



February 25, 2014

Co-Chair Paul R. Doyle
Co-Chair David A. Baram
Senator Kevin D. Witkos
Representative Dan Carter

General Law Committee:

We are submitting testimony in opposition to H.B. 5260, AN ACT CONCERNING HEATING FUEL DELIVERY FEES, CHARGES AND SURCHARGES AND PREPAID GUARANTEED HEATING FUEL PRICE PLAN CONTRACTS.

The Connecticut Energy Marketers Association (CEMA) represents 576 petroleum marketers and their associated business in Connecticut. CEMA members employ over 13,000 people in our state.

Since the passage of the heating oil dealer registration law in 2000, our association has worked cooperatively with the Department of Consumer Protection (DCP) and the Office of the Attorney General (AG), to adopt practices that maximize protections for consumers and minimize the administrative and financial impact on local family owned businesses.

Since 2000, a law that started out as a simple requirement to register with DCP has been modernized to reflect the need to contract for fuel with your supplier and with your customers. Unfortunately, H.B. 5260 repeals language in the law that requires prepay contracts to be secured with "physical inventory to which such dealer holds title, heating fuel futures or forwards contracts, physical supply contracts or other similar commitments".

This requirement is vital, and without it there is a tremendous likelihood that a dealer would not be able to honor a prepay contract. Removing this language sends the wrong signal to the industry. Without obtaining one of the required mechanisms in current law to secure prepay oil, you would be putting consumers at risk and exponentially increase the chances for businesses to fail.

This language must remain in the law as it is the best and only way to ensure that a consumer gets the fuel that they paid for.

The language in the bill that requires prepay contracts to obtain a surety bond in an amount not less than 80% of the total amount of funds paid to the dealer by consumers, does not work for the vast majority of dealers in Connecticut and provides no protection for consumers.

Dealers who break current laws (as rare as that is) will likely break any new laws that might require a bond. The problem you seek to address is one that cannot be solved with additional regulation. Criminal behavior and ignorance of what the law requires cannot be prevented with new laws.

A bonding requirement would likely have the effect of limiting consumer choice and driving up the cost of prepay contracts. According to our members, many would not be able to obtain a bond, forcing them to no longer offer a product that their customers and your constituents demand.

In summary:

- Requiring a bond would limit and in many cases eliminate prepay contracts;
- Requiring a bond would drive up the cost of prepay contracts;
- Requiring a bond would do nothing to prevent dealers from breaking the law and ignoring the new requirement to obtain one;
- Removing the language in the current law to obtain oil with physical supply or a futures contract would expose consumers to immense risk.

CEMA asks that the General Law Committee to oppose H.B. 5260, AN ACT CONCERNING HEATING FUEL DELIVERY FEES, CHARGES AND SURCHARGES AND PREPAID GUARANTEED HEATING FUEL PRICE PLAN CONTRACTS

Respectfully,



Christian A. Herb
President