

Apple Oil  
West Haven, CT  
HOD# 374

February 25, 2014

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

Dear Members of the General Law Committee:

My name is Sharon Peterson, I work at my family business located in West Haven. Apple Oil has been in business for 35 years, we sell home heating oil in New Haven and Fairfield County.

I am here today to testify on bill 5260, AN ACT CONCERNING HEATING FUEL DELIVERY FEES, CHARGES AND SURCHARGES AND PREPAID GUARANTEED HEATING FUEL PRICE PLAN CONTRACTS. I am opposed to replacing the current law that requires companies to purchase a percentage of prepay gallons with a new law that requires a supply bond.

My opposition is based primarily on these three factors:

First, and most importantly, the supply bond is an ineffective way to protect consumers. As a stagnant fixed insurance instrument, a bond would be based on an estimated and unverifiable dollar amount at a given point in the year, and would not protect against price fluctuations (up or down). Therefore, it would not protect consumers or dealers against the changing environment of supply and demand as well as the current and correct mechanism of requiring hedging for future sales.

Two, the requirement of a supply bond is bad for consumers because it would add to the cost of their product, remove the ability to gain a substantial discount by buying ahead, eliminate their ability to have flexible and convenient payment options

Third, the supply bond is commercially unavailable and competitively unfair. According to my insurance agent (a representative of a large Hartford based insurance company), such a bond is not currently commercially sold. If a carrier were to begin to offer one, the price would be high, and the expectation is that it would require 100% collateral. This would mean, for example, that a company

would have to have 3 million dollars to secure 1 million gallons of oil. This collateral could not then be used to secure hedges for supply or property. Such a severe requirement would actually impair the ability of most companies to protect themselves, and therefore, their customers, with supply contracts from their suppliers.

Additionally, this would be an unfair restriction on our industry alone.

For these main reasons, I would ask that the current law be maintained and that we continue to educate consumers and dealers regarding the law, their rights and responsibilities, and to encourage the use of credit card for such purchases.

Thank you for your time and consideration.

Sharon Peterson  
Apple Oil