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November 28, 2011

VIA EMAIL kristi.izzo@bpu.state.nj.us
and UPS OVERNIGHT MAIL

Kristi Izzo, Secretary
N.J. Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625-0350

Re: *Gas Rate Discounts Comments, IMO a Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions; BPU Docket No. GR10100761 and ER 10100762*

Dear Secretary Izzo:

This firm represents South Jersey Gas Company ("South Jersey") in the above referenced matter. By letter dated November 14, 2011 the New Jersey Large Energy Users Coalition ("NJLEUC") submitted comments in this matter. In its comments, NJLEUC stated that while South Jersey's filing was largely compliant with the Board Order, it requires one important modification to its proposed scope. NJLEUC stated that South Jersey was required by the Board Order to provide discounted rates to all customers that present a viable physical or economic bypass proposal. NJLEUC requested that the Board direct South Jersey Gas to modify its compliance filing to extend the availability of bypass related discounted rates and charges beyond the EGS-LV generation rate class to all customers that can demonstrate a viable bypass alternative.

On behalf of South Jersey Gas, we take exception to this proposal. This proceeding emanated from a PSE&G proceeding that addressed only contracts for generators. There is nothing in the Board's Order in this case stating that the tariff proposals must be broader than this scope, and NJLEUC does not provide a citation to the contrary.

Absent a Board mandate to expand the scope of discounted rates, South Jersey opposes such expansion. The expansion would needlessly expose South Jersey's customers to discounts which would cause ultimate rate increases to all, including residential customers. It would be a bad regulatory mandate.

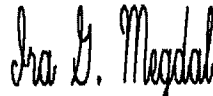
South Jersey has complied with the Board Order in this matter in all material respects. Approximately 20 years ago, South Jersey implemented certain provisions within its then Rate Schedule Large Volume Cogeneration ("LVCS") providing that cogenerators within its service territory could receive contract rates which were less than the standard rates contained within Rate Schedule LVCS.

South Jersey originally proposed this rate schedule provision to the Board out of recognition that payment of tariff gas rates could be uneconomical for some cogenerators; the result being that an otherwise deserving cogeneration project might not be built. Therefore, South Jersey proposed and the Board approved tariff provisions which contained conditions under which cogenerators could be granted discounts on tariff rates.

As years passed, South Jersey and this Board realized that it made sense and was good public policy to extend these provisions to other generators. South Jersey's Rate Schedule LVCS was replaced with its current Rate Schedule Electric Generation Service – Large Volume ("EGS-LV"). Rate Schedule EGS-LV is not only applicable to cogenerators, but to all commercial and industrial electric generation facilities with a daily demand of 200 mcf or more. Rate Schedule EGS-LV was implemented in 2004, and remains in effect today. South Jersey states that it has complied with the Board Order and that no change or modification is necessary to the tariff sheets submitted by South Jersey on September 29, 2011 in compliance with the Board's Order..

Very truly yours,

COZEN O'CONNOR, PC



By: Ira G. Megdal

IGM/DJB/lbs

cc: Gina Merritt-Epps, Esq. (*via email*)
Attached Service List (*via email*)

**In the Matter of a Generic Proceeding to Consider Prospective Standards for Gas
Distribution Utility Rate Discounts and Associated Contract Terms and Conditions
BPU Docket No. GR10100761 and ER10100762**

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