

**Minutes from the Seventh Special Meeting of Board of Directors
January 25, 1999 at 9:30
Tucson, Arizona**

I. Welcome and Introductions

All AISA Members of the Board of Directors attended the meeting excluding Tom Delaney who tried to join the meeting via Conference call, however connections failed and he was unable to participate.

II. Appoint Corporate Secretary

Director Trish Gambino agreed to serve as the Corporate Secretary for the January 25, 1999 Meeting of Board of Directors.

III. Approve Agenda

It was agreed to add "B. Retaining Local Council" under the Executive Session, Part XII.

IV. Approve Minutes from 1/8 and 1/15 Meetings

Larry Huff moved to approve the Minutes from the January 8 and January 15 meetings and David Murphy seconded. The Minutes were approved.

V. Discussion of Funding Commitment by Affected Utilities

A letter was mailed to the five funding utilities, the Board received a letter back from Citizens. The feedback received from Citizens was that there was still commitment to fund the AISA, however they were looking for a budget, an agreement for repayment, and commitment from the other utilities that they would also commit to fund the AISA.

Representatives of the four other utilities who were present at this meeting concurred.

A lengthy discussion on the document describing the Start-up tasks and the proposed 1999 Budget resulted in an amended version of this document. Mike Raezer agreed to revise and distribute at the next meeting. Motion to accept this document with the proposed changes was made by Larry Huff, it was seconded by Dennis Delaney and the motion passed.

Larry Huff began a discussion of the Capitalization Agreement. He distributed a letter from AEPCO to the Board of Directors regarding initial AISA funding and a marked up copy of the Capitalization Agreement. Larry discussed the changes to the Capitalization Agreement that AEPCO felt was necessary. Cary Deise also handed out the Capitalization Agreement with proposed changes. A discussion was held as to whether each utility should sign a separate letter containing the requirements and terms for funding or that one Capitalization agreement should be drafted and agreed to by all five utilities. Jessica Youle, SRP and Catherine Nichols, TEP agreed to get all the parties' attorneys together by conference call to produce an acceptable agreement to take to legal review. The goal is to have a Capitalization Agreement ready for approval at the February 5 meeting. This will allow for swift payment of funds by the Affected Utilities.

VI. Budget and Finance Committee Report

David Murphy provided a brief report and summary of the status of the Bank of America Checking account (balance \$17,000 -member annual dues) and an update of the D&O insurance.

Leroy Michael requested that Low & Childers give the board a written opinion regarding the extent of coverage for any and all actions that are not willful misconduct for the insurance policy being considered. Once this opinion is received, acquiring the D&O insurance will then become an approval item. The Board members felt that having this insurance was a requirement in order for the Board to continue to perform its duties.

Discussion on the 1999 Tasks and Budgets was discussed above in the Discussion of Funding Commitment by Affected Utilities.

The schedule for receiving funds from the Affected Utilities: as soon as possible.

VII. Human Resources, Compensation and Facilities Committee Report

The discussions regarding Director Recruitment was moved into Executive Session.

The Facilities contract was discussed and the 182-sq. ft. cited in Section 1.1 was questioned. After further discussion it was determined that this figure was used in the calculations of the rental charge according to Tom Jones' letter. It was raised that meeting room facilities needed to specifically be mentioned as included in this rental agreement. It was also noted that a Section 1.4 needed to be added to include secretarial services. Approval of the draft Rental Agreement was moved to the next meeting for with the specified changes.

VIII. Regulatory Oversight Committee Report

The status of the search for local and FERC legal representation was discussed. An Engagement Letter, Representation by Low & Childers was passed out. This is basically a letter for the services that Low & Childers have been already providing. Larry Huff offered up the name of Maledon & Osborne, Joan Burke and Andy Hurwitz. This firm is being considered. The decision to name FERC counsel was put off until March.

IX. Operating Committee Report

Kevin Higgins provided an update of the Protocol Manual. The Operating Committee goal is to have a document that can be filed with FERC on March 1

X. Other Business

In the discussion of the Executive Director Employment Contract. Larry Huff suggested sending it to the Candidate for comment with a cover letter stating that this document was still in draft form and that it was not officially an offer. The Board approved this course of action.

The Board also approved to designate Mike Raezer to sign the Engagement Letter with Low & Childers.

XI. Next Meeting

February 5, 1999 at Grand Canyon State Electric Cooperative Assoc. offices. Any future meetings will be held at these facilities unless there is a scheduling conflict with the meeting rooms.

Future meetings were also tentatively scheduled for February 19 and March 12.