

**ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR  
ASSOCIATION**

Minutes from the Twenty-First Special Meeting of Board of Directors  
February 18, 2000

Grand Canyon State Cooperative,  
120 North 44<sup>th</sup> Street, Suite 100, Phoenix, AZ

**I. Welcome and Introductions**

Upon ascertaining the presence of a quorum, Acting Executive Director Patrick J. Sanderson called the Meeting to order at 9:40 a.m. All present were welcomed and introduced.

*Directors present:* Prem Bahl, Cary Deise, Dennis Delaney, Tom Delaney, Patricia (Trish) Gambino, Kevin Higgins, Larry Huff, Rob Kondziolka, Leroy Michael, and Pat Sanderson (Chair). *Directors absent:* Barry Huddleston. *Others present:* Joe Paul (via phone), Jessica Youle, Lindy Funkhouser, Steve Henry, Tom Martin, Donald Allen, Stephen Larsen, Robert Lynch, Martin Ochotorena, Ken Fiscella, Resal Craven, Ed Beck, Gary Ellerd, Ray Williamson, Jerry Smith, Dave Madden, Barbara Jost (via phone for sessions VI and VII), and Peggy Drumm.

**II. Appoint Corporate Secretary**

Peggy Drumm agreed to act as Corporate Secretary for the meeting.

**III. Approve Agenda**

The draft agenda was discussed, and the order of items revised. Approval of the agenda in the new order was moved and seconded. It was approved unanimously.

**IV. Future Direction of the Interim Az ISA**

Larry Huff presented several issues to begin the discussion:

- It might be better to support DSTAR rather than put resources into two like groups.
- Az ISA is not accomplishing its original purpose – monitoring transactions and resolutions. The protocols go beyond the original purpose – very complex, create obligations.
- There are not enough resources to accomplish the ultimate features of the protocols – too complicated, expensive, and long.

A lengthy discussion by Board members followed and included several points both in agreement and not in agreement with the previous issues. Several members believe the

protocols are close to finalization and are disappointed in the reversal from previous positions and Board action on the protocols. Others believe the protocols are far from complete and expressed frustration at the lack of accomplishment by Az ISA.

Several members also expressed concern that others want to jettison all the protocols because they feel some features go beyond what Az ISA is supposed to be doing. Others want to continue, but with a minimalist approach.

Dennis Delaney presented a written alternate proposal (resolution) whereby individual utilities would proceed promptly with the development and implementation of individual utility protocols and proceed promptly with the development and implementation of DSTAR as an RTO. Cary Deise commented that there would have to be ACC support and they (ACC) would have to be willing to write a letter. Tom Delaney stated that he does not support the proposal. It is too value laden and has wide-open terms. He feels that Az ISA is close to finishing the process, and this proposal would usurp the process. The ACC stated that the proposal falls short of what they could support.

A lengthy discussion followed, both in support and nonsupport of the proposal. Several Board members supported a modification to the proposal that individual utilities would adopt and file the protocols developed by Az ISA.

The Board discussed implementation issues associated with the modified proposal. Specifically, whether Az ISA needs to file and/or collect a tariff or whether the individual utilities could file a copy of the Az ISA PM. It was noted that Az ISA is obligated to repay startup loans to the funding utilities.

The level of detail necessary for an implementation plan was discussed. Several members want to see an implementation plan before voting on the protocols. Pat Sanderson was directed to provide the implementation (roll out) plan draft to the Board by next Tuesday. A subcommittee of the Board (Leroy Michael, Tom Delaney, Rob Kondziolka) was formed to meet March 1 to help the Director develop the implementation plan. The plan will be circulated to Board members prior to the next Board meeting.

Representatives of the Arizona Corporation Commission (ACC) addressed several issues based on the preceding discussions:

- Az ISA needs to agree to implement something less than the ultimate features but must meet the ACC rules. The rules were put in place to facilitate electric competition in Arizona by preserving rights of existing transmission providers, yet providing open access for retail purposes. Broadening it beyond the retail viewpoint has complicated the process.
- An implementation plan needs to be developed with or without DSTAR – whether Az ISA is replaced by DSTAR or becomes DSTAR. There needs to be a timeline and justification to ACC about the approach that is going to be taken.

- The further away the FERC application is, the less support ACC can give. An Az ISA light approach with a commitment for protocols to come forward was recommended. The market is being phased in till January 1; Az ISA needs to be ready for the second phase. The concern is with funding both Az ISA and DSTAR.

## **V. Policy Role of Az ISA Board Members**

Dennis Delaney began the discussion and referred to his February 1, 2000, memo to the Board of Directors regarding the issue of the role the Board should play in setting policy and, specifically, providing input on FERC proceedings. It was agreed there needs to be a policy regarding the appropriate level and timing of notification of Board members and subsequent direction by Board members when legal actions such as FERC filings need to be undertaken by the Director.

The general agreement among Board members was that if it is a new Az ISA docket, get Board approval. If it is further action on an Az ISA docket on which the Board has already acted, then Pat Sanderson and the FERC attorneys can make decisions. Most members agreed that the Board should be kept current on all Az ISA related filings by e-mail.

## **VI. Withdraw Az ISA's FERC Filing ER99-388-000**

Barbara Jost joined the meeting via conference call at 2:40 p.m. She explained the strategy on withdrawing the Az ISA FERC filing ER99-388-000. A discussion of this issue is included in the February 17, 2000, Board package. She explained the two main reasons for the motion: (i) It is getting closer to the regulatory phase for approving the protocols, and it is useful to do a presentation to emphasize that Az ISA is not an RTO, but is an interim organization and, (ii) Because of the existing Az ISA FERC filing, they are prohibited from talking to FERC.

Leroy Michael stated that it would be premature to withdraw the filing, since there is no need to talk to FERC until the Board has acted on the PM. He suggested deferring the item. Cary Deise moved to table the issue until the April meeting. Rob Kondziolka seconded the motion. The motion was approved unopposed.

## **VII. FERC DRS Process**

Barbara Jost explained the FERC DRS process. A description of the FERC DRS service is included in the February 17, 2000, Board package. Barbara Jost gave a brief explanation of the DRS Process. The no-cost FERC DRS service was set up last year to reduce the use of FERC staff resources resolving disputed issues. It is available before filings are made. It might be useful towards the end of the PM meetings, if there is a need. Tom Delaney suggested that if they (the Board) cannot agree in April maybe they would consider DRS. A brief discussion among the Board members provided general agreement of appreciation that the option was brought forth, but they prefer to table the

issue pending the results of the April Board meeting. The Barbara Jost phone call ended at 2:55 p.m.

### **VIII. Approval of Minutes from 9/14/99, 11/5/99, and 1/12/2000 Meetings**

- a. September 14, 1999, Meeting Minutes.** After a brief discussion and minor corrections to the minutes, Tom Delaney moved to approve the September minutes. Trish Gambino seconded the motion. Cary Deise abstained; all others approved.
- b. November 5, 1999, Meeting Minutes.** Cary Deise moved to approve the November minutes; Tom Delaney seconded the motion. The motion passed unanimously.
- c. January 12, 2000, Meeting Minutes.** After a brief discussion, but no changes, Tom Delaney moved to approve the minutes; Trish Gambino seconded the motion. Dennis Delaney abstained; all others approved.

### **IX. Az ISA Staff Report**

- a. D&O Insurance.** Pat Sanderson explained that until the underwriter completes a review of the Az ISA's most recent financial statements, a permanent binder would not issued. There is a \$1,000 policy increase from last year. After a brief discussion by Board members it was agreed that a second insurance provider as a backup option would be appropriate.
- b. Accounting Services.** Pat Sanderson advised the Board that a letter of engagement has been signed with a new accountant, Mr. Clint Wasser. He will do the 1998 and 1999 tax returns and work on an hourly contract basis to meet monthly accounting requirements.
- c. PNM Membership Inquiry Update.** Pat Sanderson advised the Board that the PNM membership inquiry is on hold.
- d. Year 2000 Membership Renewal.** Pat Sanderson reviewed the status of the annual membership renewals. Board members offered corrections and changes to the list.
- e. State of Arizona Annual Reporting Requirements.** Pat Sanderson advised the Board that the Arizona Corporation Commission Annual Report is due April 15.
- f. Financial.** Pat Sanderson provided the January 31, 2000, balance sheet to the Board Members. Two Year-2000 cash flow projections, one with and one without the FERC tariff included, were discussed. It was agreed that the actual expenses for December, January, and February would be provided for the next Board meeting, and that Board members would like to have financial information provided to them early enough so it can be reviewed beforehand.

**X. Operating Committee RFI Report**

Pat Sanderson discussed the results of the RFI. Vendors provided the Az ISA with information on systems that met all, and in several responses exceeded, Az ISA requirements. Several vendors indicated that they could “outsource” all operating, maintenance and settlement functions. The RFI asked vendors for costs that would be used to develop budget estimates. The Director will develop annual budget costs to include in an implementation plan. After a brief discussion it was agreed to continue the discussion in Executive Session due to the sensitive nature of discussion with vendors present.

**XI. Executive Session**

The Board went into Executive Session at approximately 4:00 p.m.

**XII. Other Business**

There was no other business.

**XIII. Next Board Meeting**

The next Board meeting was scheduled for April 7, 2000, at a place to be determined.

**XIV. Adjourn**

There being no further business, the meeting was adjourned at 4:30 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

**ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR ASSOCIATION**

Twenty-First Special Meeting of Board of Directors  
February 18, 2000 at 9:30 a.m. MST

Grand Canyon State Cooperative  
120 N 44<sup>th</sup> Street, Suite 100  
Phoenix, Arizona

**REVISED AGENDA**

- I. Welcome and Introductions
- II. Appoint Corporate Secretary
- III. Approve Agenda **Approval Item**
- IV. Future Direction of the Interim Az ISA
- V. Policy Role of Az ISA Board of Directors
- VI. Withdraw Az ISA's FERC Filing ER99-388-000 **Approval Item**
- VII. FERC DRS Process **Approval Item**
- VIII. Approve Minutes from
  - a. 9/14/99 meeting **Approval Item**
  - b. 11/5/99 meeting **Approval Item**
  - c. 1/12/2000 meeting **Approval Item**
- IX. Az ISA Staff Report
  - a. D&O Insurance
  - b. Accounting Services
  - c. PNM Membership Inquiry Update
  - d. Year 2000 Membership Renewal
  - e. State of Arizona Annual Reporting Requirements
  - f. Financial
- X. Operating Committee RFI Report
- XI. Executive Session
- XII. Other Business
- XIII. Next Board Meeting
- XIV. Adjourn