

BY-LAWS
ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR
ASSOCIATION

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BY-LAWS

ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR ASSOCIATION

1. Preamble:

The Arizona Independent Scheduling Administrator Association (AISA) is a voluntary, non-profit Arizona corporation intended to become operational by January 1, 1999, as an interim electric transmission scheduling administrator to facilitate the operation of Arizona's competitive electric retail market until a regional independent system operator, currently known as Desert STAR, becomes operational. AISA will initially administer and oversee all activities on the OASIS of the CAOs.

AISA initially intends to serve as the scheduling administrator on behalf of the providers and users of the Interconnected Transmission System within the State of Arizona.

The character of the affairs which AISA intends to conduct is to facilitate open, non-discriminatory transmission access on the Interconnected Transmission System.

It is presumed that once a customer receives transmission access, distribution access will not be a problem. However, if there is distribution congestion, there may be a role for AISA in overseeing distribution congestion management and distribution access, which would require an amendment to these By-laws.

2. Definitions:

2.1. ADR: The alternative dispute resolution procedures established in Section 6.

2.2. Affiliate: Another person which controls, is controlled by, or under common control with, a person. Control (including the terms "controlling," "controlled by" and "under common control with") includes but is not limited to, the possession directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A voting interest of ten percent or more creates a rebuttable presumption of control. Notwithstanding the foregoing definition, electric distribution cooperatives that are member-owners of a generation and transmission cooperative are not Affiliates of the generation and transmission cooperative or of each other for purposes of these By-laws. Furthermore, an entity controlled by or operating as a unit, agency, or subdivision of a local, state, or federal government shall not be considered an Affiliate of

any other entity controlled by or operating as a unit, agency, or subdivision of the local, state, or federal government.

- 2.3. **ATC:** That amount of transfer capability, which has not been committed for use, and therefore is available to provide transmission service over the Interconnected Transmission System.
- 2.4. **Board:** AISA's Board of Directors, individually and collectively, as described in Section 4.
- 2.5. **CAOs:** Control Area Operators who are Members of AISA.
- 2.6. **FERC:** The Federal Energy Regulatory Commission or its regulatory successor.
- 2.7. **Interconnected Transmission System:** That portion of each Member CAO's and TO's transmission system which is utilized for bulk power transactions within the State of Arizona.
- 2.8. **Member:** Any entity which is eligible for membership as provided in Section 3.2.1 and is current in the payment of dues as provided in Section 3.2.2.
- 2.9. **Member Class(es):** Those Member Classes established in Section 3.2.3.
- 2.10. **OASIS:** Open Access Same-Time Information System(s) for the Interconnected Transmission System.
- 2.11. **Protocols Manual:** A manual to be created at the earliest practicable date by the Director in cooperation with the Members and approved by the Board, which, while recognizing contractual commitments, shall lend greater precision to the procedures used for the calculation of TTC, committed uses, and ATC, to reservation procedures, and to the determination of priorities for the use of constrained paths on the Interconnected Transmission System.
- 2.12. **SWRTA:** Southwest Regional Transmission Association.
- 2.13. **TOs:** Transmission Owners who are Members of AISA.
- 2.14. **TTC:** The total transfer capability of a transmission path at any point in time is its reliability limit, an amount which cannot exceed the path rating.

3. Members:

3.1. Powers:

The Members will have the powers specified in these By-laws, including the power to amend those portions of these Bylaws providing for Member Class composition and Member powers and providing for the nomination and election of members of the Board.

3.2. Member Qualifications and Classes:

3.2.1. General Qualifications for Membership: To be eligible to become a Member of AISA an entity or individual must satisfy one of the following standards:

3.2.1.1. Make transmission facilities available for the delivery of power and energy to consumers within the State of Arizona;

3.2.1.2. Be qualified to use the transmission system pursuant to FERC Order 888-A; or

3.2.1.3. Be a retail customer or an organization representing retail customers within Arizona.

3.2.2. Dues: By December 15 of each year, beginning in 1999, AISA shall mail to each Member an annual statement for dues for the following year in the amount of Two Hundred Fifty Dollars (\$250), payable on or before January 2 of the following year. Initial dues of a Member shall be submitted with a completed application for membership and shall be for the full annual amount, which shall cover membership through the end of the calendar year, except that dues of those joining on or before December 31, 1998, shall cover their dues requirements through December 31, 1999. In order to be eligible to vote in any election or on any issue that comes before the Members or to participate in any activities of AISA, a Member shall be current in the payment of its dues. The Board shall have the power to waive the annual dues of an organization upon a showing of financial hardship.

3.2.3. Member Classes: A Member may choose one Member Class to which it will belong. There shall be five voting classes of Members and one non-voting or *ex-officio* class. The five Member Classes are:

- **Transmission facilities providers:** Entities that own or control an interest in the Interconnected Transmission System and

provide transmission service within the State of Arizona using AISA's OASIS.

- **Local load serving entities:** Entities that schedule to or serve loads, including municipally-owned utilities, distribution co-operatives, and other local distribution service providers providing services within Arizona.
- **Aggregators:** Entities that aggregate end-use loads and/or generating resources to serve end-use customers within Arizona.
- **Independent generators and wholesale power marketers:** Entities, including independent power producers and exempt wholesale generators, that own generating facilities but generally do not own any other utility facilities or perform any other utility functions, except for transmission facilities needed to deliver to the Interconnected Transmission System; or entities which are wholesale power marketers as defined by FERC, or state agencies which sell electric energy as defined by the Federal Power Act.
- **End users:** Retail customers or an organization representing retail customers within Arizona.

The *ex officio* class shall consist of representatives from Arizona state regulatory agencies that have an interest in the operations of AISA. Representatives of this class shall not be required to pay annual dues.

- 3.2.4. Choosing a Member Class and Minimum Number of Class Members:** While an entity may choose the Member Class to which it belongs, it may not belong to more than one such class. It may terminate its participation in such Member Class and choose another Member Class within the first twelve months of becoming a Member, but shall thereafter remain with its last chosen Member Class.

All Member Classes, except the transmission facilities providers class, must have at least five Members, excluding Affiliates, to be qualified to nominate and elect representatives to the Board.

- 3.2.5. Affiliate Rules:** An Affiliate of a Member which satisfies the membership qualifications may also become a Member provided:

3.2.5.1. The Member must disclose all of its Affiliates which hold AISA membership and the classes to which the affiliates belong.

3.2.5.2. Only one Affiliate from a group of related Affiliates may elect to associate itself with a particular Member Class, and only one representative of a group of related Affiliates shall be qualified to serve on the Board.

3.3. First and Second Special Meetings of Members:

3.3.1 First Special Meeting: At a special meeting called for such purposes by the initial Board, the Member Classes shall organize themselves and elect their respective Chairs and shall nominate Board candidates within thirty (30) days after AISA is established as a non-profit corporation. Such Chairs shall serve until the next annual meeting.

3.3.2 Second Special Meeting: The first elected Board shall be elected at a second special meeting of the Members to be held within thirty (30) days after slates of candidates have been established by the Member Classes and shall serve until the first annual meeting. Class Chairs shall also elect a Members Chair. A Member who cannot be present shall be able to vote for the Board positions to be filled by that Member's Class by sending written instructions to the Class Chair, which must be received at least one day in advance of the second special meeting.

3.4. Meetings of Members:

3.4.1 The annual meeting of Members for the election of Class Chairs, Members Chair, and class representatives to the Board shall be held on the second Tuesday in September of each year. The failure to conduct such a meeting shall not work a forfeiture of the Articles of Incorporation.

3.4.2 Special member meetings may be held at the call of a majority of the Class Chairs or any three (3) Member representatives from each of three (3) Member Classes upon thirty (30) days advance written notice to all Members.

3.5. Member Class Organization:

3.5.1. Class Chairs; At the annual meeting of Members, each Member Class by majority vote shall select its Class Chair. The Class Chair or his/her designated alternate will attend and preside at all Class meetings and all Class committee meetings.

- 3.5.2. Members Chair:** The Class Chairs, by majority vote, shall elect annually one of their number as the Members Chair for the year. The Members Chair will preside at the annual meeting of Members and all other joint meetings of the Member Classes.
- 3.5.3. Member Class *Ad Hoc* Committees:** The Class Chairs may constitute, empower, and dissolve *ad hoc* committees from time to time to perform specific tasks within specified times. Upon completion of their assigned tasks, such committees shall dissolve.
- 3.5.4. Member Meeting Notices:** The Director of the AISA will provide thirty (30) days' advance notice of the annual meeting of the Members. Special joint meetings of all the Member Classes, and all special Member Class meetings and *ad hoc* committee meetings shall be held on such notice as each of those bodies shall determine. The form of such notice may be determined by each body and may be accomplished by U.S. mail, facsimile, or electronic mail as each body directs. The Members Chair will provide for keeping the minutes of Members, Member Class and *ad hoc* committee meetings and all other official records of the Members. Within five (5) business days after any vote taken by all Members, a Member Class, or a Member committee, the Director will notify all Members of the results.
- 3.5.5. Quorum:** All business of the Members, by all Member Classes jointly, Class Chairs, each Member Class separately and by all Member Class committees, shall be conducted at meetings called by advance notice to all Class Members. No business shall be conducted at any meeting unless a quorum is present.
- 3.5.5.1.** A majority of all Members that are part of any body which is making a decision shall constitute a quorum. A quorum, once established, shall be deemed to continue for the balance of the meeting. Members may designate alternate representatives by written notice to the chair before or during the meeting.
- 3.5.5.2.** A majority of the Classes must have a Class quorum present in order to constitute a quorum for the annual meetings or special meetings of Members.
- 3.5.6. Member Class Voting:** The Member Class and Member Class committee decisions shall be by voting in accord with the following rules:

- 3.5.6.1.** In the selection of Class Chairs and voting on other Class business, with the exception of certain decisions described in Section 3.5.6.2, the decisions shall be by a majority vote. The voting Members in each Member Class shall elect two Board members by a majority vote.
- 3.5.6.2.** Votes on amendments to the Bylaws, as provided in Section 3.1, shall be conducted by a two-tier voting process. The Members in each Class shall cast their votes. Following this vote, each of the Class Chairs shall cast his/her vote for or against the proposed amendment as determined by his/her Member Class. Both votes in the two-tier system must be affirmatively supported by two-thirds majority vote in order for a proposed amendment to become effective.

3.6 Resignation, Suspension, or Termination of Membership:

- 3.6.1. Resignation:** A Member may resign at any time by giving fifteen (15) days' written notice to the Director.
- 3.6.2. Suspension, or Termination:** Any time that the Board by resolution finds that a Member has (i) intentionally or repeatedly violated any By-law, or (ii) materially breached or intentionally violated any FERC order or arbitration decision issued pursuant to these By-laws, or (iii) willfully obstructed any lawful purpose or activity of AISA, the Board, at its sole discretion, may suspend or terminate that membership. The affected Member shall be given sixty (60) days' advance written notice of any Board meeting at which suspension or termination action against that Member is anticipated and such Member shall have the right to be present and to present information concerning the suspension or termination action to the Board. Upon suspension or termination of membership, the Member's voting rights and all other rights and privileges of membership shall automatically cease. Notice of suspension or termination shall not change the Member's ability to use the services of AISA available to non-Members or the Member's obligation under any contract, FERC order, decision of arbitration, or request for transmission service made to or by the suspended or terminated Member in effect or pending as of the effective date of suspension or termination, unless otherwise agreed by any affected Member. A Member subjected to a suspension or termination notice may elect to arbitrate such action pursuant to Section 6.3.

3.7. Restrictions on Resumption of Membership:

A Member which has withdrawn or been suspended from membership may not apply for reinstatement for a period of one (1) year unless otherwise determined by action of the Board. A Member which has been terminated from membership may not apply for reinstatement to membership for a period of time stated in the Board resolution of termination, not to exceed two (2) years, except for good cause.

4. The Board:

4.1. Powers:

4.1.1. The Board will have the power to govern the business and affairs of AISA, establish its policy and direction, hire the Director and an Assistant Director designated to act in the absence of the Director, terminate the employment of such persons with or without cause, and amend the Bylaws. Amendments of the Bylaws with respect to the Member Classes, Members powers, or compensation for Board members shall require approval as provided in Section 3.5.6.2..

4.1.2. The initial Board, named in the Articles of Incorporation, shall have no powers other than to call the special meetings of the Members for the purposes described in Section 3.3.

4.2. Qualifications:

All candidates for the Board shall be (i) knowledgeable in transmission system operations and (ii) knowledgeable in one or more areas of business, finance, organization, government regulation, or other matters particularly affecting the activities of AISA.

4.3. Composition:

The Board will consist of not more than eleven voting Members, including two representatives from each of the five Member Classes, and the Director.

4.4. Election Process and Term of Office:

4.4.1. Election Process: Each Member Class shall be represented by two Board members. At the second special meeting and at each annual meeting, voting Members for each Member Class shall elect candidates for Board positions to be filled by that Member Class.

4.4.2. Term of Office: Board members elected to the Board at the second special meeting pursuant to Section 3.3.2, shall hold office until

the first annual meeting. Thereafter Board members' term of office shall be two years, except that at the first annual meeting, each Member Class shall elect one of its Board members to a one-year term.

4.5. Organization, Meetings, and Decision Process:

4.5.1 Organization: The Board shall select the Director and Assistant Director prescribed by the Bylaws and shall appoint such Board committees as it deems necessary to carry out its business affairs. The Director shall serve as the Chair of the Board and shall be available for all Board committee meetings. The Board shall elect an Assistant Chair from among its members to serve in the absence of the Director.

4.5.2 Meetings and Quorum:

4.5.2.1 All business of the Board, election of the Board's officers, and appointment of Board committees shall occur at the Board meetings, notice of which has been provided by the Director to all of the Board and all Members. Regular meetings of the Board shall be held on the second Wednesday in January, and May, and the second Tuesday in September. Special meetings may be held at the call of the Director or any three (3) Board members upon fifteen (15)~~thirty (30)~~ days advance written notice to each Board member and all Members. Notice may be waived by written waiver signed by all Board members.

4.5.2.2 No business shall be conducted by the Board ~~and/or~~ any committee thereof unless two-thirds of the duly elected and/or appointed, members of the Board or ~~of~~ any committee thereof is present. However, business may be conducted with absent directors participating, and deemed present in person, through any means of communication by which all directors participating in the Board Meeting may simultaneously hear, reasonably and verifiably identify themselves, and simultaneously and approximately instantaneously communicate with each other during the Board meeting.

4.5.2.3 Any meeting of the Board or any committee thereof may be held by conference telephone or similar communications equipment as permitted by law in which case any required notice of such meeting may generally describe the arrangements (rather than the place) for the holding thereof,

and all other provisions herein contained or referred to will apply to such meeting as though it were physically held at a single place.

4.5.3 Board and Board Committee Decisions: A decision of the Board or a Board committee shall require an affirmative vote of two-thirds of the duly elected and/or appointed Board members present or ~~two-thirds of~~ Board committee members present at the meeting, whichever is applicable. No proxy voting shall be allowed.

4.6. Resignations and Vacancies:

4.6.1. Resignation: Any Board member, Board committee member, officer, or employee may resign from his or her office or position at any time by written notice in accordance with Arizona Revised Statutes Sections 10-807 and 10-843. The acceptance of a resignation will not be required to make it effective.

4.6.2. Vacancies: If the office or position of any Board member or Board committee member becomes vacant by reason of his or her death, resignation, disqualification, removal or otherwise, the Board may choose a successor to hold office until a successor is duly elected by his or her Member Class.

5. The Director and Assistant Director:

The Director will be the chief executive officer of AISA. The Director shall be a member and Chair of the Board.

5.1. Eligibility:

To be eligible for employment and to continue in employment as Director or Assistant Director a person must have experience in transmission operations or scheduling and must have managerial experience. All AISA employees, including the Director and Assistant Director, shall be subject to the application of the disqualification criteria stated below.

5.1.1. Except as otherwise stated in Sections 5.1.2 through 5.1.3, a candidate will be disqualified if within fifteen (15) days before the date of employment (i) the candidate, or any related person to the candidate, or (ii) an entity, or an Affiliate of any entity, to which the candidate, or any related person is connected as an owner, director, trustee, commissioner, officer, partner, principal, representative, consultant, contractor, agent or in any similar capacity:

5.1.1.1. Is a member of the AISA; or

5.1.1.2. Receives any amount in any calendar year from the AISA, or from any Member of the AISA Transmission Provider class or any Affiliate of any such Member or any Member public utility, Member power seller or Affiliate thereof, as rent or payments for materials, products or services, other than services performed as the Director, Assistant Director, or employee of the AISA.

For purpose of this Section 5.1.1, “related person” shall mean a person who is a spouse, or minor child of the candidate.

5.1.2. A candidate for Director, Assistant Director, or employee of AISA will not be disqualified for owning shares in a mutual fund, other than a mutual fund for the utility sector, because the mutual fund owns interest in a Member or an Affiliate of a Member.

5.1.3. The qualification standards described in Section 5.1 will not apply to disqualify a candidate who is receiving payments from a pension plan of a Member or Affiliate of a Member in a form other than securities of the Member or Affiliate and the pension plan payments bear no relationship to the economic performance of the Member or Affiliate.

5.2. Employment:

The Director and Assistant Director shall be employed by the Board and shall serve at the Board’s pleasure. Any contract of employment with the Director or Assistant Director shall permit the Board to dismiss the Director or Assistant Director with or without cause.

5.3. Duties:

The Director, and in his/her absence the Assistant Director, shall be responsible for execution of the policies and direction of the Board and for the day to day operations of AISA. Subject to the Board’s directions, the Director and Assistant Director shall have the following duties, among others:

5.3.1. Prepare, file with FERC, and implement contracts with transmission facilities providers and scheduling coordinators, and a tariff with users of the Interconnected Transmission System;

5.3.2. Participate in (i) operating studies used to determine TTC, (ii) coordination of transmission maintenance schedules, (iii) Member control area operators’ and transmission owners’

determination of TTC, and (iv) determination of committed uses on the Interconnected Transmission System;

- 5.3.3.** Develop with interested representatives of the Member Classes the Protocols Manual for the approval of the Board;
- 5.3.4.** Calculate ATC;
- 5.3.5.** Monitor the OASIS with the ultimate objective of developing and operating one state-wide OASIS on which (i) all ATC is posted, (ii) all transmission reservation requests are received, and (iii) ancillary services and secondary transmission are posted;
- 5.3.6.** Receive transmission reservation requests and energy schedules concurrently with receipt by Member control area operators and transmission owners;
- 5.3.7.** Update ATC after receipt of accepted transmission reservations and confirmed energy schedules;
- 5.3.8.** Monitor releases of ATC to ensure compliance with the Protocols Manual;
- 5.3.9.** Implement the dispute resolution procedures provided in Section 6 as appropriate;
- 5.3.10.** Provide oversight and take action, as required, to ensure compliance with the Protocols Manual and FERC-recognized Standards of Conduct related to transmission access and operation of the Interconnected Transmission System; investigate and take action on complaints related to the application of the Protocols Manual and such Standards of Conduct and to resolve other issues related to discriminatory treatment in the provision of transmission service;
- 5.3.11.** Make immediate decisions, based on the Protocols Manual, with respect to irregularities discovered during the performance of his/her duties described in Section 5.3.10 and with respect to disputes between transmission providers and transmission users; and
- 5.3.12.** Perform administrative duties, such as preparing annual budgets for the approval of the Board, hiring/firing personnel, ensuring conformance with regulatory requirements.

The Director shall preside at all Board meetings and shall be available for all Board committee meetings, as provided in Section 4.5.1. If the Director is unable or fails to perform the duties of the office or exercise the rights,

for any reason, the Assistant Director will perform the duties and exercise the rights, except the duties of serving or voting on the Board.

6. Dispute Resolution:

There shall be two separate alternative dispute resolution (ADR) procedures—(i) a fast-track arbitration procedure to resolve near-term issues and (ii) a more typical mediation and/or arbitration procedure to resolve disputes that are more complex.

6.1. Fast-Track ADR:

The Director or the Assistant Director shall make immediate decisions, based on the Protocols Manual with respect to irregularities discovered during the performance of the duties described in Section 5.3.10 and with respect to disputes between transmission providers and transmission users concerning the next-day/same-day schedule when such disputes involve a determination of TTC, ATC, committed uses, priorities for use of congested paths, or other similar disputes. If the decision of the Director or Assistant Director is disputed, the decision will be referred to the fast-track ADR process by the Director or Assistant Director. A panel of three (3) arbitrators shall be available at the call of the Director or Assistant Director for a decision on the next business day--one panel member and an alternate from the transmitting utility and one and an alternate from the transmission user involved in the dispute, all of whom shall have been designated at the time they become Members. The third member shall be selected by the Director or Assistant Director on a rotating basis from an independent standing panel of transmission experts, all of whom shall meet the disqualification criteria contained in Section 5.1.1. The fast-track ADR panel's decision shall be submitted by the independent arbitrator, along with a statement for his/her fee and costs to be paid by the losing Party, to the Director by facsimile or electronic mail and the decision shall stand pending an appeal, which must be taken, if at all, within thirty (30) days after the date of the decision either to the courts or FERC, whichever is appropriate. A final decision of the panel, the court, or FERC shall establish a precedent to guide future decisions of the Director, Assistant Director, and future fast-track panels; provided, however, that all appeals to FERC or the courts shall be *de novo*.

6.2. Alternative Dispute Resolution Procedures:

For more complicated disputes among transmission providers and transmission users requiring additional time to prepare legal positions and proof of facts or use of witnesses and documentary evidence, the Parties to the dispute may initiate the peer review or mediation process provided in Section 6.2.1 or the Director shall cause the arbitration procedures

provided in Section 6.2.2 to be initiated, unless both Parties choose to take the dispute directly to FERC or the courts, whichever is appropriate.

6.2.1. Peer Review or Mediation:

- 6.2.1.1.** All disputing Parties may jointly submit a written request for peer review or mediation, including a written description of the matter under dispute, to the AISA.
- 6.2.1.2.** Within two (2) working days of the receipt of the request, the Director or Assistant Director shall appoint one (1) or more persons selected from the list maintained by SWRTA to act as facilitators to provide peer review or mediation.
- 6.2.1.3.** Generally, a mediation process will be followed for disputes regarding non-fast-track ADR. The Director or Assistant Director shall appoint one or more facilitators from SWRTA's list of qualified individuals who have received mediation training, or, if mutually requested by the disputing Parties, any professional mediator, to facilitate a resolution of the issue by the disputing Parties.
- 6.2.1.4.** The facilitator(s) appointed pursuant to Section 6.2.1.2 hereof shall serve on an ad hoc basis to aid the disputing Parties in reaching a mutually acceptable resolution of the dispute. The facilitator(s) shall have no authority to impose a resolution upon the disputing Parties.
- 6.2.1.5.** Within ten (10) working days of the appointment by the AISA, the facilitator(s) and disputing Parties shall meet and attempt to negotiate a resolution of the dispute, following a timetable set out by the facilitator. The cost of the peer review or mediation, including the facilitator's reasonable fees and expenses, shall be borne equally by the disputing Parties.
- 6.2.1.6.** Settlement positions taken by the disputing Parties during the course of the negotiations under this Section 6.2.1 shall be maintained as confidential to the extent permitted by law and shall not be introduced as evidence by an opposing Party in any subsequent arbitration, FERC proceeding, or litigation concerning the same or a related dispute.
- 6.2.1.7.** If all issues involved in the dispute are not resolved pursuant to this Section 6.2.1 within thirty (30) calendar days, or other mutually agreed-to period, after

appointment of the facilitator, then any unresolved issues shall be resolved as follows: (i) at the direction of the Director, the disputing Parties will follow the arbitration process set forth in Section 6.2.2; or (ii) the complaining Party shall file the dispute with FERC under the FPA for resolution.

6.2.1.8. The facilitator shall report the outcome of the peer review or mediation process to the Director upon the successful conclusion of the mediation process or at the end of the thirty-day period, whichever event shall first occur.

6.2.1.9. The facilitator shall bill and each Party shall pay one-half of the facilitator's fees and costs.

6.2.2. Arbitration:

6.2.2.1 Within two (2) business days after the dispute has been referred to arbitration by the Director pursuant to Section 6.2, each disputing Party shall submit a statement in writing to the other disputing Party and the Director, which statement shall set forth in adequate detail the nature of the dispute, the issues to be arbitrated, and the remedy sought through such arbitration proceedings.

6.2.2.2 The day following the submission of their statements, authorized representatives of the disputing Parties shall meet in person or by telephone for the purpose of selecting an Arbitrator.

6.2.2.3 Arbitration shall be conducted by a qualified Arbitrator selected from the list maintained by SWRTA or from a mutually agreed list. If the disputing Parties cannot agree upon an Arbitrator, each disputing Party shall take turns striking names from a list of ten (10) qualified and available individuals, with one of the disputing Parties, chosen by lot, first striking a name. The last-remaining name not stricken shall be designated as the Arbitrator. If that individual is unable, unwilling or ineligible to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected who is eligible and willing to serve. No person shall be eligible for appointment as an Arbitrator who meets the disqualification criteria established in Section 5.1.1, and any individual designated as a potential Arbitrator who is ineligible to serve pursuant to those criteria shall disclose

the circumstances affecting his or her impartiality and shall disqualify himself or herself from serving as Arbitrator.

6.2.2.4 The Arbitrator shall establish a fourteen-day procedural schedule, beginning two (2) business days after his/her appointment. This schedule shall establish procedures for discovery and intervention, how evidence shall be taken, what written submittals may be made, and other such procedural matters, including setting the date, time and place of the hearing, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution of the issues. Such procedures shall ensure, to the extent the fourteen-day schedule permits, time for (i) reasonable discovery of the facts, (ii) taking testimony under oath, (iii) transcribing testimony, (iv) maintaining a docket that identifies each document received, and (v) maintaining a file of the documents.

6.2.2.5 The Arbitrator shall accept relevant and material evidence and hear testimony presented by the disputing Parties and may request additional information and testimony. Such additional information shall be furnished by the Party or Parties and may be requested from other entities having such information. Other interested entities may move to intervene and request in writing that the Arbitrator consider additional information, and the Arbitrator shall decide, in view of the fourteen-day schedule for reaching his decisions, whether to permit such intervention and whether to consider such additional information.

6.2.2.6 Each disputing Party shall submit its proposed remedy to the Arbitrator immediately after both Parties have rested at the hearing. Within and as a part of the fourteen-day procedural schedule, the Arbitrator shall determine which proposal best meets the terms and intent of AISA's Bylaws, the Protocols Manual, and conforms with the FPA and FERC's published decisions, policies, and regulations, and shall state his or her decision in writing. If the Arbitrator finds both proposed remedies to be inadequate, the Arbitrator may call for new proposals from the disputing Parties, if time permits. If time does not permit second proposals, the arbitrator shall terminate the proceeding and leave the Parties to their remedies at law. The Arbitrator's decision shall stand pending an appeal, which must be taken, if at all, within, thirty (30) days after the date of the decision either to the courts or FERC, whichever is

appropriate. All appeals to FERC or the courts shall be *de novo*.

6.2.2.7 Immediately upon their receipt of the written decision of the Arbitrator, the disputing Parties shall take whatever action is required to comply with the decision. To the extent the decision requires local, state, or federal approval, regulatory action, or a FERC filing by a Party, the affected Party(ies) shall submit and fully support that portion of the decision before the appropriate regulatory authority, if such regulatory authority has jurisdiction over that Party. Each disputing Party shall bear its own attorneys' fees and costs associated with the arbitration. The Arbitrator's fees and expenses and other costs of proof incurred at the request of the Arbitrator shall be borne by the losing Party(ies). In the event of termination of the proceeding by the Arbitrator pursuant to Section 6.2.2.6, the Parties shall share the Arbitrator's fees and expenses equally.

6.2.3. Review:

6.2.3.1 Any arbitration decision issued pursuant to the AISA Tariff that affects matters subject to the jurisdiction of FERC under the Federal Power Act shall be filed with FERC.

6.2.3.2 On the basis of a protest by an affected state agency or on FERC's own motion, FERC may investigate any arbitration decision made under the AISA Bylaws with respect to matters within its jurisdiction, and after giving substantial deference to such decision, may set it aside if the decision is determined to be inconsistent with the basis upon which the Bylaws were approved by FERC or with applicable federal law or regulation.

6.3. Disputes Involving Government Agencies:

If a party to a dispute is a Federal agency, the procedures herein which provide for the resolution of claims and arbitration of disputes are subject to any limitations imposed on the agency by law, including but not limited to the authority of the agency to effect a remedy. With respect to such Federal Agencies, the procedures in this Section 6 shall not apply to disputes involving issues arising under the United States Constitution.

7. Indemnity, Insurance, and Releases:

7.1. In order to induce qualified persons to serve AISA as directors and officers, AISA will indemnify such persons to the fullest extent permitted by law or by the Articles, if applicable. Insofar as applicable law requires

a determination as to the standard of conduct followed by a person seeking indemnification, the Board or the disinterested members thereof will consider the relevant facts, or cause them to be submitted for consideration, as soon as practicable, but such consideration of any facts in issue in pending legal proceedings will not be required before the final adjudication thereof. A determination, whether favorable or adverse to the party seeking indemnification, pursuant to any such consideration (which determination, if the same is to be made by a court pursuant to law, will be deemed made when contained in a final unappealed or unappealable decision) will be binding on all parties concerned.

- 7.2.** In order to protect itself and its employees from liability to third parties with whom it has no agreements or tariff, the AISA will obtain liability and personal injury insurance and Directors' and Officers' protection in appropriate amounts.
- 7.3.** The remedies for non-performance established in Sections 3.2.2, 3.6, and 6 shall be the sole and exclusive remedies available under these By-laws for any nonperformance of obligations under these By-laws. Subject to any applicable state or Federal law which may specifically limit a Member's ability to limit its liability, no Member, its directors, members of its governing body, officers or employees, nor AISA, its directors, officers, or employees shall be liable to any other Member or to AISA for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury which may occur or result from the performance or nonperformance of these By-laws, including any negligent act or omission arising hereunder.