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OFFICE OF THE GENERAL COUNSEL  
MICHAEL G. COOKE RECEIVED-PRSC  
GENERAL COUNSEL  
(850) 413-6199  
06 AUG 11 AM 10:30

Public Service Commission

COMMISSION  
CLERK

August 10, 2006

VIA CERTIFIED MAIL

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

**Re: Delinquent Payments - Regulatory Assessment Fee Payment Plan and Delinquent 2004 and 2005 Regulatory Assessment Fees and Delinquent 2005 Annual Report**

Dear Mr. Knowles:

I am writing to inform you that the Commission has still not received Kincaid Hills' monthly payment in the amount of \$500.00 each for January, February, March, April, and May, 2006 (and now June and July). I talked to you at the end of July, and you indicated that you would be taking out a loan so that you would be able to make the required payments. By letter dated June 9, 2006, Ms. Helton, my supervisor, advised you that these payments were due pursuant to the payment plan for delinquent regulatory assessment fees established by Commission Order No. PSC-04-0615-FOF-WU, issued June 21, 2004.

Because Kincaid Hills is in violation of a Commission Order, staff is considering opening a docket to initiate show cause proceedings against Kincaid for its failure to abide by the regulatory assessment fees payment plan for the months of January through July, 2006. Order No. PSC-04-0615-FOF-WU stated that if the utility fails to make the required monthly installments by the due date of any month, further enforcement of the payment plan will be initiated, such as placement of a lien on the utility's property. Accordingly, a lien may be placed on Kincaid's property pursuant to Section 367.161, Florida Statutes.

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Further, 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 a penalty for each offense of not more than \$5,000,

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PSC Website: <http://www.floridapsc.com>

Internet E-mail: [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us)

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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.

Accordingly, if show cause proceedings are initiated, and if Kincaid is found to be in violation of Commission rules and statutes, the Commission has the authority to impose penalties, and to take further action, as stated in the above-referenced statute.

Your payment of \$4,000 (\$500 that was due January 20, 2006, \$500 that was due February 20, 2006, \$500 that was due March 20, 2006, \$500 that was due April 20, 2006, \$500 that was due May 20, 2006, \$500 that was due June 20, 2006, \$500 that was due July 20, 2006, and \$500 that will be due August 20, 2006) should be mailed with a copy of this letter to the Fiscal Services Section, Attn: Valerie Moore, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

If payment in the above amount is not received by September 1, 2006, Commission staff will open a docket to initiate show cause proceedings. 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.

Also, it has been brought to my attention that the utility has not paid its RAFs for 2004, and has not filed its annual report or paid RAFs for 2005, and those are all past due. Staff calculates for the year 2004 that the utility owes \$2,076.17 for the basic RAF, plus a penalty amount of \$519.04, and an interest amount of \$394.47, for a total amount due for the 2004 RAFs of \$2,989.68. The 2005 Annual Report was due on March 31, 2006, unless you applied for an extension (do not see any request for an extension). For each day after the date that the annual report is late, pursuant to Rule 25-30.110(7)(b), Florida Administrative Code, a \$3 penalty is imposed. As of September 1, 2006, the cumulative penalty for failure to file the 2005 annual report would equal \$459 (30 days in April + 31 days in May + 30 days in June + 31 days in July + 31 days in August = 153 days times \$3 per day = \$459). It is imperative that you file the 2005 Annual Report as soon as possible as the \$3 penalty per day is just continuing to mount. Also, penalties and interest are imposed for late RAFs pursuant to Rule 25-30.120(7)(a), Florida Administrative Code.

It appears that you are really struggling with making these required payments, and I note that other than the show cause docket, Docket No. 040248-WU, opened in 2004, the utility has had no dockets open with this Commission since 1997. You may want to call Troy Rendell at 850-413-6934 to discuss the availability of various simple means for increasing revenues. Also, you may want to talk to Pattie Daniel at 850-413-6808 to discuss whether this utility should either be sold to the county

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or turned over to the county for operation by the county. Either of these individuals could assist you in the relief available to you.

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 a minimum of \$4,000 by September 1, 2006, staff will be forced to open enforcement and show cause 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:jb

cc: Division of Economic Regulation (Slemkewicz, Kaproth, Rendell, Daniel)  
Division of the Commission Clerk and Administrative Services (Moore, Docket file)