

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Minutes from the Twenty-Second Special Meeting of Board of Directors
April 7, 2000

Grand Canyon State Cooperative,
120 North 44th Street, Suite 100, Phoenix, AZ

I. Call to Order

Acting Executive Director Patrick J. Sanderson called the Meeting to order at 9:30 a.m.

II. Establish Quorum

The presence of a quorum was ascertained. 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, Vann Prater (see Agenda Item V), and Pat Sanderson (Chair). *Directors absent:* None.

Others present: Charlie Post, Jessica Youle, Lindy Funkhouser, Teena Wolfe, Jerry Smith (ACC), Deborah Scott, Ray Williamson, Prem Bahl, Elizabeth Story, Donald Allen, Alan Propper, Joel Spitzkoff, Dave Madden, Steven Henry, Ed Beck, Jim Charters, Michael Flores, John Tolo, Jerry Smith (APS), Resal Craven, Barbara Jost, and Peggy Drumm.

III. Appoint Corporate Secretary

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

IV. 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

V. Approve New Board Member

Vann Prater, Dynegy, was introduced as the Board replacement for Barry Huddleston. Leroy Michael moved for approval; Larry Huff seconded. The appointment was approved unanimously.

VI. Approve Protocols Manual

Pat Sanderson provided a brief introduction of the agenda item. He thanked the Az ISA membership for the support and effort involved in bringing the protocols before the Board. He called for approval of the Protocols today or for significant progress to be made in identifying remaining issues.

Dennis Delaney referred to the resolution attached to his April 5 e-mail and moved to adopt the three items listed, explaining that they are oversights by the Az ISA Operating Committee. Item number 1 “is related to cleaning up the Must-Run Fixed Costs Recovery section in a manner consistent with the stated position of many Board Members that the Protocols are not intended to impact wholesale transmission users and to conform to the ACC requirements.” Item number 2 “includes additional clarification that the Protocols are not intended to set a precedent for wholesale transmission service.” Item number 3 “deals with removing references to ‘Generator Agreements’ from the Introduction Protocol since the concept has yet to be developed.” It was agreed that this amendment would be referred to as **Amendment #1**.

Tom Delaney moved to vote on the Protocols Manual (PM), explaining that Pat Sanderson had been charged to bring the PM forward to the Board, and it should be voted on first.

A lengthy discussion of the proposed Amendment #1 followed, which included from time to time clarification of rules of order. Questions were raised as to how binding is the introduction to the Protocols Manual. Barbara Jost stated that it is intended to be filed as part of the document and become part of the tariff. She further explained that it could be part of the letter, instead. Specifically, regarding ARNT, much of the introduction is explanatory and it would be difficult to create obligation from it. Some Board Members expressed concern that the introduction creates obligations that the Az ISA does not have the resources to accomplish.

Some Board Members requested a short recess before voting on Amendment #1. Tom Delaney stated that the vote is out of order and that the PM should be voted on first. The Board adjourned for recess at 10:10 AM and reconvened at 10:20 AM. A vote was then taken on Amendment #1. The vote was seven in favor and four opposed; the amendment did not pass.

The Board again discussed whether the PM should be voted on before amendments were considered. Cary Deise moved to approve the PM as it is [PM title “Revised Protocols (*Name of Section*) for Consideration at April 7, 2000 Board Meeting]; Tom Delaney seconded the motion. Leroy Michael moved to amend the motion by including the eight items listed in the Robert Kondziolka e-mail of April 6. It was agreed the amendment would be referred to as **Amendment #2**. Robert Kondziolka seconded. The vote was seven to approve and four opposed; the vote did not pass. More discussion by the Board followed.

Cary Deise moved to approve the PM with the exceptions provided in Amendment #2; Rob Kondziolka seconded. Dennis Delaney moved to amend Amendment #2 to include

changes to item 4.8 of Amendment #1 (his e-mail of April 6), but striking the word “distribution” on line 3. It was agreed the amendment would be referred to as **Amendment #3**. Larry Huff seconded Dennis Delaney’s motion. Amendment #3 passed unopposed.

The Board then discussed Amendment #2 further, with Kevin Higgins suggesting to insert “SRP will incorporate the Az ISA Protocols as soon as practicable . . .” to paragraph 2 at the second to the last line. A discussion of this issue followed about the history, time frame and process regarding the SRP Board’s adoption of it. Tom Delaney stated that he could support 4.8 of Amendment #1, but must include some changes. A compromise could include: 1) set penalties aside for energy imbalances, 2) set the threshold at 750 MW, and 3) there would be no auctions.

Jerry Smith, ACC, asked for clarification of paragraph 2 (Amendment #2), and it was clarified by Resal Craven. Robert Kondziolka stated that it says that SRP has to abide by Az ISA and SRP’s Protocols. Jerry Smith, ACC, pointed out that Arizona HB 2663 requires SRP to work towards the Az ISA Protocols with the other entities.

After further discussion, Kevin Higgins moved to add the following, designated **Amendment #4**, to Amendment #2, paragraph 2:

Az ISA 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 Az ISA protocols as soon as practicable and will fully implement the Az ISA protocols when 50% . . .(return to original resolution).

For the ARNT, Must-Run and Energy Imbalance protocols, SRP will recommend to the SRP Board to adopt the Az ISA protocols when both of the following occur: 1) direct access load in the SRP distribution territory reaches 200 MW and 2) statewide retail access reaches 500 MW.

Dennis Delaney seconded the motion for Amendment #4. The motion passed with a vote of ten to approve and one to oppose.

The Board recessed for lunch at 12:00 noon and reconvened at 12:40 PM.

Cary Deise made the point that if the PM is approved today, it will still go to ACC for approval before it goes to FERC.

Jerry Smith, ACC, passed out copies of letters from ACC to AEPCO, APS, and TEP notifying them of ACC staff recommendations that their waivers be denied, but that the deadline is extended to May 15, 2000. The transmission providers will be required to

jointly submit a set of protocols within 15 days from the date of the order. Mr. Smith gave two reasons for this: 1) there needs to be something in place while Az ISA is getting theirs approved, and 2) if Az ISA fails to come to consensus and approve the PM, ACC has to consider whether those protocols can continue in the absence of an Az ISA. Mr. Smith expressed full support for Az ISA being functional, but also recognizes an obligation to the transmission providers. He recommends getting the Az ISA protocols in order as soon as possible.

After further discussion, Kevin Higgins moved that paragraph 3 of Amendment #2 be changed in the following manner:

- Line 7: Replace “considers and adopts” with “implements.”
- Line 8: Replace “considered” with “implemented.”
- Line 10: Insert “implementation” before “approval.”

It was agreed this would be **Amendment #5**. Cary Deise seconded the motion for Amendment #5. The motion failed, with five voting to approve, five voting to oppose and one abstaining. After some discussion about misunderstanding the vote, Leroy Michael moved to reconsider the vote with the understanding that the Board can vote whether to implement in the future based on Item 7 of Amendment #2. The clarification was that the Board retains its discretion even with these changes. Larry Huff seconded the motion. Eight voted to approve; three voted to oppose. The motion was then made by Leroy Michael, seconded by Cary Deise, and a new vote was then taken on Amendment 5. Amendment #5 was approved with nine voting to approve and two opposing.

The point was made that the motion still on the floor was to approve the PM as amended by Amendment numbers 2, 3, 4, and 5. After Board discussion, Vann Prater moved to include the following changes to 4.a and 4.b of Amendment #2 as **Amendment #6**:

- 4) a) 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.
- 4) b) Change the work “respectfully” to “respectively.”

Dennis Delaney seconded the motion. Amendment #6 passed unopposed with eleven votes in favor.

In reference to paragraph 8 of Amendment #2, Barbara Jost referred to her memo of April 7, 2000, and recommended the following language be included as one of the actions the

FERC counsel recommends the Board take: “Approve the revised Protocols subject to further Board review of the *pro forma* contracts and draft tariff provisions governing the proposed Az ISA funding mechanism to be included in the FERC filing.” She said several items still need to be drafted and wants to avoid problems that could result when it is filed with FERC. Leroy Michael stated that he wants a package to be filed with FERC that is supported by the Board and wants to review all the documents before the package goes to FERC. After a brief recess, Leroy Michael moved to amend paragraph 8, as part of Amendment #2. It will be considered **Amendment #7** and read as follows:

“The FERC Filing Package to be presented to this Board for its consideration and approval prior to filing shall be consistent with this resolution. Az ISA staff shall simultaneously present to the Board a detailed plan indicating how the Az ISA will perform the obligations it represents it will perform upon approval of its filing.”

Larry Huff seconded the motion, which passed unopposed, with nine members voting for approval and two members absent.

Cary Deise proposed a new paragraph 8 to Amendment #2, whereby the current paragraph 8 would become paragraph 9. It would address the issue of penalties on energy imbalances. The dead band width for energy imbalance will be plus or minus 10%. Actual energy up to 110% of the scheduled amount shall just be the cost of energy (incremental value used for the amount greater than the scheduled amount). Actual energy greater than 110% of the scheduled amount shall be the cost of energy (incremental value used for the amount greater than the scheduled amount) plus a 10% penalty. The matrix in the Protocols will be deleted. After Board discussion, Cary Deise moved to include an **Amendment #8** in Amendment #2, as follows: “For energy imbalance penalties, the dead band will be $\pm 10\%$; outside the dead band the penalty will be 10% of the cost. The matrix in the protocols will be deleted.” Amendment #8 passed; ten voting to approve and one voting to oppose.

Jerry Smith, APS, agreed to rewrite the Energy Imbalance Protocol to incorporate the changes made by Amendment #8

Rob Kondziolka seconded the motion. Kevin Higgins called for a vote on Cary Deise’s motion to approve the PM with the exceptions provided in Amendment #2 and Amendment #2 amended by amendments 3,4,5,6,7, and 8. The motion passed with eight voting for approval and three in opposition. (The final resolution is attached to the minutes and marked as Exhibit A.)

Barbara Jost brought up the issue of the motion to withdraw the FERC filing that was tabled at the February 18, 2000, Board meeting. She requested the Board to reconsider the motion and vote on it. Prem Bahl moved to withdraw the FERC filing, and Trish Gambino seconded it. Discussion followed on why and whether it was necessary to withdraw the filing. Barbara explained that it would be advantageous to be able to meet with FERC before making a new filing to explain the protocols, to address the FPA 203 issue, and to get FERC’s reaction to the protocols. They (the Az ISA) are not allowed to

meet with FERC unless the filing is withdrawn. She assured the Board that no commitments would be made and that FERC's input would be brought back to the Board. Jerry Smith, ACC, stated that the ACC could then argue favorably in advance of the filing. He suggested that the Board could request a waiver so the package could be processed simultaneously through ACC and FERC, which could help the approval process. He added that there are some items in the protocols that are in conflict with FERC that need to be ironed out. Some Board members indicated a desire for more involvement before and during the filing process and asked if they could attend the pre-filing meetings. Barbara Jost indicated it is not typical, nor her preference, and she suggested choosing a subcommittee to participate. Pat Sanderson pointed out that the roll-out plan states that any Az ISA stakeholder could attend. Leroy Michael stated that he wants to know in advance what the FERC counsel is going to talk to FERC about.

Larry Huff amended the motion as follows: to authorize the filing of a motion to withdraw FERC Docket 99-388 and to authorize FERC counsel to meet with FERC staff with the conditions of 1) Board members must be given adequate notice of the time and purpose of any meetings, and 2) Board members and Az ISA members, or designees, may attend, subject to reasonable notice to FERC counsel. Prem Bahl seconded the motion, which passed unanimously, ten to zero.

Jerry Smith, ACC, requested a discussion on the roll-out plan. An implementation plan by Az ISA is needed by APS, TEP, and AEPCO to use in their filings. Pat Sanderson said that he will need to go back and change the roll-out plan to conform to the changes the Board made today. Dennis Delaney inquired whether the roll-out plan can be finished by May 15. It was agreed that APS, TEP and AEPCO need to meet with Pat Sanderson to finalize the plan in time to be approved at the early May Board meeting.

VII. Executive Session – RFI ARNT/EI Implementation Costs

In light of the developments of the day, it was determined that an Executive Session was no longer in order.

VIII. Approval of Minutes 2/18/00 Meeting

After brief discussion and minor corrections to the minutes, Larry Huff moved to approve the February 18, 2000, minutes. Cary Deise seconded the motion, and the minutes were approved unanimously by a vote of nine. Two members were absent.

IX. Az ISA Staff Report

- a. D&O Insurance Update.** Pat Sanderson informed the Board that D&O coverage is in place for one year.
- b. Year 2000 Membership Renewal.** Pat Sanderson reviewed the status of the annual membership renewals. He explained that there will be one more round of

phone calls made to the remaining unpaid members, and then they will be removed from the membership list. Board members made one change to the list.

- c. **State of Arizona Annual Reporting Requirements Update.** Pat Sanderson advised the Board that he would update the report with Vann Prater's membership.
- d. **Financial.** Pat Sanderson reviewed the balance sheets for December, January, February, and March, as well as the Budget sheets, and answered questions from the Board. Larry Huff asked about the status of the tax filings for 1998 and 1999. Pat Sanderson said they are due May 15 and will both be filed by then.

X. Other Business

There was no other business.

XI. Next Board Meeting

The next Board meeting was scheduled for May 4, 2000, at a place to be determined. Because there is less than a 30-day notice, waivers will need to be sent out and signed as soon as possible.

XII. Adjourn

There being no further business, Trish Gambino moved that the meeting be adjourned and Dennis Delaney seconded. The motion was approved unanimously, and the meeting was adjourned at 4:30 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR ASSOCIATION

Twenty-Second Special Meeting of Board of Directors
April 7, 2000 at 9:30 a.m. MST
Grand Canyon State Cooperative
120 N 44th Street, Suite 100
Phoenix, Arizona

REVISED AGENDA

- I. Call to Order
- II. Establish Quorum
- III. Appoint Corporate Secretary
- IV. Approve Agenda **Approval Item**
- V. Approve New Board Member **Approval Item**
- VI. Approve Protocols Manual **Approval Item**
 - Discussion – Proposed PM Approval Resolutions
- VII. Executive Session – RFI ARNT/EI Implementation Costs
- VIII. Approve Minutes from 2/18/00 meeting **Approval Item**
- IX. Az ISA Staff Report
 - a. D&O Insurance Update
 - b. Year 2000 Membership Renewal Update
 - c. State of Arizona Annual Reporting Requirements Update
 - d. Financial
- X. Other Business
- XI. Next Board Meeting
- XII. Adjourn

- Exhibit A -

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

- Exhibit A -

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.