

Dear Members of The General Law Committee:

OPPOSITION – SB 299, An Act Establishing A Prepaid Consumer Heating Fuel Contract Guaranty Fund

My name is Gregory Stafstrom. I am the owner/operator of Spring Brook Ice & Fuel Service, located in New Britain, CT. Our firm has marketed home comfort delivery service and solutions since our inception in 1918 – over 96 years.

Presently, we market fuel oil and service to mostly residential consumers. Since fuel oil has been traded as a commodity in the late 1980's, Spring Brook has offered pre-pay (buy ahead) and price cap (ceiling price) oil contracts. We have delivered every gallon for the past 25+ years that we pre-sold or capped for our customer's. We have managed our oil price program by purchasing both wet barrel and paper oil contracts (calls) incrementally as we have sold the gallons. We provide price protection annually from July 1 through June 30 of the following year. The hedged gallons are matched to the pre-pay and price cap gallons. A written contract required by State statute is signed by each customer and retained by our firm. When requested, by the State's Consumer Protection office, we document the contract and the future purchases and expected sales to this department.

A guarantee fund and payment by every oil dealer into a fund to protect consumer's that are effected by oil dealer's that default on pre-pays and price caps is the WRONG approach. The proposed \$3900 payment by each oil dealer is also unrealistic. This will create a tax on oil dealers that will only make already high price home heating oil more expensive. This expense and recurring assessments into such a fund will need to be passed on by our firm and probably other dealers back to the consumer. This concept also allows other retailers to be reckless and offer below market pre-pay offers. Some dealers will be irresponsible, and "take a chance" approach. If they default, the customer will still be protected by such a fund. Further, there have been other funds like this proposed guaranty fund that have not been successful. An example is the Tank Fund that has been funded by our industry and gasoline retailers. This fund has not be used or administered as it was intended – to reimburse for leaking underground oil tanks.

Please consider an alternate approach that does not require an oil dealer to pay significant money into a guaranty fund. Some of the possibly solutions would be to institute a seasonal ban on pre-paid contractors during peak heating demand – Nov 1 – March 31. Further, require each oil dealer to file an intent to sell and an annual report to Department of Consumer Protection's Commissioner prior to the winter season. If there is a discrepancy, then allow that office to warn or red-flag a particular company, prior to an oil dealer defaulting to a customer. Also, encourage oil dealers to promote payment of pre-pays or caps with a credit card. A credit card company often protects payments for individual's that use their credit card service. In addition, other