

**2002 BUDGET/CASH FLOW - Aug 21, Protocols Manual Phase I, Startup
Board Approved 12/4/2001**

| | Dec '01 | Jan '02 | Feb '02 | Mar '02 | Apr '02 | May '02 | Jun '02 | Jul '02 | Aug '02 | Sep '02 | Oct '02 | Nov '02 | Dec '02 | 2002 TOTALS |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CASH AND INCOME | | | | | | | | | | | | | | |
| Cash Carry Over From Previous Month | 124,733 | 119,138 | 134,381 | 131,324 | 127,484 | 132,094 | 128,959 | 126,680 | 131,290 | 130,520 | 123,276 | 131,290 | 130,520 | |
| Membership Dues | - | 10,000 | - | - | - | - | - | - | - | - | - | - | - | 10,000 |
| Tariff (Loan) | 43,230 | 42,932 | 42,172 | 42,336 | 41,903 | 41,739 | 41,326 | 41,143 | 40,845 | 40,461 | 40,249 | 39,884 | 39,653 | 494,642 |
| Tariff (O&M ISA) | 25,060 | 30,655 | 25,412 | 28,469 | 32,309 | 27,699 | 30,834 | 33,112 | 28,502 | 29,272 | 36,517 | 28,502 | 29,272 | 360,652 |
| Misc. Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| CASH IN TOTAL | 193,022 | 202,724 | 201,964 | 202,128 | 201,695 | 201,532 | 201,118 | 200,936 | 200,638 | 200,253 | 200,041 | 199,676 | 199,445 | |
| CASH IN without CARRY OVER | 68,290 | 83,586 | 67,584 | 70,804 | 74,211 | 69,438 | 72,159 | 74,255 | 69,347 | 69,733 | 76,766 | 68,386 | 68,925 | 865,194 |
| EXPENSES | | | | | | | | | | | | | | |
| Insurance | | | | | | | | | | | | | | |
| Workers Compensation | - | - | - | - | - | - | - | - | - | 395 | - | - | - | 395 |
| D&O, Liability, and E&O Insurance | 1,714 | 1,715 | 5,194 | 5,194 | 5,194 | 5,194 | 5,924 | 5,924 | 5,924 | 5,924 | 5,924 | 5,924 | 2,445 | 60,482 |
| Payroll and Relocation Expenses | | | | | | | | | | | | | | |
| Includes Payroll, Benefits and Relocation | 15,604 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 17,127 | 205,519 |
| Professional Fees | | | | | | | | | | | | | | |
| Accounting and EOY Acct & Tax Preparation | 450 | 450 | 450 | 600 | 450 | 1,200 | 600 | 450 | 450 | 600 | 450 | 450 | 600 | 6,750 |
| Consulting | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Contract Labor | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| FERC and Local Legal Fees | 7,454 | 2,500 | 1,200 | 1,200 | 1,200 | 2,500 | 1,200 | 1,200 | 1,200 | 2,500 | 1,200 | 1,200 | 1,200 | 18,300 |
| Office Expenses and Supplies | | | | | | | | | | | | | | |
| Office Furniture and Supplies | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 |
| Rent | 4,041 | - | - | 4,041 | - | - | 4,041 | - | 4,041 | - | 4,041 | - | 4,041 | 16,164 |
| Postage and Delivery | 125 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 1,800 |
| Printing and Reproduction | 200 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| Telephone | 500 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 3,600 |
| Dues and Subscriptions | 100 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Web Page and Internet | 108 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 1,320 |
| Travel & Entertainment | | | | | | | | | | | | | | |
| Meals | 108 | 200 | 100 | 100 | 100 | 200 | 100 | 100 | 100 | 1,500 | 100 | 300 | 300 | 3,200 |
| Travel | 50 | 200 | 900 | 200 | 200 | 900 | 200 | 200 | 900 | 200 | 200 | 700 | 200 | 5,000 |
| Other Expenses | | | | | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Az ISA CORE EXPENSES - TOTAL | 30,655 | 23,102 | 25,880 | 29,371 | 25,180 | 28,030 | 30,102 | 25,911 | 26,611 | 33,197 | 25,911 | 26,611 | 26,823 | 326,730 |
| Budget Contingency | - | 2,310 | 2,588 | 2,937 | 2,518 | 2,803 | 3,010 | 2,591 | 2,661 | 3,320 | 2,591 | 2,661 | 2,682 | 32,673 |
| EXPENSES PLUS CONTINGENCIES - TOTAL | 30,655 | 25,412 | 28,469 | 32,309 | 27,699 | 30,834 | 33,112 | 28,502 | 29,272 | 36,517 | 28,502 | 29,272 | 29,505 | 359,402 |
| Capitalization Loan plus Accrued Interest | 681,561 | 643,697 | 605,832 | 567,968 | 530,103 | 492,239 | 454,374 | 416,510 | 378,645 | 340,781 | 302,916 | 265,052 | 227,187 | |
| Adjust Debt Repayment for 3 Month O&M Expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt Repayment | 43,230 | 42,932 | 42,172 | 42,336 | 41,903 | 41,739 | 41,326 | 41,143 | 40,845 | 40,461 | 40,249 | 39,884 | 39,653 | 494,642 |
| Total Debt Repayment | 43,230 | 42,932 | 42,172 | 42,336 | 41,903 | 41,739 | 41,326 | 41,143 | 40,845 | 40,461 | 40,249 | 39,884 | 39,653 | 494,642 |
| Az ISA EXPENSES - TOTAL | 73,884 | 68,343 | 70,641 | 74,644 | 69,601 | 72,573 | 74,438 | 69,645 | 70,117 | 76,977 | 68,751 | 69,156 | 69,158 | 854,045 |
| CASH REMAINING (Deficit) | 119,138 | 134,381 | 131,324 | 127,484 | 132,094 | 128,959 | 126,680 | 131,290 | 130,520 | 123,276 | 131,290 | 130,520 | 130,287 | 130,287 |
| Phase 1, Startup | | | | | | | | | | | | | | |
| AZ ISA Functions: 1- Limited Oversight of Az ISA Protocols 2- Provide ADR Services 3- Manage limited Az ISA Website | | | | | | | | | | | | | | |
| * Two full time Az ISA employees. | | | | | | | | | | | | | | |
| Payroll includes benefits and FICA taxes | | | | | | | | | | | | | | |
| * Cash reserve (As shown in Cash Remaining) equal to approximately 3 months' O & M expenses | | | | | | | | | | | | | | |

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Budget Assumptions

Annual O&M revenue required to support three Az ISA functions (1) Limited oversight of Az ISA protocols, (2) ADR services and (3) develop and manage a limited Az ISA website. See the notes for the above worksheet for additional information on Az ISA functions
 Annual debt service is required to repay startup funding to funding utilities. Repayment terms are (1) repayment period 24 months, (2) Annual interest rate 9%, (3) 24 equal principal payments.
 O&M budget assumes no Phase II implementation.

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|--|--|
| CASH AND INCOME | |
| Cash Carry Over From Previous Month | Amount carried forward from last month's Cash Remaining |
| Membership Dues | Az ISA annual membership fees. \$250 per member |
| Tariff (Loan) | Amount collected by the Az ISA under the Az ISA FERC tariff for repayment of startup funds advanced by the participating transmission providers |
| Tariff (O&M ISA) | Amount collected by the Az ISA under the Az ISA FERC tariff for Az ISA Operating costs |
| Misc. Income | Used for other income |
| CASH IN - TOTAL | Total of all income |
| EXPENSES | |
| Insurance | |
| Workers Compensation | State workers compensation premium |
| D&O, Liability, and E&O Insurance | Insurance premiums for Directors and Officers, Errors and Omissions, and general business liability coverage. D&O and E&O includes a 20% increase in premiums for 2002. |
| Payroll and Relocation Expenses | |
| Includes Payroll, Benefits and Relocation | Payroll includes: Salary, benefits, company paid FICA taxes, company paid unemployment taxes |
| Professional Fees | |
| Accounting and EOY Acct & Tax Preparation | CPA services for end of month/end of year accounting, and IRS and State tax return preparation |
| Consulting | For technical, computer and management consulting |
| Contract Labor | For temporary administrative support |
| FERC and Local Legal Fees | Az ISA local attorney [Low and Childers], and FERC attorney [Huber Lawrence and Abell] --Monthly legal expense estimates for routine business matters. |
| Office Expenses and Supplies | |
| Office Furniture and Supplies | Computer equipment, office furniture, and office supplies |
| Rent | WAPA office lease. Lease Includes: 10 local telephone lines, voice mail, internet analog lines, electricity, 24 hr security, janitorial, and parking |
| Postage and Delivery | WAPA contract mail service (includes twice daily PO Box pickup and delivery), stamps |
| Printing and Reproduction | Az ISA use of WAPA's copier, |
| Telephone | AT&T Long distance service, Qwest conferencing services, long distance access, and wireless phone |
| Dues and Subscriptions | IEEE, and Daily Electric Power news |
| Web Page and Internet | Web site hosting, domain registration, and 2 ISP connections |
| Travel & Entertainment | |
| Meals | Board meetings, OC and other Az ISA meetings, Annual Members' meeting |
| Travel | POV (Bank, post office, office supplies, etc), Meetings requiring air travel (WSCC, FERC, Other), requiring surface travel (CATS, other regional transmission study meetings, ACC) |
| Other Expenses | |
| Az ISA CORE EXPENSES - TOTAL | |
| | Total of operating expenses |
| Budget Contingency | 10% budget contingency amount added to Az ISA O&M expenses column (Az ISA CORE EXPENSES - TOTAL) |
| EXPENSES PLUS CONTINGENCIES - TOTAL | |
| Capitalization Loan plus Accrued Interest | |
| Adjust Debt Repayment for 3 Month O&M Expenses | Current monthly loan balance |
| Debt Repayment | Any adjustments to current payment |
| | Current month's debt repayment |
| Total Debt Repayment | Amount repaid |
| Az ISA EXPENSES - TOTAL | |
| | Sum of Cash In, Expenses and Debt Repayment |
| CASH REMAINING (Deficit) | |
| | Sum of (Cash Carry Over From Previous Month) and (Az ISA EXPENSES - TOTAL) |