

**ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR ASSOCIATION**

Minutes from the Twenty-Fifth Special Meeting of Board of Directors  
July 17, 2000

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

**Approved Minutes**

**I. Call to Order**

Acting Executive Director Patrick J. Sanderson called the Meeting to order at 9:00 a.m.

**II. Establish Quorum**

The presence of a quorum was ascertained. All present were welcomed and introduced.

*Directors present:* Cary Deise, Dennis Delaney, Lindy Funkhouser, Kevin Higgins, Larry Huff, Rob Kondziolka (via teleconference), Leroy Michael, Vann Prater, and Pat Sanderson (Chair).

*Others present:* Barbara Jost and William Booth (via teleconference), Steve Henry, John Underhill, Resal Craven, Robert Lynch, Donald Allen, June Daly, Mike Sheehan, Clint Wasser, Elizabeth Story, Ray Williamson, David Rumolo, Asher Emerson, Jessica Youle, and Peggy Drumm.

**III. Appoint Corporate Secretary**

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

**IV. Approve New Board Member**

Pat Sanderson explained that Prem Bahl had resigned his seat on the Board via an e-mail of June 7, 2000, and had nominated Lindy Funkhouser as a replacement. Larry Huff moved to appoint Lindy Funkhouser as the Board replacement for Prem Bahl; Leroy Michael seconded the motion. The motion was approved unanimously.

**V. Approve Agenda**

The draft agenda was discussed, and three items were added. Larry Huff moved to approve the revised agenda; Lindy Funkhouser seconded the motion. The motion was approved unanimously.

## **VI. Approval of Minutes from 6/2/00 Meeting**

The minutes from the June 2, 2000, meeting were discussed. A correction was offered and noted. Vann Prater moved to approve the minutes as corrected; Kevin Higgins seconded. The motion was approved unanimously.

## **VII. Check Writing Resolution**

Pat Sanderson explained that since Tom Delaney, one of the previous authorized check signers, is no longer a Board member, another Board member should be added to the roster of authorized signers. He recommended Cary Deise. Leroy Michael so moved, and Lindy Funkhouser seconded the motion. The motion was approved unanimously.

## **VIII. Discussion – Judge Campbell Decision (TEP v. ACC) – New Agenda Item**

A general discussion was held regarding the July 12, 2000, Minute Entry (CV1997-003748) of Judge Colin F. Campbell. Copies were distributed to the Board, and a copy was faxed to Barbara Jost. Ray Williamson, ACC, explained that the issue is being discussed with legal counsel at the ACC. Some Board members requested an in-depth review by legal counsel and advice as to its impact on the Az ISA and the FERC filing package. Steve Henry said he would not be able to issue an opinion until the order is final, which could take 30 days or more. Barbara Jost suggested, as an alternative, that action could be taken by the Board on the FERC package, contingent upon a legal opinion based on the order as issued. In other words, the Board would proceed on the assumption that the order did not change in any substantive matter when it becomes final. Ms. Jost offered to confer with Pat Sanderson and local counsel to research the impact of the judge's decision on any of the Board's actions associated with the FERC filing, and to provide the Board with an opinion on this basis. One Board member felt this was an appropriate way to handle the matter. Alternatively, it was suggested by another Board member that an additional Board meeting would be needed to take action on the FERC filing package after the order is final. However, Steve Henry indicated that there is no deadline for when such a final order could issue and that it could take more than thirty days.

## **IX. Discussion – Az ISA Risk Assessment – New Agenda Item**

Steve Henry summarized the Low & Childers letter of June 30, 2000, which is included as Attachment IV of the Detailed Implementation Plan of July 17, 2000. The letter provides an opinion of the liability exposure of the Az ISA based on the ISA-TP and ISA-SC-TP Agreements. Mr. Henry advised the Az ISA to obtain an errors and omissions (E&O) insurance policy, because the current general commercial liability policy does not cover the Az ISA with respect to all matters addressed by the Agreements. The E&O policy would cover any negligent acts, not fraudulent acts, and would be needed effective upon the FERC filing acceptance or approval and signing of the Agreements. The Board discussed at length the affordability of the insurance, as well as alternatives for reducing the Az ISA's liability exposure under the Agreements. Pat

Sanderson advised the Board that an amount of money for such coverage is included in the budget. He is in the process of obtaining quotes, but the quotes depend on how the Board wants the insurance structured. It was discussed whether the liability exposure issue needed to be resolved before submittal of the FERC filing or whether the filing could move ahead on a contingent basis on the assumption that the Board could acquire an appropriate level of E&O insurance. Board members suggested getting E&O insurance quotes as soon as possible and either discussing the issue again via a teleconference call or providing written resolution to the Board that can be clearly understood before moving ahead.

#### **X. Az ISA FERC Filing and Implementation Plan**

A discussion revolved around the AEPCO comments to the FERC filing package provided by AEPCO via e-mail on Friday, July 14, 2000. Some of the Board members and other attendees had not had time to adequately review the comments prior to the July 17, 2000, Board meeting.

In response to one of AEPCO's comments, there was a lengthy discussion as to what level Phase II should be included in the FERC filing, if at all, and the impact its inclusion or exclusion might have on the FERC's acceptance or approval of the Protocols Manual.

A lengthy discussion occurred on the Agreements and the obligations between the TPs, SCs, and the Az ISA regarding the collection of Az ISA fees. Concerns were raised regarding the possibilities of SCs defaulting on payments and whether the TPs should bear the risk of such default with respect to the Az ISA's charges. The responsibility for and process of certifying the SCs was discussed.

Concern was expressed that the phases and details of the Detailed Implementation Plan do not match the Protocols Manual and the Affidavit of Jerry W. Smith. It was suggested that a matrix was needed to compare the three documents and determine whether, in fact, there were any discrepancies.

The Board recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m.

Discussion continued regarding the need for consistency and common language between the Protocols Manual and the Detailed Implementation Plan. It should be clarified as to what is included in each phase, what has been approved by the Board, what is included in the FERC filing package, and what is to be implemented. It was suggested that a subgroup could address the issues of consistency among the three documents and bring a solution back to the Board. Ray Williamson pointed out that the August 3 ACC Workshop was based on the expectation that the FERC filing package would be ready for consideration by the Commission. It would probably have to be postponed as a result of the developments of this meeting, since the package will not be ready.

The TP/SC fee collection and SC certification issues were discussed again. Several possible solutions were offered, including bond, financial guarantee insurance, letter of

credit or standardization of the credit requirements for all TPs. It was suggested that if an SC is found by a particular TP to meet its credit worthiness criteria, this TP should also be willing to be responsible for the small increment of credit risk associated with funding the Az ISA charges. Another suggestion was to purchase a bond to cover bad debts by SCs to the Az ISA and spread the cost across all the TPs.

## **XI. Executive Session**

The Board adjourned to Executive Session at 2:10 p.m. to discuss personnel issues and reconvened at 2:20 p.m.

(Vann Prater left the meeting at 2:20 p.m., and the remaining Board members resumed the discussion on Item X. Az ISA FERC Filing and Implementation Plan.)

It was agreed that a subgroup would reconcile the three documents and recommend a resolution, as previously discussed. The group will include Jerry W. Smith (APS), an AEPCO representative, a RUCO representative, Asher Emerson (ACC), Barbara Jost, and Pat Sanderson.

The question was raised as to how AEPCO's comments on the Agreements will be addressed. Barbara Jost summarized the two key elements as credit worthiness and the Phase I versus Phase II issue. Ms. Jost will review them and get back to Pat Sanderson this week. A discussion followed about whether Phase II should be taken out, left in, or just de-emphasized. Don Allen pointed out that the AEPCO version does not take out Phase II, it just de-emphasizes it.

(Leroy Michael left the meeting at 3:00 p.m.)

It was agreed that Barbara Jost will make the revisions in the next two weeks, and the documents will be distributed for review then. There will be a teleconference call scheduled for August 3 at 9:00 a.m. for an update. The revised package will be brought back to the Board at an August 21, 9:00 a.m., Board meeting to consider for approval.

## **XII. Az ISA Staff Report**

- a. Membership Report.** Pat Sanderson provided a copy of the latest membership roster.
- b. Board Member Vacancies Report.** Pat Sanderson advised the Board that Patricia Gambino, PG&E Energy Services, has resigned her seat as a Board Member and class chair, since PG&E Energy Services has been bought out. Mr. Sanderson also explained that although Tom Delaney has resigned his Board seat, the Az ISA has not received written notice that Enron is leaving the organization. He will contact Mr. Delaney to resolve. Steve Henry explained that the Board could elect two new Board Members at the next meeting to serve until the next annual meeting's election of officers.

- c. **Az ISA Annual Meeting.** Pat Sanderson advised the Board that the annual DSTAR meeting is the same time as the Az ISA's, so he will coordinate with Mike Raezer and attempt to combine them. According to the Az ISA By-Laws, the annual members meeting is the "second Tuesday in September," and the third regular Board meeting is the "second Wednesday in September."
- d. **SRP Financial Audit – Update.** Pat Sanderson advised the Board that there were no significant findings during the financial inspection by the SRP auditor. Jessica Joule concurred and said there will not be a letter written, since there were no findings.
- e. **Financial Report.** Pat Sanderson reviewed the financial documents, which had been e-mailed out previously, including the Balance Sheet, the May Profit and Loss, the YTD Profit and Loss, and the 2000/2001 Budget spreadsheets. Mr. Sanderson explained that, based on the advice of Clint Wasser, CPA, and the SRP auditor, the accounting system is being changed to an accrual system instead of cash basis system.

### **XIII. Other Business**

There was no other business.

### **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 3:50 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

# ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR ASSOCIATION

Twenty-Fifth Special Meeting of Board of Directors  
July 17, 2000 at 9:00 A.M. MST  
Grand Canyon State Electric Cooperative  
120 N 44<sup>th</sup> Street, Suite 100  
Phoenix, Arizona

## APPROVED REVISED AGENDA

- I. Call to Order
- II. Establish Quorum
- III. Appoint Corporate Secretary
- IV. Approve New Board Member **Approval Item**
- V. Approve Agenda **Approval Item**
- VI. Approve Minutes from 6/2/00 Meeting **Approval Item**
- VII. Check Writing Resolution **Approval Item**
- VIII. Discussion – Judge Campbell Decision (TEP v. ACC)
- IX. Discussion – Az ISA Risk Assessment
- X. Az ISA FERC Filing and Implementation Plan **Approval Item**
- XI. Executive Session – Personnel
- XII. Az ISA Staff Report
  - a. Membership Report
  - b. Board Member Vacancies Report
  - c. Az ISA Annual Meeting
  - d. SRP Financial Audit—Update
  - e. Financial Report
- XIII. Other Business
- XIV. Next Board Meeting
- XV. Adjourn