

A weak economy has fewer heating oil dealers offering price protection plans

Fewer home heating oil dealers in the state are offering pre-buy and price protection plans this season.

A PSD survey of approximately 80 fuel oil dealers on Sept. 7 found that 56 percent offer a pre-buy program, where a customer pays for a set number of gallons. Last year at this time, 64 percent of dealers surveyed offered pre-buy plans.

“You pay for the whole amount right up front,” said Kelly Launder, assistant director with the PSD’s Planning and Energy Resources Division. “So that’s why typically they’re the cheapest because you’re paying it all up front.”

The average September price of pre-buy programs among the dealers surveyed was \$2.83 a gallon.

The September cash price for heating oil was \$2.70 a gallon, the same as last month, but a 12.4 percent increase over the same period last year.

Dealers also offer budget plans that are usually spread out over 10 months at the going price at the time of delivery or at a locked in price.

Fixed price plans averaged \$2.93 a gallon this month. Customers can also pay more for plans that cap the price. With many cap plans, if the price goes down, the customer pays the lower price (downside protection) but pays no more than the capped price. The average September price of capped plans was \$3.09 a gallon.

While locking in to a pre-buy price can be a gamble as it was two years ago when heating oil prices collapsed along with the global economy, Launder said as a rule pre-buy programs are a good deal.

“Typically, the last five years, the pre-buy prices at least have been less than the what the prices were in the heating season,” she said.

Matt Cota of the Vermont Fuel Dealers Association said the economy is one reason fewer dealers are offering pre-buy and price protection plans this season. But Cota said across the Northeast far fewer customers are participating in the programs.

Cota said the economy plays a major role especially in the case of a pre-buy program.

He said most heating oil customers in the state are cash customers, who pay the retail price at the time of delivery.

“With the economy the way it is, that’s a lot of money to sock away,” he said. “Not everyone of course has that money to be able do that, to put away your entire winter’s heating bill in one payment during the summer.”

At Allen Brothers in Westminster, fewer customers signed on to the pre-buy program this season.

“Customer interest was a little less than last year because of the price, so we have more customers going with the fair market price,” owner Tim Allen said.

Allen Brothers also offers a plan so a customer does not pay more than the capped price. What the company is not offering this season is downside protection.

Allen said there just wasn’t enough interest from his customers to offer the plan this season.

The federal Energy Information Administration is forecasting that U.S. home heating oil prices will average \$3.06 a gallon next year, a 5.7 percent increase from this year.

The PSD report also found prices for kerosene, propane, diesel and regular gasoline were higher.

Regular gasoline in Vermont posted the smallest increase from a year ago at \$2.68 a gallon, 3.3 cents more than last September, the PSD reported.

In its September report, the EIA estimated that gasoline will average \$2.69 a gallon over the second half of the year and \$2.90 a gallon in 2011.

“World oil prices are expected to rise slowly as global economic growth leads to higher global oil demand, growth in nonOPEC oil supply slows in 2011, and members of the Organization of the Petroleum Exporting countries continue to support world oil prices,” according to the EIA report.

While predicting where oil prices will be in January is always hard to predict given the volatility of the market, Cota said there is a glut of oil in stock so supplies will not be a problem this winter.

bruce.edwards@rutlandherald.com