

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 23, 2016

IN RE:)	
)	
JOINT PETITION OF INTEGRATED)	DOCKET NO.
RESOURCE MANAGEMENT, INC.)	15-00130
AND TRA STAFF (AS A PARTY) TO)	
INCREASE RATES AND CHARGES)	

ORDER APPROVING JOINT PETITION

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones and Director Robin L. Morrison of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on February 8, 2016, for hearing and consideration of the *Joint Petition of Integrated Resource Management, Inc. and TRA Staff (as a Party) to Increase Rates and Charges* (“*Joint Petition*”) filed on December 30, 2015, by Integrated Resource Management, Inc. (“IRM” or the “Company”) and TRA Utilities Division Staff (“Party Staff”).

BACKGROUND AND PETITION

IRM is a public utility as defined in Tenn. Code Ann. § 65-4-101 and is engaged in providing wastewater services to approximately 58 residential customers and 67 commercial customers located in the counties of Blount, Campbell, Decatur, Knox, Roane, Sevier, and Union.¹ On December 30, 2015, IRM and Party Staff filed a *Joint Petition* requesting Authority approval to increase rates and charges to its customers. The *Joint Petition* asserts that the

¹ *Joint Petition*, p. 1 (December 30, 2015).

Company has not filed a rate case since it began operations in 2004.² According to the *Joint Petition*, under the IRM's current rate structure, its "revenues and projections are not sufficient to allow the Company a fair opportunity to recover its reasonable operating costs and to provide a fair and reasonable net operating income."³ Further, the *Joint Petition* states that for the year ending December 31, 2014, the Company reported an annual net operating loss of \$82,633 and is projected to experience a net operating loss of \$80,424 for the twelve month attrition period ending December 31, 2016.⁴ Using the operating margin method to establish a fair margin of 6.5% of operating expenses, the *Joint Petition* requests that the Company be allowed to increase its annual revenues by \$93,456 in order to recover its expenses.⁵ The *Joint Petition* outlines the specific rate changes to each customer class.⁶ The *Joint Petition* requests that monthly rates for most residential customers be increased from \$35.11 to \$58.11, a 65.5% increase.⁷

On January 8, 2016, Party Staff submitted the pre-filed direct testimonies of Joe Shirley, Deputy Chief of Utilities, Tiffany Underwood, Utilities Consultant, and Daniel Ray, Utility Rate Specialist. Also on January 8, 2016, IRM submitted the pre-filed direct testimony of Jeffery W. Cox, Sr., President of IRM.

During the regularly scheduled Authority Conference held on January 11, 2016, the assigned panel of Directors voted unanimously to convene a contested case proceeding and appoint the Authority's General Counsel or her Designee to act as Hearing Officer to handle any preliminary matters arising in the proceedings and prepare the case for a hearing before the panel. On February 1, 2016, the Consumer Protection and Advocate Division of the Office of

² *Id.* at 2.

³ *Id.*

⁴ *Id.* at ¶ 5.

⁵ *Id.*

⁶ *Id.* at 3.

⁷ *Id.*

the Attorney General (“CAD”) filed a letter in the docket stating that it had reviewed the docket’s filings and had no opposition to the proposed increased rates and charges.⁸ No parties petitioned to intervene in this case.

THE HEARING

The Hearing in this matter was held before the voting panel on February 8, 2016, as noticed by the Authority on January 29, 2016. IRM notified its customers of the hearing and the proposed rate schedule by mailing a notice to each of its customers.⁹ Participating in the Hearing were the following Parties and their respective counsel:

Integrated Resource Management, Inc. – Charles B. Welch Jr., Esq., Farris Bobango PLC, 618 Church Street, Suite 300, Nashville, Tennessee 37219; Jeffery W. Cox, Sr., President, Integrated Resource Management, Inc., 3444 Saint Andrews Drive, White Pine, Tennessee 37890.

Tennessee Regulatory Authority Utilities Division – Ryan L. McGehee, Esq., and Tiffany Underwood, Utilities Consultant, Tennessee Regulatory Authority, 502 Deaderick Street, Fourth Floor, Nashville, Tennessee 37243.

During the Hearing, Mr. Cox and Ms. Underwood both ratified, then summarized their pre-filed testimony and were subject to questioning before the panel. The public was given an opportunity to comment, and comments were received by members desiring to speak.

FINDINGS AND CONCLUSIONS

As stated in the *Joint Petition*, IRM has not filed a rate case since it began operations in 2004. Additionally, as demonstrated by the annual reports filed with the Authority, IRM is not generating enough income to recover its operating costs and provide a fair return. Upon review and due consideration, the panel finds that Party Staff’s use of the operating margin method and other procedures used to establish the proposed rates and charges in the *Joint Petition* are

⁸ *The CAD Has No Opposition to Petition* (February 1, 2016).

⁹ *Pre-Filed Direct Testimony of Jeffrey W. Cox, Sr.*, p. 3-4 and Attachment D (January 8, 2016).

reasonable and consistent with prior Authority decisions.¹⁰ The panel finds that a 6.5% operating margin provides IRM \$93,456 in additional necessary annual revenues.¹¹

Under the proposed rate plan, monthly rates for most residential customers will increase from \$35.11 to \$58.11, while monthly rates for residential customers of Emory Pointe will increase from \$34.95 to \$58.11.¹² While these increases are significant, the additional revenue generated from these rates is necessary, reasonable and in the public interest because IRM must have sufficient financial resources to maintain the water systems and continue providing quality wastewater services. Therefore, the panel finds the proposed rates and charges to be just and reasonable.

In conclusion, the Authority approves the proposed rate schedule found in the *Joint Petition* which includes the following provisions:

1. A historical test period of the twelve months ended December 31, 2014;
2. A forward looking attrition period of the twelve months ended December 31, 2016;
3. An operating margin rate of 6.5%;
4. Total attrition period operating revenues of \$113,964;
5. Total attrition period operating expenses of \$194,388;
6. A gross revenue conversion factor of 1.004268; and
7. A revenue deficiency of \$93,456.

Based upon these findings, and considering the record as a whole, the panel voted unanimously to approve the *Joint Petition*, allowing IRM to implement the rates and charges contained therein.

¹⁰ See *In re: Joint Petition of Aqua Utilities Company and TRA Staff (as a Party) to Increase Rates and Charges*. Docket No. 15-00044, *Final Order Approving Joint Petition* (November 12, 2015).

¹¹ *Joint Petition*, p. 2 (December 30, 2015).

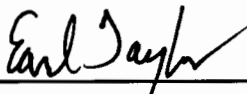
¹² *Id.* at 3.

IT IS THEREFORE ORDERED THAT:

1. The *Joint Petition of Integrated Resource Management, Inc. and TRA Staff (as a Party) to Increase Rates and Charges*, including the schedule of rates and charges contained therein, is approved.
2. Any person who is aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen days from the date of this Order.
3. Any person who is aggrieved by the Authority's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

Chairman Herbert H. Hilliard, Vice Chairman David F. Jones and Director Robin L. Morrison concur.

ATTEST:



Earl R. Taylor, Executive Director