

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 9
STATE OF NEW JERSEY

DATED: DECEMBER 29, 1997

Assembly Bill No. 9 of 1997 would exempt fuel oils purchased by electric utilities, co-generators and wholesale generators for the generation of electricity from the petroleum products gross receipts tax.

The Office of Legislative Services (OLS) estimates the bill will reduce petroleum products gross receipts tax revenue between \$6 million and \$10 million in any given year. The amount of loss will depend primarily on the availability of natural gas which in turn depends upon winter weather conditions. Fuel oil used for the generation of electricity is a backup fuel when natural gas demand by residential users and businesses paying guaranteed supply "firm" rates increases significantly. Large customers most often purchase natural gas under "interruptible" rate structures. Under extreme cold temperature conditions, interruptible users and the public utilities must shift to fuel oil for some portion of their electric generation needs to preserve gas supplies for residential and other "firm" customers.

The range estimate by OLS is derived from data supplied to it from electric generators and published data for calendar years 1995 and 1996. It is estimated the State tax loss from the regulated public utility industry could fluctuate between \$1 million and \$3 million depending on the year and the availability of electricity generated from a variety of energy sources throughout the multi-state grid. The tax loss from the proposed exemption for co-generators and wholesale electric generators is estimated to range between \$5 and \$7 million in any given year. These latter generators designed to exploit the availability of lower cost natural gas have little flexibility when gas supplies are interrupted. They must switch to fuel oils to meet their contractual arrangements and industrial production requirements.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.