



**News Headline:** Heating fuel: Should I pre-buy or not? |  

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Valley Consumers Confront Decision to Pre-Buy Fuel

Heating fuel: Should I pre-buy or not?

That's the question customers have been asking themselves and their dealers as August progresses and summer's shadows grow long. The question is even more pointed this time around, given what happened during last year's heating season.

Those who locked in a July price of \$4.50 per gallon for heating oil did a slow burn themselves over a winter of plunging prices that found the per gallon price barely breaking \$2 by February and March. Pre-buy plans ultimately proved to be anything but bargains as customers were left stuck paying twice the going rate to heat their homes and businesses.

Matt Cota is executive director of the Vermont Fuel Dealers Association, based in Montpelier and representing 150 independent dealers who do business in Vermont. Half of those sell both heating oil and propane.

"We were in a panic last year," Cota said in an interview yesterday.

"Everyone was talking about the 'silent tsunami' of fuel at \$6 per gallon. Goldman Sachs was predicting that oil would hit \$200 per barrel. People were concerned that we were running out of supply."

And then none of those fears materialized. Instead of a shortage, the fuel supply revealed itself to be at a 30-year high. Rather than spiraling to \$200, the price of that \$147 barrel of crude in July had plummeted to \$37 just six months later.

And \$6 per gallon? Forget it. The 'tsunami' never made landfall.

More than a year later, the average price of heating oil and propane are running neck-and-neck at \$2.50

turning back and back at \$2.00.

Phil Tucker owns Aldrich's Store in North Haverhill and gets a preset propane price from nearby Patten's Gas, along with a monthly installment plan. He said knowing what he'll pay all winter is a big draw for him. "There's a lot of peace of mind to it; I can budget that amount."

Tucker figures he spends \$600 a month to heat his busy store on Route 10, and says his 1,000-gallon propane tank will probably be filled twice before spring, another factor that makes him grateful for a budget plan with a stable price.

"If I had to pay that in a day or two, that'd be tough," he said.

By the same token, Patten's knows it has a steady customer of relatively high volume for the Woodsville area.

If customers are having a tough time deciding whether pre-buying this year will be an advantage, it's no wonder: While the pre-buy market was stable and at least somewhat predictable for most of the past 15 years, last year was a wild card. And this year, there seems to be no consensus among dealers, who presumably are in a better position than their retail buyers to predict prices. In fact, it appears that no one really knows what's going to happen, given the wide array of forces that can affect the heating fuel market.

"Pre-buying isn't a guarantee of savings," Cota said. "But historically, it's been a good idea; summer prices are lower."

Rob Stenger whose company, Simple Energy, began selling fuel in 2006, delivers to "thousands" of customers, he said, in a 30-mile radius of its West Lebanon office. His take?

"The odds are always in favor that pre-buying is a good risk. About 50 percent of our customers are in a pre-buy plan this year. That's down slightly from last year," he said.

And volume purchasing is no guarantee of getting a deal either, according to Jay Campion, a Hanover businessman and commercial property owner who uses "tens of thousands" of gallons of both heating oil and propane. He

declined to say exactly how many buildings he has to heat, replying “a few.”

But regarding pre-buying, he said, “Does it work sometimes? Yes. Does it not work sometimes? Yes. I wish I could tell you that I had a formula, but I really don't. It's subject to the whims of the market.”

So how did it go last winter?

“Really fine for me -- as well as buying gazillions of dollars in heating fuel can go,” said Campion, who said that's because, before winter, he did not get locked in to a very high price by season's end.

One local fuel dealer who's not plagued with indecision over pre-buys is Sean Cota, president of Cota & Cota Oil in Hartford. (The VFDA's Matt Cota -- who is not involved in the family's fuel business their grandparents started -- is Sean Cota's cousin.)

He thought it was a bad idea last year, and believes the same thing now. He said was not caught off guard by last year's steep drop in price.

“We knew that it was a bubble then,” he said of exceptionally high prices a year ago, and thinks this winter will be similar, with no sharp price increase.

But he knows that prediction has an element of gambling to it, and understands that customers want the pre-buy security of knowing what their price will be throughout the winter so they can lay out a budget. He also acknowledges getting paid up front is an advantage to fuel dealers.

“They need cash flow. This is a business where you don't have huge margins to start with. A lot of companies are still under stress.”

With the “quarter-century high inventory and 10-year low demand,” that prevails “across the board for all fuels,” Sean Cota said the price of crude should now be closer to \$30 a barrel than its present \$70. Another factor that could eventually impact markets occurred this week, he said, when the Treasury Department presented to Congress its 115-page bill aimed at reforming regulation of over-the-counter derivatives -- including oil.

“This is the most significant reform legislation since the 1930s,” said Sean Cota who said he tracks market forces closely and has testified before

Cota, who said he tracks market trends closely, and has testified before Congress on oil industry issues.

So, what do we do this year? Pre-buy or roll the dice? Or is pre-buying rolling the dice?

"I have no idea," Simple Energy's Stenger said.

And Matt Cota made it clear that he never issues that sort of advice, either on his own, or on behalf of the dealer's association.

"Lord knows. I don't know," he said.