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JODI JERICH
Executive Director

ARIZONA CORPORATION COMMISSION

August 21, 2014

The Honorable Janice K. Brewer
Governor of the State of Arizona
1700 West Washington Street
Phoenix, AZ 85007

Dear Governor Brewer,

We are pleased to submit our FY 2016 Budget Request for the Arizona Corporation Commission. FY 2016 finds us firmly committed to continuing our efforts to fulfill the duties entrusted to us in the Arizona Constitution.

The Commission's FY2016 budget proposal continues our FY2015 budget and adds an additional \$2.493 million for mission critical projects specified below.

The Commission is proposing to replace outdated software programs in our Corporations Division. The Corporations Division currently relies on two legacy databases to accomplish its work. Both systems have severely limited functionality compared with today's technology solutions that can provide for secure online transactions and mobile applications. Online filing has become the standard for many other states' corporate records filing, and makes it easier for Arizona businesses and filers to interact with the Commission. Electronic document and payment submission provides an essential convenience to the public, will assist in reducing the rejection rate for errors, and will ultimately decrease processing times, thereby making the Division processes more efficient. This will be a one-time (non-lapsing) cost of \$2,000,000, with an anticipated on-going maintenance cost of \$150,000 from the Public Access Fund.

The Securities Division is requesting funding to achieve salary parity for its Securities Division Chief Investigator and staff investigator positions. Their work leads to Orders requiring wrongdoers to pay restitution to victims and penalties to the State of Arizona. Over the past four (4) years, the Division has lost 11 investigators, an employee turnover rate of 116%. The difference between starting salary for the ACC positions and those at the Attorney General's office is \$21,000.00. The ACC's employees are not only AZPOST (AZ Police Officer Standards and Training Board) certified police officers, they are highly trained in white collar investigations. With the investment we make to train these individuals, they become highly desirable to other Arizona law enforcement agencies. The increase in salaries are expected to cost \$243,000.00 (Salary plus ERE) from the Securities Regulatory and Enforcement Fund

The Legal Division is also in need of an additional attorney due to the increasing workload at both the state and federal levels. First, there has been a significant increase at the federal level in rulemaking activity related to the electric industry, such as the EPA's recent carbon and haze rules and Rule 111d Clean Power Plan. Aside from the issue of significant increases in power costs to Arizona ratepayers, Rule 111d also has the potential to severely interrupt grid reliability in the State of Arizona. Second, there has also been ongoing federal rulemaking activity related to telecommunications. Third, the Commission expects more complex and lengthier proceedings in rate cases filed by private water companies to deal with issues including aging infrastructure,

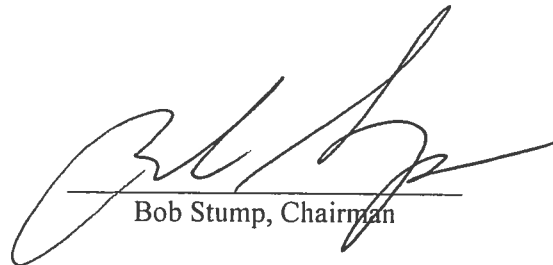
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ground water management requirements, arsenic remediation, water scarcity and rate design. This attorney position is expected to cost \$150,000 (ERE included) and is not an additional FTE.

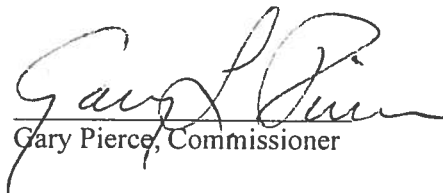
Finally, the Securities Division is including a funding request for the annual on-going maintenance for the new database systems appropriated in FY 2015. This maintenance request was anticipated last year as part of the appropriation in future years.

We appreciate your continued support of our constitutional mission and that of our Divisions, and we look forward to working with you and your staff in the remaining days of your administration. Our Executive Director and the ACC staff are happy to assist you and your staff with any questions or information on our budget or operations. In addition, please feel free to call upon any of us to address questions or concerns you may have in regard to the attached.

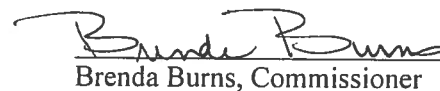
Sincerely,



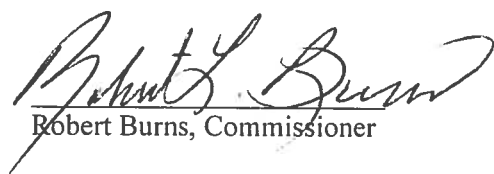
Bob Stump, Chairman



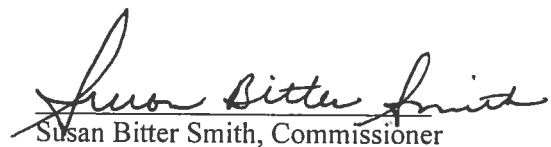
Gary Pierce, Commissioner



Brenda Burns, Commissioner



Robert Burns, Commissioner



Susan Bitter Smith, Commissioner