

**ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOCIATION**

Thirty-Second Special Meeting of Board of Directors
February 1, 2001, at 9:00 A.M. MST

Arizona Independent Scheduling Administrator Association
615 South 43rd Avenue, APO Building (WAPA Complex)
Phoenix, Arizona

APPROVED MINUTES

I. Call to Order

Acting Executive Director Patrick J. Sanderson called the meeting to order at 9:50 a.m.

II. Establish Quorum

The presence of a quorum was ascertained.

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

Others Present: Donald R. Allen, Asher Emerson, Steven R. Henry, Barbara Jost, Alan Propper, Jerry Smith (APS), Joel Spitzkoff, and Peggy Drumm. Janet Wagner, ACC, joined the meeting parts of the meeting via teleconference.

III. Welcome and Introductions

All present were welcomed. Introductions were dispensed with, as it was determined all present were acquainted.

IV. Appoint Corporate Secretary

Peggy Drumm was appointed as Corporate Secretary for the meeting.

V. Approve Agenda

Pat Sanderson reviewed the agenda. Ed Beck requested that the January 31, 2001, letter from Commissioner Irvin be placed on the agenda as Agenda Item XI. Other Business. The motion to approve the agenda as amended was duly moved and seconded by Marcie Otondo and Ed Beck, respectively. The motion was approved unanimously.

VI. Approval of Minutes

Pat Sanderson referred to copies of minutes from the January 10 Regular Board meeting that was included in the Board packet. It was duly moved and seconded by Kevin Higgins and Lindy Funkhouser, respectively, to approve the January 10 minutes as distributed. The motion passed unanimously.

VII. Confidentiality of Information

Pat Sanderson presented the topic for discussion by the Board as to whether the Az ISA should act to protect the confidentiality of certain Board legal discussions through the convening of Executive Sessions. In particular, Pat Sanderson and Steve Henry noted that the Board could be at a litigation risk if information that should have been protected was disclosed and such public disclosure resulted in harm to the interests of the Az ISA. Ms. Jost added that other stakeholder boards, such as the Cal. ISO, conduct all discussions on legal strategy in Executive Session so as to maintain the attorney-client privilege for all matters discussed. In addition, she noted that, in some cases, individual Board members who have taken positions at the FERC adverse to the organization as a whole have thereafter recused themselves from any such privileged Board discussions. After advice provided by Az ISA legal counsel and discussion by the Board, it was agreed that Mr. Sanderson would provide a draft resolution as an action item at the next Board meeting to address this issue. It will be provided to Board members for consideration before the next meeting.

VIII. Discussion of Letter from ACC Commissioner Jim Irvin

It was moved by Ed Beck and seconded by Larry Huff to move discussion on the January 31, 2001, letter from ACC Commissioner Irvin to precede the FERC filing discussions. The motion passed unanimously.

Janet Wagner, ACC, joined the meeting via teleconference.

Asher Emerson and Janet Wagner provided contextual information regarding the Irvin letter:

The Board was advised that on the same day as the Irvin letter, the ACC Commissioners met with the Commission staff in an open meeting where a number of matters were addressed. One item was an update on the status of the Az ISA. The Board was advised that at the meeting Staff reported that the ISA Board was meeting on February 1 and it was expected they would approve the FERC filings and that the two TPs (APS and TEP) would also sign the TP agreements. The discussion on the status of the Az ISA was informational only, and no action was taken by the Commissioners. The Board was advised that Commissioner Irvin did not mention at the open meeting that he was planning to send a letter to the Az ISA later that day. There were further questions of Mr. Emerson and further discussion by the Board regarding the implications of the Irvin letter.

Mr. Emerson noted that the ACC has initiated a review of the state of energy preparedness in Arizona and related regional impacts. In connection with this, the ACC has scheduled a series of workshops, the first being February 16. However, any possible changes or amendments to the Retail Electric Completion Rules will not be addressed during this workshop. Mr. Emerson will provide Pat Sanderson with an electronic copy of the agenda and schedule for future workshops to pass along to the Az ISA members. Mr. Emerson further indicated that Commissioner Irvin would like all stakeholders to be aware of the workshops and to attend. Janet Wagner then left the teleconference.

Alan Propper left the meeting at 10:50 a.m. Before leaving, he noted that APS is fully in support of the Az ISA going forward, although not a voting member of the Board, and will sign the TP Agreement with the sunset provision, and that APS intends to file a compliance filing with FERC that parallels the Az ISA compliance filing.

It was debated whether a response to the Irvin letter was indicated and whether a response would be appropriately provided by the Board as a whole on behalf of the Az ISA or by individuals, on their own behalf. It was agreed that if individuals respond, it should be clear in the letter that their response is not on behalf of the Az ISA. Kevin Higgins offered to draft a set of answers to the questions to circulate to the Board to be considered for a response from the Board. There was further discussion as to whether or not there should be a response. It was noted that the letter as written did not ask for any response.

The Board recessed for lunch at 11:20 a.m. and reconvened at 12:05 p.m.

IX. Discussion of Letter from SRP

It was duly moved and seconded by Larry Huff and Dennis Delaney, respectively, to move discussion on the January 29, 2001, letter from SRP to Agenda Item IX. The motion passed unanimously.

Pat Sanderson advised the Board that a letter regarding SRP's Capitalization Loans had been sent to Mr. Silverman, based on Board direction at the December 21, 2000, meeting. The January 29, 2001, SRP letter included in the Board packet is the response to that letter. There was discussion of the SRP response, repayment issues regarding the SRP loan, which included several points made by Az ISA legal counsel regarding Arizona contract law. It was agreed that Pat Sanderson schedule a meeting with Mr. Silverman, perhaps accompanied by Mr. Childers.

X. AZ ISA FERC Filing

- a. Compliance Filings.** Barbara Jost reviewed the FERC Compliance filing and noted the changes to the Protocols Manual had been prepared in close coordination with the TPs. She went through each change in the Protocols Manual not included in the redlined version previously provided to the Board (pages 7, 16, 21, 25, 32, 42, 47-48, and 53), Rate Schedule #1 (Section 3 and the ISA-SC-TP Agreement, Section 4.03). She also noted that additional changes

would be made to the draft transmittal letter to reflect these additional changes. It was confirmed that this letter and attachments address the Az ISA's FERC Compliance filing but not the Section 205 filing. Joel Spitzkoff advised the Board of the status of the APS FERC filing. There was discussion regarding the scope of the various filings and dates of service implementation.

- b. TP/SC Agreements.** The TP and SC Agreements were discussed, and some changes were made to Section 13 regarding the Sunset Provision. These changes were agreed to by APS and TEP.
- c. Rehearing Request.** There was discussion of the Rehearing Request.
- d. 205 Filing.** Barbara Jost reviewed the Section 205 filing (consisting of two TP Agreements, one with APS and one with TEP and two SC Agreements, one with APS and one with TEP – all four of which include the revised “sunset provision”). There was a discussion regarding the “effective dates” of the various filings.

Martin Ochotorena joined the meeting at 3:05 p.m. via teleconference.

There was discussion on whether or not the Compliance filing needs to be approved by the Board. Barbara Jost reviewed the changes in the FERC Compliance filings again. Ms. Jost also read to the Board additional language to be added to the Transmittal Letter, at the suggestion of Mr. Funkhouser, which would reaffirm that the Az ISA's submittal of the compliance filing was not intended to prejudice the pending rehearing requests regarding whether the FERC has jurisdiction over unbundled retail standard offer rates.

A motion was duly made and seconded by Ed Beck and Lindy Funkhouser, respectively, to direct the Az ISA staff, in conjunction with Az ISA Counsel, to file a FERC Compliance filing and make a Section 205 filing that modifies the ISA-TP and ISA-SC-TP Agreements with inclusion of the language as presented today. There was a discussion as to the merits of the Compliance and Section 205 filings.

Kevin Higgins called for the question, and a vote was then taken. The motion did not pass, with a vote of seven in favor and three opposed.

XI. Other Business

Pat Sanderson then presented the question to the Board of where the Az ISA would go from here, i.e., there is two month's funding available and no way to collect revenue until and unless Rate Schedule No. 1 is implemented. Board direction is, therefore, needed. Some options were discussed by the Board.

The Board recessed for a break at 4:05 p.m. and reconvened at 4:30 pm.

There was a disagreement and discussion as to whether the previous motion had or had not passed, based on whether the Bylaws require that the number of votes to pass a motion be based on the total number of Board seats (11) or the number of current sitting Board members (10). Some believe the By-Laws are unclear.

In the absence of any immediate resolution of this issue, Ed Beck then moved to direct Az ISA Staff to go to FERC with a request for a 60-day extension based on the fact that the Board could not act, that the Az ISA would respond to FERC when the Board acts, that the Az ISA would provide a report to FERC within 30 days, that the Az ISA would advise FERC that the Az ISA is waiting for direction from the ACC, and that the Az ISA would meet with the ACC. Lindy Funkhouser seconded the motion.

After further discussion, Ed Beck amended the motion to read as follows.

The Board directs Az ISA Staff:

- To go to FERC with a request for a stay based on the fact that the Az ISA Board could not come to a definitive resolution,
- To respond to FERC when the Board acts,
- To provide a report to FERC within 45 days, and
- To meet with ACC as a Board to receive direction.

Lindy Funkhouser seconded the motion. The motion was approved unanimously.

Due to the late hour, it was agreed to schedule another meeting to address the remaining agenda items and funding. Pat Sanderson was directed to set up a meeting or workshop for the Az ISA Board with the ACC Commissioners.

Pat Sanderson requested a motion to approve payment of \$5600 for the down payment for the 2001 D&O insurance policy. Dennis Delaney so moved, and Larry Huff seconded the motion. The motion passed unanimously.

XII. Next Board Meeting

A Special Board meeting was scheduled for 9:00 a.m., Wednesday, February 21, 2001. Location to be determined. Meeting notice waivers will need to be signed by all Board members.

XIII. Adjourn

It was duly moved and seconded by Marcie Otondo and Ed Beck, respectively, to adjourn. The motion passed unanimously. The meeting was adjourned at approximately 5:45 p.m.

Respectfully submitted,
Peggy A. Drumm, Acting Corporate Secretary

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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 1/10/01 Meeting **Approval Item**
- VII. Confidentiality of Information
- VIII. Discussion of Letter from ACC Commissioner Jim Irvin
- IX. Discussion of Letter from SRP
- X. Az ISA FERC Filing **Approval Item**
 - a. Compliance Filings
 - b. TP Agreements
 - c. Rehearing Request
 - d. 205 Filing
- XI. Az ISA Contingency Budget (Plan)
- XII. Az ISA Staff Report
 - a. Financial Report
 - b. Startup Agreements
 - c. Membership Update
 - d. Office Space Utilization
- XIII. Other Business
- XIV. Next Board Meeting
- XV. Adjourn

Conference Call for 32nd Special Board Meeting, as follows:

- 9:00 a.m. – 5:00 p.m. (Arizona time/MST)
- 10 lines available
- Call-in Number: (303) 633-6121
- Reservation #: 17418974
- US West 1-800-263-3863 (in case of problems)