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Public Service Commission

October 11, 2007

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VIA CERTIFIED MAIL

Mr. Berdell Knowles, Jr., President
 Kincaid Hills Water Company
 P.O. Box 579
 Gainesville, FL 32602

RE: Docket No. 070580-WU, Delinquent Regulatory Assessment Fees, plus associated penalties and interest for the years 2004, 2005, 2006, and delinquent 2004, 2005, and 2006 annual reports.

Dear Mr. Knowles:

I am writing to inform you that the Commission has not received any payments whatsoever for the Regulatory Assessment Fees (RAFs) for the years 2004 and 2005, and has only received payment of the basic RAFs for 2006 on August 28, 2007. Because the 2006 RAFs were paid approximately five months late, a statutory penalty and interest is due for 2006, and the basic RAFs and associated penalties and interest are due for the years 2004 and 2005.

For the RAFs, plus associated penalties and interest, due in accordance with Sections 350.113 and 367.145, F.S., and Rule 25-30.120, Florida Administrative Code (F.A.C.), for the years 2004, 2005, and 2006, with interest being calculated through November 30, 2007, staff calculates the total amount due to be \$7,049.62. The amount due is calculated as follows:

Year	Revenues	RAFs(4.5%)	Penalty(25%)	Interest (Thru 11/30/07)	Total
2004	\$46,137	\$2,076.17	\$519.04	\$664.37	\$3,259.59
2005	\$47,752	\$2,148.84	\$537.21	\$429.77	\$3,115.82
2006	\$49,942	\$ 0	\$561.85	\$112.37	\$674.21
Total	\$143,831	\$4,225.01	\$1,618.10	\$1,206.51	\$7,049.62

For the utility's failure to pay these amounts, the staff is scheduled to file its recommendation to the Commission on November 7, 2007, for consideration by the Commission. The recommendation will address, among other things, whether show cause proceedings for fines, revocation proceedings, and whether liens should be imposed for the utility's failure to pay the amounts due. The recommendation will also address the utility's failure to comply with the Payment Plan set forth in Order No. PSC-04-0615-FOF-WU, issued June 21, 2004.

Also, the utility filed the annual reports for 2004-2006 a total of 422 days late. Pursuant to Rule 25-30.110(7), F.A.C., the standard penalty is \$3 per day, and, if imposed, would be \$1,266. Therefore, staff calculates the total amount to be due for the years 2004-2006 to be \$8,315.62

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 FPSC-COMMISSION CLERK

Mr. Berdell Knowles, Jr., President

Page 2

October 10, 2007

Pursuant to Section 367.161(2), Florida Statutes,

The Commission has the power to impose upon any entity that is subject to its jurisdiction under this chapter and that is found to have refused to comply with, or to have willfully violated, any lawful rule or order of the commission or any provision of this chapter by a penalty for each offense of not more than \$5,000, which penalty shall be fixed, imposed, and collected by the commission; or the commission may, for any such violation, amend, suspend, or **revoke any certificate of authorization** issued by it. Each day that such refusal or violation continues constitutes a separate offense. Each penalty shall be a lien upon the real and personal property of the entity, enforceable by the commission as a statutory lien under chapter 85. (emphasis added)

If payment in the amount of \$7,049.62 for the RAFs for the years 2004-2006, and \$1,266 for the delinquent annual reports for those years is not received by November 1, 2007, Commission staff will file its recommendation on November 7, 2007. If Kincaid is ultimately found to be in violation of Commission rules, in addition to being authorized to impose fines of up to \$5,000 for each day the violation continues, the Commission may impose a statutory lien upon the real and personal property of the utility, or **revoke** the utility's certificate.

In any event, it appears that you must quickly take some action to forestall the Commission opening enforcement proceedings against this utility, which will only further complicate the management of this utility. Your prompt attention in this matter is required. As stated above, if the Commission has not received the payments noted above by November 1, 2007, the Commission may be forced to open further enforcement proceedings, to include show cause proceedings or possibly revocation proceedings.

Finally, if you have questions regarding the matters discussed herein, you may contact me at (850) 413-6234.

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ:th

cc: Division of Economic Regulation (Slemkewicz, Kaproth)
Division of Administrative Services (V. Moore)
Office of Commission Clerk (Docket file)