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N.J.A.C. 14:3-8.1

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NJ - New Jersey Administrative Code > TITLE 14. PUBLIC UTILITIES > CHAPTER 3. ALL UTILITIES > SUBCHAPTER 8. EXTENSIONS TO PROVIDE REGULATED SERVICES

§ 14:3-8.1 Scope and applicability

(a) This subchapter governs the construction of an extension, as defined at N.J.A.C. 14:3-8.2, including:

- 1.** Whether an extension is placed overhead or underground;
- 2.** How much of the cost of an extension is paid by the applicant for the extension;
- 3.** Whether the regulated entity requires a deposit or a non-refundable contribution; and
- 4.** If a deposit is required, how much of the deposit will be refunded to the applicant, and on what schedule any refund will be made.

(b) This subchapter applies to extensions made by all regulated entities, as those terms are defined at N.J.A.C. 14:3-8.2, except that:

- 1.** This subchapter does not apply to cable television companies. The extension of cable television service shall be governed by N.J.S.A. 48:5A-28 and N.J.A.C. 14:18-3.2;
- 2.** This subchapter does not apply to a telecommunications public utility that has obtained a system-wide franchise from the Board in accordance with N.J.A.C. 14:18-14; and
- 3.** This subchapter does not apply to a portion of an extension that is regulated by the Federal Energy Regulatory Commission (FERC).

(c) This subchapter applies to construction of extensions to provide service to all customers, whether residential or nonresidential.

(d) This subchapter does not provide for a calculation of the dollar amount that a regulated entity may charge for construction of an extension. This amount is determined based on tariffs submitted to the Board by each regulated entity and approved by the Board. Instead, this subchapter sets forth whether a

regulated entity may require a deposit from an applicant for an extension, and if so how much of the deposit will be refunded to the applicant and on what schedule.

(e) Nothing in this subchapter shall require a regulated entity to construct an extension or portion thereof, if the extension would not be required under N.J.S.A. 48:2-27 or other applicable law.

(f) In addition to this subchapter, extensions of service are also subject to other local, State, and Federal laws, including standards relating to water quality, promulgated by the New Jersey Department of Environmental Protection.

History

HISTORY:

Amended by R.2005 d.377, effective November 7, 2005.

See: 37 N.J.R. 1401(a), 37 N.J.R. 4292(a).

Rewrote (d)1.

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

In (b) and (g), substituted "an extension" for "service".

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

Rewrote (d)1; added new (d)2; and recodified former (d)2 as (d)3.

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Rewrote the section.

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§ 14:3-8.1A (Reserved)

History

HISTORY:

New Rule, R.2004 d.462, effective December 20, 2004.

See: 36 N.J.R. 276(a), 37 N.J.R. 5928(a).

Repealed by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

Section was "Waiver request, operative date".

N.J.A.C. 14:3-8.1B

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§ 14:3-8.1B (Reserved)

History

HISTORY:

New Rule, R.2004 d.462, effective December 20, 2004.

See: 36 N.J.R. 276(a), 36 N.J.R. 5928(a).

Repealed by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

Section heading was "Submission of modified tariff".

N.J.A.C. 14:3-8.2

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§ 14:3-8.2 Definitions

In addition to the definitions at N.J.A.C. 14:3-1.1 and 14:4-1.2, the following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Applicable tariff" means the tariff, filed with and approved by the Board, that covers the geographic area in which a particular development or extension is located.

"Applicant for an extension" means a person that has applied to the appropriate regulated entity, as defined at N.J.A.C. 14:3-1, for the construction of an extension as defined at N.J.A.C. 14:3-8.2.

"Cost" means, with respect to the cost of construction of an extension, actual and/or site-specific unitized expenses incurred for materials and labor (including both internal and external labor) employed in the actual design, construction, and/or installation of the extension, including overhead directly attributable to the work, as well as overrides or loading factors, such as those for mapping and design. This term does not include expenses for clerical, dispatching, supervision, or general office functions.

"Distribution revenue" means the total revenue, plus related sales and use tax, collected by a regulated entity from a customer, minus the following, as applicable:

1. For a gas public utility as defined at N.J.A.C. 14:4-2.2, basic gas supply service charges, plus related sales and use tax on the basic gas supply service charges, assessed in accordance with the gas public utility's tariff; and
2. For an electric public utility as defined at N.J.A.C. 14:4-1.2, basic generation service charges, plus sales and use tax on the basic generation service charges, and, unless included with basic generation service charges, transmission charges derived from Federal Energy Regulatory Commission (FERC) approved Transmission Charges, plus Sales and Use Tax on the transmission charges, assessed in accordance with the electric public utility's tariff.

"Extension" means the construction or installation of plant and/or facilities to convey new service from existing or new plant and/or facilities to a structure or property for which the applicant has requested service. This term also means the plant and/or facilities themselves. This term includes all plant and/or facilities for transmission and/or distribution, whether located overhead or underground, on a public street or right of way, or on private property or a private right of way, including the wire, poles or supports, cable, pipe, conduit, or other means of conveying service from existing plant and/or facilities to each unit or structure to be served, except as excluded at 1 through 5 below. An extension begins at the existing infrastructure and ends as follows:

1. For water service and for wastewater treatment service, the extension ends at the curb of the property or properties on which the customers to be served are located, but also includes the meter, if any, as well as any of the following that are located on the property's roadside utility right-of-way:

i. Fire hydrants;

ii. Branches; or

iii. Other water infrastructure serving others besides the applicant;

2. For gas service, the extension ends at the meter and includes the meter;

3. For an overhead extension of electric service, the extension ends at the point where the service connects to the building, but also includes the meter;

4. For an underground extension of electric service, the extension ends at, and includes, the meter; and

5. For telecommunications service, the extension ends at the point of demarcation as defined in the regulated entity's tariff.

"Plant and/or facilities" means any machinery, apparatus, or equipment, including, but not limited to, mains, pipes, aqueducts, canals, wires, cables, fibers, substations, poles, or other supports, generators, engines, transformers, burners, pumps, and switches, used for generation, transmission, or distribution of water, the collection of wastewater, energy, telecommunications, cable television, or other service that a regulated entity provides. This term includes service lines and meters, but does not include equipment used solely for administrative purposes, such as office equipment used for administering a billing system.

History

HISTORY:

Amended by R.2005 d.377, effective November 7, 2005.

See: 37 N.J.R. 1401(a), 37 N.J.R. 4292(a).

Added 6 to definition "Extension".

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

In the introductory paragraph, inserted "14:4-1.2 and"; inserted definition "Applicant for an extension"; in definition "Cost", inserted "and/or site-specific unitized"; rewrote definitions "Distribution revenue" and

"Extension".

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In the introductory paragraph, re-ordered the N.J.A.C. references; in paragraph 4 of definition "Designated growth area" substituted the second occurrence of "a" for "either and initial or advanced" and inserted "municipal"; in the final undesignated paragraph of definition "Designated growth area", inserted "Smart Growth Locator web site at <http://sgl.state.nj.us>, and from the"; rewrote the introductory paragraph of definition "Extension"; rewrote paragraph 1 of definition "Extension"; in paragraph 4 of definition "Extension", substituted "and" for "unless the applicant and the regulated entity make other arrangements;"; deleted paragraph 6 of definition "Extension"; and in definition "Generation" deleted "or cable television" preceding the final occurrence of "signal".

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Rewrote definitions "Cost" and "Extension"; deleted definition "Generation"; and in definition "Plant and/or facilities", inserted a comma following "including", following "to", following "poles", and following "television", and inserted "the collection of wastewater,".

Amended by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

Deleted definitions "Area not designated for growth", " 'Center designation' or 'designated center' ", "Designated growth area", "New Jersey State Planning Commission", "Office of Smart Growth", "Planning area".

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NJ - New Jersey Administrative Code > TITLE 14. PUBLIC UTILITIES > CHAPTER 3. ALL UTILITIES > SUBCHAPTER 8. EXTENSIONS TO PROVIDE REGULATED SERVICES

§ 14:3-8.3 General requirement to provide extensions

(a) To obtain regulated services, applicants for an extension shall apply to the appropriate regulated entity, as defined at N.J.A.C. 14:3-1.1, for construction of an extension, as defined at N.J.A.C. 14:3-8.2. Prior to accepting the application, the regulated entity shall provide the applicant with a copy of this subchapter. At the time of submittal of an application for an extension, the regulated entity shall obtain from the applicant a signed certification that the applicant received a copy of this subchapter.

(b) If an applicant for an extension has met all applicable requirements in this chapter, a regulated entity shall install the requested extension in accordance with this subchapter. No regulated entity is required to construct an extension or to furnish service to any customer unless all applicable requirements of this subchapter have been met, unless ordered to do so by the Board.

(c) A regulated entity is not required to construct, own, operate or maintain an extension on any property unless the regulated entity is legally authorized to do so, for example through an easement or right of way. The applicant shall ensure that the regulated entity is provided with such legal authority, at no cost to the regulated entity and with no requirement for condemnation of the property. This subsection shall not be construed to limit the effectiveness of existing easement or right-of-way documents, nor to require new or additional easements or other documents where valid documents have previously been accepted and/or recorded. A regulated entity shall accept existing valid documentation, unless the documentation fails to adequately describe the legal authority necessary to accomplish the requested extension. This subsection does not require an applicant for an extension to clear vegetation from a right-of-way.

(d) In constructing and operating an extension, a regulated entity shall use equipment and practices that meet all applicable requirements in this chapter, and which are consistent with applicable industry best practices and standards and the regulated entity's minimum system design standards. An applicant may request equipment or service which exceeds these standards. If the regulated entity provides this excess equipment or service, the regulated entity may charge the applicant for the full cost of the excess facilities requested, in accordance with N.J.A.C. 14:3-8.9(d)3.

(e) A regulated entity shall construct an extension with sufficient capacity to provide safe, adequate, and proper service to customers, in accordance with the regulated entity's and/or the industry's system design standards, even if the applicant requests less capacity.

(f) Construction of an extension shall include all physical work required to construct the extension including, but not limited to, site preparation, vegetation clearing, trenching, and related work.

(g) A utility may refuse to connect a customer to the utility's distribution system if there is any facility or condition on the customer's premises that does not meet the standard terms and conditions of the utility's tariff and all applicable requirements of this chapter and other law.

(h) If, because of its size or character, any facility or condition on the customer's premises is so unusual that it may adversely affect the adequacy of the service furnished to other customers, present or prospective, the utility may set special conditions for connection or may refuse to connect.

History

HISTORY:

Amended by R.2005 d.265, effective August 15, 2005.

See: 36 N.J.R. 5655(a), 37 N.J.R. 3046(b).

Rewrote (a).

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

Rewrote (a).

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In (a), deleted "in" following the second occurrence of "applicant"; in (c), added the third through fifth sentences; and added (f) through (h).

N.J.A.C. 14:3-8.4

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§ 14:3-8.4 Requirement to put certain extensions underground

(a) This section governs whether an extension, as defined at N.J.A.C. 14:3-8.2, shall be made underground or overhead.

(b) An extension for water, wastewater treatment, or gas service shall be underground in all cases.

(c) An extension of high-capacity main line electric distribution facilities with a capacity of four megavolt amps (MVA) or more may be made overhead.

(d) An extension of electric or telecommunications service to residential development shall be made underground if both of the criteria below are met. Portions of the extension that do not meet these criteria may be made overhead:

1. The extension is located within, and will serve, a development of three or more residential units in the same geographic area that do not have electric or telecommunications service as of August 15, 2005; and

2. Either of the following criteria are met:

i. The extension will be placed along streets that were constructed after August 15, 2005; or

ii. The extension will be placed along streets constructed prior to August 15, 2005, which are not already served by overhead facilities.

(e) If a building that would require underground service under (d) above is located on a lot that abuts an existing street on which overhead facilities are already installed, the building may be served overhead, at the discretion of the regulated entity.

(f) Underground service shall be reasonably equivalent to comparable overhead service, and shall ensure that the customer will receive safe, adequate and proper service while minimizing the difference in cost

between overhead and underground service.

(g) If underground electric or telecommunications service is required by this section, or an applicant desires underground electric or telecommunications service where it is not required under (d) or (e) above, the construction costs shall be distributed in accordance with this subsection, regardless of who actually performs the construction. The additional cost for underground extensions of service, over and above the amount it would cost to serve those customers overhead, shall be a nonrefundable contribution in aid of construction, paid by the applicant according to N.J.A.C. 14:3-8.9(h). The remainder of the cost of the service, that is the amount which overhead service would have cost, shall be shared between the applicant and the regulated entity in accordance with N.J.A.C. 14:3-8.5.

(h) If unusual circumstances would unreasonably delay a regulated entity's ability to provide underground service, the regulated entity may install temporary facilities in whatever manner is most practical under the circumstances. However, the regulated entity shall replace such temporary facilities as soon as practical with permanent underground service in accordance with this subchapter. The cost of the installation and removal of the temporary facilities is governed by N.J.A.C. 14:3-8.9(h).

(i) All street lighting in a development with underground electric service shall also be served underground.

(j) When the requirement that an extension be located underground will result in hardship, inequity, or will be discriminatory to other affected parties, the regulated entity or applicant may request from the Board a special exemption, or approval of special conditions. The Board may require that the requesting party submit, as part of such a request, documentation that the requesting party has deposited in an escrow account an amount up to the estimated difference in cost between underground and overhead service.

(k) Where affected regulated entities determine that it is practical, electric cables, communication cables, and cable television cables shall be installed in the same trench, if this can be done consistent with all applicable codes and regulations, and in particular those pertaining to safety.

(l) When an extension is installed underground, certain components may be installed above ground if necessary for safety or to provide reasonable access for maintenance. Examples are interconnecting points and pedestals, and electric transformers.

History

HISTORY:

Repealed by R.2004 d.462, effective December 20, 2004.

See: 36 N.J.R. 276(a), 36 N.J.R. 5928(a).

Section was "Requirement to put certain extensions underground".

New Rule, R.2005 d.265, effective August 15, 2005.

See: 36 N.J.R. 5655(a), 37 N.J.R. 3046(b).

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

In (g), rewrote last sentence.

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In (b), inserted ", wastewater treatment," and deleted the last sentence; in (f), recodified the second sentence as the new introductory paragraph of (g); recodified (f)1 and (f)2 as (g)1 and (g)2; in the introductory paragraph of (g), substituted "section" for "subsection" and inserted "construction" and ", regardless of who actually performs the construction"; in (g)1, deleted "as defined by N.J.A.C. 14:3-8.2" following "area", inserted a comma following "amount" and substituted "; and" for a period at the end; in (g)2, substituted "entity's" for "entities"; and recodified former (g) through (k) as (h) through (l).

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Rewrote (g).

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§ 14:3-8.5 General provisions regarding costs of extensions

(a) The cost that an applicant pays a regulated entity for an extension shall be determined by mutual agreement between the regulated entity and the applicant. If a regulated entity and an applicant cannot agree on the applicant's cost of an extension, a deposit, or a non-refundable contribution, either party may petition the Board to apply the suggested formula set forth at N.J.A.C. 14:3-8.9, 8.10, or 8.11, as applicable.

(b) Except for certain underground extensions covered by N.J.A.C. 14:3-2.1(f), an extension shall become the property of the regulated entity upon its completion. If an extension is paid for by an applicant in accordance with this chapter, a regulated entity shall include the extension in its contribution in aid of construction (CIAC) accounts, for accounting purposes only. The regulated entity shall record such a contribution in a manner consistent with the Uniform System of Accounts, 18 CFR Part 101, which is incorporated herein by reference in this subchapter. Amounts that a regulated entity receives in accordance with this subchapter, which are not refunded to an applicant, shall be credited to the appropriate plant account or accounts.

(c) The cost of an extension for which a regulated entity receives a deposit, or receives a non-refundable contribution, shall include the tax consequences incurred by the regulated entity as a result of receiving deposits pursuant to the Internal Revenue Code, in accordance with N.J.A.C. 14:3-8.6.

(d) Regulated entities, customers, applicants, developers, builders, municipal bodies, and other persons shall cooperate fully in order to facilitate construction of an extension at the lowest reasonable cost consistent with system reliability and safety. This includes sharing trenches, where practicable, allowing the applicant, where practicable, to dig the portion of the trench located on the property to be served,

and coordinating scheduling and other aspects of construction to minimize delays and to avoid difficult conditions, such as frozen or unstable soils. If the applicant elects to dig the portion of the trench located on the property to be served, the applicant is responsible for ensuring that the excavation is done in accordance with utility/utilities standards and that the resulting trench complies with utility/utilities standards. Whether using an individual trench, a shared trench, or applicant-dug trench, a utility shall not place an extension within a trench unless the trench complies with the appropriate utility/utilities standards. A municipality shall not impose an ordinance or other requirement that conflicts with this subchapter or which would prevent or interfere with another person's compliance with this subchapter.

(e) Each regulated entity shall submit for Board approval a proposed tariff containing charges for services, including installation of underground service. The regulated entity shall periodically submit updated tariffs on its own initiative or as requested by the Board. A tariff shall not require an applicant for an extension to pay a deposit or non-refundable contribution that is greater than would be required under the suggested formula at N.J.A.C. 14:3-8.9, 8.10, or 8.11, as applicable. A tariff shall not provide for a deposit refund that is less than would be required under the suggested formula at N.J.A.C. 14:3-8.9, 8.10, or 8.11, as applicable.

(f) If a regulated entity requires that the applicant pay a deposit or non-refundable contribution, the regulated entity shall first provide the applicant with all of the following information, in writing:

- 1.** A detailed estimate of the total cost of the extension, including:
 - i.** An itemization of the number of units of each item required to build the extension (for example, the number of feet of wire, feet of pipe, feet of conduit, feet of trench, number of transformers, number of valves, and number of labor hours);
 - ii.** The cost per unit for each item listed under (f)1i above, multiplied by the number of units of that item; and
 - iii.** The sum of all items in (f)1ii. This sum shall equal the total estimated cost of the extension;
- 2.** The estimated annual distribution revenue offset, if any;
- 3.** The total amount of the deposit or non-refundable contribution required; and
- 4.** If any portion of a deposit or non-refundable contribution is taxable pursuant to Internal Revenue Code (TRA-86), and the regulated entity has decided to include the Tax Reform Act of 1986 (TRA-86) tax consequences in the deposit or non-refundable contribution:
 - i.** The total deposit before taxes;
 - ii.** The taxable portion of the deposit;
 - iii.** The gross-up factor from N.J.A.C. 14:3-8.6(c); and
 - iv.** The dollar amount of the tax consequences incurred on the deposit, from N.J.A.C. 14:3-8.6(d)5.

(g) A regulated entity shall construct each extension with sufficient capacity to provide safe, adequate, and proper service to customers, in accordance with N.J.A.C. 14:3-8.3(e). For example, if an applicant requests a four kilovolt extension of electric service but the regulated entity's minimum system design standard is thirteen kilovolts, the regulated entity shall construct a thirteen kilovolt extension. In such a case, the cost of the extension for purposes of this subchapter and the suggested formula shall be the full cost of the thirteen kilovolt extension, and not merely the cost of a four kilovolt extension.

(h) If a regulated entity chooses to construct an extension or portion of an extension with additional capacity over that which is needed to comply with N.J.A.C. 14:3-8.3(e), the regulated entity may not require the applicant to pay for such additional capacity.

(i) The costs of any installation or construction of infrastructure, which is not governed by this subchapter, shall be governed by other applicable law.

(j) A regulated entity may base the cost of an extension, for the purpose of determining the amount of the required deposit or non-refundable contribution, on site-specific unitized costs. The regulated entity shall determine the site-specific unitized cost by:

- 1.** Sending a qualified representative to the site;
- 2.** Developing a work plan that includes a list of materials needed based upon the actual extension to be constructed;
- 3.** Multiplying the quantity of each type of item on the list of materials by the cost per unit for that type of item. The cost per unit for each item listed shall reflect the material cost of that item as well as the associated labor as set forth in the definition of cost at N.J.A.C. 14:3-8.2; and
- 4.** Adding up the results obtained under (j)3 above.

History

HISTORY:

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

In (c), deleted "estimated" preceding "cost"; in (h), substituted "an" for "the" preceding "applicant" and inserted "in an area not designated for growth"; in (i), substituted "an extension" for "service"; and added (l).

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In (b), substituted "Except for certain underground extensions covered by N.J.A.C. 14:3-2.1(f), an" for "An" at the beginning; in (f), substituted "(i)" for "(h)"; in (h), deleted the former first sentence, inserted ", in a designated growth area,", substituted "but may not require the applicant to pay for such additional capacity" for the second occurrence of "or", recodified a segment of the second sentence as (i) and recodified the third sentence as (j); rewrote (i); in (j), substituted "If" for "However, if" and inserted "constructed under (h) or (i) above" and "or recoverable costs"; recodified former (i) through (l) as (k) through (n); and in (n)4, substituted "(n)3" for "(l)3".

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Rewrote the section.

Amended by R.2016 d.069, effective June 20, 2016.

See: 47 N.J.R. 3103(a), 48 N.J.R. 103(a), 48 N.J.R. 1305(b).

Rewrote (d).

Amended by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

In (c), substituted "pursuant to the Internal Revenue Code" for "under the Tax Reform Act of 1986"; in (f)4, substituted "pursuant to the Internal Revenue Code" for "under the Tax Reform Act of 1986" and inserted parenthesis preceding and following the second occurrence of "TRA-86".

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§ 14:3-8.6 Deposits, contributions, and refunds--Internal Revenue Code

(a) This section applies to a regulated entity that:

- 1.** Collects a deposit or non-refundable contribution that is taxable in whole or in part pursuant to the Internal Revenue Code (TRA-86); and
- 2.** Includes in the deposit or non-refundable contribution the associated tax consequences incurred by the regulated entity under TRA-86.

(b) If a regulated entity includes in a deposit or non-refundable contribution the tax consequences incurred under TRA-86, all deposit refunds shall also include the associated tax consequences incurred under TRA-86. Effective January 20, 2016, these tax consequences shall be determined in accordance with this section.

(c) The TRA-86 gross-up factor shall be:

- 1.** Designed to incorporate the impact on the regulated entity of the initial tax payment on the deposit or non-refundable contribution;
- 2.** Designed to incorporate the impact on the regulated entity of the future tax depreciation deductions that are associated with the extension; and
- 3.** For a gas or electric regulated entity, calculated using the TRA-86 Gross-up Factor Template posted on the Board's website, <https://www.bpu.state.nj.us/>.

(d) To determine the amount of a deposit or non-refundable contribution that includes the associated tax consequences incurred under TRA-86, the regulated entity shall:

- 1.** Determine the base amount of the deposit or non-refundable contribution, before including the tax consequences of TRA-86;

2. Determine the portion of the base deposit or non-refundable contribution that is taxable under TRA-86. This is the "taxable amount";

3. Multiply the taxable amount determined under (d)2 above by the regulated entity's TRA-86 gross-up factor determined under (c) above. The result is the "grossed up" portion of the deposit or non-refundable contribution;

4. Add the grossed up amount determined under (d)3 above to any non-taxable portion of the base deposit or non-refundable contribution. The result is the total deposit or non-refundable contribution that the applicant will pay, inclusive of the regulated entity's associated tax consequences incurred under TRA-86; and

5. To determine the dollar amount of the regulated entity's associated tax consequences incurred under TRA-86, subtract the base amount of the deposit or non-refundable contribution, determined under (d)1 above, from the total deposit or non-refundable contribution that the applicant will pay, determined under (d)4 above.

(e) In determining the amount of a refund associated with a deposit that includes the associated tax consequences incurred under TRA-86, the regulated entity shall ensure that the percentage of the refund that is grossed up for taxes shall be equal to the percentage of the deposit that was grossed up for taxes. To do this, the regulated entity shall:

1. Determine the base amount of the refund (before considering the tax consequences of TRA-86), using the suggested formula at N.J.A.C. 14:3-8.9 or 8.11, as applicable;

2. Determine what percentage of the base deposit (from (d)1 above) is represented by the taxable amount of the deposit (from (d)2 above);

3. Multiply the percentage from (e)2 above by the base amount of the refund from (e)1 above. The result is the dollar amount of the refund that must be grossed up to include the tax consequences that the regulated entity incurred under TRA-86;

4. Multiply the dollar amount determined under (e)3 above by the same gross-up factor that was applied to the original deposit when it was collected, regardless of whether the deposit was collected before January 20, 2016. The result is the grossed up portion of the refund; and

5. Add the grossed up amount determined under (e)4 above to the remainder of the base refund amount, that is, the amount that was not grossed up for the tax consequences of TRA-86. The sum is the refund amount.

(f) Each regulated entity that collects deposits and non-refundable contributions that are taxable under TRA-86 shall comply with all of the following:

1. No later than January 10, 2016, each regulated entity that utilizes electric and/or gas depreciation rates shall calculate its TRA-86 gross-up factor pursuant to (c) above and file this factor, along with the completed TRA-86 Gross-up Factor Template, with the Board Secretary and the Director of the Board's Division of Energy. A regulated entity that utilizes both electric and gas depreciation rates shall file both of its gross-up factors and accompanying completed templates;

2. No later than January 10, 2016, each regulated entity that utilizes water and/or wastewater depreciation rates shall calculate its TRA-86 gross-up factor pursuant to (c) above and file this factor,

along with a detailed calculation of this factor with the Board Secretary and Director of the Board's Division of Water;

3. No later than January 10, 2016, each regulated entity that utilizes telecommunication depreciation rates shall calculate its TRA-86 gross-up factor pursuant to (c) above and file this factor along with a detailed calculation of this factor with the Board Secretary and Director of the Board's Division of Telecommunications; and

4. If a regulated entity's TRA-86 gross-up factor changes, for example if the capital structure, tax rates, or depreciation rates change, the regulated entity shall calculate its new TRA-86 gross-up factor pursuant to (c) above and file this factor along with the template or detailed calculation as applicable, within 14 calendar days of the change.

History

HISTORY:

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In (b), updated the N.J.A.C. reference; deleted former (c) through (e); recodified former (f) as (c); and rewrote (c).

Repeal and New Rule, R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Costs for extension serving an area not designated for growth".

Amended by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

Section was "Deposits, contributions, and refunds--Tax Reform Act of 1986". In (a)1, substituted "pursuant to the Internal Revenue Code" for "under the Tax Reform Act of 1986"; and in (c)3, substituted "<http://www.bpu.state.nj.us/>" for "<http://www.state.nj.us/bpu>".

N.J.A.C. 14:3-8.7

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NJ - New Jersey Administrative Code > TITLE 14. PUBLIC UTILITIES > CHAPTER 3. ALL UTILITIES > SUBCHAPTER 8. EXTENSIONS TO PROVIDE REGULATED SERVICES

§ 14:3-8.7 (Reserved)

History

HISTORY:

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

Rewrote (d).

Repealed by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Costs for extension serving a designated growth area".

N.J.A.C. 14:3-8.8

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§ 14:3-8.8 (Reserved)

History

HISTORY:

Amended by R.2005 d.265, effective August 15, 2005.

See: 36 N.J.R. 5655(a), 37 N.J.R. 3046(b).

Added new (a)1 and new (c).

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

Rewrote the section.

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In (a)1, substituted "(j)" for "(c)"; in (a)4, inserted "and" at the end; added new introductory paragraph of (b); recodified (a)6 and (a)7 as (b)1 and (b)2; recodified former (b) as (c); deleted former (c); in (c), substituted "(b)1 or 2" for "(a)6 or 7" and "the Board" for "Board staff" and added the last sentence; rewrote (d); in (g), substituted "a specific dollar amount for an" for "for or financially support the" and added the last sentence; in (h)2, inserted ", if applicable,"; in (h)3, added the last sentence; in (i)1, substituted a period for a semicolon at the end of the first sentence and added the second and third

sentences; in (i)3, inserted "or the activity served by the extension,"; added new (j); recodified former (j) as (k); and in (k)4, substituted "(k)1" for "(j)1".

Repealed by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Exemptions from cost limits on areas not designated for growth".

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N.J.A.C. 14:3-8.9

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NJ - New Jersey Administrative Code > TITLE 14. PUBLIC UTILITIES > CHAPTER 3. ALL UTILITIES > SUBCHAPTER 8. EXTENSIONS TO PROVIDE REGULATED SERVICES

§ 14:3-8.9 Suggested formulae for allocating extension costs--general provisions

(a) (Reserved)

(b) If a regulated entity or applicant petitions the Board to apply the suggested formula in accordance with N.J.A.C. 14:3-8.5(a), to an extension to serve any type of development other than a single residential customer, Board staff shall apply the formula at N.J.A.C. 14:3-8.10. If a regulated entity or applicant requests that Board staff apply the suggested formula to an extension to serve only a single residential customer, Board staff shall apply the formula in N.J.A.C. 14:3-8.11.

(c) For both types of formulae (single residential customer and other), the regulated entity may require the applicant to provide a deposit. The amount of the deposit shall be determined according to the provisions for multi-unit developments at N.J.A.C. 14:3-8.10 or for single residential customers at N.J.A.C. 14:3-8.11, as applicable. The regulated entity shall then construct the extension, and shall refund the portions of the deposit that are refundable under (g) below according to the formula set forth at N.J.A.C. 14:3-8.10 or 8.11, as applicable.

(d) For purposes of determining the amount of the deposit and applying the suggested formula, the following shall apply:

- 1.** The regulated entity shall estimate the cost of the extension in accordance with the applicable tariff, and shall add the tax consequences incurred by the regulated entity pursuant to the Internal Revenue Code as a result of receiving the deposit, as detailed at N.J.A.C. 14:3-8.6;
- 2.** The regulated entity shall assume that the electric service connection to each building will be at the nearest corner of the building to the point at which the service enters the property;

3. If an applicant requests service that costs more than that which is standard under the regulated entity's and/or the industry's system design standards, or if an extension presents an unusual situation in which providing standard service is substantially more expensive than usual, the regulated entity may charge the applicant or the customer for the extra expense. In accordance with (h) below, this charge is not refundable. For example, for an underground extension, costs of pavement cutting and restoration, rock removal, blasting, or unusual or difficult digging conditions requiring equipment and methods not generally used may be charged to the applicant. In such a case, the regulated entity shall not charge the applicant more than the actual cost for the extra work required; and

4. If the extension requires a regulated entity to pay an attachment charge for the use of utility poles located on private property and not owned by the regulated entity, the regulated entity may include the cost of the attachment charge when calculating the cost of the extension.

(e) The regulated entity shall notify the applicant in writing of the actual cost of the extension within 30 days after the actual costs are known, and as soon as reasonably practical after construction is completed. As the application process and the construction proceeds, the amount of the deposit shall be adjusted as needed to reflect the actual cost. If the amount of the deposit exceeds actual costs at the completion of construction, the regulated entity shall return any excess. If the deposit is less than actual costs, the applicant shall provide the necessary additional funds to the regulated entity.

(f) Any amount not refunded within 10 years after the date upon which the regulated entity is first ready to render service from the extension shall remain with the regulated entity. In no event shall a regulated entity refund more than the total deposit amount to the applicant.

(g) The following portions of a deposit shall be refundable under the suggested formula:

1. For any extension, the cost of the portion of the extension that runs from existing infrastructure to the boundary of the property on which the new customers to be served are located (that is, to the subdivision gate; or for an individual lot, to the curb of the lot);

2. For an extension of gas infrastructure, the cost of the portion of the extension that is within the boundary of the property or properties on which the new customers to be served are located;

3. For an underground or overhead extension of electricity or telecommunications service, the amount it would cost to serve the customers overhead; and

4. Any tax consequences that are included in a deposit pursuant to N.J.A.C. 14:3-8.6.

(h) The following portions of the deposit are nonrefundable and shall constitute a contribution in aid of construction (CIAC):

1. For all extensions, the cost of extra service, or of extra work required to provide standard service, in accordance with N.J.A.C. 14:3-8.9(d)3; and

2. For an underground extension of electricity or telecommunications service, the additional cost for underground service over and above the amount it would cost to serve those customers overhead. This shall include the cost of any temporary overhead installation and/or removal under N.J.A.C. 14:3-8.4(h).

HISTORY:

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

In (a)3, substituted "an extension" for "service"; in (g)3, inserted "or overhead"; and in (h)2, inserted "and/or removal" and substituted "(g)" for "(h)".

Amended by R.2008 d.119, effective May 19, 2008.

See: 39 N.J.R. 4077(b), 40 N.J.R. 2481(a).

In the introductory paragraph of (a), substituted "The Board will direct the regulated entities to" for "Board staff will"; in (a)2, deleted "and" from the end; added new (a)3; recodified former (a)3 as (a)4; and in (a)4, substituted "the Board" for "Board staff".

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Designated growth area suggested formulae--general provisions". Rewrote the section.

Amended by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

In (d)1, substituted "pursuant to the Internal Revenue Code" for "under the Tax Reform Act of 1986" and substituted "at" for "in" preceding "N.J.A.C.".

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NJ - New Jersey Administrative Code > **TITLE 14. PUBLIC UTILITIES** > **CHAPTER 3. ALL UTILITIES** > **SUBCHAPTER 8. EXTENSIONS TO PROVIDE REGULATED SERVICES**

§ 14:3-8.10 Suggested formula for allocating extension costs--multi-unit or nonresidential development

(a) This section governs how Board staff will apply the suggested formula to the cost of an extension that is not covered by the provisions for extensions to a single residential customer at N.J.A.C. 14:3-8.11. The requirements in this section apply in addition to the general provisions for the suggested formulae at N.J.A.C. 14:3-8.9. This section does not address how deposits, non-refundable contributions, and refunds will be grossed up to reflect the tax consequences incurred by the regulated entity pursuant to the Internal Revenue Code, which is addressed at N.J.A.C. 14:3-8.6. This section does not set forth the cost of an extension, but merely governs the allocation of those costs between the utility and the applicant for the extension.

(b) The deposit required for an extension subject to this section shall be the cost of the extension required to serve the development. Prior to construction of the extension, the regulated entity shall notify the applicant in writing of its estimated cost to construct an extension to serve the development for which service is requested.

(c) For purposes of calculating the amount of the deposit, the development for which service is requested shall be determined by reference to the subdivision map approved by the applicable local authorities. If a development is to be approved and constructed in phases, the applicant shall indicate which phases are to be treated as separate developments prior to commencement of installation of service for purposes of determining the deposit and applying the suggested formula. Any cost estimates shall be recalculated to reflect the division of the project into phases prior to commencement of the installation of service and new cost estimates shall be provided.

(d) As each customer begins receiving services, the regulated entity shall issue to the applicant an initial "startup" refund of a portion of the deposit. For each customer, this customer "startup" refund shall be the estimated annual distribution revenue that will result from the customer, multiplied by 10 for gas, electric and telecommunications regulated entities, and 2.5 for water and wastewater regulated entities. If additional customers who were not originally anticipated are supplied from this extension, the regulated entity shall:

- 1.** Estimate the actual cost of the extension required to bring service to the customer from the nearest existing infrastructure;
- 2.** Estimate the annual distribution revenue that will be derived from the customer, and multiply it by 10 for gas, electric, and telecommunications regulated industries and 2.5 for water and wastewater regulated industries to obtain the estimated distribution revenue over the applicable multi-year period;
- 3.** Subtract the estimated cost of the extension determined under (d)1 above from the applicable multi-year period distribution revenue determined under (d)2 above;
- 4.** Refund the amount determined in (d)3 above to the original applicant when the customer begins receiving service, if the amount determined in (d)3 above is a positive number. This "startup" refund shall be in addition to the annual refunds described in this section; and
- 5.** Provide additional refunds to the original applicant if the actual annual distribution revenue from these additional customers exceeds the estimated annual distribution revenue from these customers. These additional refunds shall be made by including these customers in the refund calculations made pursuant to (f) and (g) below.

(e) One year after the regulated entity received the deposit, and each subsequent year thereafter, the regulated entity shall provide an annual refund to the applicant. The first annual refund shall be calculated in accordance with (f) below. Subsequent annual refunds shall be calculated under (g) below.

(f) The first annual refund shall be calculated by multiplying by 10 for gas, electric, and telecommunication regulated entities, and 2.5 for water and wastewater regulated entities the difference between:

- 1.** The distribution revenue from all customers that were served by the extension for the entire previous year; and
- 2.** The estimated annual distribution revenue, upon which the original customer startup refund was based, for all customers that were served by the extension for the entire previous year. If the distribution revenue for the first year, determined under (f)1 above, was less than the estimated annual distribution revenue (upon which the original customer startup refund amount was based), the regulated entity is not required to provide an annual refund.

(g) For each subsequent year, the annual refund shall be calculated as follows:

- 1.** Sum the distribution revenue from all customers that were served by the extension for the entire previous year;
- 2.** Determine the sum of:
 - i.** The distribution revenue that was used in calculating the most recent annual refund provided to the applicant. This is the amount determined under (g)1 above when this subsection was applied to

determine the most recent annual refund; and

ii. The original estimated annual revenue for all customers that were served by the extension for the entire previous year, but whose revenues were not included in the calculation of the most recent annual refund that the regulated entity provided to the applicant;

3. Subtract (g)2 above from (g)1 above. If the (g)2 above is greater than (g)1 above, the regulated entity is not required to provide a refund; and

4. If (g)2 above is less than (g)1 above, multiply the difference derived under (g)3 above by 10 for gas, electric, and telecommunication regulated entities, and 2.5 for water and wastewater regulated entities to determine the annual refund.

(h) In determining the revenue from a customer or set of customers for purposes of the suggested formula, the regulated entity may in its discretion use estimated or actual revenues, unless otherwise specified in this subchapter.

(i) See examples A1 and A2 below for an illustration of the use of the suggested formula for some sample multi-unit developments.

EXAMPLE A1

Suggested formula applied to an extension to provide gas, electric, telecommunications service, and water and wastewater to a 10-unit residential development
Each year produces more revenue

	<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecom</u>	<u>Amount for Water and Wastewater</u>
<u>Year one</u>	Before construction	Applicant provides deposit.	\$20,000.00	\$5,000.00
	First customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from first customer (\$430.00) by 10 for gas, electric, and telecommunications regulated entities, and by 2.5 for water and wastewater regulated entities.	\$4,300.00	\$1,075.00
	After first customer's startup refund	Amount of deposit remaining with regulated entity.	\$15,700.00	\$3,925.00
	Second customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from second customer (\$500.00) by 10 for gas, electric, and telecommunication regulated entities, and 2.5 for water and wastewater regulated entities.	\$5,000.00	\$1,250.00
	After second customer's startup refund	Amount of deposit remaining with regulated entity.	\$10,700.00	\$2,675.00
<u>End of year one</u>	One year has passed since deposit was provided	Regulated entity gives applicant first annual refund, based on customers served for all of year one. Refund is calculated by multiplying by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities the difference between: i. The actual distribution revenue from customer 1 (\$480.00); and ii. The original estimate of annual distribution revenue from customer 1 (\$430.00). This difference is \$50.00.	\$500.00	\$125.00
<u>Year two</u>	After first annual refund	Amount of deposit remaining with regulated entity.	\$10,200.00	\$2,550.00
	Third customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from third customer (\$400.00) by 10 for gas, electric, and telecommunication regulated entities, and 2.5 for water and wastewater regulated entities.	\$4,000.00	\$1,000.00
	After third customer startup refund	Amount of deposit remaining with regulated entity.	\$6,200.00	\$1,550.00

	<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecom</u>	<u>Amount for Water and Wastewater</u>
<u>End of year two</u>	Two years have passed since deposit was provided	<p>Regulated entity gives applicant second annual refund, based on customers that were served for all of year two. Refund is calculated as follows:</p> <p>i. Sum the actual distribution revenue from customer 1 (\$520.00) and customer 2 (\$580.00). This results in a total of \$1,100; and</p> <p>ii. Determine the sum of:</p> <ul style="list-style-type: none"> • The actual distribution revenue used in calculating the most recent annual refund (\$480.00); and • The original estimated annual from customer 2 (\$500.00); • This results in a total of \$980.00; <p>iii. Subtract ii above from i above, resulting in a difference of \$120.00; and</p> <p>iv. Multiply the difference derived under iii above by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.</p>	\$1,200.00	\$300.00
<u>Year three</u>	After second annual refund	Amount of deposit remaining with regulated entity.	\$5,000.00	\$1,250.00
	Fourth customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from fourth customer (\$350.00) by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.	\$3,500.00	\$875.00
	After fourth customer startup refund	Amount of deposit remaining with regulated entity	\$1,500.00	\$375.00

	<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecom</u>	<u>Amount for Water and Wastewater</u>
<u>End of year three</u>	Three years have passed since deposit was provided	<p>Regulated entity gives applicant third annual refund, based on customers that were served for all of year three. Refund is calculated as follows:</p> <p>i. Sum the actual distribution revenue from customer 1 (\$550.00), customer 2 (\$610.00), and customer 3 (\$550.00). This results in a total of \$1,710; and</p> <p>ii. Determine the sum of:</p> <ul style="list-style-type: none"> • The actual distribution revenue used in the calculations of the most recent annual refund (\$1,100); and • The original estimated annual revenue from customer 3 (\$400.00); • This results in a total of \$1,500; <p>iii. Subtract ii from i above, resulting in a difference of \$210.00; and</p> <p>iv. Multiply the difference derived under iii above by 10 for gas, electric, and telecommunication regulated entities, resulting in an annual refund of \$2,100.</p> <p>Since \$2,100 exceeds the remaining deposit, the regulated entity gives the applicant the remainder of the deposit (\$1,500).</p> <p>For water and wastewater regulated entities, multiply the difference derived under iii above by 2.5, resulting in an annual refund of \$525.00. Since \$525.00 exceeds the remaining deposit, the regulated entity gives the applicant the remainder of the deposit (\$375.00).</p> <p>Transaction is complete.</p>	\$1,500.00	\$375.00

EXAMPLE A2

Suggested formula applied to an extension to provide gas, electric, telecommunications service, and water and wastewater to a 10-unit residential development
Second year produces less revenue

	<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecom</u>	<u>Amount for Water and Wastewater</u>
<u>Year one</u>	Before construction	Applicant provides deposit.	\$20,000.00	\$5,000.00
	First customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from first customer (\$430.00) by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.	\$4,300.00	\$1,075.00
	After first customer's startup refund	Amount of deposit remaining with regulated entity.	\$15,700.00	\$3,925.00
	Second customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from second customer (\$500.00) by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.	\$5,000.00	\$1,250.00
	After second customer's startup refund	Amount of deposit remaining with regulated entity.	\$10,700.00	\$2,675.00
<u>End of year one</u>	One year has passed since deposit was provided	Regulated entity gives applicant first annual refund, based on customers served for all of year one. Refund is calculated by multiplying by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities, the difference between: <ul style="list-style-type: none"> i. The actual distribution revenue from customer 1 (\$480.00); and ii. The original estimate of annual distribution revenue from customer 1 (\$430.00). This difference is \$50.00. 	\$500.00	\$125.00
<u>Year two</u>	After first annual refund	Amount of deposit remaining with regulated entity.	\$10,200.00	\$2,550.00
	Third customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from third customer (\$400.00) by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.	\$4,000.00	\$1,000.00
	After third customer startup refund	Amount of deposit remaining with regulated entity.	\$6,200.00	\$1,550.00

	<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecom</u>	<u>Amount for Water and Wastewater</u>
<u>End of year two</u>	Two years have passed since deposit was provided	<p>Regulated entity gives applicant second annual refund, based on customers that were served for all of year two. Refund is calculated as follows:</p> <p>i. Sum the actual distribution revenue from customer 1 (\$520.00) and customer 2 (\$370.00). This results in a total \$890.00; and</p> <p>ii. Determine the sum of:</p> <ul style="list-style-type: none"> • The actual distribution revenue used in calculating the most recent annual refund (\$480.00); and • The original estimated annual revenue from customer 2 (\$500.00) for gas, electric, and telecommunications, and (\$500.00) for water and wastewater; • This results in a total of \$980.00; <p>iii. Subtract ii above from i above, resulting in a difference of -\$90.00; and</p> <p>iv. Because -\$90.00 is less than 0, no refund is provided.</p>	0.00	0.00
<u>Year three</u>	After second annual refund	Amount of deposit remaining with regulated entity	\$6,200.00	\$1,550.00
	Fourth customer comes online	Regulated entity gives a customer startup refund to applicant, calculated by multiplying estimated annual distribution revenue from fourth customer (\$350.00) by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.	\$3,500.00	\$875.00
	After fourth customer startup refund	Amount of deposit remaining with regulated entity	\$2,700.00	\$675.00

	<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecom</u>	<u>Amount for Water and Wastewater</u>
<u>End of year three</u>	Three years have passed since deposit was provided	<p>Regulated entity gives applicant third annual refund, based on customers that were served for all of year three. Refund is calculated as follows:</p> <p>i. Sum the actual distribution revenue from customer 1 (\$550.00), customer 2 (\$610.00), and customer 3 (\$550.00). This results in a total of \$1,710.00; and</p> <p>ii. Determine the sum of:</p> <ul style="list-style-type: none"> • The actual distribution revenue used in the calculation of the most recent annual refund (\$480.00); • The original estimated annual revenue from customer 2 (\$500.00) and customer 3 (\$400.00); • This results in a total of \$1,380.00; <p>iii. Subtract ii from i above, resulting in a difference of \$330.00; and</p> <p>iv. Multiply the difference derived under iii above by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities, resulting in an annual refund of \$3,300.00 for gas, electric, and telecommunications. For water and wastewater, the annual refund would be \$825.00.</p> <p>Since \$3,300.00 exceeds the remaining deposit, the regulated entity gives the applicant the remainder of the deposit (\$2,700.00) for gas, electric and telecommunications customers. For water and wastewater customers, since \$825.00 exceeds the remaining deposit of \$675.00, the regulated entity gives the applicant \$675.00.</p> <p>Transaction is complete.</p>	\$2,700.00	\$675.00

History

HISTORY:

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Designated growth area suggested formula--multi-unit or nonresidential development".

Rewrote the section.

Amended by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

In (a), substituted "pursuant to the Internal Revenue Code" for "under the Tax Reform Act of 1986" and substituted "at" for "in" preceding "N.J.A.C. 14:3-8.6".

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N.J.A.C. 14:3-8.11

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§ 14:3-8.11 Suggested formula for allocating extension costs--single residential customer

(a) The requirements in this section apply in addition to the requirements at N.J.A.C. 14:3-8.9. This section addresses how Board staff will apply the suggested formula to the costs of an extension that will serve only a single residential customer. This section does not address how deposits, non-refundable contributions, or refunds will be grossed up to reflect the tax consequences incurred by the regulated entity pursuant to the Internal Revenue Code, which is addressed at N.J.A.C. 14:3-8.6.

(b) To determine the deposit required for an extension subject to this section, the regulated entity shall:

- 1.** Estimate the actual cost of the extension required to bring service to the customer from the nearest existing infrastructure;
- 2.** Estimate the annual distribution revenue that will be derived from the customer, and multiply it by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities, to obtain the estimated distribution revenue over the applicable multi-year period; and
- 3.** Subtract the estimated applicable multi-year period distribution revenue determined under (b)2 above from the estimated cost of the extension determined under (b)1 above. This is the amount of the deposit.

(c) One year after the customer begins receiving service, the regulated entity shall calculate the distribution revenue derived from the customer's first year of service. If the year one distribution revenue is less than the estimated annual distribution revenue that was used in (b)2 above to determine the deposit, the regulated entity is not required to provide a refund. If the year one distribution revenue exceeds the estimated annual distribution revenue, the regulated entity shall provide a refund to the

applicant. The amount of the refund shall be the difference between the estimated and annual year one distribution revenues, multiplied by 10 for gas, electric, and telecommunication regulated entities, and by 2.5 for water and wastewater regulated entities.

(d) Two years after the customer begins receiving service, the regulated entity shall calculate the distribution revenue derived from the customer's second year of service. The regulated entity shall provide a refund to the applicant if the actual distribution revenue from the customer's most recent year of service exceeds the greater of the amounts in (d)1 and 2 below. The amount of the refund shall be 10 for gas, electric, and telecommunication regulated entities, and 2.5 for water and wastewater regulated entities, multiplied by the difference between the distribution revenue from the most recent year of service and the higher of the following:

- 1.** The estimated annual distribution revenue, which was used as the basis for the initial deposit; or
- 2.** The highest actual distribution revenue from any prior year.

(e) The process in (d) above shall be repeated annually until the earlier of the following:

- 1.** The regulated entity has refunded the entire deposit to the applicant; or
- 2.** Ten years have passed since the customer began receiving service.

(f) If, during the 10-year period after a single residential customer begins receiving service, additional customers connect to the extension and the regulated entity still holds a portion of the deposit from the original applicant, the regulated entity shall increase the refunds to the original applicant to reflect the distribution revenue from the additional customers. For a water main extension, this additional distribution revenue shall include amounts paid by a municipality for fire protection during the year. For each of these additional customers, the regulated entity shall:

- 1.** Estimate the actual cost of the extension required to bring service to the customer from the nearest existing infrastructure;
- 2.** Estimate the annual distribution revenue that will be derived from the customer, and multiply it by 10 for gas, electric, and telecommunications regulated entities and 2.5 for water and wastewater regulated entities to obtain the estimated distribution revenue over the applicable multi-year period;
- 3.** Subtract the estimated cost of the extension determined under (f)1 above from the applicable multi-year period distribution revenue determined under (f)2 above;
- 4.** Refund the amount determined in (f)3 above to the original applicant when the customer begins receiving service if the amount determined in (f)3 above is a positive number. This "startup" refund shall be in addition to the annual refunds described in this section; and
- 5.** Provide additional refunds to the original applicant if the actual annual distribution revenue from these additional customers exceeds the estimated annual distribution revenue from these customers. These additional refunds shall be made using the methodology described in (c) above.

(g) See Example B below for an illustration of the use of the suggested formula for a single residential customer:

EXAMPLE B

Suggested formula applied to an extension to provide gas, electric, water and wastewater, or telecommunications service to a single residential customer

<u>When?</u>	<u>Action</u>	<u>Amount for Gas, Electric, and Telecommunications</u>	<u>Amount for Water and Wastewater</u>
Before construction	Applicant gives deposit, determined as follows, to regulated entity: 1. Estimate total cost of extension (\$7,500.00); 2. Estimate annual distribution revenue (\$500.00); 3. Multiply annual distribution revenue by 10 for gas, electric, and telecommunications (\$5,000.00); and 2.5 for water and wastewater (\$1,250.00); 4. Subtract item 3 from item 1 to determine deposit.	\$2,500.00	\$6,250.00
One year after Customer comes online	If first year distribution revenue is less than estimated annual distribution revenue (\$500.00), no refund. If first year distribution revenue (\$525.00) is more than estimated annual distribution revenue (\$500.00), regulated entity gives first refund to applicant. Refund is determined as follows: 1. Subtract estimated annual distribution revenue (\$500.00) from first year distribution revenue (\$525.00); and 2. Multiply item 1 (\$25.00) by 10 for gas, electric, and telecommunications (\$250.00), and 2.5 for water and wastewater (\$62.50).	\$250.00	\$62.50
Amount of deposit remaining with regulated entity after first refund		\$2,250.00	\$6,187.50
Two years after customer comes online	If second year distribution revenue is less than first year revenue (\$525.00), no refund. If second year distribution revenue (\$575.00) is more than the greater of either the first year distribution revenue (\$525.00), or the estimated annual distribution revenue used as the basis for the initial deposit computation (\$500.00) regulated entity gives second refund to applicant. Refund is determined as follows: 1. Subtract the greater of either the first year distribution revenue (\$525.00) or the estimated annual distribution revenue used as the basis for the initial deposit computation (\$500.00) from second year distribution revenue (\$575.00); and 2. Multiply item 1 (\$50.00) by 10 for gas, electric, and telecommunications (\$500.00), and 2.5 for water and wastewater (\$125.00).	\$500.00	
Amount of deposit remaining with regulated entity after second refund		\$1,750.00	\$6,062.50
Continue with this process each year, until 10 years has passed or the deposit is completely refunded, whichever comes first.			

History

HISTORY:

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

Rewrote (d); and in (g), rewrote "Example B".

Amended by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Designated growth area suggested formula--single residential customer". Rewrote the section.

Amended by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

N.J.A.C. 14:3-8.12

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§ 14:3-8.12 (Reserved)

History

HISTORY:

Amended by R.2006 d.342, effective September 18, 2006.

See: 37 N.J.R. 4188(a), 38 N.J.R. 3908(a).

In the introductory paragraph of (a), substituted "to cover" for "by which the Board may authorize coverage of".

Repealed by R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Section was "Smart growth infrastructure investment program (SGIIP)".

N.J.A.C. 14:3-8.13

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§ 14:3-8.13 Enforcement

Noncompliance with this subchapter shall subject the violator to penalties and other enforcement action in accordance with applicable law.

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§ 14:3-8.14 (Reserved)

History

HISTORY:

New Rule, R.2015 d.198, effective December 21, 2015.

See: 46 N.J.R. 2323(a), 47 N.J.R. 3133(c).

Amended by R.2016 d.069, effective June 20, 2016.

See: 47 N.J.R. 3103(a), 48 N.J.R. 103(a), 48 N.J.R. 1305(b).

Section was "Refunds of contributions paid for extensions built from March 20, 2005 through December 30, 2009 to serve areas not designated for growth". Added (c)6; and recodified former (c)6 and (c)7 as (c)7 and (c)8.

Repealed by R.2022 d.102, effective August 15, 2022.

See: 54 N.J.R. 341(a), 54 N.J.R. 1612(a).

Section was "Refunds of contributions paid for extensions built from March 20, 2005 through December 30, 2009, to serve areas not designated for growth".

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