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## **Thinking winter Now's the time to be mulling oil pre-buy programs**

By BRUCE EDWARDS STAFF WRITER

A year ago, with the prospect of \$5 a gallon heating oil on the horizon, home owners thought they were getting a good deal, locking into pre-buy programs from their local fuel dealers as protection against soaring fuel prices.

But when oil prices sank with the rest of the world economy last fall, many homeowners wound up paying more to heat their homes than they would have otherwise.

It's now that time of year again when the state's fuel oil dealers are starting to roll out their annual pre-buy programs. And while some homeowners may be skittish about signing on to a pre-buy program after getting burned last winter when prices dropped, more often than not home heating oil prices increase as winter approaches.

"If you look at the futures market, the futures market has prices going up," said Matt Cota, executive director of the 150-member Vermont Fuel Dealers Association.

With a pre-buy program, a customer pays upfront for a specified number of gallons at a set price. Dealers also offer budget plans with payments spread out over a number of months for a specified number of gallons but at a higher price per gallon.

Some customers who pre-bought their heating oil last year complained when the price of heating oil plummeted last fall. But Cota said customers and dealers "are in the same boat together."

To offer pre-buy programs, Cota said fuel oil dealers in turn have to buy a specified number of gallons from wholesalers at a set price.

He said customers who signed contracts to lock into a set price a year ago need to remember that the very same program protected them when home heating oil prices rose during past winters.

Chris Keyser, who operates several Rutland-area fuel companies under the umbrella of Owner Services Inc., is still offering pre-buy and budget plans. But unlike previous years when he offered the program for a limited time, Keyser is now making the pre-buy program available year-round, which he said gives customers more flexibility.

After last year's price collapse, Keyser also said that to date many of his customers may be skittish about locking in to a guaranteed price.

"It has certainly gone down this year significantly," said Keyser, whose current pre-buy price one day last week was \$2.599 a gallon.

Last year, Keyser's pre-buy price ranged from a low of \$4.09 a gallon to a high of \$4.69.

At Allen Brothers Oil in Westminster, customers are still betting heating oil prices will go higher by the time winter arrives, said company representative Angela Green.

Green said Allen Brothers first pre-buy program this spring offered customers the opportunity to lock in at \$2.099 a gallon. The second pre-buy offer, which has since expired, was \$2.199 a gallon. She said the current pre-buy price is \$2.399 a gallon.

Green said last year at this time the pre-buy price was \$2.799 a gallon and by the summer the price had shot up to \$4.759.

Northern Petroleum in St. Johnsbury has a current lock-in price of \$2.549 a gallon, said district manager Casey Cramton.

"It didn't start at that price and as costs have changed this summer since we opened with the program our price has changed as well," Cramton said.

So, far Cramton said customers aren't reticent about locking in to a fixed price.

He said unlike last year when heating oil prices were soaring, "this year we're in a completely opposite situation."

A year ago, Northern Petroleum's pre-buy price was \$4.649 a gallon.

For customers looking to protect themselves against a drop in prices, many fuel dealers offer a kind of insurance called downside protection. On the flip side, dealers also offer a cap that protects against higher prices. The cost of the

protection varies and is usually based on a per-gallon surcharge.

For example, Owner Services charges a premium of 30 cents a gallon for the downside price protection.

Homeowners who pre-bought their heating oil last year weren't the only ones to come up short.

Many cities and towns around the state routinely lock-in to similar plans as a way to save money.

But as is the case with homeowners, it's also a crap shoot for municipalities, said Vermont League of Cities and Town Executive Director Steven Jeffrey.

As with any other financial decisions, Jeffrey said municipal officials use their best judgment.

"If town officials feel comfortable with an arrangement with their fuel oil dealer, they just have to do some crystal balling and see if it's going to be in the best interest of their taxpayers," Jeffrey said.

Some municipalities band together to purchase supplies to get the best price. But Jeffrey said that same approach doesn't work on a statewide basis when it comes to heating oil. He said there is no one source for heating oil with a statewide distribution network.

Critics have pointed a finger at speculators for driving up the price of heating oil and gasoline.

The Vermont Fuel Dealers Association is backing legislation sponsored by Sen. Bernard Sanders, I-Vt., would direct the Commodity Futures Trading Commission to regulate energy speculators. Sanders' bill also targets banking companies and hedge funds involved in energy futures trading by placing strict position limits.

Cota said that the spike in prices has nothing to do with supply and demand.

"We still think these prices are artificially high, driven up by speculators," he said.

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