

## Contact the Commission

### **Main Office**

1200 West Washington  
Phoenix, AZ 85007

### **Adjunct Offices**

1300 West Washington  
Phoenix, AZ 85007

### **Pipeline & Railroad Safety Division**

1300 W. Washington  
Phoenix, AZ 85004

### **Southern Arizona Office**

400 West Congress Street  
Tucson, AZ 85701

### **Important Phone Numbers:**

Commissioners' Wing.....602-542-2237  
Consumer Services – Corporations...602-542-3026  
Docket Control .....602-542-3477  
Consumer Services – Securities .....602-542-4242  
Consumer Services – Utilities.....602-542-4251

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: 1-800-250-4525  
(area codes 928 and 520 only)

## **July 2015 – December 2015**

Susan Bitter Smith, Chairman

Bob Stump, Commissioner  
Doug Little, Commissioner

Bob Burns, Commissioner  
Tom Forese, Commissioner

## **February 2016 – July 2016**

Doug Little, Chairman

Bob Stump, Commissioner  
Tom Forese, Commissioner

Bob Burns, Commissioner  
Andy Tobin, Commissioner

### **Executive Director**

Jodi Jerich

### **Administration**

Kim Battista

### **Corporations**

Patricia Barfield

### **Hearing**

Dwight Nodes

### **Information Technology**

Letty Butner

### **Legal**

Janice Alward

### **Media Services**

Ron Bellus

**Pipeline and Railroad Safety**

Jeffrey Hatch-Miller

Interim

**Securities**

Matt Neubert

**Utilities**

Tom Broderick

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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. Arizona is one of only 13 states with elected Commissioners. In the 37 other states, Commissioners are appointed by either the governor or the legislature.

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

By virtue of the Arizona Constitution, the Commissioners function in an executive capacity; they adopt rules and regulations thereby functioning in a legislative capacity; and they also act in a judicial capacity sitting as a tribunal and making decisions in contested matters. The Commission is required by the Arizona Constitution to maintain its chief office in Phoenix and it is required by law to conduct monthly meetings.

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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 Commissioners.

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.

## Commissioners

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### Commissioner Susan Bitter Smith

Chairman July 2015 – December 2015

Susan Bitter Smith has served as Executive Director of the Arizona-New Mexico 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 Girls 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 Republic” and has served as the Co-host of the “Arizona Almanac” Radio Show.

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## Commissioner Bob Stump

Commissioner Bob Stump was elected to the Arizona Corporation Commission in 2008. He represented District 9 in the Arizona House of Representatives from 2002-2008.

Bob has been deemed one of Arizona's "Best State Representatives" by the *Arizona Capitol Times*, based on a survey of Arizona's government and civic leaders. 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 Arizona Medical Association (“Walk the Talk” award), the Arizona Healthcare Association (“Legislator of Distinction”), the Alzheimer’s Association and the Autism Society of America. The March of Dimes has honored Bob for helping improve the odds for Arizona’s babies by working to prevent birth defects. Bob has also been recognized as a "Champion of the Taxpayer" by the Arizona Federation of Taxpayers and an "Eagle for Enterprise" by the Arizona Small Business Association for his work on behalf of small-business owners.

In the Legislature, Bob served as a member of the House Water and Agriculture Committee, where he helped promote sound water management policies for our state. He 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 the Commerce & Military Affairs, Ways & Means, Financial Institutions & Insurance, Ethics and Education committees. Bob also helped craft several multi-billion-dollar budgets for our state.

Bob's innovative policy proposals have made front-page news in *USA Today* and serve as model legislation for legislatures throughout the country. He 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, Bob was a featured guest on C-SPAN's "Washington Journal," which devoted nearly an hour to discuss his policy ideas with a national audience.

Before seeking public office, Bob worked as a reporter and editor for leading national and local magazines and newspapers in Washington, D.C., and Tucson.

Bob also served as a research associate via the New York-based Manhattan Institute to author and former presidential speechwriter David Frum; as an aide to Fred Barnes and William Kristol; and as a speechwriter for Republican candidates and officeholders in Arizona.

Bob holds degrees from Harvard University, where he studied political philosophy with columnist George F. Will, as well as American religious history, 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 Bob Burns

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, Bob 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, Bob 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, Bob wrote and tested standardized control panel software packages for many power generation facilities.

After retiring from Honeywell, Bob 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 began his career in public service as an elected State Representative. In the House of Representatives Bob 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 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, Bob was elected to the Arizona State Senate, where he again distinguished himself as an outstanding leader. Bob served as Chairman of Appropriations, and on a number of committees, including Rules, and Finance.

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

While serving in the Legislature, Bob 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.
- Autism Society of America "dedication and leadership at the Arizona Legislature".

Bob’s public and community service extends beyond his substantial time in the Legislature. As an active member of the community, Bob 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 Doug Little

Interim Chairman December 2015-February 2016

Chairman February 2016-July 2016

Commissioner Doug Little was elected to the Arizona Corporation Commission (ACC) in November 2014 and sworn into office on January 5, 2015.

Prior to his election, Little spent more than three decades in the computer software industry. Throughout his career, he was engaged with companies that delivered cutting-edge solution and major innovations in project management, database, software development and web-based technologies.

His resume includes executive and sales management positions at Oracle, Borland, and Micro Focus International. As Vice President of North America Direct Sales at Micro Focus, Little successfully managed a national direct sales team of over forty people and was responsible for negotiating multi-million dollar license agreements with dozens of Fortune 100 companies including Wal-Mart, State Farm Insurance, and CVS Pharmacies.

Earlier in his software career, Little spent nearly fifteen years working on large-scale projects with construction, energy, and telecommunication companies including Bechtel Power, Fluor Corporation, AT&T, Chevron, Southern California Edison, and PG&E.

As an Arizona Corporation Commissioner, he is responsible for making multi-million dollar regulatory decisions impacting energy, water, and telecommunications utilities in Arizona. He has proven skills in strategic and financial planning, and in weighing important legal, regulatory, economic, and political considerations that shape energy and water policy in Arizona.

Commissioner Little maintains solid relationships with state and federal utility regulators, utility industry leaders and consumer representatives by his active participation in the National Association of Regulatory Utility Commissioners (NARUC), where he is highly respected for his industry knowledge, principled decision-making, and personal integrity.

He is also a member of the NARUC Electricity Committee, the Critical Infrastructure Subcommittee, and was appointed by NARUC President Lisa Edgar to serve on the Task Force on Telecommunications Act Modernization. Additionally he represents the ACC on the Western Energy Imbalance Market Body of State Regulators and he is an active participant in the Western Interconnection Regional Advisory Board. Little is also a member of the Harvard Electricity Policy Group and the Critical Consumer Issues Forum.

As a strong supporter of a diverse energy portfolio, Little has long advocated for the inclusion of more renewable energy resources, like wind and solar, balanced with traditional generation technologies like natural gas, nuclear, and clean coal. He is also a strong advocate for the adoption of new technologies like energy storage, as well as energy efficiency, and energy conservation programs.

Commissioner Little is a strong consumer advocate who has worked to develop more effective operations resulting in lower prices and more efficient methods of delivering gas, water, and electricity. He is committed to maintaining Arizona's national leadership in emerging power generation technologies and works to implement cost effective energy and water policies that encourage economic development while providing clean, safe, reliable, and affordable utility services for all Arizonans.

Doug, his wife, Linda, and his daughter, Micaela, live in the northeast valley and have been residents and ratepayers in Arizona for over 17 years.

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### Commissioner Tom Forese

Commissioner Tom Forese has a distinguished record of accomplishment at the Arizona legislature. Commissioner Forese was Chairman of the House Commerce Committee which plays a crucial role in economic development and job creation. He also serves on the critically important House Appropriations Committee.

Commissioner Forese has been actively involved as an executive in both business and educational organizations. This experience has prepared him well for the highly technical and demanding responsibility of a Corporation Commissioner. He knows what it takes to create jobs, and understands the importance of low energy rates, as they are essential to economic growth and the creation of quality jobs.

Commissioner Forese is a devoted husband and father. He and his wife Casey are the parents of four children and live in the southeast valley. Commissioner Forese is committed to making certain that Arizona has a bright and prosperous future for all of our residents.

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## Commissioner Andy Tobin

Commissioner Andy Tobin is a well-known leader in Arizona state government. Prior to his appointment to the Arizona Corporation Commission, Tobin was appointed by the Governor to serve as director of the Arizona Department of Insurance in October 2015, providing oversight of all insurance companies, agents, brokers, licensing, and consumer protections. In addition, he was appointed acting director of the Arizona Department of Financial Institutions. Prior to those appointments, Tobin served as director of the Arizona Department of Weights and Measures, helping consolidate the agency, reducing costs and improving consumer services and protections.

Commissioner Tobin was a long-time member of the Arizona House of Representatives, representing rural Arizona from 2006 to 2014. He was Speaker of the House from 2011 to 2014. Prior to his Speakership, he served as the House Majority Leader and Majority Whip. During his tenure in the House, he was appointed Vice Chair of the Education Committee and was a member of both the Pensions and Health and Human Services Committees, to name a few. Tobin was instrumental in passing landmark economic development tax reform, reinventing Arizona's Commerce Authority, and establishing the Department of Child Safety.

Prior to joining the Department of Insurance, Tobin owned and operated insurance and consulting companies for 20 years and was also CEO of a local aerospace company, employing 200 people, from 2000 to 2003.

Tobin was elected the National President of the United States Junior Chamber of Commerce (Jaycees) from 1988 – 1989. In that capacity, Mr. Tobin served as ex-officio board member of the Muscular Dystrophy Association, St. Jude's Children's Research Hospital, and the Hugh O'Brian Foundation. As head of the Jaycees, he also worked with the Reagan-Bush Administration regarding the passage of a Balanced Budget Amendment to the U.S. Constitution and a Line Item Veto.

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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

*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 divisions of the Commission.*

The Administration Division is composed of the elected Commissioners and their staffs, the Executive Director's office and the Administrative Services offices 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 2015-16, the Commissioners and employees together:

- Contributed through individual donations and pledges to the State Employees Charitable Campaign, which supports local, national, and worldwide charities providing direct and primary health and human services or those engaged in environmental or historical preservation or conservation.
- Volunteered time to non-profit groups, conduct employment outreach to under-represented groups, host food drives, donate blood in specially arranged blood drives held at the Commission's facilities; and
- Fully supported and actively participated in environmental improvement activities through Capitol Rideshare (car pools, telework, public transit) and recycling of paper, plastic, and aluminum cans.

In FY 15-16, the Commission was recognized as an Arizona Veteran Supportive Employer!

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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 the Appendix.

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 2015-16 the Administrative Services Division received and processed over \$70 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 965 RFP's; 1,450 claims; received and entered 300 items into inventory; and serviced 306 employees through personnel actions, recruitments, and payroll transactions.

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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, Customer Contact, 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, 2016, there were a total of 891,637 corporations and LLCs transacting business in the State of Arizona.

Total Corporations & LLCs.....	891,637
Annual Reports Filed .....	121,744
Total Phone Calls Handled .....	133,954

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### Corporate Filings Section

Some of the key documents processed by the Section during FY 2015-16 were as follows:

Domestic Articles of Incorporation.....	5,728
Foreign App. for Authority.....	1,982
Amendments – corporations .....	1,554
Amendments – LLCs.....	19,003
Domestic and Foreign Mergers.....	1,017
Domestic Articles of Organization (LLCs).....	55,503
Foreign applications for LLCs.....	3,570
Dissolutions/Withdrawals.....	2,098
LLC terminations.....	6,354

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### Customer Contact Section

Customer Contact employees handle telephone inquiries regarding corporate filings. The staff researches rejected filings, assists online filers, and responds to other general filing questions.

Incoming Calls.....	143,467
Total Phone Calls Handled.....	133,954

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### Annual Reports Section

The documents processed by the Annual Reports Section during FY 2015-16 were as follows:

Annual Reports filed.....	121,744
E-submitted Annual Reports.....	105,969
Total Reinstatements.....	5,527
Notices of Pending Administrative Dissolution or Revocation.....	31,917
Certificates of Administrative Dissolution or Revocation .....	12,623

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### Records Section

The Records Section processed 10,617 records orders received by mail, fax, and over the counter during FY 2015-16. 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 handled 3,339 requests to accept service during FY 2015-16.

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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 2015-16:

Payments processed.....	136,859
Total payments processed.....	297,542
Documents Scanned.....	204,537

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## Hearing Division

Dwight D. Nodes  
Chief Administrative Law Judge

**Mission:** *To preside over administrative hearings and procedural conferences concerning complex utility and securities matters, and to write and submit Proposed Opinion and Orders for the Commissioners’ consideration at Open Meeting.*

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 2015-16, the Hearing Division's ALJs conducted 235 public hearings/arbitrations, procedural and pre-hearing conferences, encompassing a total of 266 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 2015-16, the Hearing Division prepared a total of 131 recommended orders, 58 for cases involving a hearing and 73 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 2015-16, the Hearing Division issued 373 procedural orders.

During FY 2015-16, a number of rate cases were resolved, including: Tonto Basin Water Company, Greenhaven Water and Sewer Companies, Red Rock Utilities, EPCOR, Loma Linda Estates, Great Prairie Oasis, Utility Source, Baca Float Water, Verde West Irrigation, Tierra Buena, Quail Creek Water Company, Parker Lakeview Water Co., Cordes Lakes, Management Systems dba Jakes Corner Water (emergency rates), Arroyo Water Co. (emergency rates), Chaparral Water Co., Garkane Power Cooperative, Pine Valley Water Co., Appaloosa Water Co., Hydro-Resources, Inc., Chino Meadows II Water Co., and Granite Mountain Water Company.

Other significant cases that were resolved in FY 2015-16 include: Michelle Lee Wagner (securities); AEPCO (finance); Willow Valley/EPCOR (sale/transfer CC&N); Truxton Canyon (finance); TEP (finance); AEPCO (environmental compliance adjustment rider); Johnson Utilities (terminate standpipe service); Pipeline Safety Rulemaking; Out of the Blue Processor (securities); APS (lost fixed cost recovery); CC&N extensions; A.R.S. §40-242 hearings; rulemakings to update utility classifications and amendments to REST rules; and various railroad upgrades.

During FY 2015-2016, significant time was also invested in hearings, procedural conferences, and procedural orders related to the following cases: Arizona Corporation Commission (rulemaking); TEP, APS, SSVEC (net metering); Kent Maerki (securities); and various generic dockets

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

The Hearing Division also conducted hearings and wrote Recommended Orders in a number of complaint proceedings brought against utilities, such as: Johnson Utilities, Payson Water Company, Desert Gas L.P. and Qwest Corporation-dba Centurylink.

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 2016-17, the Hearing Division anticipates a busy hearing year conducting cases such as: Trico Electric Cooperative (rates); Liberty Utilities (rates); Clear Springs Utilities (rates); TEP (rates); LoanGo Corporation (securities); Bermuda Water Company (rates); Franklin AAA Holdings (securities); Robert Moss (securities); David Escarcega (securities); Concordia (securities); Tracy and Jeanette Wengert (securities); Southwest Gas (rates); EPCOR (rates); Rio Verde Utilities (rates) APS (rates); §40-252 hearings; rulemakings; and various railroad upgrades.

During FY 2015-16, Docket Control continued to scan documents and final decisions from prior years into eDocket, which will enhance the ability of users to research relevant documents.

The following public hearings were held during FY 2015-16:

<b>Type of Hearing</b>	<b>Number</b>
Orders to Show Cause and Complaints .....	3
Certificates of Convenience and Necessity.....	11
Rate Cases .....	59
Securities Division .....	51
Miscellaneous (oral arguments, motions to compel, etc.).....	0
CC&N Extensions .....	13
Transfers/Sales.....	2
Railroad/Pipeline Safety Group .....	17
Public Comments.....	14
Rules (new and amended).....	1
Arbitration.....	0
Generic Investigations.....	0
Deletions .....	0
Tariff.....	0

Line Extensions/Agreements .....	0
Financing.....	8
Adjudications.....	0
Line Siting.....	4
Mergers.....	0
Amend Decisions.....	4
<b>SUB TOTAL.....</b>	<b>187</b>
Procedural Conferences.....	28
Pre-hearing Conferences.....	21
<b>TOTAL.....</b>	<b>236</b>

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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 2015-16, the Docket Control Center processed the following documents:

Responses to Inquiries/ Research/Assistance.....	1,275
Filings docketed & distributed.....	7,325
<b>Opinion and Orders/Administrative Closures processed and mailed.....</b>	<b>488</b>
New applications input.....	611
Open Meeting items processed.....	850
Certifications.....	54
Transcripts logged & microfilmed	
Utilities.....	193
Securities .....	27

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## 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 two areas:

- Development – Software engineers who develop, maintain and enhance the various systems used by agency staff and the general public; analysts who gather requirements and manage project work.
- 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 2016, the IT Division continued to enhance and expand the Commission's technology capabilities, as outlined below:

- Updated Request to Speak application for public comment to the latest software technology.
- Implemented online LLC filings for Corporation registration, resulting in a rework rate reduction of 50% on this filing type. Online filings were at 43% year-end.
- Implemented required statutory changes for corporation restructure documents into our corporation registration system.
- Completed application replacement of Utilities complaint management system, tying online complaint submission to work queues, resulting in less data entry for staff.
- Implemented Docket case management enhancements including viewing data by company rather than just case, and an improved pdf conversion process.

- Updated email system to Exchange 2013 and upgraded MS Office to 2013.

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Legal Division  
Janice Alward  
Chief Counsel

**Mission:** *To provide professional, high quality legal representation to the Arizona Corporation Commission; 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 approval to undertake certain activities, such as the provision of service to the public, the modification of service territories, or the implementation of rate increases.

The Commission is authorized to exercise ongoing review over the operations of public service corporations and to act when necessary to further the public interest. Legal Division representation in these matters is varied and includes representing the Utilities Division and advising the Commissioners on legal issues. 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 water providers, including Arizona Water Company, Community Water Company of Green Valley, and Sahuarita Water Company. The Legal Division has also represented Staff in a number of rate cases for energy companies, such as Tucson Electric Power Company, UNS Electric Company, Sulphur Springs Valley Cooperative, Trico Electric Cooperative, and Arizona Public Service Company.

The Legal Division represented Staff in various rate adjustment proceedings associated with purchased fuel or power mechanisms, energy efficiency, or renewable energy.

The Legal Division has also represented Staff in the hearings for the *Value of Solar* docket. This proceeding was initiated to establish methods for determining the cost and value of solar distributed facilities.

The Legal Division also represents the Commission's Safety Division in applications addressing railroad crossings.

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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 2015-2016, the Legal Division represented the Commission in matters before the Federal Energy Regulatory Commission (FERC) to ensure that Arizona's public interest is considered in these matters. Additionally, the Legal Division represents the Commission in several of the Environmental Protection Agency's (EPA) rulemaking proceedings. The Legal Division also represented the Commission in Federal Communication Commission (FCC) dockets.

Key federal proceedings included:

- EPA's Notice of Proposed Rulemaking for Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units;
- EPA's Proposed Rulemaking Setting National Ambient Air Quality Standards for Ozone;
- FCC's Notice of Proposed Rulemaking on Inmate Calling Services.

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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, and the State Supreme Court, as well as before various federal courts.

The cases filed or pending during FY 2015-16 include the following:

- *North County Communications v. Qwest, et al.*, appeal to the Ninth Circuit Court of Appeals challenging a Commission decision. The Court affirmed the Commission's decision.

- *Wind P1 Mortgage Borrower, LLC v. Ariz. Corp. Comm'n*, an appeal in the Arizona Court of Appeals challenging a Commission decision to close a sewer treatment plant. Parties settled the matters, and the appeal was withdrawn.
- *West Virginia, et al. v. EPA, et al.*, Commission appeal to the D.C. Circuit Court of Appeals challenging the EPA's "Clean Power Plan." Plaintiffs appealed to the U.S. Supreme Court for a stay of the Plan, which was granted.
- *RUCO v. Ariz. Corp. Comm'n*, Commission appeal to the Arizona Supreme Court concerning the ratemaking treatment of Arizona Water Company's plant upgrades. The Court overturned the Court of Appeals' decision, thereby affirming the Commission's decision.
- *RUCO v. Ariz. Corp. Comm'n*, three separate cases in the Court of Appeals challenging multiple Commission decisions concerning the ratemaking treatment of utility plant upgrades. Based on the Arizona Supreme Court's determination in a related case, these appeals were withdrawn.
- *Ariz. School Boards Assoc. & Ariz. Assoc. of School Business Officials v. Ariz. Corp. Comm'n*, appeal to the Court of Appeals concerning the ratemaking treatment of APS's purchase of units 4 and 5 of the Four Corners Power Plant. Due to the Arizona Supreme Court's ruling in *RUCO v. Ariz. Corp. Comm'n*, the court required parties to submit additional briefing.
- *Warren Woodward v. Ariz. Corp. Comm'n*, an appeal from the Superior Court to the Court of Appeals challenging the Commission's decision regarding APS's "smart meters."
- *Marshall Magruder v. Ariz. Corp. Comm'n*, an appeal to the Court of Appeals challenging a Commission rate case decision.
- *Scott Peterson, dba Checks & Balances, v. Ariz. Corp. Comm'n & Robert Stump*, a Superior Court case challenging the Commission's response to public records requests.
- *Warren Woodward v. Ariz. Corp. Comm'n*, a Superior Court case challenging the Commission's response to public records requests.
- *Peter T. Else vs. Ariz. Corp. Comm'n*, a Superior Court case challenging the Commission's issuance of a Certificate of Environmental Compatibility to SunZia Transmission, LLC.
- *FERC v. Elec. Power Supply Assoc., et al.; EnerNOC, Inc., et al. v. Elec. Power Supply Assoc., et al.*, participation in an amicus brief before the U.S. Supreme Court regarding FERC's jurisdiction over the wholesale prices paid for demand

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## Administrative Matters

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

The Legal Division also provides advice to the Corporations Division, which 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.

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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, and the annual summer and winter preparedness workshops. Also, the Legal Division has participated in a variety of workshops addressing the value of Distributed Generation, the 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 without violating 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 assigned to advise Commissioners.

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## Media 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 create press releases and foster media contacts in order to promote the Commission's work to the public. To participate in media and public outreach to provide safety messages for residents while communicating important messages regarding residents' utilities and services. To develop and maintain the Commission's website.*

The Media 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 video and audio 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.

### 2015-2016 Annual Report

In the Summer of 2015 Broadcast Services was formally changed to Media Services when we added the Communications Department to the division. After a nearly two-month search involving more than a dozen highly qualified candidates, Angie Holdsworth, formerly of Phoenix television news Channel 15, was chosen to head up the Communications Department of the Media Services Division. Angie dove right in and immediately transformed the department into a professional public information office. In addition to sending out press releases announcing and reporting on Open Meetings, Workshops and Hearings, Angie has developed excellent relationships with members of the media and has been successful in developing news stories highlighting the positive activities and message of the Commission.

Web Content Manager Julius Santos updated and maintains the press release directory; decommissioned the outdated web statistic server, Birdman; and structured our Granicus media archive. Additionally, he reconstructed all the Division main pages; completed building secondary pages (with outside vendor STG); refreshed outdated pages; updated all pages for Safari and Chrome capability; and updated and refreshed CMS tool. Julius also continues to create new analytics/statistics solutions and is always fixing broken links.

Under the direction of Broadcast Manager Dan Pasula, the Broadcast Department continues to produce and archive all Open Meetings, Hearings and Workshops. Additionally, Senior Broadcast Tech Mike Valladao and Division Director Ron Bellus produced the following videos: the balance of Commissioner Tom Forese's "Inspire" video series, a ten-part series of interviews with successful Arizona entrepreneurs; supervisor training video for disciplining employees; Active Shooter training video; SECC kick-off video; Arizona 8-1-1 PSA/video; all the ROSE quarterly recognition and special events; "Welcome to e-docket" video; and the Biennial Transmission Assessment Workshop video. Also, Mike and Ron accompanied Commissioner Andy Tobin on his statewide outreach to rural communities visiting Yuma, Bullhead City and Kingman, and Window Rock and Show Low. Broadcast Tech Steve Rosendahl worked on the following: programming and testing audio and control systems for Phoenix Hearing Room 2; reprogramming audio and control systems for Phoenix Hearing Room 1; reprogramming audio system in Commissioners' Conference Room; update antenna system for Phoenix Hearing Room 1; and inventoried all audio/video equipment for

Division. Work continues on the design and preparation of Tucson Hearing Room audio and control systems.

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Safety Division  
Jeff M. Hatch-Miller  
Interim Director

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Railroad Safety Section  
Brian Lehman  
Supervisor

**Mission:** *To ensure that the citizens of Arizona as well as railroad employees throughout the State have a Railroad System that is operated and maintained in as safe a manner as possible.*

The Railroad Safety Section enforces Federal Railroad Administration (FRA) regulations and standards relative to track, signal, motive power and equipment, railroad operating practices, and the shipment of hazardous materials by rail. The Railroad Safety Section is also responsible for enforcement of Commission regulations dealing with rail safety as well as inspection and review of industrial track and rail-highway grade crossing construction projects. In addition to its main office in Phoenix, Rail Safety inspectors are also located in the Commission's Tucson office. This staffing arrangement provides the Commission and the citizens of Arizona with the ability to respond quickly to any rail incident and for direct contact for more routine matters.

During FY 2015-2016, the Section inspected 1,489 miles of track, 1,910 freight cars, 187 locomotives, 288 grade crossings, and 9 industrial track facilities. In addition, 14 incidents were investigated that involved tank cars carrying hazardous materials. The Railroad Safety Section assisted the FRA in the investigation of the 23 incidents as part of its hazardous materials inspection responsibilities. Additionally, 497 signal and train control devices were inspected. The Section investigated 24 train derailments, along with 15 grade crossing accidents and 21 complaints received from other governmental agencies, railroad employees and the public. In total, the Section recommended 29 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 more than 700 public rail-highway crossings throughout the state and prepares a list of crossings to be considered for improvement using federal funds. From the list, the Commission publishes an array of 5-8 crossings each year. During FY 2015-16, the Commission approved 5 crossing projects for improvement using federal funds. The array is then submitted to Arizona cities, towns, and/or counties to make application for funding through ADOT to the FHWA.

Another responsibility of the Section is reviewing applications for modification to existing at-grade crossings or the creation of new at-grade crossings. Staff reviews and analyzes such crossing applications and makes recommendations to the Commissioners regarding safety requirements at the crossings. During FY 2015-2016, the Commission approved 9 crossing improvement projects.

The Section is also very active in the Arizona Operation Lifesaver Program, a public awareness program that promotes rail-highway crossing and trespasser safety. During FY 2015-2016, Railroad Safety Staff gave Operation Lifesaver grade crossing safety presentations to school bus drivers and school transportation officials in 3 Arizona public school districts. The Railroad Safety Section is in the process of hiring three new inspectors to include the disciplines of Track, Highway Grade Crossing and a Signal & Train Control inspector. The Section anticipates hiring these inspectors by August 31, 2016.

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### Safety Division

Jeff M. Hatch-Miller

Interim Director

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### Pipeline Safety Section

Gregory D. Taylor

Interim Supervisor

**Mission:** *To enforce federal and state pipeline safety regulations and to provide training and guidance to pipeline operators to ensure safe operation of pipeline facilities. To enforce the Arizonan Underground Facilities Law and to provide training to facility owners and excavators in an attempt to reduce damage to underground facilities and to eliminate personal injuries and deaths associated with the underground facilities.*

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, previously 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 938 master meter natural gas operations.

During FY 2015-16, the Pipeline Safety Section inspected 10 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, 5 interstate gas transmission operators, and 1 interstate hazardous liquid pipeline operator. In addition to the comprehensive inspections above, Pipeline Safety Section staff also conducted 111 specialized inspections, 21 follow-up inspections, and 1 incident investigations of major intrastate operators.

The Pipeline Safety Group conducted 596 comprehensive master meter (MM) inspections, 141 specialized MM inspections, 355 follow-up MM inspections and 204 construction inspections of master meter natural gas distribution systems. In addition during FY 2015-16, the Pipeline Safety Section investigated 118 reported violations of the Underground Facilities Law, issued 84 notices of violations and collected \$33,000 in fines.

Staff also received 1,137 notices of incidents from pipeline operators. Pipeline operators shut off gas service to 87 master meter gas systems that required repair. During the fiscal year, the Pipeline Safety Section provided 14 training workshops for 250 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 Damage Prevention seminars held state-wide, with various utility operators, Arizona Utility Contractors Association (AZUCA) and Arizona 811 with a total of 2,076 attendees.

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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.

### FY2016

- The Division processed 95 dealer and 37,805 salesman registrations.
- At the close of FY16 1,933 dealers and 193,813 salesman were registered in Arizona.
- The Division processed 305 investment adviser registrations and 2,810 investment adviser representative licenses.
- At the close of FY16 there were 2,584 investment advisers licensed in Arizona of which 586 were based in Arizona. In addition, there were 8,185 investment adviser representatives licensed.
- The Division conducted 55 field examinations of dealers and investment advisers.
- The Division processed 27,863 applications for securities registration and notice filings, 1,837 filings for various exemptions from registration and 2,074 name change requests.

Division duty officers responded to approximately 5,755 inquiries from the public.

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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.

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.

### FY2016

- The Division initiated 24 investigations and had a total of 44 matters under investigation at fiscal year-end.
- The Division filed 11 administrative proceedings involving 30 respondents, and assisted state and federal law enforcement agencies in obtaining 11 indictments.
- The Corporation Commission issued 15 Cease and Desist Orders against 33 respondents based on the Division's actions.
- The Commission also ordered 12 respondents to pay \$9,282,744 in restitution and 15 respondents to pay \$431,000 in administrative penalties.
- The Commission revoked or suspended 3 licenses or registrations.
- Criminal prosecutions assisted by Securities Division staff resulted in 10 criminal convictions with defendants being ordered to pay \$5,012,815 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 FY2016, the Division conducted and/or attended 37 public education programs/events with approximately 4,500 attendees. This outreach included both communities inside Maricopa County and other communities across the state.

In addition to group presentations, Division investor education staff participate in outreach organizations that address issues such as elder fraud and financial exploitation. The Division also 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 and the Financial Industry Regulatory Authority (FINRA).

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## Utilities Division

Thomas M. Broderick  
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 600 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 a monopoly to a competitive industry, the Utilities Division has the added responsibility of providing leadership and support in the development of competition. The Division works with the Commissioners and all affected stakeholders to develop equitable competitive markets that will benefit consumers of telecommunications services.

Throughout FY 2015-16, the Division devoted significant resources to the following major efforts:

- Arizona Public Service Rate Case
- Commission's Investigation of Value and Cost of Distributed Generation
- Garkane Energy Rate Case
- Graham County Utilities (Gas Division)
- Navopache Electric Cooperative (Streamlined Rate Case)
- Proposed Rulemaking Regarding Interconnection of Distributed Generation Facilities
- Resource Planning and Procurement
- Sulphur Springs Valley Electric Cooperative Rate Case
- Trico Electric Cooperative Rate Case
- Tucson Electric Power Rate Case
- UNS Electric, Inc. Rate Case

- Arizona Water Company Rate Case
- EPCOR Water Arizona Inc. Rate Case
- Green Acres Water Company Rate Case
- Liberty Utilities Rate Case
- Sahuarita Water Company Rate Case
- Southland Utilities Company, Inc. Rate Case
- Southwest Environmental Utilities, LLC
- Tacna Water Management Company Rate Case
- Utility Source LLC Rate Case
- Valley Utilities Water Company, Inc. Rate Case
- Review and preparation of recommendations for 9 Renewable Energy Standard and Tariff implementation plans
- Review and preparation of recommendations for numerous other electric and natural gas energy efficiency programs, including cost benefit re-calculations
- 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
- Ongoing efforts to monitor service quality and reliability among regulated utilities; and
- Modifications to Commission's Holding Companies and Affiliated Interest Rules

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

- 1) Revenue Requirements & Audits
- 2) Policy & Programs
- 3) Engineering;
- 4) Consumer Services;
- 5) Administrative Services.

The Division oversees the following numbers of utilities:

Telecommunications companies.....	275
Water utility companies.....	239*
Sewer companies.....	27*
Water and Sewer .....	23
Electric companies.....	16
Gas utilities.....	6

\*The Commission oversees over 450 individual water and sewer systems. Multiple systems can be operated by the same utility company.

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### Revenue Requirements & Audits

This Section is responsible for the analysis of all financial aspects of utility company applications, including requested approvals for rate increases, mergers, debt, transfers of assets, purchased power adjustor revisions, ACC authorized Systems Improvements Benefits filings, and applications for Certificates of Convenience & Necessity “CC&N”. 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 2015-16, the Section analyzed a number of large rate-related cases, as well as numerous 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, and rate design.

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### Policy & Programs Section

The Policy and Programs Section analyzes economic and policy issues pertaining to the Commission’s regulation of investor-owned electric and gas 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 & Necessity “CC&N” for competitive telecommunications firms.

The section is also responsible for compliance and enforcement and ensures that utilities comply with the provisions of the Arizona Revised Statutes, Commission rules and Commission orders.

Staff are 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 2015-16, staff reported the following compliance actions:

- 586 annual reports were mailed to utilities and monitored for filing.
- 161 new decisions were entered and tracked for compliance.
- 135 utilities were required to remit an annual assessment and monitored for compliance.

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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 Revenue Requirements & Audits Section in the processing of rate case applications, financing applications and other cases. Inspections are performed to determine whether 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, and quality of service and facilities of public service corporations. The Section engaged in the following activities during FY 2015-16:

**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 supports public comment meetings. When requested, the Consumer Services Section organizes a public comment meeting. 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. During FY 2015-16, the Consumer Services Section assisted with or held 14 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 14 mediations.

**Meter Testing:** The Consumer Services Section tests water meters when the accuracy of the meter reading is questioned. The Consumer Services Section tested 55 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 5 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 2,302 opinions including 96 petitions with 6,544 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:

**Complaints by Utility Type**

Communication Companies.....	491
Sewer Companies.....	26
Water Companies.....	411
Electric Companies.....	552
Gas Companies .....	201
TOTAL .....	1,681

**Complaints by Inquiry Type**

Billing issues.....	1,201
Deposit issues .....	99
New service issues .....	158
Service issues .....	219
Quality of service .....	946
Disconnect/termination .....	371
Repair issues.....	198

Rate case items .....	1,114
Rates/tariffs .....	188
Misc. /Non-jurisdictional .....	1,583
TOTAL .....	6,077

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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### Administrative Services Section

The Administrative Services Section provides general and complex administrative and clerical support to the Director’s office and the following Sections: Revenue Requirements & Audits; Policy & Programs; Engineering, and Consumer Services.

Administrative support staff 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 2015-16 include:

Staff Reports .....	103
Tariffs Administratively Approved.....	196
Testimony.....	42
Open Meeting Items.....	103
Telecom Interconnection Agreements .....	16

## Appendix

Table 1

### Commission Revenue by Source

**Fiscal Resources:** Through the budget process, the Arizona Corporation Commission identifies fiscal resource requirements to meet its constitutional and statutory responsibilities. The Commission receives funding through several sources: the State General Fund, the Utility Regulation Revolving Funds, the Arts Trust Fund, the Investment Management Act Fund, the Public Access Fund and Federal grants. All sources except federal grants are subject to 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 receives General Fund monies.

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 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.

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Table 1

### Revenue by Source

Commission Revenue by Source	Actual	Actual	Estimated
	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Corporation Filing Fees*	7,156,445	7,489,500	7,250,000
Security and Broker Fees*	20,518,248	21,087,200	21,500,000
Miscellaneous Service Charges**	50,374	35,200	50,000
Fines & Forfeitures*	891,029	773,200	800,000
Utility Assessments	15,280,119	6,397,500	13,000,000

Sec. Regulatory & Enforcement Fund	5,535,511	10,291,800	4,909,600
Sec. Investment Management Act Fund	2,882,163	3,019,100	3,000,000
Public Access Fund	6,884,175	7,386,200	7,390,000
Federal Grant***	<u>1,751,152</u>	<u>1,374,400</u>	<u>1,046,900</u>

**TOTAL            60,949,216      57,854,100      58,946,500**

\*Deposited in the State General Fund

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

\*\*\*Federal Grant revenue reflects amounts reimbursed to the Pipeline Safety Division'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

<b>Expenditures by Budget Program</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>
	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Admin., Broadcast & Hearings Divisions	6,279,858	6,586,298	6,079,900
Corporations Division	3,812,711	3,877,133	5,775,000
Securities Division	4,421,200	4,369,192	4,545,000
Railroad Safety Section	647,196	686,013	855,000
Pipeline Safety Section	1,724,965	1,832,590	1,750,000
Utilities Division	5,599,794	5,461,180	5,525,000
Legal Division	1,938,621	1,912,375	1,930,000
Information Technology	<u>2,455,162</u>	<u>2,364,448</u>	<u>2,600,000</u>
<b>TOTAL</b>	<b>26,879,507</b>	<b>27,089,229</b>	<b>29,059,900</b>

Table 3

Expenditures by Fund Source

Expenditures by Fund Source	Actual	Actual	Estimated
	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
General Fund	605,504	609,561	2,611,600
Arts Trust Fund	50,048	49,603	49,900
Sec Regulatory & Enforcement Fund	4,717,989	4,871,597	4,909,600
Sec Investment Management Act Fund	715,114	711,351	708,900
Utility Regulation Revolving Fund	13,807,547	13,722,914	13,718,400
Public Access Fund	6,171,163	6,121,649	6,161,500
Federal Funds**	<u>812,142</u>	<u>1,002,554</u>	<u>900,000</u>
<b>TOTAL</b>	<b>26,879,507</b>	<b>27,089,229</b>	<b>29,059,900</b>

\*\*Totals reflected are actual/estimated 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
		1938-1944
David F. Johnson	Democrat	1919-1924
Loren Vaughn	Democrat	1921-1932
W. D. Claypool	Democrat	1925-1930
Charles R. Howe	Democrat	1931-1936
Wilson T. Wright	Democrat	1933-1953

John Cummard	Democrat	1933-1934
W. M. Cox	Democrat	1935-1940
William Peterson	Democrat	1941-1946
William Eden	Democrat	1944-1947
William T. Brooks	Democrat	1947-1958
Yale McFate	Democrat	1947-1948
Mit Simms	Democrat	1949-1958
Timothy D. Parkman	Republican	1954
John H. Barry	Democrat	1955-1956
E. T. "Eddie" Williams, Jr.	Democrat	1957-1968
George F. Senner, Jr.	Democrat	1959-1962
A. P. "Jack" Buzard	Democrat	1959-1962
John P. Clark	Republican	1963-1964
Milton J. Husky	Democrat	1965-1970
Dick Herbert	Democrat	1965-1971
Charles Garland	Republican	1969-1974
Russell Williams	Republican	1970-1974
Al Faron	Republican	1970-1976
Ernest Garfield	Republican	1973-1978
Bud Tims	Republican	1975-1983
Jim Weeks	Democrat	1977-1982
Stanley Akers	Republican	1979-1980
John Ahearn	Democrat	1980-1981
Diane McCarthy	Republican	1981-1984
Richard Kimball	Democrat	1983-1985
Junius Hoffman	Democrat	1984
Marianne Jennings	Republican	1984
Sharon Megdal	Democrat	1985-1986
Renz Jennings	Democrat	1985-1999
Marcia Weeks	Democrat	1985-1996
Dale Morgan	Republican	1987-1995
Carl J. Kunasek	Republican	1995-2001
Jim Irvin	Republican	1997-2003
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	2007-2014
Sandra Kennedy	Democrat	2009-2012
Paul Newman	Democrat	2009-2012
Bob Stump	Republican	2009-present
Brenda Burns	Republican	2011-2014
Robert "Bob" Burns	Republican	2013-present
Susan Bitter Smith	Republican	2013-present
Doug Little	Republican	2015-present
Tom Forese	Republican	2015-present
Andy Tobin	Republican	2016-present