

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 14, 2007**

**IN RE:**

**DOCKET TO DETERMINE THE  
RESERVE/ESCROW REQUIREMENT FOR  
INTEGRATED RESOURCES MANAGEMENT, INC.  
PURSUANT TO TRA RULE 1220-4-12-.07(8)**

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**DOCKET NO.  
07-00061**

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**ORDER DETERMINING ESCROW REQUIREMENTS**

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This matter came before Chairman Eddie Roberson, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 22, 2007. This docket was opened to consider whether the escrow account maintained by Integrated Resources Management, Inc. ("IRM" or the "Company") is adequate or should be adjusted pursuant to the Authority's Wastewater Rules. On October 18, 2007 Director Jones filed a Notice of Official Notice to supplement the administrative record.<sup>1</sup>

At the October 22, 2007 Authority Conference, a majority of the panel found that non-routine operation and maintenance expense paid by the escrow funds should include equipment

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<sup>1</sup> Director Jones took notice of the following dockets: Docket No. 99-00393, *In re: Petition of On-Site Systems, Inc. to Change Rate Structure, Increase Rates, and Add Fee: Order Approving Change in Rate Structure, Rate Increase, and Addition of Fee* (August 4, 2000) and *Petition* (filed June 3, 1999); Docket No. 00-00272, *In re: Petition of On-Site Systems, Inc. to Amend its Certificate of Convenience and Necessity: Order Approving Petition of On-Site Systems, Inc. to Amend its Certificate of Public Convenience and Necessity* (October 30, 2000) and *Petition of On-Site Systems, Inc. to Amend its Certificate of Convenience and Necessity* (May 11, 2000).

replacement, tank pumping, and preventive maintenance not covered by base rates.<sup>2</sup> The Company agreed to apply 29% of the current billed rate of IRM's special contract customers to the escrow account. Based upon a review of the financial condition of the Company, the majority of the panel found that an escrow account is necessary to ensure service continuity.<sup>3</sup> The panel also determined that the Company be required to do the following: maintain an existing monthly escrow rate of \$10.13 for residential customers; establish a separate bank account to administer the escrowed funds that includes a fidelity bond on persons with authority to withdraw such funds; transfer any revenues collected to date into that account and provide proof of compliance to the Authority with thirty (30) days; and file annual calendar year end reports detailing the balances and activity in the Company's escrow account. Details should be included for monthly amounts placed into escrow and for amounts taken out of escrow. These reports should be filed no later than April 1 of each year, concurrent with the filing of its annual report to the TRA. The Company shall file a tariff to collect an escrow amount of 29% of the billed rate from all future commercial customers offered service under its tariff, and funds in the escrow account shall only be utilized for system replacement and/or major repairs and non-routine expenses for residential systems and new business customers offered service via IRM's tariff.

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<sup>2</sup> Director Jones disagreed with the finding that the escrow account established for IRM should include funds for preventive maintenance. Director Jones contends that the amount to be escrowed adopted today for IRM is based on the calculations performed in Docket Nos. 99-00393 and 00-00272. In those dockets, the cost associated with preventative maintenance were included in the monthly service charge with \$0 set aside for escrow purposes. Until such time as the amount to be escrowed is recalculated to specifically include preventative maintenance costs, the escrow accounts should not be deemed to include the costs of preventative maintenance. Additionally, the ability to shoulder the cost associated with performing preventative maintenance is part of the financial analysis the Authority performs when evaluating an application for a certificate of convenience and necessity.

<sup>3</sup> Director Jones did not adopt the finding that the escrow account is necessary to ensure service continuity. Instead, it is his opinion that the existing escrow account is beneficial to both consumers and the utility given the financial standing of and start-up nature of Integrated Resources Management, Inc., the pending notices of violation, and the small number of customers served by each system.

**IT IS THEREFORE ORDERED THAT:**

Integrated Resources Management, Inc. shall:

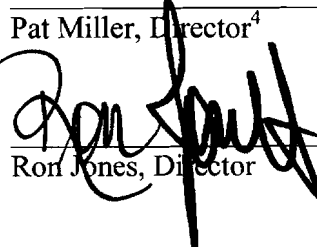
1. maintain an existing monthly escrow rate of \$10.13 for residential customers;
2. establish a separate bank account to administer the escrowed funds that includes a fidelity bond on persons with authority to withdraw such funds;
3. transfer any revenues collected to date into that account and provide proof of compliance to the Authority with thirty (30) days;
4. file annual calendar year end reports detailing the balances and activity in the Company's escrow account. Details should be included for monthly amounts placed into escrow and for amounts taken out of escrow. These reports should be filed no later than April 1 of each year, concurrent with the filing of its annual report to the TRA;
5. file a tariff to collect an escrow amount of 29% of the billed rate from all future commercial customers, including special contract customers, offered service under its tariff; and
6. utilize funds in the escrow account only for system replacement and/or major repairs and non-routine expenses for residential systems and new business customers offered service via IRM's tariff.



Eddie Roberson, Chairman

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Pat Miller, Director<sup>4</sup>



Ron Jones, Director

<sup>4</sup> Director Miller voted in agreement with the other directors but resigned his position as Director before the issuance of this order.