

**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

**IN RE:**

**JOINT PETITION OF INTEGRATED  
RESOURCE MANAGEMENT, INC.  
AND TRA STAFF (AS A PARTY) TO  
INCREASE RATES AND CHARGES**

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**DOCKET NO. 15-00130**

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**PRE-FILED DIRECT TESTIMONY**

**OF**

**DANIEL RAY**

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1 **Q. Please state your name, position and business address.**

2 A. My name is Daniel Ray. I am a Utility Rate Specialist for the Tennessee Regulatory  
3 Authority. My business address is 502 Deaderick Street, Fourth Floor, Nashville,  
4 Tennessee 37243.

5 **Q. Please provide a summary of your educational background and professional**  
6 **experience.**

7 A. I have a B.S. in Accounting from Tennessee Technological University. I started with  
8 the TRA in June, 2015 and responsible for the monthly subscriptions and company  
9 filed reports, the monthly Kingsport Power Company's Fuel Clause Adjustment tariff  
10 filings and Chattanooga Natural Gas' Purchase Gas Adjustment tariff filings. I have  
11 also assisted with weather normalization audits, and incentive plan audits and reviews.

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is to calculate and present a forecast of the Operation &  
14 Maintenance expense. Attached to the testimony of Tiffany Underwood are the TRA  
15 Staff Exhibits and Workpapers that document the cost of service study.

16 **Q. Please explain the Operating & Maintenance Expense calculation for IRM in this**  
17 **case.**

18 A. Most calculations, assumptions and adjustments necessary to determine the Company's  
19 Attrition Period forecast were based on review and on-site audit of IRM's books, records  
20 and underlying source documents maintained at the Company's office in White Pine,  
21 Tennessee, as well as discussions with ownership and a tour of one of the service areas  
22 and utility plants.

1 The Company's Test Period operation & maintenance expense and Attrition Period  
2 forecast are summarized on TRA Staff Exhibit, Schedule 3. The Attrition Period's  
3 operation & maintenance expense totals \$188,028. The individual components that  
4 comprise the Attrition Period operation & maintenance expense forecast are as follows:

5 **Schedule 3, Line 7 - Purchase Power - \$6,620:** This Amount represents the forecast of  
6 purchased power expense the Company should incur during the Attrition Period. Due to  
7 the remote and mountainous locations of the Company's service areas, gravity fed  
8 wastewater systems are not feasible; therefore pumps are used to transport wastewater  
9 from the customers' residences to IRM's treatment plants. As reflected on Expense  
10 Workpaper 4.02, the Test Period purchased power expense was reconciled to invoices,  
11 and adjustments were made for disallowed fees, out of period bills, and  
12 misclassifications. The Test Period amount was then increased by the Attrition Period  
13 growth factor of 6.69 reflected on Expense Workpaper 4.01, thus resulting in a  
14 reasonable attrition period amount.

15 **Schedule 3, Line 8 – Rent - \$3,600:** This Amount represents the rent expense the  
16 Company should incur during the Attrition Period. As reflected on Expense Workpaper  
17 4.03, the Test Period rent expense was adjusted for disallowed and misclassified  
18 expenses. The Company provided an Annual Allocation Worksheet for the rent expense  
19 amount on Expense Workpaper 4.01. The allocation methodology was reviewed and  
20 determined to be reasonable; since the rent is for a home office allocated on a square  
21 foot basis, there was no growth added to the rent expense.

22 **Schedule 3, Line 9 – Contractual Services - \$53,888:** This amount represents the  
23 forecasted contract service fees the Company should incur during the Attrition Period.

1 IRM has contracts with other providers for legal services, regulatory & financial  
2 accounting, billing, professional, tax accounting, and other services. As reflected on  
3 Expense Workpaper 4.01, the test period regulatory & financial accounting, billing, and  
4 professional fees are included at the Attrition Period forecast at no increase with three  
5 items in the category receiving special treatment.

6 First, legal services are provided on a retainer basis by Mr. Charles Welch at Farris  
7 Bobango. Legal fees' Test Period was adjusted to normalize legal bills to \$14,400. Legal  
8 fee's were then grown by \$3,600 based on a billing increase for legal services as  
9 reflected in the testimony of Jeffrey Cox, President of IRM. Second, Pugh and  
10 Associates provides tax accounting services for IRM. The amount for tax accounting  
11 during the Test Period was adjusted by reclassifying the amount of \$1,616 from  
12 insurance to the tax accounting expense, and the Attrition Period amount of \$2,800 is  
13 due to a \$1,884 increase in Pugh and Associates billing rates as reflected in the  
14 testimony of Mr. Cox. Third, in response to TDEC's regulations IRM has a new  
15 contractual service expense for Riverstone's on-call maintenance, repair, and quality  
16 testing. Based on a proposal obtained from BB&H Wastewater Systems Management,  
17 the annual contractors' fee totals \$17,161 and \$1,907 is for quality testing. A copy of the  
18 proposal is attached to the testimony of Mr. Cox.

19 **Schedule 3, Line 10 – Maintenance and Repairs - \$68,210:** This amount represents  
20 the maintenance and repairs expense amount the Company should incur during the  
21 Attrition Period. As reflected on Expense Workpaper 4.01, the Test Period had an out of  
22 period adjustment of (\$6,962), with an adjusted total of \$68,210 for the Test Period.

1 Since all of the Company's maintenance and repairs are performed by their affiliate IRM  
2 C&C Co. no growth was applied for the Attrition Period.

3 **Schedule 3, Line 11 – Administrative & General - \$55,710:** This amount represents  
4 the forecasted administrative & general expense the Company should incur during the  
5 Attrition Period. This expense includes items such as insurance, administrative/clerical,  
6 phone, postage, management fee, subscription fees, travel/meals and other  
7 miscellaneous expenses. As reflected on Expense Workpaper 4.01, the Test Period  
8 amounts for insurance, reimbursed expenses, postage, telephone and telemetry expenses,  
9 and travel/meals are increased by the general Attrition Period Growth factor of 6.69%.  
10 The Attrition Period Growth factor is reflected on Expense Workpaper 4.01 and includes  
11 components for general economic inflation and customer growth.

12 **Q. Does this conclude your testimony?**

13 **A.** Yes.

# VERIFICATION

STATE OF TENNESSEE )

COUNTY OF DAVIDSON )

I, Daniel Ray, being duly sworn, state that I am authorized to make this verification on behalf of TRA Staff (As a Party); that I have read the foregoing Pre-filed Direct Testimony, Exhibits and Workpapers of Daniel Ray and know the content thereof; and that the same are true and correct to the best of my knowledge, information and belief.

  
Daniel Ray

Sworn to and subscribed before me the 8<sup>th</sup> day of January, 2016.

  
Notary Public

My Commission Expires: March 8, 2016



My Commission Expires MAR. 8, 2016