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Public Service Commission

February 15, 2007

VIA CERTIFIED MAIL

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

070000

Re: Filing of 2006 Price Index, 2007 Price Index, and Pass-Through Increase for Regulatory Assessment Fees

Dear Mr. Knowles:

As discussed on February 14, Kincaid Hills Water Company may apply for the 2006 Price Index if it does so by March 31, 2007. This allows a 2.74% increase for certain Operation and Maintenance Expenses incurred in 2005. I have enclosed Order No. PSC-06-0075-PAA-WS which has the forms and directions for applying for the 2006 Price Index.

If the utility has never applied to increase its rates for the Commission Regulatory Assessment Fees that became applicable to the utility when Alachua County transferred jurisdiction to the Commission, then the utility may apply for a pass-through increase of 4.5% for the Regulatory Assessment Fees (RAFs). My review of the history of this utility shows that other than the grandfather application, two show cause proceedings, and two staff-assisted rate cases (both of which were withdrawn by the utility), there has not been an application to pass through the RAFs which became applicable when Alachua County gave jurisdiction to the Commission in 1992. The directions for applying for the pass-through increase are also contained in the Order noted above.

Finally, the utility will become eligible, as of April 1, 2007, to apply for the 2007 Price Index increase. This allows a 3.09% increase for certain Operation and Maintenance Expenses incurred in 2006. I have attached a package with the forms and directions for applying for this increase.

As noted above, you must apply for the 2006 Price Index increase by no later than March 31, 2007. Also, pursuant to Subsection 367.081(4)(e), Florida Statutes, "a utility may not adjust its rates under this subsection more than two times in any 12-month period." That subsection provides that a combined application or simultaneously filed applications shall be considered one

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rate adjustment. Therefore, if you are to take advantage of all three increases in the next 12 months, you must combine the pass-through with either one of the price indexes. Moreover, if you want to just send out one notice of a rate increase, you may waive implementation of the 2006 Price Index increase, and combine it with the 2007 Price Index increase (and the 4.5% RAF pass-through).

Hopefully, the above increases will enable the utility to pay all applicable RAFs. Also, as discussed, the utility must make up the RAF payments required in the settlement and pay the 2004 and 2005 RAFs as soon as possible, or staff will be forced to recommend to the Commission to initiate a show cause proceeding for implementation of fines. However, this does not keep you from proceeding with applying for the price indexes and the pass-through increase. Also, for the utility to take advantage of our limited proceedings and staff-assisted rate cases it must be in compliance with the orders, rules and statutes of this Commission, to include payment of RAFs.

If you have any legal questions, you may call me at 850-413-6234. However, if you have any technical questions about implementing either the price indexes or the pass-through increase, please call Bart Fletcher at 850-413-7017.

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ:jb

cc: Division of Economic Regulation (Fletcher, Slemkewicz, Kaproth, Rendell, Bulecza-Banks)

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 Berdell Knowles Kimead Hills
 Street, Apt. No.;
 or PO Box No. P.O. Box 579
 City, State, ZIP+4
 Gainesville FL 32602
 PS Form 3800, April 2002 See Reverse for Instructions

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- Print your name and address on the reverse so that we can return the card to you.
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1. Article Addressed to:
 Berdell Knowles J.
 Kimead Hills Water Co.
 P.O. Box 579
 Gainesville FL 32602

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