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File #: 3297/144460

October 1, 2010

Rosemary Chiavetta,
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Pennsylvania Public Utility Commission et al. v. Superior Water Company, Inc.
Docket No. R-2010-2191376 et al.
PREHEARING MEMORANDUM OF SUPERIOR WATER COMPANY, INC.**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission on behalf of Superior Water Company, Inc. ("Superior") are an original and three (3) copies of Superior's Prehearing Memorandum in the above-referenced proceeding. Copies of this document have been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please direct them to me. Please date-stamp the extra copy and return it with our courier. Thank you for your attention to this matter.

Sincerely,

David P. Zambito
Counsel for *Superior Water Company, Inc.*

DPZ/kmg
Enclosures

cc: Honorable Christopher P. Pell (*via e-mail and overnight delivery*)
Per Certificate of Service

CERTIFICATE OF SERVICE

Docket No. R-2010-2191376

I hereby certify that I have this day served a true copy of the foregoing Prehearing Memorandum of Superior Water Company, Inc. upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA ELECTRONIC MAIL AND OVERNIGHT MAIL

Honorable Christopher P. Pell
Pennsylvania Public Utility Commission
Administrative Law Judge
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cpell@state.pa.us

VIA ELECTRONIC AND FIRST CLASS MAIL

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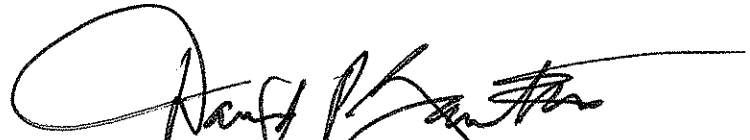
VIA FIRST CLASS MAIL

Thomas B. Rutter
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Gilbertsville, PA 19525
C-2010-2196300

Andrea Mowery
142 Birdsong Way
Pottstown, PA 19464
C-2010-2198878

The Dewees Group, Inc.
c/o Richard C. Dewees
48 Glocker Way
Pottstown, PA 19465
C-2010-2197693

Henry N. Capaldo
2866 Homestead Court
Gilbertsville, PA 19525
C-2010-2201640



David P. Zambito
Counsel for *Superior Water Company, Inc.*

DATED: October 1, 2010

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Administrative Law Judge
Christopher P. Pell

Pennsylvania Public Utility Commission, <i>et al.</i> ,	:	
	:	
Complainants	:	
	:	
v.	:	Docket Nos. R-2010-2191376
	:	C-2010-2194647
	:	C-2010-2196300
	:	C-2010-2197693
	:	C-2010-2198878
	:	C-2010-2201640
Superior Water Company, Inc.,	:	
	:	
Respondent	:	

**PREHEARING MEMORANDUM
OF SUPERIOR WATER COMPANY, INC.**

Superior Water Company, Inc. d/b/a Superior Water Company (“Superior” or “Company”) by its counsel in this matter, Post & Schell P.C., hereby submits its Prehearing Memorandum in the above-captioned matter.

I. THE PARTIES AND PROCEDURAL HISTORY

1. Superior is a certificated Pennsylvania public utility providing public water supply service in portions of Montgomery, Chester, and Berks counties at Docket Nos. A-212955F001 *et seq.* It serves approximately 3,000 customers.

2. On July 29, 2010, Superior filed Supplement No. 3 to its Tariff Water - Pa. P.U.C. No. 4 (“Supplement No. 3”) to become effective September 28, 2010. Supplement No. 3 contains proposed changes in rates and rules calculated to produce \$404,190 (18.81%) in additional annual revenues.

3. The Office of Consumer Advocate (“OCA”) filed a formal complaint and public statement on August 19, 2010. The complaint was docketed at Docket No. C-2010-2194647.

4. Thomas B. Rutter filed a formal complaint on August 23, 2010. The complaint was docketed at C-2010-2196300.

5. The Dewees Group, Inc. c/o Richard Dewees filed a formal complaint on September 2, 2010. The complaint was docketed at C-2010-2197693.

6. Andrea Mowery filed a formal complaint on September 13, 2010. The complaint was docketed at C-2010-2198878.

7. Henry N. Capaldo filed a formal complaint on September 21, 2010. The complaint was docketed at C-2010-2201640.

8. By Order entered September 23, 2010, the Commission instituted an investigation into the lawfulness, justness and reasonableness of Superior’s proposed rate increase and suspended the effectiveness of Supplement No. 3 until April 28, 2011 (unless permitted by

Commission Order to become effective at an earlier date). The Order also requires that the investigation include consideration of the lawfulness, justness and reasonableness of Superior's existing rates. The matter was assigned to the Commission's Office of Administrative Law Judge for hearings and a Recommended Decision.

9. In compliance with the Commission's September 23, 2010 Order, Superior, on September 23, 2010, filed Supplement No. 4 to Tariff Water – Pa. P.U.C. No. 4 suspending until April 28, 2011 the effectiveness of Supplement No. 3 (unless permitted by Commission Order to become effective at an earlier date).

10. The Commission's Office of Trial Staff entered its notice of appearance in the case on September 24, 2010.

11. By Prehearing Order, dated September 27, 2010, Administrative Law Judge Christopher P. Pell scheduled a Prehearing Conference for 1:00pm on October 4, 2010. This Prehearing Memorandum is submitted in compliance with the Prehearing Order.

II. ISSUES

12. The scope of this proceeding includes the following matters for which the Company has the burden of proof:

- (a) Rate base;
- (b) Existing and future revenue (normalized);
- (c) Taxes;
- (d) Rate of return;
- (e) Operating and maintenance expenses (normalized);
- (f) Rate structure;

- (g) Other tariff changes; and
- (h) Quality of service.

III. WITNESSES

13. On August 19, 2010, Superior submitted the prepared direct testimony of the following:

- (a) Louise A. Knight, Chief Operating Officer of Superior. Ms. Knight will testify as to the scope of Superior's operations, capital projects, administrative matters, including staffing levels, and quality of service.
- (b) Dennis M. Kalbarczyk, Consultant, Utility Rate Resources. Mr. Kalbarczyk will testify as to the financial analysis that culminated in Superior's request for \$404,190 in additional annual revenues and the recommended rate structure.

Superior intends to serve supplemental prepared direct testimony of both Mr. Kalbarczyk and Ms. Knight before or at the Prehearing Conference, relating to their respective subject areas.

14. Superior reserves the right to present other witnesses, as necessary, for rebuttal or surrebuttal testimony.

IV. PROPOSED PROCEDURAL SCHEDULE

15. The following procedural schedule has been discussed and agreed to by Superior, OCA, and OTS:

Proposed Litigation Schedule	
Action	Date
Company Direct Testimony	August 19, 2010; October 4, 2010
Prehearing Conference	October 4, 2010
Public Input Hearing (If Necessary)	To Be Determined
Non-Company Direct Testimony	October 29, 2010
Rebuttal Testimony	November 18, 2010
Surrebuttal Testimony	December 9, 2010
Outline of Rejoinder Testimony	December 13, 2010
Hearings	December 15-17, 2010
Main Briefs Filed	January 11, 2011
Reply Brief Filed	January 20, 2011

Superior recognizes that this schedule may be subject to modification based on the Commission's requirements.

V. DISCOVERY

16. Superior has already responded to several sets of discovery from OCA and OTS.

17. OCA and Superior have made arrangements to engage in informal discovery in order to preserve their limited time and resources.

18. Superior proposes to adhere to the standard discovery rules set forth in the Commission's Rules of Practice and Procedure. 52 Pa. Code § 5.321 *et seq.* Notwithstanding the foregoing, Superior submits that service of discovery requests occurring after noon on a Friday should be deemed to have occurred on the following Monday.

VI. SETTLEMENT

19. It is the Commission's policy to encourage settlements. In that spirit, Superior is willing and open to discuss settlement with the parties in a timely manner.

VII. OTHER ISSUES

20. An outstanding issue is the status of full participants (active) and limited basis participants (inactive) and their respective rights and obligations.

21. The Presiding Officer should determine whether The Dewees Group, Inc., a corporation, is required to be represented by counsel in this matter.

22. The Prehearing Order permits electronic service, but a hard copy must be received on the next business day. Superior proposes that hard copies of served documents be provided to the Presiding Officer by next day delivery, but that hard copies be mailed by first class mail to other full participants.

Respectfully submitted,



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Counsel for *Superior Water Company, Inc.*

Dated: October 1, 2010