

**ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR ASSOCIATION**

Minutes from the Thirty-First Special Meeting of Board of Directors  
December 21, 2000

Grand Canyon State Electric Cooperative Association, Inc.  
120 North 44<sup>th</sup> Street, Suite 100, Phoenix, Arizona

**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.

*Directors Present:* Ed Beck (via teleconference), Dennis Delaney, Lindy Funkhouser, Kevin Higgins, Larry D. Huff, Martin B. Ochotorena, Marcie Otondo, Vann E. Prater (via teleconference), Elizabeth Story, and Patrick J. Sanderson (Chair).

*Others Present:* Steven R. Henry, Jerry Smith (APS), Michael Flores, Todd Clark, Evelyn Dryer, Asher Emerson, Alan Propper, Peggy Drumm, and Barbara Jost (via teleconference).

**III. Welcome and Introductions**

All present were welcomed and introduced.

**IV. Appoint Corporate Secretary**

Peggy Drumm was appointed as Corporate Secretary for the meeting.

**V. Approve Agenda**

Pat Sanderson reviewed the agenda. An additional item was added as VII(c) AEPCO Letter, per Larry Huff's request. The motion to approve the agenda as amended was duly moved and seconded by Marcie Otondo and Martin Ochotorena, respectively. The motion was approved unanimously.

## **VI. Approval of Minutes**

Pat Sanderson referred to copies of minutes from both the December 1 and November 6 Special Board meetings that were included in the Board packet. He also noted the footnote added to the November 6 minutes. It was duly moved and seconded by Elizabeth Story and Martin Ochotorena, respectively, to approve the December 1 minutes as distributed. The motion passed unanimously.

## **VII. Az ISA FERC Filing Update**

Pat Sanderson asked Barbara Jost to provide an update on the Az ISA FERC Filing and compliance filings. Ms. Jost reviewed the items required for a compliance filing and confirmed that it must be filed by January 2, 2001. Action had not been taken yet to prepare such a filing, pending further clarification on Az ISA funding. It was confirmed that a request for an extension could be filed. Further discussion revolved around the Transmission Providers' (TP) required compliance filings and their intentions to request extensions. Ms. Jost noted that the TPs' filings must be consistent with the filings of Az ISA. Ed Beck informed the Board that Tucson Electric Power Company (TEP) intends to request a minimum of a 60-day extension, and he made a motion that the Az ISA Board vote to support that request. Larry Huff seconded the motion. Mr. Beck added that TEP would also request rehearing of the FERC order. TEP is willing to fund reasonable operational costs of the Az ISA on a month-to-month basis. Mr. Propper, on behalf of Arizona Public Service Company (APS), also expressed a willingness to fund such costs.

There was a lengthy discussion involving the Transmission Providers as to whether or not they should and/or would sign the ISA-TP Agreements. The TPs indicated that they want to include a "sunset" provision in the agreements before signing and that new Section 205 filings would need to be made simultaneously with the compliance filing to insure that the Protocols as a package were implemented. Discussion also included options for further funding of the Az ISA, either repayable or not repayable, and repayment of the current capitalization loans. It was pointed out that the existing Promissory Notes become due by January 30, 2001.<sup>1</sup> Procedural and timing issues were discussed regarding Section 205 filings in addition to a rehearing request. Barbara Jost noted that the Section 205 filings could move more quickly at the FERC than a rehearing request (which would likely be subject to a "tolling" order), and if the Section 205 filings were approved, FERC approval could well moot the need to maintain the rehearing requests with respect to the Protocols Manual. The status and timing of the TPs' requests for rehearing and extension of time was discussed.

The Board recessed for a break at 10:45 a.m. and reconvened at 11:00 a.m.

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<sup>1</sup> "...the earlier of (1) the first day of the first month immediately following 60 days after AISA's tariff is accepted for filing by the Federal Energy Regulatory Commission ("FERC") and the remaining payments on the first day of each successive month thereafter, or (2) beginning January 30, 2001 and each successive month thereafter." (Promissory Note)

The status of the SRP capitalization loan was discussed, as well as, possible courses of action for resolution. Legal counsel discussed whether the Directors could be individually liable for loans. Consideration was given to the possibility of forgiveness of the loans. Some TPs expressed willingness to forgive the loans; others did not.

Dennis Delaney called for the previous question. The motion did not pass, with a vote of three in favor and seven opposed.

Marcie Otondo made the following motion to amend Ed Beck's motion by adding the following:

- 1) ISA to request a 60-day extension on compliance filing.
- 2) To the extent the Transmission Owners file for rehearing and ask for the protocol manual be accepted as filed, the Az ISA will sign on in concurrence.
- 3) Direct Pat to send letter to Mr. Silverman at SRP which (1) tenders the Az ISA-TP Agreement for them to sign (as a vehicle to collection of loan funds due, and (2) if do not sign Agreement, then loan is forgiven.
- 4) The ISA to make a 205 filing on the same day or earlier than the compliance filing consistent with original filing except include "sunset" provision in Az ISA-TP Agreement.
- 5) Immediately determine a 60-day budget and request that the TPs on a non-repayable, non-contingent basis provide the funding. The request will include a specified "up to" dollar amount and an explanation of how the funds are intended to be used.

Kevin Higgins seconded the motion. A copy of the motion was faxed to Ed Beck, Vann Prater, and Barbara Jost.

At Mr. Delaney's request, Ms. Jost provided a further explanation of the strategy regarding the Section 205 filings. It was clarified that the TPs prefer their counsels to put together most of their filings. It was further clarified that the TPs included in the motion would be the TPs that file for rehearing (APS and TEP). The motion was discussed.

The meeting recessed for lunch at 12:20 p.m. and reconvened at 1:25 p.m.

Funding requirements for an additional two months of operating and legal costs for the Az ISA were discussed. The Board was referred to the "Additional Funding Alternative" spreadsheet provided by Pat Sanderson.

Ms. Jost noted that the current promissory notes require repayment to begin no later than January 30, 2001. However, the currently unsigned Start-Up agreements defer repayment until the 20<sup>th</sup> day of the fifth billing month after the Az ISA commences operation.<sup>2</sup> Kevin Higgins suggested that execution of the Start-Up Agreements would need to be included in the motion.

Discussion of the two-month funding requirements for Az ISA continued. Marci Otondo clarified that \$110,000 funding would be intended to be used for normal operating expenses, attorney's fees for items 1-4, and \$35,000 for Az ISA shutdown.

After further discussion, Marcie Otondo withdrew her motion with the concurrence of Mr. Higgins, who had seconded it. Martin Ochotorena made a new motion to amend Ed Beck's original motion to include the previous motion and to include "and a 205 filing is made" after "...sign the TP agreements." Ms. Otondo seconded the motion.

Marcie Otondo moved to amend the motion to amend so that the following would be added to Mr. Beck's original motion for the Az ISA Board to support the TP's motions for a 60-day extension. Martin Ochotorena seconded the motion. The addition to the original motion is as follows:

Subject to the TP's 1) providing \$110,000 to the AISA on a non-repayable non-contingent basis and 2) signing the Start-Up Agreements, provided however that at such time as the TP's sign the TP agreements and a 205 filing is made \$35,000 shall become refundable, and 3) the AISA providing an explanation of how the funds are intended to be used, the AISA Board will:

1. Request a 60-day extension of the deadline for the compliance filing,
2. Join in the TO's request for rehearing to restore the protocols manual as originally filed by the AISA,
3. Direct Pat to send a letter to Mr. Silverman at SRP which 1) tenders the AISA-TP agreement for them to sign, as a vehicle to collect funds to repay the loan due SRP, and 2) states that if SRP doesn't sign the agreement, it forgives the AISA of the obligation to repay the loan, and
4. Direct that Counsel prepare a 205 filing to be presented to the Board for approval to be filed on the same day or earlier than the compliance filing consistent with the original filing except to included a "Sunset" provision in AISA-TP agreement. The filing will request implementation the day after the filing, subject to refund.

A roll call vote was taken to amend the original motion to include the provisions stated above, and the motion passed. Eight Directors voting for the motion were

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<sup>2</sup> "...the Participating Utility and the Az ISA hereby amend the Promissory Note so that the Az ISA's monthly repayment of said Promissory Note (the "Repayment Obligation") shall not commence until the 20<sup>th</sup> day of the fifth billing month after the Az ISA commences operation and begins to receive revenues from the Participating Utility pursuant to section 4 of the ISA-TP Agreement and Rate Schedule 1." (Start-up Agreement)

Directors Funkhouser, Higgins, Huff, Ochotorena, Otondo, Prater, Story, and Sanderson. Voting against was Director Delaney.

A vote was then taken for the original motion as amended. The motion passed with a vote of eight in favor and one opposed.

At this point in the meeting, there was no longer a quorum available

At Larry Huff's request, there was a discussion among the remaining Board members regarding recent meetings with the ACC.

**VIII. Discuss Az ISA Contingency Plans**

An updated corporate dissolution schedule was provided in the Board packet. It was used during the discussion on funding under Agenda Item VII.

**IX. Staff Report**

- a. **Financial Report.** Pat Sanderson referred to the November financials, provided in the Board package. There were no questions.
- b. **ACC Meetings.** See Agenda Item VII.

**X. Other Business**

Due to the absence of a quorum, no other business could be conducted.

**XI. Next Board Meeting**

Pat Sanderson advised the Board members present that a Regular Board meeting is scheduled for January 10, 2001, according to Az ISA By-Laws. The Acting Executive Director will schedule a Special Board meeting to be held at 9:00 a.m., Thursday, February 1, 2000. Location to be determined.

**XII. Adjourn**

The meeting was adjourned at approximately 4:20 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

**ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR ASSOCIATION**

Thirty-First Special Meeting of Board of Directors  
December 21, 2000, at 9:00 A.M. MST  
Grand Canyon State Electric Cooperative Association  
120 N 44<sup>th</sup> Street, Suite 100  
Phoenix, Arizona

**APPROVED AGENDA**

- I.** Call to Order
- II.** Establish Quorum
- III.** Welcome and Introductions
- IV.** Appoint Corporate Secretary
- V.** Approve Agenda **Approval Item**
- VI.** Approve Minutes from 12/1/00 Meeting **Approval Item**
- VII.** Az ISA FERC Filing Update
  - a. Compliance Filings
  - b. TP Agreements
  - c. AEPCO Letter
- VIII.** Discuss Az ISA Contingency Plans
- IX.** Az ISA Staff Report
  - a. Financial Report
  - b. ACC Meeting
- X.** Other Business
- XI.** Next Board Meeting
- XII.** Adjourn

Conference Call for 31<sup>st</sup> Special Board Meeting, as follows:

- 9:00 A.M. – 3:00 P.M. MST
- **Call-in Number: (303) 633-0619**
- 10 lines available
- Reservation Number: 1716057
- US West 1-800-263-3863 (in case of problems)