

# Arizona Corporation Commission

*Annual Report for Fiscal Year 2013–2014*



*Creating a better Arizona for investors, ratepayers and business consumers.*



## Contact the Commission

### Main Office

1200 West Washington  
Phoenix, AZ 85007

### Adjunct Offices

1300 & 1400 West Washington  
Phoenix, AZ 85007

### Pipeline & Railroad Safety Division

2200 North Central, Suite 300  
Phoenix, AZ 85004

### Southern Arizona Office

400 West Congress Street  
Tucson, AZ 85701

### Important Phone Numbers:

Commissioners' Wing.....602-542-2237  
Consumer Services – Utilities.....602-542-4251  
Consumer Services –Corporations....602-542-3026  
Consumer Services – Securities.....602-542-4242  
Safety Division.....602-262-5601  
Docket Control .....602-542-3477  
  
Southern Arizona Office .....520-628-6554

Streaming audio/ video of Commission meetings:  
<http://www.azcc.gov/divisions/it/streaming/events.asp>

Listen Line for Hearing Room #1:  
602-542-0222  
(live audio of hearings/open meetings)

Toll Free Listen Line for Hearing Room #1:  
1-800-250-4525  
(applies to those in area codes 928 and 520 only)



**July 2013 – June 2014**

**Bob Stump, Chairman**

**Brenda Burns, Commissioner**

**Gary Pierce, Commissioner**

**Bob Burns, Commissioner**

**Susan Bitter Smith, Commissioner**

**Executive Director**

Jodi Jerich

**Administration**

Kim Battista

**Broadcast Services**

Ron Bellus

**Corporations**

Patricia Barfield

**Hearing**

Lyn Farmer

**Information Technology**

Letty Butner

**Legal**

Janice Alward

**Pipeline and Railroad Safety**

Robert Marvin

**Securities**

Matt Neubert

**Utilities**

Steve Olea



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## MISSION

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

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## About the Commission

The Arizona Corporation Commission was established in the Arizona Constitution. Only seven states have constitutionally formed Commissions<sup>1</sup>. Arizona is one of only 13 states with elected Commissioners<sup>2</sup>. In the 37 other states, Commissioners are appointed by either the governor or the legislature.

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

The Arizona Corporation Commission possesses judicial, executive, and legislative powers. It exercises its executive powers in adopting rules and regulations, its judicial powers in adjudicating grievances, and its legislative powers in setting rates.

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## Organization

Commissioners are elected by the people of Arizona for a four-year term, with the option of serving for two consecutive terms. In the case of a vacancy, the Governor appoints a Commissioner to serve until the next general election.

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

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

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

1. Arizona, California, Georgia, Louisiana, Nebraska, North Dakota, Oklahoma
2. Alabama, Arizona, Georgia, Louisiana, Mississippi, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, Texas, South Carolina, South Dakota, Virginia

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## Chairman Bob Stump (2009-Present )

Deemed a "candidate to watch" by the National Journal, and one of Arizona's three "Best State Representatives" by the Arizona Capitol Times's "Best of the Capitol" survey, Arizona Corporation Commission Chair Bob Stump was re-elected to the Arizona Corporation Commission in 2012 with the second-highest vote tally of any Arizona Republican candidate on the ballot, surpassed only by U.S. Senator Jeff Flake. He is the youngest statewide elected official in Arizona.

Commissioner Stump represented District 9 in the Arizona House of Representatives from 2002-2008. He serves on the Board of Directors of the National Association of Regulatory Commissioners (NARUC), is a member of the Harvard Electricity Policy Group and the Aspen Institute's Society of Fellows, and is an Advisory Council member of the Center for Public Utilities. Commissioner Stump has also served on the faculty of Law Seminars International and is a member of the NARUC Committee on Critical Infrastructure, which was established after the September 11, 2001 attacks to devise policies to help protect the nation's utility infrastructure from natural disasters and terrorist threats. Commissioner Stump also serves as Co-Chair of "Let's All Vote," an organization encouraging greater voter participation and education; Chair of the Arizona chapter of Faith and Freedom; and Director of Development for School Choice Arizona, Inc.

Commissioner Stump is Chairman of the Board of Phoenix Opera -- the youngest opera company chair in the United States -- and served on the board of the Symphony of the West Valley. He also serves as a Trustee of the Grammy Award-winning Phoenix Boys Choir. Under his chairmanship and as a board member, Phoenix Opera has produced internationally-recognized galas featuring the likes of Jonas Kaufmann, widely considered the greatest tenor of his generation, and leading baritone Dmitri

Hvorostovsky. Commissioner Stump is committed to supporting the arts locally and nationally: He also serves as a Young Associate of the Metropolitan Opera and as a member of the Young New Yorkers for the Philharmonic and the Phoenix Symphony Young Professionals.

The Arizona Republic says Commissioner Stump is "cerebral...a candidate with depth...energetic...intelligent, hard-working and effective...a quick study." The Tucson Citizen has called him "an innovator" who has "strong experience with public policymaking, wise perspectives on energy use [and] a commitment to pursuing fairness for Arizona residents." He has received over a dozen awards in recognition of his efforts to improve Arizonans' health care and protect Arizona's taxpayers, including awards from the Alzheimer's Association, the Autism Society of America, the March of Dimes, the Arizona Federation of Taxpayers, and the Arizona Healthcare Association.

Commissioner Stump has a wide range of policy experience, having served as Chairman of the House Health Committee; Co-Chair of the Joint Select Committee to Investigate Operations and Conditions at the Arizona Veterans Home; Vice Chair of the Health and Rules committees; and as a member of Ways & Means, Commerce & Military Affairs, Water and Agriculture, Financial Institutions & Insurance, Education, the Interagency Council on Long-Term Care, the Interim Committee on Welfare Reform, and the House Ethics Committee. His policy proposals have made front-page news in USA Today and serve as model legislation for legislatures throughout the country. Commissioner Stump has discussed key legislative initiatives on CNN; "Your World with Neil Cavuto," on the Fox News Channel; National Public Radio; as well as various national and international media. In 2006, Commissioner Stump was a featured guest on C-SPAN's "Washington Journal" to discuss his policy ideas with a national audience. He has also worked as a reporter for The Weekly Standard; a magazine editor at Biblical Archaeology Review; a

Manhattan Institute research associate to author and former White House speechwriter David Frum; and an aide to Fred Barnes and William Kristol. He has contributed reviews and essays to *The Wilson Quarterly*, the *Daily Caller* and a host of magazines and newspapers.

Commissioner Stump holds degrees from Harvard

University, where he studied American religious history and political philosophy with columnist George F. Will, and the University of California at Berkeley, where he studied philosophy and social thought, and from which he graduated with High Honors.

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## Commissioner Gary Pierce (2007- Present)

Gary Pierce was elected to the Arizona Corporation Commission (ACC) in 2006 and re-elected in 2010. He served as chairman of the ACC from January of 2011 thru December of 2012.

Pierce served as the Majority Whip of the Arizona House of Representatives from 2005 to 2006. He was a member of the Rules, Environment, and Federal Mandates and Property Rights committees. He had previously chaired the Committee on Transportation and also served on the Judiciary Committee among others. Prior to his election to the Legislature he was twice elected to the Yuma County Board of Supervisors.

The Maricopa (County) Association of Government's awarded Pierce the coveted Peak Award (Summit Award) in 2004. In their citation they state "Representative Gary Pierce was instrumental in guiding the \$15.8 billion Regional Transportation Plan through the legislative process. He sponsored House Bill 2292, which laid the framework for the planning process and formalized the Transportation Policy Committee in state law. To help legislators keep abreast of developments, Representative Pierce created the Joint Ad Hoc Committee on the Maricopa County Regional Transportation Plan, a bicameral, bipartisan committee made up of lawmakers interested in transportation issues." His leadership helped advance House Bill 2456, allowing the Maricopa County Board of Supervisors to set an election for voters to decide on a continuation of the half-cent sales tax for transportation in Maricopa County.

His record of public service includes serving on the Governor's Commission on National and Community Service from 1994 to 1997 and on the Arizona Housing Commission in 1996 and 1997.

He also served on the Maricopa County Planning and Zoning Commission and the Maricopa County Department of Transportation Advisory Board. In Yuma, he served two years on the City Board of Adjustment.

The Arizona Republican Party unanimously selected Pierce as a candidate for the Arizona Corporation Commission (ACC). He replaced ACC candidate Marc Spitzer who withdrew when he was appointed to the Federal Energy Regulatory Committee (July 2006).

### **Personal life:**

Raised in Mesa, Arizona, with a stint in Tucson; Pierce attended Emerson, Lincoln, Mesa Junior, Fickett Junior High in Tucson, and Mesa High School, graduating in 1970. A track scholarship provided an education at Mesa Community College where he graduated in 1972. Moving on to Arizona State University, he graduated in 1974 with a Bachelor's Degree in Education

For three years Pierce taught at Taft Elementary School in Mesa. A career in the automobile business followed his teaching experience, which culminated as a Honda and Nissan new car dealer in Yuma, Arizona. Concurrently with his new automobile dealerships, Pierce owned a Shell gas station and Budget Rent-A-Car franchise. Upon selling his businesses he became involved in local politics.

Pierce married Sherry (Moore), in 1973, they have four sons, three daughter in laws and soon 12 grandchildren. Gary Pierce and Sherry have deep Arizona roots. With Sherry's parents, grandparents and great grandparents born in Taylor, Shumway, Morenci and Prescott; their grandchildren are seventh generation native Arizonans.

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## Commissioner Brenda Burns (2011-Present)

Raised in a military family, Brenda Burns lived many places while growing up. In 1969 she moved to Arizona and made it her home. As an owner/manager of a family business, Brenda learned firsthand the impact which laws, rules and regulations can have on a small business' ability to succeed and create jobs.

Brenda Burns' business experience was invaluable when she began her long history of representing Arizonans. She first served in the Arizona House of Representatives from 1987 to 1995. In 1993, Republican House members elected Burns to the position of Majority Leader, making her the first woman to hold the position in Arizona.

Burns served eight years in the Arizona State Senate. In 1997, she became the first woman to hold the position of Arizona Senate President. As Senate President, Burns was instrumental in the formation and passage of the State's \$6 billion dollar budget and reduced the Senate's multimillion dollar budget by over eight percent.

A champion of taxpayers, she led successful efforts to reduce and keep taxes low for both individuals and business. Burns' persistent emphasis on protecting Arizona citizens from high taxes, high regulatory costs and excessive spending led to her recognition by the U.S. Small Business Administration as "a leader in regulatory reform".

Throughout her political career Brenda Burns worked with leaders throughout the United States. As an active member of the American Legislative

Exchange Council, she served on its board for nine years, becoming ALEC's national Chairman in 1999. There she worked with other national leaders on many issues, with a strong focus on States' Rights.

Brenda Burns lives in Scottsdale and is a licensed real estate agent. She is married to Bob Isbell. They have a combined family of six adult children and ten grandchildren.

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## Commissioner Bob Burns (2013-Present)

For the past 50 years, Bob Burns has lived in Arizona and played an important role in making Arizona a better place to live, work and play. After serving as an Aviation Electronics Technician in the US Navy, Burns was honorably discharged and in 1962 moved with his wife Gayle to Arizona where he began his career at a division of General Electric which later became part of Honeywell. As a computer programming analyst, he was instrumental in writing and installing many computer software systems for plants in the steel, paper, petrochemical, fuel distribution, and electrical generation industries. As a lead programmer, he wrote and tested standardized control panel software packages for many power generation facilities.

After retiring from Honeywell, Bob Burns and Gayle became small business owners. They owned and operated several businesses, including five Elementary Preparatory Schools. The combined schools were licensed to care for five hundred students per day. After twenty seven years of operation, they sold their schools and now manage their commercial real estate properties.

In 1989, Bob Burns began his career in public service as an elected State Representative. In the House of Representatives Burns was a distinguished leader. He was Chairman of Appropriations, and served on many committees, including: Health, Judiciary, Ways and Means, Transportation, and Insurance.

In 2001, Bob Burns was elected as a member of the Central Arizona Water Conservation District Board of Directors. The Board is responsible for overseeing the management of the Central Arizona Project, a 336-mile long system of aqueducts, tunnels, pumping plants and pipelines, and is the largest single resource of renewable water supplies in the state of Arizona. It is also the largest user of electrical power in Arizona.

In 2003, Burns was elected to the Arizona State Senate, where he again distinguished himself as an outstanding leader.

Burns served as Chairman of Appropriations, and on a number of committees, including Rules, and Finance.

In 2009, Burns was elected as President of the Arizona Senate, and served as such until 2010. During the twenty years that Bob Burns served in the Legislature, he was Chairman of the Appropriations Committee for fourteen years.

While serving in the Legislature, Burns received many recognitions and awards, including:

- “Watchdog Award,” an award given by the Arizona Tax Research Association to legislators who fight for the taxpayer and target wasteful spending in government;
- “Legislator of the Year,” an award given by the American Legislative Exchange Council to state legislators who have distinguished themselves by taking a leadership role in advancing, introducing, and/or enacting policies based on principles of free markets, limited government, and individual liberty;
- “Senator of the Year,” awarded by the Arizona Chamber of Commerce;
- “Champion of the Taxpayer,” awarded by Americans for Prosperity;
- "Nations Renewable Energy Leader," Business Facilities Magazine;
- "...dedication and leadership at the Arizona Legislature," Autism Society of America.

Bob Burns’s public and community service extends beyond his substantial time in the Legislature. As an active member of the community, Burns has served on the Board of Directors for Friends of the West Valley Recreation Corridor, is a member of Arizona Town Hall, and is a member of the Glendale Kachina Rotary Club.

Bob Burns was born and raised in Rolfe, Iowa. He and Gayle have been married for 52 years, and have two sons and five grandchildren.

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## Commissioner Susan Bitter Smith (2013-Present)

Susan Bitter Smith was elected to a four year term on the Arizona Corporation Commission starting in January 2013. She is a member of the National Association of Regulatory Commissioners, currently serving on NARUC's Water Committee as well as the Subcommittee on Education and Research. She is the President of the Western Conference of Public Service Commissioners. She is serving as Executive Director of the Southwest Cable Communications Association since 1980 and as Vice President of Technical Solutions since 1988. She earned both undergraduate and graduate degrees in Business Administration from Arizona State University and is a Past Chairman of the ASU Alumni Association. In addition, she serves as the Honorary Chair of the ASU MBA Alumni Association, is a Past Chairman of the Walter Cronkite Foundation, Past Chairman of the Arizona First Amendment Coalition, and is the Chairman of the Arizona Competitive Telecommunications Coalition.

Susan received her Certified Association Executive (CAE) designation in 1987 and is a Past President of the Arizona Society of Association Executives. She received AzSAE's Executive of the Year Award in 1988 and again in 1998. She is a Past Chairman of the American Society of Association Executives (first Arizonan to ever serve as Chairman), a member of the ASAE Government Relations Section Council, Past Chairman of the ASAE Government Affairs Committee, and an ASAE Fellow.

A native of Arizona, she has served as a member of the Scottsdale City Council and was Vice Mayor. She served two six year terms as an elected member of the Central Arizona Water Conservation District Board of Directors, having served the last four as President of the Board (the first woman to hold this position) and was a candidate for Congress in Arizona's District Five. As a member of the CAWCD Board, Susan was

instrumental in working with Arizona's Congressional Delegation in the successful settlement of the CAWCD Repayment Settlement dispute with the United States Department of the Interior and the federal finalization of the Gila Indian Water Rights dispute. As President of the Board, Susan has led the effort to operate the Yuma Desalting Plant with a consortium of both Federal and local players. In addition, she has led the fight to mitigate the EPA's efforts to close the Navajo Generating Station, the primary power source that operates the Central Arizona Project. She is a founding member of "Women in Water", a local group of women involved in water policy. "Women in Water" honored Susan in December 2010 for her leadership. Susan has spoken to numerous water and energy groups throughout the region including the Colorado River Water User's Association, Agri-Business Council, and the Water Utility User's Association. She is currently reorganizing the Central Arizona Project Association, whose purpose is to support the success of the CAP and other water providers.

In addition, she was Co-Chair of Arizonians for Bush/Quayle in 1988 and 1992 and Chair of the Forbes in Arizona Campaign in 1996. Susan was a founder of Arizona Women in Cable and the Valley of the Sun Cable Club. In 2001, the American Society of Association Executives bestowed its highest honor, the Key Award, on Susan. Arizona Girl Scouts has honored Susan with its "Advocacy" Award. Recently, the Arizona Capitol Times honored Susan and the CAWCD Board as the Public Policy Government Leaders of the Year.

Susan is married and has two children. She is a frequent guest of local radio and television hosts providing commentary on local and national political issues. She is a contributing columnist to the "Arizona Republic" and has served as the co-host of the "Arizona Almanac" Radio Show.

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## **Executive Director**

### **Jodi Jerich**

Jodi Jerich began her service at the Commission in January 2013. Previously, she served for over four years as Director of the Arizona Residential Utility Consumer Office (RUCO), an agency charged with representing the interests of residential utility ratepayers in cases before the Commission.

Prior to being appointed by Governor Brewer to head up RUCO, she served as Chief of Staff of the Arizona House of Representatives. From 2004-2008, she managed House operations and its \$12 million annual budget. Jerich authorized payment of House expenditures and payroll and worked with the Speaker of the House to create a budget surplus, supervised the House's 175 employees and independent contractors including partisan and nonpartisan staff, as well as the Chief Clerk's Office and administrative personnel.

Jerich also has prior direct experience with the Arizona Corporation Commission, having served as Policy Advisor to former Commissioner Mike Gleason from 2002-2004. In this position, she became familiar with the utilities regulated by the Commission and developed a broad background in utilities regulation and energy policy.

Jerich serves on the Arizona State Governing Committee for Tax Deferred Annuities and Deferred Compensation Plan that manages approximately \$1 billion of assets for state employees' supplemental defined contribution retirement plans.

In 2013, Jerich was named as one of "The 50 Most Influential Women in Arizona Business," and also an "Arizona Business Leader" in Energy by Arizona Business Magazine.

She is a Phi Beta Kappa graduate of Indiana University, a graduate of the Indiana University Maurer School of Law, and a member of the Arizona bar.



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## Administration Division

**Kim Battista**  
Director

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

The Administration Division is composed of the elected Commissioners and their staffs, the Executive Director's office and the administrative functions that provide the fiscal and administrative services to support all divisions of the Corporation Commission. The Administrative Services Division Director oversees both the administrative and fiscal functions.

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

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### Open Meetings & Other Proceedings

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

The Commission conducts formal hearings on contested matters such as rate requests, complaints and securities violations. Evidence is collected at hearings but no vote is taken. All decisions of the Commission are made in open meetings. Open meetings are

conducted after the agenda of the meeting has been made available to the public. In some limited instances, such as legal matters and personnel matters, the Commission may meet in executive session.

Hearings, open meetings, and executive sessions, while administrative in nature, are very formal in process. Comments may be received from the public, interested parties and the staff of the Commission during Open Meetings.

In addition, the Commission has staff meetings, run by the Commissioners, which are posted as Open Meetings. These meetings serve as a forum to exchange information and obtain administrative guidance and policy direction from the Commissioners. The Commission also conducts workshops in which issues are discussed. No votes are taken or decisions made at the workshops.

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### Legislative Activities

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

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

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

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## **Civic Activities**

Commission employees have often been recognized for their personal efforts and contributions to fulfill civic needs.

During FY 2013-14, the Commissioners and employees together:

- Contributed through individual donations and pledges to the State Employees Charitable Campaign, which supports United Way agencies, national health agencies, international service agencies and local unaffiliated agencies.
- Volunteered time to non-profit groups, and donated blood in specially arranged blood drives held at the Commission's facilities; and
- Fully supported and actively participated in environmental improvement activities such as the "Clean Air Force" (car pools, Don't Drive One-in-Five Campaign, bus riding) and recycling of paper, newsprint, and aluminum cans.

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## **Administrative Services**

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

The Administrative Services Division is also the Commission's main point of contact with other state agencies involving business activities such as purchasing, budgeting and processing revenue.

The Administrative Services Division processes funds received by all Commission Divisions, but primarily from fees paid to the

Corporations and Securities Divisions for corporate filings, securities dealer, and salesperson or agent registrations. During FY 2013-14 the Administrative Services Division received and processed over \$60 million in revenue to the State Treasurer.

Penalties and fines for violations of the Securities Act or utility regulations are required to be deposited in the General Fund and do not remain within the control of the agency.

In addition to revenue deposits, the Administrative Services Division issued 320 purchase orders, 2,214 claims; received and entered 323 items into inventory; and serviced 264 employees through personnel actions and payroll transactions.

## **Broadcast Services Division**

**Ron Bellus  
Director**

*Mission: To produce and broadcast all meetings and hearings of the Commission for public viewing and for archiving. To produce video tutorials and short educational segments on the many varied duties of the Commission. To develop and maintain the Commission's website.*

The Broadcast Services Division was created in August 2013 with a staff of two, quickly adding a Web Content Manager and Broadcast Producer. In order to improve the availability and quality of Open Meeting broadcasts, the Division made aesthetic upgrades to the hearing room and re-arranged its five cameras to allow better viewing angles.

Other improvements made to the Commission's broadcasting capabilities were an expansion of the Broadcast control room with new equipment added. The audio system in the Commissioners' conference room was upgraded. The Division also implemented a local archival storage system in order to maintain video recordings as public records.

In an effort to provide greater public access to Commission proceedings, the Division upgraded the hearing room used in Tucson to install broadcast capability. Previously, video of Tucson hearings and Open Meetings were not available as streaming video.

In 2013-14, the Division began a total reconstruction of Commission's website. During this time period the following sections were completed:

- New main page of website launched
- Commissioners' website pages completed

- Agency website pages restructured (Agency Directory, Video, Press Releases)
- Broadcast Services main page completed
- Hearings main page completed
- Utilities main page completed

Another service of Division is to produce educational and other videos that assist the Commission's mission.

During the 2013-14 fiscal year, the following videos were produced:

- Began series of informational videos featuring Commissioners
- PSA for Pipeline Safety completed
- Recorded ROSE Committee Chili Cook-off video
- Recorded ROSE Committee Recognition video
- Railroad Safety video for Commission report
- "Invitation" video for Western Conference

The Division also assisted with the audio/visual component of a Securities Division presentation and Covered Commissioners' attendance at Legislature's Opening Day Ceremonies.

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## Corporations Division

**Patricia L. Barfield**  
**Director**

**Mission:** *To grant corporate or limited liability company status to entities organizing under the laws of Arizona; to approve applications from foreign corporations and limited liability companies to conduct business in this state; and to maintain corporate and limited liability company records for the benefit of public record and service of process.*

The Corporations Division approves the filing of all Articles of Incorporation for Arizona corporations, all Articles of Organization for Arizona limited liability companies (LLCs), grants authority to foreign corporations and LLCs to transact business in this state, propounds interrogatories when necessary, and may administratively dissolve corporations and LLCs that do not comply with specific provisions of Arizona law.

The Division collects from every corporation an annual report, which reflects its current status and business, and maintains this information in a format conducive to public access; responds to public questions concerning Arizona corporation and LLC documents; and responds to the needs of the business sector by disseminating information to them in the most expedient manner possible.

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

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

The Corporations Division is comprised of five sections (Corporate Filings, Call Center, Records, Annual Reports, Initial Processing), with each Section designed to perform specific functions. The Division also has a Tucson Office to serve the residents of Southern Arizona.

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### Overview of Activity

As of June 30, 2014, there were a total of 817,715 corporations and LLCs transacting business in the State of Arizona.

Total Corporations & LLCs.....	817,715
Annual Reports Filed .....	131,636
Total Phone Calls Handled .....	95,456

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### Corporate Filings Section

Some of the key documents processed by the Section during FY 2013-14 were as follows:

Domestic Articles of Incorporation.....	6,040
Foreign App. for Authority.....	1,985
Amendments – corporations .....	1,947
Amendments – LLCs.....	18,373
Domestic and Foreign Mergers.....	704
Domestic Articles of Organization (LLCs).....	47,097
Foreign applications for LLCs.....	3,043
Dissolutions/Withdrawals.....	1,893
LLC terminations.....	5,436

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**Call Center Section**

Call Center employees handle the vast majority of telephone inquiries regarding corporate filings. The staff researches rejected filings, assists online filers, and responds to other general filing questions.

Incoming Calls.....130,083  
Total Phone Calls Handled.....95,456

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**Annual Reports Section**

The documents processed by the Annual Reports Section during FY 2012-13 were as follows:

Annual Reports filed.....131,636  
E-submitted Annual Reports .....104,736  
Total Reinstatements.....6,135  
Notices of Pending Administrative  
Dissolution or Revocation .....37,815  
Certificates of Administrative Dissolution or  
Revocation .....17,320

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**Records Section**

The Records Section processed 40,918 records orders received by mail, fax, and over the counter during FY 2013-14. The Commission acts as an agent for Arizona corporations and LLCs whenever either entity does not maintain a statutory agent or when the agent cannot be located. In these instances, service of process directed to the entity is accepted by the Records Section on behalf of the corporation or LLC. The Records Section accepted service 3,425 times during FY 2013-14.

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**Initial Processing Section**

This Section is the beginning point of processing and examination for nearly all documents received by the Division, including Annual Reports, Amendments, Articles of Incorporation, Articles of Organization,

Name Reservations, Changes, Applications for Authority to Transact Business and Applications for Authority to Conduct Affairs. The Initial Processing Section processes filing fee payments, bar codes and stamps the document, and enters information into a computerized tracking system (STARPAS). The Section then scans the documents into the Division's imaging system for subsequent review by examiners in the Annual Reports and Corporate Filing sections. The Section also prepares documents to be microfilmed.

The following payments and documents were processed by the Initial Processing Section during FY 2012-13:

Payments processed .....108,799  
Documents Scanned .....242,623

## Hearing Division

**Lyn Farmer**  
**Chief Administrative Law Judge**

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

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

Evidentiary and procedural rulings are made by the presiding ALJ. Rate and Certificate of Convenience and Necessity (CC&N) applications are processed under the procedural schedule established by the ALJs, in order to ensure that recommended Opinion and Orders are issued in a timely manner within the framework of the Commission's "timeclock" rules.

During FY 2013-14, the Hearing Division's ALJs conducted 252 public hearings/arbitrations, procedural and pre-hearing conferences, encompassing a total of 385 days.

Based upon the record evidence presented at public hearings, or filings made in non-

hearing matters, the presiding ALJ prepares a recommended order, which sets forth the pertinent facts, discusses applicable law, and proposes a resolution of the case for the Commissioners' consideration. The Commission regularly holds Open Meetings to deliberate and vote upon the recommended orders.

During FY 2013-14, the Hearing Division prepared a total of 132 recommended orders, 72 for cases involving a hearing and 60 for non-hearing matters. These recommended orders resolved rate applications, CC&N applications and extensions of CC&Ns, Securities cases, and various other matters.

While cases are pending before the Commission, the presiding ALJ may issue procedural orders to govern the preparation and conduct of the proceedings, including: discovery, intervention, the hearing date, filing dates, public notice, and motions. During FY 2013-14, the Hearing Division issued 428 procedural orders.

During FY 2013-14, major rate cases that were resolved included: Arizona Water Company (Northern Group); Far West Water and Sewer; UNS Electric; Global Water (7 systems); Arizona Electric Power Cooperative; Southwest Transmission Cooperative; Litchfield Park Service Company (Liberty Utilities); Chaparral City Water Company; Dixie-Escalante Rural Electric Association; Graham County Utilities, Inc.; New River Utility Company; Lago Del Oro Water Co.; Vail Water Company; and Rio Rico Utilities.

Other significant cases that were resolved in FY 2013-14 include: Montezuma Rimrock Water Co. (rates, finance, complaint); Payson Water Company (Phase I & II rates and

financing); Las Quintas Serenas Water Co. (rates); Columbus Electric Cooperative (rates); Valle Verde Water Co. (rates); as well as numerous small water company rate cases and Pipeline Safety Rules.

During FY 2013-2014, significant time was also invested in hearings, procedural conferences, and procedural orders related to the following cases: Tri-Core (Securities); Out of the Blue Processors, LLC (Securities); Arizona Public Service Company, Tucson Electric Power Company and UNS Electric (track and record); Net Metering; Johnson Utilities (sale of assets and CCN cancellation); Truxton Canyon Water Company; Valley Telephone Cooperative, Inc.; Tusayan Water Development Association, Inc.; Verde Santa Fe Wastewater; Mt. Tipton Water Co.; generic dockets; and 6 rate cases for Rural Telecom providers.

The Hearing Division handled numerous proceedings related to Commission Decisions re-opened pursuant to A.R.S. § 40-252 or re-hearing requests, including: Pima Utility; Arizona Water Company; Johnson Utilities; Granite Mountain; Sunrise Water Company; and Sahuarita Water Company.

The Hearing Division also conducted numerous complaint proceedings brought against utilities such as Tucson Electric Power Company; Beaver Valley Water Company; Arizona Public Service Company; Walden Meadows Co-op; Johnson Utilities; Sulphur Springs Valley Electric Cooperative; Black Mountain Sewer Company; Southwest Gas Corporation; CenturyLink; Payson Water Co.; EPCOR Water and Beardsley Water Company.

The Hearing Division issued numerous recommended orders on non-hearing rate cases, financing applications, CC&N applications, railroad crossings, cases involving violations of Arizona securities law, and extensions of time to a previous Decision. As to FY 2014-15, the Hearing Division anticipates a busy hearing year conducting

cases such as: UNS Merger; Arizona Public Service (Four Corners Rate Rider); EPCOR (rate design/consolidation/deconsolidation); EPCOR (rates for 5 districts); Brian Hageman (Securities); Ken Maerki (Securities); Catharon Software (Securities); William Nordstrom (Securities); Arizona Water Company (CC&N Extension); Liberty Utilities' and Valley Utilities Water Company, Inc.'s CC&N extensions; and rate cases: Utility Source, Naco Water Company, Abra Water Company, Arizona Windsong Realty and Golden Shores Water Company (emergency rates); §40-242 hearings; rulemakings to update utility classifications and amendments to REST rules; and various railroad upgrades.

During FY 2013-14, Docket Control continued to scan documents and final decisions from prior years into eDocket, which will enhance the ability of users to research and relevant documents.

The following public hearings were held during FY 2013-14:

Type of Hearing	Number
Orders to Show Cause and Complaints.....	14
Certificates of Convenience and Necessity .....	13
Rate Cases.....	37
Securities Division.....	15
Miscellaneous (oral arguments, motions to compel, etc.) .....	2
CC&N Extensions .....	6
Transfers/Sales .....	3
Railroad/Pipeline Safety Group.....	9
Public Comments .....	10
Rules (new and amended) .....	2
Arbitration .....	0
Generic Investigations.....	0
Deletions.....	3
Tariff.....	0

Line Extensions/Agreements .....	0	Utilities .....	202
Financing .....	4	Securities .....	46
Adjudications .....	1		
Line Siting .....	1		
Mergers .....	1		
Amend Decisions .....	2		
<b>SUB TOTAL</b> .....	123		
Procedural Conferences .....	95		
Pre-hearing Conferences .....	34		
<b>TOTAL</b> .....	252		

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### Docket Control Center

The Docket Control Center accepts filings and maintains the official case records for the Utilities, Securities, and Safety Divisions of the Corporation Commission. In this regard, Docket Control’s functions are similar to a Clerk of the Court’s office. The Docket Control Center scans and inputs data and filed documents into the Commission’s *e-Docket*, making them available for viewing on the internet. Docket Control also assists the public and staff in retrieving the files, decisions, and transcripts of cases for use in research.

During FY 2013-14, the Docket Control Center processed the following documents:

Responses to Inquiries/ Research/Assistance .....	6,000
Filings docketed & distributed .....	7,935
<b>Opinion and Orders/Administrative Closures processed and mailed...</b>	631
New applications input .....	490
Open Meeting items processed .....	973
Certifications .....	66
Transcripts logged & microfilmed	



## Information Technology (IT) Division

**Letty Butner**

**Chief Information Officer/Director**

**Mission:** *To provide accurate, efficient and timely technology design, development, implementation, communications and maintenance support services to the agency and its respective divisions in support of their missions and objectives.*

Objectives of the IT Division are:

1. Provide reliable online services for the access of public information.
2. Automate services from paper to online transactions to increase productivity and reduce throughput time.
3. Standardize our development practices and solutions to manage cost and speed development.
4. Help Agency management and staff perform their jobs successfully.

The staff is organized into three areas:

- Development – Software engineers who develop, maintain and enhance the various systems used by agency staff and the general public.
- Project Management – Specialists in the initiation, definition, execution, control and close-out of information technology projects.
- Systems & Support – Technical staff who maintain the agency PCs and computer network and respond to help requests from agency staff in the use of computers and applications.

During Fiscal Year 2014, the IT Division continued to enhance and expand the

Commission's technology capabilities, as outlined below:

- Facilitated and executed the Voice over IP transfer of phone services to centralized State of Arizona services.
- Upgrade agency PCs to Windows 7.
- Completed infrastructure improvements in network security.
- Completed and implemented online request to speak/comment application and kiosks for agency Open Meetings.
- Added subscribe/unsubscribe services to the Agency website for subscription to press announcements and open meeting notices.
- Developed an application for scanner-based agency Information Technology inventory tracking.
- Completed enhancements to Railroad and Pipeline Safety database applications.
- Completed enhancements to STARPAS, the Corporation division application for corporation licensing and registration, including a technology upgrade to the archive writing process.
- Initiated requirements gathering work to make improvements to eDocket, the agency case management system. Implemented numerous internal enhancements to the existing product.
- Updated all technology plans (development and infrastructure) to continue to make efficiency improvements in network design and size and to streamline applications used within the agency and by the public.

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## Legal Division

**Janice Alward**  
**Chief Counsel**

**Mission:** *To provide professional, high quality legal representation to the Arizona Corporation Commission and to assist the Commission in the performance of its powers and duties, except for matters pertaining to the activities of the Securities Division.*

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

- 1) Commission dockets;
- 2) federal regulatory dockets;
- 3) litigation;
- 4) other administrative matters; and
- 5) special projects.

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### Commission Dockets

Utility companies throughout the state apply to the Commission for authorization to undertake certain activities, such as the initial provision of service to the public, the modification of service territories, or the implementation of changes in rates.

The Commission is authorized to exercise ongoing review over the operations of public service corporations and to act to protect the public interest. Legal Division representation in these matters is varied and includes representing the Utilities Division and advising the Commissioners on legal issues. The Division routinely appears on behalf of Commission Staff in a variety of

administrative proceedings, such as CC&N cases, rate cases, financing cases, and enforcement matters.

Over the past year, the Legal Division has represented Staff in a number of rate cases for some of the State's largest water providers, including Arizona Water Company and the Global Water operating subsidiaries. The Legal Division has also represented Staff in matters related to the State's smaller water providers, such as Antelope Water Company, Cerbat Water Company, Verde Santa Fe Wastewater Company, and Mt. Tipton Water Company. In addition, a number of energy companies, such as Sulphur Springs Valley Electric Cooperative, UNS Gas, and Southwest Gas Corporation, have had rate cases pending during FY 2013-2014.

The Legal Division represented Staff in various rate adjustment proceedings associated with purchased fuel or power, energy efficiency, or renewable energy plans. The Legal Division also represented Staff in a proceeding to consider the proposed merger of UNS Energy Corporation with Fortis, Inc.

In addition, the Legal Division represents the Commission's Safety Division in various matters. Over the past year, a number of railroad crossing applications were processed before the Commission.

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### Federal Dockets

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

During FY 2013-2014, the Legal Division represented the Commission in matters before the Federal Energy Regulatory Commission (FERC) concerning the gas and electric industries to ensure that the public interest of Arizona is considered in these matters. Additionally, the Legal Division participated in the Environmental Protection Agency's

(EPA) notice of proposed rulemaking relating to regional haze. The Legal Division also represented the Commission in Federal Communication Commission (FCC) dockets.

Key federal proceedings included:

- Participation in federal dockets involving Arizona Public Service Company's revision to its Open Access Tariffs;
- Participation in UNS Electric's revision to its Open Access Tariffs;
- Participation in Tucson Electric Power Company's revisions to its Open Access Tariffs;

The Commission has also been actively involved in proceedings at FERC related to the supply and interstate transmission of natural gas. Natural gas is a primary source of fuel for power plants. The Legal Division participates in cases where gas supply and transportation, as well as competing rights among states to receive shipped gas, are at issue.

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## Litigation

The Legal Division represents the Commission before a variety of courts, and either has pending or has recently concluded cases before county Superior Courts, the State Court of Appeals, the State Supreme Court, and various Federal courts.

The cases filed or pending during FY 2013-14 include the following:

- *Sierra Club—Grand Canyon Chapter v. Ariz. Corp. Comm'n*: an appeal in the Superior Court of Maricopa County and the Court of Appeals challenging a Commission decision on waste-to-energy.

- *North County Communications v. Qwest, et al.*: appeals before the Arizona District Court and the Ninth Circuit Court of Appeals challenging a Commission decision under the Federal Telecommunications Act.
- *Wind P1 Mortgage Borrower, LLC v. Ariz. Corp. Comm'n*: proceedings before the Superior Court of Maricopa County and the Arizona Supreme Court challenging a Commission decision to require closure of a sewer plant.
- *Consolidated Comm. Holdings Inc. v. FCC*: Commission appeal to the Tenth Circuit Court of Appeals challenging the FCC's rules reforming the universal service fund and intercarrier compensation.
- *Arizona Water Co. v. Ariz. Corp. Comm'n*: appeals to the Arizona Court of Appeals challenging multiple Commission rate case decisions.
- *State of Arizona, et al. v. United States Environmental Protection Agency, et al.*: amicus filings in consolidated appeals of the EPA's regional haze rules.

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## Administrative Matters

The Legal Division counsels the Arizona Corporation Commission in a variety of matters, such as Open Meeting Law, filing requirements, public records requests, procedural issues, and other similar matters.

The Corporations Division has the responsibility for processing corporate filings, such as Articles of Incorporation, Certificates of Disclosure, and Annual Reports. These items must be submitted to the Commission by every corporation doing business within the State of Arizona. The Legal Division

advises the Corporations Division on these matters.

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## Special Projects

The Legal Division participates in the enactment and revision of all Commission rules, including rules for the Corporations Division, the Utilities Division, and the Safety Division. It has also represented the Commission in litigation that has occurred following rulemakings.

The Legal Division has assisted with a variety of generic proceedings related to the energy industry, such as the biennial transmission assessment, the annual summer and winter preparedness workshops, inquiries related to smart meters, and assessments of security threats to utilities. The Legal Division has also participated in a variety of workshops addressing the value of distributed generation, technological advances in the electric industry, and energy efficiency.

The major cases before the Commission usually include an advisory staff assigned to separately advise Commissioners and Commissioners' staffs in accordance with the *ex parte* communications rule. Thus, in many instances, in addition to the need for legal staff as counsel for Utilities Division staff, additional Legal Division personnel are separately assigned to advise the Commissioners.

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## Safety Division

**Robert Marvin**  
Director

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## Pipeline Safety Section

**Robert E. Miller**  
Supervisor

The Pipeline Safety Section operates its main office in Phoenix and staffs offices in Tucson and Prescott. Staffing offices around the state allows the section to respond expeditiously to pipeline incidents wherever they occur as well as to provide a local point of contact for investigations, audits and outreach opportunities.

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

As a result of these responsibilities, the Pipeline Safety Section monitors the activities of 6 interstate natural gas transmission pipelines, 1 interstate hazardous liquid pipeline, 15 major intrastate gas pipeline

operations, 2 intrastate liquefied natural gas facilities, 8 intrastate gas transmission pipelines, 3 intrastate hazardous liquid pipelines and 962 master meter natural gas operations.

During FY 2013-14, the Pipeline Safety Section inspected 14 major intrastate natural gas and liquefied petroleum gas distribution pipeline operators, 7 intrastate gas transmission pipeline operators, 2 intrastate hazardous liquid pipeline operators, 2 intrastate liquefied natural gas operator, 2 interstate gas transmission operators, and 1 interstate hazardous liquid pipeline operator. In addition to the comprehensive inspections above, Pipeline Safety Section staff also conducted 126 specialized inspections, 13 follow-up inspections, and 4 incident investigations of major intrastate operators. The Pipeline Safety Group conducted 557 comprehensive master meter (MM) inspections, 85 specialized MM inspections, 242 follow-up MM inspections and 157 construction inspections of master meter natural gas distribution systems. In addition during FY 2013-14, the Pipeline Safety Section investigated 119 reported violations of the Underground Facilities Law, issued 110 notices of violations and collected \$48,000 in fines.

Staff also received 1,279 notices of incidents from pipeline operators. Pipeline operators shut off gas service to 58 master meter gas systems that required repair. During the fiscal year, the Pipeline Safety Section provided 13 training workshops for 235 operators of master meter gas systems and assisted master meter operator personnel by making pipe locating and leak detection equipment available to them. Staff participated in 30 Blue Stake seminars held state-wide, with 1,603 attendees.



## Railroad Safety Section

**Brian Lehman**  
Supervisor

The Railroad Safety Section, an integral part of the Safety Division, enforces federal safety standards for track, signal, motive power and equipment, railroad operating practices, and the shipment of hazardous materials by rail in addition to Commission regulations. The Railroad Safety Section is also responsible for the inspection and review of industrial track and rail-highway crossing construction projects. In addition to its main office in Phoenix, two Rail Safety Inspectors are located in the Tucson office. This staffing arrangement provides the Commission and the citizens of Arizona with quick response to any rail incident, as well as direct contact for more routine matters.

During FY 2013-14, the Section inspected 1,451 miles of track, 2,359 freight cars, 193 locomotives, 241 crossings, and 10 industrial track facilities. Also, 14 incidents were investigated that involved tank cars carrying hazardous materials. The Railroad Safety Section's Hazardous Materials Inspector was certified by the Federal Railroad Administration (FRA) in October, 2013 and promoted to Senior Inspector in December, 2013. In April 2014, the Section's Operating Practices Trainee began his FRA "On The Job Training," working toward his FRA certification. During the months of April-June he assisted in 39 operating practices inspections along with the FRA trainer. In June, 2014, he completed his first class "Fundamentals I for Operating Practices". During FY 2013-14, 754 signal and train control devices were inspected. The Section investigated 25 train derailments, along with 15 grade crossing accidents and 22 complaints received from other governmental agencies, railroad employees and the public. In total, the Section recommended 15 violations for

prosecution of non-compliance of federal regulations.

Commission staff, in conjunction with the Federal Highway Administration (FHWA) and the Arizona Department of Transportation (ADOT), conducts an annual review of certain public rail-highway crossings throughout the state and prepares a list of crossings to be considered for improvements such as new lights and gate installations at public crossings, using solely FHWA funds. From that list, the Commission publishes an array of 5-8 crossings each year. During FY 2013-14, the Commission approved 7 crossing projects for improvement using federal funds. The array is then submitted to the cities, towns, and/or counties to make applications for funding through ADOT to the FHWA.

Another responsibility of the Section is reviewing applications for modification to existing at-grade crossings, such as modifications to warning devices, engineering or highway construction, or the creation of new at-grade crossings. These improvements are funded by city, county and/ or state funds. Staff reviews and analyzes the crossing applications and makes recommendations to the Commissioners regarding safety requirements at the crossings. During FY 2013-14, the Commission approved 11 crossing improvement projects. No new crossings were constructed during the FY 2013-2014 period.

The Section is also very active in the Arizona Operation Lifesaver Program, a public awareness program that promotes rail-highway crossing and trespasser safety. The Commission's award-winning video, "Operation Lifesaver," is widely used in the Arizona High School Driver Education and Driver Survival Programs as well as other driver safety programs around the country. During FY 2013-14, Railroad Safety Staff gave two Operation Lifesaver presentations to one school bus operator within their community and one elementary school within the State.

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## Securities Division

**Matthew Neubert**  
**Director**

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

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

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

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

The Division has two major sections:

- 1) Registration and Compliance
- 2) Enforcement

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### Registration & Compliance Section

Registration and Compliance reviews applications for registration and exemption filings in connection with securities

transactions under the Arizona Securities Act. This Section is also responsible for the administration of the registration and licensing provisions of the Securities Act and the Investment Management Act pertaining to dealers, salesmen, investment advisers, and investment adviser representatives. Staff conducts on-site examinations of dealers and investment advisers to ensure compliance with these Acts.

The Corporation Commission is authorized to deny, suspend, or revoke a registration or license, to assess fines, and to order restitution.

During FY 2013-14 the Section processed 1,981 dealer and 180,290 salesman registrations.

In addition, the Section processed 7,142 investment adviser representative licenses and 2,299 state investment adviser licenses and federal investment adviser notice filings.

The Section conducted 52 field examinations of dealers and investment advisers.

The Section processed 26,648 applications for securities registration and notice filings, 1,619 filings for various exemptions from registration, and 1,674 name change requests during FY 2013-14.

Division duty officers responded to approximately 3,089 inquiries from the public regarding the substance of the Securities and Investment Management Acts and 1,409 inquiries regarding dealers, salesmen, investment advisers, and investment adviser representatives.

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### Enforcement Section

The Securities Division maintains an active enforcement program in order to protect the integrity of the marketplace and to preserve the investment capital formation process by investigating possible violations of the

Securities Act and the Investment Management Act. During FY 2013-14, the Division initiated 19 investigations and had a total of 53 cases under investigation at year-end.

The Corporation Commission is authorized to enter cease and desist orders, to assess penalties, and to order restitution. The Commission may also apply to the Superior Court of Maricopa County for an injunction or the appointment of a conservator or receiver or to enforce Commission orders. The Corporation Commission may also transmit evidence to the Attorney General and County and United States Attorneys, who may file criminal cases.

The Securities Division makes a substantial commitment to its cases once litigation is commenced. Securities Division attorneys litigate administrative and civil cases, assisted by special investigators, legal assistants, and certified public accountants. Because of their familiarity with the facts in a case they have investigated, Enforcement staff may also assist in criminal prosecutions of cases they refer for prosecution.

During FY 2013-14, the Securities Division filed 14 administrative proceedings involving 33 respondents, and assisted state and federal law enforcement agencies in obtaining seven indictments.

During the same period, the Corporation Commission issued 23 Cease and Desist Orders against 47 respondents based on Securities Division actions. The Commission also ordered 27 respondents to pay \$7,845,032 in restitution and 36 respondents to pay \$542,500 in administrative penalties. The Commission revoked or denied three licenses or registrations.

Criminal prosecutions assisted by Securities Division staff resulted in 17 criminal convictions during this fiscal year with 13 defendants being ordered to pay \$50,209,238 in restitution.

These administrative and civil actions resulted in money being paid into Arizona's General Fund. The Corporation Commission's funding is appropriated through the normal state budget process.

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## **Investor Education**

The Securities Division's investor education program features a full-time investor education coordinator who makes presentations to civic, consumer, and educational groups across Arizona. The Securities Division believes that an informed investor is the best defense against investment fraud.

In FY 2013-14, the Securities Division conducted 46 public education programs. This outreach included both communities inside Maricopa County and other communities across the state.

In addition to group presentations, the Securities Division distributes its investor educational message and materials through the Internet, press releases, newspaper articles, and printed materials available at libraries and in the public office areas of various consumer groups. Through these efforts, the Securities Division stresses to Arizonans the importance of verifying the licensure status of the promoter before they invest and of making informed investment decisions, thereby reducing the likelihood of falling victim to unscrupulous financial professionals.

The Securities Division maintains strategic partnerships with other agencies and nonprofit organizations in order to further educational efforts. These partners include the North American Securities Administrators Association (NASAA), the U.S. Securities and Exchange Commission, the Arizona Attorney General, the Maricopa Elder Abuse Prevention Alliance (MEAPA) and the Elder Fraud Prevention Task Force.



## Utilities Division

Steven M. Olea  
Director

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

The Utilities Division monitors the operations of approximately 670 companies providing utility service within the State of Arizona. Article XV of the Arizona Constitution defines “public service corporations” as “those furnishing gas, oil, or electricity for light, fuel or power; water for irrigation, fire protection, or other public purposes; or those transmitting messages or furnishing telegraph or telephone service.” The Commission’s regulatory responsibilities are established in the Arizona Constitution (Article XV) and the Arizona Revised Statutes (§40-201, et seq.), and further defined in the Arizona Administrative Code (Title 14, Chapter 2).

One of the Utilities Division’s major responsibilities is rate review in conjunction with the determination of rates that are just, fair and reasonable to the utility’s customers and company stakeholders which will result in a reasonable return on fair value for public service corporations.

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

Staff preparation for a major rate hearing begins at the time of the utility’s initial filing,

and takes approximately four to six months before the hearing takes place. Work efforts between the time of filing and a hearing include a review of documents on file with the Commission; an audit of the books and records of the utility; on-site inspections of plants and facilities; discussions with utility personnel and interested parties; formulation of the staff recommendation; and preparation of written testimony and schedules.

As a result of the telecommunications industry evolving from monopolies to a competitive industry, the Utilities Division has the added responsibility of monitoring the development of competitive marketplaces.

Throughout FY 2013-14, the Division devoted significant resources to the following major efforts:

- Arizona Electric Power Cooperative Rate Case
- Southwest Transmission Cooperative Rate Case
- Columbus Rate Case
- Sulphur Springs Valley Electric Coop Streamlined Rate Case
- Navopache Streamlined Rate Case
- Unisource Energy Electric, Inc. Rate Case
- Arizona Water Company Rate Case
- Arizona Water Company Arsenic Cost Recovery Mechanism “ACRM” and Systems Improvements Benefits “SIB” Surcharges
- Adaman Mutual Water Co. Rate Case
- Chaparral City Water Co. Rate Case
- Dixie Escalante Rural Electric Coop Rate Case
- EPCOR Water Arizona Inc./Arizona American Water Transfer of Ownership
- Far West Water & Sewer Rate Case
- Farmers Water Company Rate Case
- Global Water Utilities Rate Cases
- Lago Del Oro Water Rate Case
- Liberty (Litchfield Park Service Company Water & Wastewater Rate Case

- Naco Water Rate Case
- New River Utilities Rate Case
- Payson Water Rate Case
- Rio Rico Rate Case
- Ray Water Rate Case
- Utility Source LLC Rate Case
- Vail Water Company Rate Case
- Valencia Water Company Utilities Rate Cases
- Valle Verde Water Company Rate Case
- Valley Utilities Rate Case
- Verde Santa Fe Wastewater Rate Case
- Water Utility of Greater Tonopah Rate Case
- Water Utility of Northern Scottsdale Rate Case
- Distribution System Improvement Charge (DISC)
- Review and preparation of recommendations for numerous other electric and natural gas energy efficiency programs, including cost benefit re-calculations
- Rulemaking Concerning the Processing of Cooperative Utility Rate Cases
- The Commission’s inquiry into the Possible Development of Regulators Policies and Strategies to Evaluate
- Analysis and preparation of multiple Telecom Certificates of Convenience and Necessity (CC&N)
- Participation in several transmission line siting cases
- Continued supervision of interim managers for several water companies; and
- Ongoing efforts to monitor service quality and reliability among regulated utilities
- Draft Rule Changes including Energy Efficiency and Renewable Energy Standard Tariff
- Proposed Rulemaking to Update Utility Classifications

The Utilities Division consists of six sections through which the staff performs its responsibilities:

- 1) Financial & Regulatory Analysis;
- 2) Telecom & Energy;
- 3) Engineering;
- 4) Consumer Services;
- 5) Compliance & Enforcement; and
- 6) Administrative Services.

The Division oversees the following numbers of utilities:

Telecommunications companies .....	309
Water utility companies .....	282*
Sewer companies .....	33*
Water and Sewer .....	23*
Electric companies .....	16
Gas utilities .....	7

\*The Commission oversees over 400 individual water and sewer systems. Multiple systems can be operated by the same utility company.

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### Financial & Regulatory Analysis

This Section is responsible for the analysis of all financial aspects of utility company applications, including requested approvals for rate increases, mergers, debt and equity issuances, transfers of assets, purchased power and gas adjustor revisions, ACC authorized Systems Improvements Benefits filings, and applications for Certificates of Convenience & Necessities “CC&Ns”. The analysts prepare staff reports and written testimony, including financial schedules and spreadsheets, and testify in administrative hearings regarding their findings, conclusions and recommendations.

During FY 2013-14, the Section analyzed numerous large rate-related cases, as well as a number of small water company rate cases. Staff’s responsibilities in analyzing a rate application include conducting a regulatory audit and developing recommendations that address various accounting issues, reasonableness of expenses, cost of capital, overall revenue requirement, rate design and, ultimately the proposed rates.

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## Telecom & Energy Section

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

The section is also responsible for analyzing and preparing Staff recommendations for the majority of electric tariff filings, special contracts, natural gas tariff filings, renewable energy programs, demand-side management programs, rulemakings, telecommunications tariff filings, proposed tariff revisions and competitive telecommunication inter-connection agreements. The section also processes applications for Certificates of Convenience & Necessities "CC&Ns" for competitive telecommunications firms.

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## Engineering Section

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

The Engineering Section assists the Consumer Services Section with the technical aspects of

complaints received from utility customers. The engineers accompany Consumer Services Section personnel on investigations of such complaints. Assistance is also provided to other sections in the processing of Certificates of Convenience & Necessity "CC&N" applications for all regulated utilities. The engineers work with the Compliance and Enforcement Section to assure compliance with Commission Orders.

The Engineering Section assists the Financial & Regulatory Analysis Section in the processing of rate case applications, financing applications and other cases. Inspections are performed to determine whether a utility plant is "used and useful." The Engineering Section staff also reviews and/or conducts cost of service studies filed by the utilities.

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

The electrical engineers monitor the operation and maintenance of all generating and transmission resources within Arizona. This includes the nation's largest nuclear plant, the Palo Verde Nuclear Generating Station, located approximately 50 miles west of Phoenix. The Engineers also support Commission representatives who serve on the Arizona Power Plant and Transmission Line Siting Committee. Engineers assist in evaluating issues related to reliability of newly-proposed generating stations and transmission lines.

The electrical engineers are responsible for preparing the Biennial Transmission Assessment Report and for reviewing the associated utility filings. The electrical engineers are also responsible for enforcement of the Overhead Power Line Safety Law.

The electrical engineers monitor and actively participate in statewide and regional organizations that impact the planning of transmission facilities and the safe, reliable operation of the bulk electric system in Arizona.

In the area of telecommunications, the Telecommunications Engineers review various telecommunications applications and utility requests for numbering resources (waiver requests). The Telecommunications Engineers also participate in the telecommunications dockets and are responsible for addressing service quality issues.

In addition, the Engineering Section maintains a Geographic Information System (GIS) program for producing detailed utility service area maps for use by the Commission and the general public.

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### Consumer Services Section

The Consumer Services Section investigates and mediates complaints from the public regarding operation, billing, terminations, quality of service and facilities of public service corporations. The Section engaged in the following activities during FY 2013-14:

**Public Comment Meetings:** In an effort to provide consumers an opportunity to voice their concerns and opinions on proposed rate increases and the quality of service of the public utilities serving them, the Consumer Services Section conducts public comment meetings. When a public utility files an application for a rate increase, the Consumer Services Section assists in the review of the application for sufficiency. It also receives and responds to customer service problems and comments. If necessary, the Consumer Services Section organizes a public comment meeting prior to the rate hearing. These meetings have proven to be beneficial to the public utilities in establishing better communications between them and their

customers. During FY 2013-14, the Consumer Services Section assisted with or held 25 public comment/town hall meetings.

**Mediation:** When the public utility and the consumer are not able to agree on the resolution of the consumer’s complaint, a representative from the Utilities Division will conduct an independent mediation to resolve the complaint. The Consumer Services Section conducted 37 mediations.

**Meter Testing:** The Consumer Services Section tests water meters when the accuracy of the meter reading is questioned. The Consumer Services Section tested 37 meters.

**Field Investigations:** On-site field investigations are sometimes needed in order to resolve a dispute. These investigations may entail an inspection of the physical plant of the public utility, a review of its books and records, and verbal interaction with the customer and the public utility. Consumer Services conducted 7 field investigations.

**Opinions:** During a pending rate case, consumers are able to provide feedback to the Commission which becomes docketed with the case. The Consumer Services Section handled 1,304 opinions including 103 petitions with 41,470 signatures.

**Complaints & Inquiries:** The following tables list the total complaints and inquiries handled by the Consumer Services Section by utility type and complaint or inquiry type:

#### Utility Type

Communication Companies .....	695
Sewer Companies .....	85
Water Companies .....	765
Electric Companies .....	1,229
Gas Companies .....	794
TOTAL .....	3,568

#### Complaint – Inquiry - Opinion Type

Billing issues .....	982
Deposit issues .....	110

New service issues .....	92
Service issues .....	161
Quality of service .....	549
Disconnect/termination .....	215
Repair issues.....	63
Rate case items .....	1,357
Rates/tariffs .....	107
Misc/Non-jurisdictional .....	573
TOTAL .....	5,445

The second table includes all complaints and inquiries included in the first table plus opinions, miscellaneous and non-jurisdictional and other issues unrelated to regulated utilities.

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### **Compliance & Enforcement Section**

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

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

During FY 2013-14, the Compliance Section reported the following compliance actions:

- 509 annual reports were mailed to utilities and monitored for filing.
- 120 new decisions were entered and tracked for compliance
- 133 utilities were required to remit an annual assessment and monitored for compliance.

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### **Administrative Services Section**

The Administrative Services Section provides general and complex administrative and clerical support to the Director’s office and the following Sections: Financial & Regulatory Analysis; Telecom & Energy; Engineering, Compliance & Enforcement and Consumer Services.

Administrative support staff provide the following services: format and process open meeting items, staff reports, testimony and correspondence; maintain various databases; scan and link tariff files for posting on the web; scan monthly decisions for Division use; provide research; distribute mail and internally generated documents; and provide general customer service.

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

Items processed by the Administrative Services Section during FY 2013-14 include:

Staff Reports .....	79
Tariffs Administratively Approved.....	221
Testimony.....	46
Open Meeting Items.....	111
Telecom Interconnection Agreement.....	20

## Appendix

Table 1

### Commission Revenue by Source

**Fiscal Resources:** Through the budget process, the Arizona Corporation Commission identifies fiscal resource requirements to meet its constitutional and statutory responsibilities. The Commission receives funding through several sources: the State General Fund, the Utility Regulation Revolving Funds, the Arts Trust Fund, the Securities Investment Management Act Fund, the Securities Regulatory and Enforcement Fund, the Public Access Fund and Federal grants. All sources except federal grants are subject to legislative appropriation. Beginning in FY 10, the Commissioners' Wing, and Corporations and Securities Divisions were moved from the General Fund to other funds. Only the Railroad Safety program remains funded by the General Fund.

The Administration Division receives funding from the Utilities Regulation Revolving Fund., the Public Access Fund, and the Securities Revolving Fund. The Corporations Division is the recipient of funding from the Arts Trust Fund and Public Access Fund. The Securities Division receives a portion of the fees it collects through the Securities Regulatory and Enforcement Fund and the Securities Investment Management Act Fund. The Utilities Division, Pipeline and Railroad Safety Sections, and the Legal Division are funded through the Utility Regulation Revolving Fund, which derives its money from assessments on public service corporations. The federal grants are obtained as a reimbursement to the Pipeline Safety Section for fulfilling certain federal responsibilities.

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

Commission Revenue by Source	Actual 2012-13	Actual 2013-14	Estimated 2014-15
Corporation Filing Fees*	7,341,900	7,281,471	7,300,000
Security and Broker Fees*	18,011,820	20,057,872	20,000,000
Miscellaneous Service Charges**	44,800	221,094	45,000
Fines & Forfeitures*	1,584,600	1,368,090	1,500,000
Utility Assessments	12,997,700	22,884,956	13,350,000
Sec Regulatory & Enforcement Fund	4,734,400	4,787,500	5,569,200
Sec Investment Management Act Fund	2,434,181	2,434,181	2,680,500
Public Access Fund	6,935,400	7,033,422	7,000,000
Federal Grant***	1,266,100	630,409	1,250,000
<b>TOTAL</b>	<b>55,350,901</b>	<b>66,698,995</b>	<b>58,694,700</b>

\*Deposited in the State General Fund

\*\* Deposited in the State General Fund & Utility Regulation Revolving Fund

\*\*\*Federal Grant revenue reflects amounts reimbursed to the Utility Regulation Revolving Fund and to the Pipeline Safety section's Federal Fund. Reimbursement from the Federal Government is based on calendar year, rather than the state's fiscal year, which results in fiscal year timing differences between expenditures and reimbursement revenue receipts.

Table 2

Expenditures by Budget Program

Expenditures by Budget Program	Actual	Actual	Estimated
	2012-13	2013-14	2014-15
Admin, Broadcast & Hearing Divisions	5,517,146	6,205,400	6,354,130
Corporations Division	3,793,244	3,803,500	4,125,600
Securities Division	4,392,827	4,418,200	5,250,000
Railroad Safety Division	626,366	597,500	650,000
Pipeline Safety Division	1,579,374	1,604,100	1,595,000
Utilities Division	5,574,951	5,502,400	5,930,000
Legal Division	1,793,298	1,852,600	1,950,000
Information Technology	2,921,496	1,971,500	2,629,800
<b>TOTAL</b>	<b>26,198,702</b>	<b>25,955,200</b>	<b>28,484,530</b>

Table 3

Expenditures by Fund Source

Expenditures by Fund Source	Actual	Actual	Estimated
	2012-13	2013-14	2014-15
General Fund	600,665	511,000	610,530
Arts Trust Fund & Other Funds	50,170	93,700	50,100
Sec Regulatory & Enforcement Fund	4,691,841	4,661,000	5,569,200
Sec Investment Management Act Fund	707,533	714,200	715,700
Utility Regulation Revolving Fund	13,294,735	13,598,700	14,221,800
Public Access Fund	6,048,793	5,987,800	6,622,200
Federal Funds**	804,965	388,800	695,000
<b>TOTAL</b>	<b>26,198,702</b>	<b>25,955,200</b>	<b>28,484,530</b>

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

Table 4

Corporation Commissioners Since Statehood

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



Marcia Weeks	Democrat	1985-1996
Dale Morgan	Republican	1987-1995
Carl J. Kunasek	Republican	1995-2001
Jim Irvin	Republican	1997-2003
Tony West	Republican	1999
William “Bill” Mundell	Republican	1999-2008
Marc Spitzer	Republican	2001-2006
Mike Gleason	Republican	2003-2008
Jeff Hatch-Miller	Republican	2003-2008
Kristin Mayes	Republican	2003-2010
Barry Wong	Republican	2006
Gary Pierce	Republican	2007-present
Sandra Kennedy	Democrat	2009-2012
Paul Newman	Democrat	2009-2012
Bob Stump	Republican	2009-present
Brenda Burns	Republican	2011-present
Robert “Bob Burns	Republican	2013-present
Susan Bitter Smith	Republican	2013-present

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### Southern Arizona Office

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

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

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



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**Southern Arizona Office**

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