



February 25, 2014

Good Afternoon, Members of the Law Committee. My name is Nicholas Scata, and I come here today from Plainville, representing Tower Energy and Plainville Oil Company. We employ thirteen individuals and serve close to 3,000 customers in Central Connecticut. Our companies have been in business in Connecticut for over 16 years. We support the communities we serve, we pay taxes and create and maintain jobs here. I come here today in opposition of proposed House Bill 5260. We are a locally owned energy company that distributes heating oil & propane and provides HVAC services to our customers and we do engage in the sale of prepaid heating oil contracts.

The proposed bill seeks to add a requirement that requires heating oil dealers to purchase a bond to securitize the funds we collect from our customers for prepay contracts, while deleting the requirement to obtain futures contracts or physical supply to minimize the price risk associated with these contracts. What this will do is force some heating oil companies to consider ceasing to offer prepaid contracts limiting customer's choices and driving up the cost to customers because they will become cost prohibitive for some companies if a bonding requirement is required.

In the past when oil was inexpensive many customers had large underground tanks and they knew enough to fill the tank in the summer when oil was the cheapest. Today, many customers have removed their underground tanks due to environmental concern and they look to us their local heating oil dealer to advise them on when the best time to buy and lock in their price with the hope of saving some money. That is what prepaid contracts accomplish. It allows us as heating oil dealer to lock our wholesale price and pass that savings on to our customers. This legislation will significantly reduce our customer's options and in the end increase the cost of heating their home.

PO Box 1576  
Farmington, CT 06034-1576  
860-677-7347  
[www.myhomeoil.com](http://www.myhomeoil.com)



For the winter of 2013-14 our customers are enjoying a price advantage of close to 40 cents per gallon as well as enjoying stable pricing by participating in our prepaid program. We have taken the steps to secure our product with a combination of futures contracts and physical product. We also take the additional step to limit the amount we sell under these programs so that we are not overexposed to conditions out of our control mainly weather. This savings will be close to \$80,000 which as a huge windfall to our customers this heating season. Although we do not guarantee that a savings will occur when we offer these contracts we do guarantee price stability and that we will deliver under these contracts without financial risk to our company or to our customers. We do this without sacrificing margin or our customer's hard earned money.

I know the goal of our elected officials is to protect their constituents from unethical business practices or felonious actions. This law will not prevent either, only more oversight or criminal sanctions will deter the actions of the past. Enforcing the current legislation will go farther than adding new legislation.

Those of us who are here today are the good guys who follow the regulations and make sure we operate within the law. If you move forward with this requirement many of us will make the business decision to either to continue to offer these agreements and pass on the cost of the bond to our customers or cease to offer these agreements. Under either scenario the exact people you are looking to protect will lose.

Our commitment as an industry is to continue to look for ways that guarantees affordable heating oil prices with price stability and when possible price savings.

PO Box 1576  
Farmington, CT 06034-1576  
860-677-7347  
[www.myhomeoil.com](http://www.myhomeoil.com)



I strongly encourage you to work with our association to come up with a better solution that still accomplishes what you are seeking, and that is to protect the heating oil consumer from bad and unethical business practices.

Thank you for your time.

Respectfully submitted,

Nicholas S. Scata  
President  
Tower Energy/Plainville Oil Company

PO Box 1576  
Farmington, CT 06034-1576  
860-677-7347  
[www.myhomeoil.com](http://www.myhomeoil.com)

