

**DRAFT**  
**Minutes from the Twelfth Special Meeting of Board of Directors  
of the Arizona Independent Scheduling Administrator Association  
April 16, 1999 at 9:30 a.m.**

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

**I. Welcome and Introductions**

AISA Directors Mike Raezer, Leroy Michael, Larry Huff, Dennis Delaney, Barry Huddleston, Patricia Gambino, David Murphy and Greg Patterson were present. Director Kevin Higgins was present by conference telephone call. Member guests included: Charlie Post (PG&E Energy Services), Jessica Youle (SRP), Marcie Millner (Enron), Elizabeth Story (Tonopah Irrigation District), Resal Craven (Citizens Utility), John Branch (Mesa), and Linda James (Law Offices of Robert Lynch).

**II. Appoint Corporate Secretary**

Jessica Youle agreed to serve as the Corporate Secretary for the April 16, 1999 Meeting of the Board of Directors.

**III. Approve Agenda**

The agenda was approved.

**IV. Approve Minutes from 1/15, 2/5 and 3/26 Meetings**

Approval of the 1/15 minutes was postponed, as they had not yet been circulated to the Directors.

D. Murphy moved that the minutes of the 2/5 meeting be approved; D. Delaney seconded the motion; and the minutes were unanimously approved. D. Murphy distributed some proposed changes to the 3/26 minutes. Discussion ensued as to the amount of detail that needed to be included in the minutes. It was generally agreed that the draft 3/26 minutes should be treated as separate notes of that Board meeting and circulated to the Board members for comment, but not constitute the official minutes of the meeting. The corporate secretary for the 3/26 meeting, Marcie Millner, agreed to draft a summary set of minutes from that meeting to be reviewed by Board members and approved at the next meeting.

**V. Budget and Finance Committee Report**

D. Murphy advised that the ISA had made payment to cover its D&O insurance through the month of April. He also reported as to the status of the corporate bank accounts. L. Michael suggested that no future AISA board meetings should be scheduled unless D&O insurance is in effect.

**VI. Regulatory Oversight Committee Report**

L. Huff handed out copies of the Promissory Note and Capitalization Agreement agreed to by the funding utilities (Attachments 1 & 2). These documents had been submitted to Childers & Low, but comment had not been received back on them.

The Board discussed various terms and conditions of both documents and agreed on minor changes to those documents. At L. Michael's suggestion, the word "unobligated" was added to line 5 of paragraph 3 of the Capitalization Agreement. Line 9 and the

second half of line 8 of that paragraph were struck and replaced with the following language: “not budget or obligate expenditures in excess of \$600,000 per annum in 1999 and 2000, except to the extent it has budgeted revenue to satisfy all obligations as they come due.” The word “contributed” was changed to the word “advanced” in the last line of paragraph 3.

Upon discussion, the terms of the Promissory Note were also changed to reflect repayment of principal in 24 equal payments, rather than 12 equal payments. This change was approved for the Promissory Note for the 1999 advancement of funds, with the expectation that the 2000 advancement of funds would revert to a 12 month repayment period.

Representatives present for AEPCO, SRP, TEP and Citizens Utilities all indicated agreement with those changes. After a brief recess, Ms. Youle reported that discussion with APS attorneys indicated those changes were acceptable to APS. M. Raezer reported that he had contacted Childers & Low during the recess and they also found the changes acceptable.

Upon a motion duly made by D. Delaney; seconded by L. Huff; and unanimously carried, with M. Raezer abstaining, the Board adopted the following resolution:

**BE IT RESOLVED** by the Board of Directors of the Arizona Independent Scheduling Administrator Association (“AISA”) that the Capitalization Agreement and Promissory Note, as amended by the Board as shown in Attachments 3 and 4 hereto, are hereby approved; and that Mr. Mike Raezer is authorized, on behalf of the AISA, to execute these amended agreements.

**VII. Human Resources, Compensation and Facilities Committee Report**

This discussion was deferred to a discussion in executive session.

**VIII. Operating Committee Report**

K. Higgins reported that progress continues on development of the draft Protocols Manual. The energy imbalance protocol will be discussed in the Committee on April 27.

K. Higgins further reported that the Committee now has final working committee drafts of most of the other protocols. K. Higgins reiterated that, once the executive director has been hired and had a chance to review and modify the draft Protocol Manual, then a wider distribution of the draft protocols and a workshop may be advisable.

**IX. Other Business**

M. Raezer distributed copies of a proposed Board resolution clarifying the parameters under which the AISA will operate (see Attachment 5). After much discussion, the Board members agreed to make the following changes in the proposed resolution:

1. The word “operations” was changed to the word “functions” in the third “Whereas” paragraph and the final paragraph of the resolution.
2. Insertion of the following language after the word “strategy” in the second line of the second paragraph of the resolution portion: “developed by the Executive Director for presentation and approval by the AISA Board”.
3. Deletion of the fourth and fifth paragraphs in the “Be It Resolved” section.

Upon a motion duly made by L. Huff, seconded by P. Gambino, and unanimously carried; the Board adopted the amended resolution as shown in Attachment 6.

**X. Next Meeting**

As agreed at the last Board meeting, the next meeting of the Board will be held on May 7, 1999 at Grand Canyon State Electric Cooperative Association. B. Huddleston advised that a schedule conflict may prevent him from attending the May meeting. M. Raezer also proposed that the subsequent meeting of the Board be scheduled for June 4, also at the offices of Grand Canyon State Electric Cooperative Association.

**XI. Executive Session**

Non-Board member guests were excused from the meeting and the Board went into executive session to discuss employment issues.

**XII. Further Action**

Following the executive session, the Board reconvened in open session to further discuss proceeding on the hiring of an Executive Director. Following discussion and upon motion duly made and seconded, and unanimously passed, with L. Huff abstaining(?), the Board adopted the following resolution:

**BE IT RESOLVED** that Larry Huff is authorized to sign and send the employment contract to the prospective Executive Director on behalf of the AISA upon deposit of sufficient funds.

**Exhibits to 4/16 AISA Board of Directors Meeting**

**CAPITALIZATION AGREEMENT**

This Agreement is entered into this \_\_\_\_ day of \_\_\_\_\_, 1999 between Arizona Independent Scheduling Administrator Association, an Arizona not-for-profit corporation ("AISA") and \_\_\_\_\_ ("Funding Member").

**RECITALS**

1. AISA is a voluntary, non-profit Arizona corporation intended to facilitate the operation of Arizona's competitive electric retail market, on an interim basis, until a regional independent system operator becomes operational.
2. AISA lacks a funding mechanism for certain 1999 and 2000 start-up and interim costs such as appropriate salaries, office facilities and expenses, legal expenses, insurance, etc. required to organize and begin implementation of the AISA ("Initial/Interim Costs").
3. Funding Member and others have committed to contribute an allocated portion of the Initial/Interim Costs for the years 1999 and 2000 ("Loan Funds").
4. AISA will use the Loan Funds provided by the Funding Member to support prudent AISA Board of Director approved expenses associated with AISA development.

**TERMS AND CONDITIONS**

1. Costs and Funding Share

On January 25, 1999 the Board approved the 1999 Tasks and Budget ("1999 Budget") attached hereto and made a part hereof. The 1999 Budget identifies a \$600,000 maximum of Loan Funds required for Initial/Interim Costs for 1999 operations. A budget for 2000 has not yet been developed but is not expected to exceed \$600,000. Nevertheless, the maximum Loan Funds required for 2000 shall not exceed \$600,000.

Funding Members' pro rata share of the \$600,000 Loan Funds required for each year is \$\_\_\_\_\_.

2. Promissory Note

Funding Member agrees to advance its share of the Loan Funds in the amount set forth above in 1999 and in 2000 when required by the Board to meet each year's Initial/Interim Costs. Upon each such event, AISA shall execute a promissory note in the form attached hereto, and made a part hereof ("Note"), setting forth the terms for repayment.

3. Contingent Repayment

Funding Member acknowledges that repayment of the Loan Funds is contingent upon the receipt by AISA of regulatory approval by Federal Energy Regulatory Commission of recovery of AISA costs. AISA shall make good faith efforts to timely file for such approval. Should AISA fail to receive such regulatory approval, the obligation of Funding Member to advance Loan Funds as set forth herein shall be terminated and any remaining unobligated Loan Funds advanced to AISA pursuant to this Agreement shall be refunded to the Funding Member in the same proportion as Funding Member's Loan Funds advanced bears to the total Loan Funds advanced by all Funding Members. To maximize potential repayment, the Board shall not budget or obligate expenditures in excess of \$600,000 per annum in 1999 and 2000 except to the extent it has budgeted revenue to satisfy all obligations as they come due.

4. Limitation of Liability

No Funding Member is liable for any debts, obligation, nor liability of AISA in excess of the amounts advanced pursuant to this Agreement.

5. Authorization of Signatory

The undersigned executing on behalf of AISA represents that he/she is authorized to execute this Agreement, has the legal authority to execute this Agreement, as evidenced by the attached resolution of the AISA Board of Directors, and by his/her signature binds AISA.

IN WITNESS WHEREOF, Funding Member and AISA have caused this Agreement to be executed by its duly authorized representative or director as of this \_\_\_day of \_\_\_\_\_, 1999.

ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR ASSOCIATION

BY: \_\_\_\_\_  
Assistant Chair

BY: \_\_\_\_\_  
Funding Member



PROMISSORY NOTE

\$ \_\_\_\_\_

Phoenix, Arizona

[DATE]

FOR VALUE RECEIVED, the undersigned, **Arizona Independent Scheduling Administrator Association ("AISA")** an Arizona non-profit corporation, promises to pay in lawful money of the United States to [CORPORATE NAME], a [CORPORATE STATUS] ("Funding Member"), or order, at its office in, \_\_\_\_\_, Arizona, or at such other place as may be designated by the holder of this note, the principal sum of \_\_\_\_\_ 00/100 DOLLARS (\$\_\_\_\_\_), plus interest at the rate of nine percent (9%) per annum. Principal shall be paid in twenty-four equal payments, plus interest accrued to the date of each principal payment, with the first payment of principal and interest to be made on 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 .

Payments made shall be applied first to the payment of accrued interest and then to the payment of principal.

The undersigned may make payments of this note at any time, without premium or penalty, provided that all accrued interest is paid at the time of such prepayment.

If any payment of principal and interest due hereunder is not paid as it matures, the delinquent amount of such installment which has matured shall, at the option of the holder of this note, bear interest at the rate of twelve percent (12%) per annum from its maturity date until paid. In the event of a default in the payment of any installation, time being of the essence, the holder of this note may at once, at its option and without notice to or demand upon the undersigned declare the entire balance of principal and interest to be immediately due and payable.

If this note is placed in the hands of an attorney for collection and it is unnecessary to bring suit to enforce payment, then the undersigned agrees to pay an attorney's fee of 10% of the amount of unpaid principal and interest or, if suit is brought, to pay a reasonable amount as set by the judge of the court, summarily and without trial, in addition to the principal and interest due on this note, and, should suit be brought, agrees to pay all costs and all fees and expenses incurred by the holder in the prosecution of suit.

The undersigned waives diligence, demand, presentment for payment, protest, and notice of non-payment and of protest, notice of default, notice of acceleration, and all other notices or demands of any kind.

Attached hereto is a certified copy of a resolution of the undersigned's board of directors, approving and authorizing the execution and delivery of this Promissory Note.

ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR ASSOCIATION

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_