

Prepaid Home Heating Fuel Contracts

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Issue

Summarize the prepaid guaranteed home heating oil contract requirements in Connecticut. This report updates OLR Report [2014-R-0069](#).

Summary

Connecticut law requires written contracts for prepaid guaranteed home heating fuel. A prepaid fuel contract may also be known as a “buy ahead,” “prebuy,” or “prebought” contract, or have similar terminology to describe a contract offering heating fuel at a guaranteed price that is paid in advance of delivery but does not include a budget plan. A budget plan is a contract that allows heating fuel to be paid in advance or on or after delivery in at least three installments over 120 or more days, so long as the first payment is less than 50% of the remaining amount.

Connecticut law (1) requires certain terms in prepaid fuel contracts, (2) requires that any prepaid fuel contract be secured within five business days using one of two acceptable methods, (3) requires fuel dealers to notify the Department of Consumer Protection (DCP) under certain circumstances, and (4) provides penalties for violations.

Contract Terms

Connecticut law requires guaranteed price plan contracts for retail heating fuel sales, including fixed price contracts and any other similar terms, to be in writing. The contracts must disclose the terms and conditions (1) in plain language; (2) immediately following the language about the price or service that could be affected, if applicable; and (3) in at least 12-point boldface type of uniform

font ([CGS § 16a-23n\(a\)](#)). No contract may require a consumer commitment for a period of more than 18 months ([CGS § 16a-23n\(e\)](#)).

The contract must also indicate in clear and specific language (1) the amount paid by the consumer under the contract, (2) the maximum number of gallons of heating fuel committed by the dealer for delivery to the consumer, (3) that performance of such heating fuel contract is secured, and (4) the circumstances under which the price may fluctuate (if the price is subject to fluctuation). The contract must state that the contract price of any undelivered heating fuel owed to the consumer under the contract, on its end date will be reimbursed to the consumer within 30 days after the end date unless otherwise agreed ([CGS § 16a-23n\(f\)](#)). The law also prohibits contracts from containing an automatic contract renewal or extension clause ([CGS § 16a-23n\(e\)](#)).

Securing Prepaid Contracts

Before offering a prepaid guaranteed price plan to consumers, dealers must disclose the plan's details on a DCP-prescribed form ([CGS § 16a-23m\(f\)](#)). The details must include the dealer's method of securing the contract.

The law requires dealers to secure guaranteed contracts, whether prepaid or not, within five business days of acceptance. Dealers may secure prepaid guaranteed contracts in either of two ways. The first is by obtaining heating fuel physical inventory to which the dealer holds title, futures or forwards contracts, physical supply contracts, or other similar commitments, the total amount of which allows the dealer to purchase, at a fixed price, at least 80% of the maximum number of gallons of fuel or amount that the dealer is committed to deliver under all its guaranteed price contracts. The second is by obtaining a surety bond equal to at least 50% of the total amount paid by consumers under prepaid guaranteed price plan contracts ([CGS § 16a-23n\(d\)](#)).

Notifications

A dealer must inform the DCP commissioner in writing when entering guaranteed price plan contracts and identify any entity from which it has secured futures or forwards contracts or other similar commitments. Additionally, a dealer must notify the commissioner if at any time the (1) total amount of such secured futures, forwards contracts, or other commitments is less than 80% of the maximum number of gallons or amount that the dealer is committed to deliver or estimates it is committed to or (2) surety amount is 50% or less than the remaining balance consumers paid under the contract ([CGS § 16a-23n\(g\)](#)).

Anyone from whom a dealer has secured a futures, forwards, or physical supply contract or other similar commitment must send to the DCP commissioner written notice of the contract cancellation or other similar commitment within three business days after the cancellation ([CGS § 16a-23n\(h\)](#)).

Penalties

Under state law, a dealer who violates the prepaid oil provisions has committed an unfair and deceptive trade practice (CUTPA) violation ([CGS § 16a-23r\(a\)](#)). CUTPA allows, among other things, the DCP commissioner to investigate complaints, issue cease and desist orders, and order restitution in certain cases. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney's fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for restraining order violations ([CGS § 42-110a et seq.](#)).

Failing to secure prepaid oil contracts is a class A misdemeanor, which is punishable by up to 364 days imprisonment, up to a \$2,000 fine, or both ([CGS § 16a-23r](#)). Dealers are also subject to fines of up to \$500 for the first offense, up to \$750 for a second offense within three years of the prior offense, and up to \$1,500 for subsequent offenses within three years of a prior offense.

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