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Charles B. Welch, Jr.
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August 17, 2016

Hand Delivery

Chairman Herb Hillard
c/o Sharla Dillon, Dockets & Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

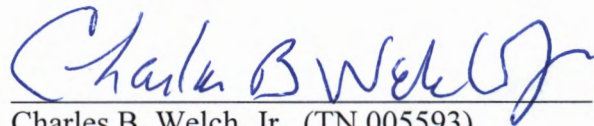
Re: Petition for Alternative Financial Security

Dear Chairman Hillard:

Enclosed for filing are the original and four copies of Integrated Resource Management, Inc.'s Petition for Alternative Financial Security.

Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Respectfully submitted,



Charles B. Welch, Jr. (TN 005593)
FARRIS BOBANGO PLC
414 Union Street, Suite 1105
Nashville, TN 37219
(615) 726-1200



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE



IN RE:

INTEGRATED RESOURCE
MANAGEMENT, INC. REQUEST TO
UTILIZE ALTERNATIVE FINANCIAL
SECURITY PURSUANT TO
TENN. COMP. R. & REGS. 1220-4-13-.07(5)

DOCKET NO.

16-00086

PETITION OF INTERGRATED RESOURCE MANAGEMENT, INC.
FOR ALTERNATIVE FINANCIAL SECURITY

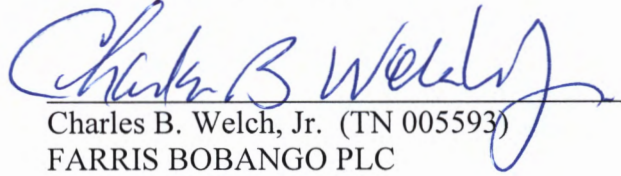
Integrated Resource Management, Inc. ("IRM") petitions the Tennessee Regulatory Authority ("TRA" or "the Authority") pursuant to TRA Rule 1220-4-13-.07(5) to accept as alternative financial security an irrevocable letter of credit in an amount of \$50,000. This amount is sufficient to pay the operating expenses of the utility for approximately five months in the event that the Authority assumes control of the utility. The pre filed testimony of William Novak and Jeffrey Cox are attached hereto in support of this Petition.

According to the most recent UD20 Authority Form filed by IRM, the utility's reported annual revenue is \$123,177. Obtaining a letter of credit in an amount equal to the utility's annual revenue as required by TRA Rule 1220-4-13-.07 will create an undue burden on IRM. Because of the number of independent systems operated by IRM, the requested bond amount is more than adequate to cover any operational problems that might arise.

Furthermore, at the time this rule was adopted, IRM and other similar utilities were much smaller than they are today. It is no longer reasonable to require a wastewater utility the size of IRM to obtain a bond equal to 100% of its annual revenue.

Therefore, IRM respectfully requests that this Petition be granted and that the TRA approve alternative form of financial security in accordance with TRA Rule 1220-4-13-.07(5).

Respectfully submitted,

A handwritten signature in blue ink, reading "Charles B. Welch, Jr.", is written over a horizontal line.

Charles B. Welch, Jr. (TN 005593)

FARRIS BOBANGO PLC

414 Union Street, Suite 1105

Nashville, TN 37219

(615) 726-1200

$$\begin{array}{c}) \\) \\) \\) \\) \\) \\) \\) \end{array}$$

Docket No. 16- 00086

August 11, 2016

1 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND***
2 ***OCCUPATION FOR THE RECORD.***

3 ***A1.*** My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility
5 consulting and expert witness services company.¹
6

7 ***Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND***
8 ***PROFESSIONAL EXPERIENCE.***

9 ***A2.*** I have both a Bachelor's degree in Business Administration with a major in
10 Accounting, and a Master's degree in Business Administration from Middle
11 Tennessee State University. I am a Certified Management Accountant, and am
12 also licensed to practice as a Certified Public Accountant.
13

14 My work experience has centered on regulated utilities for over 30 years. Before
15 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
16 Tennessee Regulatory Authority where I had either presented testimony or
17 advised the Authority on a host of regulatory issues for over 19 years. In
18 addition, I was previously the Director of Rates & Regulatory Analysis for two
19 years with Atlanta Gas Light Company, a natural gas distribution utility with
20 operations in Georgia and Tennessee. I also served for two years as the Vice
21 President of Regulatory Compliance for Sequent Energy Management, a natural

¹ State of Tennessee, Registered Accounting Firm ID 3682.

1 gas trading and optimization entity in Texas, where I was responsible for ensuring
2 the firm's compliance with state and federal regulatory requirements.

3
4 In 2004, I established WHN Consulting as a utility consulting and expert witness
5 services company. Since 2004 WHN Consulting has provided testimony or
6 consulting services to state public utility commissions and state consumer
7 advocates in at least ten state jurisdictions.

8

9 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?***

10 ***A3.*** I am testifying on behalf of Integrated Resource Management, Inc. ("IRM" or
11 "the Company").

12

13 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
14 ***PROCEEDING?***

15 ***A4.*** The purpose of my testimony is to present to the TRA the underlying rationale
16 used by IRM to support its Petition to post alternative financial security.

17

18 ***Q5. WHY IS IRM ASKING THE TRA TO APPROVE AN ALTERNATIVE TO***
19 ***ITS EXISTING RULES FOR FINANCIAL SECURITY AT THIS TIME?***

20 ***A5.*** TRA Rule 1220-4-13-.07(2)(a) requires all wastewater utilities to post as financial
21 security one hundred percent (100%) of their gross annual revenue in the most recent
22 Authority Form UD20 or \$20,000, whichever is greater. IRM's total gross annual

1 revenue for all of 2015 was \$123,177.² IRM maintains that it cannot reasonably obtain
2 financial security for this amount. IRM is therefore asking the TRA to approve as an
3 alternative the posting of financial security of \$50,000 which represents funds sufficient
4 to operate the utility for approximately five months.³

5
6 ***Q6. IS THERE A TRA PRECEDENT FOR APPROVING ALTERNATIVE***
7 ***FINANCIAL SECURITY SIMILAR TO WHAT THE COMPANY IS***
8 ***REQUESTING HERE?***

9 A6. Yes. On June 20, 2016 in Docket 15-00052, the TRA approved alternative
10 financial security of \$50,000 for Cartwright Creek, LLC. Therefore, IRM asks that
11 this petition be granted and that the Authority approve an alternative form of financial
12 security of approximately \$50,000 in accordance with TRA Rule 1220-4-13-.07(5).

13
14 ***Q6. DOES THIS COMPLETE YOUR TESTIMONY?***

15 A6. Yes it does.

² IRM 2015 Annual Report to the TRA, Page F3.

³ Per Page F3 of the IRM 2015 Annual Report to the TRA, total operating expenses equal approximately \$120,000 or \$10,000 per month. Therefore, financial security of \$50,000 would be sufficient to operate the utility for five months.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

PETITION OF INTEGRATED RESOURCE)
MANAGEMENT, INC. TO POST)
ALTERNATE FINANCIAL SECURITY)

DOCKET NO. 16-00086

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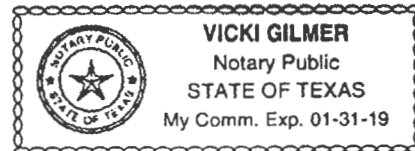
I, William H. Novak, on behalf of Integrated Resource Management, Inc., LLC, hereby certify
that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of
Integrated Resource Management, Inc.


WILLIAM H. NOVAK

Sworn to and subscribed before me
this 13th day of August, 2016.


NOTARY PUBLIC

My commission expires: 01/31/19



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

2 A. My name is Jeffrey Cox. I am the President of Integrated Resource Management, Inc.
3 My business address is 3444 Saint Andrews Drive, White Pine, TN 37890.

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

5 A. As the President of IRM Utility, Inc., IRM has always provided excess surety. IRM is
6 requesting a reduction to \$50,000.00.

7 **Q. Mr. Cox, could you please describe the Company's utility operations?**

8 A. Yes. Integrated Resource Management, Inc. is a public utility as defined in Tenn. Code
9 Ann. § 65-4-101 and is engaged in providing wastewater services to approximately 58
10 residential customers and 67 commercial customers located in the counties of Blount,
11 Campbell, Decatur, Knox, Roane, Sevier, and Union.

12 Because of the remote mountainous terrain and geology of the Company's service
13 territories, a typical wastewater system is unfeasible and is not available to our service
14 areas. Instead, a Septic Tank Effluent Pump system with occasional lift stations is
15 employed to move wastewater from the customers' residences/commercial properties to
16 IRM's treatment facilities. The treatment systems are typically fixed film media with
17 disposal to a "green drip irrigation disposal". All are approved by the Tennessee
18 Department of Environment and Conservation.

19 **Q. Why is it important that IRM maintain this level of surety with the existing LOC?**

20 A. IRM has equity established and a beneficial relationship with the holder of the Letter of
21 Credit, Peoples Bank of Clifton Tennessee. The Letter of Credit does not cost IRM and
22 subsequently the customer at this time. Any increase will create a major undertaking

1 with negotiations with bonding, bankers, equity establishment, and subsequent cost to the
2 customer. Acquiring Bonding or a new LOC is very labor intensive.

3 **Q. Mr. Cox, why is IRM requesting relief at this time?**

4 A. The Company just received its first "Rate Case" increase in revenues and the Company
5 does not want to change the structure we have been working under the last few months
6 and increase management expenses.

7 **Q. Are there any particular expense items the Company is requesting in this docket?**

8 A. No. That is the efficiency of this request is that there will be no charge to the customers
9 or added expense to the Company.

10 **Q. Any further comments?**

11 A. IRM appreciates the Directors and Staff working with us on the "Rate Case" and we are
12 convinced that the value of service will be enhanced by lowering our Surety requirement
13 to fulfill service for our customers and to protect the waters of the State of Tennessee.

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

15 A. Yes it does.
16
17
18
19
20

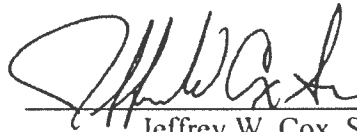
21 VERIFICATION PAGE TO FOLLOW
22

1 VERIFICATION

2
3
4 STATE OF TENNESSEE)

5
6 COUNTY OF JEFFERSON)

7
8
9 I, Jeffrey W. Cox, Sr., being duly sworn, state that I am authorized to make this
10 verification on behalf of Integrated Resource Management, Inc.; that I have read the foregoing
11 Pre-filed Direct Testimony and Exhibits of Jeffrey W. Cox, Sr., and know the content thereof;
12 and that the same are true and correct to the best of my knowledge, information and belief.

13
14
15 
16 _____
17 Jeffrey W. Cox, Sr.
18
19

20
21 Sworn to and subscribed before me the 28th day of July, 2016.

22 
23
24

