

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Approved Minutes from the Twenty-Fourth Special Meeting of Board of Directors
June 2, 2000

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

Approved Minutes

I. Call to Order

Acting Executive Director Patrick J. Sanderson called the Meeting to order at 8:40 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 (part of meeting), Kevin Higgins, Larry Huff, Rob Kondziolka, Leroy Michael, Vann Prater and Pat Sanderson (Chair). *Directors absent:* Patricia (Trish) Gambino.

Others present: Clint Wasser, Elizabeth Story, Marta Kalleberg, Jerry Smith (ACC), Ray Williamson, Erinn Andreasen, Lindy Funkhouser, Brian Townsend, David Rumolo, Asher Emerson, Steve Huhman, Chuck Falls, Jessica Youle, Ed Beck, Chuck Bassett, 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 a few minor adjustments were made to accommodate schedules. Vann Prater moved to approve the revised agenda; Rob Kondiolka seconded the motion. The motion was carried unanimously.

V. Approval of Minutes from 5/4/00 Meeting

The minutes from the May 4, 2000, meeting were discussed. Corrections and additions were offered and noted. In particular, Rob Kondziolka wanted it noted that the item VIII.a. relating to the Energy Imbalance Deadband section of the Protocols Manual, was developed at the May 4 Board meeting and not at the April 7 meeting where the

resolution was originally approved. Dennis Delaney moved to approve the minutes as corrected; Larry Huff seconded. The motion was approved unanimously.

VI. Approval of Minutes from 5/10/00 Meeting

The minutes from the May 10, 2000, meeting were discussed. Corrections and additions were offered and noted. Prem Bahl moved to approve the minutes as corrected; Vann Prater seconded. The motion was approved unanimously.

VII. Executive Session

Tom Delaney requested an adjournment to Executive Session. After a brief discussion, Cary Deise moved to adjourn to Executive Session; Larry Huff seconded. The motion was approved unanimously, and the Board adjourned to Executive Session at 9:10 a.m. The Board meeting reconvened at 9:40 a.m., at which time Tom Delaney announced his resignation from the Board and Enron's pulling out of the Az ISA. He said he would send written confirmation.

VIII. Az ISA Staff Report

Pat Sanderson announced that Chuck Bassett, of Low & Childers, would be filling in for Steve Henry as Az ISA counsel for the meeting.

Rob Kondziolka made a motion to move the Az ISA Staff Report item "Progress Report – Tariff and Contract Preparation" back to its original position, so it could be addressed after Dennis Delaney returns. Larry Huff seconded the motion, and it was approved unanimously.

- a. Year 2000 Membership Update.** Pat Sanderson reviewed the status of the annual membership renewals and advised the Board that there are 65 members, including the Arizona Corporation Commission. Kevin Higgins said ASARCO may still be interested. Two other changes were noted.
- b. 1998 – 1999 Tax Filing Update.** Pat Sanderson informed the Board that the tax return for 1998/1999 had been mailed by the due date, May 15. He explained that since the revenues for 1998 were less than \$25,000 and that since the IRS had not sent a tax form to the Az ISA, only the 1999 return was necessary. In addition, the Az ISA did not receive their tax status notification until a few days before the filing date. Clint Wasser, CPA, was introduced to answer further questions about the tax filing and the financial reports. Mr. Wasser explained that the tax return for a non-profit organization such as Az ISA is for informational purposes and open for public inspection. There was a brief discussion on whether or not there were likely to be any tax penalties. In Mr. Wasser's opinion there would not be, although the IRS could have a different interpretation. If the IRS determined that a 1998 return is required and, therefore, late, the penalty could be 5% of gross revenues, which would be \$850.

- c. **Financial Report and Discussion on Accounting Methods.** Pat Sanderson reviewed the four financial documents, which had been e-mailed out previously, including the Balance Sheet, the April Profit and Loss, the YTD Profit and Loss, and the 2000/2001 Budget spreadsheets. He explained that there is more detail being shown, as requested. Board members expressed their approval. Mr. Wasser answered several specific questions from the Board regarding various financial report items. In particular, the classification of the capitalization loans as current liabilities rather than long-term liabilities was discussed, as well as whether they should be footnoted. It was suggested that a legal opinion might be needed as to exactly when the loans are due and, therefore, whether the liabilities would be classified as current or long-term. Mr. Wasser offered to work with Mr. Sanderson and legal counsel to make the determination and make any indicated changes for the May financial statements.

Mr. Wasser explained the nature and limitation of the compilation services which can be provided and the level that he is providing. He is providing compilation services, which means he prepares the financial statements based on management's representations. He does not perform any special procedures to detect errors or illegal acts, but will point out anything obviously wrong or illegal that comes to his attention. These compiled financial statements are for management (and Board) use only. There are two more levels of services that could be provided by Mr. Wasser, if requested. One is a review of the financial statements whereby inquiries of personnel are made and analytical procedures are completed. It is substantially less in scope than an audit. The other service is a traditional audit, which includes a full-scale examination of the financial statements to provide reasonable assurance that the statements are in conformance with generally accepted accounting principles.

Pat Sanderson reviewed the 2000/2001 Budget spreadsheets. There was a discussion on whether the line items on the budget spreadsheets could match up better with the QuickBooks reports and whether or not QuickBooks could provide adequate budget spreadsheets. It was suggested that the spreadsheets be kept but also provide a QuickBooks actual/budget with a variance report. Mr. Sanderson and Mr. Wasser will work on the reports for the next Board Meeting. It was noted that there is an error in the 2001 total column for the capitalization repayment amount.

- d. **SRP – May 15 Letter Explaining Purpose for Az ISA Financial Audit.** Pat Sanderson informed the Board that the attached letter from SRP outlines their audit requests. Clint Wasser will attend the initial and exit meetings between Az ISA and the SRP auditor.
- e. **Progress Report – Tariff and Contract Preparation.** It was agreed by the Board that this item would be postponed until Dennis Delaney returned.

Pat Sanderson advised the Board that he had been invited to participate in a panel discussion (IEEE) in Seattle, July 15. Pat Sanderson, Jerry Smith (ACC), and Cary Deise agreed to collaborate beforehand.

The Board recessed for a break at 10:45 a.m. and reconvened at 10:55 a.m.

In order to accommodate schedules of some Board members, it was decided to move forward to the Proposed Implementation Plan discussion.

IX. Az ISA Work Group – “Proposed Implementation Plan”

Pat Sanderson explained that the current Proposed Implementation Plan is the result of the workgroup (Cary Deise, Prem Bahl, Ed Beck, Dave Rumolo, and Pat Sanderson), the May 25 teleconference meeting, and some reformatting and an Executive Summary by David Rumolo. In all, there has been some significant restructuring. Mr. Sanderson further explained that this plan is not what will be part of the tariff package, but it is a proposal of how to structure the Implementation Plan on which the Board will vote. Cary Deise added that it is not a business plan or a tariff. Mr. Sanderson noted that he would like the Board to look at it as a staged implementation of the Az ISA that gives guidelines on staffing, annual costs, etc., and that considers ACC Rules, the Protocols, and the Az ISA By-laws. From the Boards’ perspective, it breaks out costs associated with different steps or levels of implementation.

Larry Huff asked how the document would be used and how the costs relate to the budget spreadsheets reviewed earlier. Also, there are some unknowns at this time, such as those depending on what happens with DSTAR. He referred his questions to Ray Williamson. Mr. Williamson pointed out that the rules say the Az ISA shall file a “proposed” implementation plan. He said they are much happier with this plan compared to the last plan and that it generally appears to be an acceptable document.

Lindy Funkhouser suggested that subsequent drafts be clearly identified, for example, in the footer, and the Board agreed. Several Board members and ACC representatives offered compliments on the plan. Pat Sanderson pointed out that since APS and AEPCO need to file their documents, he is looking for an approval of the plan. Vann Prater stated, and it was generally agreed, that he supports the plan in theory but would like to be able to write down editing comments.

Several comments were offered and noted. Most pertained to timeframe changes. In addition, Jessica Youle pointed out that on page 6, Alternate Dispute Resolution, the last two sentences were in direct contradiction to the By-laws. The By-laws state, “. . . the Director shall cause the arbitration procedures provided in Section 6.2.2 to be initiated, unless both Parties choose to take the dispute directly to FERC or the courts, whichever is appropriate.” Also, after a discussion, a new sentence was added on page 5, first bulleted item, line 12: “Further, some Affected Utilities purchase their power requirements at wholesale from out-of-state suppliers.” In the same bulleted item, Rob Kondziolka suggested and the Board agreed, to strike the second to the last line and the word

“Therefore” in the last sentence. Leroy Michael suggested, and the Board agreed, to add to page 24, Phase 3, Task 1, item V., before the word “Competitive”: “Board approval of the Business Plan prior to June 30, 2001 and” . . . (competitive). It was agreed that the Board of Directors page and the Membership List would need to be updated.

After further discussion, Cary Deise moved to approve the plan as amended, and with subsequent editorial and fine-tuning, to be completed next week. Larry Huff seconded the motion, and it was approved unanimously.

X. Discussion, SRP May 23, 2000, Letter “AISA Funding Mechanism Proposal”

Rob Kondziolka initiated the discussion by explaining his May 23, 2000, letter. He emphasized that the standard offer customers should not be required to carry the financial burden when they are not receiving any benefit. He needs to be able to show a benefit to the standard offer customer. Some Board members agreed that an across-the-board surcharge would be discriminatory. Other Board members explained benefits the standard offer customer has already received. It was suggested that a benefit/burden analysis needed to be conducted.

The Board recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m. At that time the following previously postponed item was discussed. (Vann Prater left the meeting, and Dennis Delaney rejoined the meeting during the recess.)

(VIII. Az ISA Staff Report – continued from the morning session)

e. Progress Report – Tariff and Contract Preparation. Pat Sanderson discussed the “Preliminary Tariff Filing Schedule” included in the Board package. The draft contracts and funding mechanism information has been distributed. The first meetings will be at SRP on June 8-9. Follow-up meetings are scheduled for June 20-21 at APS. The hope is to get the completed contracts out by the end of June and to have the complete package before the Board in mid-July. A June 15 one-hour meeting is scheduled with FERC to inform them of what has been happening since last year’s filing. Mr. Sanderson said they would not be reviewing any documents that have not been approved by the Board. June 1 was the deadline for the roster of attendees; there are twelve, including Pat Sanderson and Barbara Jost. Mr. Sanderson will be strategizing with the FERC attorneys before the meeting. He stated that very helpful comments have been received on the contracts so far.

Mr. Sanderson advised the Board that he had anticipated having the completed and bound PM before this meeting, but the FERC attorneys’ e-mail has not been working. The PM should be delivered later today and will be sent out next week. It will also be distributed electronically to the Board members, and it will be put on the Az ISA web site in PDF format.

There was a brief discussion as to whether the motion to withdraw the original filing had been approved. Mr. Sanderson said it had been, and he would send out a notice when he receives the formal notice.

It was briefly discussed as to whether the Independent Generators and Wholesale Power Marketers Class should be contacted to ascertain their recommendation for a replacement for Tom Delaney. It was suggested that a note should be sent to Vann Prater asking for class recommendations for a replacement.

VIII. Next Board Meeting

The next Special Board meeting was scheduled for July 17, 2000, at 9:00 a.m. The Board will consider the FERC filing at this meeting.

IX. Executive Session – Personnel

The Board adjourned to Executive Session at 1:20 p.m. and reconvened to regular session at 1:40 p.m.

XIII. Other Business

Larry Huff moved to extend the temporary living allowance for Pat Sanderson for two months, through June and July. Cary Deise seconded the motion, which passed unanimously.

XIV. Adjourn

There being no further business, it was moved and seconded that the meeting be adjourned. The motion was approved unanimously, and the meeting was adjourned at 1:45 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary