

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 11, 2012

IN RE:

**AUDIT OF THE TRANSACTIONS IN INTEGRATED
RESOURCE MANAGEMENT, INC.'S ESCROW
ACCOUNT FOR THE PERIOD JANUARY 1, 2010
THROUGH DECEMBER 31, 2010**

)
)
)
)
)
)

**DOCKET NO.
11-00113**

**ORDER ADOPTING COMPLIANCE REVIEW REPORT OF
TENNESSEE REGULATORY AUTHORITY'S UTILITIES DIVISION**

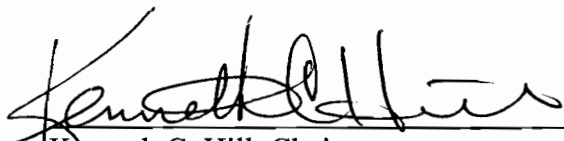
This matter came before Chairman Kenneth C. Hill, Director Sara Kyle, and Director James M. Allison of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 20, 2012 for consideration of the report issued by the Authority's Utilities Division (the "Staff") for a limited scope escrow review of Integrated Resource Management, Inc. ("IRM" or the "Company") for the twelve (12) months ended December 31, 2010. The Limited Compliance Review Report of the Escrow Account (the "Report"), attached hereto as Exhibit 1, contains no material findings.

On July 9, 2012, the Staff completed its review of the escrow account of IRM and issued its Report on August 1, 2012. The Report contains no material findings. According to the Audit Report, IRM is maintaining its escrow account in accordance with the TRA's Wastewater Rules 1220-4-13-.07(8) and 1220-4-13-.07(9) during the twelve (12) months ended December 31, 2010.

After consideration of the Report, the panel voted unanimously to approve the August 1, 2012 Staff Audit Report, as filed.

IT IS THEREFORE ORDERED THAT:

The Compliance Review Report, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, and incorporated in this Order as if fully rewritten herein.


Kenneth C. Hill, Chairman


Sara Kyle, Director


James M. Allison, Director

EXHIBIT 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 31, 2012

IN RE:

INTEGRATED RESOURCES MANAGEMENT, INC.) Docket No. 11-00113
ESCROW ACCOUNT REVIEW)

**NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE
REGULATORY AUTHORITY**

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Regulatory Authority hereby gives notice of its filing of the Limited Compliance Review Report of the Escrow Account for Integrated Resources Management, Inc. ("IRM" or "the Company") in this docket and would respectfully state as follows:

1. The present docket was opened by the Authority on July 14, 2011 to hear matters arising out of the review of the Company's Escrow Account for the period January 1, 2010 through December 31, 2010.
2. Staff completed its review of the escrow account on July 9, 2012.
3. The Staff's review revealed no findings or material weaknesses. The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference.

4. The Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the Report and the recommendations contained therein.

Respectfully Submitted:

A handwritten signature in cursive script, reading "Pat Murphy".

Pat Murphy, Deputy Chief
Utilities Division
Tennessee Regulatory Authority

CERTIFICATE OF SERVICE

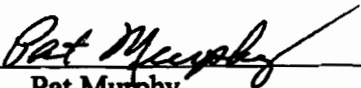
I hereby certify that on this 31th day of July 2012, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

Kenneth C. Hill
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Mr. Jeffrey W. Cox, Sr.
Integrated Resources Management, Inc.
P. O. Box 642
White Pine, TN 37890

Charles B. Welch, Esq.
Farris Bobango PLC
618 Church Street
Suite 300
Nashville, Tennessee 37219

Mr. Ryan McGehee
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
Nashville, TN 37202



Pat Murphy

EXHIBIT A

COMPLIANCE REVIEW REPORT

OF

INTEGRATED RESOURCES MANAGEMENT, INC.

ESCROW ACCOUNT

DOCKET No. 11-00113

PREPARED BY THE

TENNESSEE REGULATORY AUTHORITY

THE UTILITIES DIVISION

July 2012

**INTEGRATED RESOURCES MANAGEMENT, INC.
LIMITED COMPLIANCE REVIEW REPORT OF
ESCROW ACCOUNT**

DOCKET NO. 11-00113

TABLE OF CONTENTS

	<u>PAGE NO.</u>
I. INTRODUCTION	1
II. STAFF SUMMARY OF CONCLUSIONS	1
III. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY	1
IV. BACKGROUND INFORMATION ON ESCROW ACCOUNT	2
V. SCOPE OF AUDIT	3
VI. AUDIT FINDINGS AND RECOMMENDATIONS	3

I. INTRODUCTION

The objective of this limited scope escrow review is to determine whether the escrow account maintained by Integrated Resources Management, Inc. ("IRM" or "the Company") was administered in accordance with TRA's Wastewater Rules 1220-4-13-.07(8) and 1220-4-13-.07(9) and the Authority's Order affirming an escrow account for IRM in Docket No. 07-00061 for the twelve (12) months ended December 31, 2010. The rules require escrow account funds to be maintained in a separate bank account. Documentation should support all monthly amounts placed into the escrow account and amounts expensed from the escrow account. Funds expensed should be used for system replacement and/or major repairs and non-routine expenses.¹ The Company is required to file an annual calendar year-end report detailing the balances and activity in the escrow account, monthly bank statements, and explanations and supporting documentation for all disbursements with its annual report to the Authority on April 1 of each year.

II. STAFF SUMMARY OF CONCLUSIONS

After reviewing the Company's documentation supporting its escrow account, Staff concludes that IRM is properly accounting for its escrow funds in compliance with the Authority's Order in Docket No. 07-00061 and the TRA's wastewater rules.

III. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated (T.C.A.) gives jurisdiction and control over public utilities to the Tennessee Regulatory Authority. T.C.A. §65-4-104 states:

The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the

¹ See *In Re: Docket to Determine the Reserve/Escrow Requirement for Integrated Resources Management, Inc. Pursuant to TRA Rule 1220-4-12-.07(8)*, TRA Order, p. 3 (December 14, 2007). The panel also found that non-routine operation and maintenance expenses paid from escrow funds should include equipment replacement, tank pumping and preventive maintenance not covered in base rates.

companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division of the TRA is responsible for auditing and/or reviewing those companies under the Authority's jurisdiction to ensure that each company is abiding by Tennessee statutes as well as the Rules and Regulations of the Authority. Paul Greene of the Utilities Division conducted this limited scope compliance review.

IV. BACKGROUND INFORMATION ON ESCROW ACCOUNT

TRA Wastewater Regulations² address the establishment of an escrow account for public wastewater utilities. TRA Rule 1220-4-13-.07(8) states:

"The requirement for a public wastewater utility to maintain a reserve/escrow account shall be determined by the Authority on a case by case basis. Within eighteen (18) months from the effective date of these rules, the Authority shall review the financial condition of any public wastewater utility holding a CCN to provide wastewater service as of the effective date of these rules to determine whether such wastewater utility shall establish or adjust the amount of a reserve/escrow account as described in this Chapter. Upon the filing of an initial CCN application, a determination shall be made regarding the establishment of a reserve/escrow account. The Authority may review the financial condition of any public wastewater utility at any time to determine whether a reserve/escrow account balance is adequate or an account should be established."

Additionally, TRA Rule 1220-4-13-.07(9) states:

"Reserve/escrow accounts established by the public wastewater utility to pay for non-routine operation and maintenance expenses shall meet the conditions as specified by the Authority. The public wastewater utility shall file bank statements and a report that details the expenses on all disbursements from the escrow account with its annual report or as the Authority may direct...."

The tariff approved by the Authority for IRM in the CCN Docket No. 03-00467 included an escrow rate of \$10.13 per customer per month. This existing escrow amount was upheld pursuant to the Authority's December 14, 2007 Order in Docket 07-00061. A majority of the panel found that non-routine operation and maintenance expenses should include equipment replacement, tank pumping and preventative maintenance not covered in the Company's base rates and instructed the Company to segregate its escrow funds into a separate bank account to administer the escrow funds, including a fidelity bond on persons with authority to withdraw funds.

² Wastewater Regulations were adopted by the TRA on March 6, 2006 and became effective on June 12, 2006.

At the July 14, 2011 Authority Conference, the Authority opened a docket for TRA Staff to review the escrow funds approved by the Authority for IRM to determine if they are being used as intended and whether the escrow funds are adequate to support the continued service to the Company's customers. At the end of the review, Staff would issue a report with its findings, conclusions, and recommendations for the Authority's consideration. On August 1, 2011, the Staff issued its first data request, to which the Company responded on January 12, 2012.

V. SCOPE OF AUDIT

In meeting the objective of the audit, the Staff:

1. Verified that escrow funds were maintained in a separate bank account;
2. Reviewed and verified all documentation supporting all amounts placed into the escrow account;
3. Reviewed and verified all documentation supporting all amounts withdrawn from the escrow account;
4. Verified expenditures were non-routine in nature in accordance with TRA orders; and
5. Verified accuracy of December 31, 2010 escrow account balance.

VI. AUDIT FINDINGS AND RECOMMENDATIONS

Staff has reviewed all the information initially filed by the Company regarding activity in its escrow account during the period under review and the related responses to subsequent Data Requests. Based upon our review, Staff determines that no material violations exist.

Staff notes the Company may be entitled to recoup some draws from escrow due to third party liability and should consider seeking such.

Staff communicated numerous times with Company personnel and would like to express our appreciation for their assistance.