

Annual Corporation Commission

Annual Report for Fiscal Year 2000-2001

Creating a better Arizona for investors, ratepayers, businesses and consumers

Commissioners

William A. "Bill" Mundell, Chairman

Jim Irvin, Commissioner

Marc Spitzer, Commissioner

Executive Secretary

Brian C. McNeil

Division Directors

	Division Directors	
Administration Michael Kearns	Utilities Steven Olea (Acting)	Corporations Joanne MacDonnell
Hearing Lyn Farmer	Securities Mark Sendrow	Legal Christopher Kempley
Main Office 1200 West Washington Phoenix, AZ 85007	Adjunct Offices 1300 & 1400 West Washington Phoenix, AZ 85007	Southern Arizona Office 400 West Congress Street Tucson, AZ 85701
Services: Commissioners' Wing Executive Secretary Administration Legislative Liaison Public Information	Services: Corporations Securities	Services: Corporations Hearings Utilities
Hearings Utilities		

Important Phone Numbers

Legal

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Consumer Services Utilities	602-542-4251
Consumer Services Corporations	602-542-3026
Consumer Services Securities	602-542-4242
Docket Control	602-542-3477
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Table of Contents 2
Mission 3
About the Commission 3
Commissioners 4
Executive Secretary 5
Administration Division 6
Legal Division 8
Utilities Division11
Corporations Division 18
Securities Division21
Hearing Division24
Appendix 26
Financial Data26
Commissioners Since Statehood 28
Southern Arizona Office29

About the Commission

The Arizona Corporation Commission was created by the Arizona Constitution. Only seven states have constitutionally formed Commissions. Arizona is one of only 13 states with elected Commissioners. In the 37 other states, Commissioners are appointed by either the governor or the legislature.

In most states, the Commission is known as the Public Service Commission or the Public Utility Commission. However, in Arizona the Commission oversees the process of incorporating or registering a company to do business in the state, registers and oversees securities offerings and dealers and enforces railroad and pipeline safety.

By virtue of the Arizona Constitution, the Commissioners function in an executive capacity; they adopt rules and regulations thereby functioning in a legislative capacity; and they also act in a judicial capacity sitting as a tribunal and making decisions in contested matters.

The Commission is required by the Arizona Constitution to maintain its chief office in Phoenix and it is required by law to conduct monthly meetings.

Organization

The Corporation Commission is composed of three Commissioners elected by the people of Arizona for a six-year term, with one Commissioner standing for election every two years. In the case of a vacancy, the Governor appoints a Commissioner to serve until the next general election. In the 2000 General Election, the Arizona Corporation Commission was the subject of a ballot proposition seeking to expand the Commission by two seats. Voters approved Proposition 103, which expands the Commission to a total of five members and changes their terms to four-year terms with the option of serving for two consecutive terms. The new Commissioners will be elected in the 2002 General Election and will initially serve only a two-year term.

Ultimate responsibility for final decisions on granting or denying rate adjustments, enforcing safety and public service requirements, and approving securities matters rests with the Commissioners.

The administrative head of the Commission is the Executive Secretary who serves at the pleasure of the Commissioners. He is responsible to the Commissioners for the day to day operations of all Divisions.

The Commission staff is organized into six Divisions. The authority and responsibilities of these divisions is described in detail in this Annual Report. All Divisions are headed by a Division Director who reports to the Executive Secretary.

Mission

To exercise exclusive
state regulatory
authority over public
service corporations
(public utilities) in the
public interest; to grant
corporate status and
maintain public
records; to ensure the
integrity of the
securities marketplace;
and to foster the safe
operation of railroads
and gas pipelines in
Arizona.

Chairman William Mundell Chairman Mundell was born at Elmendorf Air Force Base in Anchorage, Alaska. He came to Arizona from Illinois in 1968 with his parents. He graduated from Arizona State University with a degree in political science in 1974 and he earned his Juris Doctor degree from St. Mary's University in San Antonio, Texas in 1977.

Commissioner Mundell has been in private practice as an attorney in Chandler, Arizona since 1977, except from 1980 to 1986 when he served as the Presiding Judge of the Chandler Municipal Court.

Mundell was first elected in 1986 to the Arizona House of Representatives, where he served from 1987 to 1992. As chairman of the House Environment Committee, he sponsored numerous pieces of legislation protecting Arizona's environment, including the state's first recycling law. During his tenure at the legislature, he was voted "One

Commissioner Jim Irvin

Commissioner Irvin graduated from the University of Southern California with a Bachelor of Science degree in Education, and earned a Masters degree in Business Administration from Loyola Marymount University.

Prior to joining the Commission, Irvin spent over 20 years in the private sector, serving as a CEO to a company with over 1,000 employees in California, Arizona, Nevada and New Mexico.

Currently, Irvin serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Electricity, Committee on International Relations, the Advisory Council for the Center for Public Utilities at New Mexico State University, as well as serving on the Board of Directors for the Water Infrastructure Financing Authority (WIFA). Irvin was elected by his peers as Vice President and President-elect 2002 for the Western Conference of Public Service Commissioners

of Arizona's Top 10 Legislators." He was a candidate for the United States Congress in 1992.

Chairman Mundell has served as a Judge Pro Tem on the Maricopa County Superior Court. A strong believer in community service, Mundell has served on several nonprofit organizations and civic boards.

Governor Jane Hull appointed Mundell to the Commission on June 21, 1999 after the Arizona Supreme Court determined that the former commissioner was ineligible to hold office. In 2000, he ran to retain his seat on the Commission and won.

Mundell presently serves on the Telecommunications and Consumer Affairs Committees of the National Association of Regulatory Utility Commissioners.

He is married to Barbara R. Mundell and has two children, Meghan and Samantha.

(WCPSC). As Chairman of the ACC, Commissioner Irvin began such initiatives as the ACC Water Task Force, pushed to include the utilization of renewable energy in restructuring Arizona's electricity market, as well as, receiving the Governor's Recognition Award for Customer Service Improvement.

Irvin's community service activities include: serving as a Reserve Deputy Sheriff for the Maricopa County Sheriff's Office, a Board Member of the Scottsdale Education Foundation, a past Board member for the Silent Witness Program, and a Paul Harris Award Winner with Rotary International. Additionally, the Commissioner volunteers with the Boys and Girls Club, YMCA and coaches Little League.

Jim is married to Carol Fehring Irvin and has three children: Lauren, Ashley and Daniel.

Commissioner Irvin's term expires January 2003.

Commissioner Marc Spitzer was born in Pittsburgh, Pennsylvania and grew up in Philadelphia. After graduating from Dickinson College in Carlisle, Pennsylvania, Spitzer attended the University of Michigan School of Law. After law school, he moved to Arizona and began his career as a tax attorney.

For the past nineteen years, Commissioner Spitzer has represented taxpayers against the Internal Revenue Service. Since 1987, based upon recommendations from lawyers he has litigated against, he has been certified as a Specialist in tax law by the Arizona Bar. In 1992, after many associations with civic, philanthropic and political causes, he ran for and was elected to the Arizona State Senate for District 18. Commissioner Spitzer served in the Legislature as Chair of the Judiciary and Finance Committees and was elected by his peers to the position of Senate Majority Leader in 1996.

As State Senator, Spitzer sponsored legislation on behalf of Attorneys General Grant Woods and Janet Napolitano protecting Arizona consumers from fraudulent schemes, and public agencies from antitrust violations and bid rigging. He drafted the largest tax reduction in Arizona history, which also substantially reformed and simplified Arizona's property tax system. He also drafted the Clean Air Amendments of 1997, which greatly improved air quality in Maricopa and Pima Counties. His efforts on behalf of Arizona's retirees through his sponsorship of beneficial pension statutes, including a successful amendment to the State Constitution to protect the assets of pensioners, are considered exemplary by both Republicans and Democrats alike.

Commissioner Spitzer has served as member of the Arizona American-Italian Club, the Rotary Club 100 of Phoenix, the Sunnyslope Village Alliance, the North Central Phoenix Homeowners Association, the Arizona Chief Justice's Commission on Juvenile Crime, the Heritage Foundation and other civic organizations.

Commissioner Spitzer's greatest achievement, political or otherwise, occurred on October 10, 1992 when he married the former Jacqueline Raub, a Phoenix native. He and Jacque have a son, Bennett Alexander, born in 1995.

Brian C. McNeil became Executive Secretary of the Arizona Corporation Commission on May 10, 1999. The Executive Secretary is responsible for providing overall management of the Commission.

Prior to joining the Commission, he was the Deputy Director for Budget and Policy Development in the Arizona Department of Health Services.

McNeil has also served as Senior Policy Advisor to former Governor Fife Symington, as Director of Operations and Economic Advisor at the Arizona State Senate and as a Fiscal Analyst at the Joint Legislative Budget Committee.

McNeil earned his Master of Public Administration degree and a Bachelor of Science degree in economics from Arizona State University. McNeil is currently a Captain in the U.S. Army Reserve and is assigned as a Reservist to an active Army unit.

Commissioner Marc Spitzer

Executive Secretary Brian C. McNeil Administration Division

Michael Kearns Director/ Deputy Executive Secretary

Mission: To provide the executive leadership and decision-making authority for the timely resolution of matters coming before the Commission; to plan, coordinate and direct the administrative and fiscal activities necessary to support the commissioners and all the divisions of the Commission.

The Administration Division is composed of the three elected Commissioners and their staffs, the Executive Secretary's office and the administrative functions that provide the fiscal and administrative service necessary to support all divisions of the Corporation Commission. The division director oversees the administrative and fiscal functions and also serves as the Deputy Executive Secretary, performing the duties of the Executive Secretary during the incumbent's temporary absences.

The Executive Secretary's staff performs many administrative functions in conjunction with the Division. These include: preparing the open meeting agendas, keeping records of all proceedings of the Commission and coordinating civic activities and projects of benefit to the Commission.

Open Meetings & Other Proceedings

The Commission meets in several types of forums. In all instances, the Arizona Open Meeting Law, the Commission's ex-parte rule on unauthorized communications, and the Arizona Administrative Procedures Act govern the activities of the Commission.

The Commission conducts formal hearings on contested matters such as rate requests, complaints and securities violations. Evidence is collected at hearings but no vote is taken. All decisions of the Commission are made in open meetings. Open Meetings are conducted after the agenda of the meeting has been made available to the public. In some limited instances, such as legal matters and personnel matters, the Commission may meet in executive session. Hearings, open meetings and executive sessions, while administrative in nature, are very formal in process. Comments may be received from the public, interested parties and the staff of the Commission during Open Meetings. In addition, the Commission has staff meetings, run by the Commissioners, which are posted as Open Meetings. These meetings serve as a forum to exchange information and obtain administrative guidance and policy direction from the Commissioners. The Commission also conducts workshops in which issues are discussed. No votes are taken or decisions made at the workshops.

Legislative Activities

The Arizona Legislature enacts new laws every year that impact the Commission and the people it serves. Laws affecting regulated entities, consumers of regulated services and corporate Arizona must be monitored and, in some cases, implemented by the Commission.

Because of the Commission's broad ranging authority, the Administration Division coordinates all of the Commission's legislative activities in conjunction with each division.

Additionally, the Division interacts with the Office of the Governor and the Legislature on Commission funding issues, including the review of our biennial budget requests and any subsequent executive or legislative recommendations.

Civic Activities

Commission employees have often been recognized for their personal efforts and contributions to fulfill civic needs. During FY 2000-2001, the Commissioners and employees together:

- •Contributed \$16,063 in individual donations and pledges to the State Employees Charitable Campaign, which supports United Way agencies, national health agencies, international service agencies and local unaffiliated agencies;
- •Brightened the holiday season for 50 needy children by buying toys and

clothes through the Salvation Army's annual Christmas Angel gift drive;

- •Donated 48 pints of blood in specially arranged blood drives held at the Commission's facilities:
- •Donated 10 cases of canned food to help brighten the Christmas of needy families in the Valley;
- •Fully supported and actively participated in environmental improvement activities such as the "Clean Air Force" (car pools, Don't Drive One-in-Five Campaign and bus riding) and recycling of paper, newsprint, and aluminum cans.

The Commission continued to fund a "Tuition Assistance" program for its employees. The objectives of the program include: improve job capability, performance and morale; encourage personal growth and development; and provide a source of qualified personnel for advancement as vacancies occur.

Business Office

The Business Office is responsible for providing all accounting, payroll, purchasing and personnel support for the Commission as well as budget preparation. The Commission's budget is developed and submitted by the Administration Division Director in coordination with the Executive Secretary and the directors of the divisions within the Commission. Fiscal information related to the budget and expenditures is included in Appendix A.

The Business Office is also the Commission's main point of contact with other state agencies involving business activities. During FY 2000-01 the Business Office received and processed \$40,869,142 in revenue to the State Treasurer, of which \$23,033,430 was deposited in the state's General Fund. The Corporation Commission's general fund receipts for

licenses, fees and permits were the highest of all state agencies.

In addition to revenue deposits, the Business Office issued 532 purchase orders, 3,534 claims; received and entered into inventory 300 items; and serviced 296.5 employees through personnel actions and payroll transactions.

Fast Facts

The Commission
deposited \$37,243,145
in revenue to the State
Treasurer of which
\$21,986,700 was
deposited in the state's
General Fund. As a
comparison, the
Commission's total funds
expended for FY 20002001 was \$18,560,661,
of which \$6,076,978
was from the General
Fund.

Fast Facts

Commission employees
are generous! They
donated \$16,063 of
their personal funds to
the State Employees
Charitable Campaign.
Employees joined forces
to contribute \$2,288
more than in the prior
year! In addition,
employees sponsored 20
more children, for a total
of 50, during this year's
Christmas Angel
program.

Legal Division

Christopher Kempley Chief Counsel

Mission: To provide

professional, high

quality legal

representation to the

Corporation

Commission in the

performance of all of

its powers and duties,

except for matters

pertaining to the

activities of the

Securities Division.

The Legal Division represents the Commission in all matters relating to public utility regulation and in other areas not associated with the Securities Division. Securities-related legal cases are litigated by the Attorney General's Office. Matters handled by the Legal Division fall into five general categories:

- 1) Commission dockets;
- 2) Federal regulatory dockets;
- 3) Litigation;
- 4) Other administrative matters; and
- 5) Special projects.

Commission Dockets

Utility companies throughout the state apply to the Commission for approval before undertaking certain activities such as the provision of service to the public, the modification of service territory or the implementation of rate increases. The Commission is also authorized to exercise continual review over the operations of public service corporations and to act when necessary to further the public interest. Legal Division representation in these matters is varied and includes representing the Utilities Division and advising the Commissioners on legal issues.

Federal Dockets

The Legal Division represents the Commission before various federal agencies in the following areas: electric, gas, nuclear energy, railroads, pipelines and telecommunications.

Key federal proceedings included:

- •Continued implementation of the federal Telecommunications Act of 1996.
- Expanded competition in the provision of local exchange service, universal service mechanisms and funding, and

•Expansion of long distance competition to include the Regional Bell Operating Companies.

In addition, during FY 2000-2001 the Legal Division continued to represent the Commission in Federal Energy Regulatory Commission (FERC) dockets concerning the gas and electric industries to ensure that the public interest of Arizona is considered in these matters.

Litigation

The Legal Division represents the Commission before a variety of courts and either has pending or has recently concluded cases before municipal and justice courts, county Superior Courts, the State Court of Appeals and the State Supreme Court, as well as before various federal district and appeals courts, including the United States Supreme Court. The large majority of cases filed or pending during FY 2000-2001 involved Commission decisions related to restructuring of the telecommunications and electric industries. The Legal Division also has been called upon to represent the Commission in Bankruptcy Court in matters involving regulated utilities.

Administrative Matters

The Legal Division counsels the Commission in the legalities of miscellaneous matters such as the Open Meeting Law, guidelines and procedures, ex-parte communications, filing requirements and a variety of similar matters. The Corporations Division exercises responsibility in such areas as the filing of Articles of Incorporations, Certificates of Disclosure, and Annual Reports which must be submitted to the Commission by every corporation doing business within the State of Arizona. The Legal Division advises the Corporation Division on these administrative matters.

Special Projects

The Legal Division participates in the revision of all rules for the Corporations Division and the Utilities Division, including the Pipeline and Railroad Safety Groups. It has also represented the Commission in litigation that has occurred following the rulemakings. Rulemakings that resulted in litigation during FY 2000-2001 include the restructuring of the electric utility industry.

The Commission continues to be engaged in a series of proceedings related to the restructuring of the telecommunications industry. The Legal Division represents the Commission or its Staff in a variety of proceedings related to the emergence of competition in the telecommunications industry. During FY 2000-2001, the Division assisted with the introduction of a new price cap plan for Qwest Communications. The Legal Division was also active in the Commission's comprehensive review of the wholesale rates that Qwest charges its competitors as well as Qwest's compliance with those requirements of the Telecommunications Act of 1996, which are designed to ensure that the local exchange market is open to competition.

The Legal Division was also involved in a separate proceeding to ensure that Qwest is complying with the nondiscrimination and filing requirements of the 1996 Act. The Division also assisted the Commission and Staff in the commencement of some important investigations and rulemaking proceedings designed to protect the interests of consumers, including rules to address slamming and other deceptive practices.

The Commission is also engaged in a series of proceedings related to the restructuring of the electric industry. This process continued during FY 2000-2001. The Legal Division has been involved in this

process at every stage. Adoptions of the original rules, each subsequent amendment have resulted in litigation in state courts. The litigation and the administrative proceedings related to restructuring can be expected to continue into future fiscal years and will continue to require the commitment of significant resources from the Legal Division.

Under state statutes no utility may construct an electric power plant or transmission line without first obtaining a Certificate of Environmental Compatibility from the Power Plant and Line Siting Committee that then must be approved by the Commission. Given the number of applications being submitted and the heightened public interest in such construction, in FY 2000-2001 the Legal Division devoted significant resources to representing Staff in these proceedings. It is anticipated that this level of resource commitment will continue into future fiscal years.

With companies requesting permission to build additional electric generating plants in Arizona, the Legal Division has become increasingly involved in determining the plant-specific and cumulative impact of such plants and in protecting the public's interest in the state's water.

In conjunction with its activities in the areas of electric competition and line and power plant siting, the Commission has been actively involved in proceedings at the Federal Energy Regulatory Commission related to the supply and interstate transmission of natural gas. Natural gas is a primary source of fuel for power plants. The Division participates in those dockets in which gas supply and transmission, as well as competing rights among states to receipt of shipped gas, are at issue.

The Commission continues to address important water issues. These include Central Arizona Project water usage and its attendant costs, groundwater supply, water

Fast Facts

The Legal Division
represents the
Commission before a
variety of courts such as:
municipal and justice
courts, county Superior
Courts, the State Court
of Appeals and the
State Supreme Court, as
well as before various
federal district and
appeals courts, including
the United States
Supreme Court.

quality and regulatory jurisdiction over water use by private water companies.

For example, during FY 2000-2001 staff worked with industry to examine the cost and rate impacts of the new EPA standard for arsenic. The Division is working to develop a cost-based recovery mechanism to allow water companies interim recovery of costs of arsenic-extracting systems needed to meet federal requirements. In addition, the Legal Division represented the Commission in both administrative and civil proceedings involving various water issues.

The major cases before the Commission usually include an advisory staff assigned to act as a separate party in order to advise Commissioners and Commissioner's staff without violating the ex parte communications rule. Thus, in each of the above instances, in addition to the need for legal staff as counsel for Utilities Division staff, additional Legal Division personnel are assigned to advise the Commissioners.

The Commission's rules relating to transactions with unregulated affiliates have been in effect since FY 1992-93. The rules create an ongoing responsibility to consider and process applications and reports under the rules. The filings of applications and reports under the rules, all of which require scrutiny by Legal Division attorneys, can be expected to continue indefinitely.

Fast Facts

The major cases before
the Commission usually
include an advisory staff
assigned to act as a
separate party in order to
advise Commissioners
and Commissioner's
staff without violating
the ex parte
communications rule.

The Utilities Division monitors the operations of 974 public service corporations providing utility service within the State of Arizona. Article XV of the Arizona Constitution defines "public service corporations" as "those furnishing gas, oil, or electricity for light, fuel or power; water for irrigation, fire protection, or other public purposes; or those transmitting messages or furnishing telegraph or telephone service." The Commission's regulatory responsibilities are established in the Arizona Constitution (Article XV) and the Arizona Revised Statutes (§40-201, et seg.), and further defined in the Arizona Administrative Code (Title 14, Chapter 2).

One of the Utilities Division's major responsibilities is rate review and the determination of a reasonable return on fair value for public service corporations. (A.R.S. §40-250 requires that all public service corporations obtain Commission approval before establishing or changing any rate, fare, toll, rental charge, classification, contract, practice, rule or regulation.)

The Division reviews utility company financial records and recommends to the Commission appropriate revenue and rate requirements. With the exception of small public service corporations, these requests for rate changes must be determined in an evidentiary hearing. Regardless of the size of the public service corporation, all rate changes require approval of the Commission in an open meeting.

Staff preparation for a major rate hearing begins at the time of the utility's initial filing, and takes approximately four to six months before the hearing takes place. Work efforts between the time of filing and a hearing include a review of documents on file with the Commission; an audit of the books and records of the utility; onsite inspections of plants and facilities; discussions with utility personnel and interested parties; formulation of the staff

recommendation, and preparation of written testimony and schedules.

As a result of both the electric and telecommunications industries evolving from monopolies to competitive industries, the Utilities Division has the added responsibility of providing leadership and support in the development of competitive marketplaces. The Division works with the Commissioners and all affected stakeholders to develop equitable competitive markets that will benefit all consumers of electricity and telecommunications services.

The Utilities Division consists of eight sections through which the staff performs its responsibilities: 1) Accounting and Rates, 2) Economics and Research, 3) Engineering, 4) Safety, 5) Consumer Services, 6) Information Technology, 7) Administrative Services and 8) Compliance & Enforcement. The Division oversees the following numbers of utilities:

Telecommunications companies 571
Local exchange carriers 108
Other telecommunications 463
Water utility companies 323*
Sewer companies 23*
Water and Sewer 19*
Electric companies30
Gas utilities
Irrigation Companies1
*The Commission oversees more than 400

Accounting & Rates Section

individual water and sewer systems. Mul-

tiple systems can be operated by the same

utility company.

The Accounting and Rates Section is primarily responsible for the preparation of testimony and staff reports for utility rate cases. These documents address accounting issues, reasonableness of expenses, costs of capital, overall revenue Utilities Division

Steven Olea Acting Director

Mission: To
recommend thoroughlyresearched, sound
regulatory policy and
rate recommendations
to the Commissioners,
which are based on a
balanced analysis of
the benefits and
impacts on all
stakeholders and are
consistent with the
public interest.

Fast Facts

Regardless of the size of the utility, all rate changes require approval of the Commission.

Decisions on these and other cases are rendered in a public, open meeting with opportunities for community members to offer comments to the Commissioners.

requirement, rate design, and, ultimately, staff's rates recommendations to the Commissioners. During FY 2000-2001, the section analyzed numerous applications, consisting primarily of water company rate cases. The Section also continued to participate in telephone, gas, electric, water and wastewater rate cases. Notable cases involved Qwest Communications, Southwest Gas Company, Tabletop Telephone Company and Southwestern Telephone Company.

The Accounting and Rates Section also worked with other sections in a support role and participated in Small Water Assistance presentations around the state.

The section also provided analysis and recommendations regarding public utility mergers, debt and equity issuances, transfers of assets, purchased power and gas adjuster revisions, and applications for Certificates of Convenience and Necessity (CC&Ns).

Economics & Research Section

The Economics and Research Section analyzes economic and policy issues pertaining to the Commission's regulation of investor-owned utilities and rural electric and gas cooperatives. The section also analyzes and implements telecommunications policies adopted by the Commission. The staff uses a variety of computer models, quantitative techniques and qualitative methods in its utility evaluations and research. Recommendations are presented to the Commissioners through staff reports, sworn testimony, memos and recommended orders.

The section is also responsible for analyzing and preparing Staff recommendations for the majority of electric tariff filings, special contracts, natural gas tariff filings, telecommunications tariff filings, proposed

tariff revisions and competitive telecommunication interconnection agreements. The section also processes applications for CC&Ns for all categories of Electric Service Providers (ESPs) and competitive telecommunications firms.

The Section continues to participate in the ongoing evaluation of the extent to which U S WEST Communications, now Qwest, has opened its markets to competitors in compliance with specific requirements of the federal Telecommunications Act of 1996.

The Section, in cooperation with other Commission divisions and sections, provided testimony on matters relating to electric competition, natural gas rates and the introduction of a mandate requiring renewable energy technologies. Major cases that were a focal point for the Section during this fiscal year included: the Qwest Rate Case with the introduction of a price cap plan, the proposed sale of several of Qwest's rural telephone exchanges, the introduction of the Environmental Portfolio Standard and a rate case for Southwest Gas.

The Economics and Research Section prepared analyses and recommendations on over 200 tariffs and special contracts submitted by telecommunications, electric and natural gas utilities.

Engineering Section

The Engineering Section conducts technical reviews of all Commission-regulated utilities (except gas, which is done by the Pipeline Safety Group) to assure compliance with accepted service, safety, maintenance, performance and regulatory standards. This Section monitors and conducts on-site investigations of regulated water, wastewater (sewer), telecommunications and electric companies and one irrigation company. The staff also investigates accidents and incidents involving

utilities that result in service outages, property damage and consumer inquiries.

The Engineering Section assists the Consumer Services Section with the technical aspects of complaints received from utility customers. The engineers accompany Consumer Services Section personnel on investigations of such complaints. Assistance is also provided to other sections in the processing of CC&N applications for all regulated utilities.

The Engineering Section assists the Accounting and Rates Section in the processing of rate case applications, financing applications, changes to purchased power and fuel adjusters and other cases. Inspections are performed to determine whether a utility plant is "used and useful." The Engineering Section staff also conducts cost of service studies for the utilities, including gas.

In the water/wastewater area, the engineers monitor the operation of over 400 individual water and sewer systems. These systems range in size from less than 10 connections to over several thousand connections. The engineering staff assisted in the processing of 288 water main extension Agreements in this fiscal year.

The electrical engineers monitor the operation and maintenance of all generating and transmission resources within Arizona. This includes the nation's largest nuclear plant, the Palo Verde Nuclear Generating Station, located approximately 50 miles west of Phoenix. The Engineers also support Commission representatives who serve on the Arizona Power Plant and Transmission Line Siting Committee. Engineers assist in determining the environmental compatibility of newlyproposed generating stations and transmission lines. The electrical engineers are responsible for preparing the Biennial Transmission Assessment Report and are responsible for enforcement of the

Overhead Power Line Safety Law.

In the area of telecommunications, the Telecommunications Engineers review tariff filings, various telecommunications applications and evaluate the various facilities comprising the telecommunications network in Arizona. The Telecommunications Engineers also participate in the telecommunications dockets and are responsible for addressing service quality issues. During FY 2000-2001, the Telecommunications Engineers were involved in the planning and implementation of a new area code for parts of Arizona.

In addition, the Engineering Section maintains a computer-aided design (CAD) program for producing detailed utility service area maps for use by the Commission and the general public.

Compliance & Enforcement Section

The purpose of the section is to ensure that utilities comply with the provisions of the Arizona Revised Statutes, Commission rules and Commission orders.

The Compliance Section is responsible for: tracking compliance relative to annual report filings, filings made pursuant to Commission rules and orders and administering the annual regulatory assessment.

During FY 2000-2001, the Compliance Section reported the following compliance actions:

- •943 annual reports were mailed to utilities and monitored for filing.
- •873 compliance actions were entered into the compliance database for monitoring.
- •707 compliance filings were made by utilities in response to the requirements of Commission Decision or Rules.

Fast Facts

Staff from the Engineering Section conduct inspections, investigations and technical reviews of electric, water, wastewater. telecommunications, and irrigation companies that fall under the Commission's jurisdiction. This includes inspections at the nation's largest nuclear plant, the Palo Verde Nuclear

Generating Station.

- •156 utilities were required to remit an annual assessment, which was monitored for compliance.
- •42 Non-compliance notices were sent to utilities that failed to comply with filing requirements.
- •A Complaint and Order to Show Cause was filed with the Commission against various utilities for failing to file the prior year's annual reports.

nce Safety Section

The Safety Section consists of two groups—Pipeline Safety and Railroad Safety. The Pipeline Safety Group enforces the Arizona Underground Facilities Law and oversees the construction, operation and maintenance of all intrastate and interstate natural gas, other gases, liquefied natural gas, and hazardous liquid pipeline facilities operating within the State of Arizona. The Railroad Safety Group oversees the operation and maintenance of all railroad operations, track maintenance and railroad/street grade crossings.

Pipeline Safety Group

The Pipeline Safety Group operates its main office in Phoenix and staffs offices in Tucson, Prescott and Flagstaff.

The Pipeline Safety Group enforces pipeline safety standards and operating practices applicable to the transportation of gas and hazardous liquids by pipeline and the operation of liquefied natural gas facilities. Inspections are conducted on all interstate gas transmission and interstate hazardous liquid pipeline facilities. Inspections and operations audits are conducted on all intrastate natural gas transmission/ distribution pipelines, intrastate hazardous liquid pipelines, intrastate liquefied natural gas facilities and master meter natural gas system operations, such as apartments, mobile home parks, schools and other gas distribution systems at the point beyond the utility company meter. The Pipeline Safety Group also enforces the Arizona Underground Facilities Law, otherwise known as the "Blue Stake" Law.

As a result of these responsibilities, the Pipeline Safety Group monitors the activities of three interstate natural gas transmission pipelines, one interstate hazardous liquid pipeline, 17 major intrastate gas pipeline operations, two intrastate liquefied natural gas facilities, seven intrastate gas transmission pipelines, three intrastate hazardous liquid pipelines and 1,185 master meter natural gas operations.

During FY 2000-2001, the Pipeline Safety Group inspected 17 major intrastate natural gas distribution pipeline operators, seven intrastate gas transmission pipeline operators, three intrastate hazardous liquid pipeline operators, two intrastate liquefied natural gas operators, three interstate gas transmission operators, one interstate hazardous liquid pipeline operators and conducted 26 construction inspections, 81 specialized inspections and 15 incident investigations. The Pipeline Safety Group conducted 823 comprehensive inspections, 268 specialized inspections, 1,072 followup inspections and 220 construction inspections of master meter natural gas distribution systems.

Also during FY 2000-2001, the Pipeline Safety Group investigated 250 reported violations of the Underground Facilities Law, issued 166 notices of violations and collected \$135,000 in fines. Staff also received 354 notices of incidents from pipeline operators and pipeline operators shut off gas service to 99 master meter gas systems requiring repair.

During FY 2000-2001, the Pipeline Safety Group provided 16 training workshops for operators of master meter gas systems and assisted master meter operator personnel by making available to them pipe locating and leak detection equipment. Staff

Fast Facts

The Compliance
Section was responsible
for initiating 873
separate compliance
actions. In response to
requirements of
Commission Decisions
or Rules, utilities
submitted a total of
707 compliance filings
for review by the
Section.

conducted 46 Blue Stake training classes and also presented four specialized training classes for major pipeline operators.

The Pipeline Safety Group in conjunction with the U.S. Department of Transportation's Transportation Safety Institute, presented a pipeline safety-training seminar for pipeline operators and conducted two pipeline safety Corrosion Control I training classes for State and Federal Pipeline Safety inspectors.

Railroad Safety Group

The Railroad Safety Group enforces the Federal Safety Standards for track, signal, motive power and equipment, railroad operating practices, and the shipment of hazardous material by rail. The Railroad Safety Group is also responsible for inspection and review of industrial track, and rail-highway crossings construction projects. In addition to its main office in Phoenix, two Rail Safety Consultants are located in the Tucson office and one in Kingman. This staffing arrangement provides the Commission and the citizens of Arizona with quick response to any rail incident, as well as direct contact for more routine matters.

During FY 2000-2001, the Group inspected 1,999 miles of track, 4,472 freight cars, 270 locomotives, 409 crossings and 26 industrial track facilities. It also made 156 operating practices inspections and 1,631 inspections of cars and manufacturers that ship and receive hazardous materials by rail. The group investigated approximately 136 railroad accidents and 67 complaints received from other governmental agencies, railroad employees or the public.

The Commission administers the State's share of monies dedicated to improving rail-highway crossing safety devices. Since the inception of this federal/state program in July 1977, about \$37,917,414 in federal

funds and \$3.333.811.90 in state funds have been spent or encumbered to improve safety warning devices on public rail-highway crossings throughout the state. Commission staff, in conjunction with the Federal Highway Administration and the Arizona Department of Transportation, conducts an annual review of certain public rail-highway crossings throughout the state and prepares a list of crossings to be considered for improvement using federal and state funds. From the list, the Commission publishes an array of about 15 of those crossings. The array is then submitted to the cities, towns, and/or counties to make applications for funding.

The Group is also very active in the National Operation Lifesaver Program, a public awareness program that promotes rail/highway crossing and trespasser safety. The Commission's award-winning video, "Operation Lifesaver," is widely used in the Arizona High School Driver Education and Driver Survival Programs as well as other driver safety programs throughout the country.

Consumer Services Section

The Consumer Services Section investigates and arbitrates complaints from the public regarding operation, billings, terminations and quality of service and facilities of public service corporations.

The Section engaged in the following activities during FY 2000-2001:

Public Comment Meetings: In an effort to provide consumers an opportunity to voice their concerns and opinions on proposed rate increases and the quality of service of the public utilities serving them, the Consumer Services Section conducts public comment meetings. When a public utility files an application for a rate increase, the Consumer Services Section assists in the review of the application for sufficiency.

Fast Facts

During FY 2000-2001,
the Railroad Safety
Group inspected
1,999 miles of track,
4,472 freight cars,
270 locomotives,
409 crossings and
26 industrial track
facilities.

Fast Facts

The Consumer Services
Section responds to
complaints and inquiries
but also helps conduct
public comment meetings
and participates in events
designed to educate the
utility consumer:

It also receives and responds to customer service problems and comments. If necessary, the Consumer Services Section organizes a public comment meeting prior to the rate hearing. These meetings have proven to be beneficial to the public utilities in establishing better communications between them and their customers. During FY 2000-2001, the Consumer Services Section organized nine public comment meetings.

Arbitration: When the public utility and the consumer are not able to agree on the resolution of the consumer's complaint, a representative from the Utilities Division will conduct an independent arbitration to resolve the complaint. During FY 2000-2001, the Consumer Services Section conducted one arbitration.

Meter Testing: The Commission, through the Consumer Services Section, tests water meters when the accuracy of the meter reading is questioned. During FY 2000-2001, the Consumer Services Section tested 86 meters.

Field Investigations: On-site field investigations are sometimes needed in order to resolve a dispute. These investigations may entail an inspection of the physical plant of the public utility, a review of its books and records, and verbal interaction with the customer and the public utility. Consumer Services conducted 14 field investigations in FY 2000-2001.

Small Water Company Workshops:

These one-day workshops are held quarterly throughout the state. The objective is to provide information to water company owners and operators on a variety of topics, to share the Commission's expertise and to answer any questions or concerns they might have regarding the regulated portion of their companies. During FY 2000-2001, the Section conducted 22 such workshops, including special workshops held in Tucson.

Complaints: The following table lists the total complaints handled by the Consumer Services Section in FY 2000-2001 by utility type and complaint type:

Information Technology Section

The Information Technology (IT) Section provides technical guidance and experience to further the Division's mission and goals. It consists of specialized, highly trained professionals whose goals include providing technical resources and assisting division employees to maximize productivity with the use of technology.

The IT Section's mission statement is: To provide accurate, efficient and timely technology design, development, implementation and maintenance support services to the Utilities Division of the Arizona Corporation Commission, in support of its business goals.

During FY 2000-2001, the Division continued its ongoing IT improvement

strategy. Web development and maintenance saw increased emphasis as the Commission strives to provide the public with conveneient, timely and accurate information. Plans were formulated to transition the Division's users to the next generation of operating system and office productivity software. Also planned were hardware upgrades including client workstations and server resources. Ongoing support continued for word processing and spreadsheet uses along with the development of new databases designed to make staff functions more efficient. Furthermore, the Section staff continued to oversee the training needs for division users of IT resources.

Administrative Services Section

The Administrative Services Section provides general and complex administrative and clerical support to the following Sections: Economics and Research, Accounting & Rates, Director's Office, Engineering and Consumer Services. The Section provided support for the successful continuation of installation of new software, development of computer training and conversion of system databases. Administrative support staff provide the following services: format and process open meeting items, staff reports, testimony and correspondence; maintain various databases; process, scan and link tariff files for posting on the web; process interconnection agreements; scan monthly decisions for Division use; provide research; distribute mail and internally generated documents; and provide general customer service.

In addition, the Section maintains a multimedia library used by Commission employees. The library contains legal, technical, reference publications; federal and state documents; telecommunications videotapes; computer programs and self-improvement courses. The library specializes in utility-related information.

Other items processed by the Administrative Services Section during FY 2000-2001 include:

Annual Reports	706
Central File items	623
Staff Reports	321
$Tariffs\ Administratively\ Approved\$	396
Testimony	58

Fast Facts

Staff from the Consumer Services Section helped to explain, resolve or respond to 10,357 complaints during FY 2000-2001. Corporations Division

Joanne C. MacDonnell Director

Mission: To grant corporate or limited liability company status to companies organizing under the laws of Arizona; to issue licenses to foreign corporations and LLCs that propose doing business in this state; to maintain their files for the benefit of public record and service of process.

The Corporations Division approves for filing all articles of incorporation for Arizona businesses; all articles of organization for limited liability companies (LLCs); grants authority to foreign corporations and LLCs to transact business in this state; propounds interrogatories, when necessary, to determine a company's lawful purpose; and administratively dissolves the corporate charters of those corporations which choose to not comply with Arizona law. The division collects from every corporation an annual report, which reflects its current status and business (nonprofit corporation reports also include a statement of financial condition); maintains this information in a format conducive to public access; responds to public questions concerning Arizona business and corporation law; and responds to the needs of the business sector by disseminating whatever information is mission critical to them in the most expedient and cost effective manner possible.

Any significant changes to Articles of Incorporation or Articles of Organization for LLCs in the form of amendments, mergers, consolidations, dissolutions or withdrawals are also filed with the Division. All filings are public record and available for inspection. Copies of documents may be secured for a nominal fee.

The Corporations Division has limited investigatory powers and no regulatory authority. However, an Arizona corporation may be administratively dissolved if certain statutory requirements are not met. Likewise, the authority of a foreign (non-Arizona) corporation to transact business in Arizona may be revoked.

The Corporations Division is comprised of five sections, with each Section designed to perform specific functions. The division also has a Tucson Office for service to the residents of Southern Arizona.

Overview of Activity

As of June 30, 2001, there were a total of corporations and LLCs transacting business in the State of Arizona.

Total Active Corporations	
& LLCs:	286,845
Annual Reports Mailed:	148,609
Annual Reports Filed*	131,332
Total Phone Calls Answered	346 116

*LLCs are not required to file an Annual Report and some are returned as undeliverable or rejected.

Corporate Filings Section

The documents processed by the Corporate Filings Section during FY 2000-2001 were as follows:

Domestic Articles of	
Incorporation	13,204
Foreign Applications for Authority	3,480
Amendments	. 9,007
Domestic and Foreign Mergers	992
Domestic LLCs	14,785
Foreign Applications for LLCs	. 1,169
Publications	33,295
Dissolutions/Withdrawals	. 1,550

In addition to filing documents, the section fielded phone inquiries in excess of 81,856.

Annual Reports Section

The Annual Reports Section is responsible for maintaining all corporation and LLC documents filed with the Commission and certifies copies of any and all corporate and LLC documents on file for introduction into court or private business transactions.

The documents processed by the Annual Reports Section during FY 2000-2001 were as follows:

In addition to filing documents, the section fielded phone inquiries in excess of 52,999.

Records Section

The documents processed by the Records Section during FY 2000-2001 were as follows:

Issued copies of records	77,425
Records Issued By Certification Desk	14,844
Changed corporate or agent	
addresses	28,863
Summons/subpoenas	1,160

In addition to filing documents, the section fielded phone inquiries in excess of 127,099.

The Commission acts as an agent for Arizona corporations and LLCs whenever either entity does not maintain a statutory agent or when the agent cannot be located. In these instances, services of process directed to the Commission are accepted and processed by the Records Section.

IT Section

The State of Arizona Public Access System (STARPAS) project was mandated in FY 1992-1993 by A.R.S. §10-129.01 and 10-1085.01. STARPAS provides on-line

public access to corporate and LLC information on file with the Commission. The initial STARPAS project was completed in FY 1994-1995. The STARPAS system is a direct access system connected to the real-time database maintained by the Corporations Division. All information is up-to-the-minute and can be searched by corporation name or by officer, director or statutory agent. This year, the division made the STARPAS system available free of charge via the Commission website. The IT section is responsible for the management and enhancement of the division's ten-server system. Programming is done in-house. The IT section provides ad hoc reports to the public in response to specific requests.

IPS Section

This section opens and sorts all division mail and is the initial point of process for all Annual Report related documents. With regard to annual reports, this section identifies the year and type of filing, processes the filing fee, bar codes and stamps the document, and transmits information into a computerized tracking system. The IPS section is also responsible for scanning the documents into the Division's imaging system for subsequent review by examiners in the Annual Reports section. The IPS section is also responsible for transmitting corporate and LLC information into the STARPAS system and preparing documents to be microfilmed.

The documents processed by the IPS Section during FY 2000-2001 were as follows:

Opened Mail	186,430
IPS in box records created	156,876
Scanned	156,876
Batching, prepping of document	S
for all filings	347,130

Fast Facts

The Corporations
Division closed FY
2000-2001 with
286,845 active
corporations or LLCs
registered to do business
in Arizona, compared
with only 223,080 in the
prior fiscal year.

The IPS system initially processes Annual Reports, corporate and statutory agent address changes and statutory agent changes.

Legislation

On behalf of the Division, Representative Barbara Leff introduced HB 2027, which amends Title 10, sections §§202, 3202, and 1803 to require all profit, nonprofit and close corporation Articles of Incorporation to include a signature evidencing acceptance of appointment by the statutory agent. Amends Title 10, sections §§ 1420, 11420, 1530, 11530 and Title 29, sections 786 and 807 to allow the Commission to either administratively dissolve a domestic corporation or limited liability company for the following reasons:

- •Willfully making misrepresentations in its filings,
- Failing to complete voluntary dissolution within a period of not less than six months of the date of filing Articles of Dissolution, and
- Failing to maintain a known place of business in Arizona.

The bill also makes certain sections of the nonprofit code applicable corporate sole entities.

The bill was passed by the Legislature and signed into law (Laws 2001, Chapter 103).

Awards

The IT programming team (Clark Lathrum, James Horn, Veronica Valencia), of the Corporations Division, was named Team of the Year by the Arizona Administrators Association.

The award was largely based on the group taking the STARPAS database to the web. The Division is very proud of them and glad they received recognition for their achievements and contributions.

Fast Facts

The Corporations

Division is in the process
of converting its massive

STARPAS database to
an Internet based system.

This will allow anyone
with Internet access to
gather or verify corporate
data for any of the
nearly 250,000
corporations or LLCs
doing business in or from
Arizona.

The Securities Division reviews prospective offerings of securities to ascertain that full and fair disclosure is made to potential securities investors and that the terms of offerings are not inherently fraudulent.

Securities dealers, salespersons, investment advisers and investment adviser representatives are required to register with the Division prior to conducting business in Arizona.

The Division reviews these applications and monitors the conduct of investment advisers and investment adviser representatives, dealers and salespersons; investigates possible violations; where the evidence warrants, brings administrative, civil or criminal enforcement actions; and conducts programs to educate investors to protect themselves.

The Division consists of four sections:

- 1) Registration and Compliance,
- 2) Office of the General Counsel,
- 3) Enforcement, and
- 4) Management Information Systems.

Registration & Compliance Section

Registration and Compliance reviews applications for registration or exemption of securities under the Arizona Securities Act. This Section is also responsible for the administration of the registration and licensing provisions of the Securities Act and the Investment Management Act pertaining to dealers, salesmen, investment advisers and investment adviser representatives. Staff conducts on-site examinations of dealers and investment advisers to ensure compliance with these Acts. The Corporation Commission is authorized to deny, suspend, or revoke a registration or license, to assess fines and to order restitution to victims.

During FY 2000-2001 the section processed 2,147 dealer and 127,976 agent registrations.

In addition, 295 investment adviser, 674 investment adviser notice filers and 706 investment adviser representatives were licensed.

A total of 68 field examinations of dealers and investment advisers were conducted.

The Section processed 17,814 applications for securities registration, 1,246 filings for various exemptions from registration and 2.860 name change requests during FY 2000-2001.

Enforcement Section

The Division maintains an active enforcement program in order to ensure integrity in the marketplace and to preserve the investment capital formation process, rather than permitting capital to be lost to fraudulent or deceptive practices.

The Arizona Corporation Commission is granted the authority to issue an Order to Cease and Desist, apply to the Superior Court of Maricopa County for an injunction, transmit evidence to the Attorney General who may petition the Superior Court of Maricopa County for the appointment of a conservator or receiver, and transmit evidence to the Attorney General, County and United States Attorneys, who may file criminal cases.

During FY 2000-2001, the Division initiated 47 investigations and had a total of 161 cases under investigation at year-end.

The Division filed 26 administrative proceedings and transmitted evidence to the Attorney General, which resulted in nine criminal cases involving nine defendants.

Securities Division

Mark Sendrow Director

Mission: To ensure the integrity of the securities marketplace though investigative actions as well as the registration and/or oversight of securities, securities dealers and brokers, investment advisers and their representatives; to enhance legitimate capital formation; and to minimize the expense of regulatory compliance on legitimate business, consistent with vigorous investor protection.

A total of 292 subpoenas were issued and 73 examinations under oath were taken during the year.

The Securities Division makes a substantial commitment to its cases once litigation is commenced. Its investigators and certified public accountants become essential to the litigation in terms of marshaling witnesses and providing expert testimony. Because of their familiarity with the facts in the case they have investigated, the Division attorneys have been appointed Special Assistant Attorneys General to assist during litigation.

Office of General Counsel

The Office of General Counsel provides legal advice to the Securities Division and assistance to the business and financial communities and securities practitioners.

Its responsibilities include administrative rulemaking; drafting and monitoring legislation relevant to the Securities Division; administering the no-action (interpretive) letter program, the public education program, the in-house training program, and the duty officer program (response to public inquiries); and advising the director regarding general administrative matters.

In FY 2000-2001, the Office of General Counsel proposed changes to the Arizona Securities Act and the Investment Management Act that were ultimately embodied in Senate Bill 1044, signed into law and will be effective August 9, 2001. Changes included:

- Providing for reciprocal enforcement of investigative subpoenas of other states,
- •Revising dealer registration requirements to create more uniformity with the requirements of other states, and
- •Requiring investment advisers and investment adviser representatives to

license through the newly created investment adviser depository ("IARD") operated by the National Association of Securities Dealers.

The IARD is a national registration depository that will allow investors access to licensure and disciplinary information regarding investment advisers and investment adviser representatives.

The general counsel office initiated rulemaking to:

- Allow salesmen to offer and sell securities for more than one dealer under specified circumstances,
- Update the lists of manuals and exchanges recognized for registration exemption purposes,
- •Update administrative procedural rules, provide an exemption for Canadian salesmen effecting transactions with Canadian residents visiting Arizona,
- Inform issuers of registration requirements for charitable organizations offering debt, and
- •Reflect statutory changes contained in Senate Bill 1099, signed into law effective July 2000.

Division duty officers responded to over 3900 inquiries from the public and Division staff made in excess of 60 investor education presentations and distributions of educational videos to the public.

Administrative Matters

The Securities Division's investor education program includes a year-round speakers bureau for civic and consumer groups. It involves distribution of investor education brochures, bulletins, and videos and ongoing dissemination of information to local, regional, and national media to reach the Securities Division's primary audience,

Fast Facts

During FY 2000-2001, the Division initiated 47 investigations and had a total of 161 cases under investigation at year-end. the individual investor. Through these efforts, the Securities Division strives to equip Arizonans to make informed investment decisions and to prevent themselves from falling prey to investment scams.

During fiscal year 2000-2001, for the third consecutive year, the Securities Division participated in "Financial Literacy 2001." This is a campaign targeting high school personal finance teachers across America. The Financial Literacy program is designed to improve the financial skills of secondary school students by equipping personal finance teachers with better teaching tools.

The Securities Division continually works to develop partnerships with which to further educational efforts, including the Elder Fraud Prevention Task Force, the Arizona Council on Economic Education, the Arizona State University School of Business and the Financial Services Education Advisory Committee.

At the close of fiscal year 2000-2001, the Securities Division began work with the Elder Fraud Prevention Task Force on project kNOw Fraud - designed to educate the public regarding the numerous facets of identity theft. The work on this project will continue through fiscal year 2001-2002.

The Commission is also a sponsor and the Securities Division provides speakers for the Arizona Council on Economic Education Stock Market Game. This program enables students from grade school to high school to become acquainted with important concepts such as due diligence and the relationship between risk and reward. The students learn how capital markets function by simulating purchases and sales of securities and are able to track their "portfolios" following their investments in the Wall Street Journal.

In addition, members of the Securities Division's staff worked with youths in the Junior Achievement program to develop financial acumen.

Management Information Systems Section

The Division's Management Information Systems section operates, maintains and implements upgrades and modifications to the division's local area network. It is responsible for design of required databases and reports. This section provides training to staff on new software applications.

Fast Facts

The Securities Division responded to over 3,900 inquiries from the public and Division staff made more than 60 investor education presentations during this fiscal year. The Commission's Securities Division is recognized as one of the leading states with investor education programs to arm people with the information they need to avoid scams and schemes.

Hearing Division

Lyn Farmer Chief Hearing Officer

Mission: To conduct hearings/arbitrations, analyze the evidence and draft recommended decisions for the Commissioners' consideration and approval.

The Hearing Division exercises the Commission's authority to hold public hearings and arbitrations on matters involving the regulation of public service corporations, the sale of securities and the registration of non-municipal corporations. Under the direction of the presiding Hearing Officer, proceedings are conducted on a formal basis through the taking of direct testimony, the cross-examination of witnesses, the admission of documentary and other physical evidence, and the submission of oral arguments or post-hearing briefs.

Evidentiary and procedural rulings are made by the presiding Hearing Officer from the bench. Rate and Certificate of Convenience and Necessity applications are processed under the procedural schedule established by the Hearing Officers, in order to ensure that proposed Opinion and Orders are issued in a timely manner within the framework of the Commission's "timeclock" rules.

During FY 2000-2001, the six Hearing Officers in the Division conducted 359 public hearings/arbitrations, encompassing a total of 342 days. A summary of hearings/arbitrations is shown in the table on the next page.

Based upon the record evidence presented at public hearings, or filings made in nonhearing matters, the presiding Hearing Officer prepares a recommended order, which sets forth the pertinent facts, discusses applicable law, and proposes a resolution of the case for the Commissioners' consideration. The Commission regularly holds Open Meetings to deliberate and vote upon the recommended orders. During FY 2000-2001, the Hearing Division prepared a total of 340 recommended orders, 119 for cases involving a hearing and 221 for non-hearing matters, mainly expedited rate applications for small water companies, coin operated pay telephones, and inter/intraLATA resellers.

Throughout the pendency of cases before the Commission, the presiding Hearing Officer may issue procedural orders to govern the preparation and conduct of the proceedings, including: discovery, intervention, the hearing date, filing dates, public notice, and motions. During FY 2000-2001, the Hearing Division issued 765 such orders.

Major rate cases heard in FY 2000-2001 include Qwest and Southwest Gas.

As to FY 2001-2002, the Hearing Division anticipates a continued high workload related to electric and telephone competition, as well as a continuance of an increased workload related to the Securities Division. Because of the introduction of competition in the electric and telecommunication industries, the amount and extent of discovery disputes has increased substantially.

During FY 2001-2002, the Hearing Division will be conducting hearings revisiting the consolidated telecommunications wholesale cost docket. Further, hearings will take place to determine if Qwest has complied with the requirements of the checklist for Section 271 of the Telecommunications Act of 1996.

The following Public Hearings were held During FY 2000-2001

Type of Hearing	Number
Pre-Hearing Conferences	43
Formal Complaints	31
Orders to Show Cause	1
Certificates of Convenience	
and Necessity	90
Rate Cases	26
Securities Division	34
Miscellaneous (oral arguments, motions to compel, etc.)	18

Public Hearings (continued)

CC&N Extensions	38
Transfers/Sales	23
Railroad/Safety Group	12
Public Comments	22
Rules (new and amended)	5
Arbitration	3
Generic Investigations	0
Deletions	5
Tariff	1
Line Extensions/Agreements	6
Financing	2
Adjudications	0
TOTAL	359

Docket Control Center

In FY 1980-81, the Commission requested and obtained legislative approval to establish a docket control center to ensure the integrity and security of official Commission records.

The Docket Control Center maintains the official records for the Utilities, Securities, and Corporations Divisions of the Corporation Commission. In this regard, Docket Control's functions are similar to a Clerk of the Court's office. The Docket Control Center also assists the public and staff in retrieving the files and transcripts of cases for use in research.

During FY 2000-2001, the Docket Control Center processed the following new applications:

Responses to Inquiries/
Research/Assistance 15,800
Filings Docketed & Distributed 13,576
Opinion and Orders/Administrative
Closures Processed and Mailed 1,121
New Applications Input 1,312
Open Meeting Items Processed 676
Certifications71
Transcripts Logged & Microfilmed
Utilities 245
Securities45
Corporations0
Miscellaneous (Line Siting)52

Fast Facts

The Docket Control
Center responded to
15,800 inquiries for
research or assistance
and docketed and
distributed 13,576
filings.

Appendix

Table 1

Commission Revenue by Source **Fiscal Resources:** Through the budget process, the Arizona Corporation Commission identifies fiscal resource requirements to meet its constitutional and statutory responsibilities. The Commission receives funding through several sources: the State General Fund, the Utility Regulation Revolving Funds, the Arts Trust Fund, the Investment Management Act Fund, the Public Access Fund and Federal grants. All sources except federal grants are subject to appropriation. The Administration, Corporations and Hearing Divisions, as well as the Railroad Safety Section, are funded mainly by the General Fund. In addition to the General Fund, the Administration Division receives limited funding from the Utilities Regulation Revolving Fund; the Corporations Division is the recipient of funding from the Arts Trust Fund and Public Access Fund. In addition to General Fund monies, the Securities Division receives a portion of the fees it collects through the Securities Regulatory

and Enforcement Fund and the Investment Management Act Fund. The Utilities Division, excluding Railroad Safety, and the Legal Division are funded through the Utility Regulation Revolving Fund, which derives its money from assessments on public service corporations. The federal grants are obtained as a reimbursement to the Pipeline Safety Section for accomplishment of certain federal responsibilities.

Historically, the Commission has generated significantly more revenue from securities and broker registrations, corporation filing fees, fines and miscellaneous service charges than its General Fund requirements. Any revenue that exceeds the Commission's budget needs flows into the State General Fund and is used to defray the costs of state government.

The following tables portray actual revenue and expense data for FY 1998-99 and FY 1999-2000. Estimated numbers for FY 2000-2001 are offered as well.

Commission Revenue by Source	Actual	Actual	Estimated
	1999-00	2000-01	2001-02
Corporation Filing Fees*	7,563,095	7,915,443	8,680,756
Security and Broker Fees*	12,450,934	14,686,068	14,116,544
Miscellaneous Service Charges*	100,946	116,683	185,894
Fines & Forfeitures*	1,871,756	362,434	1,389,000
Utility Assessments	8,801,164	10,622,575	8,418,500
Pipeline Safety Revolving Fund — Fines	0	85,000	40,000
Sec. Regulatory & Enforcement Fund	2,863,557	3,133,432	2,942,300
Sec. Investment Management Act Fund	1,194,102	1,445,778	1,489,749
Public Access Fund	1,969,110	1,991,411	2,077,800
Federal Grant	428,481	510,318	596,600
TOTAL	37,243,145	40,869,142	39,937,143

^{*}Deposited in the State General Fund

Expenditures by Budget Program	Actual	Actual	Estimated	Table 2
	1999-00	2000-01	2001-02	Expenditures by Budget
Administration & Hearing Divisions	2,229,400	2,690,439	3,207,300	Program
Corporations Division	4,037,200	3,863,725	4,008,400	
Securities Division	4,331,500	4,283,062	5,593,400	
Railroad Safety Group	456,000	461,716	493,200	
Pipeline Safety Group	0*	1,036,856	1,322,200	
Utilities Division	5,990,700*	4,995,196	5,481,600	
Legal Division	1,188,200	1,229,667	1,485,900	
TOTAL	18,233,000	18,560,661	21,592,000	

^{*}Pipeline Safety expenditures are included in Utilities Division totals for FY 1999-00. Pipeline Safety data was calculated separately beginning in FY 2000-2001.

Expenditures by Fund Source	Actual	Actual	Estimated	Table 3
	1999-00	2000-01	2001-02	Expenditures
General Fund	5,938,900	6,076,978	5,269,400	by Fund Source
Arts Trust Fund	31,700	34,418	36,600	
Sec. Regulatory & Enforcement Fund	2,608,400	2,673,081	3,847,100	
Sec. Investment Management Act Fund	692,600	705,317	733,000	
Utility Regulation Revolving Fund	7,298,200	7,366,369	9,730.300	
Public Access Fund	1,568,900	1,545,272	1,734,000	
Pipeline Safety Revolving Fund	0	0	73,000	
Federal Funds**	94,300	159,226	168,600	
TOTAL	18,233,000	18,560,661	21,592,000	

^{**}Totals reflected are actual expenditures from the Pipeline Safety Section's Federal Fund only.

Table 4	A.W. Cole	Democrat	1912-1917
	W. P. Geary	Democrat	1912-1915
Corporation	F. A. Jones	Democrat	1912-1919
Commissioners	Amos A. Betts	Democrat	1917-1933
Since			1938-1945
Statehood	David F. Johnson	Democrat	1919-1924
	Loren Vaughn	Democrat	1921-1932
	W. D. Claypool	Democrat	1925-1930
	Charles R. Howe	Democrat	1931-1936
	Wilson T. Wright	Democrat	1933-1953
	John Cummard	Democrat	1933-1934
	W. M. Cox	Democrat	1935-1940
	William Peterson	Democrat	1941-1946
	William Eden	Democrat	1944-1947
	William T. Brooks	Democrat	1947-1958
	Yale McFate	Democrat	1947-1948
	Mit Simms	Democrat	1949-1958
	Timothy D. Parkman	Republican	1954
	John H. Barry	Democrat	1955-1956
	E. T. "Eddie" Williams, Jr.	Democrat	1957-1968
	George F. Senner, Jr.	Democrat	1959-1962
	A. P. "Jack" Buzard	Democrat	1959-1962
	John P. Clark	Republican	1963-1964
	Milton J. Husky	Democrat	1965-1970
	Dick Herbert	Democrat	1965-1971
	Charles Garland	Republican	1969-1974
	Russell Williams	Republican	1970-1974
	Al Faron	Republican	1970-1976
	Ernest Garfield	Republican	1973-1978
	Bud Tims	Republican	1975-1983
	Jim Weeks	Democrat	1977-1982
	Stanley Akers	Republican	1979-1980
	John Ahearn	Democrat	1980-1981
	Diane McCarthy	Republican	1981-1984
	Richard Kimball	Democrat	1983-1985
	Junius Hoffman	Democrat	1984
	Marianne Jennings	Republican	1984
	Sharon Megdal	Democrat	1985-1986
	Renz Jennings	Democrat	1985-1999
	Marcia Weeks	Democrat	1985-1996
	Dale Morgan	Republican	1987-1995
	Carl J. Kunasek	Republican	1995-2001
	Jim Irvin	Republican	1997-present
	Tony West	Republican	1999
	William "Bill" Mundell	Republican	1999-present
	Marc Spitzer	Republican	2001-present
	-	-	•

Southern Arizona Office

As noted in several areas of this Annual Report, the Corporation Commission maintains a southern Arizona office in Tucson at 400 West Congress Street. This office provides many of the same services as the offices in Phoenix. Sections of the Corporations and Utilities Divisions as well a Hearing Officer from the Hearing Division are located in Tucson.

Tucson Personnel assigned to the Utilities Division provided Consumer Services staffing, prepared staff input to rate cases, conducted railroad safety training and inspections as well as fulfilled pipeline safety requirements. The Hearing Officer in Tucson conducts hearings on matters of interest to residents located in Southern Arizona. In addition to holding hearings in Tucson, the Hearing Officer often travels to and conducts hearings in the Southern Arizona communities affected by the proceeding.

Not only does availability of the Tucson Office provide a convenience to southern Arizona residents, it facilitates better statewide accomplishment of Corporation Commission responsibilities.

Southern Arizona Office Notes

Notes



Arizona Corporation Commission

1200 West Washington Phoenix, AZ 85007 602-542-3076 www.cc.state.az.us

Southern Arizona Office

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