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## George Gombossy | CT Watchdog

Consumer payback.

### Propane gas industry: ripe for reform and transparency

By George Gombossy on November 17, 2008 6:50 AM | [Permalink](#) | [Comments \(14\)](#)

Jim Brangi of Killingworth got tired of cutting, hauling, splitting and stacking firewood five years ago and purchased a gas log and a gas stove to help heat his home.

He signed two of Bemer Petroleum Corp.'s mandatory seven-year contracts that came with the two 100-gallon propane tanks the Glastonbury company leased him.

In return for the long contracts, Bemer promised in writing that his cost -- which varies from delivery to delivery -- would be "at a competitive price."

This fall, when he received his latest fill-up, he was charged \$3.30 a gallon. Later, checking on a state Internet site, he noticed that his charge was 53 cents a gallon more than what the average price was.

Brangi realized that "competitive" is in the eyes of the beholder and that he had simply changed one headache for another. It's no small change for him, as he uses about 500 gallons a year.

Welcome to the world of propane gas-- where the less you use, the higher your per-gallon cost, and many dealers run roughshod over customers once the contract is signed.

Even though more than 30,000 families in Connecticut heat with propane, and an estimated 200,000 others use it to cook, or to run a fireplace, it is the least understood energy industry in the state.

It is easy for the first-time natural gas buyer to get sucked into a long-term contract, that is attractive until the teaser rate goes away.

A consumer attempting to figure out which of the 50 dealers in Connecticut offer the best prices and the best service is impossible. Comparing prices is also difficult as none post them on websites nor do they advertise their complex price structures.

Even knowing what questions to ask is difficult, since the propane gas business is much different from the heating oil industry, the model that most people understand.

The major difference between the two is that unlike heating oil, where the home-owner owns his or her own tank, 95 percent of propane tanks are owned by dealers who normally charge an annual rental fee.

Propane gas is much more dangerous and requires stringent testing of its tanks as well as inspections by local building officials -- all of that is normally paid for by the dealer if it's a rented tank.

Over the past six weeks I have received more than a dozen complaints from propane customers throughout central Connecticut. All are particular to the propane industry.

Their main issues:

- Paying as much as \$6 a gallon by small users (like those who use the gas for cooking only), while the average home heating customer is paying about \$3 a gallon. The industry defends this practice, saying dealers need to charge more for low-use customers to get back their money on the cost of the tank and



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its upkeep.

- Fights over who owns the expensive propane tanks on their property and who pays the potential thousands of dollars to remove them.

- Lengthy mandatory contracts that some dealers use to hold customers hostage.

- Low teaser rates in these lengthy contracts that shoot up after the first year. For a homeowner to get out of a contract, some dealers require proof, with written offers from other companies, that the bills are out of line.

- A state law that prevents competition by permitting only the company that owns the tank to fill it -- to make sure everyone knows who is liable if there is a problem with the tank. If the homeowner owns the tank, anyone can fill it.

- Numerous new add-on charges as well as yearly increases in rental fees.

Despite scores of complaints each year to both the state Department of Consumer Protection and to the attorney general's office, the industry has largely flown under the radar of state officials, who until recently paid little attention to the problems customers faced.

After talking to customers, propane dealers, and the propane association, I suggested to state Consumer Protection Commissioner Jerry Farrell Jr. that he might want to take a look inside his shop to see what his department is doing to protect propane costumers.

As an example, I sent him a complaint from Rolland R. Cote Jr. about a serious dispute he was having with a propane dealer. Cote, owner of a small tool and die shop in East Windsor, was told by consumer protection last month that no one could help him.

Farrell, who in my experience has been a straight shooter, said Wednesday he was unaware of the extent of the problem.

After talking to his directors, Farrell on Wednesday ordered a comprehensive review of the issues and complaints, with the aim of taking corrective action. He also ordered that Cote's complaint be investigated.

"There are structural issues [in the industry], that make it very difficult for the consumer," Farrell said. Farrell said he also wants to examine whether there is "open competition" in the industry.

He said his department has received 53 written complaints against propane dealers in the past year, of which all but 18 had been closed without any action taken.

He said his department was active against Propane Gas Service of South Windsor, which had the 18 complaints, the most of any dealer. A meeting to discuss the complaints had already been set up with the company before I called Farrell.

Farrell said all of the closed complaints will now be reopened and investigated.

State Attorney General Richard Blumenthal said his office recently started looking at the propane industry, especially at companies like Bemer, which require long contracts.

Blumenthal said the propane business model used by many companies suggests that there might be collusion to keep prices high.

If that turns out to be the case, Blumenthal might want to talk to his counterparts in the rest of the country because I doubt that Connecticut's propane business is unique to this state.

Our former woodcutter is severing his relationship with Bemer and is negotiating to have its tanks removed so that Uncas Gas can install theirs.

After six other propane companies refused to send him written price quotes, he was able to obtain one from Uncas at \$2.69 a gallon, that was cheaper than Bemer's, permitting Brangi to break his seven-year contracts.

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Colleen Gilpin, Uncas general manager, said that, unlike many other companies, hers does not require contracts for residential customers who rent above-ground tanks. Large underground tanks, which cost thousands of dollars, do require lengthy contracts, she said.

Recognizing that with the energy crisis many people were turning to propane gas as an alternative, New York propane dealers last year put together a pamphlet for potential customers explaining the business.

T. Michael Morrissey, chairman of the CT Propane Coalition, said his group is considering doing something similar.

The time for considering has long passed, and Connecticut needs one that is much more comprehensive than New York's and is available at every business that sells products that require propane.

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## 14 Comments

By John on November 17, 2008 10:07 AM

Thank you Mr Gombossy! I've been getting screwed by Bemer's ridiculously high prices for 3 years and have had no recourse. Bemer's has told me that they can essentially do whatever they want because the propane industry is not regulated. Hopefully, our Attorney General will see it necessary to make some changes.

By dogcatcher on November 17, 2008 11:13 AM

230,000 users divided by 53 compliants = .0002304%

How bad can it really be????

By Erica on November 17, 2008 6:43 PM

Thank you very much for this article! I came home from work today to a huge propane bill. Since most petroleum based products have significantly reduced their price over the last few months, I was expecting my next bill to have a fairly significant decrease per gallon than a few months ago since the last price was close to \$4 a gallon. I was very wrong; however, it only went down a few cents per gallon from the beginning of September. That made me feel like that price was not fair and fueled my long suspicion that they are charging me more than is needed (we do use a lot since propane is our primary source of heat for our house & hot water). While I cannot say for sure since I haven't called other companies for their pricing - but I will absolutley do so tomorrow. Looking to find more info, your article was an easy find, and it comforts me to know that I'm not the only one who feels this way. The big question is, What can I do to help this along - write to Richard Blumenthal?

By positively steamed on November 17, 2008 7:13 PM

You got away cheap Erica...here in Pennsylvania we got a delivery 2 weeks ago for \$5.05 a gallon (\$620+) by Suburban. We use it for heat and cooking so it's not just "part time/vacation" use. They're also trying to hit customers up for tank rental fees as of this year (\$72 per tank per year).

As for calling other companies, definitely do, and make sure you get all the information regarding fees and whether the price

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[sharon commented on Propane gas industry: ripe for reform and transparency](#)

[Randy C. commented on Propane gas industry: ripe for reform and transparency](#)

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they quote is an introductory price or the everyday price. Another company in the area here is charging \$2.49/gallon (just the setup fee in addition, no tank rental or regulatory fees) and even the manager there couldn't believe what Suburban was soaking us for.

Propane is definitely one industry that needs some rocks kicked over.

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By jerry on [November 25, 2008 3:38 PM](#)

Had a tank installed with the fine line contract reading I would purchase their propane "at their market price". Found out fast what that meant. Got lucky and bought out my tank...However another question bothers me, today there is a huge/huge disparity in the price of crude oil (down 65% since July) and the price of a gallon of propane (higher per gallon than 1 year ago). Everywhere I read says crude oil is 75% of the cost of propane What gives with that??

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By Mike on [November 28, 2008 1:41 PM](#)

I live in Florida using Suburban Propane delivery last Saturday Nov. 22 paid \$4.68 per gallon use for heat and cooking. I have the 100 gallon above ground tank & pay annual rental. I expected it would be little cheaper very surprised at this price. They do as they wish here.

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By Paul Appleton on [November 29, 2008 12:48 PM](#)

We inherited Bemer's service when we moved into our home 5 years ago. At home shows if you ask other propane dealers, it is obvious how untouchable they are. Bemer's was subject of a FERC proceeding last year and essentially defended it's non transparency by claiming the dog ate their records at the hearing!!!!

I have never been notified of any inspection results, if such is the reason that they own the tanks.

It is up to us as consumers to force policies on them that do make them behave as a utility and not a mercenary business.

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By Randy C. on [December 8, 2008 12:05 PM](#)

We also inherited a Bemer service agreement this summer. We have not had a fill as yet. Does anyone know if it is possible to break the contract at this point?

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By Sharon on [December 8, 2008 3:38 PM](#)

I just called for propane for my tank, we have a 100 gal tank, propane service company told me the price was 3.99.9 for a gallon and rental fee's for the tank and another 45 + tax because we are on empty, this must be a new ploy to get more monies from people cause they never had charged this fee before. My husband is very capable of starting the furnace himself. Well i just started calling around for propane and found 1 for 2.16 gallon, and others very comperable. I don't understand why these companies think that they can charge these out ragious prices and of course if you use less the price keeps going up. well propane service you just lost a customer and i'm going with another. Also 1 company told me that you can buy your own tanks and call around if you wish.

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By Stella on [December 17, 2008 12:41 AM](#)

I want to let people not to use Hocan Gas. They are getting away with highway robbery. They charged me \$6.27 a gallon. I use the gas for cooking and hot water. There is no one that can help.

By jbl on January 1, 2009 9:01 PM

Bemers \$2.59/gal  
Amerigas and others about a dollar cheaper per gallon.  
500 gallon fillup - you do the math.  
Bemers will rip you off.

By mc on January 9, 2009 6:41 AM

Bemers is the worst. I am told that they make up their own rules and prices. I use Aero All gas and they are much better. I rent my tank (should have bought it) but was quoted \$1.89/gal last week. If you own the tank it is \$1.59/gal. A friend of mine who got sucked into a Bemers contract was quoted 2.39/gal. When he asked about buying the tank, they told him \$1000 more than a price by Aero. A friend of mine who owns his tank (1000 gal), got a fill up by a company out of Fairfield in late December and paid 1.21/gal. How can this be. Blumenthal please help

By nepeta on January 11, 2009 4:55 PM

I was searching for info like this and here you are! I use propane for cooking and hot water in New York. The price of propane on my December bill was \$5.70/gal. My usage was 80 gal for what appears to be a two-month period, bringing my propane bill to approximately \$472.95. (Actually, I just noticed for the first time that this bill covered two-months). New York state provides a monthly average price by region on the internet as well as available supply figures (which affects price). The average price for full residential use, i.e., over 1,100 gal/mo, in my region for Dec 2008 was \$2.74/gal. That's a little over a \$3 difference per gallon between full residential use and low volume use (almost double). Outrageous. Supply looks to be high in December for NY. Now for the interesting part. I called my propane company to complain about the price. The woman I talked with said she would reduce 'my' price to \$3.91/gal and hope that no one noticed. Not only would she do this for the current bill but also for the following two months, at which point I'm supposed to call her again. Although grateful for the price break, I was suspicious. I did not express any concern about ability to pay or any hardship per se, so after she lowered the price/gal I became even more suspicious that something wasn't kosher about this whole thing. Basically, it seems that if you complain you get a lower price than those who don't. Something fishy here.

By cipster on January 23, 2009 12:11 PM

Thanks for this excellent column! I've been searching for good information on propane since my recent fillup by Hocon at \$4.20 per gallon. I use it for cooking and fireplaces but was considering a propane hot water heater next. But by doing a BTU calculation using the current prices I'm paying for propane and fuel oil - propane is three times more expensive. I called Hocon to try and get more information about their pricing matrix and they refused to tell me. They said if I buy the hot water heater - then they will tell me the price. Oh sure...

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