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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF BOISE VALLEY)
RAILROAD, LLC'S OBJECTION TO ITS 2014) **CASE NO. BVR-R-14-01**
ASSESSMENT FEE.)
) **COMMENTS OF THE**
) **COMMISSION STAFF**
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COMES NOW the Staff of the Idaho Public Utilities Commission (Commission), by and through its attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Objection to Assessment and Notice of Modified Procedure issued in Order No. 33045 on May 29, 2014 in Case No. BVR-R-14-01, submits the following comments.

BACKGROUND

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 included several invoices as attachments, documenting the Commission's fee assessment as well as the Company's Gross Operating Revenues for the calendar year 2013.

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 1st 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 1st 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 Objection 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 – Company Attachment B) and its 2013 Gross Intrastate Revenues (\$838,703.00 – Company Attachment C) is significant.

STAFF ANALYSIS

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

Among the documents examined were a Class II and III Railroad Annual Report to the Idaho Public Utilities Commission for the operating year 2013; Assessment Invoice No. 2014-009 from the Idaho Public Utilities Commission; the Schedule of Gross Operating Revenues of Boise Valley Railroad, LLC, for the Calendar Year 2013; and the Letter of Objection from Paine-Hamblen.

Revenues

Staff's audit of the Journals and the Ledger of Boise Valley Railroad, LLC, reflects Total Revenues of \$3,143,913 for the year 2013. Total Intrastate Revenues for Idaho, for the Year 2013 totaled \$846,598, as seen on Confidential Attachment A. 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 Idaho Public Utilities Commission. In its Objection Letter dated May 14, 2014, Paine-Hamblen, acknowledged a difference and apologized on behalf of Boise Valley Railroad, LLC. Paine-Hamblen also reported Boise Valley Railroad, LLC, is taking steps to prevent this from recurring in the future.

The definition of revenue has been previously determined in Case No. EIR-R-01-01. Staff commends the employees of Watco, Inc., in acknowledging the oversight events. Confidential Attachment B shows the detailed revenue accounts and the Company's error/oversight statement. The supporting documentation of Boise Valley Railroad, LLC, referred Staff to a group of Deferral Accounts containing corrections.

Staff Tests

Staff performed several tests on billings. Staff reconciled all journal entries by source of revenue, with the summary of revenue sources provided by the Company, and found no exceptions.

During its audit Staff examined the billing method of Boise Valley Railroad. These billings are organized with a multiple invoice reference system. Some aspects of the documentation system are complicated. 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. First, extended time periods for resolution. Second, there appears to be no way to test the reasonableness of any adjustment. Third, the need to rely on simplified explanations, rather than documentation, to test complex transactions with interested third parties.

RECOMMENDATIONS

Staff recommends an audit of the internal oversight/controls and intrastate revenues be completed for the operating year 2014. The audit will determine compliance with the definition of Intrastate Revenues described in Case No. EIR-R-01-01 for the 2014 reported revenues.

Staff recommends the Commission accept the amount of \$846,598 as the Idaho Intrastate Operating Revenue for Boise Valley Railroad, LLC for the year 2013.

This would result in a reduction of \$2,297,317 in reported Idaho Interstate Revenues, (\$3,143,915 - \$846,598).

Respectfully submitted this 27th day of August 2014.



Neil Price
Deputy Attorney General

Technical Staff: John Nobbs

Umisc/comments/bvrr14.Inpjn comments


ATTACHMENT A
IS
CONFIDENTIAL

ATTACHMENT B
IS
CONFIDENTIAL

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 27TH DAY OF AUGUST 2014, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. BVR-R-14-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY