

## ***Some Propane Firms Reap Huge Profits This Season***

Watchdog

George Gombossy

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*This is part of a continuing series shedding light on the least transparent energy business in Connecticut and in the rest of the country: propane gas.*

A state consumer protection agency preliminary investigation into the propane gas business in Connecticut — launched as the result of Watchdog columns — has concluded that many companies mislead their customers, charge improper fees, may violate antitrust laws and make record profits.

The most startling point is that propane companies on the East Coast increased their profit margin by 54 percent this heating season from the previous heating season.

The 11-page report, provided to me on Friday by Consumer Protection Commissioner Jerry Farrell Jr., states that the department's analysis of average wholesale and retail prices shows that in past years the most the industry was able to increase its annual profits was by 13 cents a gallon, or 15 percent.

The latest increase, however, was 67 cents a gallon from the previous year.

The report includes a letter Farrell sent to state Attorney General Richard Blumenthal last month, urging him to investigate industry practices that may constitute illegal antitrust activities.

Blumenthal is investigating and is also working with the propane industry association to propose legislative changes to protect consumers from unscrupulous practices by some dealers.

Farrell said last week that his report should not be taken as an indictment of every dealer because his investigation has been limited. But it will continue.

I agree. There are propane dealers who run their businesses honestly. I have heard good things from customers about Uncas Gas in Franklin and Spicer Gas in Groton. If you are pleased with your propane company, please let me know, and we can together establish a list of firms that deserve your money.

Although most people in Connecticut heat their homes with oil, natural gas or electricity, as many as 300,000 use propane for heating, cooking, or for their fireplaces. Of those, only 4 percent own their own tanks; the remaining 96 percent rent them from propane dealers.

My investigation — backed by Farrell's findings — points to dealer ownership of tanks as the source of virtually all of the abuses.

It is a nationwide problem. I have received complaints from homeowners in Massachusetts, Virginia, New

York, Colorado and Pennsylvania.

The attorney general in Michigan recently brought suit against one of the largest propane companies, Inergy Propane, which also owns firms in Connecticut that have numerous complaints against them.

Propane companies have been able to hold their customers hostage by making it difficult for them to buy their own tanks and by convincing fire marshals throughout the country that only the owners of tanks should be allowed to fill them.

The first stage of Farrell's department's investigation focused on the 93 complaints his department received in the past year against 16 of the approximately 40 propane companies operating in Connecticut.

The complaints, the report states, point to these improper practices:

- Low introductory prices — much lower than the average — combined with an exaggeration of the cost of owning and maintaining tanks lead many to sign five- to seven-year contracts to rent company tanks.
- The introductory prices evaporate, and locked-in customers are then charged prices much higher than the average and are assessed new fees.
- Contracts are written vaguely to permit companies to change terms.
- Contract terms are amended on invoices or delivery tickets.
- Customers who wish to change companies are assessed large fees for the removal of dealer-owned tanks.
- Customers who wish to buy leased tanks are charged what a new tank costs, even if their tank is old and the customer has paid for it many times over in rental fees and higher propane bills.
- Customers who complain can get a 70-cent or more reduction in their price, an indication that they've been overcharged.

The report also focuses on unsuspecting home buyers who are unaware that their new home has a rented tank and a contract that they must adhere to. Next Sunday, I will detail one case in Glastonbury, the hometown of Bemer's Gas, a company that has 10 complaints against it with the agency.

Connecticut real estate law does not require the seller of a home to disclose that the propane tank is rented, nor is there a requirement that the contract be disclosed. That needs to be changed, Farrell's report states.

"The ownership of the tank is presently not clear-cut to the consumer in any way; we would like to see it made clearer to the consumer, either through saying that the tank becomes the property of the landowner after a certain number of years, or some very serious up-front disclosures to the consumer about the tank being owned by the company and what alternatives the consumer has to that situation," Farrell said.

"Right now, unless the consumer asks a lot of questions, they are not put into a position to make educated choices; we need to move the issue of ownership more into 'the light of day,' so every consumer knows and understands what their options are and what positives and negatives follow," he said.

A complete copy of Farrell's report can be found on my blog: [www.courant.com/ctwatchdog](http://www.courant.com/ctwatchdog).

I urge both Blumenthal and Farrell not only to continue their investigations in Connecticut, but also to work with their counterparts in the rest of the country to shed light on this issue and to make changes nationally.

Consumers need to do their part, also. With computers and the Internet, consumers have no excuse not to educate themselves on energy issues, including whether they are paying fair prices.

Frankly, I am stunned by how many complain about a 25-cent increase in gasoline prices, but allow unscrupulous heating oil and propane companies to pick their pockets for hundreds of dollars a year by charging much higher rates than their competitors.

*HOW TO REACH ME* If you have an issue that you would like me to look into, please e-mail me at [watchdog@courant.com](mailto:watchdog@courant.com). You can also send mail to me at Watchdog, Hartford Courant, 285 Broad St., Hartford, CT 06115 (please include your telephone number and town). I will respond to as many complaints as time permits. You can read my daily blog at [courant.com/ctwatchdog](http://courant.com/ctwatchdog).