



March 11, 2014

Good Afternoon, Members of the General 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. I come here today in opposition of proposed Senate Bill 299 establishing a Guarantee Fund. 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 establish a \$3,900 one-time tax and an annual tax of \$500 for every registered heating fuel dealer to establish a fund to reimburse consumers who are defrauded by a heating fuel dealer who fails to deliver on prepaid heating fuel contracts purchased by those consumers. Establishment of this tax is punitive to those heating fuel dealers who follow the current regulations and takes steps in securing either physical product or futures contracts to assure delivery on these contracts and protect their customers. The failures of the past are a result of miss-management or outright fraud. This fund, if established, will encourage more of the same. Imagine this, a heating fuel dealer offers a too good to be true prepaid contract knowing full well if they are unable to deliver the state will bail out their customers. How does this bill prevent this kind of abuse or behavior? It is simply creating a safety net that promotes the exact actions you are trying to prevent.

I agree that consumers should be protected from heating fuel dealers that are unable to fulfill the obligations under these contracts. I offer the following suggestions:

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- Require heating fuel dealers that engage in the sale of prepaid to abide to a seasonal moratorium banning the sale of these contracts during the peak heating season.
- Require dealers who wish to sell these contracts to report to the Department of Consumer Protection each year the gallons sold under prepay contracts and the future positions purchased to protect the contracts or physical product purchased for the delivery of the contract holders.
- Make the above information readily available for consumers to review when they are contemplating which dealer to purchase from
- Impose criminal penalties and permanent revocation of a dealer's license when they willfully fail to comply with current and enacted regulations regarding prepaid fuel contracts.

Prepaid heating fuel contracts have saved consumers money in the past and will continue to do so. They provide stable pricing removing price volatility from the equation. When structured properly the consumer will not lose nor will the heating fuel dealer lose. As I mentioned earlier, the failures of the past were a result of mismanagement or outright fraud. Heating fuel dealers who have followed the current regulations, have managed these contracts properly and have educated themselves on what financial tools to use to protect their customers and their businesses and have served their customers well.

I respectfully request that you do not consider imposing this tax to establish this fund. Our commitment as an industry is to continue to look for ways that guarantees affordable heating fuel prices with price stability and when possible price savings.

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I strongly encourage you to work with our association to include the items mentioned and still accomplish 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,

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