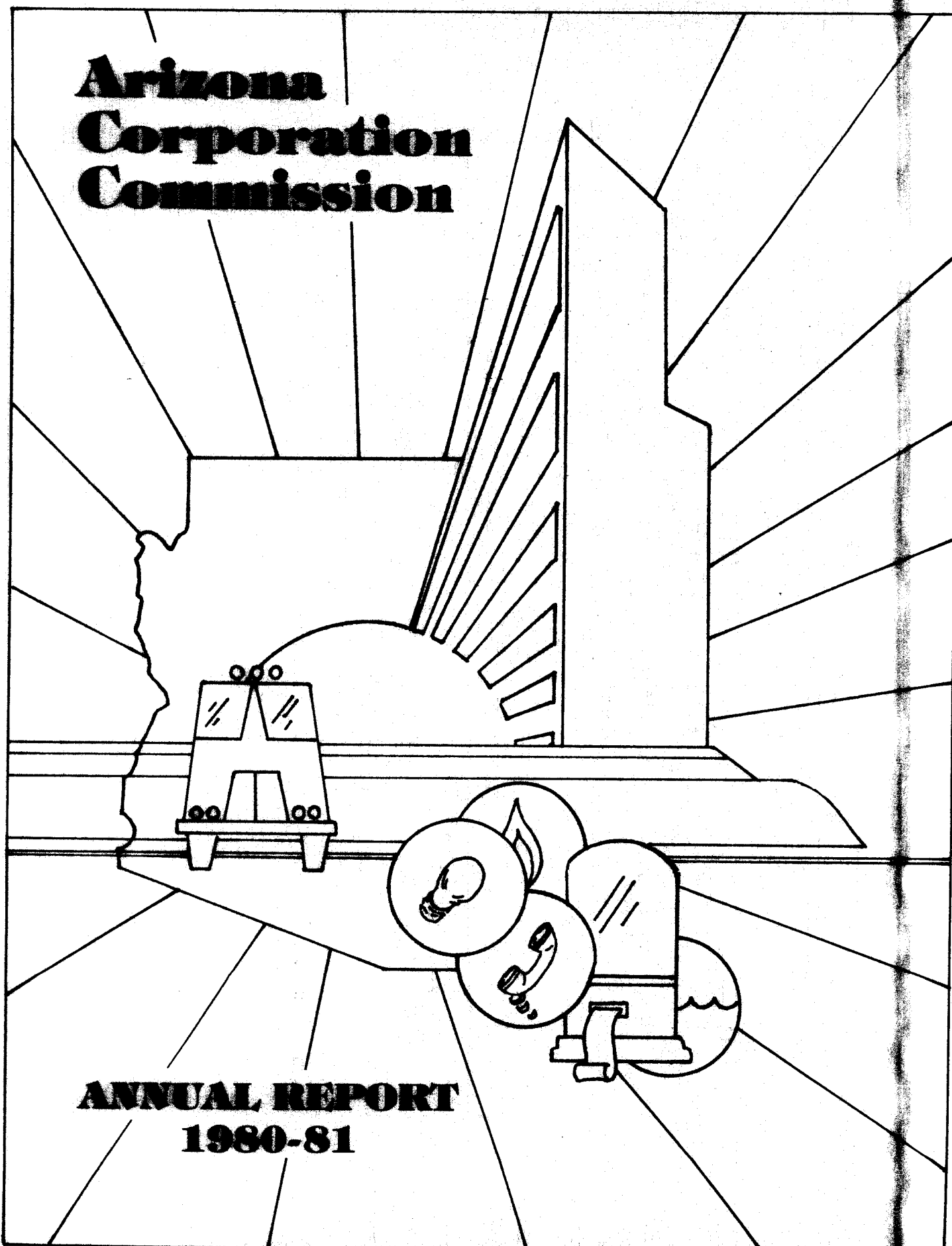


# Arizona Corporation Commission



**ANNUAL REPORT  
1980-81**

This Annual Report was completely prepared and printed within  
State Government in order to minimize costs to the taxpayer

# ARIZONA CORPORATION COMMISSION

## 69th Annual Report

July 1, 1980 - June 30, 1981

Bud Tims, Chairman

Jim Weeks, Commissioner

Diane B. McCarthy, Commissioner

Timothy A. Barrow, Executive Secretary

### State Office

1200 West Washington

Phoenix, Arizona 85007

(602) 255-3931

### Southern Arizona Office

402 West Congress Street

Tucson, Arizona 85701

(602) 628-5555

BUD TIMS  
CHAIRMAN

JIM WEEKS  
COMMISSIONER

DIANE B. MCCARTHY  
COMMISSIONER



TIMOTHY A. BARROW  
EXECUTIVE SECRETARY

## ARIZONA CORPORATION COMMISSION

July 1, 1981

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

Dear Governor Babbitt:

Enclosed is the 69th Annual Report of the Arizona Corporation Commission for the fiscal year ending June 30, 1981.

Represented in this document is a summary of the accomplishments and activities of the Commission during the past fiscal year.

Considerable improvements to the operations and performance of the Commission are not reflected in the report, but should be noted. These improvements have resulted from several administrative changes that occurred during the last six months of the fiscal year, and include:

1. The addition of more competent professional staff in the Utilities Division to enable in-house personnel to deal effectively with the matters at hand and eliminate the time and expense required for seeking outside advice.
2. Bringing the Hearing Division up to full staff to give the Commission a greater capacity to hear cases and increase productivity.
3. Improving the work efficiency of the Incorporating Division in a manner that has virtually eliminated all backlogs.
4. Increasing our responsiveness to the safety of the public through trained hazardous materials specialists and increasing inspections of railroad crossings.

All our efforts are directed to providing the best possible service to those we serve -- the citizens of our great state.

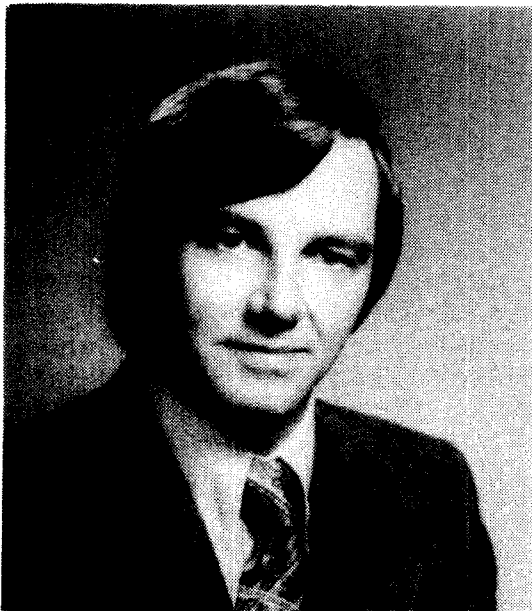
Sincerely,

BUD TIMS  
Chairman

## **BUD TIMS**

Chairman

Chairman Tims was first elected in January 1975, and again in January 1981. Prior to this he served a term on the Scottsdale City Council, from which he was appointed to the Office of Mayor in 1966; he was re-elected to this position in 1966, 1968, and 1972. Dr. Tims, a Fellow of the American Academy of Optometry, serves on the Administration and Personnel Committee of the National Association of Regulatory Utility Commissioners. His term of office expires January, 1987.

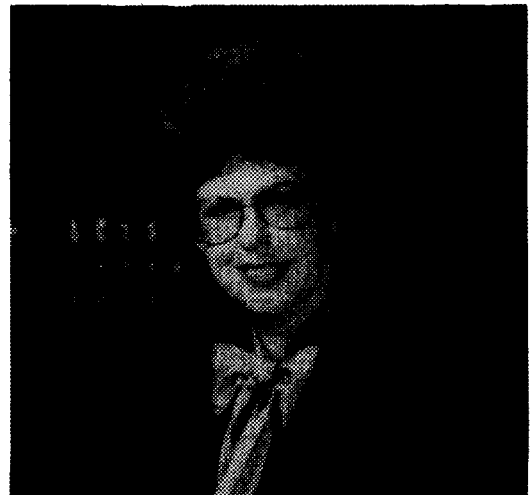


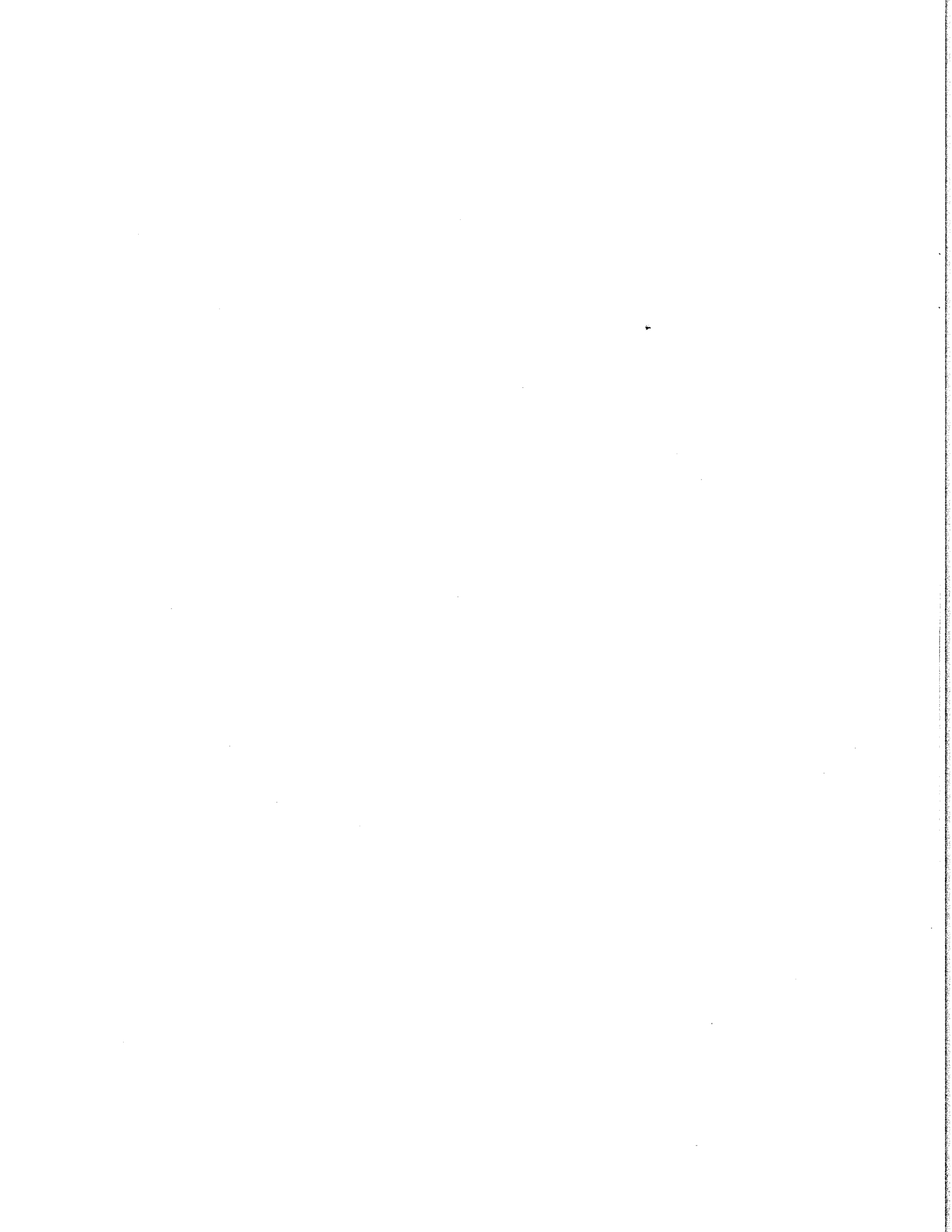
## **JIM WEEKS**

Commissioner Weeks was elected in 1977. He was Phoenix City Councilman from 1974 to 1976; prior to this he served as Financial Secretary and Business Manager for eight years in the Iron Workers Local #75. Mr. Weeks serves as Chairman of the Arizona Occupational Safety & Health Act Review Board. His term expires January, 1983.

## **DIANE B. McCARTHY**

Commissioner McCarthy, who is from Glendale, is the newest member of the Commission. She was elected in 1980. She served four terms in the Arizona Legislature prior to her election to the Corporation Commission. Her term expires January, 1985.





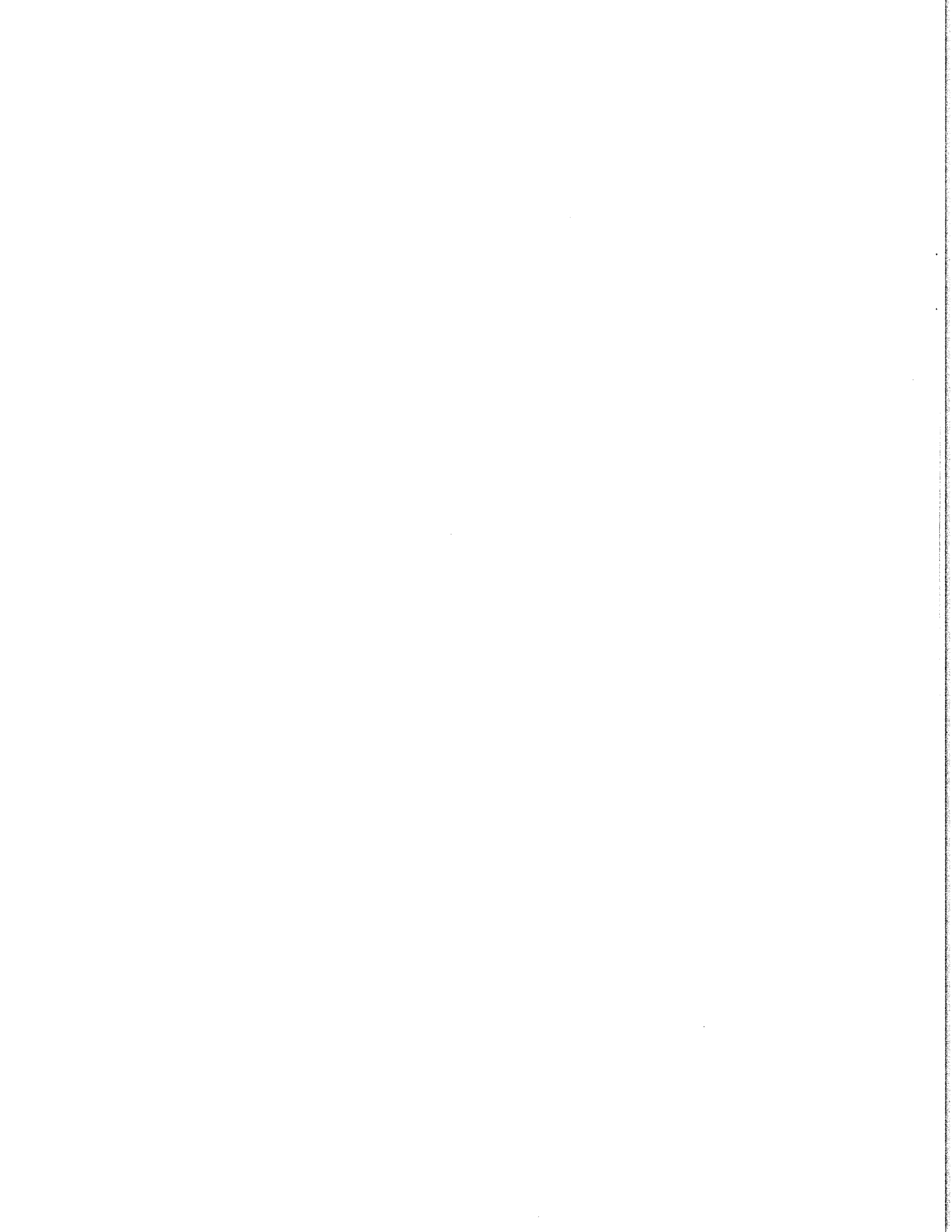
## **PREFACE**

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.

The Commission is required to maintain its chief office at the State Capitol, and is located at 1200 West Washington, Phoenix. A regional office is also located in Tucson at 402 West Congress Street.

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

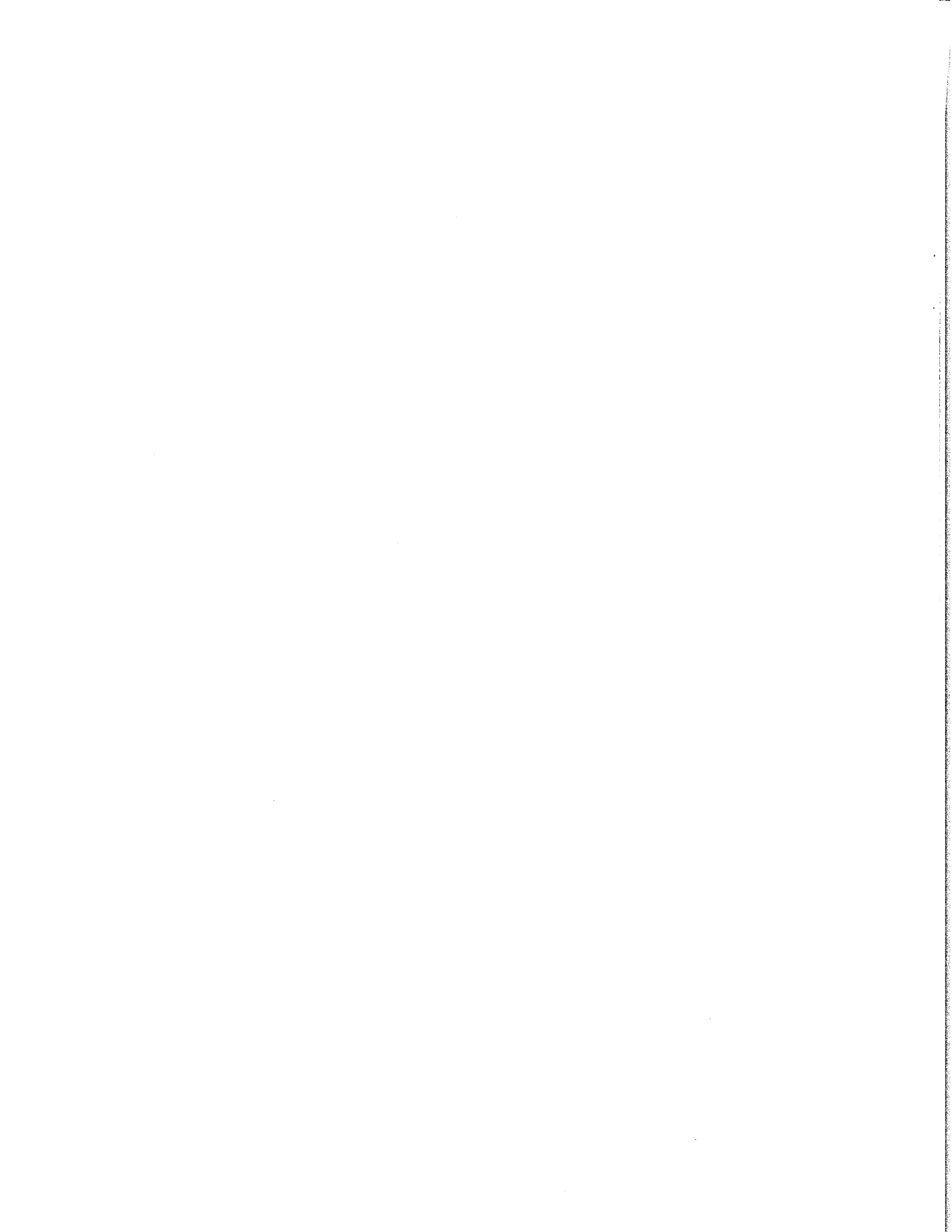
In November 1980, a Constitutional amendment was passed by the voters which deregulates the motor transportation industry effective July 1, 1982 and transfers all of the Motor Transportation Division except for railroad regulation to the Arizona Department of Transportation. The related change in activities will be reflected in future annual reports.





## TABLE OF CONTENTS

	<b>Page</b>
<b>Administration Division</b> .....	<b>3</b>
<b>Cashier's Report</b> .....	<b>4</b>
<b>Executive Secretary</b> .....	<b>1</b>
<b>Hearing Section</b> .....	<b>5</b>
<b>Incorporating Division</b> .....	<b>8</b>
<b>Motor Transportation Division</b> .....	<b>19</b>
<b>PURPA: Public Utility Regulatory Policies Act of 1978</b> .....	<b>13</b>
<b>Securities Division</b> .....	<b>15</b>
<b>Southern Arizona Office</b> .....	<b>6</b>
<b>Utilities Division</b> .....	<b>10</b>

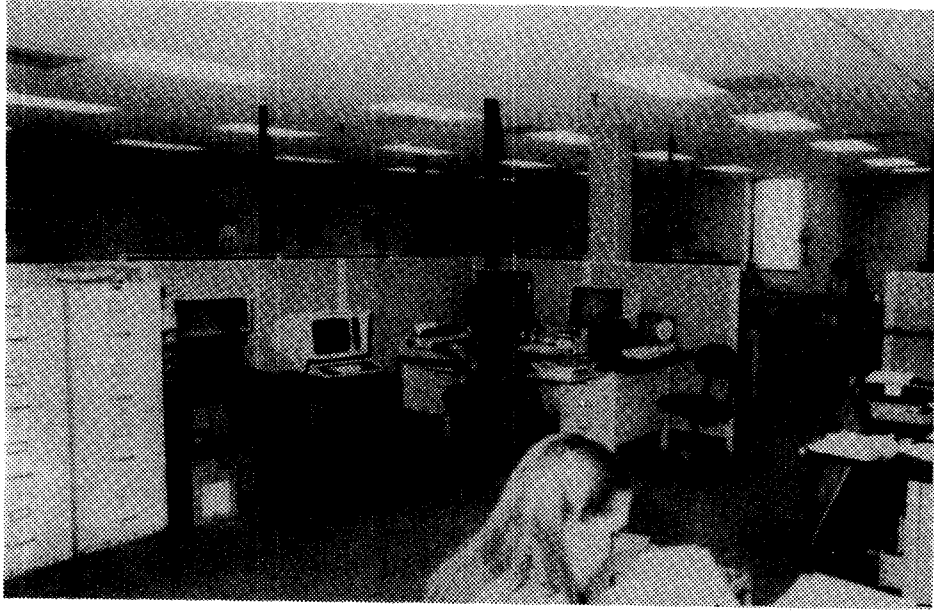


## **EXECUTIVE SECRETARY**

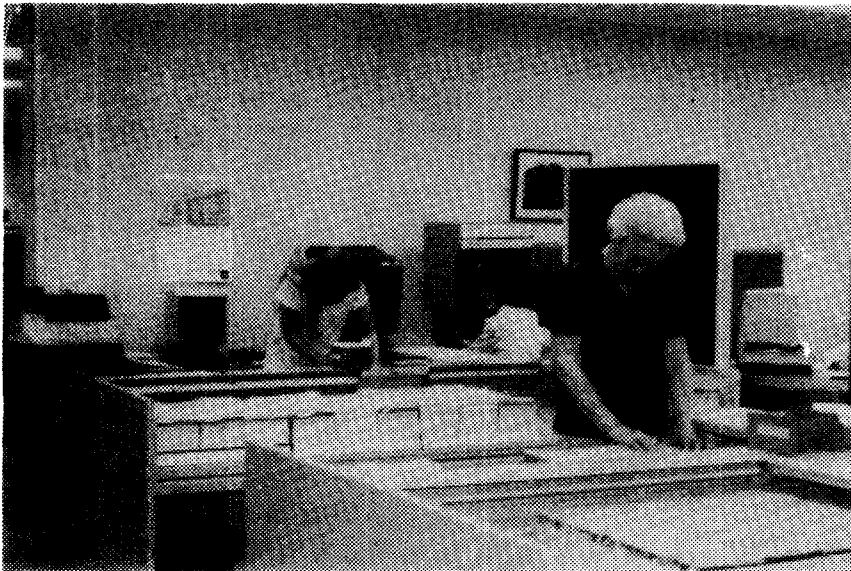
The Chief Executive Officer of the Arizona Corporation Commission is the Executive Secretary. Appointed by the Commission, this position is responsible for the daily operations of all Divisions and for implementation of Commission policies.

The Executive Secretary coordinates the Divisions' activities, provides overall agency management and planning, coordinates public information and press relations, and serves as intergovernmental and legislative liaison for the Commission.

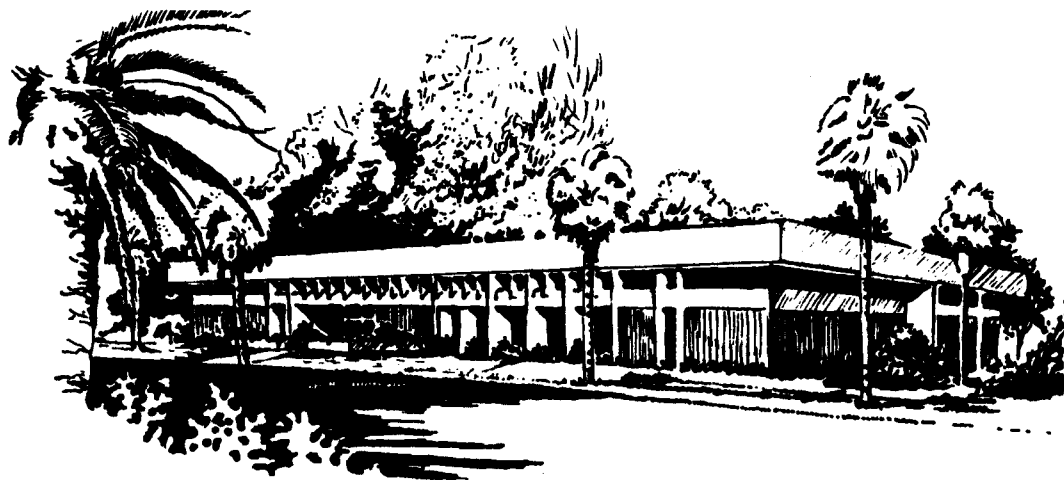
The Executive Secretary is assisted by the Controller, who directs the Administration Division and serves as assistant to the Executive Secretary in the development and implementation of Commission policies.



*Our revocation department has the responsibility for making sure that the corporations are in compliance with the laws of the State of Arizona.*



*The employees in the Incorporating records section are responsible for maintaining and updating each corporation file that is stored on microfilm.*



## ADMINISTRATION DIVISION

The Administration Division plans, coordinates, and directs the fiscal and administrative services necessary to support all Divisions of the Commission. These activities include accounting, payroll, purchasing, personnel, data processing, and budgeting. In carrying out these functions, the administrative staff must coordinate daily with numerous State agencies as well as the various Divisions of the Commission.

In addition to daily administrative functions, the Division monitors legislative activities during each legislative session and keeps a log of introduced bills and committee action regarding legislation of interest to each Division.

During fiscal year 1980-81, the Administration Division started the preliminary phases of a new Case Management System. The system is to be implemented initially in the Utilities Division and to be expanded to all Divisions when feasible. It is expected to take three years to complete one Division and will provide an efficient mechanism for processing paperwork filed with the Commission as well as a case tracking system for hearings. The development of the Case Management System has been funded through the end of fiscal year 1981-82.

Data processing capabilities were also expanded in the Incorporating and Securities Divisions during FY 1980-81. A paperflow study was initiated in the Incorporating Division to provide back-up information for analyzing the workload and paper processing functions. It is to be used to design a new computer system or to modify the existing one to better meet the needs of the Division, the public, and other agencies, both commercial and governmental. The Securities Salesman and Broker/Dealer Registration systems were completed and operational during FY 1980-81.

The Commission moved into its new offices located at 1200 West Washington in September 1980. The move brought the Commission back into the Capitol complex and provided much needed space for offices, the public, and parking.

The Cashier's Report and Summary of Expenditures for FY 1980-81 are shown in the following tables. (The Commission's receipts are deposited in either the State General Fund or the State Highway Users Fund. An appropriation is made to the Commission each year from the General Fund.)

CASHIER'S REPORT

July 1, 1980 through June 30, 1981

<u>DIVISION</u>	<u>REVENUE</u>
Administration/Hearing (Misc. Refunds)	2,070
Incorporating	2,448,277
Utilities	3,482,722
Motor Transportation (Highway Users Fund)	779,737
Securities	603,227

EXPENDITURE DETAIL

69th FISCAL YEAR

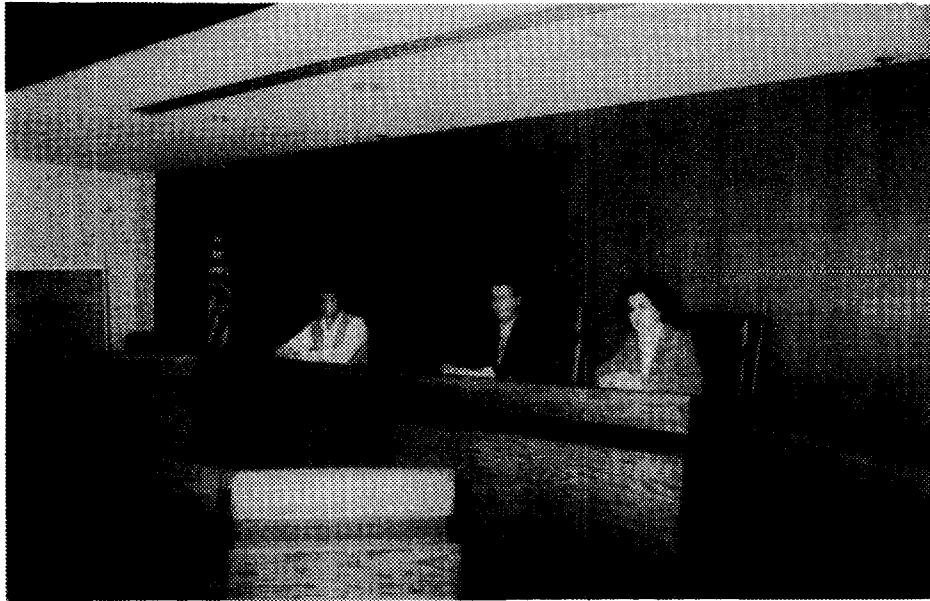
1980-1981

<u>Division</u>	<u>Actual Expenditures 1979-1980</u>	<u>Actual Expenditures 1980-1981</u>
Administration/Hearing	1,075,915	1,371,800
Incorporating	426,528	563,500
Utilities	1,272,141	1,377,600
Motor Transportation	1,437,378	1,597,000
Securities	796,470	932,800
Federal Funds-PURPA/Innovative Rates	<u>77,500</u>	<u>210,000</u>
TOTAL	5,085,900	6,052,700
Personal Services	2,869,700	3,327,200
Employee Related Expenditures	560,700	676,100
Professional & Outside Services	224,200	381,500
Travel-In State	172,400	159,000
Travel-Out of State	21,200	20,600
Other Operating Expenditures	427,100	532,900
Equipment	123,400	116,100
Utilities Audits/Studies	530,100	473,400
Other	79,600	155,900
Federal Funds-PURPA/Innovative Rates	<u>77,500</u>	<u>210,000</u>
TOTAL	<u>5,085,900</u>	<u>6,052,700</u>

## Hearing

Under the supervision of the Chief Hearing Officer, hearings are designed to bring out the information and physical evidence on which the Commissioners base their ultimate decisions. 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 summary of the 360 hearings held during fiscal year 1980-81 is shown below.

<u>Type of Hearing</u>	<u>1980-81</u>
Rate	193
Order to Show Cause	48
Order Preliminary	13
Fuel Escalation	13
Gas Variance & Moratorium	4
Insurance Violations	11
Contract Carriers	36
Common Carriers	49
Financing	46
Certificates of Convenience & Necessity	13
Adjudication	4
Sale (Property)	3
Transfers	64
Amendments	11
Rules (new rules and rule changes)	17
Securities	13
Miscellaneous	67



## **SOUTHERN ARIZONA OFFICE**

In its continuous effort to "bring government to the people," the Commission maintains a small staff in Tucson.

The Tucson Representative of the Commission supervises that office and also serves as the Southern Arizona Hearing Officer.

During fiscal year 1980-81, 88 hearings were held in various locations in the southern part of the state. There were 26 motor transportation hearings, 57 utilities, and 5 Interstate Commerce Commission hearings. (The Tucson Representative is a member of the ICC Joint Board and may hold interstate hearings.) All proposed orders from these hearings are sent to the Commissioners in the Phoenix office or to the Interstate Commerce Commission in Washington, D.C.

A large percentage of the workload in the Tucson office is centered in the Utilities and Incorporating sections, which receive most public contact. The tables on the following pages provide 1980-81 statistics for these sections.

The Tucson Securities section is staffed by one investigator. The duties of this position include monitoring publications for potentially fraudulent securities offerings, acting as liaison with members of the law enforcement community, assisting in litigation activities, and carrying out all necessary investigative functions for southern Arizona.

Motor Transportation employees who are stationed in Tucson, Nogales, and Willcox provide enforcement, safety and hazardous materials inspections of regulated carriers. Inspection statistics are included in the Division totals for the Motor Transportation Division.



SOUTHERN ARIZONA OFFICE

UTILITIES						
Inquiries						
	WATER	TELEPHONE	GAS	ELECTRIC	SEWER	TOTAL
1979-80	1,785	1,372	903	941	18	5,019
1980-81	2,462	2,287	936	1,228	37	6,950
Formal Investigations						
1979-80	142	244	168	127	1	682
1980-81	162	366	115	168	1	812

INCORPORATING					
Month	Articles Domestic & Foreign	Annual Reports	Reinstatements Name Res. Cert. etc.	Telephone Inquiries	Walk-In Customers
July	206	349	328	2,328	301
Aug.	203	263	263	2,399	403
Sept.	233	366	292	2,494	377
Oct.	237	422	341	2,949	377
Nov.	225	261	376	1,914	308
Dec.	227	284	376	1,992	287
Jan.	209	294	522	2,438	305
Feb.	208	261	354	1,841	253
Mar.	275	404	388	2,258	330
Apr.	244	642	656	2,207	315
May	227	483	498	2,181	288
June	<u>215</u>	<u>652</u>	<u>512</u>	<u>2,204</u>	<u>330</u>
TOTAL	2,709	4,681	4,906	27,205	3,874

## INCORPORATING DIVISION

The Incorporating Division of the Arizona Corporation Commission is the state's filing agency for all domestic Articles of Incorporation and Foreign Applications to transact business within the State of Arizona. Corporate annual reports, amendments to articles, mergers, and Articles of Dissolution and Withdrawal, which are also filed with this Division, provide the corporate information made available to the general public and government agencies.

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

Approves the statutory qualifications of all corporations and certifies as profit or 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.

As indicated by the results of the 1980 census, Arizona is one of the fastest growing states in the nation, with Phoenix now being the ninth largest city. This growth is also reflected in the business community, judging by the 15% increase in filings over the last fiscal year. Continued growth is evident. There are presently 68,000 active corporations on file with this Division and over 120,000 inactive. Total revenue for the fiscal year 1980-81 exceeded \$2.4 million with expenditures of only \$563,500.

## Incorporating Division - Activity Report

The Incorporating Division is comprised of five sections, with each section designed to perform specific functions. The following information outlines the work performed by each section and a general listing which reflects the volume for fiscal year 1980-81.

Incorporating Section. Processes and approves all original filings.

Domestic Articles of Incorporation	8,300
Foreign Articles of Incorporation	1,661
Domestic & Foreign Amendments	1,604
Domestic & Foreign Mergers	280

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

Documents processed	56,027
---------------------	--------

Revocations and Delinquency. Processes all revocations, delinquencies and certifications.

Certificates of Compliance issued	4,304
Certification Orders	3,045
Revocation Notices	10,402
Delinquency Notices	27,216

Records Control Center. Maintains all records and furnishes information to the public or government agencies regarding 68,000 active and over 120,000 inactive corporations.

The records section is in the process of reorganization pursuant to recommendations made by the Joint Legislative Budget Committee in its management study report of May 1981. Other recommendations are being made by Data Control Center in its paperflow study of the Division which is presently being conducted.

Tucson Office of Incorporating. Residents of southern Arizona are being offered the convenience of filing their original corporate documents and obtaining corporate information from our Tucson Office of Incorporating, located at 402 West Congress.

It is projected that the Tucson Office will process well over 11,000 documents during fiscal year 81-82. The workload of this office has increased 100% since its inception in 1976.

Total documents processed	9,565
---------------------------	-------

# UTILITIES DIVISION

## Responsibilities

The Commission bears many regulatory responsibilities that affect the well-being of the entire state and its citizens. In spite of this fact, utility rate setting has become the single measure of the Commission's performance in the mind of the public.

The Utilities Division is responsible for the regulation of non-municipal public utility corporations providing electricity, gas, telephone, water and sewer services. The goal of the Division is to accomplish this in a manner just and reasonable, to ensure quality service to the people of Arizona -- while allowing the public utility corporations a fair rate of return on their investments, pursuant to the laws and the Constitution of the State of Arizona.

The scope of these duties involves more than "rate setting". The Commission's regulatory power is divided into two areas:

Enabling powers. Utility companies must secure Commission approval before certain acts can be completed. Among these are the authority to issue, or to deny, certificates of public convenience and necessity for the establishment, extension, or abandonment of service; to approve or disapprove the issuance of securities and the assumption of obligations; and to approve or disapprove consolidations.

Directing powers. The Commission is authorized to exercise continuous supervision over the operations of utilities and to intervene when necessary in the public interest. This includes control over rates, accounting practices, valuation and service standards. Books and records of utilities are audited for ratemaking purposes. Utilities plants are inspected for proper construction and design, and also for rate-making purposes as related to reconstruction costs. Engineers are further assigned to gas pipeline and electric safety, and compliance specialists ensure that utilities comply with Arizona law.

These responsibilities are performed by a staff of 32 which includes auditing, rate analysis, consumer affairs, engineering and administrative personnel. This staff monitors and regulates the service, rates and charges of 517 Arizona utilities including 423 water companies, 32 sewer companies, 6 irrigation companies, 9 investor-owned electric utilities and 9 REA electric cooperatives; 12 gas utilities, 11 telephone companies, 14 radio communication companies and one telegraph company.

## Consumer Services Section

During the past year this section was established to monitor the quality of service provided by utility companies through the investigation and solution of consumer complaints. The consumer affairs section is also responsible for preparation of statistical reports regarding consumer problem areas, and dissemination of this information.

During fiscal year 1980-81, this section received and processed a total of 13,438 consumer complaints. By category, there were 5,215 on telephone; 4,474 on water; 2,241 on gas; 1,178 on electric; and 330 on sewer.

In the next year, this section plans to develop informational presentations for consumer and civic groups in addition to studying policy alternatives, various rates and demand trends.

Open Meetings

The Commission conducts Open Meetings on a regularly scheduled basis for the purpose of decision making. During the fiscal year 1980-81, the Utilities Division submitted to the Commission the following items for deliberation:

Rate Matters	133
Transfers	35
Fuel Adjustments	23
Certificates	57
Orders to Show Cause	46
Financing Matters	79
Others	<u>448</u>
 TOTAL	 821

Revenues Collected

The Division collects annual assessments from the utilities, as established by the State Legislature. 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 \$5,000. Total revenue collected for fiscal year 1980-81 is as follows:

Electric	\$1,991,067.20
Telephone	895,059.91
Gas	536,861.53
Water	<u>53,410.96</u>
 TOTAL	 \$3,476,399.60

MAJOR CASES

Mountain States Telephone and Telegraph

Measured Service. During this year the Commission heard testimony on the advantages and disadvantages of replacing the traditional flat rate telephone service with Local Measured Services (LMS). The LMS plan sets rates according to each consumer's usage, based on number of calls, distance, length, and time of day. While the concept of measuring usage for rates is not new, it has received increased attention in view of rising costs, the impact of increasing competition, deregulation, and the need to set rates based on costs. Further studies are to be conducted in the future.

E911 "Emergency Telephone Services". During fiscal year 1980-81 the Commission was active in moving forward and approving E911 "Emergency Telephone Services" for members of the public. The value of this service is best illustrated by quoting a paragraph from the Commission's Decision No. 52211:

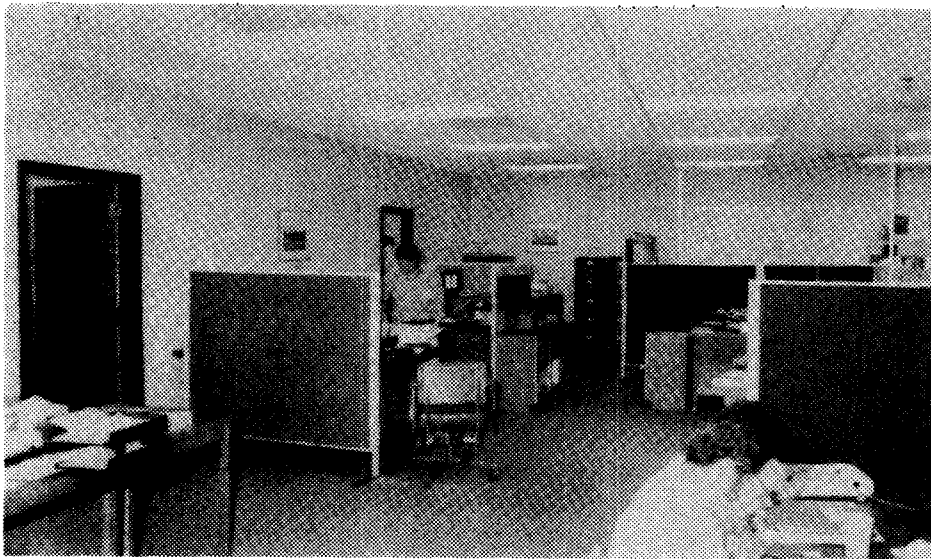
The apparent virtues of the "E911" service remain unchallenged. In that regard, we confidently premise our Decision herein on the assumption that it is consistent with the best interests of the public to minimize barriers between members of the public and public safety services during emergencies; conceptually, the "E911" service cuts through existing barriers by streamlining public access to such services.

#### Arizona Public Service Company

The Commission established a non-timed energy-capacity rate, known as the EC-1 rate, which is mandatory for all new residential homes built after May 1, 1981 and optional for all existing residential homes.

The EC-1 energy-demand rate concept provides an incentive to electric consumers to manage their electric load in a manner that can result in lower electric bills and, equally important, a reduction in APS peak demand which can have the effect of reducing the need for expensive additional generating facilities. The implementation of the EC-1 rate will help achieve this goal by rewarding the consumer for his contribution to capacity reductions on the APS system.

The adoption of the EC-1 rate will assist in meeting the company's objective of achieving the most efficient use of existing plant facilities while reducing the future need for costly expansion programs.



*The Utilities Division auditors review the financial condition of companies requesting action before the Commission.*

# PURPA

## PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978

PURPA is federal legislation which requires state regulatory authorities to consider rate design and policy standards for electric and natural gas utilities, to review lifeline rates, and to implement a policy for co-generation and small power production.

The Commission has completed its obligation to consider the five policy standards. The standards and the Commission action taken are listed as follows:

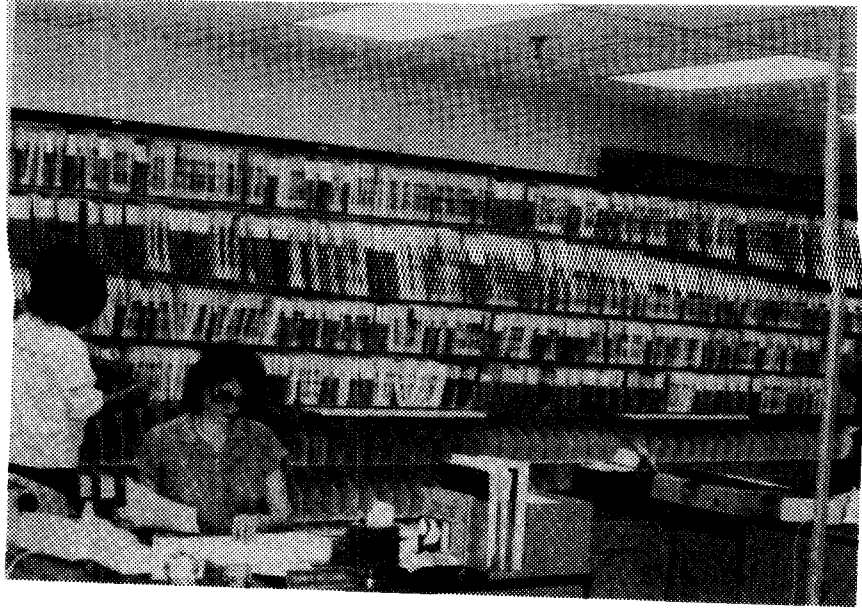
Termination of Service	Adopted
Master Metering	Adopted
Information to Consumers	Adopted
Advertising	Rejected
Automatic Adjustment Clauses	Previously Considered

The PURPA rate design standards are cost of service, declining block rates, time of day rates, seasonal rates, interruptible rates and load management techniques. These standards must be reviewed in rate cases for Arizona Public Service Company and Tucson Electric Power Company. Consideration of the standards for APS occurred during that company's rate case hearing in January of 1981. A final decision is pending. The standards will be considered for Tucson Electric Power Company during their 1982 rate case.

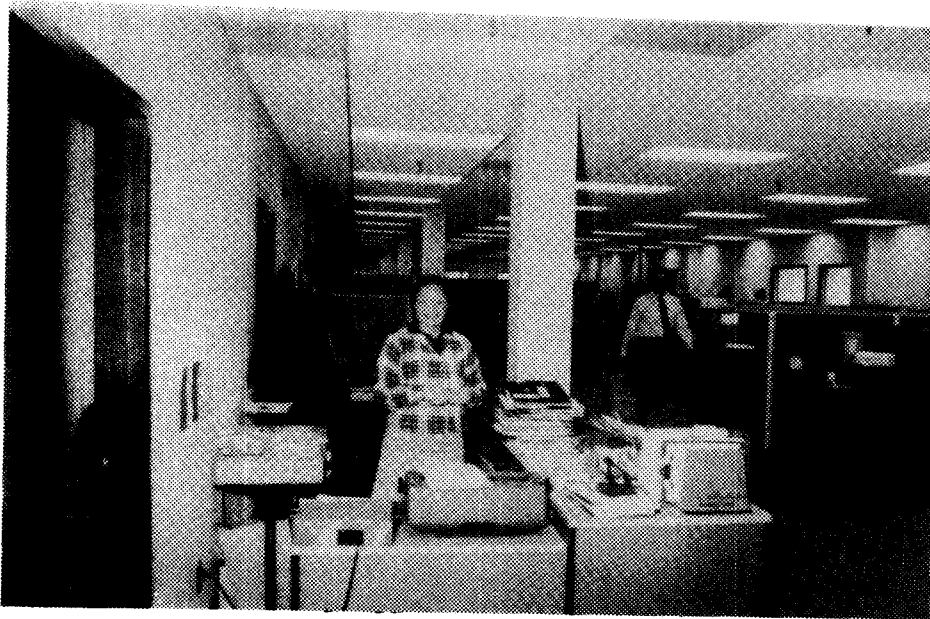
The Commission will meet its legal requirement to consider lifeline rates during hearings to be held in the last quarter of 1981.

Electric utility companies are required to purchase electricity from qualifying cogeneration and small power production facilities. The Commission has developed a policy to implement the federal law and rules. This policy addressed issues such as rates for purchase, billing options, safety, interconnections and contractual arrangements.

The Commission received a \$330,000 Innovative Rates Program from the U.S. Department of Energy to develop a computer-oriented cost of service information system. The computer models have been successfully installed and are fully operational. Case studies of APS and Tucson Electric Power will train the Commission's staff in the use of the system so that such studies can be done by staff in actual rate cases. The case studies are progressing on schedule with the entire project to be completed by December 31, 1981.



*Docket Control is responsible for keeping track of all the hearings before the Commission.*



*Our Securities Division is responsible for maintaining the integrity of the market place through registration of securities and securities salesmen and dealers.*



## SECURITIES DIVISION

The Securities Division of the Arizona Corporation Commission is responsible for the administration of the Securities Act of Arizona (the Act) and the Rules and Regulations promulgated thereunder. The Division is primarily composed of two sections, Registration and Enforcement. The Registration section is involved in the review of applications for exemption from the registration provisions of the Act, in registering salesmen, dealers, and securities under the Act, as well as participation in earlier stages of the capital formation process through its response to "No-Action" and interpretive letters and pre-filing conferences with industry and issuers. The Enforcement section is responsible for the orderly maintenance of the securities markets in Arizona. Its primary objective is to ensure the integrity of the marketplace and thus maintain the confidence of the individuals and institutions seeking to invest funds in Arizona.

### Registration

The Registration section of the office processed 5,620 salesmen's applications and 331 transfers of such salesmen between dealers. The section also processed 517 dealer registrations. During the year, 2,874 securities offerings were registered, while 91 issuers qualified for exemptions from the registration requirements of the Act. Each of these figures shows a substantial increase over the past two fiscal years, particularly fiscal 78-79. Total dollar value of securities registered with the Division was \$90.4 billion. The Division receipted \$603,222 in fees.

The Division continued to make its staff available to investors and issuers through pre-filing conferences in which a potential issuer and its counsel meet with members of the staff to discuss applications to register securities and learn the Division's concerns in advance in order that that issuer may respond thereto in the initial filing. This program has been successful and has contributed toward a reduction in the time a filing spends in the review process.

The Division's position with regard to various provisions of the Act is often sought by individuals and entities seeking to comply with Arizona's requirements. These positions are sought either through an interpretive letter or a "No-Action" letter, (a "No-Action" letter is an effort on the part of an issuer or counsel to receive comfort that, should a particular transaction take place in a particular manner, the Division will not recommend the institution of enforcement action based upon violations of the registration provisions of the Act). During the past fiscal year, the Division responded to 153 "No-Action" requests and began to devise procedures whereby responses to such requests became issued within 20 working days.

The Division has begun to revise its rules. Many of the rules are outdated and need clarification. Work on this project was begun during the past fiscal year.

The Division also created a broker-dealer team. This team, composed of an attorney and a certified public accountant, is primarily responsible for the Division's dealer and salesman responsibilities. It reviews all incoming dealer applications to ensure the financial stability of the proposed applicant. It is also involved in the inspection of dealers to ensure transactions are being properly recorded and that the dealer's business practices are sound.

The Division began meeting with members of the brokerage community on a regular basis to discuss assorted matters. This dialogue is anticipated to foster a better understanding of each's role by both the industry and the regulator.

Several members of the Registration section are on national committees of the North American Securities Administrators' Association (NASAA). The primary purpose of these committees is to ensure uniformity among the states to facilitate compliance with the various securities laws by applicants, as well as to develop amendments to selected guidelines and procedures reflecting the constant change in the marketplace and the industry. The Division's members are active participants in NASAA committees on oil and gas, real estate syndications, merit review, and a joint securities administrators/insurance commissioners committee on insurance products which constitute securities. The Division staff was highly active on these committees during the past fiscal year, and the staff's work has been instrumental in the results and progress of these bodies.

The Division continued its efforts to establish an annual renewal date for the registration of dealers and the salesmen employed by such dealers to ease industry's compliance responsibilities by simplifying both record keeping and the disbursement of fees in connection with the renewal of registrations.

The Division continued its participation with the National Association of Securities Dealers (NASD) in the administration of the uniform securities salesman's series testing. This testing service allows an application to register with several states after passing one exam. The Division continued its dialogue with the NASD and its participation in the Central Registration Depository (CRD). The CRD is a computer-based registration facility maintained by the NASD which relieves the states and industry of repetitive administrative detail.

#### Enforcement

The Division's Enforcement Section maintains an active program in order to ensure integrity of the marketplace and preserve investment capital for the capital formation process, rather than permitting it to be lost to a swindle or a deceptive practice.

The Arizona Corporation Commission is granted the authority by A.R.S. §44-2032 to (1) issue an order to Cease and Desist; (2) apply to Superior Court of Maricopa County for an injunction; (3) transmit evidence available to the Attorney General who may petition the Superior Court of Maricopa

County for the appointment of a conservator or receiver; (4) transmit evidence available to the Attorney General who may directly institute, or cause to be instituted, criminal proceedings. The Arizona Corporation Commission is also involved in the denial, suspension, or revocation of a dealer or salesman's registration. This latter remedy, and item (1) above, are Commission administrative processes.

During 1980-81, the Division initiated 57 investigations and had a total of 196 cases under investigation during that 12-month period. As a result of these investigations, the Division instituted 37 administrative proceedings, which resulted in 13 hearings before the Commission's hearing officers. The Division also initiated six civil cases involving 32 defendants and was responsible for transmitting evidence to the Attorney General, which resulted in one criminal indictment.

The Division is also required to make substantial commitments to its cases once litigation is commenced through the Attorney General's Office. Its investigators and certified public accountants become an essential factor in the litigation in terms of marshalling witnesses and expert testimony. During this fiscal year, the staff made major contributions to matters in litigation.

The Division instituted three subpoena enforcement actions in the Superior Court against individuals who resisted subpoenas issued by the Division pursuant to the provisions of the Act. A total of 143 administrative subpoenas were issued in connection with the Division's investigation of suspected failures to comply with the Act. These subpoenas resulted in the staff's taking 121 examinations under oath with the recipients thereof.

The Division accepted 51 Assurances of Discontinuance from members of industry whose conduct "technically" violated the Act where such violations were inadvertent and did not warrant the issuance of an Order to Cease and Desist. Assurance needed to be provided that the conduct would not be repeated and that steps were taken to ensure compliance in the future.

As with the Registration section of the Office, Enforcement initiated procedures to streamline its operations during the past fiscal year. It revised its filing systems to cross-reference individuals and entities and highlight pending statute of limitations problems. It developed enforcement guidelines for use by the staff to ensure uniformity in Division treatment of suspected non-compliance. The Securities Violators Bulletin (a listing compiled by the United States Securities and Exchange Commission which includes the names of individuals and entities who have been subject to civil and criminal actions as a result of securities violations) was placed on computer. Investigator and intern manuals have been developed.

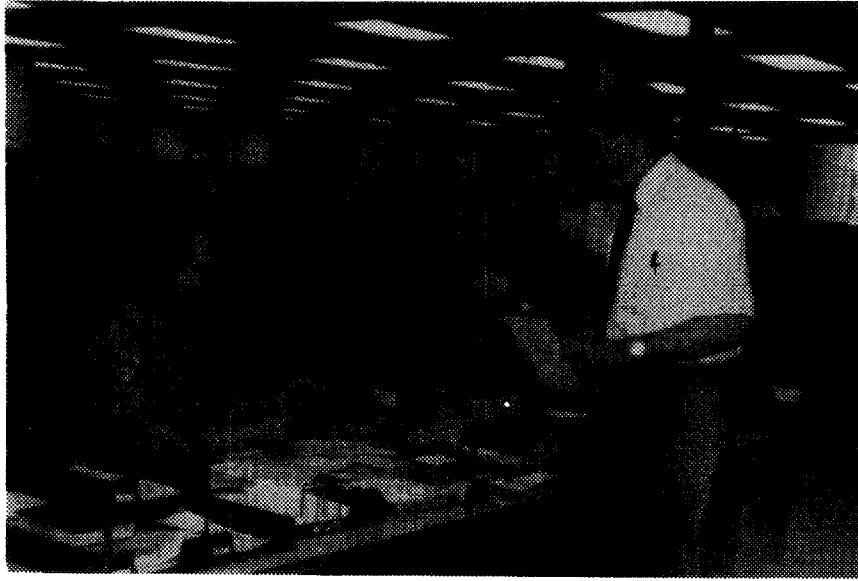
The Division actively participates in the internship program with the Center of Criminal Justice at Arizona State University. Each semester, four criminal justice majors intern with the office and provide basic support services which assist the students in becoming familiar with a regulatory agency and its position in government.

Members of the Enforcement staff attended the Securities and Exchange Commission's Enforcement Training Program in Washington, D.C.; the American

Law Institute-American Bar Association's Postgraduate Course on Federal Securities Law; the Northwest Cooperative Regional Conference among Securities Regulators; the Analytical Investigation Methods Seminar; and the Attorney General's Agency Investigators Seminar.

The Arizona Corporation Commission also began to initiate coordinated efforts with the Phoenix Exchange Club, the Better Business Bureau, and the Attorney General's Office with regard to the creation of an ECONOMIC ALERT program. This program development began as a concept of alerting the public to current fraudulent schemes operating within Arizona or suspected soon to be operating within Arizona. During the past fiscal year, the agencies were aligned and the philosophies established. The program began shortly after the completion of the fiscal year.

The Division Speakers' Bureau also continued to make itself available to groups in Arizona. The bureau provides a member of the staff to address luncheons or evening gatherings and enlighten the public regarding fraudulent schemes and ways in which it can protect itself from being victimized by swindlers. The Bureau also explains the functions of the Division and its place in the capital formation process. During the past fiscal year, approximately 20 groups were addressed.



*The Motor Transportation Division is responsible for all aspects of motor carrier enforcement and regulation.*

## **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, miniroadblocks 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:

<u>ENFORCEMENT</u>	<u>1979-80</u>	<u>1980-81</u>
Units Safety Inspected	24,982	34,078
Warning/Repair Orders Issued	39,646	42,870
Out-of-Service Vehicle	4,115	4,607
Out-of-Service Driver	294	1,151
Terminal Audits	398	380
Terminal Violations	6,778	3,668

<u>CITATIONS ISSUED</u>		
No Identification Stamps	59	143
No Authority-Exempt	66	182
No Authority-Non-Exempt	47	142
Safety	1,856	4,454
Dangerous Drugs	16	83
Hazardous Materials	201	715
Other	408	810

<u>HAZARDOUS MATERIALS VIOLATIONS REPORTED</u>		
Rail	5	0
Highway	5,431	3,231
Shipper	180	165
Other	4	0

<u>HAZARDOUS MATERIALS TRAINING SEMINARS</u>		
Rail carrier	2	2
Highway carrier	19	27
Shipper	72	30
Police	24	3

### 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 and safety 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, including deaths and injuries to persons and damage to property.

#### RAIL-HIGHWAY GRADE CROSSING IMPROVEMENT PROGRAM

	<u>1979-80</u>	<u>1980-81</u>
Appropriation	\$200,000*	\$200,000*
Encumbered	389,511*	150,000*
Expended	79,400	78,841

\*These are non-lapsing funds.

Orders Issued	25	16
Projects Completed	12	15
Projects Underway	4	4
Projects Pending	49	18

### Authority

The Authority Section administers the State's Motor Carrier Act, and rules and regulations related 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 the time lag in the regulatory process. Preparation 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 7,000 interstate motor carriers were registered with the Commission. This activity generated \$778,549 in revenue during fiscal year 1980-81. Workload and activity of this section can be determined by comparing the statistics outlined below:

<u>NUMBER OF MOTOR CARRIERS REGISTERED</u>	<u>1979-80</u>	<u>1980-81</u>
During reporting year	7,471	7,678
End of reporting year	6,061	6,574
 <u>INTRASTATE CARRIERS</u>		
Common	496	537
Contract	133	150
Motor Clubs	13	14
 <u>INTERSTATE CARRIERS</u>		
Exempt	3,801	3,885
ICC Regulated	1,574	2,002
 <u>INTERSTATE ACTIVITY</u>		
Applications filed	1,750	2,107
Interstate registrations	1,584	1,423
Applications dismissed non-compliance	150	242
Registrations amended or transferred	200	255
Cancellations at request of carrier	285	98
 <u>RAILROAD INSPECTIONS</u>		
Track (Miles)	5,717	6,914
Freight Cars	4,110	4,753
Industry Spurs	10	105
 <u>RAIL INVESTIGATIONS</u>		
Accidents	112	85
Grade Crossing Complaints	15	14
Variance	28	4



## 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:

	<u>1979-80</u>	<u>1980-81</u>
NUMBER OF AMBULANCE FIRMS REGULATED		
Ground	114	218
NUMBER OF UNITS INSPECTED		
Ground	498	95
COMPLAINTS INVESTIGATED		
(Ground Ambulance)	63	28
AMBULANCE ATTENDANTS CERTIFIED	1,210	947
AMBULANCE VEHICLES LICENSED	299	28

<u>INTRASTATE ACTIVITY</u>	<u>1979-80</u>	<u>1980-81</u>
Applications scheduled for hearing	274	144
Opinions and Orders-Decisions	368	331
Certificates of Convenience & Necessity	43	33
Contract Carrier Permits	55	33
Certificates transferred or amended	56	53
Applications denied, withdrawn or dismissed	27	25
Records closed at request of carrier	26	11
Temporary Authorities	4	3

INSURANCE - INTERSTATE AND INTRASTATE

Certificates of Insurance filed	12,287	13,015
Number of cancellation and expiration notices	32,500	33,145
Orders to Show Cause - non-compliance	1,500	843
Citations dismissed or reinstated	201	262
Authorities cancelled for non-compliance	872	654

MOTOR VEHICLE REGISTRATION

Motor Vehicles registered-I.D. Stamps	131,501	142,676
Number of applications processed	39,960	40,250
Orders to Show Cause - non-compliance	705	738
Citations dismissed or reinstated	201	310
Authorities cancelled for non-compliance	218	341

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 statistics on the following page compare tariff and rate program results for the past two fiscal years.

<u>DOCKETED MATTERS</u>	<u>ACTUAL 1979-80</u>	<u>ACTUAL 1980-81</u>
Rate Increase	144	63
Financing	2	4
Order to Show Cause	79	4
Suspended Matter	4	2
Short Notice Application	1	2
Change of Service	<u>0</u>	<u>0</u>
Total	230	75
 <u>CONSUMER COMPLAINTS</u>		
Number of complaints, all types	118	57
Number forwarded to other agencies	15	11
 <u>AUDIT SECTION ACTIVITY</u>		
Audits conducted	75	50
Audits - other than rate increases	31	3

#### Plans

The Deregulation Bill (Proposition 101) which was voted on in the November, 1980 election, transferred all activities in this Division (except the Railroad Section) to the Department of Transportation, effective July 1 of 1982. Therefore, future plans and objectives cannot be accurately established at this time.