

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
JOINT PETITION OF INTEGRATED)	
RESOURCE MANAGEMENT, INC.,)	DOCKET NO. 24-00073
D/B/A IRM UTILITY, INC., AND)	
COMMISSION STAFF AS A PARTY)	
TO INCREASE RATES AND CHARGES)	

PRE-FILED DIRECT TESTIMONY

OF

JEFFREY W. COX, JR.

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

2 A. My name is Jeffrey W. Cox, Jr. I am the President of Integrated Resource Management,
3 Inc. (“IRM”). 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, I am providing a general overview of IRM’s operations and a
6 summary of the rate relief that the Company is requesting in coordination with the
7 Tennessee Public Utility Commission Staff (“Party Staff”). Craig Cox, Grace Marek, and
8 Cole McCormick of the Commission’s Party Staff will provide testimony on the
9 ratemaking methodologies and calculations used to forecast the Company’s cost of service
10 and rate design for the attrition period.

11 **Q. Mr. Cox, please describe the Company’s utility operations.**

12 A. IRM is a public utility as defined in Tenn. Code Ann. § 65-4-101 and is engaged in
13 providing wastewater services to both residential and commercial customers located in the
14 Tennessee counties of Blount, Campbell, Decatur, Knox, Roane, Sevier, and Union.
15 Because of the remote mountainous terrain and geology of the Company’s service
16 territories, a typical wastewater system is unfeasible and is not available to our service
17 areas. Instead, a Septic Tank Effluent Pump system with occasional lift stations is
18 employed to move wastewater from the customers’ residences/commercial properties to
19 IRM’s treatment facilities. The treatment systems are typically fixed film media with
20 disposal to a “green drip irrigation” system. All of our systems are approved by the
21 Tennessee Department of Environment and Conservation.

22 **Q. When was IRM’s last rate increase?**

1 A. IRM's last rate increase was approved in Commission Docket No. 15-000130. Prior to that
2 rate case, IRM had not filed for a rate increase since commencing operations in 2004.

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

4 A. Due to increases in the costs of operating IRM's wastewater systems, the Company has
5 experienced significant revenue shortfalls in recent years. Under the current rates and
6 charges, the Company's revenues and revenue projections are not sufficient to allow the
7 Company a fair opportunity to recover its reasonable operating costs and to provide a fair
8 and reasonable net operating income. In 2023, the Company experienced a net operating
9 loss of \$67,847. As will be discussed by Party Staff, the Company – after adjustment for
10 the sale of our Riverstone system – is estimated to experience a net operating loss of
11 \$56,683 for the twelve-month attrition period ending December 31, 2024. These losses are
12 not sustainable going forward, and it has become apparent that IRM cannot continue to
13 provide reliable wastewater service to customers without rate relief.

14 **Q. What rate relief is the Company requesting?**

15 A. As will be addressed by Party Staff, IRM's current rates and charges are insufficient to
16 cover its operating costs and provide for a reasonable net operating income. Without rate
17 relief, Party Staff projects that IRM will have a revenue deficiency of approximately
18 \$138,342 for the twelve-month attrition period ending December 31, 2024, under the
19 operating margin method. In order to have a fair opportunity to cover its operating
20 expenses and earn a reasonable net operating income, IRM is requesting that it be allowed
21 to increase rates and charges to eliminate this revenue deficiency. To that end, the
22 Company supports and recommends the rate design proposed by Party Staff and requests
23 that the proposed rates become effective January 1, 2025.

1 **Q. Have customers been notified of the rate increase?**

2 A. No later than November 15, 2024, the Company will notify its current customers of the
3 proposed increase to rates and charges by direct mail. In addition, IRM added this notice
4 on November 14, 2024, at the Company's principal business office located at 3444 Saint
5 Andrews Drive White Pine, Tennessee 37890. IRM's public notice is attached to the Joint
6 Petition.

7 **Q. Since you are proposing an increase in your service rates across your customer**
8 **classes, are you proposing approval for a revised tariff?**

9 A. Yes. The Joint Petition for a rate revision includes a revised tariff for approval. This
10 revised tariff includes the Company's proposed rates and certain administrative changes to
11 ensure the tariff is consistent with current service territories. The revised tariff presented
12 with this filing includes both our residential and commercial customers.

13 **Q. As a wastewater utility operator in Tennessee, are you aware of the Tennessee Public**
14 **Utility Commission's escrow rule 1220-04-13-.07 (7), which became effective**
15 **December 2018?**

16 A. Yes. I am aware of Commission Rule 1220-04-13-.07 (7), which reads as follows:

17 "Reserve/escrow accounts established by a public wastewater utility shall be limited to
18 paying for or reimbursing the utility for extraordinary expenses of the utility or for
19 necessary capital projects, unless otherwise permitted by the Commission. Extraordinary
20 expenses are those resulting from events which are infrequent and unusual in nature, and
21 unrelated to the utility's routine service or business activities. The utility must first receive
22 authorization from the Commission via approved petition or, in emergency situations,
23 authorization in writing from the Chairman of the Commission upon written request by a

1 representative of the utility to use such funds. The Commission may require public
2 wastewater utility employees having signature authority over such account to obtain a
3 fidelity bond. The public wastewater utility's tariff shall set forth the specific amount
4 charged to customers to fund the reserve/escrow account."

5 **Q. Do you understand that, under this rule, any usage by the utility of customer escrow**
6 **funds requires prior Commission approval?**

7 **A.** Yes, I do. Going forward the Company will follow the procedures set forth in the escrow
8 rule in all requests to use escrow funds.

9 **Q. Party Staff has made several recommendations for the Company, which include how**
10 **the utility accounts for and manages its customer escrow collections. They are as**
11 **follows:**

- 12 **1. The escrow portion of customer collections should initially be recorded as an**
13 **escrow *liability*, not as *revenue* per the Company's current practice.**
- 14 **2. Escrow collections from customers should be held in a *separate* cash bank**
15 **account by the Company, and the balance in this account should *equal* the**
16 **Company's escrow liability.**
- 17 **3. The accounting entries made to the Company's general ledger and balances**
18 **therein should agree with amounts reported by the Company to the**
19 **Commission in its annual reports and other requested accountings.**
- 20 **4. The charges to the Company for affiliate services should be recorded to the**
21 **specific accounts that reflect the nature of the service provided by the affiliate**
22 **to the utility.**

1 **Do you understand these recommendations and intend to implement them upon the**
2 **Commission's decision in this docket?**

3 A. Yes, I do.

4 **Q. Do you have any further comments?**

5 A. IRM is convinced that the market price for this type of service illustrated is competitive
6 and justifies the rate increase in order to provide service to our customers and to protect
7 the waters of the State of Tennessee.

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

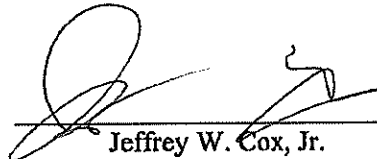
9 A. Yes, it does.

VERIFICATION

STATE OF TENNESSEE

COUNTY OF Knox

I, Jeffrey W. Cox, Jr., hereby declare under penalty of perjury, that I am the Owner and President of Integrated Resource Management, Inc.; that I am authorized to make this verification on behalf of Integrated Resource Management, Inc.; that I have read the foregoing Direct Testimony of Jeffrey W. Cox, Jr.; and that the facts stated therein are true and correct to the best of my knowledge, information, and belief.


Jeffrey W. Cox, Jr.

Sworn to and subscribed before me the 14th day of November 2024.


Notary Public

My commission expires: My Commission Expires Feb. 28, 2027

