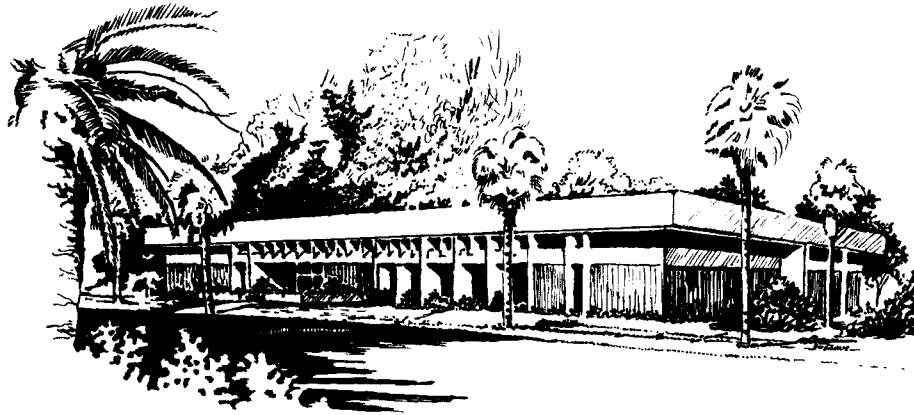


# **Arizona Corporation Commission**



**ANNUAL REPORT  
1979-80**

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ARIZONA CORPORATION COMMISSION  
68th Annual Report  
1979-80 Fiscal Year

JULY 1, 1979  
THROUGH  
JUNE 30, 1980

Jim Weeks, *Chairman*  
Bud Tims, *Commissioner*  
John Ahearn, *Commissioner*

George C. Anderson, Jr., *Executive Secretary*

S. R. Whitfield  
*Utilities Director*

Matthew J. Zale  
*Securities Director*

Reuben M. Payne  
*Incorporating Director*

Larry Wetzel  
*Motor Transportation Director*

Evo J. DeConcini  
*Southern Arizona Representative*

David Kennedy  
*Chief Hearing Officer*

State Office  
1210 W. Washington  
Phoenix, Arizona 85007  
(602) 255-3931

Southern Arizona Office  
403 West Congress Street  
Tucson, Arizona 85701  
(602) 882-5555

M. J. WEAVER  
J. J. BAKER  
R. J. F. M. S.  
M. J. WEAVER  
M. J. WEAVER



GEORGE C. ANDERSON JR.  
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

July 1, 1980

The Honorable Bruce Babbitt  
Governor of the State of Arizona  
1700 West Washington, 9th Floor  
Phoenix, Arizona 85007

Dear Governor Babbitt:

Enclosed is the 68th Annual Report of the Arizona Corporation Commission for the fiscal year ending June 30, 1980.

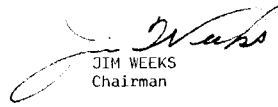
The past year required our best efforts to keep abreast of the ever increasing demands for services to the citizens of this growing and prosperous State. To meet the challenges of this critical energy era, rising energy costs and growing consumer interests and concerns required that we effectively utilize all of our resources.

Data processing development and implementation becomes more important as we respond to the service needs of the public. With an ever-increasing sophistication in utility rate making and regulation, our services must continue to be expanded and effectively employed. New Federal mandates of the National Energy Act impact heavily on our hearing processes and proceedings. Next year we must move forward on plans to regulate the Palo Verde Nuclear Plant which is scheduled to become operational in 1983.

The bill to deregulate transportation, Proposition 101, will be voted on in the November 1980 election; meanwhile, we must continue to carry out our assigned responsibilities until deregulation is mandated by the citizens of Arizona. There is an increasing need to protect the public in hazardous materials incidents. We must respond promptly and adequately to all requests for assistance, and continue to train those other agencies that deal with hazardous materials.

The impact of this Commission on the economy, business and citizens of this State is awesome; the varied issues we consider represent billions of dollars, years of implementation, and affect everyone. We must work hard to meet the complex challenges of effective regulation, to provide adequate service at reasonable rates, in order to meet our responsibilities to the people of Arizona.

Respectfully submitted,

  
JIM WEEKS  
Chairman

Enclosure

2222 WEST ENCANTO BLVD. PHOENIX ARIZONA 85009 / 403 WEST CONGRESS STREET TUCSON ARIZONA 85701

## THE COMMISSIONERS



**Jim Weeks**  
*Chairman*

Elected: January 1977  
Term Expires: January 1983

Jim Weeks served as City Councilman for the City of Phoenix from 1974 through 1976 where he served as Chairman of both the City Council Subcommittee on Responsiveness and City Council Subcommittee on Public Service Employment. Prior to his election, he served as Financial Secretary and Business Manager for eight years in the Iron Workers Local #75, encompassing all of Arizona.

A native of Canada, Jim moved to Arizona 28 years ago where he completed High School and attended the University of Arizona in Tucson. He was in the National Guard from 1962 to 1971. While in Tucson, he served as President of the Southern Arizona Building Trades Council and as a member of the Tucson Planning and Zoning Commission. In Phoenix he participated as a member of the State AFL-CIO Executive Board, Phoenix Construction and Building Trades Council, and the Central Trades Council.

Jim is interested in Youth Activities and served as Task Force coordinator for the construction of the Boys' Clubs in Yuma and Flagstaff.

Mr. Weeks serves as Chairman of the Arizona Occupational Safety & Health Act Review Board.



**Bud Tims**  
*Commissioner*

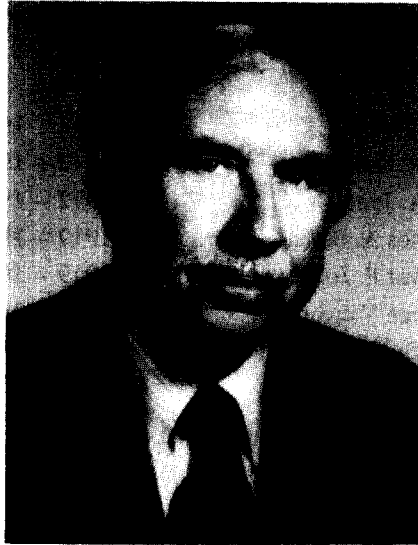
Elected:	January 1975
Term Expires:	January 1981

Bud Tims, former Mayor of Scottsdale, is a graduate of Los Angeles College of Optometry and is a Fellow of the American Academy of Optometry. He maintained a successful optometry practice in Scottsdale for many years prior to his election to the Commission.

After serving a term on the Scottsdale City Council, in January 1966 Bud was appointed to the Office of Mayor, a position to which he was re-elected in 1966, 1968, and 1972.

From 1967 until 1974, Dr. Tims served as Chairman of the Maricopa Association of Governments. He was an active member and Past Treasurer of the League of Arizona Cities and Towns. From 1968 to 1974, he served as a Member of the Board of Directors of the National Association of Regional Councils.

Dr. Tims serves on the Administration and Personnel Committee of the National Association of Regulatory Utility Commissioners.



**John Ahearn**

*Commissioner*

Appointed: August 1979  
Term Expires: January 1981

An Arizona resident since 1946, John Ahearn served as a member and chairman of the State Industrial Commission for ten years. Prior to his service on the Industrial Commission, he was chairman of the Employment Security Commission.

An attorney, John holds a Bachelor of Science Degree in Psychology from Arizona State University, a Masters Degree in Education from the University of Arizona, and a Bachelor of Law Degree from the University of Arizona. He is a member of the State Bar of Arizona and the American Bar Association.

In the Second World War, John served in the United States Army from November 1941 to June 1946. He was awarded the Silver Star for gallantry in action as platoon commander in Sicily. On D-Day, June 6, 1944, as a combat company commander, John led the first tank landing on Utah Beach, where he was severely wounded. He was subsequently awarded the Distinguished Service Cross and the Purple Heart, and was nominated for the Congressional Medal of Honor.

John has received numerous civic awards, including "Outstanding Disabled Veteran of the Year," the National Award for "Outstanding Contribution in the Area of Rehabilitation for Disabled Veterans," and a Civilian Citation of Merit for "Outstanding Leadership in Reorganizing and Revitalizing the State Industrial Commission."

John and his wife, Irene, have six children.

**ROSTER OF CORPORATION COMMISSIONERS  
SINCE STATEHOOD**

A.W. Cole	1912 – 1918
W.P. Geary	1912 – 1918
F.A. Jones	1912 – 1920
Amos A. Betts	1917 – 1933
David F. Johnson	1919 – 1924
Loren Vaughn	1921 – 1932
W.D. Claypool	1925 – 1930
Charles R. Howe	1931 – 1936
Wilson T. Wright	1933 – 1953
John Cumnard	1933 – 1934
W.M. Cox	1935 – 1940
Amos A. Betts	1937 – 1945
William Peterson	1941 – 1946
William Eden	1944 – 1947
Yale McFate	1947 – 1948
William T. Brooks	1947 – 1958
Mit Simms	1949 – 1958
Timothy D. Parkman	1953 – 1954
John H. Barry	1955 – 1956
E.T. Williams, Jr.	1957 – 1968
George F. Senner, Jr.	1958 – 1962
A.P. Jack Buzard	1959 – 1964
John P. Clark	1963 – 1964
Milton J. Husky	1965 – 1970
Dick Herbert	1965 – 1971
Charles H. Garland	1969 – 1975
Russell Williams	1970 – 1973
Al Faron	1971 – 1977
Ernest Garfield	1973 – 1978
Bud Tims	1975 – present
Jim Weeks	1977 – present
Stan Akers	1979 – 1979
John Ahearn	1979 – present



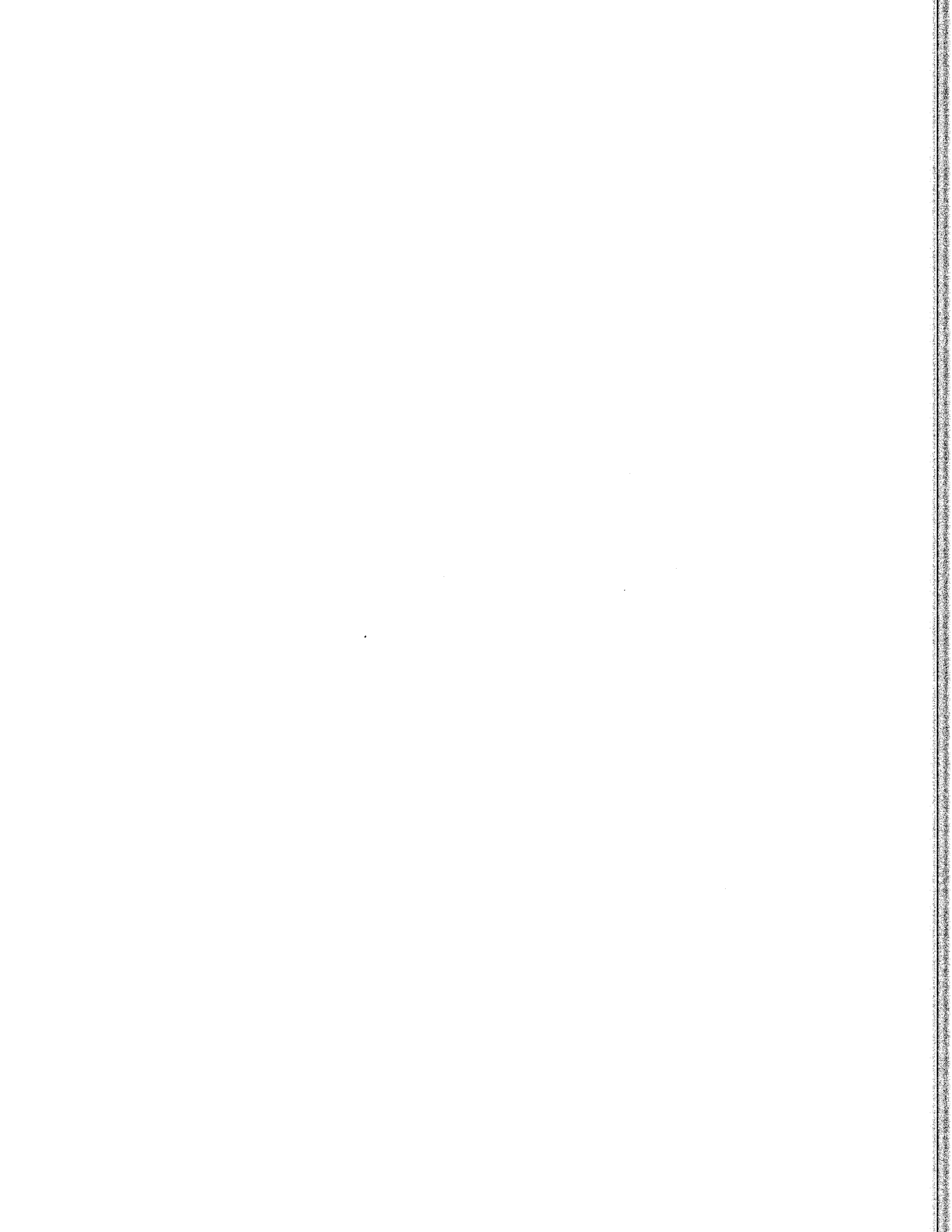
## PREFACE

The Arizona Corporation Commission was created by Article XV of the Arizona Constitution in 1912. It 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 who must stand for election at the next general election to fulfill the unexpired term. Such is the case in which John Ahearn was appointed to fill the vacancy created by the death of Stan Akers. For this reason, two Commissioners will be elected in the November 1980 election.

The Commission is required to maintain its chief office at the State Capitol, and will soon be located at 1210 West Washington, Phoenix. A regional office is also located in Tucson at 403 West Congress Street.

The Commission has four areas of regulatory responsibility: Incorporating, Utilities, Securities, and Motor Transportation. This report further outlines the scope and authority of each of these jurisdictional areas.

The functional scope of authority stretches from internal administration, including the various budgetary and personnel considerations inherent in any of the State agencies, to the strict regulatory requirements of Motor Carriers and Utilities. Within these parameters are the full realm of administration, filing, registration, investigation, authority, review and regulation matters.



## ADMINISTRATION DIVISION

The Chief Executive Officer of the Arizona Corporation Commission is the Executive Secretary. His office is responsible to the three Commissioners for the day-to-day operations of all divisions and for providing necessary administrative support to the Commissioners and the Divisions. The secretary serves at the pleasure of the Commissioners and is the chief law enforcement officer, through whom all Commission enforcement personnel derive their police authority.

The Executive Secretary coordinates the divisions' efforts, provides management, planning, personnel and accounting services, prepares and presents the budget, coordinates public information, intergovernmental liaison and legislative activities of the Commissioners and provides to the Commissioners whatever administrative support they require.

### **Year of Activity**

FY 1979-80 was a year which required ever increasing efforts to keep abreast with an expanding demand for services necessitated by a growing and prosperous state. Increasing utility rates and public awareness made it essential the Commission staff had the expertise to effectively accomplish its assigned regulatory responsibilities. Increased federal mandates of the National Energy Act and a greater sophistication in utility rate making and regulation impacted heavily on our hearing processes and proceedings.

The importance of data processing is evidenced by our increased ability to meet the need for timely, accurate and detailed data. We maintain constant liaison with the Data Center to ensure optimal progress and maximum utilization of personnel, monies and equipment.

Staff capabilities have been upgraded throughout the Commission. Internal controls have been implemented to ensure effective utilization of resources at minimal expenditure.

The legislature passed a bill to deregulate the transportation industry which will become effective on July 1, 1982 if the Constitution of Arizona is amended by a vote of the people in the general election of 1980. Meantime, we will continue to carry out our assigned responsibilities until deregulation is mandated.

A new building to house the Commission is under construction and is scheduled for completion in October, 1980. All employees look forward to the return of the Commission to the Capitol complex.

The Tucson office has also relocated to a newly constructed state office building.

## **The Public Be Heard**

The Commission put great emphasis in FY 1979-80 on the problem of communicating with members of the general public, both during and between rate cases. The Commissioners traveled to many communities during the year to visit with local leaders and hold public sessions. Hearings were held in communities to allow greater local input and bring government to the people.

## **Hearing**

As the hearing process is an indispensable part of all rate making, the Hearing Division is essential to the Commission's regulatory function.

Under the supervision of a hearing officer, the hearings are designed to bring out the information and physical evidence on which the Commissioners base their ultimate decisions. During FY 1979-80, this process was employed over 1,000 times and covered all regulatory matters.

Hearing officers take testimony, make rulings from the bench and determine points of law as they apply to any given proceeding. They also draft recommended orders for the Commissioners' consideration and approval.

A cooperative agreement with the U.S. Interstate Commerce Commission allows that agency to use Commission hearing facilities and to borrow Commission hearing officers for local cases.

**CASHIER'S REPORT**  
July 1, 1979 through June 30, 1980

Division	Revenue
Administration (Misc. Refunds)	1,642
Incorporating	2,107,237
Utilities	3,476,479
Motor Transportation	718,228
Securities	<u>359,792</u>
	<u>6,663,378</u>

**CONSOLIDATED BUDGET ANALYSIS**  
68th FISCAL YEAR  
1979-1980

Division	Actual Expenditures 1979-1980	Appropriation 1979-1980
Administration/Hearing	1,076,118	1,128,300
Incorporating	426,528	435,000
Utilities	1,272,261	1,428,300
Motor Transportation	1,437,153	1,613,900
Securities	<u>796,479</u>	<u>853,100</u>
TOTAL	<u>5,008,539</u>	<u>5,458,600</u>

Division	Appropriated 1980-81	Requested 1981-82
Administration/Hearing	1,357,500	1,520,700
Incorporating	578,600	822,200
Utilities	1,468,900	2,249,100
Motor Transportation	1,879,300	2,140,800*
Securities	<u>1,025,800</u>	<u>1,206,700</u>
TOTAL	<u>6,310,100</u>	<u>7,939,500</u>

*\*Will be revised after Proposition 101 has been determined in November 1980 election*

## SOUTHERN ARIZONA OFFICE

The Commission has a small professional staff in Tucson to provide the same essential services as those in the Commission offices in Phoenix. Under the direction of the District Representative, the Tucson office serves the residents of Southern Arizona and oversees the numerous public service corporations which affect their daily lives. The demand for these services is steadily increasing as the public becomes more aware of the Commission's responsibilities and of its greater ability to serve the Southern Arizona area. The availability of these services in Tucson constitutes a significant saving of time and money to the people of Southern Arizona.

In its effort to "bring government to the people", the Commission also saves taxpayers thousands of dollars by utilizing its Southern Arizona Representative as a hearing officer. During the past year, this individual, sitting as a hearing officer, heard approximately 100 cases at varied locations throughout Southern Arizona. He also represents the Commission and the State of Arizona as a member of the Interstate Commerce Commission Joint Board, hearing all motor carrier cases involving the State of Arizona and its adjoining states.

The Commission strongly believes that by resolving problems at the local level both the public and the state are better served.

The Tucson office handles approximately 68,000 public inquiries yearly. Inquiries of all kinds were filed and fully investigated by the Tucson office during the past year, including utility, securities, and motor transportation matters.

The advantage of this localized service to one-third of the state's population is evidenced by the tremendous increase in service provided by the Incorporating Division's segment of the Tucson staff. Of the approximately 68,000 inquiries last year, about half pertained to incorporating matters. The division takes great pride in the fact that it provides computerized corporate information and total incorporating services. Last year, the Tucson Incorporating Section processed approximately 6,000 filings and collected over a quarter of a million dollars in fees.

The Commission is repeatedly complimented for having established the Tucson office to provide these much needed public services to the residents of Southern Arizona.

## INCORPORATING DIVISION

The Incorporating Division provides corporate information and incorporating services to the public and government agencies. This year the division continued its conversion from manual record keeping to computerized systems in the revocation and name registration sections. The division reduced the number, and simplified the forms used; increased use of bulk mailing procedures, added additional CRT data terminals, improved telephone answering services to respond to the ever increasing number of calls, and initiated a Joint Legislative Budget Committee study of record keeping methods and procedures to improve the quality of service.

### Responsibilities

The Incorporating Division is an information and regulatory division of the Arizona Corporation Commission; it is charged with carrying out and administering the Arizona General Corporation Law (A.R.S. Sections 10-002 through 10-966; and 10-1002 through 10-1099) and prescribes reasonable rules and regulations. Any organization operating as a corporation in the State of Arizona must receive its authorization to act from the division. In administering the Arizona General Corporation Law, the division:

- Approves the statutory qualifications of all corporations and certifies all profit and nonprofit corporations, domestic and foreign, seeking to do business in Arizona;

- Examines all filings to determine that all legal requirements as set forth in the Arizona statutes have been met;

- Receives, approves, records, films and maintains files of all required corporate documents;

- Ensures all corporate information is current, available, reproducible and viewable to the general public and government agencies.

All corporations registered with the Incorporating Division are required by statute to file an annual report as of the end of their fiscal year and pay the annual fee set forth in the statute. The authority of a corporation to do business in Arizona is revoked if an annual report is not filed when due. The Incorporating Division has no investigatory powers and few regulatory powers. All filings are public information and available for inspection. Copies of documents may be secured and certified for a minimal fee.

## Growth and Activity Report

There continues to be increased activity and revenue. During the past three years, the division's work load has increased by 160%, with \$2,107,180 in total receipts for the fiscal year 1979-80 and expenditures of \$426,508. This increase in work load and revenue has been accomplished with only two added employees in the Phoenix office. With this type of growth, we must take care to see that the division is adequately structured to render efficient, quality service to Arizonans.

The division has five basic sections. Each is necessary to fulfill the mandate of the Arizona Statutes and ensure the division effectively performs its duties and responsibilities. The following information lists the volume of work accomplished by the division, and the scope of the services rendered in FY 1979-80.

### Incorporating Section

Processes and approves all original filings.

Domestic Articles	13,693
Foreign Articles	1,432
Domestic Amendments	1,881
Foreign Amendments	410
Domestic Mergers	152
Foreign Mergers	194
Domestic, Intent to Dissolve	858
Foreign, Applications of Withdrawal	199
Completions-Dissolutions	630
Completions-Withdrawals	540
Name Reservations Processed	2,720
Inquiries (Letters)	2,133
Inquiries (Telephone)	34,313
Service to Walk-In Customers	4,163
Name Availability (Phone)	17,886
Name Availability (Mail)	146
Name Availability (Counter)	262
Total Name Availability	18,294
Certification	1,638
Certificate of Compliance	64
Domestic Articles	980
Foreign Articles	388
Domestic Amendments	150



Foreign Amendments	75
Domestic Merger	20
Foreign Merger	21
Total Items Received and Returned	1,634
Monies Received	\$605,018

#### **Annual Reports Section**

Processes, audits, and approves all reports filed subsequent to incorporation.

Annual Reports Filed (Profit and Nonprofit)	50,023
Corporate Address Changes Filed	8,736
Fiscal Date Changes Filed	2,419
Preprinted Annual Reports Sent Out	61,242
Annual Reports Returned for Correction	4,554
Statutory Agent Changes	11,558
Inquiries (Letter )	6,048
Inquiries (Telephone)	37,881
Service to Walk-In Customers	2,435
Monies Received	\$1,114,921

#### **Records Control Center**

Maintains all records and furnishes information to the public or government agencies regarding 67,000 active and 140,000 inactive corporations.

Preparation of Hard Copies	264,600
Preparation of Diazo Copies	34,697
Acceptance of Service of Process	187
Acceptance of Subpoenas	37
Inquiries by Letter	6,791
Counter Customers	18,193
Documents Microfilmed and Inserted	429,000
Monthly Billings: Diazo Copies	13,200
Monthly Billings: Hard Copies	227,700
Monies Received	\$57,460
Telephone Service Rendered on Inquiries by Phone*	
1. Actual Completed Calls	125,250
2. Call-Ins Receiving Busy Signal	929,250
3. Total Telephone Call-Ins	1,054,500

*\*The above figures are provided by the telephone company and do not include the number of out-going business calls made by employees.*

## Revocation and Delinquency

Processes all revocations, delinquencies and certifications.

Certificates of Compliance Issued	4,163
Certification to Articles, Amendments and Mergers	1,463
Revocations	6,556
Reinstatements	690
Revocations Set Aside	953
Inquiries Answered (Telephone)	51,500
Inquiries Answered (Letters)	4,000
Annual Reports Sent	3,500
Delinquencies Researched for Addresses	1,500
Delinquency Letters Sent to Statutory Agents	1,710
Delinquency Cards Sent - Research	2,500
Affidavits of Publications Received	17,565
Service to Walk-In Customers	2,733
Delinquency Cards Mailed	14,729
Revocation Cards Mailed	6,556
Monies Received (Reinstatement Fees Only)	\$69,000
Total Monies Received	\$110,463

## Computer Data

Provides "all technical information and data" necessary for conversion of manual record keeping systems to an "input and retrieval on-line computer bank."

## Tucson Office

Residents of Southern Arizona are able to file all original filings of corporate documents and receive corporate information.

Articles of Incorporation	1,593
Amendments	287
Restated Articles	7
Annual Reports	4,338
Name Reservation	250
Certifications	429
Service of Summons	10
Certificate of Compliance	390
Reinstatements	120

Xeroxing Copies	\$1,344
A.R.S. Sales	\$105
Intents to Dissolve	53
Articles of Dissolution	42
Revocation of Dissolution	4
Mergers	6
Telephone Inquiries	26,642
Walk-Ins	3,805
Penalties	\$20,271
Total Monies Received	\$227,562

**Plans**

Continued improvement of data processing capability. Development and implementation of additional programs to improve records revision, retention and retrieval.

Examination and implementation of Joint Legislative Budget Committee study recommendations as feasible. Improved telephone response and corporate information service to public and government agencies.

## UTILITIES DIVISION

The Utilities Division monitors the operations of five hundred and twenty utilities providing service in Arizona. It reviews the financial operating statistics of these utilities and recommends to the Commission the necessary revenues the utility requires and the specific rates and charges the utility should collect for services provided.

These regulatory responsibilities and authorities are fully defined in Article 15 of the Arizona Constitution and §40-201 ET AL, Arizona Revised Statutes; they are further defined in the Arizona Official Compilation of Administrative Rules and Regulations. Chapter 14, Title 2, Section 2, Article 15 of the Arizona Constitution defines "Public Service Corporations" (public utilities) as those furnishing gas, oil, or electricity for light, fuel, or power; those furnishing water for irrigation, fire protection, or other public purposes; or those transmitting messages or furnishing public telegraph or telephone service.

The Utilities Division is currently responsible for the following number of utilities:

Investor owned electric utilities	9
REA electric cooperatives	8
Gas utilities	13
Telephone utilities	11
Radio communication companies	12
Telegraph companies	1
Water utility companies	430
Sewer companies	30
Irrigation companies	<u>6</u>
TOTAL	520

The number of utility companies serving Arizona consumers is typical of utilities throughout the United States with one exception. The Arizona Corporation Commission regulates 430 investor water utilities, more than any other State regulatory commission save New York and Texas. Arizona water utilities face many crucial problems requiring the commitment of many Division staff hours to monitor their operations and respond to inquiries regarding the adequacy of service provided by these companies. During 1979-80 the Utilities Division responded to 3,439 inquiries relating to water service. This represents the greatest number of inquiries regarding utility service, despite the fact that relatively few Arizonans receive water service from investor owned water utilities.

Customer Inquiries:

Water	3,439
Electric	1,688
Gas	1,047
Telephone	3,428
Sewer	<u>117</u>
TOTAL	9,719

**Program Development**

The Arizona State Legislature, recognizing the increasing complexity of utility regulation, appropriated additional monies for the continuing development of the Division's auditing and financial analysis sections and instituted a Consumer Services Section to be more responsive to consumer inquiries and requests for information. These added resources have helped the Division maintain historic levels of monitoring utility service levels and response to utility company applications for rate review, financing, and certificates of need and necessity.

**The Public Utility Regulatory Policies Act of 1978 (PURPA)**

PURPA, one of five parts of the National Energy Act, requires State regulatory authorities to consider several rate design and policy standards, and lifeline rates. The standards are as follows:

Rate Design Standards:

- Cost of service
- Declining block rates
- Time of day rates
- Seasonal rates
- Interruptible rates
- Load management techniques

Policy Standards:

- Master metering
- Automatic adjustment clauses
- Information to Consumers
- Procedures for termination of service
- Advertising

The Commission will make a determination regarding the appropriateness of each of these federal standards as they apply to Arizona Public Service Company and Tucson Electric Power Company. The procedures for termination of service and advertising standards will be considered for the following gas companies: Southern Union Gas Company, Southwest Gas Company, and Arizona Public Service Co.

The master metering, information to consumers, and termination of service standards were considered as part of the Commission's effort to rewrite rules and regulations governing fixed utilities. The rate design standards will be considered in future APS and TEP rate hearings. Lifeline rates will be considered in generic hearings to 1981.

The Commission has received a two-year Innovative Rates Grant from the U.S. Department of Energy to install a computer-oriented cost of service information system. This technical project will assist the Commission in its efforts to more efficiently and effectively analyze utility costs and rates. It is anticipated that the system will be operational by January 1981.

### **Policy Review**

Early in 1980, the Commission instructed the Utilities Division to embark on a major review of current utility regulatory issues and develop a comprehensive set of proposed rules and regulations addressing these policy areas. The Utilities Division, working with the utility consulting firm of Touche, Ross & Company, held working conferences with other State regulatory commissions, Arizona utilities, and various consumer organizations to identify current policy areas and to draft policies to best meet the needs of Arizona. In June, 1980, the Utilities Division submitted to the Commission a draft of the proposed policies in the form of rules and regulations applicable to the various types of utilities which the Commission regulates.

### **Arizona Public Service Company**

In September of 1979, Arizona Public Service filed notice of its intent to seek rate increases for its provision of electricity and natural gas service. The request amounts to an approximate increase of 19% to its customers. Hearings were held during February 1980, and in May of 1980 the Commission rendered their Decision No. 51009 allowing Arizona Public Service Company to collect \$37,000,000 in additional revenues, or a rate increase of 6% to its customers.

### **Tucson Electric Power Company**

In early 1979, Tucson Electric Power Company applied to the Commission for a review of their financial operating results and an increase in their rates and charges. Hearings were held in Tucson during August of 1979 and Decision No. 50430 was issued by the Commission in November, 1979. That order denied the company's request for an increase in their rates. The company appealed the Commission's Decision to the Superior Court of Maricopa County. The Court found in favor of the company and allowed the company to increase its rates, under bond, pending further review by the Commission. The Commission has appealed the Superior Court decision to the Arizona Court of Appeals.

### **Mountain States Telephone and Telegraph**

During 1979 the Commission employed a communications consultant to review the interzone rate structures within the Phoenix and Tucson metropolitan areas. The consultant's findings suggested that the Commission institute a "Measured Service" rate concept in these metropolitan areas. In February of 1980 the Commission issued Decision No. 50673 which instituted an investigation into the company's overall earnings during 1979 in order for the Commission to make a determination of just and reasonable rates. Mountain States was required to file certain financial and statistical information during 1979, and to submit economic projections outlining the impact should the Commission require measured service. This information was filed with the Commission May 14, 1980.

### **Statistics**

#### Orders Issued:

Financing Orders	34
Orders to Show Cause	49
Certificate Transfers	32
Rate Matters	116
Fuel Adjustment Orders	4
Miscellaneous Orders	<u>83</u>
TOTAL	318

#### Open Meetings:

During the year the Division submitted to the Commission the following items to be discussed in open meeting:

Rate Matters	98
Transfers	25
Fuel Adjustments	28
Certificates	14
Orders to Show Cause	33
Gas Variances	3
Financing Matters	36
Others	<u>463</u>
TOTAL	672

**Revenues Collected:**

The Division collects annual assessments, as established by the State Legislature, from the utilities. The assessment of net revenue is 1/10 of one per cent of the first \$250,000 and 2/10 of one per cent of all additional net revenue over \$250,000. There is no assessment if net revenue is under \$1,000.

	<b>78-79</b>	<b>79-80</b>
Telephone	\$ 698,556	\$ 786,395
Electric	1,438,164	2,116,599
Sewer	4,407	6,200
Water	36,384	45,711
Gas	<u>361,454</u>	<u>518,528</u>
TOTAL	\$2,538,710	\$3,473,410



## SECURITIES DIVISION

The Division combats fraudulent securities promotions in Arizona. During the year over 210 cases were investigated. A list of current promotions in vogue includes chain letters and pyramid distributorship schemes. A public warning on chain letters was issued by the Commission in March. Public actions were taken to combat securities fraud in such other areas as oil and gas lease lotteries, deferred delivery of raw crude oil or precious metals, diamonds and other precious gems, and programs promoting phenomenal interest returns.

Although one of the functions of the Securities Division is to investigate complaints of securities law violations, and recommend court actions when necessary, the old adage "an ounce of prevention is worth a pound of cure" is particularly true in the securities area. The Division has conducted many investigations and compiled many cases, and believes it is better to prevent the loss of an investor's savings in a stock scheme than to spend months unraveling it after the corporate barn door is closed. Accordingly, the Securities Division maintains a public education program to alert investors on how to protect their hard-earned savings from stock swindles.

One of the first steps in this educational program is the issuance of a message to Arizona investors entitled "Ten Steps in Investigating Before You Invest." We disseminate this message to civic and social groups. Securities Division staff members have spoken to thousands of Arizona residents informing them of the "Ten Steps" message.

The Division maintains an internship program with law, accounting, and criminal justice students from Arizona State University and the University of Arizona. This program has the dual benefit of educating students in the securities law field and training possible candidates for permanent positions within the Division. Since the inception of this program, three interns have been hired for permanent positions. The Securities Division continues its program of adding professional staff members with legal and accounting backgrounds to protect Arizonans making investment decisions.

Through its active participation in securities regulatory organizations nationwide, the Division maintains communications with other state and federal securities administrators. As host to the Midwest Securities Commissioners Association's 1980 winter conference in March, the Division organized workshop sessions on commodities, problems of small businessmen in raising capital, and foreign corrupt practices and corporate accountability. Participating in the program were Irving M. Pollack, then

Commissioner of the U.S. Securities and Exchange Commission, and several representatives from the Commodity Futures Trading Commission in Washington, D.C. and San Francisco.

The Division is responsible for three areas of regulation in Arizona: registration of securities, registration of salespeople and broker-dealers, and investigations and enforcement of violations of securities laws.

### **Securities Registration**

During the last year over 150 securities registrations have been approved every month.

Securities offered for sale to Arizona residents are examined to assure that only companies which are "solvent, or in sound financial condition" or whose sales would be "fair or equitable" are allowed to sell securities to the public.

Applications by brokers and salespeople to sell securities in Arizona are examined to determine the applicant's financial soundness and to assure registration of those persons with "integrity," "good business reputation," and who are "qualified by training."

The nearly 1000 salesmen's filings for transfers, terminations, new applications and renewals has doubled in the last 12-month period. These transactions have been expeditiously processed by a computer program which was developed during the last year.

Arizona has implemented a new uniform test administered by the National Association of Securities Dealers. This test is honored by over twenty states and is administered in NASD centers throughout the nation. It allows a salesman to register with many jurisdictions by passing a single exam.

### **Enforcement**

The Division is charged with responsibility to investigate any violations of the Securities Act of Arizona, Chapter 12, 44-1801 through 44-2037. This encompasses violations of the law by companies, promoters, officers and directors involving fraud or misrepresentation in the sale of securities. It includes investigating complaints received from the public, from Arizona law enforcement agencies, from the U.S. Securities and Exchange Commission, securities directors of other states, or any other source. After investigation, public actions may be taken as follows:

1. Issuance of a Cease and Desist Order.
2. Referral to the Attorney General's Office for civil injunctive action

- in the courts, including appointment of a receiver.
3. Referral to the Attorney General's Office for criminal action.
  4. Revocation, suspension, or denial of a broker-dealer or salesperson's registration.

Public hearings before hearing officers, the full Commission, or the courts are necessary in connection with the above.

### Goals

It is the goal of the Securities Division to review carefully each new securities filing to assure that securities of sound, solvent or non-fraudulent companies are cleared for public sale. To achieve thorough and effective enforcement of the securities law and protect investors requires a professional staff of securities specialists with legal and accounting backgrounds. The Commission has attained such high professional standards through legislative support for its programs.

It is the further goal of the Division to effectively investigate and prosecute, in conjunction with the Attorney General's Office, large-scale securities frauds perpetrated on the residents of this state. Joint enforcement efforts with other Arizona agencies take place, including the Department of Public Safety, Insurance Department, Real Estate Department, Banking Department, State Accountancy Board, municipal police officials, Attorney General's Office, and county attorneys, as well as federal agencies. The number of cases investigated and the complexity of the complaints of securities laws violations from the public and other law enforcement agencies that are received continues to increase.

During the year the Arizona Corporation Commission, as plaintiffs seeking court orders to stop securities law violations, brought several court actions in the Maricopa and Pima County Superior Courts.

Registration activity by the Division during the 1979-80 fiscal year was as follows:

Securities issues registered:	1,472
Billion dollar value:	58.5
Exemptions granted:	69
Broker-dealers registered:	436
Securities salespeople licensed:	4,310
Registration fees collected:	\$459,592

## MOTOR TRANSPORTATION DIVISION

The Motor Transportation Division is responsible for administering the Commission's jurisdiction concerning motor carrier, railroad, emergency vehicle and authority matters. The division is divided into seven functional sections: Enforcement, Hazardous Materials, Railroad, Emergency Vehicles, Authority, Tariff & Rate, and Audit.

The Division's duties are mandated by Sections 2, 10 and 15 of the Arizona Constitution, a multiplicity of State Statutes, principally those found in Title 40, and Corporation Commission rules and regulations promulgated thereunder.

### Enforcement

The Enforcement Section is responsible for assuring the safe operation of common, contract and private motor carrier traffic upon the highways within the State in compliance with adopted Federal Motor Carrier Safety Regulations.

This is accomplished by enforcing the provisions of Title 40, Articles 1 and 2, the Administrative Rules and Regulations of the Commission, and other laws of the state relating to public highway use by persons operating as motor carriers. Members of this section are all duly constituted peace officers.

The goal is to promote general motor carrier safety through periodic safety inspection of transport vehicles, terminal audit checks of company records and maintenance procedures, and safety checks of vehicles. To enhance the section's effectiveness, mini-roadblocks are used to balance the effort and provide a check on the effectiveness of the overall program.

The following statistics compare program results during the past two fiscal years:

(Most of the decrease in enforcement activity is a result of reducing the enforcement staff and removing personnel from port-of-entry stations.)

ENFORCEMENT	1978-79	1979-80
Units Safety-Inspected	72,085	24,982
Warning/Repair Orders Issued	75,194	39,646
Out-of-Service Vehicle	6,915	4,115
Out-of-Service Driver	321	294
Terminal Audits	235	398
Terminal Violations	1,994	6,778

**CITATIONS ISSUED**

No Identification Stamps	254	59
No Authority-Exempt	344	66
No Authority-Non-Exempt	236	47
Safety	6,580	1,856
Dangerous Drugs	48	16
Hazardous Materials	513	201
Other	1,013	408

**HAZARDOUS MATERIALS****VIOLATIONS REPORTED**

Rail	10	5
Highway	3,410	5,431
Shipper	103	180
Other	4	4

**HAZARDOUS MATERIALS****TRAINING SEMINARS**

Rail carrier	1	2
Highway carrier	26	19
Air carrier	3	0
Shipper	64	72
Police	17	24

**Hazardous Materials**

The Hazardous Materials Section provides statewide on-site emergency assistance in accidents involving the transportation and handling of hazardous materials. It assists industry and enforcement agencies by conducting hazardous material safety training. The section is actively involved in the development of a statewide coordinated response plan to ensure maximum public safety in incidents involving hazardous materials.

**Railroad Safety**

The Railroad Safety Section is responsible for: enforcing track, freight car, rail-highway, railroad construction safety and railroad accident reporting; managing and administering the state rail-highway improvement fund; providing technical support, and railroad service, safety and economic data to the Department of Transportation's Rail Planning Section.

The goals of the Railroad Safety Section are: improved safety in all areas of railroad operations and reduced railroad-related accidents, in-

cluding deaths and injuries to persons and damage to property.

#### RAIL-HIGHWAY GRADE CROSSING

##### IMPROVEMENT PROGRAM

	1978-79	1979-80
Appropriation	\$200,000	\$200,000*
Encumbered	331,078	389,511*
Expended	68,922	79,400

*\*These are non-lapsing funds*

Orders issued	40	25
Projects Completed	15	12
Projects Underway	4	4
Projects Pending	20	49

##### RAILROAD INSPECTIONS

Track (Miles)	3,445	5,717
Freight Cars	5,417	4,110
Industry Spurs	375	10
Rail-Highway	201	170

##### RAIL INVESTIGATIONS

Accidents	455	416
Complaints	36	19
Variance	45	28
Special	5	1

#### Emergency Vehicles

The Emergency Vehicle Section has responsibility for establishing regulations, standards, licensing and certification procedures relating to both public and private ambulance services throughout the state. To ensure effective, sanitary and prompt service, a comprehensive vehicle inspection program is conducted. The staff is responsible for the receipt, investigation, and resolution of consumer complaints against members of the ambulance industry. Technical guidance is provided as needed. The division is responsible for conducting public hearings necessary for establishing new service, or correcting deficiencies in existing service which cannot be corrected otherwise.

The goals are to: promote and upgrade overall standards of first care service to the general public through effective regulation of such service, complete annual inspection of each ambulance service, resolve consumer complaints within 90 days of filing, provide timely hearings on matters affecting transportation of the sick and injured, provide prompt

action on requests for personnel certification.

Present programs ensure all ambulance services are inspected at least once during the fiscal year with reinspection conducted on those requiring follow-up action. Assistance is provided to numerous organizations attempting to start first-care services and to State agencies involved in State emergency medical service activity.

The following statistics reflect program results for the past two fiscal years:

NUMBER OF AMBULANCE FIRMS REGULATED	1978-79	1979-80
Ground	105	114
Air	74	39
NUMBER OF UNITS INSPECTED		
Ground	290	498
Air	143	13
COMPLAINTS INVESTIGATED (Ground Ambulance)	54	63
AMBULANCE ATTENDANTS CERTIFIED	1,116	1,210
AMBULANCE VEHICLES LICENSED	263	299

#### Authority

The Authority Section administers the State's Motor Carrier Act, and rules and regulations relating thereto. Registration of all interstate exempt and I.C.C. regulated carriers, cancellation or registration of new carriers, issuance of annual identification stamps to registered and new carriers, maintenance of insurance files on all registered carriers, and acceptance for filing and scheduling for hearing all applications for intrastate common and contract authority are responsibilities of this section. Hearings on farm product applications, preparation of a recommended order for the Commissioners to consider, and administering the reciprocal agreement program between Arizona and other states are additional responsibilities.

Programs are geared to expedite the issuance of licenses to farm product haulers and to reduce time lag in the regulatory process. Prepa-

ration of transcripts on such hearings by members of the division reduces court reporting costs. Revision of current administrative rules to clarify and/or delete restrictive practices continues as does establishment of reciprocal agreements with other states. At the end of the fiscal year over 6,000 interstate motor carriers were registered with the Commission. This activity generated \$715,662 in revenue during fiscal year 1979-80. Workload and activity of this section can be determined by comparing the statistics outlined below.

NUMBER OF MOTOR CARRIERS REGISTERED		
	1978-79	1979-80
During reporting year	7,189	7,471
End of reporting year	6,002	6,061
INTRASTATE CARRIERS		
Common	569	496
Contract	102	133
Airlines	75	—
Motor Clubs	14	13
INTERSTATE CARRIERS		
Exempt	3,931	3,801
ICC Regulated	1,358	1,574
INTERSTATE ACTIVITY		
Applications filed	1,824	1,750
Interstate registrations	1,438	1,584
Applications dismissed		
non-compliance	150	150
Registrations amended or transferred	325	200
Cancellations at request of carrier	300	285
INTRASTATE ACTIVITY		
Applications scheduled for hearing	170	274
Opinions and Orders-Decisions	348	368
Certificates of Convenience and		
Necessity	59	43
Contract carriers Permit	25	55
Certificates transferred or amended	20	56
Applications denied, withdrawn or		
dismissed	84	27
Records closed at request of carrier	23	26



**INSURANCE - INTERSTATE  
AND INTRASTATE**

Certificates of Insurance filed	11,654	12,287
Number of cancellation and expiration notices	32,273	32,500
Orders to show cause - non-compliance	930	1,500
Citations dismissed or reinstated	286	201
Authorities cancelled for non-compliance	630	872

**MOTOR VEHICLE REGISTRATION**

Motor Vehicles registered - I.D. Stamps	120,508	131,501
Number of applications processed	31,931	39,960
Orders to Show Cause for non-compliance	414	705
Citations dismissed or reinstated	176	201
Authorities cancelled for non-compliance	402	218

**Tariff and Rate**

The Tariff and Rate Section is responsible for establishment of reasonable rates, schedules and levels of service of public service common carriers. The section ensures proper filings, investigates consumer complaints and provides technical advice to the general public and regulated carriers.

The section's goals are to: ensure adequate public transportation at reasonable rates with convenient dispatch; promote safe, comfortable and adequate passenger transportation; be responsive to customer complaints.

The section's program to formalize standard accounting procedures has resulted in more regulated carriers utilizing uniform accounting procedures. A more thorough review of rate increase applications results in greater protection to consumers of these services. The following statistics compare program results during the past two fiscal years:

	ACTUAL 1978-79	ACTUAL 1979-80
<b>DOCKETED MATTERS</b>		
Rate Increase	101	144
Financing	2	2
Order to Show Cause	12	79

Suspended Matter	4	4
Short Notice Application	11	1
Change of Service	3	0
Total	<u>133</u>	<u>230</u>
<b>CONSUMER COMPLAINTS</b>		
No. of complaints, all types	231	118
No. forwarded to other agencies	19	15
<b>AUDIT SECTION ACTIVITY</b>		
Audits conducted	53	75
Audits - Other than rate increases	2	31

**Plans**

The outcome of the Deregulation Bill (Proposition 101) which will be voted on in the November, 1980 election, will significantly affect the future duties and responsibilities of the Motor Transportation Division. Therefore, future plans and objectives cannot be accurately established at this time.