

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Minutes from the Second Regular Meeting (2002) of Board of Directors
June 4, 2002

TELECONFERENCE

APPROVED MINUTES

I. Call to Order

Acting Executive Director Patrick J. Sanderson called the meeting to order at 9:35 a.m.

II. Establish Quorum

The presence of a quorum was ascertained.

Directors Present (via teleconference): Ed Beck, Charles N. Emerson, Andrew D. Gregorich, Kevin Higgins, Larry D. Huff, Mike McElrath, and Patrick J. Sanderson (Chair). *Directors Absent:* Curtis Kebler, Vann E. Prater, and Vicki Sandler

Others Present: Peggy Drumm, Steven R. Henry, Barbara Jost, Glenn Martin, Marcie Otondo, and Alan Propper.

III. Welcome and Introductions

All present were welcomed and introduced.

IV. Appoint Corporate Secretary

Peggy Drumm was appointed as Corporate Secretary for the meeting.

V. Approve Agenda

After a brief discussion, it was duly moved and seconded by Mike McElrath and Ed Beck, respectively, to approve the agenda. The motion was approved.

VI. Approve Minutes from January 30, 2002 Meeting

Pat Sanderson referred to copies of the January 30 Special Board meeting minutes, which had been provided previously via e-mail. It was duly moved and seconded by Larry Huff and Charles Emerson, respectively, to approve the January 30 minutes as written. The motion was approved.

VII. Status of Az ISA FERC Tariff Amendment (Docket No. ER02-348-000)

Pat Sanderson asked Barbara Jost to provide an update of the Az ISA FERC Tariff amendment. Ms. Jost explained that the April 11, 2002 FERC order accepted the Az ISA amendment effective December 15, 2001. The order extends the tariff to the earlier of the termination of services under the Az ISA Tariff or the operational date of a Regional Transmission Organization that serves the retail load in the service territories to which the Protocols Manual apply. She noted that the deadline for rehearing has passed, so the order is final. Ms. Jost advised the Board that APS has filed for a corresponding order on their OATT, but an order has not yet been issued. There have been no interventions.

There was some discussion regarding whether TEP needed to make a corresponding filing at the FERC. Ed Beck said that TEP has reviewed their OATT and does not see a need for such filing.

At Mr. Sanderson's request, Ms. Jost updated the Board regarding the ACC v. FERC court case. Ms. Jost explained that there had been a conference call with the court mediator a week or so ago, and that ACC, APS and TEP had agreed to withdraw their appeals. Ms. Jost noted that she had not yet seen it, but the ACC has drafted a stipulation. After the stipulation is filed, the FERC will issue an order.

Ms. Jost noted that the only other upcoming issue regarding the FERC that might affect the Az ISA would be the FERC's order regarding standard market design, which should be issued before the FERC's August recess.

Mr. Sanderson added that he had asked Ms. Jost to review the FERC public utility reporting order. Ms. Jost noted that the FERC has modified the public utility reporting rules, and under the modified rules the Az ISA has no reporting requirements. Ms. Jost will provide Mr. Sanderson with the dated memo, which he will distribute to the Az ISA membership.

VIII. Status of ACC Generic Restructuring Docket (E-00000A-02-0051)

Pat Sanderson advised the Board that, based on review of the ACC filings, the Az ISA is not yet under consideration. Indications are that the Az ISA could come up for consideration in late summer. He inquired whether anyone else had further information. Kevin Higgins suggested that one of the items that should be monitored is the issue of market power and load pockets. He noted that one of the Az ISA Protocols is relevant to these issues. Mr. Sanderson noted that market monitoring is included in the Az ISA Protocols.

IX. Errors and Omissions Insurance Renewal

Pat Sanderson advised the Board that a binder had been obtained for E&O insurance for June 1, 2002 – June 1, 2003, and he explained the basis for the choice. The coverage will be for \$1,000,000 per wrongful act/\$3,000,000 aggregate, with \$25,000 deductible. The

annual premium is \$16,172. Quotes had been obtained for coverages of \$1M/\$1M, \$1M/\$3M, and \$2/\$5M with both \$25,000 and \$50,000 deductibles. Mr. Sanderson will provide the information to the Board members via e-mail.

At 9:55 a.m. Kevin Higgins left the meeting, and a quorum was no longer present. It was agreed to continue the meeting in an informational-only format. Ms. Jost also left the meeting.

Pat Sanderson explained that he had received a memo from WECC that suggested that class 4 would be the appropriate class for the Az ISA. Mr. Sanderson suggested that the Az ISA not join the WECC at this time but, instead, monitor the activities through relevant committee informational lists.

Pat Sanderson stated that an issue of proxy voting by Board members had been raised at the May 8 informational meeting and that he had asked Steve Henry to research the issue. Mr. Henry's memo reviewing the relevant statutes was provided previously via e-mail. Mr. Henry explained that he found no Arizona statutes that allow non-profit corporations to use alternate directors. He said that currently the Az ISA By-laws do not allow proxy voting by directors, but the By-Laws could be amended in order to allow proxy voting. He pointed out that proxies do not satisfy quorum requirements, however, so the 2/3-quorum requirement would still be in effect unless amended. Larry Huff expressed concerns about proxy voting by directors. He noted that he would be against proxy voting and against a change in the quorum requirements. Mr. Sanderson said he would keep the issue on the agenda for the next meeting, so it could be discussed when there was a quorum.

Pat Sanderson reviewed the March financial statements, provided previously via e-mail, and noted that they are in the new format complying with GAAP standards. Larry Huff inquired whether the financial statements needed to be approved by the Board each month. Steve Henry advised that approval of quarterly statements is adequate and that it was not necessary for approval by the Board to be recorded.

Pat Sanderson said that he had sent a letter to SRP, provided previously to the Board via e-mail, regarding the status of the SRP capitalization loan, because the accountant has indicated a need to clarify Note B of the financial statements relating to the loan balance. There has not yet been a response to the letter. There was some discussion, wherein Steve Henry explained some of the legal aspects of the issue. Mr. Sanderson said he would consider revisions to the financial statement's footnotes for next month's financial statements.

Pat Sanderson reviewed the budget/cash flow spreadsheet and the cash flow report for May – June. Mr. Sanderson provided status reports on the federal and state informational tax filings, which had been filed before the due date of May 15. He also said that the required annual report and an amendment have been filed with the Arizona Corporation Commission.

Pat Sanderson reviewed the current membership list, which was provided previously via e-mail. He noted there is a smaller membership than previously, and he will make another attempt before the annual meeting to finalize the membership. He pointed out that the Aggregator class is still

without a quorum, and it may be necessary to ask it to combine with another class. It was noted that there is a Local Load Serving Entity Board position unfilled.

Pat Sanderson noted that the activity report, provided previously via e-mail, includes activities through April. Activities for May will be included in the next report.

Pat Sanderson announced that the next regular Board meeting and the annual members' meeting are scheduled for Tuesday, September 10. Information regarding the meetings will be provided to the membership in early August. Mr. Sanderson said he will continue to monitor the ACC events and will schedule a special meeting if it is indicated. Any three Board members can also request a special Board meeting, as needed.

Pat Sanderson will distribute the FERC utility reporting requirements memo to the Board members.

The meeting adjourned at approximately 10:30 a.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Regular Board Meeting of Board of Directors
June 4, 2002 at 9:30 A.M. MST

TELECONFERENCE

APPROVED AGENDA

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|--------------|---|--------------------------|
| I. | Call to Order | |
| II. | Establish Quorum | |
| III. | Welcome and Introductions | |
| IV. | Appoint Corporate Secretary | |
| V. | Approve Agenda | Approval Item |
| VI. | Approve Minutes from January 30, 2002 Board Meeting | Approval Item |
| VII. | Status of Az ISA FERC Tariff Amendment
(Docket No. ER02-348-000) | Update |
| VIII. | Status of ACC Generic Restructuring Docket
(E-00000A-02-0051) | Update |
| IX. | Errors and Omissions Insurance Renewal | Update |
| X. | WECC Membership | Update/Discussion |
| XI. | Proxy Voting by Board Members—New Item | Discussion |
| XII. | Az ISA Staff Report | |
| | a. Financial Report (March Financial Statements) | |
| | b. Budget/Cash Flow | |
| | c. Cash Flow Report (May - June) | |
| | d. Federal and State Tax Filing | |
| | e. Annual Az ISA Corporate Report to the State | |
| | f. Membership Update | |
| | g. Activity Report | |
| XIII. | Other Business | |
| XIV. | Next Board Meeting | |
| XV. | Adjourn | |

Conference Call for Special Board Meeting, as follows:

- 9:30 a.m. (Arizona time/MST)
- Call-in Number: 1-866-248-0553
- Enter Room Number (including star keys): *3523531*
- US West 1-800-263-3863 (in case of problems)