	Stanley H. Ashby	Dennis L. Delaney
Salt River Project	Robert E. Kondziolka	Jessica J. Youle
San Tan Irrigation District	Ardith Viste	Dennis L. Delaney
Sulphur Springs Valley Electric Coop.	Creden W. Huber/ Anselmo Torres	Patricia Cooper
Tonopah Irrigation District	Elizabeth Story	Dennis L. Delaney
Town of Thatcher	Terry Hinton	Dennis L. Delaney
Town of Wickenburg	Tom Candelaria	Dennis L. Delaney
Trico Electric Cooperative	Charles N. Emerson	Ron Brown
Wellton-Mohawk Irrigation & Drainage District	Cory Prochaska	C. L. Gould

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

**Aggregators**

Class Chair – Patricia (Trish) Gambino

Member	Representative	Alternate
Arizona Public Service Energy Services	Bob Anderson	Barbara Klemstine
Avra Valley Irrigation & Drainage District	John Kai, Jr.	Michael A. Curtis
Cortaro-Marana Irrigation District	Robert Condit	Michael A. Curtis
Eastern Competitive Solutions	Leroy Michael	Michael A. Curtis
Enron Energy Services	Tom Delaney	Marcie A. Milner
Mohave Electric Cooperative, Inc.		Leroy Michael
Navopache Electric Cooperative, Inc.	Leroy Michael	
New Energy Ventures Southwest	Phil Harper	Tracey Fitchitt



**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

**Independent Generators & Wholesale Power Marketers**

Class Chair – Vann E. Prater, Dynegy

Member	Representative	Alternate
Arizona Power Authority	Donald J. Esgar	James P. Bartlett
California Power Exchange, Corp.	Martin B. Ochotorena	Kenneth A. Fiscella
Calpine	Ralph Hollenbacher	Richard Zahner
Constellation Power Source, Inc.	Bruce McAllister	Jason Cox
Dynegy, Inc.	Vann E. Prater	Barry N. P. Huddleston
Enron Energy Services	Tom Delaney	Marcie A. Milner
Griffith Energy	Dana L. Diller	Jay I. Moyes
Pinnacle West Energy Corporation	David Rumolo	Justin Thompson
Reliant Energy Wholesale Group	John Orr	John Simpson
Southern Company Energy Marketing	Richard Menar	Bobby Campo

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

**End Users**

Class Chair – Andrew Gregorich, BHP Copper

Member	Representative	Alternate
Agri-Business Council of AZ	David C. Iwanski	Joseph F. Abate
Arizonans for Electric Choice & Competition	Kevin Higgins	
Central Arizona Water Conservation District	John D. Newman	Tom Delgado
Honeywell	David M. Mills	Kevin Higgins
Irrigation & Electrical Districts Association	Robert S. Lynch	R. Gale Pearce
ON Semiconductor	Dave Madden	
Phelps Dodge Corporation	Tim Summers	Choi Lee
Residential Utility Consumers Office	Lindy Funkhouser	Brian Townsend

**Arizona Independent Scheduling Administrator Association (Az ISA)  
Membership List**

**Ex officio Class**

Member	Representative	Alternate
Arizona Corporation Commission	Ray T. Williamson	Asher D. Emerson

## APPENDIX B

### Arizona Independent Scheduling Administrator Association (Az ISA)

#### Board of Directors April 2000

##### **Transmission Facilities Providers Class**

Larry Huff, Arizona Electric Power Cooperative (2 years)  
Cary Deise, Arizona Public Service Company (1 year)

##### **Local Load Serving Entities Class**

Dennis Delaney, K. R. Saline & Associates (consultant) (2 years)  
Rob Kondziolka, Salt River Project (1 year)

##### **Aggregators Class**

(Vacant) (1 year)  
Leroy Michael, consultant (2 years)

##### **Independent Generators and Wholesale Power Marketers Class**

Vann E. Prater, Dynegy (1 year)  
Vacant (2 years)

##### **End-Use Customers Class**

Kevin Higgins, Energy Strategies, Inc. (consultant) (2 years)  
Lindy Funkhouser, Residential Utility Consumers Office (1 year)

##### **Acting Executive Director**

Patrick J Sanderson, Arizona ISA

## APPENDIX C

### APRIL 7, 2000 AISA Resolution AS AMENDED AND APPROVED BY THE AISA BOARD ON APRIL 7, 2000.

The AISA Board recognizes that the functions performed by the AISA are on an interim basis until a FERC approved Regional Transmission Organization is established. Therefore, the Board conditionally accepts the AISA Protocols as presented April 7, 2000. The Board further approves implementation of the Protocols on an interim basis subject to the following conditions:

- 1) The FERC regulated transmission owners (APS and TEP) will file the Protocols with FERC with notice of this Board's conditional approval in substitution for the draft AISA protocols which they had previously filed;
- 2) AISA will recognize SRP's substitution of the applicable portion of its Board approved protocols for the ARNT (except as set forth in (4) below), Must Run and Energy Imbalance Protocols. For those protocols other than ARNT, Must Run and Energy Imbalance SRP will recommend to the SRP Board to adopt the AISA protocols as soon as practicable and will fully implement the AISA Protocols when 50% of the direct retail access load in Section 4.3.4.1 (5) of AISA Protocol No. V is achieved. For the ARNT, Must Run and Energy Imbalance Protocols SRP will recommend to the SRP Board to adopt the AISA Protocols when both of the following occur: a) direct access load in the SRP distribution territory reaches 200 MW and b) statewide retail access reaches 500 MW.
- 3) By means of an appropriate instrument submitted with their regulatory authority and the AISA, the AISA transmission owners (APS, TEP, AEPCO and SRP) agree that solely for the limited purpose of furthering the interim AISA functions, each shall instruct its Scheduling Coordinator (for standard offer service) to exchange part of its standard offer ARNT as set forth in Paragraph 4 below, (approximately 500 MW for the State) to competitive Scheduling Coordinators serving load within the transmission owner's service area until such time as the AISA implements an ARNT auction and trading mechanism. Any AISA ARNT auction and trading or Energy Imbalance trading will not be implemented by the Board until competitive direct access load in Arizona exceeds 500 MW and the condition in Paragraph 7 below is met. Therefore, with regard to Protocol V and Protocol IX, implementation approval is granted at this time only for Section 4 of Protocol No. V (ARNT) as revised below, Section 3.6.1 of Protocol No. IX (Energy Imbalance), and such other sections of Protocol Nos. V and IX as may be necessary to implement these sections, respectively;
- 4) The following changes shall be and hereby are made to the ARNT protocol:
  - a) Section 4.3.4.1 is deleted in its entirety and replaced with the following:

"4.3.4.1 As an addendum to the procedure specified in Section 4.3.3, until any ARNT auction is approved and implemented, each TP's Standard Offer SC shall exchange up to an amount of MW (set forth by the individual TP below) of ARNT from the Standard Offer SC to Competitive SCs for service to retail load within the transmission owner's service territory, at the request of the Competitive SCs, in return for a Competitive SC's exchange to Standard Offer SC of an equal amount of ARNT on other ARNT paths to the same Load Zone.

    - (1) For Arizona Public Service Company (APS): The amount shall equal 200 MW from Palo Verde to the APS Load Zones.
    - (2) For Tucson Electric Power Company (TEP): The amount shall equal 80 MW from Four Corners to the TEP Load Zone.
    - (3) For Arizona Electric Power Cooperative, Inc. (AEPCO): The amount shall equal 4 MW from Westwing to Vail to service Retail Network Load in the Southeastern Arizona Load

Zone and 5 MW at Westwing for deliveries to the Western Area Power Administration to service Retail Network Load in the Mohave Electric Cooperative Load Zone.

- (4) For Citizens Utilities Company (Citizens Utilities): This Section 4.3.4.1 shall not apply to Citizens Utilities because there is only one ARNT path to each relevant Citizens Utilities' Retail Network Load Zone.
  - (5) For Salt River Project Agricultural Improvement and Power District (SRP): The amount shall equal 200 MW from Palo Verde to the SRP Load Zone.”
- b) In Section 4.3.4.2, the commitment dates of “September 1, 2000” and “December 31, 2000” shall be changed respectively to “September 1, 2001” and “December 31, 2001”;
- 5) The Protocols shall not be used to establish a precedent for transmission service to wholesale customers or for transmission service to be developed under Desert STAR and FERC regulated transmission owners shall include such statement and their agreement to it in any filing made with FERC seeking approval of implementation of the Protocols conditionally approved herein;
  - 6) An AISA Monitoring Plan shall be developed and presented to the Board for approval prior to September 1, 2000;
  - 7) The AISA shall develop a Business Plan for consideration and approval by this Board prior to June 30, 2001, covering all aspects of AISA activities after that date including any ARNT auction or energy imbalance trading mechanism;
  - 8) For energy imbalance penalties the dead band will be + or – 10%; outside the dead band the penalty will be 10% of the cost. The matrix in the protocols will be deleted.
  - 9) The FERC Filing Package to be presented to this Board for its consideration and approval prior to filing shall be consistent with this resolution. The AISA staff shall simultaneously present to the Board a detailed plan indicating how the AISA will perform the obligations it represents it will perform upon approval of its filing;
  - 10) Change Section 4.8 of the March 2000 draft Protocols Part VIII, Must Run to read: Recovery of Must-Run Generation Fixed Costs occurs as part of the retail end-use customers' service charge regulated by the ACC. Must-Run Generation Fixed Costs are the Fixed Costs associated with specific Must-Run Generation units. Must-Run Generation Fixed Costs will be limited to the percentage of each Must-Run Generation unit's annual usage that is attributable to providing Must-Run Generation service.