



## ANNUAL REPORT FISCAL YEAR-2016-2017

The Arizona Corporation Commission's mission is to power Arizona's future by ensuring safe, reliable, and affordable utility services; growing Arizona's economy as we help local entrepreneurs achieve their dream of starting a business; modernizing an efficient, effective, and responsive government agency; and protecting Arizona citizens by enforcing an ethical securities marketplace.

## WHO WE ARE

The Arizona Corporation Commission was established by the state's constitution to regulate public utilities and business incorporation. The five Commissioners elected to the Corporation Commission oversee executive, legislative, and judicial proceedings on behalf of Arizonans when it comes to their water, electricity, telephone, and natural gas resources as well as the regulation of securities, pipeline, and railroad safety.

Arizona is one of only 13 states with elected Commissioners. In the other 37 states, Commissioners are appointed by either the governor or the legislature. The Arizona Commissioners serve a four-year term and can serve two consecutive terms. In case of a vacancy, the governor appoints a Commissioner to serve until the next general election.

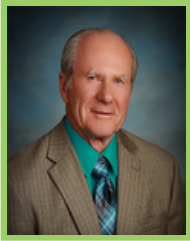
To learn more about the Arizona Corporation Commission and its Commissioners, visit [http://azcc.gov/commissioners \(/commissioners\)](http://azcc.gov/commissioners (/commissioners)).

## MEET THE COMMISSIONERS



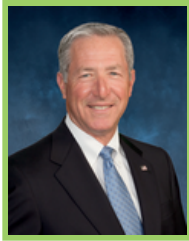
Chairman Tom Forese was sworn into office in January 2015 and became Chairman in January 2017.

Full bio: [http://azcc.gov/tforese \(/tforese\)](http://azcc.gov/tforese (/tforese))



Commissioner Burns was sworn into office in January 2013. He was re-elected and began his second term in January 2017.

Full bio:  
[http://azcc.gov/rburns\(/commissioners/RBurns/default.asp\)](http://azcc.gov/rburns(/commissioners/RBurns/default.asp)



Commissioner Little was sworn into office in January 2015. He served as Chairman from January to December 2016. Commissioner Little resigned in September 2017 to accept a position with the Department of Energy.

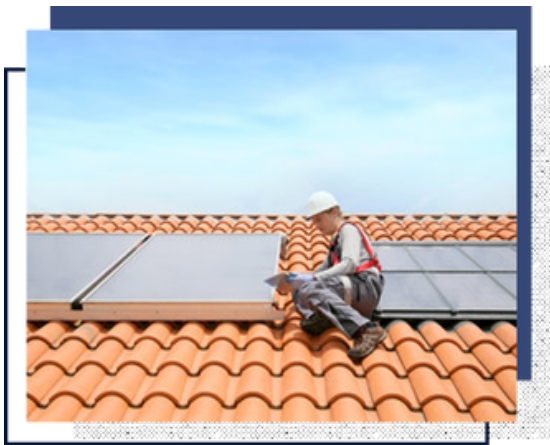


Commissioner Tobin was appointed by the Governor to fill an empty seat on the Commission in January 2016. He was elected to his first term and sworn into office in January 2017.  
 Full bio:  
[http://azcc.gov/atobin\(/atobin\)](http://azcc.gov/atobin(/atobin)



Commissioner Dunn was sworn into office in January of 2017.  
 Full Bio:  
[http://azcc.gov/bdunn\(/bdunn\)](http://azcc.gov/bdunn(/bdunn)

## 2016-2017 KEY ACCOMPLISHMENTS

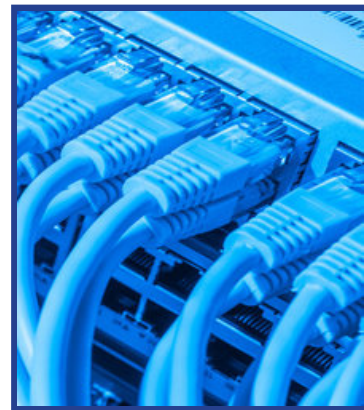


### VALUE OF SOLAR

The Arizona Corporation Commission made a historic decision that balances the cost and the value of solar (</Divisions/Administration/news/2016Releases/12-21-2016%20Value%20and%20Cost%20of%20Solar%20decision.pdf>) by creating new solar tariffs and rules. The decision offers fairness to current customers, incentives for new customers, and fairness to non-solar customers. It represents a monumental achievement and, when considered as part of a major rate case, provided the groundwork for the first of its kind agreement nationwide between solar interests and a large electric company.

### HELPED RURAL COMMUNITIES CONNECT

The Arizona Corporation Commission entered a unique partnership with the Governor's Office, the Superintendent of Public Instruction, the Secretary of State, and a nonprofit called *EducationSuperHighway* to build broadband infrastructure for rural and tribal schools ([/Divisions/Administration/news/2017Releases/03-14-](/Divisions/Administration/news/2017Releases/03-14-2017%20Commission%20Approves%20Funds%20to%20Help%20Rural%20Schools%20Connect%20to%20Broadband.pdf)



[2017%20Commission%20Approves%20Funds%20to%20Help%20Rural%20Schools%20Connect%20to%20Broadband.pdf](/Divisions/Administration/news/2017Releases/03-14-2017%20Commission%20Approves%20Funds%20to%20Help%20Rural%20Schools%20Connect%20to%20Broadband.pdf)) and libraries that currently do not have adequate internet services. The initiative will impact entire communities regarding economics, public safety, and community access to telemedicine and other internet-based services.



## PROTECTED RURAL WATER CUSTOMERS

In the 2016-2017 fiscal year, the Arizona Corporation Commission created several new policies to help small, struggling water companies ([/Divisions/Administration/news/2016Releases/9-7-](#)

[2016%20Commission%20Adopts%20New%20Policies%20to%20Help%20Small%20Water%20Companies.pdf](#)) and their customers. The Commission created a Small Water Ombudsman Office ([/Divisions/Administration/news/2016Releases/8-8-2016%20Commission%20creates%20Ombudsman%20Office%20for%20Water%20Co.pdf](#)) and worked with other key state agencies to create the Water Emergency Team. The Commission was able to allocate monies from the Legislature's designated Small Water Systems Fund ([/Divisions/Administration/news/2017Releases/01-11-2017%20Commission%20Approves%20Use%20of%20Small%20Water%20Systems%20Fund.pdf](#)) for the first time and saw the first, streamlined acquisition ([/Divisions/Administration/news/2017Releases/5-30-2017%20Congratulates%20Global%20Water%20Company.asp](#)) of a small water company under the new policies.

## STREAMLINED FILINGS FOR LLCs AND CORPORATIONS

In the 2016-2017 fiscal year, the Corporations Division launched several processes that streamline corporation, LLC business ([/Divisions/Administration/news/2016Releases/8-2-2016%20Docket%20Electronic%20Delivery.pdf](#)), and utility filings by allowing more online services and email communications versus standard mail. The Corporations Division conducted a “lean” audit which helped identify areas for increased efficiency and develop a process to enter documents into the system the same day they are received.

Utilities and other parties in cases have the option to receive all filings by email instead of standard mail which reduces time, and the costs of paper and postage. Smaller utilities, which account for 82% of utilities in the state, now need to submit one copy of their filing compared to the 13 copies previously required.

All corporations are able to file their Annual Reports online ([/Divisions/Administration/news/2016Releases/12-13-2016%20Enhanced%20system%20saves%20corps%20time%20and%20money.pdf](#)) without expedited fees. Reports are examined at the time of filing by computer rather than manually, reducing the processing time to one day and saving Arizona corporations an estimated \$700,000 per year. New laws ([/Divisions/Administration/news/2017Releases/2017-8-9%20new%20law%20creates%20immediate%20Efficiency.asp](#)), supported by the ACC, also went into effect in 2016-2017 that reduce regulatory burden and increase the use of technologies to make filings more efficient.

# PRIORITIES

## 1. ENSURING SAFE, RELIABLE, AFFORDABLE UTILITY SERVICES

The Utilities Division audits utilities statewide to ensure fairness in rates and stability in services to Arizona citizens. The Commission and Commissioners team with other state agencies like the Arizona Department of Environmental Quality (ADEQ) and Arizona Department of Water Resources (ADWR) to find solutions for companies and customers facing a water crisis. In the 2016-2017 fiscal year, the Commission created an interagency Water Emergency Team and created the Small Water Ombudsman Office.

Last year, the Commission regulated 600 Arizona utilities including water and sewer, electricity, gas, telecommunications, and irrigation companies. Staff audited 22 rate cases to determine fair and reasonable rates for utility companies and rate payers, including auditing rate applications for Edmonton Power Corporation (EPCOR), Tucson Electric Power (TEP), UniSource Energy Services, and Arizona Public Service Company (APS) which was completed at the start of the next fiscal year. Here are the results:

- Approved UNS Electric rate case ([/Divisions/Administration/news/2016Releases/8-12-2016%20Commission%20Rates%20for%20UNS%20Electric.pdf](#))
- Approved Edmonton Power Corporation (EPCOR) rates ([/Divisions/Administration/news/2017Releases/6-15-2017%20Approves%20EPCOR%20Rates%20Application.asp](#))
- Approved Tucson Electric Power rate case decision (<http://docket.images.azcc.gov/0000161438.pdf>)



### Global Water Acquires Eaglet...



The Commission adopted new policies to allow larger water companies to acquire smaller non-viable companies in a more streamlined fashion. Eagletail Water customers near Tonopah were the first to benefit.

- Completed landmark Value of Solar Decision (<http://docket.images.azcc.gov/0000176114.pdf>) that ensures fairness to solar and non-solar customers with the end of net-metering.
- Created the Water Emergency Team ([/Divisions/Administration/news/2016Releases/6-10-2016%20Water%20Emergency%20Team%20Chairman%20Selected.pdf](#)) to resolve and prevent a water crisis. The team includes representatives from other key state agencies like ADEQ and ADWR to find solutions and proactive responses to keep services flowing safely to residents.



**Processed 44,146 dealer, salesman, securities registrations and investment advisor licenses, and advisor representative licenses.**

**Formed 74,482 new corporations and LLCs.**

## 2. GROWING ARIZONA'S ECONOMY

The Arizona Corporation Commission's Corporations and Securities Divisions provide efficient and cost-effective avenues for new business formations and new investment registrations. The Utilities and Safety Divisions ensure the stability of the state's utility, railroad, and pipeline infrastructures to ensure communities have safe, reliable services which provide the confidence needed for new business to enter Arizona or expand.



- Launched new paperless service ([/Divisions/Administration/news/2016Releases/8-2-2016%20Docket%20Electronic%20Delivery.pdf](#)) for utility filings which saves money and time.
- Changed Arizona Universal Service Fund rules to provide money for broadband construction to connect underserved rural and tribal schools to the internet. This change will raise \$8 million in state funds for broadband expansion. The Commission's work highlights a team commitment with the Governor, the Superintendent of Public Instruction, and the Secretary of State to connect more than 250,000 rural students to the internet who currently do not have an adequate service.



Funding Available to Connect...



### 3. PROTECTING ARIZONA'S CITIZENS



The Commission's Securities Division helps protect citizens from fraud and takes action against investment professionals who violate state and federal securities laws. The Safety Division inspects pipeline and railroad operations around the state, proactively identifying hazards. The Commission's Utilities Division handles complaints and conducts field investigations to protect customers against unfair utility practices as well as resolves any billing and service quality complaints.

## Assisted 1,899 customers with disputes or complaints



- Began investigation into Brooke Water (</Divisions/Administration/news/2016Releases/8-30-2016%20Brooke%20Water%20Company%20Outage.pdf>), concerns were raised how the company communicated an outage to the Commission, other government leaders, and the community.
- Commission ensured gas and electric utilities (</Divisions/Administration/news/2016Releases/10-17-2016%20Winter%20Preparedness.pdf>) were prepared to meet winter and summer peak demands (</Divisions/Administration/news/2017Releases/2017-4-25%20Utilities%20Present%20Summer%20Preparedness%20Plans.pdf>).

### Securities Division

Conducted 45 public education programs through Securities Division.

Initiated 26 Securities investigations, issued 20 cease and desist orders, ordered \$16,951,076 in restitution and \$460,000 in penalties.



- Commission revoked a securities registration of a Phoenix man who misled investors into more than \$4 million in fraudulent sales. (</Divisions/Administration/news/2016Releases/11-17-2106%20Commission%20takes%20action%20against%20securities%20fraud.pdf>)

- Commission found a convicted felon, a Surprise man, and a Craigslist advertiser committed securities fraud. In separate cases (</Divisions/Administration/news/2016Releases/10-28-2016%20Commission%20Takes%20Action%20On%20Securities%20Fraud.pdf>), they are believed to have bilked investors out of more than \$12 million.



## Safety Division

**Inspected seven major intrastate natural and liquefied pipeline distribution operators, 730 master meter inspections, and investigated 128 reported violations of the Underground Facilities Law.**

**Conducted underground damage prevention seminars through partnering with AZ811.**

- Received perfect score on the Pipeline Section Audit (</Divisions/Administration/news/2016Releases/8-9->



[2016%20Pipeline%20Safety%20Division%20gets%20Perfect%20Score%20on%20Audit.pdf](#)) by the Department of Transportation. The audit evaluates the ACC pipeline inspectors and operations, and the perfect score highlights the work they do to keep Arizona safe.



**Approved three public railroad/highway crossings for upgrades using federal funds and 11 improvements for existing at-grade crossings.**

**Inspected 1,965 miles of railroad track, 2,055 freight cars, 242 locomotives, 601 at-grade crossings and nine industrial track facilities.**

- The Commission ordered railroad safety improvements, and the ADOT construction project at Bell Road and Grand Avenue in Surprise (<https://www.surpriseaz.gov/3181/Bell-Grand-Interchange-Improvements>) was completed, creating safer railroad crossing conditions and improved traffic flow.
- Upgraded a busy Vail, Arizona railroad crossing (<http://www.youtube.com/watch?v=eXcEs0iwtUs>).



#### 4. EFFICIENT, EFFECTIVE & RESPONSIVE GOVERNMENT

The Commissioners, Commission's Divisions, and staff strive to find proactive, consumer-friendly, modern, and transparent services and resources.

**Securities Division implemented a new computer database which allows investigators and examiners easier access to all available case data.**



**Docket Control automated notifications for those who sign-up for electronic notification for service lists on case dockets.**

- New legislation (</Divisions/Administration/news/2017Releases/2017-8-9%20new%20law%20creates%20immediate%20Efficiency.asp>) helped corporate filings become more efficient which provides cost savings for Arizona business owners.
- Hearing Division launched paperless services (</Divisions/Administration/news/2016Releases/8-2-2016%20Docket%20Electronic%20Delivery.pdf>) for utilities and parties involved in cases before the Commission.
- Reduced Corporations Division's Annual Report approval times (</Divisions/Administration/news/2016Releases/12-13-2016%20Enhanced%20system%20saves%20corps%20time%20and%20money.pdf>) by implementing computer examination of online filings.
- Reached one year anniversary of online filing (</Divisions/Administration/news/2016Releases/10-03-2016%20E-filing%20one%20year.pdf>) for LLCs formation and added new software to expand services in 2017.
- Eliminated regulatory burdens for the state's electric cooperatives (</Divisions/Administration/news/2017Releases/Commission%20Eliminates%20Burdens%20to%20States%20Electric%20Cooperatives.asp>).

## ORGANIZATION

The Commission is organized into nine divisions; Administrative, Communications, Corporations, Hearing, Information Technology, Legal, Safety, Securities, and Utilities. All divisions are headed by a Division Director who reports to the Executive Director.

## EXECUTIVE DIRECTOR



The administrative head of the Commission is the Executive Director who serves at the pleasure of the Commissioners. Ted Vogt joined the Corporation Commission in January 2017 and is responsible for the day-to-day operations of all divisions.

Prior to joining the Commission, Ted served three years in the Arizona House of Representatives. After leaving the Legislature, Governor Brewer appointed him to lead the Arizona Department of Veterans' Services. He later served as Chief of Operations for Governor Ducey.

Ted Vogt

## OPEN MEETING AND PROCEEDINGS



The Commission conducts formal hearings on various Commission issues including rate requests, complaints, securities violations, railroad upgrades, and utility service area extensions. Those items then go before the Commissioners for a vote in the monthly Open Meeting. Also, the Commissioners run staff meetings to provide administrative guidance and policy direction. The Commissioners also hold workshops on key policies impacting utility services and technology to grow the future of Arizona's utilities and economy. Votes are only taken in Open Meetings and Staff Meetings.

The Commissioners hold public comment at the Commission and publicly noticed meetings in communities around the state. In the fiscal year 2016-2017, Commissioners, along with the Consumer Services Section, held 29 public comment or town hall meetings throughout the

state, including Douglas, Flagstaff, Beaver Valley, Camp Verde, Parker, and Yuma.

**In the last fiscal year, the Commission held 83 public hearings/arbitrations, procedural, and prehearing conferences at Commission Hearing Rooms in Phoenix and Tucson. The proceedings are available online for live viewing and are archived online for viewing. [http://azcc.gov/livebroadcast \(/livebroadcast\)](http://azcc.gov/livebroadcast (/livebroadcast))**



**83 public hearings/arbitrations, procedural/pre-hearing conferences  
29 public comment/town hall meetings  
9,355 filings docketed and distributed  
277 live broadcasts of Open Meetings, Hearings, Staff Meetings, and Workshops**

## FISCAL RESOURCES

The Commission is a self-funded agency and contributes more to the state's general fund than it receives. Last year, the Commission generated \$60,079,000 with \$29,716,900 of that going to the state's general fund. The Commission contributed \$367,000 more to the general fund in the 2016-2017 fiscal year compared to the previous fiscal year

(/Divisions/Administration/Budget\_Request/FY2019/Budget%20Request%20FY%202019%20consolidated.pdf).

## WHAT IS AHEAD?



## FIVE-YEAR STRATEGIC PLAN

### **Electronic Filing for Utilities and other Parties**

The Commission has been implementing paperless services for docket and corporation filings. By the fourth-quarter of 2019, the Commission estimates all filing and processing will be done electronically.

### **Arizona Business One-Stop**

The Commission, Secretary of State, Arizona Commerce Authority, Department of Revenue, and the Registrar of Contractors are proposing to create a single web portal through which customers can complete required filings at each agency. This would provide efficiencies for new business owners and help them understand all the requirements for their business.

### **Succession Planning**

Nearly 20 percent of the Commission's workforce is eligible for retirement by 2023. The Corporation Commission is looking to identify skills needed in the next three years and where there may be gaps in recruiting personnel for these skill sets. The Commission is refining its recruitment process, using resources like the National Association of Regulatory Commissioners and Arizona Department of Administration for leadership recruitment.

### **Fostering a Culture of Continuous Improvement and Customer Service**

Staff will focus on implementing Lean Management practices and measures for reducing delays in processing rate cases, business filings, conducting safety inspections, and investigating fraud to deliver excellence in service to customers.