

CORPORATION COMMISSION

A.R.S. § 40-101

The Honorable Carl Kunasek, Commissioner/Chairman

JLBC Analyst: Brad Regens

General Fund and Other Appropriated Funds	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
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Program Summary

Administration/Hearings	1,813,200	1,886,300	2,108,400	2,138,400
Corporations	3,194,200	3,636,100	4,575,800	4,084,200
Legal	1,102,700	1,145,800	1,211,000	1,244,600
Railroad Safety	691,400	638,200	647,900	694,400
Securities	3,806,600	4,121,200	4,362,600	4,444,500
Utilities	4,813,500	5,602,900	6,591,200	6,358,000

Total Appropriations	15,421,600	17,030,500	19,496,900	18,964,100
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Expenditure Detail

FTE Positions	283.0	283.0	296.5 ^{1/}	296.5 ^{1/}
Personal Services	7,436,800	8,546,100	9,113,900	9,277,000
Employee Related Expenditures	1,565,900	1,837,500	1,889,000	1,926,800
Professional and Outside Services	264,700	769,300	907,900	907,900
Travel - In State	187,900	177,800	177,800	177,800
Travel - Out of State	66,000	56,400	71,400	71,400
Other Operating Expenditures	2,053,800	2,172,100	2,338,400	2,337,800
Equipment	843,500	360,900	1,225,800	433,000

Operating Subtotal	12,418,600	13,920,100	15,724,200	15,131,700
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Utility Audits, Studies, Investigation
and Rate Hearings

Utility Audits, Studies, Investigation and Rate Hearings	296,300	250,000	250,000 ^{2/}	250,000 ^{2/}
Investment Management Act	576,100	683,400	696,800	711,100
Pipeline Safety Inspection & Training	93,100	0	0	0
Railroad Warning Systems	261,000	192,000	192,000 ^{2/}	192,000 ^{2/}
Securities Revolving Fund	1,776,500	1,985,000	2,633,900	2,679,300

Total Appropriations	15,421,600	17,030,500	19,496,900^{3/}	18,964,100^{3/}
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Fund Summary

General Fund	5,786,000	5,935,100	6,169,800	6,092,000
Arizona Arts Trust Fund	29,400	32,600	34,100	34,900
Investment Management and Regulatory Enforcement Fund	576,100	683,400	696,800	711,100
Pipeline Safety Revolving Fund	93,100	0	0	0
Public Access Fund	1,218,400	1,515,500	1,979,200	1,666,500
Securities Regulatory and Enforcement Fund	1,776,500	1,985,000	2,633,900	2,679,300
Utility Regulation Revolving Fund	5,942,100	6,878,900	7,983,100	7,780,300

Total Appropriations	15,421,600	17,030,500	19,496,900	18,964,100
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^{1/} Includes 51 FTE Positions funded from Special Line Items in FY 2000 and FY 2001.^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

CORPORATION COMMISSION (Cont'd)

Agency Description — *The Arizona Corporation Commission was established by Article 15 of the Arizona Constitution and consists of 3 statewide elected Commissioners, each serving 6-year terms. The commission's primary responsibilities are divided among divisions including Corporations, Securities, and Utilities. The Corporations Division administers the corporations code and provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers, investigating possible violations of the Arizona Securities Act. The Utilities Division monitors approximately 500 public service corporations operating in Arizona. This division acts as an independent party in reviewing and establishing public utility rates, and monitoring compliance with commission regulatory decisions. Other functions of the commission include inspecting gas pipelines, operating the pipeline safety program, inspecting railroad track and hazardous cargo transport along railways, and also erecting warning devices at potentially dangerous railroad crossings throughout the state.*

Commissioners' Salary Adjustment — The approved FY 2000 amount includes an increase of \$13,200 from the General Fund to annualize the January 1, 1999 salary increase for the 3 Commissioners. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. They recommended that the salary for the 3 Commissioners increase from \$65,000 to \$73,000. This amount is continued in FY 2001.

Hearings Division — The approved FY 2000 amount includes an increase of \$42,200 from the General Fund for salary reclassifications for hearing officers. In FY 2001, this amount is reduced by \$(25,400).

Accountant — The approved FY 2000 amount includes an increase of 1 FTE Position and \$51,800 from the Utility Regulation Revolving Fund to hire an accountant for the Administration Division. In FY 2001, this amount is reduced by \$(7,000) due to one-time equipment.

Corporations Division Workload — The approved FY 2000 amount includes an increase of 3 FTE Positions and \$283,100 in General Fund monies to address an increased workload and a documents processing backlog related to corporate filings at the commission. The additional monies will enable the Corporations Division to hire additional temporary staff to reduce document-processing time to 2 weeks for annual corporate reports, 2 weeks for regular corporate filings and 1 day for expedited filings. Of the 3 additional FTE Positions, 2 will be used to scan incoming corporate documents into the Corporations Division's imaging system to allow computerized tracking. The other additional FTE Position will process all corporate filing fees. The approved FY 2000 amount also includes an additional \$91,100 in General Fund monies to purchase an image processing workstation to further improve the division's document-processing time. The approved FY 2001 amount includes a reduction of \$(149,100) due to one-time equipment.

Move STARPAS System to Internet — The approved FY 2000 amount includes an increase of 3 FTE Positions and \$336,700 from the Public Access Fund to purchase equipment and software necessary to enable public access through the Internet to all public records filed with the

commission. The additional FTE Positions will provide additional computer support to the commission and enhance the Corporations Division's customer account help desk. In FY 2001, this amount is reduced by \$(217,500) due to one-time equipment.

Legal Division — The approved FY 2000 amount includes an increase of \$46,300 from the Utility Regulation Revolving Fund to increase the pay of the attorneys in the commission's Legal Division. The Legal Division represents the commission in all matters relating to public utility rate setting. The recent deregulation of the retail electric and telecommunication industries has resulted in an increased reliance on experienced attorneys. The pay increase is intended to enable the commission to retain knowledgeable attorneys at the commission as electricity competition begins. The approved FY 2001 amount includes a further increase of \$9,100 for an additional pay adjustment for commission attorneys.

Retail Electric Competition — The approved FY 2000 amount includes \$677,600 from the Utility Regulation Revolving Fund to hire additional consultants to evaluate retail electric competition; to increase the pay of current employees to enable the commission to retain knowledgeable persons on staff; and to fund a public information campaign regarding electric competition. This amount is continued in FY 2001.

The approved FY 1999 amount reflects a supplemental appropriation of \$334,300 from the Utility Regulation Revolving Fund to address the increased workload associated with the beginning stages of electric competition and to initiate the public education campaign.

Additional FTE Positions — The approved FY 2000 amount includes an increase of 4 FTE Positions and \$169,600 from the Utility Regulation Revolving Fund to address issues relating to electric and telecommunication competition. The additional FTE Positions include 2 economists to address increased workload associated with payphone deregulation, US West's entry into long distance service and applications from companies wishing to provide electricity service in Arizona. The other 2 positions will be used to hire consumer service specialists to handle the anticipated increase in the number of public

CORPORATION COMMISSION (Cont'd)

inquiries and complaints to the commission as a result of electric and telecommunication deregulation. In FY 2001, this amount is reduced by \$(26,000) due to one-time equipment.

Docket Control Center — The approved FY 2000 amount includes an increase of 2.5 FTE Positions and \$61,300 from the Utility Regulation Revolving Fund to address an increase in hearings associated with the growth in the number of corporations regulated by the commission. The additional staff will assist in processing rate cases heard by the commission and will also perform data entry. This amount is continued in the FY 2001.

Computer Replacement — The approved FY 2000 amount includes an increase of \$313,000 from the Utility Regulation Revolving Fund and \$199,000 from the Securities Regulatory and Enforcement Fund to replace and upgrade the computer hardware and software in the Utilities and Securities Divisions. The approved FY 2001 amount includes a reduction of \$(313,000) due to one-time equipment in the Utilities Division and an increase of \$700 from the Securities Fund to continue the computer replacement in the Securities Division.

Replacement Equipment — The approved FY 2000 amount includes an increase of \$17,600 in General Fund monies and \$133,600 in Public Access Fund monies for replacement equipment throughout the commission. The approved FY 2001 amount includes a further increase of \$31,500 in General Fund monies and a reduction of \$(109,800) in Public Access Fund monies.

Utility Audits, Studies, Investigations and Rate Hearings — Monies in this line item are used by the commission to hire outside consultants who provide professional expertise and advise to Utilities Division staff during public utility rate hearings. The line item is funded from the Utility Regulation Revolving Fund, which receives an annual assessment levied against public service corporations. The assessment is based on the amount of monies appropriated from the fund to the commission minus any balance forward.

Investment Management Act — Laws 1994, Chapter 311, provides for the registration of securities dealers and investment advisors. A portion of the fees associated with the registration is deposited in the Investment Management Regulatory and Enforcement Fund. The approved FY 2000 amount for the Investment Management Act Special Line Item includes \$696,800 and 14 FTE Positions. The approved FY 2001 amount includes \$711,100 and 14 FTE Positions. These employees review applications for registration, perform investigations, and educate the public about investments.

Pipeline Safety Inspection and Training — Monies in this line item are used to fund programs which investigate gas and hazardous liquids pipeline facilities and to educate the public about these facilities.

Railroad Warning Systems — The approved FY 2000 amount includes \$192,000 for construction of warning devices at railway crossings. The approved amount provides the 10% state match for Federal Funds for railway safety projects statewide. This amount is continued in FY 2001.

Securities Revolving Fund — Monies in the fund are used for education, regulatory, investigative, and enforcement activities in the Securities Division. The approved FY 2000 amount transfers (8) FTE Positions and their associated expenditures \$(407,200) from the General Fund to the Securities Regulatory and Enforcement Fund due to the Securities Fund's large fund balance. This policy is continued in FY 2001. Even with the transfer of funding, the Securities Fund's balance forward will be approximately \$2,000,000 at the end of FY 2001. The approved amounts fund 37 FTE Positions in both FY 2000 and FY 2001.