

**STATE OF ARIZONA
CORPORATION COMMISSION**

Annual Report



July 1, 1983 – June 30, 1984

ARIZONA CORPORATION COMMISSION

72nd Annual Report

July 1, 1983 - June 30, 1984

Richard Kimball, Chairman

Junius Hoffman, Commissioner

Duane B. McCarthy, Commissioner - Marianne M. Jennings, Commissioner

Lorrie Drobny, Executive Secretary

State Office

1200 West Washington

Phoenix, Arizona 85007

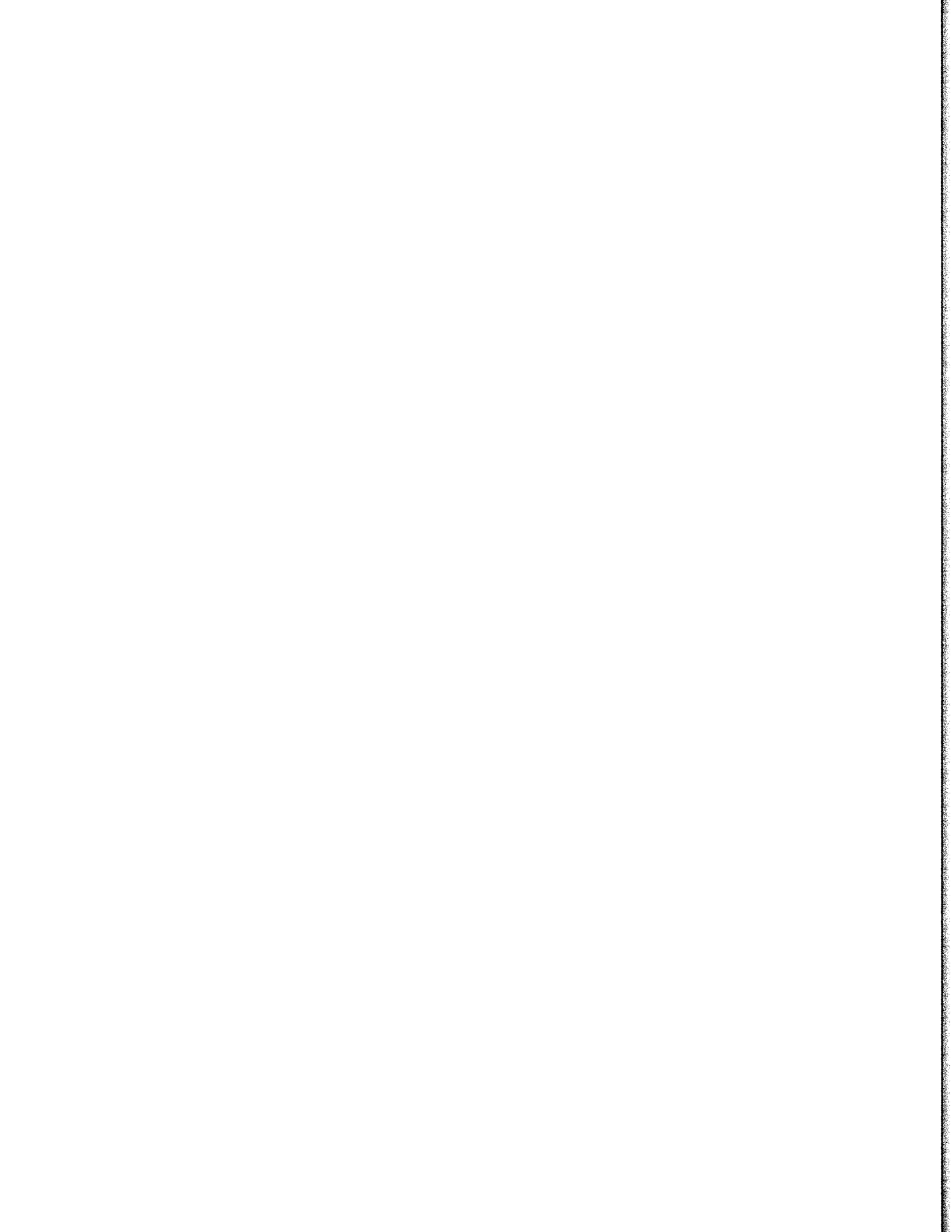
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RICHARD KIMBALL
CHAIRMAN

JUNIUS HOFFMAN
COMMISSIONER

MARIANNE M. JENNINGS
COMMISSIONER



LORRIE DROBNY
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

July 1, 1984

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

Dear Governor Babbitt:

The Arizona Corporation Commission respectfully submits its Annual Report covering the fiscal year ending June 30, 1984.

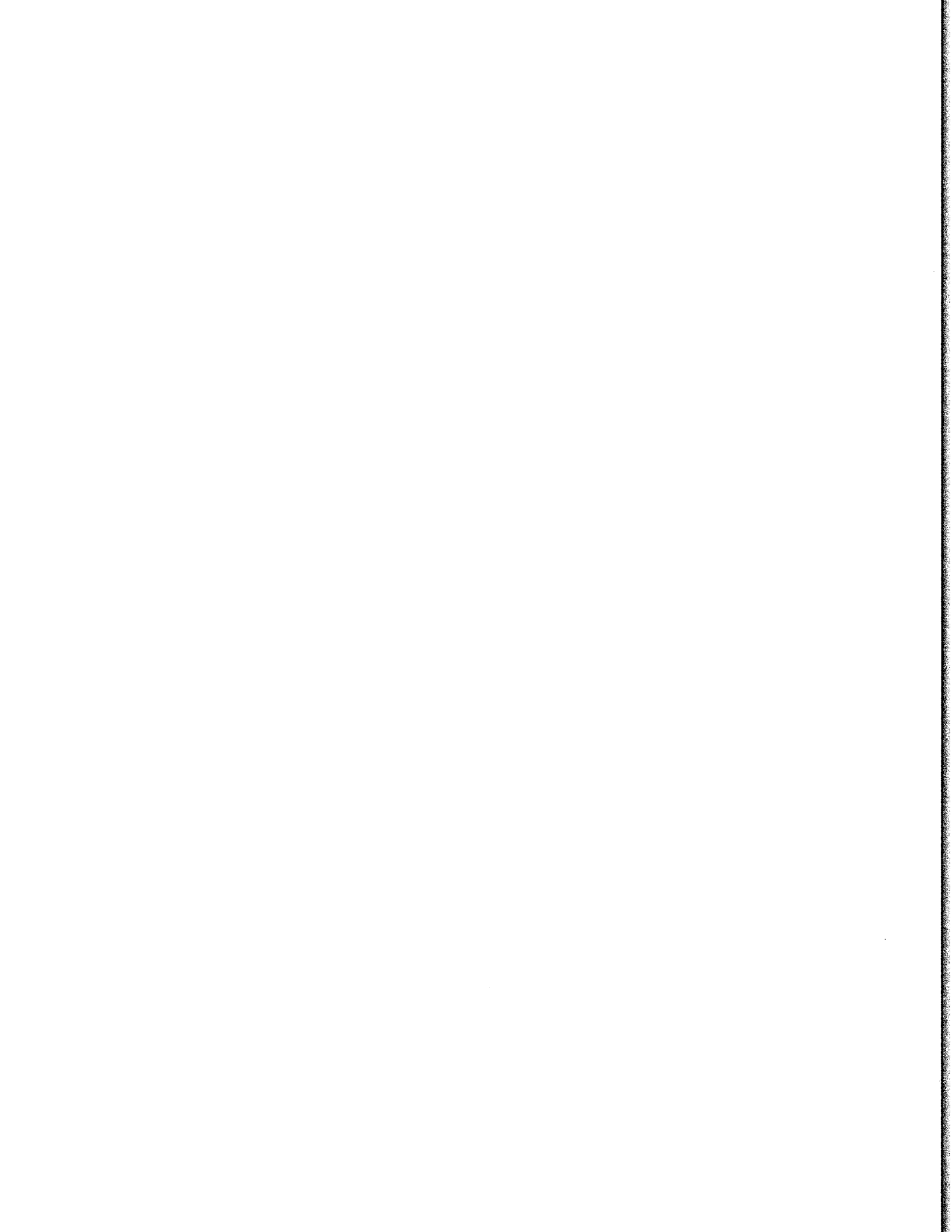
The report summarizes our various functions and enumerates the accomplishments and objectives achieved during this past year. Our financial data and other statistical information will demonstrate clearly the increased volume of work processed by our staff. I am hopeful that the report will be pertinent and provide to you an adequate review of our operation during FY 1983-84.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. Kimball".

Richard Kimball
Chairman

RR:HW



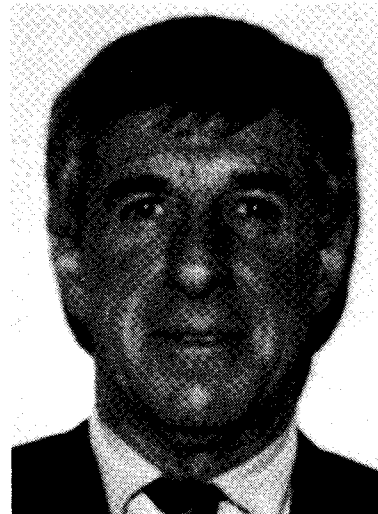


RICHARD KIMBALL
Chairman

Chairman Kimball was born in Tucson in 1946. He was elected from Phoenix to the State Senate in 1978 and again in 1980. In January 1984, he was elected Chairman of the Corporation Commission. His term began in January of 1983 and will expire in January of 1989.

JUNIUS HOFFMAN
Commissioner

Junius Hoffman, a Professor of Law with the University of Arizona, was appointed Commissioner by Governor Bruce Babbitt in July of 1983 to fill a vacancy left by the death of Commissioner Bud Tims. He will leave the Corporation Commission in January of 1985.





DIANE B. McCARTHY
Commissioner

Commissioner McCarthy, who is from Glendale, was elected to the Commission in 1980. She was elected Chairman in January 1983. Prior to her election to the Corporation Commission, Mrs. McCarthy served four terms in the Arizona Legislature. She resigned from the Commission in early February, 1984.

MARIANNE M. JENNINGS
Commissioner

Marianne M. Jennings is from Mesa and was appointed by Governor Bruce Babbitt to serve an 11-month term. She is a Professor of Business Law at Arizona State University and a member of the Arizona Bar.



PREFACE

The Arizona Corporation Commission was created by Article XV of the Arizona Constitution in 1912. It is comprised of three Commissioners elected by the people of Arizona, each for a six-year term, with one Commissioner elected every two years. In the event a vacancy occurs, an interim Commissioner is appointed by the Governor to serve until the next general election.

By statutory mandate, the Commission is required to maintain its chief office at the State Capitol. This office is located at 1200 West Washington, Phoenix. A regional office is maintained at 402 West Congress Street in Tucson.

Four areas of regulatory responsibility fall under the Commission's purview: Utilities, Incorporating, Securities and Railroad Safety. This annual report contains a separate section on the function and scope of each of these divisions. Also included are sections on our Administration Division, Hearing Division, Legal Division, and the Southern Arizona office.

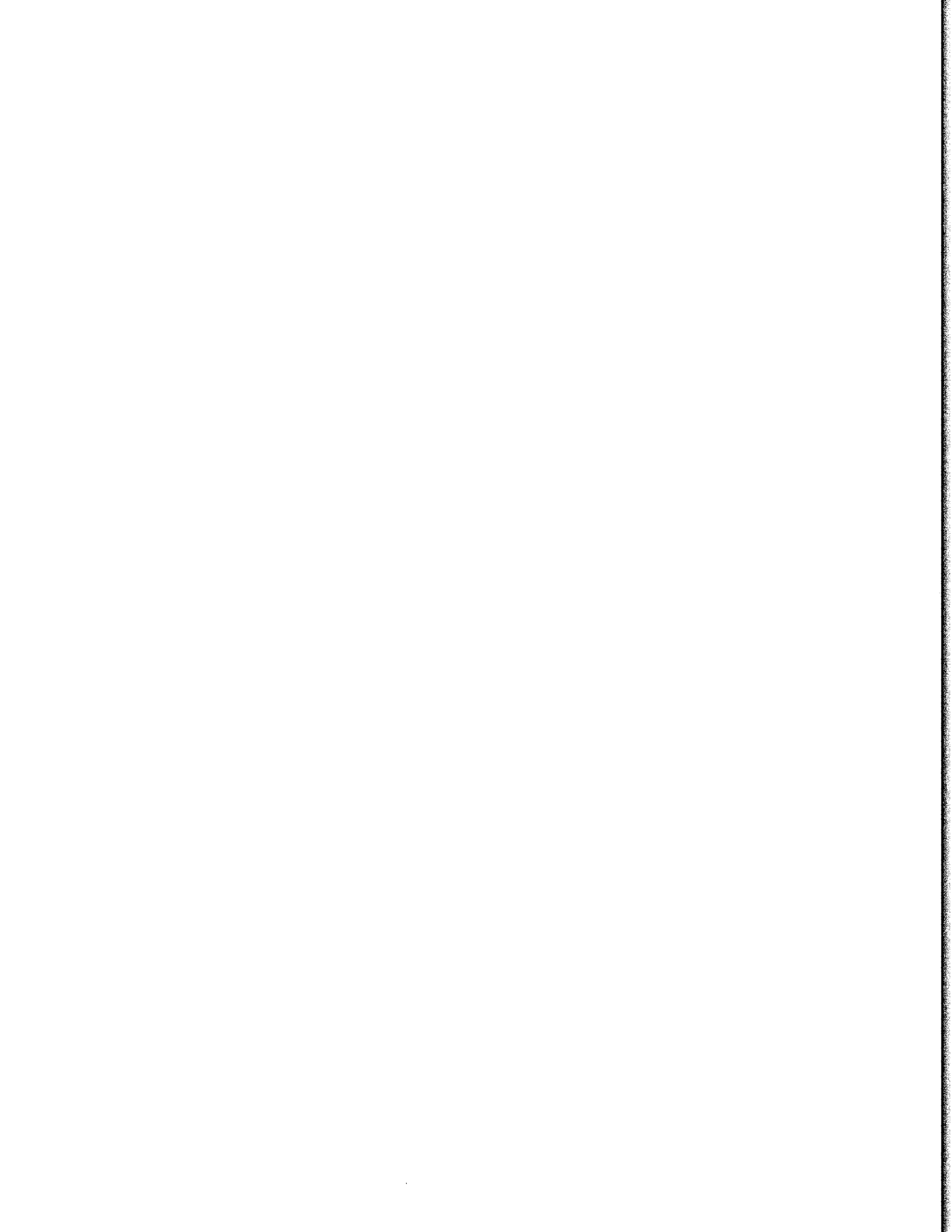


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EXECUTIVE SECRETARY

As Chief Executive Officer for the Arizona Corporation Commission, the Executive Secretary is responsible for daily operations in all Divisions. This position, appointed by the Commissioners, is also responsible for development and implementation of Commission policies.

The Executive Secretary coordinates activities for each Division, provides overall agency management and planning, coordinates public and media information and, in addition, serves as inter-governmental and legislative liaison for the Arizona Corporation Commission.

The Executive Secretary is also director of the agency's Administration Division.

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, this Division monitors legislative activities during each legislative session and maintains a log of introduced bills and committee action regarding legislation of interest to each Division.

Data processing activities for fiscal year 1983-84 included the expansion of the Honeywell DPS-6 minicomputer and installation of office automation equipment in the Securities, Legal, and Administration Divisions. Newly designed systems include capital inventory, case management, and general ledger accounting.

The Cashier's Report and Summary of Expenditures for fiscal year 1983-84 are shown in the following tables. The Commission's receipts were deposited in the State General Fund.

CASHIER'S REPORT

July 1, 1983 through June 30, 1984

<u>DIVISION</u>	<u>REVENUE</u>
Administration/Hearing (Misc. Refunds)	\$ 7,000
Incorporating	2,910,700
Utilities	2,700
Miscellaneous	28,400
Securities	1,937,300
Util. Regulation Revolving Fund	2,792,700

EXPENDITURE DETAIL 72nd Fiscal Year 1983-1984

	<u>Actual Expenditures 1982-1983</u>	<u>Actual Expenditures 1983-1984</u>
Administration/Hearing	\$ 1,330,700	\$ 1,287,470
Incorporating	631,100	674,525
Utilities	1,575,100	1,991,019
Legal	-0-	388,340
Railroad Safety	306,600	260,767
Securities	873,800	1,080,897
Federal Funds	79,700	30,527
TOTAL	<u>\$ 4,797,000</u>	<u>\$ 5,713,546</u>
Personal Services	\$ 2,613,800	\$ 3,198,075
Employee Related Expenditures	545,000	672,398
Professional & Outside Services	258,400	524,503
Travel In-State	29,600	43,922
Travel Out-of-State	4,500	26,480
Other Operating Expenditures	338,100	455,079
Equipment	187,600	140,280
Utilities Audits/Studies	654,500	576,629
Other	85,800	45,653
Federal Funds/PURPA/ Innovative Rates	79,700	30,527
TOTAL	<u>\$ 4,797,000</u>	<u>\$ 5,713,546</u>

HEARING DIVISION

Under the supervision of the Chief Hearing Officer, hearings are designed to elicit 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. The Hearing Division has the additional responsibility of reviewing all utilities-related orders presented to the Commission whether or not such orders originated from the Hearing Division itself. A summary of the 261 hearings held during fiscal year 1983-84 is shown below. These matters encompassed some 318 days of evidentiary hearings.

<u>Types of Hearings</u> *	<u>1983-84</u>
Rate	112
Complaint & Order to Show Cause	29
Order Preliminary	2
Fuel escalation	3
Gas variance & moratorium	3
Financing	28
Certificate of Convenience & Necessity	22
Adjudication	11
Sale (property) and transfer	26
Rules (new rules and rule changes)	2
Incorporating	0
Securities	4
Miscellaneous	15
Rehearing and/or reconsideration	<u>4</u>
TOTAL	261

<u>Days of Hearings</u>	<u>1983-84</u>
Rate	166
Complaint & Order to Show Cause	30
Order Preliminary	2
Fuel escalation	3
Gas variance & moratorium	3
Financing	29
Certificate of Convenience & Necessity	22
Adjudication	11
Sale (property) and transfer	26
Rules (new rules and rule changes)	2
Incorporating	0
Securities	4
Miscellaneous	16
Rehearing and/or reconsideration	<u>4</u>
TOTAL	318

* 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.

LEGAL DIVISION

The Legal Division was established July 1, 1983 by A.R.S. Section 40-106 to provide legal representation to the Commission for all divisions except the Securities Division. The Utilities Division staff is represented by the Commission's Legal Division attorneys in virtually all hearings conducted before it or its designated hearing officers. In addition, should a court review be sought on any decision made by the ACC, the Legal Division functions as defense counsel. Duties also include appearances as necessary on behalf of the Commission in all courts of record.

Division attorneys are also available to advise the agency on such administrative matters as contract awards, personnel actions and drafting of proposed legislation.

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 comprised of two sections, Regulation and Enforcement.

REGULATION SECTION

The Regulation Section is involved in the review of the applications for exemption from the registration provisions of the Act; in registering salesmen, dealers, and securities under the Act; and in drafting amendments to the Act and 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 prefiling conferences with industry and issuers.

During the 1983-1984 fiscal year, the Regulation Section of the Division processed 12,351 salesmen's applications and 1,205 transfers of such salesmen between dealers. The Section also processed 840 dealer registrations. During the year, there were 3,373 securities offerings registered, while 238 issuers qualified for exemptions from the registration requirements of the Act. These figures show a substantial increase over the past three fiscal years. Total dollar value of securities filed with the Division was \$31.7 trillion. The Division receipted \$1,937,266 in fees.

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

Individuals and entities seeking to comply with Arizona's requirements often seek the Division's position with regard to various provisions of the Act. The positions are conveyed either through an interpretive letter or a "No-Action" letter. A "No-Action" letter is an effort on the part of the issuer or counsel to receive comfort that, should a particular transaction take place in a particular manner, the Division will not recommend instituting enforcement action based upon violations of the registration provisions of the Act. During the past

fiscal year, 186 "No-Action" requests were responded to by this Division. Such requests were normally issued within ten working days.

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

Several members of the Regulation Section were active participants in national committees of the North American Securities Administrators Association, Inc. The primary purpose of these committees is 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.

On March 26, 1984, the Division joined the Central Registration Depository Program (CRD) administered by the National Association of Securities Dealers (NASD). This computerized program allows securities salespersons to apply for registration simultaneously in a number of states by filing once with the NASD. The applications are then transmitted electronically by the NASD to each state through the CRD system. Industry registration costs have been significantly reduced as a result of the new registration procedures. In addition, 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.

The Division continued to revise its rules. On November 8, 1983, Rule 128, the "Unsolicited Transactions" exemption, became effective. This rule brings Arizona in line with 48 other states in providing an exemption from transactions not solicited by brokers and dealers. Rule 129, authorizing the Division to participate in the CRD registration system discussed above, became effective on March 26, 1984.

Senate Bill 1151, amending the Act, was signed into law by Governor Bruce Babbitt on April 30, 1984. The bill was drafted by the Division to enact both

technical "housekeeping" changes and also more substantive amendments. The bill was responsive to industry needs and will serve to streamline the registration process without compromising the investor protection afforded by the Act. The bill is scheduled to become law early next fiscal year.

ENFORCEMENT SECTION

The Division's Enforcement Section maintains an active program in order to ensure integrity in 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. Section 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 authorized to deny, suspend, or revoke a dealer or salesman's registration. This latter remedy, and item (1) above, are Commission administrative processes.

During fiscal year 1983-84, the Division initiated 35 investigations and had a total of 152 cases under investigation. It instituted 17 administrative proceedings and transmitted evidence to the Attorney General which resulted in two civil cases involving 25 defendants and two criminal cases involving two defendants.

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

The Commission instituted one subpoena enforcement action in the Superior Court against individuals who resisted subpoenas issued by the Division pursuant to the provisions of the Act. A total of 63 administrative subpoenas were issued in connection with

Investigation of suspected failures to comply with the Act. These subpoenas resulted in making 24 examinations under oath of the recipients thereof.

ADMINISTRATIVE MATTERS

A 17-member Advisory Committee comprised of securities attorneys, brokers, financial planners, syndicators and representatives of interested governmental entities continues to meet with the Director and members of the staff. This body is fostering a better understanding of the respective roles of industry, the Bar and the regulator.

The Arizona Corporation Commission continued coordinated efforts with the Phoenix Exchange Club, the Better Business Bureau and the Attorney General's Office with regard to the Arizona Economic Alert Program. This program is designed to warn the public of current fraudulent schemes operating or suspected to soon operate within Arizona. The Arizona Economic Alert Program has been adopted as a national effort by the North American Securities Administrators Association (of which the Division is a member) and the National Council of Better Business Bureaus. This program is known as the "Investor Alert" and is distributed quarterly in all 50 states and the Canadian provinces.

The Division's Speakers' 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, 34 groups were addressed.

During the past fiscal year, the Division began publication of the Arizona Securities Bulletin. Published quarterly, the bulletin serves to communicate regulatory policies and issues as well as current developments at the Division.

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. A similar program is maintained with the College of Law.

UTILITIES DIVISION

The Utilities Division monitors the operations of 493 utilities providing service within the State of Arizona. The Division reviews the utilities' finances and recommends to the Commission revenue requirements and rates and charges to be collected.

These regulatory responsibilities and authorities are fully defined in Article XV of the Arizona Constitution and Section 40-201, et seq., 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; water for irrigation, fire protection, or other public purposes; or those transmitting messages or furnishing 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 undertaking certain actions. The Commission is authorized to issue or to deny certificates of public convenience and necessity prior to the construction of a utility facility; to approve or disapprove the issuance of securities and long-term indebtedness; and to approve or disapprove the sale of utility assets and transfers of certificates.

Directive Powers. The Commission is authorized to exercise continual surveillance supervision over the operations of utilities and to intervene when necessary in the public interest. This authority includes control over rates, accounting practices, evaluation 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 electric safety, and compliance specialists ensure that utilities obey Arizona law.

The Utilities Division consists of three sections which fulfill the staff's responsibilities: Economics and Rates Section; Engineering Section; and Consumer Services Section. They oversee the following numbers of utilities:

Investor-owned electric utilities	6
REA electric cooperatives	11
Gas utilities	7
Telephone utilities	12
Radio communications companies	10
Water utility companies	403
Sewer companies	39
Irrigation companies	<u>5</u>
TOTAL	493

ECONOMICS AND RATES SECTION

The Economics and Rates Section advises the Commission on matters pertaining to the regulation of the private, investor-owned utilities under its jurisdiction. The section reviews all applications filed with the Commission relating to rates and charges, financing, and transfers and sales of utility ownership.

The audit section performs in-depth audits to ensure the financial accuracy of applications as well as conformance with rule making procedures and Commission policy. Their findings form the basis for Staff's Reports that summarize the Test Year data which is used in hearings for determining rate changes by the Commission.

The section maintains control over Purchased Power and Fuel Adjusters which grant regulated utilities direct pass-throughs to ratepayers of increased or decreased costs of fuel. Based on this section's investigations and recommendations, the Commission ordered several million dollars of refunds to consumers.

With continued expansion of personnel and computer capabilities, this section will be developing greater expertise in such critical areas as Cost of Service analysis and Cost of Capital methodologies. The section will also be addressing the changing financial needs of the utility industry to better protect and promote consumer interests.

ENGINEERING SECTION

The Engineering Section is responsible for the technical review of all regulated utilities to assure compliance with accepted service, material, maintenance and performance standards.

As a part of its responsibilities, this section monitors the construction, maintenance and operation of the largest nuclear power generating station in the United States. The Palo Verde Nuclear Generating Station's Unit 1 will achieve commercial operation some time during the last quarter of 1985. When Unit 3 reaches its anticipated commercial operation in 1987, the costs of this facility will represent the largest single item ever entered into an Arizona utility's rate base.

The Engineering Section also monitors the 403 privately-owned water companies and 39 sewer companies to assure adequate service. Plant facilities are inventoried when reconstruction cost studies used in rate proceedings are done. In addition, the Engineering Section assists the legal staff in performing engineering studies and in preparing evidence and cross-examination of the engineering aspects of rate cases and safety-related matters. All incidents, accidents and injuries resulting from the operation of regulated utilities are investigated by this section.

Participation in the four-state study of the construction, operation and maintenance of the Palo Verde Nuclear Generating Station, increased surveillance of electrical transmission lines, membership on the Transmission Line Siting Committee and increasing numbers of engineering studies of all types of utility facilities have produced an increased work load. To accomplish these increased tasks, additional engineering personnel have been added to the staff of the Engineering Section.

CONSUMER SERVICES SECTION

This section of the Utilities Division is staffed in both the Phoenix and Tucson offices.

The section investigates complaints regarding the operation, service, and billings of public service corporations in compliance with statutes, Orders of the Commission, approved tariffs, and Commission Rules and Regulations. After a problem has been identified

by a complainant, staff obtains facts from the utility and determines if corrective action has been, or needs to be, taken. When necessary, this section's staff initiates the action needed to correct a valid complaint. If staff cannot accomplish a resolution satisfactory to the consumer, the consumer then has the right to file a formal complaint with the Commission.

Consumers have access to the services of this Section's staff members via the regular telephone business lines or through two incoming WATS lines. These WATS lines have been installed solely for the benefit of consumers who must make a long distance call to obtain staff's assistance.

The following tables list the number of inquiries handled by the Investigations Department during the year:

Water companies	3,723
Electric companies	2,765
Gas companies	1,469
Communications companies	5,695
Sewer companies	<u>175</u>
TOTAL	13,827

Service inquiries	2,006
New Service inquiries	1,287
Billing inquiries	2,163
Deposit inquiries	390
Other inquiries	<u>7,981</u>
TOTAL	13,827

LIBRARY

The Division maintains a library containing research materials which include legal, technical, and reference publications as well as federal and state documents with special emphasis on utility-related issues.

MAJOR CASES

1. ARIZONA PUBLIC SERVICE COMPANY (APS)

On July 5, 1983, APS filed an application for a hearing to determine the earnings of the company for permanent ratemaking purposes. This marked the beginning of the longest continuing case in the history of the Commission.

On November 1, 1983, APS filed an application for an interim emergency rate increase. The Commission approved an interim emergency rate increase on January 30, 1984.

2. SOUTHWEST GAS

On November 29, 1983, Southwest Gas filed an application to acquire the retail natural gas system of APS. The Commission approved this transfer May 30, 1984.

On September 29, 1983, Southwest Gas filed an application for a hearing to determine the earnings of the company for permanent ratemaking purposes. The Commission issued a permanent rate decision on June 13, 1984.

3. MOUNTAIN BELL

On February 23, 1983, Mountain States Telephone and Telegraph Company filed an application for a hearing to determine the earnings of the company for permanent ratemaking purposes. The Commission approved a permanent rate increase on December 22, 1983.

While the above permanent rate case was pending, Mountain States Telephone and Telegraph Company filed an application for an emergency rate increase on November 10, 1983. The Commission denied the application on March 1, 1984.

4. CITIZENS UTILITIES

On September 28, 1983, the Commission ordered a refund to Mohave County customers for over collection of a fuel adjustment for electric rates in a total amount of \$1,030,000.

OPEN MEETINGS

The Commission conducts Open Meetings on a regularly scheduled basis for the purpose of decision making. During fiscal year 1983-84, the Utilities Division submitted to the Commission the following items for deliberation:

Rate matters	83
Transfers	11
Fuel adjustments	5
Certificates	26
Orders to Show Cause	5
Financing matters	11
Others	<u>259</u>
TOTAL	400

REVENUES

The Division collects an annual assessment from the utilities, as established by A.R.S. Section 40-401. During the first regular session of the 36th legislature, 1983, Senate Bill 1030 was passed changing the formula for computing the assessment thereby allowing a greater disbursement of funds to the Utilities Division for acquiring technical expertise, funding a Legal Division, and funding the Residential Utility Consumer Office (RUCO) within the Governor's Office. The total revenues collected by the assessments and their disbursements for fiscal year 1983-84 are as follows:

	UTILITIES DIVISION*	RUCO**	GENERAL FUND***	TOTAL
Electric	\$1,543,217.66	\$54,629.43	\$ -0-	\$1,597,847.09
Telephone	756,987.54	29,922.11	-0-	786,909.65
Gas	435,685.68	21,175.14	-0-	456,860.82
Water	40,037.86	3,063.86	107.37	43,209.09
Communications/ Mobile Radio	7,836.86	-0-	-0-	7,836.86
Sewer	<u>6,914.37</u>	<u>609.49</u>	<u>-0</u>	<u>7,523.86</u>
TOTAL	<u>\$2,790,679.97</u>	<u>\$109,400.03</u>	<u>\$107.37</u>	<u>\$2,900,187.37</u>

NOTE: Assessments are disbursed as follows:

- * 0.119 percent is for the Utilities Division
- ** 0.011 percent is for RUCO
- *** 0.10 percent of the first \$250,000 and 0.20 percent of all additional revenue over \$250,000 for General Fund

SAFETY DIVISION

Effective July 14, 1983, the Commissioners of the Arizona Corporation Commission unanimously approved the establishment of the Arizona Corporation Commission Safety Division to combine two inspection and emergency response sections into one unit. This merger included the Railroad Safety Division and the Pipeline Safety Section. Both these units respond to hazardous situations involving gas, liquid hazardous material, and other hazardous material in the transportation system.

With the union of these two sections, the Arizona Corporation Commission was allowed a more effective use of personnel and emergency equipment. In fact, a hazardous materials position was eliminated during this fiscal year.

In addition to their emergency response responsibilities, these units are heavily engaged in inspection of railroad and pipeline facilities.

The following is a recap of each unit's performance during fiscal year 1983-84.

RAILROAD SAFETY SECTION

The Railroad Safety Section is responsible for enforcing railroad track and freight car safety standards established by the Federal Railroad Administration. This Section 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 section for Commission approval.

In addition to the foregoing, this section 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 Section staff, also administers the state's share of moneys dedicated to improving railroad crossing safety devices. Since the inception of this program, \$633,601 in state funds have been spent or encumbered to improve safety warning devices on 120 railroad crossings in the state.

During the past year, staff increased by one inspector whose duties involve inspection of operating practices for railroads operating in Arizona.

Rail-highway grade crossing improvement statistics for fiscal year 1983-84 are as follows:

Amount in State Crossing Improvement Fund (6-30-84)	* \$ 29,866.00
Encumbered funds for crossing projects since inception of program through fiscal year 1983-84	633,601.00
Moneys expended to upgrade crossings in fiscal year 1983-84	34,310.71
Commission Orders issued	19

*These are non-lapsing funds.

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

Miles of track inspected	6,200
Number of freight cars inspected	3,525
Miles of industrial spur tracks inspected	255
Grade crossings inspected	100
Railroad hazardous material incidents/spills investigated	18
Grade crossings improved	28
New railroad crossings installed	9

PIPELINE SAFETY SECTION

The Pipeline Safety Section of the Safety Division provides state control over safety standards and practices applicable to the transportation of gas and hazardous liquids by pipelines. Facilities of gas utility operators are included as well as meter operators such as mobile home parks, apartments and other gas distribution systems beyond the utility's meter.

This Section monitors the activities of the 13 major gas operators (utilities), inspects their records and facilities and is in the process of identifying and inspecting the facilities of approximately 3,000 known master meter operators.

Reports of 134 gas-related incidents were received and 21, meeting investigative criteria, were investigated and appropriate action taken. Third party damage, which relates to construction, underground excavation equipment or damaging of gas pipeline facilities by personnel, has caused considerable concern and accounts for approximately two-thirds of the incidents. Steps are being taken to alleviate this problem through education and increased surveillance of construction in gas facility rights-of-way.

Seven workshops and seminars were conducted at various locations in the state to promote safety and to train operators to enable them to comply with state and federal regulations.

There are five engineers in this section and two emergency vehicles fully equipped with state-of-the-art instruments.

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, consolidations, 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.

This Division is charged with administering the Arizona General Corporation Code (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 Code, the Division:

Examines all filings to determine that all requirements prescribed by 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 by statute. The authority of a corporation to do business in Arizona may be 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.

Continued growth is evident in the business community, judging by the increase in filings over the last fiscal year. There are presently 79,200 active corporations on file with this Division. Total revenue for the fiscal year 1983-84 exceeded \$2.9 million with expenditures of \$674,600.

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 1983-84.

Incorporating Section: Processes and approves all original filings.

Domestic Articles of Incorporation	12,180
Foreign Applications for Authority	2,191
Domestic & Foreign Amendments	3,166
Domestic & Foreign Mergers	545

Annual Report Section: Processes, audits and approves all annual reports filed subsequent to incorporation.

Documents processed	68,625
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Revocation & Delinquency Section: Processes all revocations, delinquencies and certifications.

Certificates of Good Standing	4,838
Certification Orders	5,062
Delinquency Notices	23,890
Revocations	9,045

Records Control Center: The total reorganization of this section was completed in FY 1982-83. All documents filed in the Division are microfilmed and stored on cassette reels. The documents can then be retrieved and identified through the use of a locator number which is computer assigned. This automated microfilm retrieval system allows for a more efficient and cost effective method by which over 1,000,000 documents filed annually in this Division can be safely stored and retrieved on demand.

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. In FY 1983-84 the Tucson Office processed 7,629 documents.

SOUTHERN ARIZONA OFFICE

The Commission's Southern Arizona Office is located at 402 West Congress in Tucson. This office provides some of the same types of services as the offices in Phoenix. Sections of the Incorporating and Utilities Divisions are located here.

The Incorporating section last year processed approximately 7,629 filings and collected approximately \$250,000 in fees.

A consumer services specialist and an engineer were added to the Utilities section staff and an auditor position was authorized. Approximately 5,100 utilities-related inquiries were received and resolved.

The Southern Arizona Representative functions as a part-time hearing officer and heard 56 cases last fiscal year.