

Consumers, businesses worry as heating season approaches
Friday July 25, 2008 Jane Lindholm

Colchester, VT

(Host) It's only July, but winter weather is on the minds of many in the Northeast.

More than three-quarters of the heating oil used in this country goes to our region. And as the price of a gallon of Number Two home heating oil nears five dollars a gallon, it's not just the consumers who are worried.

VPR's Jane Lindholm reports.

At the Foster Apartments in Waterbury, landlord Shirley Foster knows she won't make it this winter without a change. She's raised the rent in all five of her apartments by \$125 a month—just to cover the cost of oil. But passing the cost on to her tenants is tough.

(Foster) "Those down in that corner, they don't have much money. And then the one at the foot of the stairs there, he's on disability and I don't know if he's going to make it or not. If I can get them to pay that extra, I think I can swing it."

Shirley Foster is retired, and she and her husband live on their rental income. So they can't afford to eat the cost of fuel, even if it makes things tougher for their tenants.

About a mile away, Richard Izor and his wife Rena are already looking at how they'll pay for heat too. They live a fairly comfortable retirement, in the house they've owned for forty years. But heating oil prices are digging into their savings.

(Izor) "I've always had like a 200 dollar a month buffer in my budget to buy a new car with, possibly. So that's what I'm going to have to use to pay for my fuel. And that's not going to cover it either. I'll be short about \$75 a month."

Peter Bourne runs Bourne's Energy, in Morrisville, one of the local dealers in the area. His father started the business in 1948. Bourne knows many of his customers on a first name basis, and he's hearing from a lot of them.

(Bourne) "You know, we're being therapists now. We're having to listen and it's really hard. I had a phone call this afternoon from another customer, she's already saying 'it's already affecting what I'm buying for groceries, I have a car with 130,000 miles, I've got this...how long before I can't afford to stay in my home?' They're not blaming us as the bad guys, they're just asking us is there any relief? Which unfortunately we don't have access to any relief. If I could sell it to you for a better price, trust me, I would do it."

Bourne isn't just crying poor, says Executive Director of the Vermont Fuel Dealer's Association Matt Cota. He says fuel dealers are just as squeezed by the high prices. They have to purchase fuel throughout the year from suppliers. Now they need twice as

much cash to cover their purchases and banks are hesitant to extend lines of credit that they're not sure the dealers can pay back.

(Cota) "Many dealers are having to put their personal property-their cars, their homes-up as collateral. So when you're dealing with those massive numbers, yeah, you bet you're going to be careful. You're not going to purchase all of your oil and just hope that people show up with a check in hand."

The problem is liquidity. If customers can't pay on time, dealers won't have the money on hand to buy fuel when the thermostat dips for two weeks on end in January. And with lines of credit that don't cover the cost of fuel, dealers are caught in the middle.

Peter Bourne thinks he'll be okay. He has a good relationship with his suppliers and with his bank. But he worries that many small dealers in the region will either drop out or go out of business this winter. And that they'll be replaced by big regional or national companies, who don't have the same concern for customers in trouble.

(Bourne) "I think a fear I have is that if the state of Vermont ends up with very few family businesses running the energy business, who's looking out for the customers?"

That's what retiree Richard Izor wants to know too. He says it keeps him up at night, worrying-something he's never done before in July. He wants government action.

(Izor) "I'd like to see them come in and put a ceiling on the oil price, now, before it gets any bigger. And why they haven't done this is more than I can understand. Why aren't they protecting the people from this kind of thing?"

There's no proposal for that on the table in Congress. And Peter Bourne doesn't see the federal government solving the problem anytime soon. He's hoping this is a speculative bubble, and that the price will drop, maybe to three-fifty, four dollars. Still high, but more manageable. But right now he just feels terrible. He got a call the other day...

(Bourne) a 74 year-old lady who's been a customer for 16 years. Asking, 'is there anything you can do?' And I'm saying I can't do a thing. That's the worst. Because I know people are going to be hurting, and there's not a damn thing I can do about it."

For VPR news, I'm Jane Lindholm.

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