

February 17, 2009

Co-Chair John Fonfara  
Co-Chair Vickie Nardello  
Senator Kevin Witkos  
Representative Sean Williams

Energy and Technology Committee:

My name is John Mitchell, owner of Mitchell Fuel Co., Inc. of South Windsor, Connecticut.

Mitchell Fuel Co, Inc. is a medium sized full service retailer of home heating oil now in the 52<sup>nd</sup> year. It is a family run business with my three sons totally dedicated to the day to day challenges that exist in this business. I am submitting testimony in **support of S.B. 506** an act prohibiting certain contracts for home heating oil and propane.

When retailers make an offering to their customers, they go to their suppliers for the outward months of a heating season,(the State of Connecticut requires 80% coverage) and they try to fit customer response to wholesale commitments. There are so many variables that often occur once the contract for heating oil is secured on both ends, by the customer to the retailer and by the retailer to the wholesaler, I should like to identify a few.

1. This past season wholesale prices collapsed from their highs in the first week of July, typically when most oil companies made their offerings to their customers. This season many consumers are paying \$1.00 to even more \$1.50 per gallon more as a result of the mutual commitment with their supplier. While down-side protection can be offered to reduce this risk the cost raises the price significantly to the consumer.
2. Weather is always a variable, when the retailer cannot purchase all of a month's commitment, storage costs can be imposed by the wholesaler.
3. For the most part retailers cherish the relationship with their customers, but what does occur in the frequently marketplace is a customer, today, can purchase a gallon of heating oil for a dollar less per gallon than his contracted price, he or she purchases a fill from another marketer, the tank is full, and along comes the contracted supplier who is at risk to spill oil because the tank is full.
4. The increased volatility in the trading of heating oil daily significantly changes the price and changes the appeal of agreements made in good faith. It would be easy to continue to identify horror stories and reasons to ban fixed prices in the marketplace, but I know your time is very valuable given the many concerns that exist on your plate these days

I strongly support S.B. 506 and sincerely thank you for your time and consideration.

Yours Truly,



John J. Mitchell, Sr.

Owner

Mitchell Fuel Co.

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