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Onboard with Tim Comerford

As manager of area development for PSE&G, Tim Comerford has, for years, worked closely with the state Commerce Commission, the New Jersey EDA and regional and county economic develop-ment organizations. He's also a member of this magazine's Editorial Advisory Board, and is interviewed here in that capacity. "Smart growth" has been a controversial issue in recent years, with direct implications on economic development. The following is an interview conducted with Mr. Comerford.

RENJ: What does "smart growth" mean, from your perspective?

COMERFORD: Last March, the New Jersey Board of Public Utilities issued regulations incorporating "smart growth" principles into regulated utility service policies. Smart growth is well-planned development that protects open space, revitalizes older subur-ban and urban communities, keeps housing affordable, provides transportation choices and maintains the economy and quality of life of both urban and rural areas.

RENJ: How did it emerge as such a major issue?

COMERFORD: While New Jersey has been aggressively promoting it for years through the State Development and Redevelopment Plan, the concept got a real push in 2002 when Gov. McGreevey instructed each department in state government to analyze its ability to impact smart growth and implement programs, strate-gies and regulations that supported his goals. This emphasis led to the utility smart growth regulations implemented late last year.

RENJ: Talk about the utility regulations....

COMERFORD: The new utility smart growth regulations are the first major change in gas and electric service policies in decades, significant
ly changing how utilities can invest in line extensions and customer services. Under the new rules, most customers, including builders and developers, are required to pay for line extensions and services to supply service to new projects. In smart growth areas, monies are reimbursed based on a new refunding methodology offering financial benefits. In non-growth areas, no monies are refunded and the cus-tomer must absorb the full cost

RENJ: Define a "growth area"...

COMERFORD: In the state plan, it is an area designated Planning Area 'I (Metropolitan Planning Area), Planning Area 2 (Suburban Planning Area), a designated "center" or an area either designated by the New Jersey Meadowlands Commission or the Pinelands Commission. All other areas are designated as "non-growth." The utility regulations apply to gas, electric, water, telephone and cable.

RENJ: What are some of the specifics of the new utility regs?

COMERFORD: It is important to remember that they stipulate no refund of deposits for customers in non-growth areas. These cus-tomers will be billed the entire cost of the line extension, including pipes, conduits, wire, poles, transformers, regulators, service lines and meters. The cost includes the income tax effect on utility companies, which is approximately 30%.

RENJ: And growth areas?

COMERFORD: In growth areas, a credit of 10 times the estimated annual non-supply revenue is applied against the total cost of any extension work. New residential customers get the rev-enue credit applied to determine if any deposit is necessary. This means any new residential customer whose estimated annual non-supply revenue is at least 10% of the cost of the instal-lation, is not required to pay a deposit. For all other new customers, a deposit for the entire cost of the extension will be required. The cus-tomer will receive a 10 times distribution rev-enue credit when the meters are set.

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RENJ: Any exemptions or exceptions?

COMERFORD: For agricultural buildings on commercial farms, gas conversions to exist-ing buildings, projects where construction is already in progress or where a utility has committed in writing to financially support a specific extension prior to March 20, 2005, or where NJBPU staff has determined a pro-ject deserves a "significant public good" or "extraordinary hardship" designation, cus-tomers will be treated as if in a growth area. But the regulations stipulate there are no automatic exceptions.
The new rules also contain a provision called the "Smart Growth Infrastructure Investment Program." Under this provision, utilities may include the cost of necessary relocations, upgrades and expansions of infrastructure necessary to serve new customers in SGIIP designated areas.

RENJ: What's an SGIIP area?

COMERFORD: It's any area in a municipali-ty located in Planning Area 1, and for which the municipality has obtained appropriate for-mal endorsement from the State Planning Commission. Including relocation cost into the program enables customers to recover the cost of utility expenses that would normally be paid and not refunded. In addition, the SGIIP allows utilities to apply a 20 times distribution rev-enue credit versus a 10 times distribution rev-enue credit.

RENJ: Bottom line?

COMERFORD: Overall, the new utility smart growth rules offer both opportunities and risk in the .form of additional costs, depending on the location of the new development. Many new procedures and applications have been adopted by utilities to meet the requirements of the new regula-tions, such as certification of planning areas and deposit requirements. So, it's important that anyone considering new development contact local utilities early on to fully appreciate the cost and time associated with their project.