

March 11, 2014

Thank you for hearing our concerns regarding S.B. 299 and the negative effect it will have on our industry.

**First of all, the current law is the RIGHT ONE:**

- a. The current law requires companies to purchase their prepay gallons via an industry mechanism that follows best practices. This includes locking in fixed price supply with a supplier; purchasing and storing physical inventory; or hedging the gallons with a registered trading company. **The solution is to enforce this law! The biggest exposure an oil company can have to being out of position and unable to deliver gallons is to be “uncovered” in the market. If a company follows industry best practices and locks in oil sold - the exposure is eliminated.**
  - i. To my recollection, DCP has sent only 2 letters to oil dealers requesting confirmation of abiding by the law. The first came the year the law was written. The second came this fall after the recent oil company bankruptcy.
  - ii. Senator Dante Bartolomeo met with Tuxis-Ohr's and Roman Oil both out of Meriden and we discussed the “inner workings” of heating oil companies with her. She left with the intention of asking that DCP be REQUIRED to mail these law-abiding letters every year. **We truly believe the law the way it is written is the correct one and the solution can be that DCP follow their guideline to mail the letter every year.**

**Guarantee Fund – It is unrealistic and problematic.**

- a. If this a cent per gallon charge on home heating oil gallons, it is essentially like a tax that will be paid by every user of oil.
- b. Putting monies collected into a “FUND” for prepay gallons sold but not delivered does not solve the issue with companies potential bankruptcy problems. **(Locking in fuel prices will prevent bankruptcy!)**
- c. Unlike the housing industry with many contractors, there are only 600 registered heating oil dealers. In the past 100 years, the successes of heating oil companies far exceeds the few bad companies. Collecting this fund over the course of the past 100 years would have been unjust and will prove to be unjust in the future.
- d. We believe it is immoral to make responsible companies pay for the behavior of irresponsible companies.

- e. It removes one of the disincentives to bad behavior as a company if such company takes the stance that the homeowner “won't get hurt” because of a bailout fund.
- f. It encourages a homeowner to take an abnormal risk by signing up for something that could be an “absurdly low price out of season,” because that homeowner knows they are protected if they take that risk.
- g. The provision allowing for any excess funds to be added to General Fund is another example of attacking our industry with a hidden tax.

**Alternative Solutions:**

We have been working closely with our legislators on ways to help DCP enforce the current law since it is the correct law!

The most notable suggestion is a **Seasonal Moratorium** – Ban the sale of prepay contracts from Nov 1 – April 30 of each year. Heating oil dealers will be unable to “raise money” during the heart of the heating season and use that money to pay for current fuel bills. By waiting until May 1<sup>st</sup> to offer prepay contracts, dealers will be forced to pay their current heating season bills with current funds (not funds used for future purchases.)

There are other ideas that have been raised and as an industry we are happy to work on the best ways to protect the consumer while allowing small business to succeed.

However, I must reiterate that the current law is a **necessity** and the government cannot bail itself out by trying to offer up other legislation. We will work together to make the current law work and protect consumers and small businesses at the same time.

Thank you for your time,

Kate Childs  
Vice President  
Tuxis-Ohr's Fuel, Inc.