

**AISA Board of Directors Meeting Minutes
February 19, 1999**

- I. Welcome and Introductions: The meeting commenced at 2:45 at the San Remo Hotel, Las Vegas NV. A list of attendees is attached.
- II. Appoint Corporate Secretary: Marcie Milner from Enron was appointed the corporate secretary
- III. Approve Agenda: A vote to approve the agenda was passed.
- IV. Approve Minutes from 1/15 and 2/5 Meetings: A vote to approve prior meeting minutes was postponed.
- V. Budget and Finance Committee Report, David Murphy: Paid Aion \$4,864.00 on February 12. Monthly payments of \$2482.00 will be applied to DNO Insurance. The bank statement for this month will reflect an \$8000.00 balance taking into account Leroy sent a \$3000.00 invoice to Childers. This leaves approximately two to three months of capital. Mike indicated \$500.00 needed to be paid to the IRS for an application for recognition of exemption. . Mike will sign as assistant director.
- VI. Recapitalization Agreement: After the Tucson meeting it was agreed the attorneys from the five effective utilities would redraft the recapitalization agreement. A conference call was held and some changes were made. While it has been sent out, our attorney is still missing comments from one party. The question arose if the money would be unconditional. Mike indicated they are loaning us the money and it will be repaid if and when there is money to repay it. The loan will be lumpsum with term payments. A request was made to distribute another draft of the agreement to the board members. Mike suggested that it needed to be completed by the next board meeting on March 12 so that the board can approve it and a director can be hired. Payment should be immediate once an agreement is reached.
- VII. Facilities Agreement: The facilities agreement was reviewed by Lowe and Childers. One of the changes includes article 2.1 - if this agreement should go beyond 12/31/99 they need to reopen the cost because Grand Canyon will release a scheduled increase in February 2000. Larry recommended approval. Tom moved for approval contingent upon funding and authorized the executive director to sign. Larry seconds the motion and it was unanimously carried.
- VIII. Executive Director: It was agreed this issue would be discussed in the executive session.
- IX. It was mentioned that FERC has a window of opportunity with the pending NPC and Sierra merger to force the creation of an RTO in the west. EC99-1-0000 docket number. Mike would like it followed and mentioned as an item of interest. FERC was unaware that AISAA had something filed.
- X. Operating Committee Report, Kevin Higgins: The committee has met a few times since the last meeting and they are attempting to work through the scheduling protocol, emergency operations protocol and the after the fact protocol. These included a great deal more detail than they had originally planned. At the last meeting, the ACC staff asked if the committee had an opinion of the must run definition in the ACC rule. There was a unanimous view that the ACC move to the operating committee's definition. Kevin was asked to send a letter to the hearing officer to recommend those changes. He sent the letter and copied members of AISA. In response Kevin received e-mail refuting that a move to the committee's definition was unanimous. Kevin sent a second letter to Jerry Rutabaugh withdrawing the first letter because of the apparent lack of consensus. Discussion following was whether the letter should have been sent by the board or if the operating committee should be empowered to act on behalf of the board. Although the deadline on the issue has passed, Kevin doesn't feel that commenting now will be a problem. The committee didn't conduct a comprehensive review and Kevin described

that these were pointed comments. To do a comprehensive review would not be timely so perhaps we should keep it to a limited discussion. Because it is a representative board, according to Jessica, she assumes she is voting for SRP. Citizens says they don't support the comments and APS filed independent comments with the ACC. Some people may not be in a position to vote as representatives without being fully informed. Mike hesitates since again not everyone has seen the comments. The issue is should Kevin have authority to send this type of correspondence. Tom moves to vote. Kevin seconds, it is open for discussion. Greg doesn't feel comfortable adding this as an approval item with two members missing. Dennis wants to know what the value is - he has concerns about what the letter says. Ron from the staff indicated a hearing would be held on the 25th (Kevin). What was due this week were exceptions to the changes that the hearing officer was recommending. Leroy wants to discuss it in a much broader context. What is the AISA going to do with this issue as a whole, i.e. is the AISA going to provide comments in the future, and if so will they be approved by the board or sent to a committee? Kevin said there are areas of the ACC rules specifically about the substance of the organization and recommends the organization of AISA. He thinks it would be healthy to ensure the language is compatible with what we're trying to accomplish in the ISA. The ACC is putting large boundaries on the subject matter. Leroy indicates this is the second time we've encountered what the ISA's role is and while we can't separate it entirely from the ISA, and if the ISA itself is included in this, we as a going concern have to determine what that role is. For example, can we even make suggestions, without having individuals among us taking opposite sides. Greg commented that as infrequently as the board meets they are not able to participate and get this information presented in a timely fashion and be effective and it was agreed the group would be hesitant to delegate this to any subset of the board as well. Greg said the board should identify what it needs and speak rarely and with unanimity to effect a greater impact. Tom comments the board has a fiduciary responsibility to represent our people and while Kevin did a good job, the process got broken a little. In the bylaws we need to make sure the protocols are being upheld although Dennis argued we don't have any protocols. Mike asks if the board should even address this letter yet. Comments indicate a subset should not be speaking on behalf of the organization. Mike calls for a vote -do we want to discuss the content of the letter. Two are in favor, six are opposed and the motion fails. Leroy thinks we need to address this whole issue about how to deal with the process in the future. Tom moves - do we want to have a process where we can give feedback to the commission, however the motion was withdrawn. The committee was assigned to prepare comments to the commission in order to have it come before the board to vote for approval at the next meeting. Kevin indicated the section that is most relevant is the transmission and distribution piece, however, it may not be possible to reach a consensus on that piece. What had been included in the letter to the ACC were things they were able to agree on. Mike requests the committee bring forth the things in which they do have a consensus. Timing was the reason the letter went out without board approval. Additional comments from the operating committee: Discussed SRPs request for exemptions from the protocols. Kevin plans to give a formal presentation, however in brief, not requesting approval, a summary of the exemptions was distributed (attached). Dennis commented it would be imperative to see how the exemptions change the tariff language. Until we see the protocol language it's going to be difficult to approve exemptions from the language. Kevin pointed out that a stated objective of the operating committee is to ensure that those parties that have tariffs make those compliant with the ISA to accommodate what is agreed upon. A subgroup of the operating committee is working on energy imbalance which is part of the reason no consensus was reached on item 3. Although there were a

number of discussions, this is a big ticket item and is hopefully one which will be agreed upon.

- XI. Update on the Nevada ISA status, John Davis: As a result of the merger, the utilities are going to divest everything. There are several differences between the Nevada and Arizona ISAs including ancillary services and PLR (provider of last resort). In California the utilities are the PLR and this is a sense of where the commission is going. The legislature may address retail open access. PLR services would be bid out which would leave NP and Sierra with no customers. Nevada ISA is comparable to Arizona as a transmission scheduler. They are looking at an FrR process, i.e. monthly or daily auction process. They will also act as an ancillary service administrator. Utilities don't own any generation so the market participants have free access to the services, i.e. spinning reserves etc. so the ISA will be handling billing, balancing, etc. They are developing protocols as a stakeholder process with three operating committees. They are also reviewing governance, i.e. where's the cutoff, profiling (dynamic or profiling), settling the systems - cash flow and timely payments. FERC filings were contingent on the merger approval. They have revised open access tariffs, and they will be filed for generation, cost based tariffs. A website is being developed through Sierra Pacific. You should be able to see all documents posted in the next few days. They are also forming a steering committee sometime in early March. It will be a stakeholder committee, using the Arizona model with some modification as the scope is much greater than the AISA. Mike asked about budgets and staffing and John responded it will be more than what we currently have. 70% has to do with how to deal with the ancillary services. This multiplies the budget from a result of opening up the marketplace the way they are doing it which would result in a staff of approximately 20-30 people. They have to consider market monitoring because FERC will be reviewing it and people will be concerned since the generation isn't owned and how it will all interact. Dynamic scheduling discussions are still going on to see if AGC wants to be provided. AGC will probably be provided by the control areas and will be part of the upgrid costs until a regional organization comes into being. Manpower numbers are based on a first cut not considering contracting, however, the keyword will probably be outsourced. Tom asked if there will be efficiencies our states can share and John responded, yes, particularly on OASIS. The Legislation is pending and the parties are looking at modifying the bill from throwing it out to leaving it like it is. Leroy asked if the ISA is a security coordinator and John responded, no. They will encourage subs to join but he can't speak for WAPA and others. The question arose if they are subject to jurisdiction. The commission is a stakeholder in the ISA and all generation will be sold on a resale basis so it has to be FERC jurisdictional. A regional ISO such as Desert Star would be very beneficial to them. Mike asked about the postponement of retail access from the original schedule of 1/1/2000. John said the main reason is due to the Y2K problem, but also because the commission wants to auction off the PLR and all the systems are not in place so it will have to be a staged-in approach. It will probably be late spring or October before the ISA comes into fruition. Divestiture process: they are anticipating title transfer sometime in October of 2000. There will be a bid process, approval process etc.
- XII. AISA principles - Mike volunteered in the last meeting to redraft and previously distributed but asks that the discussion be postponed.
- XIII. The next Board of Directors Meeting was proposed to be held on March 26 at Grand Canyon and Larry will follow up.
- XIV. The executive session followed and the meeting was adjourned at approximately 4:45 p.m.