

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

January 29, 2025

IN RE:

**JOINT PETITION OF INTEGRATED RESOURCE
MANAGEMENT, INC., D/B/A IRM UTILITY, INC., AND
COMMISSION STAFF AS A PARTY TO INCREASE
RATES AND CHARGES**

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**DOCKET NO.
24-00073**

ORDER APPROVING *JOINT PETITION*

This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, and Commissioner David Crowell of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on December 16, 2024, for consideration of the *Joint Petition of Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. and Commission Staff as a Party to Increase Rates* (“*Joint Petition*”) filed on November 14, 2024, by Integrated Resource Management d/b/a IRM Utility, Inc. (“IRM” or “Company”) and Commission Staff (“Party Staff”) (collectively, the “Joint Parties”). In the *Joint Petition*, the Parties seek Commission approval of an increase of rates and charges for the purpose of recovering the Company’s costs of providing wastewater services.

BACKGROUND AND *JOINT PETITION*

IRM is a public utility providing wastewater services to approximately 140 residential customers and 158 commercial customers in the Company’s designated service territories in East

Tennessee. The Company has not increased its service rates since the Commission approved its tariffed service rates on February 23, 2016.¹

On November 14, 2024, IRM and Party Staff filed a *Joint Petition* requesting an increase to IRM's rates and charges, alleging the Company's projected revenues are not sufficient to allow IRM a fair opportunity to recover its reasonable operating costs and provide a fair and reasonable net operating income during the attrition period ending December 31, 2024. The Joint Parties stated an increase in the Company's rates and charges are necessary for IRM to maintain its utility systems and provide safe and reliable services to its customers.² Along with the *Joint Petition*, the Joint Parties filed a proposed tariff, the Pre-Filed Direct Testimony of Company President Jeffrey W. Cox, Jr., and Party Staff witnesses Craig Cox, Cole McCormick, and Grace Marek.³

Also included with the *Joint Petition* is the sworn statement from Company President Jeffrey W. Cox, Jr., stating a notice to customers of the proposed increase to rates and charges will be provided to all current customers by direct mail no later than November 15, 2024. A copy of the customer notice was attached to the *Joint Petition*, evidencing the Company's compliance with TPUC Rule 1220-04-01-.05.⁴ In response to the customer notice, the Commission received and filed in the docket numerous written comments from customers of the Company.

The Consumer Advocate Division in the Office of the Tennessee Attorney General ("Consumer Advocate") filed a letter on November 15, 2024, explaining the Consumer Advocate would not seek intervention in the docket. However, the Consumer Advocate expressed

¹ *Joint Petition*, pp. 1-2 (November 14, 2024). See also *In re: Joint Petition of Integrated Resource Management, Inc. and TRA Staff (As A Party) to Increase Rates and Charges*, Docket No. 15-00130, *Order Approving Joint Petition* (February 23, 2016).

² *Id.*

³ *Id.* The Commission filed a Notice on October 25, 2024, designating the following TPUC Staff employees as Party Staff: Ryan McGehee, Senior Associate Counsel; Craig Cox, Financial Regulatory Analyst; Cole McCormick, Utilities Consultant; Grace Marek, Financial Regulatory Analyst; David Foster, Director, Utilities Division, and Joe Shirley, Director, Utility Audit and Compliance. *Notice of Designation of Staff Participating as a Party* (October 25, 2024).

⁴ *Joint Petition*, pp. 2-3, Attach. A (November 14, 2024).

disagreement regarding the use of escrow funds by IRM for routine business operations without prior Commission approval, which were disclosed in the *Joint Petition*; satisfied, however, that such expenditures were properly used for system expenses. The Consumer Advocate stated its expectation that IRM will secure Commission approval of escrow expenditures in the future.⁵

THE HEARING

The Hearing on the *Joint Petition* was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on December 16, 2024, as noticed by the Commission on December 6, 2024. Participating in the Hearing were the following parties and their respective counsel:

Integrated Resource Management, Inc. – Charles B. Welch, Jr. Esq., Phelps Dunbar, 414 Union Street, Suite 1105, Nashville, TN 37219; Jeffrey W. Cox, Jr., IRM President, P.O. Box 71526, Knoxville, TN 37938.

Tennessee Public Utility Commission Party Staff – Ryan McGehee, Esq., Craig Cox, Financial Regulatory Analyst, Tennessee Public Utility Commission, 502 Deaderick Street, 4th Floor, Nashville, Tennessee 37243.

The panel heard testimony from witness Mr. Craig Cox, describing the work and analysis of Party Staff, including an explanation of the Operating Margin Method of setting rates used in this case, due to the majority of utility plant being contributed by developers of the subdivisions. Following his testimony, Mr. Cox responded to questions from the Commissioners. Witness Mr. Jeffrey W. Cox, Jr. testified on behalf of IRM, summarizing his Pre-Filed Direct Testimony. The panel solicited comments from the public, but no member of the public sought to be heard.⁶

⁵ Letter to Chairman David F. Jones Re Consumer Advocate Will Not Seek Intervention In this Docket From Vance L. Broemel, Consumer Advocate (November 15, 2024).

⁶ Transcript of Commission Conference, p. 28 (December 16, 2024).

CRITERIA FOR ESTABLISHING JUST AND REASONABLE RATES

The Commission has jurisdiction to set the rates of public utilities operating in the State of Tennessee.⁷ In pertinent part, Tenn. Code Ann. § 65-5-101 provides:

(a) The Tennessee public utility commission has the power after hearing upon notice, by order in writing, to fix just and reasonable individual rates, joint rates, tolls, fares, charges, or schedules thereof...

In addition, Tenn. Code Ann. § 65-5-103 states, in part:

(a) When any public utility shall increase any existing individual rates, joint rates, tolls, fares, charges, or schedules thereof, or change or alter any existing classification, the commission shall have power either upon written complaint, or upon its own initiative, to hear and determine whether the increase, change or alteration is just and reasonable. The burden of proof to show that the increase, change, or alteration is just and reasonable shall be upon the public utility making the same. In determining whether such increase, change or alteration is just and reasonable, the commission shall take into account the safety, adequacy and efficiency or lack thereof of the service or services furnished by the public utility.

The Commission reviews the following criteria when considering a petition for a rate increase filed pursuant to Tenn. Code Ann. § 65-5-103:

1. The investment or rate base upon which the utility should be permitted to earn a fair rate of return;
2. The proper level of revenues for the utility;
3. The proper level of expenses for the utility; and
4. The rate of return the utility should earn.

Applying these principles and criteria, and upon consideration of the entire record, including all exhibits and the testimony of the witnesses, the panel made the following findings and conclusions.

⁷ Tenn. Code Ann. §§ 65-4-101(6); 65-4-104; 65-5-101, *et seq.*

FINDINGS AND CONCLUSIONS

Upon consideration of the pleadings, pre-filed testimony, the entire administrative record, and the presentations of counsel of the parties at the Hearing, the panel found the increased rates and charges proposed in the *Joint Petition* are necessary for IRM to continue providing safe and reliable wastewater service. Further, the proposed rates and charges are just, reasonable, and in the public interest. Therefore, the panel voted unanimously to approve, as filed, the *Joint Petition* of IRM and Party Staff. The provisions of the proposed rate increase are based upon:

1. An historical Test Period of the twelve-months ended December 31, 2023;
2. A forward-looking Attrition Period of the twelve-months ending December 31, 2024;
3. An Operating Margin Rate of 10%;
4. Total Attrition Period Operating Revenues of \$394,003;
5. Total Attrition Period Operating Expenses of \$450,687;
6. Gross Revenue Conversion Factor of 1.359599;
8. Revenue Deficiency of \$138,342.

The Commission recognized the concerns raised by the public regarding the amount of the increase as provided in the customer notice; and while the Commission appreciates and understands the concerns of ratepayers, the panel found that the increase is necessary to adequately ensure that the Company recovers its expenses and remains a viable provider of wastewater service. Further, the panel found that the customer notice complies with Commission Rule 1220-04-01-.05 and that the rate design as proposed is a fair and reasonable method to achieve the forecasted revenue requirement.

IT IS THEREFORE ORDERED THAT:

1. The *Joint Petition* filed on November 14, 2024, by Integrated Resources Management, Inc. d/b/a IRM Utility, Inc. and Tennessee Public Utility Commission Staff as a Party is approved.
2. The rates and charges proposed in the *Joint Petition* are approved;

3. The proposed tariffs, submitted on November 14, 2024, are just and reasonable and are approved to be effective January 1, 2025.

4. Any person(s) aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order; and

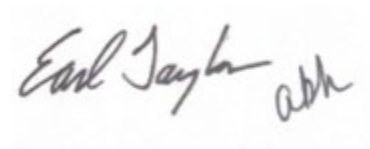
5. Any person(s) aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman David F. Jones,
Vice Chairman John Hie,
Commissioner Herbert H. Hilliard,
Commissioner Robin L. Morrison, and
Commissioner David Crowell concurs.**

None dissent.

ATTEST:

A handwritten signature in dark ink, appearing to read "Earl Taylor" followed by a smaller, less legible signature or initials.

Earl R. Taylor, Executive Director