February 13, 2009

Co-Chair Thomas Colapietro

Co-Chair Jim Shapiro

Senator Kevin Witkos

Representative Penny Bacchiiochi

Dear Members of the General Law Committee,

I would like to speak in favor of Bill No. 318, raising the minimum delivery of home heating fuel from 100 gallons to 150 gallons.

There is a fixed operational cost for each retail oil delivery, excluding the cost of the product. According to Gray, Gray, and Gray, the nation's premier accounting firm for companies in the oil heat and petroleum industry, their **2008 estimated operational cost for delivering an average residential drop of 150 gallons is $27.00**. This figure is based on a delivering 2,000,000 gallons for the entire year. From these figures, you can calculate the total operating cost for delivering 2,000,000 gallons in 150 gallon drops, (13,333 deliveries), is $360,000. **Now, let's assume that an oil company will now deliver the 2,000,000 gallons of fuel oil in 100 gallon drops rather than 150 gallon drops. The company will now need to make approximately 6,700 more stops, (20,000) to deliver the same amount of oil.** And, you would not be able to use the same $27.00 per delivery as your cost. The gallons being delivered per stop has dropped by 50%, and the amount of deliveries that would need to be made to deliver the same 2,000,000, gallons has increased by 50% as well. And although, the increased cost might not be a direct correlation, I am sure the cost would increase by at least 35% when you consider the factors involved; an increase in wages, payroll taxes, diesel fuel, and wear & tear on the vehicle resulting in additional repairs. **Based on an increase in cost of 35%, the operational cost for delivering 100 gallons would be $37.00 per delivery, for a total cost of $740,000, in contrast to the operational cost of $27.00 per 150 gallon delivery for a total operating expense of $360,000.**

How does this impact the consumer? Directly, with a required increase in the customer's cost per gallon of fuel oil! If at 150 gallon deliveries, the operational cost was $360,000, or $.18 per gallon, ($360,000 / 2,000,000), the operational cost of 100 gallon deliveries would be $740,000, or $.37 per gallon ($740,000 / 2,000,000). That is more than double the

expense! That would mean the retail cost of oil per gallon could easily increase by $.19 per gallon just to cover the increased cost while the oil company would not be adding any more to their bottom line. It would be necessary to pass this increased cost onto the customer.

Of course, this is the worst case scenario-an oil company which delivers only 100 gallon drops to all their customers. This is most unlikely, but what would be a reasonable estimate if the customer was now able to order 100 gallons at the same cost per gallon of a 150 gallon delivery? Would 40% of the customers choose to have smaller deliveries for their own convenience-not because they actually cannot afford it? 60% of the customers? 50% of the customers? **Would those same customers still choose to have 100 gallon deliveries if they alone absorbed the increased cost for the smaller delivery rather than it being passed onto all the customers in an overall increase in price?**

For customers who truly cannot afford the expense of the150 gallon delivery, I believe it would be reasonable for the oil company to have the option to **charge only that customer the increased cost that is required to deliver the smaller amount of oil rather than charging all customers more per gallon. In addition, if there were a small number of 100 gallon deliveries, the increased cost would not come anywhere near to the $.19 per gallon**. Also, there are alternative ways for customers to pay for their fuel deliveries than on a per delivery basis. They could opt to be on a monthly payment plan, or budget plan, where their estimated fuel usage and estimated expense is divided by a certain number of months, usually 10-12, and they then pay that set amount each month. In this type of payment arrangement, inevitably the customer pays less per month than they would on a per delivery basis since the majority of oil is burned during the 6 months of October to March, and their payments are stretched out over 10-12 months. In many cases, the customer would be paying even less than they would for a 100 gallon delivery. In the end, if a customer who has signed onto a company's budget plan is having difficulty making their monthly oil payment, I would venture to say that the most oil companies would be willing to work with their customer through difficult times. The majority of oil companies in Connecticut are smaller family owned companies who have remained in business by establishing long lasting and sometimes even personal relationships with their customers. And long lasting relationships and repeat business is what is required for an oil company to be successful over the long term. It would also be against what most of these oil companies stand for, as well as a poor business decision, to choose not to work with a customer if they have suddenly encountered some financial difficulties when that same customer has helped the oil company stay in business over the years.

I hope you will give careful consideration to raising the minimum delivery of home heating fuel from 100 gallons to 150 gallons. Especially in light of the current economic condition, if the unnecessary increased costs for making 100 gallon deliveries of fuel could be avoided, everyone would win-especially the consumer!

Thank you for your time.

Respectfully,

Jennifer Tracey-Carlo

Jennifer Tracey-Carlo, Owner
Tracey Energy Services, LLC est. 1931
325 Howard Avenue
New Haven, CT 06519