



October 1, 2012

Senator Toni Harp
Representative Toni Walker
Senator John Fonfara
Representative Vickie Nardello
Senator Anthony Musto
Representative Peter Tercyak

Members of the Appropriations, Energy and Technology and Human Services Committees:

For the past decade our association has testified before your committees voicing our concerns and making recommendations concerning the Low Income Energy Assistance Program Block Grant Allocation Plan. Unfortunately, the bulk of our recommendations have not been adopted and many home heating oil dealers have been hurt because of it.

The Connecticut Energy Assistance Plan (CEAP) is a discriminatory program that abuses local family owned home heating oil dealers. The Independent Connecticut Petroleum Association (ICPA) has serious concerns about the structure of the CEAP and asks that the legislature consider significant changes to address the following issues.

1. The CEAP discriminates against home heating oil dealers versus other fuels and social service programs.

Propane dealers, kerosene dealers, natural gas utilities and electricity utilities are paid the full ticketed price for their fuel, while heating oil dealers are required to accept a deeply discounted reimbursement for the fuel that they provide to CEAP customers. If the state can pay for the full cost of other fuels, then it must do the same for home heating oil dealers.

To require home heating oil dealers to provide a discount to CEAP customers while other fuels are paid their full ticketed price is unfair, discriminatory and needs to be addressed. Instead of shared sacrifice from all fuel vendors, the CEAP uses heating oil dealers to leverage discounts that are balanced on the backs of the people who deliver oil.

Other programs administered by the Department of Social Services (DSS) like the Supplemental Nutrition Assistance Program (SNAP) pay large chain supermarkets like Stop & Shop to full price for their grocery's. There is no requirement for grocery stores to provide discounts to SNAP customers.

Whether it is other fuel vendors who are paid the full price for the cost of the fuel through the CEAP, or it is another social service programs like SNAP who pays grocery stores the full price of their products, oil dealers are discriminated against for no discernable reason.

ICPA recommends that the state abandon this discriminatory payment practice and treat all fuel vendors equally regardless of the fuel that they provide CEAP customers.

2. The CEAP's payment method is antiquated and inefficient placing extreme hardships on many home heating oil dealers.

Over the last several years many oil dealers have been shut off from their suppliers in the first few weeks of the CEAP, because of the tremendous draw on dealers credit lines. The demand for CEAP deliveries at the start of the program is so overwhelming that more and more dealers are unable to keep up with payments for oil. Heating oil wholesalers typically EFT payment for oil from a dealers bank account within 10 days (or less) of picking up fuel.

The CEAP contract allows Community Action Agencies (CAA's) to pay "vendors" 30 days after the date that the delivery tickets are submitted for reimbursement. Many CAA's attempt to cut checks every two weeks to pay vendors, but unfortunately that time frame does not work for many dealers anymore.

When a wholesaler prohibits a dealer from picking up fuel it not only effects CEAP customers it also impacts non-CEAP customers. Heating oil dealers who are required to give a 40% to 60% discount off of their margin can not afford to loose out on business to their non-CEAP customers who pay the full price for fuel.

ICPA recommends that the state provide an EBT/debit card to CEAP customers to purchase fuel with. This would be similar the way the state runs the SNAP (formerly known as FOOD STAMPS). Under that system, consumers who utilize SNAP are allowed to pay at the point of purchase for food with a EBT card. If the SNAP system were applied to CEAP it would dramatically enhance cash flow and help dealers avoid shutoffs from their suppliers.

If large grocery store chains can participate in a program that utilizes EBT cards, then small family owned oil dealers should be afforded the same privileges.

3. CEAP's fixed margin pricing mechanism is broken and inflexible when it comes to market volatility.

The volatility in the energy markets make it impossible for the current CEAP payment mechanism to accurately reflect the true cost that dealers pay for oil.

Currently the CEAP plan bases the price of oil on the day prior to delivery. What that means is if the price of oil increases 15 cent per gallon on the day that a

CEAP deliver is authorized, the dealer may loose money on every gallon that they deliver the next day.

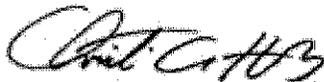
Volatility with energy prices and the discriminatory fixed margin program that oil dealers have to utilize if they want to serve CEAP customers is so antiquated that dealers are in jeopardy of loosing money on the CEAP depending on the whims for the energy markets on any given day.

ICPA recommends that the CEAP pay oil vendors based on the actual date of delivery, so that the dealer is not subject to the volatility that so often plagues energy markets.

The CEAP as presented to you in this plan has not worked for the oil dealers who have participated in it for many years. The CEAP has not kept up with changing energy markets and the way that the oil industry operates. Reform is necessary so that discriminatory practices are ended and local family owned heating oil dealers are treated the same as other energy vendors.

ICPA asks the legislature to adopt our recommendations and ensure that the CEAP works for the state, CAA's, consumers and the local family owned heating oil dealers who serve them.

Respectfully,

A handwritten signature in black ink, appearing to read "Christ. A. Herb".

Christian A. Herb
Vice President