

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

### -M-E-M-O-R-A-N-D-U-M-

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**DATE:** May 21, 2008

**TO:** Office of Commission Clerk (Cole)

**FROM:** Office of the General Counsel (Jaeger)  
Division of Administrative Services (Belcher)  
Division of Economic Regulation (Kaproth)

**RE:** Docket No. 070580-WU – Initiation of Show Cause Proceedings against Kincaid Hills Water Company in Alachua County for violation of Rule 25-30.110, F.A.C., Records and Reports; Annual Reports; Rule 25-30.120, F.A.C., Regulatory Assessment Fees; Water and Wastewater Utilities; and of Order PSC-04-0615-FOF-WU.

**AGENDA:** 06/03/08 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\GCL\WP\070580.RCM.DOC

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### Case Background

Kincaid Hills Water Company (Kincaid or utility) is a Class C water utility located in Alachua County serving approximately 338 customers. According to the utility's 2007 Annual Report, total gross revenue was \$51,628 for the year, with an indicated net operating loss of

\$5,971. Kincaid became subject to Commission jurisdiction and was granted a certificate of operation by Order No. PSC-93-1027-FOF-WU.<sup>1</sup>

Until this year, Kincaid had filed only one annual report on time (1997) and had not timely paid its regulatory assessment fees (RAFs). For this year, the utility timely filed its 2007 Annual Report, but paid its 2007 RAFs three days late. Therefore, the utility was billed for an additional \$139.05 to reflect the statutory five percent penalty and one percent interest. The utility paid this amount on May 1, 2008.

Also, until 2007, the utility had never availed itself of any price-index or pass-through increases. Since June 2007, the utility has received two price-index increases and a pass-through.<sup>2</sup> Although the utility has applied for staff assisted rate cases twice, the utility withdrew both requests.

This docket was opened to address the utility's failure to timely file annual reports and pay RAFs. Pursuant to Order No. PSC-08-0044-FOF-WU, issued January 22, 2008, in this docket, the Commission directed that the delinquent regulatory assessment fees, plus penalties and interest, be submitted to the Department of Financial Services for permission to write off the amounts due as uncollectible. That Order also found that the utility should be found to be eligible for a staff assisted rate case, notwithstanding its failure to: (1) timely file annual reports; (2) pay RAFs, plus penalties and interest, for the years 2006 and before; and (3) comply with prior Commission orders. If the utility failed to timely file its 2007 Annual Report or pay the 2007 RAFs, and it was during the pendency of a staff assisted rate case, staff was directed to submit a staff recommendation as to whether the staff assisted rate case should be closed. Further, the Order concluded that this docket shall remain open until the staff assisted rate case was opened.

The utility has now advised staff that it does not plan to apply for a staff assisted rate case at this time. Because Order No. PSC-08-0044-FOF-WU stated that this docket should remain open until the staff assisted rate case was filed, staff is filing this recommendation for Commission approval to close the docket. The Commission has jurisdiction pursuant to Sections 350.113, 367.0814, 367.145, and 367.161, F.S.

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<sup>1</sup> Order issued July 13, 1993, in Docket No. 921195-WU, In re: Application for certificate to provide water service in Alachua County under grandfather rights by Kincaid Hills Water Company.

<sup>2</sup> The pass-through increase was for 4.5% so as to allow for the recovery of RAFs in the utility's rates from that point forward.

### **Discussion of Issues**

**Issue 1:** Should this docket be closed?

**Recommendation:** Yes, this docket should be closed. (Kaproth, Jaeger)

**Staff Analysis:** As stated in the Case Background, Order No. PSC-08-0044-FOF-WU concluded “that this docket shall remain open until the staff assisted rate case is opened.” However, the utility has now advised staff that its customers are pleading with it not to further significantly increase rates. Because Kincaid has received a 4.5 percent pass-through increase for RAFs and two price index increases since June 2007, and anticipates future price indexes, the utility states that it believes it can meet its obligations to pay RAFs and maintain the utility without having to resort to a staff assisted rate case.

Because the utility has now indicated that it does not intend to file for a staff assisted rate case in the foreseeable future, staff believes that there is no reason to keep this docket open. Moreover, the utility has paid its 2007 RAFs and timely filed its 2007 Annual Report. Therefore, there are no foreseeable actions to take place within the next year. Based on the above, staff recommends that this docket be closed.