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Dealers balk at summer fuel price lock-ins

By Dan McLean, Free Press Staff Writer

The business of selling heating fuels has quickly become complicated.

After seeing wholesale heating oil prices swing nearly 25 cents overduring five hours one day last month, Vermont oil dealers have become skittish about the volatility of world oil markets, said Matt Cota, executive director of the Vermont Fuel Dealers Association.

"Oilmen don't fish anymore," Cota said of the state's independent fuel dealers. "You spend a lot of time figuring out what's happening on the Dubai exchange."

Consequently, pre-buy programs — which allow Vermonters to lock-in prices on heating fuels during the summer months — are "on hiatus," Cota said, particularly for heating oil and kerosene.

The cost of buying fuel has escalated dramatically in recent years. And fuel dealers are now deciding against offering the ability to lock-in prices because they don't want to get stuck with a thousands of gallons of heating oil and kerosene, which are selling for record prices, Cota said.

Fuel dealers must buy heating oil in 42,000 gallon lotsclumps, Cota said.

"If the oil price crashes ... you could actually have a scenario where the guy who is selling oil at \$4.50 is making less money than they guy who is selling for \$3.50," Cota said.

This month, the price for home delivery of a gallon of heating oil is averaging \$4.46 a gallon and kerosene is selling for a whopping \$4.76 a gallon, according to the Vermont Fuel Price Report, which surveys dealers throughout the state each month.

Both fuels sold for about \$2 less a gallon just one year ago.

If a customer wanted to lock-in heating oil rates for the winter months, they would be paying at least \$4 a gallon, said Cota, whose organization represents about 125 fuel dealers in Vermont.

Last year, a heating oil pre-buy during the mid-summer locked-in a customer at \$2.63 a gallon, according to state data. At that price, a 500 gallon contract would cost \$1,315. Roughly speaking, a typical three-bedroom home uses about 750 gallons of heating oil during the winter.

Locking-in at the current price would cost well over \$2,000 for 500 gallons of heating oil — and that's if you can find a dealer offering a pre-buy program.

So few dealers are offering pre-buy programs that the Vermont Department of Public Service didn't include any pre-buy prices on its most recent fuel price report.

"Dealers have good reasons for not offering them and buyers have good reason for not entering into them," Cota said of the pre-buy.

Cota said he thinks “the tide is turning” and the price of oil and heating fuels will fall because speculators have pushed prices to unsustainable levels.

“Finally, people are getting it,” he said. “And there is going to be real change in Washington.”

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