

Table C

Determining PWAC or PSTAC Customer Charge – Metered Basis
Base cost of purchased water or wastewater

- +/- New cost of purchased water or wastewater
- +/- Rate case expenses
- +/- Amount of costs and expenses compressed or deferred, if any
- x Revenue tax factor, that is, the multiplier applied to recoup the Gross Receipts and Franchise Taxes at the rate established in the utility’s last base rate or adjustment clause case
- = Total allowable expenses
- ÷ Base water consumption or base wastewater treatment
- = PWAC or PSTAC charge per thousand gallons for the upcoming year

Amended by R.1996 d.207, effective May 6, 1996.

See: 28 N.J.R. 1190(a), 28 N.J.R. 2405(b).

Rewrote section.

Recodified from N.J.A.C. 14:9-7.5 and amended by R.2006 d.367, effective October 16, 2006.

See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).

Section was “Formula for determination of base costs by a water utility using a flat rate basis”. Section combined with former N.J.A.C. 14:9-7.6, Formula for determination of costs by a water utility using a metered basis. Added (a) and (b); rewrote existing table as “Table B”; and incorporated and rewrote table from former N.J.A.C. 14:9-7.6 as “Table C”.

Amended by R.2014 d.049, effective March 17, 2014.

See: 45 N.J.R. 2174(a), 46 N.J.R. 550(a).

In (a), updated the N.J.A.C. reference.

Case Notes

Purchased Water Adjustment Clause; water company entitled to base rate increase to recover costs associated with New Jersey Water Supply Authority contract. In *Matter of Shorelands Water Company for Approval of Increase in Rates*, 93 N.J.A.R.2d (BRC) 27.

Waste disposal rates; reasonableness of additional disposal and transportation costs; refunds for put-or-pay penalty charges; no refunds for failure to invoke Force Majeure clause; interim rate determined. In *Matter of Petition of Bridgewater Resources, Inc.*, 92 N.J.A.R.2d (BRC) 27.

SUBCHAPTER 8. COMBINED DOMESTIC WATER AND FIRE SUPPRESSION SERVICE

14:9-8.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise. Additional definitions that apply to this subchapter can be found at N.J.A.C. 14:9-1.2 and 14:3-1.1.

“Customer’s water system” means all water facilities on the customer’s side of the meter, or on the customer’s side of the water service, which are owned or controlled by the customer.

“DCA” means the Department of Community Affairs.

“Domestic water service” means potable water service supplied by a water utility that meets or exceeds the New Jersey Safe Drinking Water rules, found at N.J.A.C. 7:10.

“Fire suppression service” means potable water supplied for use in a fire suppression system inside a structure, such as an automatic sprinkler system.

“Multi-use service” means water service that is supplied to a structure through one water line extending from the water main to the structure, and which is used inside the structure for both domestic water service and fire suppression service.

Amended by R.2014 d.049, effective March 17, 2014.

See: 45 N.J.R. 2174(a), 46 N.J.R. 550(a).

In the introductory paragraph, deleted a comma following “14:9-1.2”; and in definition “Domestic water service”, inserted “the”, and updated the N.J.A.C. reference.

14:9-8.2 Required water tariff filings and amendments

(a) A water utility that is required under N.J.A.C. 14:3-1.3 to file a tariff with the Board after October 16, 2006 shall ensure that the tariff complies with this subchapter.

(b) A water utility that has filed a tariff prior to October 16, 2006, which is in effect as of October 16, 2006, shall submit an amendment to the tariff, or a new tariff page(s), that complies with this subchapter. The water utility shall submit the amendment or new tariff page(s) by January 14, 2007.

(c) If a residential customer or builder requests fire suppression service and that service is provided from a multi-use line of two inches or less, the customer’s meter may be placed on the domestic branch of the customer’s service to properly measure domestic water use.

Amended by R.2014 d.049, effective March 17, 2014.

See: 45 N.J.R. 2174(a), 46 N.J.R. 550(a).

In (a), updated the N.J.A.C. reference.

14:9-8.3 Multi-use service

(a) Each water utility that provides multi-use service, as defined at N.J.A.C. 14:9-8.1, shall include in its tariff the language required in this section. The water utility shall place the language in the tariff in the location required in this section.

(b) The following language shall be located in the tariff in a Terms of Payment section governing multi-use service, or in a general Terms of Payment section:

“A water utility may terminate a customer’s multi-use service for non-payment of a valid water bill for multi-use service, in accordance with the Board’s rules governing discontinuance of service at N.J.A.C. 14:3-3A.4(j).”

(c) The following language shall be located in the tariff in a Conditions section that governs multi-use service:

“By applying for multi-use service, the customer or builder certifies that:

1. The customer or builder has hydraulically calculated the demand for the customer’s or builder’s water system,

based on the simultaneous domestic demand and fire sprinkler demand. The customer or builder shall make this calculation in accordance with the Uniform Construction Code; and

2. The customer or builder will ensure that the system is installed in accordance with the Uniform Construction Code at N.J.A.C. 5:23; and

3. The customer will, prior to installation of the meter, obtain a construction permit in accordance with the Uniform Construction Code from the enforcing agency having jurisdiction over the system.

(d) The following language shall be located in the tariff in a General Terms and Conditions section that applies to all regulated water services:

“By applying for multi-use service, the customer agrees to be responsible for all claims, costs, and liability for personal injury, death and/or property damage, resulting from the customer’s individual water system, unless caused by the negligence of the water utility.”

(e) The following language shall be located in the tariff in a Provision of Services section that governs multi-use service:

“By applying for multi-use service, and operating the same, the customer agrees:

1. To include a backflow prevention device(s) as defined at N.J.A.C. 7:10-1.3, and as specified at N.J.A.C. 7:10-10.3;

2. To be solely responsible for all costs and expenses relating to the installation, operation, maintenance, repair and replacement of the customer’s water system, including the fire suppression system and backflow prevention device(s);

3. To ensure that the customer’s water system complies with the applicable requirements of the Uniform Construction Code in effect at the time of system installation, including any applicable building, plumbing and fire protection subcodes; and

4. To ensure that the customer’s water system is maintained in accordance with all applicable law so as to protect against backflow, back-siphonage and contamination of the potable water system.”

(f) A water utility shall supply multi-use service to a customer or builder upon request, unless the utility can show good cause or a compelling reason to refuse to supply multi-use service.

(g) A water utility’s intent to impose a higher safety standard than that set by DCA shall not constitute good cause or a compelling reason to refuse multi-use service to a customer or builder.

Amended by R.2014 d.049, effective March 17, 2014.
See: 45 N.J.R. 2174(a), 46 N.J.R. 550(a).

In the second paragraph of (b), updated the N.J.A.C. reference.

SUBCHAPTER 9. CONSUMER CONFIDENCE REPORTS

14:9-9.1 Consumer Confidence Reports

On or before July 1 of each year, each water utility shall submit to the Board a copy of the Consumer Confidence Report that the utility is required to prepare pursuant to the “Safe Drinking Water Act Amendments of 1996,” 40 CFR 141.

Amended by R.2006 d.367, effective October 16, 2006.
See: 38 N.J.R. 1538(a), 38 N.J.R. 4490(b).
Rewrote the section.

SUBCHAPTER 10. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

14:9-10.1 Purpose, scope, and general provisions

(a) This subchapter establishes for water utilities in New Jersey, a voluntary Distribution System Improvement Charge (DSIC), which is an initiative intended to create a regulatory mechanism that enables the accelerated level of investment needed to promote the timely rehabilitation and replacement of certain non-revenue producing, critical water distribution components that enhance safety, reliability, water quality, system flows and pressure, and/or conservation. Through a DSIC, after approval of the foundational filing, a water utility may charge customers, up to the DSIC cap amount, for the costs of rehabilitating, improving, or replacing water distribution infrastructure in accordance with this subchapter.

(b) The purpose of a DSIC is to provide a rate recovery mechanism that encourages and supports necessary accelerated rehabilitation and replacement. As set forth under this subchapter, such investment would occur in a systematic and sustained way to advance the accelerated rehabilitation and replacement of water distribution infrastructure needed for conservation, continued system safety and reliability, improved water quality, and sustained economic growth in the State of New Jersey.

(c) The Board shall require frequent and detailed monitoring and reporting of expenditures during all phases of the DSIC, as set forth in this subchapter, in order to ensure prudent investment and compliance with this subchapter.

(d) All petitions to the Board regarding DSIC activities shall be submitted by the water utility.

(e) The initial term of the DSIC, in the absence of explicit Board action, shall end on June 4, 2017.

(f) A DSIC rate is interim, subject to refund, until the subsequent base rate case.

may seek recovery of such projects in the ordinary course through its next base rate case. Notwithstanding the above, a water utility may continue to collect a DSIC charge during a pending rate case filed in accordance with this section.

14:9-10.5 DSIC filing requirements

(a) Each DSIC filing made by a water utility shall include the following:

1. A detailed description of all DSIC-eligible projects completed and placed in service;
2. A schedule comparing the:
 - i. Total spending on DSIC-eligible projects to date, during the DSIC recovery period, including the base-project spending and DSIC-project spending by foundational filing project identification number or blanket-project category;
 - ii. Actual cost of completed DSIC-eligible projects for the DSIC recovery period with the estimated costs for the projects contained in the most recent foundational filing or amendment thereto;
 - iii. In-service date of completed DSIC-eligible projects versus estimated in-service date of DSIC-eligible projects as set forth in the foundational filing; and
 - iv. Actual revenues collected through the DSIC assessment, compared with the actual revenue requirement of the DSIC-eligible projects during the DSIC recovery period, and the resultant DSIC under- or over-recovery amounts;
3. A proposed DSIC schedule outlining the DSIC charge, determined in accordance with this subchapter, and detailed information demonstrating that the proposed DSIC charge meets the requirements at N.J.A.C. 14:9-10.8. The schedule shall include either, a proposed schedule for returning to customers any over-recovery in the prior DSIC recovery period, including interest at the adjusted weighted average cost of capital or, a proposed schedule for recovering from customers any under-recovery in the prior DSIC recovery period. The over-recovery, including interest, or under-recovery, shall be credited or charged to customers during the next DSIC recovery period. This information shall support the DSIC charge calculation, with documentation, detailed financial analyses, and other relevant information, showing all assumptions and calculations. All supporting financial information shall be presented in such a way as to allow the Board to evaluate whether the calculations meet the requirements of this subchapter; and
4. Other documentation, as needed, to evaluate the DSIC program.

(b) DSIC filings shall be filed with the Board on a semi-annual basis, commencing approximately six months after the effective date of the foundational filing. A water utility must

submit its semi-annual DSIC filing within 15 days of the end of the DSIC recovery period. DSIC filings shall be reviewed by Board staff and the Division of Rate Counsel. In the event that Board staff or the Division of Rate Counsel identifies a particular project or projects of concern contained in the DSIC filing, the water utility shall remove the project from the list of DSIC-eligible projects. If the water utility objects to the removal of a project from the list of DSIC-eligible projects, the water utility may file a petition with the Board seeking inclusion of the project as a DSIC-eligible project. The water utility may recover the interim surcharge associated with the DSIC-eligible projects closed during the DSIC recovery period not objected to by Board staff or the Division of Rate Counsel beginning 60 days after the end of the DSIC recovery period, subject to refund at the Board's discretion.

(c) The semi-annual DSIC filings may include changes or updates to information provided in the foundational filing provided the information is material and relevant and the water utility has a reasonable expectation that the change will occur during the DSIC recovery period.

14:9-10.6 DSIC-eligible plant investments during a base rate case

(a) In the event that DSIC-eligible plant additions are placed in service during the test year of a water utility's base rate case, if not recovered as part of a routine DSIC filing, those plant additions shall be considered as part of the base rate case proceeding, and included in the routine test-year plant additions, consistent with existing Board rules.

(b) Notwithstanding the other provisions of this subchapter, a water utility may continue to make DSIC-eligible investments and collect a DSIC charge during a pending rate case filed in accordance with existing Board rules.

14:9-10.7 Rate limitation

(a) The water utility shall stop assessing a DSIC charge at the earlier of the following:

1. The Board finds, at any time, that a water utility is not in compliance with the DSIC as approved;
2. The water utility does not meet the requirements of the earnings test calculation pursuant to (b) below; or
3. Upon reaching the date set forth in N.J.A.C. 14:9-10.1(e), except that a water utility may continue to assess the DSIC charge for any DSIC investments included in an approved foundational filing and made prior to the date set forth in N.J.A.C. 14:9-10.1(e).

(b) To determine whether a water utility is earning on its DSIC investments within the amount approved by the Board, for the purposes of continued eligibility to use the DSIC program, the water utility shall report the following information to the Board:

1. On an annual basis, concurrent with the DSIC filing, the water utility shall submit an earnings description to the Board, in a format consistent with this subchapter;

2. The earnings description shall contain information from the water utility's official books and records and shall be consistent with the water utility's independently audited results of operations and its most recent annual report to the Board, and shall include 12 months of actual financial information; and

3. The earnings description, which shall include the following:

i. Rate base, revenues (including approved DSIC revenues not yet in base revenues), expenses, taxes, capital structure, weighted average cost of capital, approved net DSIC plant additions not yet in rate base, and other such relevant financial information as may be known to the water utility;

ii. Adjustments to the information supplied, pursuant to (b)3i above, to reflect to the extent practicable, its results of operations on a ratemaking basis and include annualization, normalization, and ratemaking adjustments that are consistent with current Board policy and practices; and

iii. An earnings test calculation, in which the water utility's earnings shall be subjected to an earnings test where the net operating income, including approved net DSIC revenues, is divided by the rate base, including approved net DSIC plant additions not yet in rate base.

(c) If the product of the calculation set forth in (b)3iii above exceeds the water utility's most recently approved overall rate of return, as set forth in the most recent base rate order for the water utility, the water utility shall stop assessing the DSIC for as long as the condition persists.

(d) A water utility may resume participation in the DSIC program, upon receiving Board approval, once it can demonstrate that the product of the calculation set forth in (b)3iii above no longer exceeds its last approved overall rate of return.

14:9-10.8 Calculating the DSIC rate

(a) The revenues to be recovered through the DSIC rate shall not exceed the DSIC cap, and shall be calculated as follows:

1. The eligible net investment reflects the eligible investment, less the per-book accumulated depreciation amount recorded for the specific projects, further adjusted for the recorded accumulated deferred income tax amount for the specific projects.

2. The eligible net investment shall be multiplied by the pre-tax adjusted weighted average cost of capital, plus

depreciation expense, plus or minus any DSIC under-recovery or over-recovery, divided by the revenue factor, minus interest on any over-recovery, the sum of which shall be multiplied by the revenue factor, to arrive at the DSIC revenue requirement recovery amount. The calculation of amounts over-recovered or under-recovered should start with the DSIC rate effective date for the previous DSIC filing.

3. The DSIC revenue requirement recovery amount shall be divided by the number of meter equivalents, weighted by meter capacity ratio, to arrive at the DSIC rate by meter size.

DSIC Formula (example numbers shown are for illustrative purposes only)

Eligible Investment (Qualified DSIC Additions to Utility Plant in Service (UPIS) During DSIC Period)	\$ 15,000,000 (A)
Less: Accumulated Depreciation	\$ (93,750) (B)
Less: Deferred Tax	<u>\$ (19,688) (C)</u>
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	\$ 14,886,562
Times Pre-Tax Rate of Return	<u>x 11.1509% (D)</u>
Pre-Tax Return on Investment	\$ 1,659,986
Add Depreciation	<u>\$ 375,000</u>
Revenue Recovery	\$ 2,034,986
Revenue Factor	<u>x 1.170858 (E)</u>
DSIC Revenue Requirement Recovery Amount	\$ 2,382,680 (F)

(A) Includes six months actual DSIC-eligible projects closed to UPIS during DSIC Period

(B) Accumulated Depreciation:

DSIC-eligible projects closed to UPIS	\$15,000,000
Composit Depreciation rate	<u>2.5%</u>
Depreciation Expense	\$ 375,000
½ Year Convention (for first 6 months)	\$ 93,750

(C) Deferred Taxes:

DSIC-eligible projects closed to UPIS	\$15,000,000
MACRS rate for 1st year water plant	<u>4%</u>
Tax Depreciation 1st year	\$ 150,000
Book Depreciation	<u>\$ 93,750</u>
Tax Depreciation Greater than Book	\$ 56,250
Deferred Taxes at 35%	<u>\$ 19,688</u>

(D) Pre-Tax Rate of Return

	Ratios	Cost Rate	Weighted AVG Cost of Capital	Pre-Tax Rate of Return
Long Term Debt	48.98%	6.26%	3.07%	3.066%
Common Equity	<u>51.02%</u>	<u>10.30%</u>	<u>5.26%</u>	<u>8.08%</u>
Subtotal Rate on Rate Base			<u>8.23%</u>	<u>11.1509%</u>