

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF BOISE VALLEY** )  
**RAILROAD, LLC'S OBJECTION TO ITS** ) **CASE NO. BVR-R-14-01**  
**2014 ASSESSMENT FEE** )  
 ) **ORDER NO. 33143**  
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On May 15, 2014, Boise Valley Railroad, LLC (“Boise Valley” or “Company”) sent a letter to the Commission registering its objection, pursuant to *Idaho Code* § 61-1007, to the Company’s 2014 Railroad Assessment Fee. Boise Valley attached several invoices as attachments, documenting the Commission’s Fee Assessment as well as the Company’s gross operating revenues for the calendar year of 2013.

On May 29, 2014, the Commission issued a Notice of Objection to Assessment and Notice of Modified Procedure with a 90-day comment period. *See* Order No. 33045.

On August 27, 2014, Commission Staff (“Staff”) submitted its written comments after conducting an audit of the Company’s revenue records. Boise Valley declined the opportunity to submit reply comments.

**THE COMPANY’S OBJECTION**

The Commission’s operating budget is derived from the assessment of regulatory fees upon utilities and railroads subject to the Commission’s jurisdiction. *Idaho Code* § 61-1003 provides that on or before April 1<sup>st</sup> of each year, each railroad corporation shall report its gross operating revenues from its intrastate railroad business in Idaho for the preceding calendar year. Based upon the total amount of gross intrastate revenues reported by all the railroads, the Commission then determines the proportionate assessment applicable to each railroad to recover the Legislature’s authorized appropriation.

Once each railroad’s assessment is determined, the Commission notifies the railroad of its regulatory fee no later than May 1<sup>st</sup> of each year. Such fee shall be paid to the Commission in equal semi-annual installments. *Idaho Code* § 61-1005. Any utility or corporation may object to the fee “on or before the time specified for payment for the first installment of the assessment made against it.” *Idaho Code* § 61-1007.

In its letter to the Commission, Boise Valley acknowledges that it committed an error in reporting to the Commission its gross interstate operating revenues instead of its gross

intrastate operating revenues. Allegedly, the difference between Boise Valley's 2013 Gross Interstate Revenues (\$3,143,915.00 (Attachment B)) and its 2013 Gross Intrastate Revenues (\$838,703.00 (Attachment C)) is significant. The Company awaits "acknowledgement of its objection and further instructions from the Commission on how to proceed in this matter."

#### **STAFF COMMENTS**

During its audit, Staff examined documents from the files of the Commission and copies of documents provided by Watco, Inc., the owner of Boise Valley Railroad, and copies of Journals and Ledgers of Boise Valley.

Staff's audit of the Journals and Ledger of Boise Valley reflects total revenues of \$3,143,913 for 2013. Total intrastate revenues for Idaho, for the Year 2013 totaled \$846,598. Staff performed extended testing of the Idaho intrastate revenues and believes \$846,598, as adjusted, is the correct amount of Idaho intrastate revenues for 2013. Staff notes the amount of Idaho intrastate revenues supported by the Ledger and Journals are different than the amount reported by the Company on the original report to the Commission. In its Objection Letter dated May 14, 2014, the Company acknowledged the difference. The Company also reported that it is taking steps to prevent this from recurring in the future.

The definition of revenue has been previously outlined by the Commission in its final Order in Case No. EIR-R-01-01. Confidential Attachment B shows the detailed revenue accounts and the Company's error/oversight statement. Boise Valley provided supporting documentation referring Staff to a group of deferral accounts containing corrections.

Staff performed several tests on billings and reconciled all journal entries by source of revenue, with the summary of revenue sources provided by the Company, and found no exceptions. Staff examined the billing method of Boise Valley. These billings are organized with a multiple invoice reference system. This includes a group billing method involving contract arrangements, disputable rates and third parties undisclosed to Staff. Staff understands these disputable rates are treated as adjustments to accounts receivable in the year of resolution. Staff's concerns include three items: (1) extended time periods for resolution; (2) the inability to test the reasonableness of any single adjustment; and (3) the need to rely on simplified explanations, rather than documentation, to test complex transactions with interested third parties.

Staff recommended an audit of the internal oversight/controls and intrastate revenues be performed for the 2014 operating year to verify compliance with the definition of intrastate revenues described in Case No. EIR-R-01-01 for the 2014 reported revenues. Staff recommended the Commission accept the amount of \$846,598 as the Idaho intrastate operating revenue for Boise Valley for the year 2013. This would result in a reduction of \$2,297,317 in reported Idaho interstate revenues, (\$3,143,915 - \$846,598).

### **COMMISSION FINDINGS**

Based upon our review of Boise Valley's objection letter and Staff comments, the Commission finds that Boise Valley filed a timely objection to its 2014 assessment. We further find that Boise Valley overreported its gross intrastate operating revenue for calendar year 2013.

Based upon Staff's review of the Company's intrastate revenue source records and Boise Valley's lack of objection to Staff's corrected intrastate revenue amount, we find the Railroad's correct intrastate gross operating revenue for calendar year 2013 to be \$846,598. Applying the assessment percentage of 0.5327%, as mandated by Commission Order, to the corrected revenue of \$846,598 produces a corrected 2013 regulatory fee of \$4,509.83.

### **ORDER**

IT IS HEREBY ORDERED that the total intrastate revenues for Boise Valley Railroad for the 2013 calendar year totaled \$846,598. Accordingly, the Company's 2014 regulatory assessment fee shall be \$4,509.83.

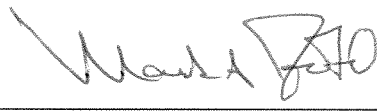
IT IS FURTHER ORDERED that the Commission shall refund in a timely manner to Boise Valley Railroad the difference between the regulatory fee previously remitted by the Company to the Commission and the corrected 2014 regulatory assessment fee of \$4,509.83.

IT IS FURTHER ORDERED that an audit of the Company's internal oversight/controls and intrastate revenues shall be performed for the 2014 operating year to verify compliance with the definition of intrastate revenues outlined in Case No. EIR-R-01-01.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* §§ 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30<sup>th</sup>  
day of September 2014.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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