

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Minutes from the Thirty-Ninth Special Meeting of Board of Directors
December 4, 2001

Arizona Independent Scheduling Administrator Association
615 South 43rd Avenue, APO Building (WAPA Complex)
Phoenix, Arizona

APPROVED MINUTES

I. Call to Order

Acting Executive Director Patrick J. Sanderson called the meeting to order at 10:00 a.m.

II. Establish Quorum

The presence of a quorum was ascertained.

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

Others Present: Peggy Drumm, Asher Emerson, Steven R. Henry, and Alan Propper. Marcie Otondo joined the meeting via teleconference.

III. Welcome and Introductions

All present, in person and via teleconference, were welcomed and introduced.

IV. Appoint Corporate Secretary

Peggy Drumm was appointed as Corporate Secretary for the meeting.

V. Approve Agenda

It was duly moved and seconded by Kevin Higgins and Vann Prater, respectively, to approve the agenda. The motion was approved.

VI. Approve Minutes from October 23, 2001 Meeting

Pat Sanderson referred to copies of the October 23, 2001 Special Board meeting minutes, which were provided in the Board package. It was duly moved and seconded by Vann

Prater and Mike McElrath, respectively, to approve the October 23 minutes as written. The motion was approved.

VII. ACC AZ ISA Docket #E-0000A-01-0630

Copies of the ACC Staff Report regarding ACC Docket #E-0000A-01-0630 were distributed. Pat Sanderson advised the Board that the only additional filing under the docket that he was aware of was a letter from Commissioner Irvin to Commissioners Mundell and Spitzer, but he did not have a copy of it.

Asher Emerson provided a brief report on the docket status and advised the Board that there had been no procedural order to schedule any hearings yet. There was discussion of the report and discussion of what steps the Board should take next, if any. Alan Propper offered that, based on the Commission Irvin letter, the question may be that the existence of the Az ISA may be a contributing factor as to how the FERC will view the rate cases of APS and TEP. Vann Prater indicated the existence of the Az ISA is irrelevant to the FERC's position on this issue. Mr. Sanderson advised that he would try to get copies of documents filed in the ACC docket, such as Commissioner Irvin's letter, and would distribute them to the Az ISA membership.

Discussion continued on an Az ISA Board response in the Docket. Alan Propper stated that he would like to be certain that the Az ISA Board is doing what it was established to do rather than self preservation. A discussion followed regarding the purpose of the Az ISA. Larry Huff expects that the Az ISA staff will prepare the draft without incurring any legal costs. He also noted that this motion does not approve the draft for submittal to the ACC. After further discussion, and withdrawal of a draft motion by Vicki Sandler, the following motion was duly made and seconded by Vann Prater and Mike McElrath, respectively:

MOTION: To direct Pat Sanderson to draft a position paper for Board discussion and approval for filing with the ACC in Docket ##E-0000A-01-0630 that addresses some of the reasons for existence of the Az ISA and the inconsistencies of the ACC Staff recommendations.

The motion was unanimously approved.

Upon inquiry, Asher Emerson noted that the TPs were asked to submit legal opinions to ACC staff to support assertions made in their September 5, 2001, filings on FERC issues and that those opinions would be docketed. It was agreed among the Board that the Az ISA would not submit a legal opinion.

VIII. Monthly Financial Compilation Report

Pat Sanderson explained that, based on insurance carrier recommendations, the AZ ISA accountant had added examples of an exceptions letter to the October draft monthly financials. Included in the Board package was a copy of the draft October financials with

the exceptions letter, as well as a copy of an example of financials prepared for a non-profit organization that conforms to GAAP and FSAS 171. Mr. Sanderson explained several options, which were discussed by the Board. After discussion, it was agreed that Mr. Sanderson would determine the cost of the changes required to comply with GAAP and FSAS 171 that would eliminate the exceptions, and Vicki Sandler and Larry Huff would consult with their respective accountants to provide an opinion on the matter of exceptions to financial statements.

IX. Draft 2002 Annual Budget

Pat Sanderson reviewed the revised draft 2002 budget included in the Board packet. Mr. Sanderson noted that the figures were based on typical corporate affairs based on current level of activity. Also included in legal costs were services involving the three regular Board meetings. It was noted that the insurance costs include a 20% estimated increase for D&O and E&O insurance. After discussion, and note of some spreadsheet errors in the Total column, it was duly moved and seconded by Kevin Higgins and Mike McElrath, respectively, as follows:

MOTION: To approve the budget with the corrections made in this discussion. Pat Sanderson is directed to mail out a corrected version of the 2002 budget as soon as possible.

Alan Proper requested that additional assumptions be noted on the budget.

The motion was approved.

The meeting recessed for lunch at 11:45 a.m. and reconvened at 12:15 p.m. A quorum was no longer present. It was also noted that no approval items remained on the Board's agenda. Board members in attendance: Kevin Higgins, Larry Huff, Mike McElrath, Vann Prater, and Pat Sanderson.

X. D&O Insurance Renewal

Pat Sanderson discussed with those present that there is a likelihood of increases to the D&O insurance premiums as a result of recent national events. A letter from the current carrier was included in the information distributed to the Members, which explained that coverage may not be renewed, premiums could be increased, coverage could be reduced, deductibles could be increased, etc. Steve Henry explained that the situation is typical and industry-wide and provided some options that could reduce premiums:

1. Reducing coverage. Original amounts may have been based on an expectation of a higher level of activity. Limits could be reduced to \$1M per claim and \$3M aggregate. Limits could be increased later if business level increased.
2. Increasing deductibles. A deductible of \$10,000 per claims could be reasonable.

3. Keeping attorney's fees inside limits, versus outside limits.
4. Consider an "excess limits" policy, which covers excess liability of a primary D&O policy and is tapped only if the claim exceeds the underlying coverage.

Mr. Henry explained that there is time to have the broker search the market for better coverage with the current carrier or find another carrier. Various combinations of coverages and deductibles could be considered. He noted that the Az ISA does not currently appear to have a high level of exposure or risk. Kevin Higgins suggested soliciting bids for the exact current coverage as well in order to provide a benchmark for comparison.

XI. Az ISA Staff Report

- a. Draft Financial Report – October Financials.** Pat Sanderson reviewed the draft October Financial Report provided in the information distributed to the Membership. He will check on the status of the SRP loan issue.
- b. November – December Cash Flow Report.** Pat Sanderson reviewed the November – December Cash Flow Report provided in the information distributed to the Membership. He explained that, depending on the actions of the ACC and the computers that may be donated by APS, money is still allocated for a new computer server.
- c. 2001 Budget.** Pat Sanderson reviewed the 2001 Budget/Cash Flow spreadsheet provided in the information distributed to the Membership. He will make similar corrections to the spreadsheet format as were noted in the 2002 budget.
- d. 2002 Annual Membership Dues.** Pat Sanderson referred to the membership list included in the information distributed to the Membership and advised those present that the membership dues invoices will be sent out by December 15 according to Az ISA By-laws.
- e. Employee Benefits Survey and Costs.** Pat Sanderson advised those present that he is still collecting data and will provide the Board with information when it becomes available, probably after the first of the year.

XII. Other Business

A discussion on the Az ISA FERC filing noted that the FERC Notice of Filing in the November 15, 2001 Az ISA filing to extend the ARNT allocation methodology was distributed via e-mail. According to the notice, motions to intervene or protest should be filed with the FERC on or before December 6, 2001.

XIII. Next Board Meeting

A regular Board meeting is scheduled for Wednesday, January 9, 9:30 a.m., at the WAPA offices, APO Building conference room.

XIV. Adjourn

There being no further business, the meeting was adjourned at approximately 12:50 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

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ADMINISTRATOR ASSOCIATION**

Thirty-Ninth Special Meeting of Board of Directors
December 4, 2001 at 9:30 A.M. MST

Arizona Independent Scheduling Administrator Association
615 South 43rd Avenue, APO Building (WAPA Complex)
Phoenix, Arizona

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 October 23, 2001 Board Meeting | Approval Item |
| VII. | ACC Az ISA Docket #E-0000A-01-0630 | Discussion |
| VIII. | Monthly Financial Compilation Report | Discussion |
| IX. | Draft 2002 Annual Budget | Review-Approval |
| X. | D&O Insurance Renewal | Discussion |
| XI. | Staff Report | |
| | a. Draft Financial Report – October Financials | |
| | b. November – December Cash Flow Report | |
| | c. 2001 Budget | |
| | d. 2002 Annual Membership Dues | |
| | e. Employee Benefits Survey and Costs | |
| XII. | Other Business | |
| XIII. | Next Board Meeting | |
| XIV. | Adjourn | |

Conference Call for 39th 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)