

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

February 4, 2026

IN RE:)
)
PETITION OF INTEGRATED RESOURCE) **DOCKET NO.**
MANAGEMENT, INC. TO ADOPT AN ALTERNATIVE) **25-00072**
REGULATORY MECHANISM PURSUANT TO TENN.)
CODE ANNOTATED § 65-5-103(d)(7))

ORDER APPROVING INITIAL ALTERNATIVE REGULATORY MECHANISM

This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, and Commissioner Clay R. Good 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 8, 2025. The panel convened to consider the *Petition of Integrated Resource Management, Inc. to Adopt an Alternative Regulatory Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(7)* (“*Petition*”) filed on September 3, 2025, by Integrated Resource Management, Inc. (“Company” or “IRM”).

PETITION AND RELEVANT BACKGROUND

IRM is a corporation organized under the laws of the State of Tennessee, with a principal place of business at 3444 Saint Andrews Drive, White Pine, Tennessee.¹ The Company is a public utility that provides wastewater services to approximately 273 customers in designated service areas in the State of Tennessee. On September 3, 2025, the Company filed the *Petition*.

The Company’s *Petition* requested the Commission’s approval of an alternative regulatory mechanism (“ARM”) pursuant to §65-5-103(d)(7) to adjust rates annually based on the 12-month

¹ *Petition*, p. 1 of 16. (September 3, 2025).

change in the Gross Domestic Product Implicit Price Deflator (“GDP-IPD”) index at September 30.² Under the proposed ARM, IRM will file annually on or before November 30 of each year, with revised rates becoming effective for service provided on and after January 1 of the following year. The Company requested to make its first ARM filing on or before November 30, 2025, using the 12 months ended September 30, 2025, as the base period.³ The revised rates established in that proceeding would become effective for wastewater service provided on and after January 1, 2026.⁴

According to the *Petition*, the ARM will apply to the Company’s approved service areas as of November 14, 2024.⁵ The Company indicated that, at the time of the *Petition*'s filing, it did not plan to implement the proposed ARM in any service territory acquired subsequent to November 14, 2024. Further, the *Petition* indicated the Company does not intend to impair or diminish the Commission’s authority, but that its proposal is intended to streamline the Commission’s exercise of its authority and to minimize the burdens, including costs borne by IRM’s customers, associated with general rate case proceedings.⁶

In support of the *Petition*, the President of IRM, Mr. Jeffrey W. Cox, Jr., filed pre-filed testimony. Mr. Cox testified that the Company proposed the ARM to facilitate regular and timely rate adjustments, reduce rate case costs, enhance the efficiency of rate base adjustments, and address customer concerns by avoiding significant one-time rate increases.⁷ The Company has had two base service rate increases since 2004. In discussing both rate increases, Mr. Cox and previous Commission orders have combined the monthly base rate with a required monthly escrow charge of \$10.13.⁸ In 2016, the Commission approved an increase in the monthly base rate for most

² *Id.* at 2 of 16.

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 3 of 16.

⁶ *Id.* at 2 of 16.

⁷ *Petition*, Jeffrey W. Cox, Jr., Pre-Filed Direct Testimony, p. 6 of 16 (September 3, 2025).

⁸ The escrow charge of \$10.13 was first adopted by IRM in 2007 and has not been changed in subsequent dockets. See *In re: Docket to Determine Reserve/Escrow Requirement for Integrated Resource Management, Inc.*, Docket No. 07-00061, *Order Determining Escrow Requirements*, pp. 2-3 (December 14, 2007).

residential customers from \$35.11 to \$ 58.11, an amount that included the monthly escrow charge of \$10.13.⁹ In 2025, the Commission approved an increase in the residential monthly base rate from \$58.11 to \$74.96, again including the monthly escrow charge of \$10.13.¹⁰ Mr. Cox testified that IRM’s customers have been understandably dissatisfied with the increases in their charges after maintaining a level base service rate for several years. According to Mr. Cox, the Company’s proposed ARM will benefit customers by incrementally adjusting its service rates and avoiding significant, one-time increases.¹¹

Under the Company’s proposed ARM, IRM would file by November 30 of each calendar year the calculated percentage increase in the GDP-IPD Index from the 3rd quarter of the current year to the 3rd quarter of the previous year. The percentage change in the index would be applied to IRM’s existing base service charges by customer class to determine new base rates effective January 1 of the following year.¹² Mr. Cox testified that the proposed tariff, which provides specific guidelines on the source and calculations of the GDP-IPD, also specifies that the GDP-IPD adjustment will be applied only to existing base rates and not to any escrow, bonding, rate case, or any temporary surcharges or refunds.¹³ In response to a Commission data request regarding the Company’s example ARM calculations that included applying the proposed ARM to escrow charges, IRM clarified that the proposed ARM would apply to base rates only and would exclude escrow charges, bonding rates, and any other charge outside of base rates.¹⁴ IRM further clarified that the proposed ARM would apply to all rate classes, rather than solely to the residential class.¹⁵

⁹ *Petition*, Jeffrey W. Cox, Jr., Pre-Filed Direct Testimony, pp. 7 of 16 (September 3, 2025); 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*, p. 4 (February 23, 2016).

¹⁰ *Id.*; See also *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*, Docket No. 24-00073, *Order Approving Joint Petition*, p. 5 (January 29, 2025); Cole McCormick, Pre-Filed Direct Testimony, p. 14 (November 14, 2024).

¹¹ *Petition*, Jeffrey W. Cox, Jr., Pre-Filed Direct Testimony, p. 7 of 16 (September 3, 2025).

¹² *Id.* at 8-10 of 16.

¹³ *Id.* at 10 of 16.

¹⁴ *Company’s Response to Commission’s Data Request Sent October 31, 2025* (November 6, 2025).

¹⁵ *Id.*

Mr. Cox noted that Superior Wastewater’s current ARM, which was approved in Docket No. 23-00069, applies the same mechanics and uses the same adjustment index as IRM’s proposed ARM.¹⁶ Mr. Cox asserted that the proposed ARM does not constrain the Commission’s authority to suspend the ARM and conduct a review of rates in a traditional rate case, nor does it prevent IRM from petitioning for a rate case should it determine that the rates generated by the ARM are inadequate to cover service costs. Mr. Cox testified that the Company is seeking approval of an ARM only for the territories currently served by IRM, which are Compass Pointe, Cove Creek, Cove Mountain, Emory Pointe, Flat Hollow, Grand View, Isha Enclave, Lost Creek, Mountain Shangrila, Paradise Pointe, Valley Mart Exxon, Waterside on Douglas Lake, and Wild Briar.¹⁷

INTERVENTION AND POSITION OF THE CONSUMER ADVOCATE

On September 24, 2025, the Consumer Advocate filed a *Petition to Intervene*. The Consumer Advocate sought to intervene to represent the interests of IRM’s customers. IRM filed a response opposing the Consumer Advocate’s intervention, contending, in part, that because a similar ARM was approved for Superior Wastewater, the Consumer Advocate’s intervention in this docket would delay adoption of IRM’s ARM and disrupt the orderly and prompt resolution of this docket.¹⁸ IRM further asserted that the Consumer Advocate should be subject to collateral estoppel or limits on its participation, given the Consumer Advocate’s participation in the Superior ARM in Docket No. 23-00069, which resulted in approval of a similar ARM proposal. The Administrative Judge granted the Consumer Advocate’s intervention, noting, in part, that decisions concerning alternative regulatory mechanisms, even those that appear similar, are not one-size-fits-all.¹⁹

¹⁶ *Petition*, Jeffrey W. Cox, Jr., Pre-Filed Direct Testimony, p. 10 of 16 (September 3, 2025).

¹⁷ *Id.* at 12 of 16.

¹⁸ *Integrated Resource Management, Inc. ’s Response in Opposition to the Consumer Advocate Division’s Petition to Intervene*, p. 5 (October 1, 2025).

¹⁹ *Order Granting the Petition to Intervene Filed By The Consumer Advocate*, pp. 5-6 (October 28, 2025).

On October 30, 2025, in support of its case, the Consumer Advocate filed the pre-filed testimony of Mr. Clark Kaml. In his testimony, Mr. Kaml recommended that the Commission reject the Company's proposed ARM. In the alternative, Mr. Kaml recommended an ARM methodology for the Company that analyzes operating and capital expenditures independently and shares its benefits with customers.²⁰ Mr. Kaml acknowledged that IRM would benefit from its proposed ARM through its streamlined methodology. However, he expressed concern that the Company would be allowed to raise rates without demonstrating corresponding increases in its costs or benefits to its customers. According to Mr. Kaml, an index-based approach ignores a utility's capital investments and related depreciation expenses. Mr. Kaml testified that, because capital investments are fully depreciated over time, the Company may avoid new, necessary capital expenditures to maximize its returns.²¹ According to Mr. Kaml, any rate adjustments associated with index changes should "only apply to the percentage of rates/costs that are associated with operating costs less depreciation." Mr. Kaml testified that a different methodology should apply to capital expenditures.²²

According to Mr. Kaml, the Company has failed to explain whether changes to the GDP-IPD index would apply to all of its customer rates or only to a specific subset. In addition, Mr. Kaml argued that the index-based revisions should also extend to the Company's escrow charges. Mr. Kaml concluded that the Company's assertion that its proposed ARM methodology produces reasonable rate adjustments is predicated upon too few data points.²³

Further, Mr. Kaml testified that other regulated utilities' alternative rate mechanisms are irrelevant to the mechanism proposed in this proceeding because the approved mechanism is based on each utility's unique circumstances. Decoupling rate adjustments from actual changes in the

²⁰ Clark Kaml, Pre-Filed Direct Testimony, pp. 3-4, 11 (October 30, 2025).

²¹ *Id.* at 4-6.

²² *Id.* at 7.

²³ *Id.* at 6-7.

Company's cost of service requires close scrutiny by all parties involved, and he attested that additional analysis would be necessary to ensure customers are not harmed in this way.²⁴

Similar to the Consumer Advocate's position in Docket No. 23-00069, Mr. Kaml made eight recommendations regarding the proposed ARM. First, the Company should include its most recent annual report with each ARM filing to provide the Consumer Advocate with ready access to the information without having to petition the Commission for the report.²⁵ Second, the amount of IRM's payroll charges, including compensation and benefits charged from affiliated companies, to capital projects and to operating & maintenance expenses, should be identified to allow an assessment of the overall reasonableness of the Company's financial results.²⁶

Third, supporting documentation should be provided confirming the GDP-IPD index value and identifying whether the GDP-IPD data represents the initial release of GDP data, the Bureau of Economic Analysis' ("BEA") first update, or the BEA's second update.²⁷ Fourth, any adjustments to the September 30th GDP-IPD data issued after the Company's annual ARM filing will be identified along with any over-/under-recovery included with the subsequent ARM. Further, any revisions to the GDP-IPD data used in a prior year's ARM filings should be calculated and applied in the next year's ARM filing.²⁸ Fifth, the ARM should be approved for a five-year period with subsequent submissions reevaluated by the Commission, as approved in a settlement with Tennessee Water Service, Inc. in Docket No. 23-00046.²⁹ Mr. Kaml testified that the proposed ARM is unique and should be subject to reevaluation, recommending that continuation, modification, or termination occur during the mechanism's fifth year.

²⁴ *Id.* at 7-9.

²⁵ *Id.* at 11-12.

²⁶ *Id.* at 12.

²⁷ *Id.* at 13.

²⁸ *Id.* at 13-14.

²⁹ *Id.* at 14.

Sixth, if the Company were to request a rate case during the five-year period, it must demonstrate extraordinary circumstances justifying the request. According to Mr. Kaml, the purpose of the ARM is to reduce the regulatory costs of a traditional rate case; therefore, the Company should not be allowed to abandon the ARM without demonstrating extraordinary circumstances.³⁰ Seventh, if the GDP-IPD index value drops, the Commission should clearly state and require the Company to reduce rates accordingly. Finally, Mr. Kaml proposed that because this proposal is being evaluated based on the Company's current status, any approved ARM should not be transferable to an acquiring entity.³¹

COMPANY'S REBUTTAL TESTIMONY

In pre-filed rebuttal testimony on behalf of IRM, Mr. Cox testified that the Consumer Advocate's concerns are "misplaced, not relevant, or have already been considered and dismissed" by the Commission.³² According to Mr. Cox, the Company's proposed ARM is intended to reduce regulatory costs for a small wastewater utility, is identical to the recent ARM approved for Superior Wastewater, and provides for annual rate adjustments (whether increases or decreases) based on the general level of inflation as approximated by the GDP-IPD.³³ Mr. Cox further testified that the Company's proposal does not attempt to impair or diminish the Commission's regulatory or ratemaking authority.³⁴

Mr. Cox opposed Mr. Kaml's recommendation that the Company's ARM include a formula that bifurcates operating and capital expenditures and captures any related benefits to be shared with customers. Mr. Cox argued that this would provide no measurable benefit and would unnecessarily complicate the proposed ARM.³⁵ Mr. Cox testified that IRM would not engage in

³⁰ *Id.* at 14-15.

³¹ *Id.* at 15-16.

³² Jeffrey W. Cox, Jr., Pre-Filed Rebuttal Testimony, p. 4 (November 14, 2025).

³³ *Id.* at 6, 16.

³⁴ *Id.* at 12.

³⁵ *Id.* at 3-4.

bad-faith practices, such as avoiding necessary investments or failing to provide services to its customers.³⁶

Mr. Cox asserted that lower regulatory costs will create efficiencies that will ultimately be passed on to customers. Further, Mr. Cox referred to the Consumer Advocate's testimony in Docket No. 23-00069, where the Consumer Advocate agreed that a similar ARM would benefit customers of another utility.³⁷ Though not a precise measure of a given Company's cost changes, the Consumer Advocate indicated in Docket No. 23-00069 that a proposed index-based ARM is reasonable and appropriate, and would minimize regulatory costs, which could become significant when spread over a relatively small customer base.³⁸ Mr. Cox clarified that, under the Company's proposed ARM, the GDP-IPD-based rate adjustments would apply only to its base service rates for each customer tier in both its residential and commercial classes, rather than to escrow charges.³⁹

Regarding the Consumer Advocate's first recommendation requiring IRM to provide a copy of the annual report with each ARM filing, Mr. Cox testified that the Company would provide the relevant pages from its annual report that support existing operating expenses, operating income, and customer data with its future ARM filings. However, the remainder of the report would be unnecessary. As a result, Mr. Cox argued that this recommendation should be denied.⁴⁰

Mr. Cox opposed the Consumer Advocate's second recommendation requiring submission of compensation charged to capital projects and operating and maintenance expenses. According to Mr. Cox, this requirement is unnecessary, as the proposed ARM uses a conservative inflation

³⁶ *Id.* at 4-5, 7-8.

³⁷ *Id.* at 5-6.

³⁸ *Id.* at 10-11.

³⁹ *Id.* at 8-9.

⁴⁰ *Id.* at 13.

measure and any adjustment to compensation expenses would not be reflected in the ARM, but any such adjustments would be included in the Company's annual reports.⁴¹

With respect to the Consumer Advocate's third recommendation, Mr. Cox testified that it should be disregarded because IRM has committed to providing supporting documentation to confirm the GDP-IPD index values in its annual ARM filings. Nevertheless, IRM agreed with the fourth recommendation that any subsequent revisions to the GDP-IPD used to adjust its base rates should be reflected in the ARM calculation, relative to a true-up calculation.⁴² With respect to the Consumer Advocate's fifth recommendation, Mr. Cox testified that a five-year restriction for a mechanism that adjusts solely on inflation is unnecessary and should be rejected.

Mr. Cox testified that the Consumer Advocate's sixth recommendation requiring a demonstration of extraordinary circumstances upon requesting a rate case should be denied because it requires a heightened burden of proof for IRM than is required of other regulated utilities.⁴³ With respect to the Consumer Advocate's seventh recommendation, Mr. Cox testified that IRM will continue to use the ARM formula outlined in this proceeding, resulting in either a positive or negative amount. Mr. Cox testified that the Consumer Advocate's final recommendation with respect to a claim that the ARM is not transferable. Mr. Cox testified that if IRM should consider a sale or transfer of the utility, the subsequent acquisition docket would be the proper docket for considering the issue of transferring the ARM to the new owner.⁴⁴

THE HEARING

The hearing in this matter was noticed by the Commission on November 25, 2025, and held during the regularly scheduled Commission Conference on December 8, 2025. Appearances were made by the following:

⁴¹ *Id.*

⁴² *Id.* at 14.

⁴³ *Id.* at 15.

⁴⁴ *Id.* at 16.

Integrated Resource Management, Inc. – Keith C. Dennen, Esq., Phelps Dunbar LLP, 414 Union Street, Suite 1105, Nashville, TN 37219.

Consumer Advocate Division – Vance Broemel, Esq., Consumer Advocate Division of the Office of the Tennessee Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37219.

Before the hearing, the Parties agreed to waive opening and closing statements and the cross-examination of witnesses.⁴⁵ Mr. Cox presented testimony on behalf of the Company. Mr. Kaml presented testimony on behalf of the Consumer Advocate. Both witnesses were available to answer questions from the Commission. Members of the public were given an opportunity to offer comments, but no one sought recognition to speak.

FINDINGS & CONCLUSIONS

Based on a review of the evidentiary record, the panel found the proposed alternative regulatory mechanism compliant with statutory requirements. The panel further found that the eight additional conditions recommended by the Consumer Advocate should not be adopted because they would overly complicate the mechanism without providing measurable benefits or substantial accountability, and are therefore without merit.

In addition, the panel found the proposed mechanism to be in the public interest because it (1) gives IRM a better opportunity to collect sufficient funds to cover its operating costs in subsequent years and, in turn, to provide customers with reliable wastewater services; (2) provides an opportunity for the Commission to review IRM's rates and financial condition annually; and (3) mitigates the need for more frequent rate cases, which often result in high legal expenses that ultimately would be recovered from customers.

For these reasons, the panel voted unanimously to approve IRM's proposed alternative regulatory mechanism, as filed on September 3, 2025, which shall be applicable to the Company's service territories as of November 14, 2024, and shall not apply to any service area acquired after

⁴⁵ *Pre-Hearing Order*, pp. 1-2 (December 3, 2025).

that date. As clarified by the Company, the alternative regulatory mechanism will apply to all customer classes and shall not apply to escrow charges, bonding rates, or any other charges outside base rates.

IT IS THEREFORE ORDERED THAT:

1. The *Petition of Integrated Resource Management, Inc. to Adopt an Alternative Regulatory Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(7)* filed on September 3, 2025, by Integrated Resource Management, Inc., is granted.

2. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.

3. Any person 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 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 Clay R. Good concurred.**

None dissented.

ATTEST:

Handwritten signature of Earl R. Taylor in cursive, with the initials 'abh' written below it.

Earl R. Taylor, Executive Director