

Written testimony of
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General Law Committee

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CT General Assembly

RB 299- Prepaid Consumer Heating Fuel Contract Guaranty Fund

My name Steve Rosentel and I am the President of Leahy's Fuels, Inc. in Danbury. We are a fuel marketer selling both propane and fuel oil and have been offering prepay program options to our customers back to the days when customers could lock in for less than \$1.30 a gallon for oil. We never sell a fixed price gallon commitment that we don't own or fully hedge-I am not the problem. **But there is a significant problem in this area that needs to be addressed.** The guaranty fund is not the solution for the following reasons:

Impact on consumers-

- 1) **The fund will result in more defaults, not less**, by giving the consumer who would have otherwise not taken the risk of losing their money a false sense of security that they can recover all their money thereby making the "too good to be true" low price offer a perceived no risk deal for them.
- 2) **Unlike the other guaranty funds in the state, to the best of my knowledge, none has ever had a single company default resulting in claims in excess of \$1,000,000 which in the CT oil industry has happen at least 3 or more times.** Therefore, the \$5 million dollar fund could be wiped out by claims if not first taken by the state to balance the budget as has happened to a long list of funds that cannot pay the claims like the gasoline and dry cleaners cleanup funds to name just two.
- 3) **The charges assess to oil dealers will surely be passed through to all consumers whether they elect to enter into a prebuy or not** as the proposed bill will tax all HOD licensees whether they sell prebuys or not and this new tax is likely to increase for the reasons previously stated.

Impact on dealers-

- 1) **Increasing the number of lost customers to fly by night offers from dealers selling a “hope and a prayer”. They hope the wholesale price markets collapses so they can deliver at the price quoted (highly unlikely) and they pray that they can get enough cash in the door so they can survive until the next season without customer complaints and being identified as a dealer who has broken the existing law.**
- 2) **Credit card claims for this repeated illegal activity will likely have an impact of the VISA and Mastercard fees the industry will be subject to raising the cost of doing business for all.**

A proposed course of action:

A moratorium on taking customers prebuy cash from Dec 1st through April 30th combined with the existing limit of 18 months into the future will go a long way to prevent the companies that have been relying on the customers’ money to fund their current expenses. A moratorium bill is moving through the New Hampshire legislature as we speak. This alternative protects the rights of customers that feel the prebuy program has served them well while giving the dealer the protection to cover liquidating damages for the customers who threaten to bail on their commitment when oil prices drop \$2 per gallon as has happened just a few years ago.

I am a long-time member of the Board of CEMA and the current Chairman of the Propane Gas Association of New England. Although the history, to date, has been only oil companies defaulting this recommendation has been endorsed by both industries because the propane dealers do not want to see marketers shifting to this method of operation which surely in time would yield the same result- unfair competition and costly losses to the CT consumers leaving the industry with a black eye.

Unfortunately I could not be there to deliver this testimony due to a family medical crisis; I will make myself available to answer any questions you may have by phone 203-748-3539 ext 208 or in person. Thank you.