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*Arizona Corporation Commission*  
*Annual Report*  
*1981 - 1982*

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

ARIZONA CORPORATION COMMISSION

70th Annual Report

July 1, 1981 - June 30, 1982

Bud Tims, Chairman

Jim Weeks, Commissioner

Diane B. McCarthy, Commissioner

Timothy A. Barrow, Executive Secretary

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BUD TIMS  
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JIM WEEKS  
COMMISSIONER

DIANE B. MCCARTHY  
COMMISSIONER



TIMOTHY A. BARROW  
EXECUTIVE SECRETARY

## ARIZONA CORPORATION COMMISSION

July 1, 1982

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

Dear Governor Babbitt:

The Arizona Corporation Commission respectfully submits our 70th Annual Report covering the fiscal year ending June 30, 1982.

In this report we have tried to summarize our various functions and enumerate the accomplishments, goals, and objectives both achieved and undertaken during this past year. Our financial data and other statistical information will demonstrate clearly the increased volume of work exerted by the Commission. Our staff has performed well under the heavy load, yet we have found time to institute necessary changes and improve on our techniques and output.

Respectfully submitted,

BUD TIMS  
Chairman

BT:slm

## **BUD TIMS**

Chairman

Chairman Tims was first elected in January 1975, and again in January 1981. Prior to this he served a term on the Scottsdale City Council, from which he was appointed to the Office of Mayor in 1969. In 1969, he was re-elected to this position in 1969, 1968, and 1972. Dr. Tims, a Fellow of the American Academy of Optometry, serves on the Administration and Personnel Committee of the National Association of Regulatory Utility Commissioners. His term of office expires January, 1987.



## **DEANE B. MCCARTHY**

Deane B. McCarthy, who is from Chandler, Arizona, was a member of the Commission on Government in 1980. She served four terms in the Arizona Legislature prior to her appointment to the Corporation Commission. Her term expires January, 1985.

## **JIM WEEKS**

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



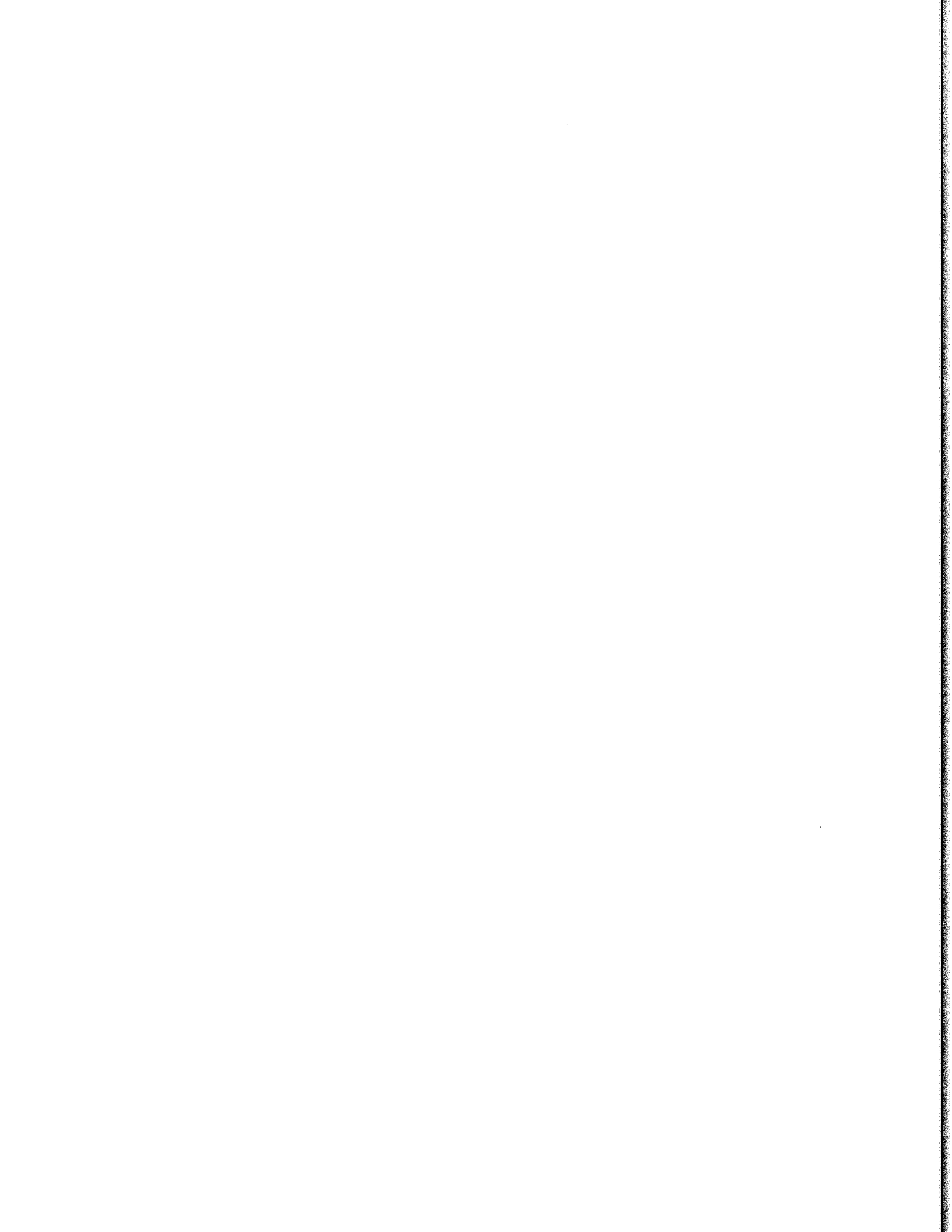


## PREFACE

The **Arizona Corporation Commission** was created by Article XV of the Arizona Constitution in 1912. It is composed of three Commissioners elected by the people of Arizona for a six year term, with one Commissioner standing for election every two years. In the case of a vacancy, the Governor appoints a Commissioner who must stand for election at the next general election to fulfill the unexpired term.

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

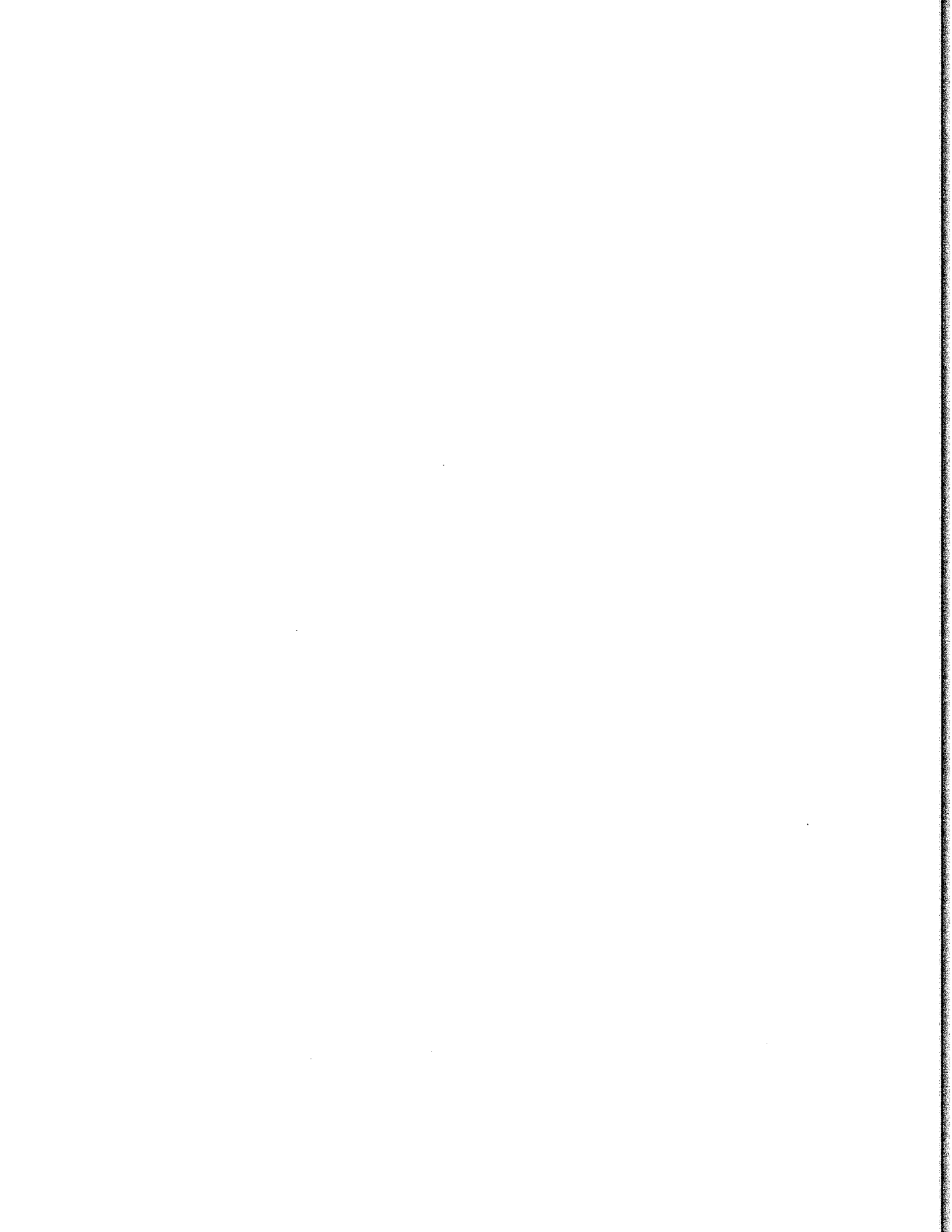
The Commission has four areas of regulatory responsibility. These are: **Utilities, Incorporating, Securities, and Railroad Safety**. This report further outlines the scope and authority of each of these jurisdictional areas.





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## EXECUTIVE SECRETARY

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

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

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

## ADMINISTRATION DIVISION

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

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

The Commission's data processing systems continued to expand in the Incorporating, Utilities, and Securities Divisions during the fiscal year 1981-82. The initial system design for an on-line Incorporating computer system was completed. This project will replace the existing batch system and is expected to be ready for testing during the first half of fiscal year 1982-83.

Automation of the Securities Registration process was completed in June 1982. This system provides on-line updating and inquiry into all files for securities registered in the State. Periodic reports and computer generated notices of effective registration should result in a more effective use of existing staff.

An Annual Reports and Assessments System was implemented in the Utilities Division. The system calculates assessments owed by Arizona utility companies and generates the corresponding billing notices.

In addition to these data processing activities, the Commission centralized its docketing functions by forming a Docket Control Section within the Administration Division. This action formalized filing procedures, providing greater accountability and a more efficient case tracking system. Plans were made for the future automation of this new section.

The Cashier's Report and Summary of Expenditures for fiscal year 1981-82 are shown in the following tables. (The Commission's receipts were deposited in either the State General Fund or the State Highway Users Fund. An appropriation is made each year to the Commission from the General Fund.)

CASHIER'S REPORT

July 1, 1981 through June 30, 1982

| <u>DIVISION</u>                           | <u>REVENUE</u> |
|---|----------------|
| Administration/Hearing (Misc. Refunds)    | 4,120          |
| Incorporating                             | 2,534,218      |
| Utilities                                 | 3,988,709      |
| Motor Transportation (Highway Users Fund) | 863,261        |
| Securities                                | 664,132        |

**EXPENDITURE DETAIL**  
**70th FISCAL YEAR**  
**1981 - 1982**

| <u>Division</u>                      | <u>Actual Expenditures 1980-1981</u> | <u>Actual Expenditures 1981-1982</u> |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Administration/Hearing               | 1,371,800                            | 1,282,500                            |
| Incorporating                        | 563,500                              | 659,900                              |
| Utilities                            | 1,377,600                            | 1,581,000                            |
| Motor Transportation                 | 1,597,000                            | 1,462,600                            |
| Securities                           | 932,800                              | 978,200                              |
| Federal Funds-PURPA/Innovative Rates | 210,000                              | 177,100                              |
| <b>TOTAL</b>                         | <b>6,052,700</b>                     | <b>6,141,300</b>                     |
| <br>                                 |                                      |                                      |
| Personal Services                    | 3,327,200                            | 3,497,300                            |
| Employee Related Expenditures        | 676,100                              | 720,700                              |
| Professional & Outside Services      | 381,500                              | 379,400                              |
| Travel-In State                      | 159,000                              | 108,200                              |
| Travel-Out of State                  | 20,600                               | 14,400                               |
| Other Operating Expenditures         | 532,900                              | 587,900                              |
| Equipment                            | 116,100                              | 56,300                               |
| Utilities Audits/Studies             | 473,400                              | 489,700                              |
| Other                                | 155,900                              | 110,300                              |
| Federal Funds/PURPA/Innovative Rates | 210,000                              | 177,100                              |
| <b>TOTAL</b>                         | <b>6,052,700</b>                     | <b>6,141,300</b>                     |

## HEARING DIVISION

Under the supervision of the Chief Hearing Officer, hearings are designed to bring out the information and physical evidence on which the Commissioners base their ultimate decisions. Hearing Officers take testimony, make rulings from the bench, and determine points of law as they apply to any given proceeding. They also draft recommended orders for the Commissioners' consideration and approval, and issue various procedural orders on their own authority, subject to Commission review. A summary of the 445 hearings held during fiscal year 1981-82 is shown below.

| <u>Type of Hearing *</u>                | <u>1981-82</u> |
|---|----------------|
| Rate                                    | 157            |
| Order to Show Cause                     | 15             |
| Order Preliminary                       | 2              |
| Fuel Escalation                         | 6              |
| Gas Variance & Moratorium               | 6              |
| Insurance Violations                    | 11             |
| Contract Carriers                       | 22             |
| Common Carriers                         | 51             |
| Financing                               | 46             |
| Certificates of Convenience & Necessity | 26             |
| Adjudication                            | 5              |
| Sale (Property)                         | 3              |
| Transfers                               | 29             |
| Amendments                              | 2              |
| Rules (new rules and rule changes)      | 4              |
| Incorporating                           | 1              |
| Miscellaneous                           | 59             |

\* The total number of hearings will not reflect all of the final orders prepared by the Hearing Division. Pursuant to law, some matters may be summarily adjudicated, while in other instances the parties may resolve their disputes prior to hearing.

## SOUTHERN ARIZONA OFFICE

For the last 20 years, the Commission has maintained a small but well-trained staff in Tucson. A District Representative heads and supervises the office and represents the Commission in Southern Arizona.

The Commission strongly believes that by resolving problems at the local and lowest level, both the public and the State are better served. This decentralization of the Commission's functions has proved to save taxpayers' time and money.

The Tucson Representative is also the Corporation Commission Hearing Officer assigned to hear cases throughout Southern Arizona. In addition, he is a Joint Board Member of the Interstate Commerce Commission delegated by that Federal Agency to hear all motor carrier cases involving interstate commerce of the State of Arizona and its adjoining states.

Prior to the implementation of the July 1, 1982 Motor Transportation Deregulation Act, every Division of the Commission was represented in the Tucson office.

During the 1981-82 fiscal year, the Incorporating Division in the Tucson office, staffed by only two clerical employees, collected \$205,200.00 in various fees. In the process, approximately 8,000 documents were examined and filed. In addition, the staff provided record maintenance service to its corporate clients and answered a monthly average of 2,500 counter and telephone inquiries.

The Utilities Division, staffed by just three inspectors, handled a total of 7,325 inquiries during this past fiscal year.

As shown by the statistical data following hereto, this Division experienced a 5.2% increase in telephone inquiries and an 11.2% decline in formal investigations. This decrease in formal investigations is directly attributable to the Commission's increased staffing of the office in fiscal year 1981. This one additional inspector enabled the Division to provide a more in-depth handling of telephone inquiries, thereby reducing the necessity of formal investigations.

### INQUIRIES

|         | Water | Telephone | Gas   | Electric | Sewer | Total |
|---------|-------|-----------|-------|----------|-------|-------|
| 1980-81 | 2,462 | 2,287     | 936   | 1,228    | 37    | 6,950 |
| 1981-82 | 2,311 | 2,319     | 1,353 | 1,302    | 40    | 7,325 |

### FORMAL INQUIRIES

|         | Water | Telephone | Gas | Electric | Sewer | Total |
|---------|-------|-----------|-----|----------|-------|-------|
| 1980-81 | 162   | 366       | 115 | 168      | 1     | 812   |
| 1981-82 | 157   | 294       | 123 | 144      | 7     | 725   |

## INCORPORATING DIVISION

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

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

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

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

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

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

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

As indicated by the results of the 1980 census, Arizona is one of the fastest growing states in the nation, with Phoenix now being the ninth largest city. This growth is also reflected in the business community, judging by the increase in filings over the last fiscal year. Foreign corporations alone constituted a 14% increase. Continued growth is evident. There are presently 65,000 active corporations on file with this Division and over 120,000 inactive. Total revenue for the fiscal year 1981-82 exceeded \$2.5 million with expenditures of \$659,894.



## Activity Report

The Incorporating Division is comprised of five (5) Sections, with each Section designed to perform specific functions. The following information outlines the work performed by each Section and a general listing which reflects the volume for fiscal year 1981-82.

Incorporating Section. Processes and approves all original filings.

|                                    |        |
|------------------------------------|--------|
| Domestic Articles of Incorporation | 10,756 |
| Foreign Applications for Authority | 2,343  |
| Domestic & Foreign Amendments      | 2,596  |
| Domestic & Foreign Mergers         | 388    |

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

|                     |        |
|---------------------|--------|
| Documents processed | 61,972 |
|---------------------|--------|

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

|                                   |        |
|-----------------------------------|--------|
| Certificates of Compliance issued | 4,488  |
| Certification Orders              | 5,089  |
| Revocation Notices                | 9,037  |
| Delinquency Notices               | 25,693 |

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

The Records Section has completed its reorganization pursuant to recommendations made by the Joint Legislative Budget Committee in its management study report of May 1981. Recommendations made by a paperflow study of the Division are presently being acted upon in conjunction with the installation of a computer-assisted microfilm retrieval system.

Due to the 1982-83 budget reductions, the customer service counter has reduced its hours of operation to 8:00 a.m. until 2:00 p.m. daily. However, telephone service was expanded permitting a total of nine (9) public information lines and adding separate telephone lines for each Section.

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

It is projected that the Tucson Office will continue its growth during fiscal year 1982-83. The workload of this office has increased 100% since its inception in 1976.

## MOTOR TRANSPORTATION DIVISION

On July 1, 1982, economic deregulation of the transportation industry became effective. During the period of time from March 1982 to June 30, 1982, six functions of the Motor Transportation Division were transferred to various other state agencies.

The personnel of the Authority, Tariff & Rate, and Auditing Sections were transferred to the Arizona Department of Transportation. Staff who had been assigned to the safety enforcement of motor carriers were transferred as a unit to the Department of Public Safety. The move also included two Hazardous Materials Specialists. Personnel assigned to inspection responsibilities for ambulances were transferred to the Department of Health Services.

The remaining railroad safety functions were designated as the Railroad Safety Division in the Corporation Commission. The duties of this division were upgraded to include Hazardous Material inspections involving railroad transportation in Arizona.

## RAILROAD SAFETY DIVISION

The Railroad Safety Division is responsible for enforcing railroad track and freight car safety standards established by the Federal Railroad Administration. This Division also investigates railroad accidents throughout the state and works with industry to increase hazardous material transportation safety. Railroad crossings, industry tracks, and new railroad construction are reviewed by staff of this Division for Commission approval.

In addition to the foregoing, this Division works with federal, state and local agencies on a number of projects ranging from upgrading safety devices at railroad crossings to participation in the National Operation Lifesaver program of the National Safety Council.

The Corporation Commission, through its Railroad Division staff, also administers the state share of money dedicated to improving railroad crossing safety devices. Since the inception of this program \$339,660 in state funds has been spent to improve safety warning devices on 75 railroad crossings in the state.

Rail-highway grade crossing improvement statistics for fiscal year 1981-82 are as follows:

|   |           |
|---|-----------|
| Amount in State Crossing Improvement Fund (6/30/82)                   | * 400,279 |
| Encumbered funds for crossing projects<br>(through fiscal year 82/83) | 336,408   |
| Monies expended to upgrade crossings (81/82)                          | 106,124   |

\* These are non-lapsing funds.

Other statistics concerning the Rail-Highway Safety Program are as follows:

|                          |    |
|--------------------------|----|
| Commission Orders issued | 10 |
| Projects completed       | 13 |
| Projects under way       | 7  |
| Projects pending         | 25 |

## UTILITIES DIVISION

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

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

The preceding Arizona law may be distinguished as comprising enabling powers and directive powers.

**Enabling Powers.** Utility companies must secure Commission approval before certain acts can be completed. Among these are the authority to issue, or to deny, certificates of public convenience and necessity prior to the construction of a utility company; to approve or disapprove the issuance of securities and long term indebtedness; and to approve or disapprove sale of utility assets and transfers of certificates.

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

The Utilities Division is comprised of thirty-two positions authorized and funded by the Legislature. The Director of the Division has three functioning sections which provide the assistance necessary to carry out the Division's responsibilities. These sections are the Rates/Finance Section, Engineering Section, and the Utility Services Section. They oversee the following number of utilities:

|                                   |    |
|-----------------------------------|----|
| Investor owned electric utilities | 9  |
| REA electric cooperatives         | 8  |
| Gas utilities                     | 13 |
| Telephone utilities               | 11 |

|                                |            |
|--------------------------------|------------|
| Radio communications companies | 12         |
| Telegraph companies            | 1          |
| Water utility companies        | 423        |
| Sewer companies                | 31         |
| Irrigation companies           | 6          |
| <b>Total</b>                   | <b>514</b> |

### Program Development

**Rate/Audit Section.** Recognizing the additional complexity of rate applications filed by utilities with the Commission, the Division was able to attract new expertise within this Section. Staff not only was able to participate to a greater extent in major rate proceedings, but also was able to present "Cost of Capital" testimony before the Commission in hearings. During the year 111 rate applications were received and processed by this Section.

**Engineering Section.** New direction and program emphasis were the key words for the Engineering Section during this year. The addition of the Chief Engineer, with an extensive energy background, and the formation of the (natural gas) Pipeline Safety Unit were the principal accomplishments. The Pipeline Safety Unit not only initiated an aggressive inspection and enforcement program, but also instituted formal training programs for operators of master metered natural gas systems. These 2,200 systems in Arizona typically provide gas service to mobile home parks, multi-residential and business establishments.

**Utility Services Section.** This year saw the culmination of an extensive project that began in 1980. The Utility Services Section had assisted the Commission in reviewing current utility regulatory issues and developing Commission policy in respect to those issues. During March of 1982, those policies went into effect in the form of Administrative Rules and Regulations, which are published by the Secretary of State's Office. During this year this Section had to respond to ever increasing utility customer inquiries, due to dramatic changes taking place in the telecommunications industry and energy areas. These inquiries came in the following areas:

|              |               |
|--------------|---------------|
| Water        | 4,711         |
| Electric     | 2,551         |
| Gas          | 2,060         |
| Telephone    | 6,338         |
| Sewer        | 159           |
| <b>Total</b> | <b>15,819</b> |

## MAJOR CASES

### Mountain States Telephone & Telegraph ("Mountain Bell")

Two of Mountain Bell's rate applications were heard and decisions rendered by the Commission during this year. Hearings were scheduled during July of 1981 to determine the specific rates and charges necessary to ensure the additional revenues granted by the Commission during the previous year. During July, the participants unanimously agreed as to the various issues in that proceeding. The Commission adopted the agreement reached by the participants and ordered that the new rates and charges to become effective October 1, 1981.

On December 4, 1981, Mountain Bell filed an application for an increase in their rates and charges which would provide for an additional annual revenue of \$84,797,000. Hearings on this application were held by the Commission during April of 1982. Most of the additional revenues requested were necessitated by an order of the Federal Communications Commission (FCC) on March 31, 1981, which ordered extensive changes in the Uniform System of Accounts in respect to telephone installation expenses. Other revenues were requested in anticipation of an FCC Order which would increase depreciation expenses.

On May 21, 1982, the Commission granted Mountain Bell additional revenues of \$49,945,000 and adopted the changes dictated by the FCC. The tariffs implementing the Commission's decision went into effect June 1, 1982. The greatest portion of the additional revenue was derived from the increased charges associated with the installation of telephones. The decision also provided for the procedures of a customer installing, owning and maintaining telephone lines within the residence.

### Arizona Public Service Company (APS)

A hearing was conducted on September 22, 1981, by the Commission to take evidence as to the interim rate increase granted earlier and APS' request for additional revenues of \$95.3 million. Of major significance was the request to approve several tax accounting changes in order to comply with provisions of the National Economic Recovery Act of 1981. On October 29, 1981, the Commission authorized APS to increase their revenues by \$78,896,000 with the provision there would be a moratorium on new rate applications for a specified period of time.

During this year the Commission selected professional consultants, Decision Focus, Inc., to conduct an analysis of APS' construction program. Of particular significance was their analysis of APS' decision to maintain its existing ownership of the Palo Verde Nuclear Generating facility. Decision Focus' final report was provided to the Commission in June of 1982.

### Open Meetings

The Commission conducts Open Meetings on a regularly scheduled basis for the purpose of decision making. During fiscal year 1981-82, the Utilities Division submitted to the Commission the following items for deliberation:

|                      |            |
|----------------------|------------|
| Rate matters         | 147        |
| Transfers            | 14         |
| Fuel Adjustments     | 37         |
| Certificates         | 35         |
| Orders to Show Cause | 21         |
| Financing Matters    | 31         |
| Others               | 323        |
| <b>TOTAL</b>         | <b>608</b> |

### Revenues Collected

The Division collects revenue by means of an annual assessment from the utilities, as established by the State Legislature. The assessment of gross operating revenue is 1/10 of one percent of the first \$250,000 and 2/10 of one percent of all additional gross operating revenue over \$250,000. There is no assessment if gross operating revenue is under \$5,000. Total revenue collected by the assessment for fiscal year 1981-82 is as follows:

|              |                    |
|--------------|--------------------|
| Electric     | \$2,271,864        |
| Telephone    | 1,048,080          |
| Gas          | 608,596            |
| Water        | 57,681             |
| <b>TOTAL</b> | <b>\$3,986,221</b> |

## THE PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978 (PURPA)

The Commission made substantial progress in fiscal 1982 toward completion of its obligation to implement the PURPA requirements. In its Decision Number 52593, the Commission adopted the six PURPA standards for ratemaking as they relate to Arizona Public Service Company. The standards are: cost of service, declining block rates, time of day rates, seasonal rates, interruptible rates, and load management techniques. The standards are currently under consideration for Tucson Electric Power Company.

The computer-oriented Cost of Service Information System developed with federal funds and in conjunction with the consulting firm of Ernst & Whinney was completed during the year. Case studies of Arizona Public Service Company and Tucson Electric Power Company were conducted with great success. The Commission is now able to conduct cost of service studies in-house, using any of four methodologies: traditional, short run marginal cost, long run marginal cost, and embedded time of day.

The Commission has received U.S. Department of Energy funding of more than \$500,000 in the past three years to consider the PURPA standards and to develop and install the computer programs. While the entire effort has already been a great success, the Commission remains committed to the continued use of the programs and to the implementation of cost-effective PURPA ratemaking standards.



## SECURITIES DIVISION

The Securities Division of the Arizona Corporation Commission is responsible for the administration of the Securities Act of Arizona (the Act) and the Rules and Regulations promulgated thereunder. The Division is composed of two sections, Regulation and Enforcement.

The Regulation Section is involved in the review of applications for exemption from the registration provisions of the Act, in registering salesmen, dealers, and securities under the Act, and in drafting amendments to Rules and Regulations. The Section participates in earlier stages of the capital formation process through its response to "No-Action" and interpretive letters and pre-filing conferences with industry and issuers.

The Enforcement Section is responsible for the orderly maintenance of the securities markets in Arizona. Its primary objective is to ensure the integrity of the marketplace and thus maintain the confidence of the individuals and institutions seeking to invest funds in Arizona.

### Regulation

The Regulation Section of the Division processed 6,908 salesmen's applications and 590 transfers of such salesmen between dealers. The Section also processed 598 dealer registrations. During the year there were 1,938 securities offerings registered, while 160 issuers qualified for exemptions from the registration requirements of the Act. Each of these figures shows a substantial increase over the past two fiscal years. Total dollar value of securities registered with the Division was \$170.2 billion. The Division received \$664,132 in fees.

The Division continued to make its staff available to investors and issuers through pre-filing conferences in which a potential issuer and its counsel meet with members of the staff to discuss applications to register securities. This program significantly reduced the time a filing spends in the review process.

Individuals and entities seeking to comply with Arizona's requirements often seek the Division's position with regard to various provisions of the Act. These positions are conveyed either through an interpretive letter or a "No-Action" letter. A "No-Action" letter is an effort on the part of issuer or counsel to receive comfort that, should a particular transaction take place in a particular manner, the Division will not recommend the institution of enforcement action based upon violations of the registration provisions of the Act. During the past fiscal year, the Division responded to 79 "No-Action" requests and devised procedures whereby responses to such requests were issued within ten (10) working days (a ten-day improvement over the previous fiscal year).

The Division continued to revise its rules. For example, during the past fiscal year, the status of a certified public accountant's independence was clarified, and a revision of Arizona's private placement "safe harbor" rule began.

The Division's broker-dealer component reviewed all incoming dealer applications to ensure the financial stability of the applicant. It was also involved in the inspection of dealers, ensuring that transactions were being properly recorded and that the dealer's business practices were sound.

The Division met with members of the brokerage community, Real Estate Securities Syndication Institute (RESSI), financial planners and the Bar to discuss assorted matters. This dialogue fostered a better understanding of respective roles by both industry and the regulator.

Several members of the Regulation Section were active participants in national committees of the North American Securities Administrators' Association (NASAA). The primary purpose of these committees was to ensure uniformity among the states, to facilitate compliance with the various securities laws by applicants, and to develop amendments to selected guidelines and procedures reflecting a constantly changing marketplace and industry.

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

The Division continued its participation with the National Association of Securities Dealers (NASD) in administration of the uniform securities salesman's series testing. This testing service allows an applicant to register with several states after passing one exam.

### Enforcement

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

The Arizona Corporation Commission is granted the authority by A.R.S. 44-2032 to (1) issue an Order to Cease and Desist; (2) apply to Superior Court of Maricopa County for an injunction; (3) transmit evidence to the Attorney General, who may petition the Superior Court of Maricopa County for the appointment of a conservator or receiver; (4) transmit evidence to the Attorney General who may directly institute, or cause to be instituted, criminal proceedings. The Arizona Corporation Commission is also involved in the denial, suspension, or revocation of a dealer or salesman's registration. This latter remedy, and item (1) above, are Commission administrative processes.

During 1981-82, the Division initiated 35 investigations and had a total of 130 cases under investigation in that 12-month period. The Division instituted six administrative proceedings. The Division also transmitted evidence to the Attorney General, who initiated three civil cases involving 47 defendants and three criminal indictments.

The Division makes substantial commitments to its cases once litigation is commenced. Its investigators and certified public accountants become an essential factor in the litigation in terms of marshalling witnesses and providing expert testimony. Because of their familiarity with the facts in the case they have investigated, the office's attorneys are appointed Special Assistant Attorneys General to assist during litigation.

The Commission instituted five subpoena enforcement actions in the Superior Court against individuals who resisted subpoenas issued by the Division pursuant to the provisions of the Act. A total of 130 administrative subpoenas were issued in connection with investigation of suspected failures to comply with the Act. These subpoenas resulted in the staff's taking 121 examinations under oath with the recipients thereof.

The Division accepted 57 Assurances of Discontinuance from members of industry whose conduct "technically" violated the Act where such violations were inadvertent and did not warrant the issuance of an Order to Cease and Desist. These Assurances include representations under oath that the conduct will not be repeated and detail the steps taken to ensure future compliance.

The Division actively participates in the internship program with the Center for the Study of Justice at Arizona State University. Each semester, justice studies majors intern with the office and provide basic support services.

The Arizona Corporation Commission initiated coordinated efforts with the Phoenix Exchange Club, the Better Business Bureau, and the Attorney General's Office with regard to the creation of an ECONOMIC ALERT program. This program is designed to alert the public on current fraudulent schemes operating within Arizona or suspected to soon operate within Arizona.

The Division's Speaker's Bureau continued to educate the public regarding fraudulent schemes and ways in which citizens can protect themselves from being victimized by swindlers. During the past fiscal year, 25 groups were addressed.