

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Minutes from the Twenty-Third Special Meeting of Board of Directors
May 4, 2000

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

APPROVED REVISED MINUTES

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, Kevin Higgins, Larry Huff, Rob Kondziolka, Leroy Michael, Vann Prater and Pat Sanderson (Chair). *Directors absent:* Tom Delaney, Patricia (Trish) Gambino.

Others present: Bob Anderson, Marcie Otondo, Michael Flores, Stephen Larsen, Robert Lynch, Martin Ochotorena, Jessica Youle, Dennis Salisbury, David Rumolo, Ray Williamson, Devinti Williams, Lindy Funkhouser, Elizabeth Story, Steve Henry, Barbara Jost (via phone), 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. Larry Huff moved the agenda be approved as drafted, and Vann Prater seconded. It was approved unanimously.

V. Approval of Minutes from 4/7/00 Meeting

The minutes from the April 7, 2000, meeting were discussed. Corrections and additions were offered and noted. It was agreed that the resolution passed at the April 7 meeting would be attached as an exhibit to the April 7 minutes and included in the approval. Cary Deise moved to approve the minutes as corrected; Prem Bahl seconded. The motion was approved unanimously.

VI. Az ISA Staff Report

- a. **Year 2000 Membership Renewal.** Pat Sanderson reviewed the status of the annual membership renewals and advised the Board that four companies may not be renewing memberships. It was noted by Board members that two of the four are undergoing internal shifts and may still want to continue their memberships. Pinnacle West indicated they would be applying for membership.
- b. **1998 – 1999 Tax Filing Update.** Pat Sanderson advised the Board that the accountant/CPA has recommended filing the 1998 and 1999 taxes together, which should avoid penalties for late filing. Since there was so little money involved and it was so late in the year, the CPA believes it will be allowable by the IRS. Some Board members requested a letter from the CPA stating that that is his advice. Pat said he would discuss with the CPA. The taxes will be filed by the due date, May 15.
- c. **Financial Report.** Pat Sanderson reviewed the balance sheet for March 2000 and answered questions from the Board. The Board had questions about the categories of Current Liabilities and Equity. The Board requested that footnotes be included in the future to explain these. The Board also requested that the CPA attend the next Board meeting to answer questions regarding the financial statements. In the future, the Board would like to have available the following reports from QuickBooks: balance sheet, statement of cash flow, income statement, and check register.
- d. **SRP – Inspection of AZ ISA Financial Records.** Pat Sanderson informed the Board that SRP has submitted a letter to Az ISA requesting an audit. A copy of the letter is attached. A brief discussion followed. Steve Henry, Az ISA attorney, explained the statute A.R.S. 10-11601 et seq. referenced in the letter, i.e., the purpose for the audit must be specified in the written request and the records audited must be related to the purpose. Rob Kondziolka said the auditors would be contacting Pat Sanderson in the near future.
- e. **Regular Board Meeting May 10, 2000.** Pat Sanderson explained that the next regular Board meeting required by the Az ISA By-laws would be May 10, 2000. A brief discussion centered on whether the Board meeting could be waived. It was determined that it could not be waived and that access must be given to members. Pat Sanderson informed the Board that a conference call has been set up to accommodate the meeting, but by the end of this meeting it could be determined whether or not the May 10 meeting would be needed.

The Board recessed for a break at 10:30 a.m. and reconvened at 10:45 a.m.

(Barbara Jost joined the meeting via phone at 10:50 a.m.)

VIII. Protocols Manual Issues

Pat Sanderson prefaced the discussion, stating that via e-mail, Rob Kondziolka and Dennis Delaney had requested these additional agenda items. An e-mail was also noted from Resal Craven providing input to the agenda item.

- a. Energy Imbalance Deadband.** The Board briefly discussed items relating to the Energy Imbalance deadband, suggesting that the minimum 2MW should have been included in the original resolution. Kevin Higgins moved, and Dennis Delaney seconded, to change the last bulleted item in Section 3.6.1 (page IX-3) of the Energy Imbalance Protocol, as follows:

The TP shall establish an energy imbalance deadband equal to the greater of 2 MW or +/- 10% of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the SC's scheduled transaction(s). During an hour in which the Competitive SC's Energy Imbalances exceeds the Energy Imbalance deadband, the TP shall levy a penalty equal to the product of: (i) the amount (in kWh) by which the Competitive SC's Energy Imbalances exceeds the deadband; and (ii) 10% of: the greater of the TP's SIC or Market Price when the Competitive SC underschedules; or the lower of SIC or Market Price when the Competitive SC overschedules.

Prem Bahl suggested that other places in the Protocols Manual should be reviewed and changes made accordingly if this appears anywhere else. The Board agreed that conforming changes should be made to the amendment to make it consistent.

The Board voted, and the motion passed unanimously.

- b. Conformance of Protocol Manual with April 7 Board Resolution.** Rob Kondziolka, referencing his e-mail of May 3, explained that the resolution passed April 7 does not seem to be reflected in the Protocols Manual. He made the following three suggestions:

- 1) Add a section in the Introduction which contains the resolution.
- 2) Add a new paragraph in the Purpose sections of Protocols V and IX stating which sections do not apply and what action is required before the sections will be applicable. Language from the resolution could be used.
- 3) Add a new paragraph in the Purpose of sections of Protocols V, VIII, and IX stating substitution of SRP protocols for retail access in the SRP service territory. Language from the resolution could be used.

The Board discussed the need and best way for the April 7 Board Resolution to be clearly reflected in the Protocols, so that it is clear to the user what is applicable and what is not applicable. Barbara Jost made the point that it is important that

whatever is filed with FERC accurately reflects the Board's decision to initially defer implementation of certain aspects of ARNT, Energy Imbalance and Must Run. Those parts of the Protocols are not to be implemented until certain events occur (the Board approves a Business Plan and retail load is at 500 MW). A waiver of the FERC's regulations would have to be requested, therefore, because certain elements of the filing would not be implemented within 120 days of the filing date. She said such a waiver request is not uncommon at the FERC. Alluding to the FERC's treatment of the California ISO's request for authority to implement transmission congestion contracts (or perhaps authority for implementation of bid optimization procedures), she noted that FERC, once an ISO is operational, has been receptive to changes designed to enhance the liquidity and efficiency of electric markets. Therefore, FERC should be supportive of Az ISA efforts to implement ARNT trading, imbalance trading, etc. after the ISA is operational. To insure FERC's receptivity to this two-step approach, the Az ISA could also commit to provide the FERC with status reports and advance notice of the date these initially deferred elements of the Protocols were to be implemented.

Specifically regarding Rob Kondziolka's e-mail, Barbara made these points: #1) In the Introduction, it might be more appropriate to have a reference to the resolution rather than include the resolution verbatim. #2) Would like to defer until after talking with FERC staff as the FERC may have a preferred method of handling this. #3) Thought there is a footnote in Must Run that already refers to the SRP situation and suggested, to be consistent, that similar footnotes concerning SRP's interim procedures be added to the ARNT and Energy Imbalance Protocols as well. Rob Kondziolka clarified that only a summary of the resolution would need to be included in the Introduction rather than verbatim.

Prem Bahl made the point that the affected utilities would have to file the Protocols with the ACC by June 15, and concern was expressed whether input from FERC could be obtained within the affected utilities' deadlines.

Further discussion ensued as to how best to identify in the Protocols that some portions of selected Protocols will be implemented at a later time. Barbara Jost suggested remaining flexible on this matter, which is essentially a procedural issue, until they bring the draft filing to the Board after guidance from the FERC staff. It was concluded that the relevant portions of the resolution would be included in the Introduction, and it would be noted in the purpose sections of the ARNT and Energy Imbalance Protocols that specific subsections are not being implemented at this time per the Introduction. It was also agreed that, similar to the treatment of SRP's exception to Must Run, explanatory footnotes would be added to the Energy Imbalance and ARNT Protocols describing SRP's implementation of these two Protocols per the April 7th Resolution. It was agreed that Barbara Jost would make these changes. It was agreed that no motion or vote was needed.

Dennis Delaney raised the issue of the definition of "Existing Agreement" as found on page II-3 of the Definitions Protocol. The definition includes a date, July 1,

1999, which has passed. A discussion followed, and it was brought out that the term “in place” and the rationale for the selected date need to be clarified. It was also questioned whether the definition included wholesale transactions or just retail transactions. Marcie Otondo pointed out that APS Energy Services expects that the transmission arrangements which its Scheduling Coordinator (APS) already has with the Transmission Providers for retail transmission services will be changed to reflect the Protocols. Her concern is that any date after the contractual date of the service agreement for retail transmission services provided to APS merchant as an SC for APS Energy Services might imply that this service would not change to reflect the Protocols. Board members suggested that clarifications are needed relative to “Scheduling for Wholesale Transactions and Treatment of Existing Agreements” (Paragraph 5, page I-6), definition of “Existing Agreements,” and the applicability of this Protocol. Barbara Jost pointed out that the FERC Order 888 has addressed some of these issues, specifically, which forms of Pre-Order No. 888 wholesale contracts may continue in effect. Cary Deise volunteered APS attorney Barbara Champion, and Jessica Youle volunteered to resolve the issue.

The Board recessed for lunch at 12:10 p.m. and reconvened at 12:45 p.m.

IX. Az ISA Work Group

Pat Sanderson thanked the work group (Cary Deise, Prem Bahl, Ed Beck, Alan Wilkerson and Michael Flores) for meeting and preparing the proposed Implementation Status and Implementation Plan documents. He explained that the documents have been routed to all interested parties and are being presented to the Board for their blessing.

Larry Huff asked Ray Williamson for his opinion on the documents. Ray Williamson said they need to include more detail, and he read aloud the ACC rule 14-2-1609E. He referred to the two previous plans by Laurel Whisler and by Pat Sanderson, and said the plan could draw from them. He suggests a plan that includes as much information as possible and that shows that Az ISA has thought through and understands the process. It should clearly express where the Az ISA is now, how it will get to August 1, and how it will transition to an RTO. Ray Williamson pointed out that the rules require the affected utilities to file a “proposed” ISA Implementation Plan, it doesn’t specify an “approved” plan. When the FERC package is ready to go forward, the process must be one that ACC can support going forward to FERC for approval.

Some Board members expressed strong concern about whether and how the Az ISA would be able to meet the obligations of the plan. There was a discussion of ways revenue would be generated, such as the tariff and surcharge on retail service.

Pat Sanderson explained that there is a time skew problem, in that, another month is needed to get an approved plan, but the ACC needs it before then. Some Board members suggested that the Implementation Plan provides a good framework for the plan since it shows the items that are commitments and those that are not clear commitments.

Barbara Jost explained that they are currently working on the means for generating revenue and meeting contractual obligations. Pat Sanderson concurred and suggested it will satisfy the questions of many of the Board members. It should be out to the TPs and membership by the end of June.

Ray Williamson had further suggestions for the Implementation Plan, such as: who is working on working group and when will Board meetings occur to address the issues. He said a caveat that these items may be modified could be included.

Some Board members emphasized that the Implementation Plan is the most important thing for Pat Sanderson to be working on, even more so than the tariff. Pat Sanderson suggested that a volunteer group could help bring it together; otherwise, he would have to go to a consultant for the plan. His understanding is that it is a two-pronged plan, 1) it must meet the requirements of the resolution, and 2) it should not duplicate efforts, i.e., it should meet the needs of the affected utilities.

Further discussion pointed out the need to show staffing needs and responsibilities.

Barbara Jost noted that the 60 days to implement the plan is not a guarantee. For some, it has taken more than 60 days to get approval, so there is no guarantee of implementation in October.

It was agreed that Cary Deise and Mike Flores would meet with Pat to help continue working on the Implementation Plan. Rob Kondziolka will also, unless there is a conflict.

X. Executive Session – Personnel

The Board adjourned to Executive Session at 2:20 p.m. and reconvened into regular session at 2:40 p.m.

XI. Other Business

Larry Huff moved to extend the temporary living allowance for Pat Sanderson for two months. Prem Bahl seconded, and the motion passed unanimously.

XII. Next Board Meeting

The next regular Board meeting was scheduled for May 10, 2000, at 9:30 a.m., and will be a teleconference call. An informational teleconference meeting will be May 25, 2000, at 8:30 a.m. A Special Board meeting will be held June 2, 2000, at 8:30 a.m. Pat Sanderson will notify members of the teleconference details and the meeting place for June 2. Because there is less than a 30-day notice, waivers will need to be sent out and signed as soon as possible.

XIII. Adjourn

There being no further business Larry Huff moved that the meeting be adjourned and Prem Bahl seconded. The motion was approved unanimously, and the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary