

**ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR ASSOCIATION**

Thirty-Fifth Special Meeting of Board of Directors  
March 30, 2001 at 9:00 A.M. MST

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

**APPROVED MINUTES**

**I. Call to Order**

Acting Executive Director Patrick J. Sanderson called the meeting to order at 9:10 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, Mike McElrath, Marcie Otondo, Vann E. Prater, Elizabeth Story, and Patrick J. Sanderson (Chair).

*Others Present:* David Childers, Pat Cooper, Asher Emerson, Jerry Smith (APS), and Peggy Drumm. Jane Daly, Barbara Jost, and Joel Spitzkoff (via teleconference).

**III. Welcome and Introductions**

All present and attending via the teleconference 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. The motion to approve the agenda was duly moved and seconded by Larry Huff and Lindy Funkhouser, respectively. The motion was approved with eight affirmative votes and two abstentions (Dennis Delaney and Elizabeth Story).

**VI. Approval of Minutes from March 21, 2001 Meeting**

Pat Sanderson referred to copies of minutes from the March 21 Special Board meeting provided in the Board package and handed out copies of the draft minutes from the March 21 Executive Session. Dennis Delaney requested that minutes from Executive Sessions not be mailed or e-mailed to him. It was duly moved and seconded by Ed Beck and Vann Prater, respectively, to approve the March 21 minutes as provided. The

motion was approved with eight affirmative votes and two abstentions (Dennis Delaney and Elizabeth Story).

## **VII. ACC Meeting Report – Discussion**

Pat Sanderson advised the Board of an Arizona Corporation Commission public meeting that had been held March 29, which had been attended by some of the Board members. He invited a free-flow discussion regarding the meeting. He noted that the Commission, by declining to stay the Competition Rules, maintained the status quo and put it back to the Az ISA to see if they can now move forward. There was a lengthy discussion; the main points of which follow:

- The Commission’s point was clearly made – that they were not going to take any action to eliminate the Az ISA, and that would be the Board’s decision. The Commission is not prepared to wait indefinitely, however, and could revisit the issue of the Az ISA if the Board does not take action. They would have a variety of options open to them, including staying the rule or establishing an appointed board as opposed to the current stakeholder board.
- The Commission still supports the concept of the Az ISA. After the open exchange of opinions, the Commission seemed to come to the conclusion not to take action to impede the Az ISA and left it to the Board to decide what the organization would do next.
- The issue of staying Rule 1609 was before the Commission, and they decided not to stay the rules.
- The entities that have Settlement Agreements in place will support the Az ISA.
- The Commission seems to be reviewing competition from the ground up, and the ultimate goal may be to fine-tune the competition rules.
- The Board needs to keep the Commission informed as to where the different groups stand on the issues, and it is believed the Commission would welcome and look for that input. A previous Board action (January 8, 1999) was referenced in this regard: “... accepted by the Board: (1) to actively seek regular communications with the ACC staff and Commissioners ...”

There was additional discussion regarding energy imbalance with regard to the compliance filing, and rates for standard offer customers.

The Board recessed for a break at 10:30 a.m. and reconvened at 10:40 a.m.

## **VIII. Az ISA Board Voting Requirements –Discussion**

Pat Sanderson introduced David Childers, Low & Childers, to discuss the opinion letter regarding Board voting requirements from Steve Henry included in the Board package. Mr. Childers referred to the letter and, in particular, the conclusion that states: “In summary, it is our opinion that in order to have a quorum for a board of directors meeting of the AISA board of directors, eight members of the current board of directors of the AISA must be present or participating in the meeting. Furthermore, it is also our opinion that, in order to have effective action by the AISA Board, an affirmative vote of two-thirds of the board members present once a quorum has been established and continues to exist, constitutes effective action of the AISA Board.” A lengthy discussion followed, including recollections of the drafting of the By-Laws,

and wherein Elizabeth Story and Dennis Delaney expressed their disagreement with the Low & Childers opinion.

Kevin Higgins suggested that there are three possible interpretations of the number of affirmative votes required for the Board to act:

- 1) 2/3 of 11 (the total number of Board seats available) at all times,
- 2) 2/3 of Board members present, or
- 3) 2/3 of the number of seated Board members.

After further discussion on how and/or whether the issue should be further considered by the Board, Mr. Childers suggested that if the Board wanted to go further, it could agree to amend the By-Laws to more clearly state the quorum and voting requirements. Mr. Delaney stated that he believed the decision should be in the hands of the members rather than the Board. There was a discussion regarding the requirements to constitute a class and the Board representation of a class, including the possible need to downsize or reorganize, and the possible need for a members' meeting. Mr. Sanderson opined that these were matters for consideration at the annual meeting.

There was a discussion regarding the filling of the vacant Board seat, resulting from Martin Ochotorena's resignation. Mr. Sanderson noted that, in section 4.6.2 of the By-Laws, it is not stated that the successor the Board chooses has to be from the vacant class.

Mr. Delaney asked Mr. Childers to clarify any exposure to personal liability Board members would have as a result of their votes, based on the second to the last paragraph of the opinion letter. Mr. Childers said it is not likely that a Board member could be held personally liable for action taken in reliance on a legal opinion given by the Board's counsel. He confirmed that he would think D&O insurance would cover such a case.

Mr. Sanderson advised the Board that the Board would move ahead at this time based upon the legal opinion. To bring further closure on this issue, it was duly moved and seconded by Ed Beck and Vann Prater, respectively, as follows:

MOTION: We have an opinion of counsel, and if anyone has any collateral information that sheds light on it, they will bring it to Pat Sanderson to bring before the next Board meeting to discuss and/or act upon.

The motion was approved with eight affirmative votes and two abstentions (Dennis Delaney and Elizabeth Story).

## **IX. April Az ISA/ACC FERC Status Report – Discussion**

Pat Sanderson introduced Barbara Jost and asked her to discuss the status of the FERC status reports that the Az ISA and the Arizona Corporation Commission have been instructed to provide on or before April 2. Ms. Jost explained that, based on discussions with them, the Commission staff is drafting a response. She asked for the Board's guidance as to the degree the Board could provide the status on retail

competition in Arizona. In the following discussion, several points were made, as follows:

- Cannot say there is no competition, but the Az ISA does not have exact figures and the competition is minimal, if at all.
- The FERC should look to the Commission for input, since the Az ISA does not regulate competition.
- The Az ISA is continuing to review the FERC Order and, based on input from the Commission, is moving slowly.
- The Az ISA is not providing any service under the tariff and does not know when it will be providing service.

#### **X. March Funding Status**

Pat Sanderson referred to the status report included in the Board package. He noted that funds had been received from AEPCO, APS, and Citizens, but had not yet been received from TEP. Ed Beck noted that a check from TEP should be received next week. Mr. Sanderson received confirmation that the funding is month-to-month, based on the (February 26) resolution, and a new resolution is not needed each month. Mr. Sanderson advised the Board that he would provide a budget for April to the Board the following week. Larry Huff requested that the costs be kept to a minimum, and it was agreed that Mr. Sanderson would check into a rent reduction.

#### **XI. March-April Cash Flow Report**

Pat Sanderson reviewed the March-April Cash Flow Report provided in the Board package and answered questions.

#### **XII. Staff Report**

- a) **Annual Corporate Report to State.** Pat Sanderson advised the Board that the annual report is due to the Arizona Corporation Commission April 15.
- b) **Membership – Update.** Pat Sanderson advised the Board that two notices had been sent to members, and members who had not yet paid would be contacted. Dennis Delaney requested that further contact be deferred until after an April 23 meeting of a number of the members of the Local Load Serving Entities. It was agreed to wait until after April 23.

#### **XIII. Other Business**

Ed Beck reported that, regarding the SRP loan, there will be an internal SRP meeting during the first week of April, and there should be something more to report after that.

#### **XIV. Executive Session**

The Board adjourned to Executive Session to discuss personnel issues and reconvened.

#### **XV. Next Board Meeting**

Barbara Jost noted that the Board has indicated a willingness to file another status report with the FERC by May 10. Kevin Higgins requested a work group meeting to address the imbalance issue in contemplation of possible compliance filing. Barbara Jost noted that to the extent any changes were to go beyond changes required by the Rehearing Order, they would have to be included in a Section 205 filing. It was agreed that there would be an operating committee meeting at APS on April 16. Jerry Smith, APS, will notify committee of details.

Lindy Funkhouser asked whether a work group needed to address any changes to the By-Laws before the annual meeting. It was suggested that it could be an agenda discussion item for the next Board meeting. David Childers offered to lay out the three options to discuss.

The next Board meeting will be Tuesday, May 1. Details will be forthcoming.

## **XVI. Adjourn**

There being no further business, it was moved and seconded that the meeting be adjourned. The motion was approved, and the meeting was adjourned at approximately 1:00 p.m.

Respectfully submitted,

Peggy A. Drumm, Acting Corporate Secretary

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

**APPROVED AGENDA**

- |              |   |                      |
|--------------|---|----------------------|
| <b>I.</b>    | Call to Order                                     |                      |
| <b>II.</b>   | Establish Quorum                                  |                      |
| <b>III.</b>  | Welcome and Introductions                         |                      |
| <b>IV.</b>   | Appoint Corporate Secretary                       |                      |
| <b>V.</b>    | Approve Agenda                                    | <b>Approval Item</b> |
| <b>VI.</b>   | Approve Minutes from March 21, 2001 Meeting       | <b>Approval Item</b> |
| <b>VII.</b>  | ACC Meeting Report -- Discussion                  |                      |
| <b>VIII.</b> | Az ISA Board Voting Requirements --Discussion     | Dave Childers        |
| <b>IX.</b>   | April Az ISA/ACC FERC Status Report -- Discussion | Barbara Jost         |
| <b>X.</b>    | March Funding Status                              |                      |
| <b>XI.</b>   | March-April Cash Flow Report                      |                      |
| <b>XII.</b>  | Staff Report                                      |                      |
|              | a. Annual Corporate Report to State               |                      |
|              | b. Membership -- Update                           |                      |
| <b>XIII.</b> | Other Business                                    |                      |
| <b>XIV.</b>  | Executive Session                                 |                      |
| <b>XV.</b>   | Next Board Meeting                                |                      |
| <b>XVI.</b>  | Adjourn   |                      |

Conference Call for 35th Special Board Meeting, as follows:

- 9:00 a.m. – 5:00 p.m. (Arizona time/MST)
- 10 lines available
- Call-in Number: (303) 633-1831
- Reservation #: 18162086
- US West 1-800-263-3863 (in case of problems)