

**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

GRACE MAREK

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

2 A. My name is Grace Marek. I am a Financial Regulatory Analyst with the Utilities Division
3 of the Tennessee Public Utility Commission. My business address is 502 Deaderick Street,
4 Fourth Floor, Nashville, 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 and an M.B.A. from Tennessee Technological University. I
8 began my role with the Commission in December of 2021. Since beginning my role, I
9 have worked on several cases and reviews for natural gas, electric, water, and wastewater
10 public utilities. Examples of my duties include auditing financial records of utility
11 companies to determine compliance per accepted accounting principles and adherence to
12 applicable federal and state laws, rules, and regulations; reviewing tariff filings and
13 providing written analysis regarding each tariff's completeness, accuracy and compliance
14 with Commission rules and state/federal laws; and conducting financial analysis on rate
15 cases such as Kingsport Power Company (Docket No. 21-00107).

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

17 A. The purpose of my testimony is to present the forecast for Integrated Resource
18 Management, Inc.'s ("IRM") (1) rate base; (2) rate case expense; and (3) amortization and
19 depreciation. The ratemaking calculations discussed in my testimony are presented in the
20 Exhibits, Schedules, and Workpapers attached to the pre-filed direct testimony of Party
21 Staff witness Craig Cox. In addition to these forecasts, I will recommend that the Company
22 make certain tariff revisions to correctly detail the current customers being served and the
23 associated rates being charged.

1 **Q. Please explain your forecast for rate base.**

2 A. Rate base is the total of the investor funded or supplied plant, facilities, and other
3 investments used by the utility in provisioning service to its customers. For many utilities,
4 the rate base is the investment base on which a fair rate of return is applied to arrive at the
5 net operating income requirement.

6 In this case, IRM's rate base components include additions for net utility plant in service
7 ("UPIS"), deferred rate case expense and working capital funds advanced by the utility;
8 and deductions for net contributions in aide of construction ("CIAC") and escrow and
9 customer deposits held by the utility.

10 As reflected on TPUC Party Staff Exhibit Schedule 2, IRM's average rate base for the 12
11 Months attrition period Ending December 31, 2024, is forecasted to be \$5,456. The rate
12 base amount is relatively small primarily because most of IRM's rate base is financed by
13 donations of plant. These donations or contributions are known as "contributions in aide
14 of construction" ("CIAC") and are deducted from rate base since the utility's own funds
15 are not invested in the plant. Further, depreciation on contributed plant is not used as an
16 expense in establishing rates for the utility.

17 **UPIS and CIAC.** As shown on TPUC Party Staff Workpapers 2.01 and 2.02, the balances
18 for net UPIS and net CIAC were traced to the general ledger for the test period, and then
19 these amounts were computed for the attrition period by adjusting for the sale of the
20 Riverstone System to Limestone, and by applying a composite depreciation rate of
21 3.5252% for UPIS and a composite amortization rate of 3.2410% for CIAC. The average
22 of the forecasted beginning and ending UPIS and CIAC balances for the attrition period
23 were then included in rate base, as reflected on TPUC Party Staff Exhibit Schedule 2.

1 **Deferred Rate Case Expense.** An allowance for deferred rate case expense of \$3,000 was
2 made, with recovery of this amount over three years. This results in an average deferred
3 rate case expense of \$2,500 for the attrition period, which was included in rate base as
4 reflected on TPUC Party Staff Exhibit Schedule 2. Given the nature of this proceeding,
5 this rate case expense allowance is reasonable.

6 **Cash Working Capital.** Consistent with long-standing ratemaking practice, an allowance
7 for cash working capital was made by taking one-eighth of cash operating expenses (total
8 operating expenses less non-cash expenses for depreciation and amortization). This
9 method essentially assigns a 45-day time lag for cash working capital purposes and as
10 reflected in TPUC Party Staff Exhibit Schedule 2, results in an estimated balance of
11 \$60,910 for the attrition period.

12 **Escrow and Customer Deposits.** As shown on TPUC Party Staff Exhibit Schedule 2, the
13 average test period balance for escrow deposits was computed by adding the beginning and
14 ending balances per the Company's 2023 general ledger, and then dividing the sum by two.
15 The average attrition year escrow deposits balance was then computed by adding the
16 previously computed average test period ending escrow deposit balance to the sum of
17 estimated attrition year escrow collections and the previously computed average test period
18 ending balance, and then dividing by two to arrive at the average attrition period escrow
19 deposit of \$56,055. The average test period customer deposits amount of \$1,893 was
20 computed by adding the beginning and ending balances per the Company's 2023 general
21 ledger, and then dividing the sum by two. This average was then used as an estimate for
22 the average attrition period rate base deduction.

1 Due to the small size of IRM's rate base, and consistent with the rate case proceedings for
2 similar wastewater utilities, Party Staff determined that utilizing the Operating Margin
3 Method to establish rates was preferable in this case. Further, IRM has agreed to this
4 methodology. Additional testimony concerning use of the Operating Margin Method to set
5 rates in this case is discussed within Party Staff witness Craig Cox's pre-filed direct
6 testimony.

7 **Q. Please explain your forecast for deferred rate case expense.**

8 A. As discussed previously, an allowance of \$3,000 for the costs of this case has been made,
9 with recovery over a three-year period. This results in annual rate case amortization
10 expense of \$1,000, as shown on TPUC Party Staff Exhibit Schedule 3, Line 12. Given the
11 nature of this case and assistance received by Party Staff, this amount of rate case expense
12 is reasonable.

13 **Q. Please explain your forecast for depreciation and amortization expense.**

14 A. As shown on TPUC Party Staff Workpaper 2.02, the annual depreciation expense of
15 \$34,553 associated with the Utility Plant in Service (UPIS) is offset by the annual
16 amortization expense of \$34,553 associated with the Company's contribution in aid of
17 construction (CIAC). Thus, the net annual depreciation on expense and amortization
18 expense for the attrition period is forecasted to be zero, as shown on TPUC Party Staff
19 Exhibit Schedule 3, Line 13.

20 **Q. Please explain your tariff recommendations.**

21 A. Upon Party Staff's review of the Company's current tariff, it was revealed that there was
22 missing information, including certain service territories, customer service rates, and
23 escrow rates. In addition, Party Staff also discovered that there were service territories

1 included in the tariff that were no longer served by the Company and service territory
2 names that have changed. To rectify these issues, Party Staff recommends:

- 3 • Adding Waterside (Douglas Lake) and ISHA Enclave to the existing residential service
4 territories listing.
- 5 • Removing Ashley Meadows and Riverstone Estates as residential service territories, as
6 the Company no longer serves customers in these locations.
- 7 • Updating the Sterling Springs service territory name to Grand View Resort.
- 8 • Adding the missing customer service and escrow rates for Cove Mountain and River
9 Club to the existing commercial rates listing.
- 10 • Adding two additional tariff sections detailing Wild Briar service territories and Wild
11 Briar rates that were previously provisioned through a special contract that has since
12 expired.
- 13 • Updating the tariff for the new applicable service rates as a result of this rate case
14 proceeding.

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

16 **A.** Yes, it does.

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF DAVIDSON)

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


Grace Marek

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


Notary Public

My Commission Expires: 3/3/2026

