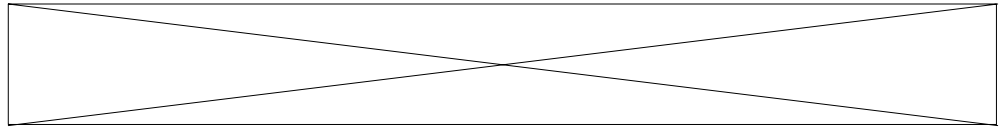


Los Angeles Times



<http://www.latimes.com/business/nationworld/wire/sns-ap-heating-oil-breaking-contracts,0,6309113.story>

## Extremely volatile prices for heating oil has strained business ties in the Northeast

By MARC LEVY  
Associated Press Writer

10:58 AM PST, December 23, 2008

HARRISBURG, Pa. (AP) — A growing number of the heating oil customers who signed fixed-price contracts as costs spiked over the summer are now attempting to back out of those deals as the price of oil collapses.

Some of the customers who have read through the fine print are finding buyout clauses that can cost hundreds of dollars, but that provide a relatively cheap escape from contracts signed at the peak of an energy crisis.

Heating oil dealers, many of them mom-and-pop operations, never imagined the price of oil could drop so steeply and stand to lose a lot of money — perhaps even entire businesses.

As a result, relationships between dealers and customers has grown strained across the Northeast, where nearly two out of five households heat with oil. There are even newspaper advertisements from competitors encouraging consumers to buy out their contracts in exchange for new, less expensive offers.

When the price of crude oil peaked in June and July, the wholesale price of heating oil was above \$3.70 per gallon, according to government figures. In November, those prices hovered around \$1.80 a gallon, while heating oil for January delivery is down to about \$1.30 a gallon.

Including the cost of delivery, a customer who signed a contract for 1,500 gallons of fuel over the summer would pay well over \$6,000 for the entire winter. At today's spot prices, a customers would pay at least half that.

Dealers say the vast majority of customers have not dumped contracts. Some consumers, however, say they have no choice.

Tekla Andruchiw's tab of \$4.69 a gallon for heating oil translated into an eye-popping \$530 bill last month.

"I just couldn't believe I got myself in such a big mess," said Andruchiw, a widow who lives off Social Security in Jamison, Pa.

The suburban Philadelphia retiree had already borrowed money from her daughter and son-in-law to pay the bill. When she saw a TV ad from Martz Oil promising rock-bottom prices, she borrowed another \$395 to break her contract.

At Martz Oil's new customer price of \$2.09 per gallon, Andruchiw will begin saving money by mid-January.

Customers are lighting up the phone lines of state attorneys general, welfare agencies and consumer advocates in search of help. They are being advised to look for a buyout clause in the contract or to try negotiating with their dealers.

But dealers signed contracts with wholesalers based on demand over the summer, and so might be loathe to let a customer out of an agreement. No one predicted the collapse of the heating oil market and some dealers agreed to opt-out clauses for as cheap as 30 cents a gallon.

"Some might put it at 50 cents a gallon because they assume, 'Hey, oil prices aren't going to drop 50 cents,'" said Matt Cota, executive director of the Vermont Fuel Dealers Association. "Well, they did."

Last year, many dealers offered fixed-price contracts for around \$2 per gallon. By winter, the spot price rose to more than \$3 a gallon and kept moving upward well into summer.

Just as most people began renegotiating contracts with dealers, crude prices spiked to an unprecedented \$147 per barrel and heating oil spiraled past \$4 a gallon. With people worried the price would climb even higher, dealers say they were under pressure from customers to provide the fixed-price contracts that are now being bought out.

Volatile energy prices have made smaller dealers even more vulnerable to competitors.

Andruchiw's new provider, Martz Oil of New Castle, Del., has taken out advertisements encouraging people to switch. One advertisement that ran on a local newspaper's front page earlier this month read: "You may be able to lower your heating bill by switching suppliers! (even if you have a contract)."

Martz also put up a Web site [www.lowermyheatingoilbills.com](http://www.lowermyheatingoilbills.com) to help people calculate the potential savings of buying out a contract. The site was getting 60 to 90 hits a day, and Martz is getting more new customers this time of year than it usually does, said president Tom McBride.

As many as 60 percent of the customers at HL Fuel Co., a dealer in New Lebanon, N.Y., have fixed-price contracts. If those contracts are bought out, it could mean bankruptcy.

"Something like this is devastating to us," owner Harry R. Hicks said. "We're not large-cap businesses. We can't say, 'Oh well, we lost \$500,000 this year, we'll make it back next year.'"

To keep his customers, he has tried to remind them that they saved through fixed-contracts in past years.

One of those customers, 84-year-old widow Lorayne Seibert, said the company frightened her into writing a \$7,000 check for oil priced at \$4.60 per gallon.

Seibert, who lives in a farmhouse in North Chatham, N.Y., near Albany, now has a lawyer from the State Office of Aging. She said, however, that it may be easier to negotiate a lower price from HL Fuel than to pay the \$850 buyout fee.

Gerry Blinebury, of Holland, Pa., decided to buy out his contract after he did the math. With a contract set at \$4.04 for 1,000 gallons, he would pay \$4,040.

It cost \$600 to buy out his contract, and then \$300 for a service contract with Martz Oil to deliver 1,000 gallons at \$1.59 each. He'll start saving money after two oil deliveries.

Blinebury, 48, hated to part with the \$900 — "It's like a \$900 speeding ticket," he said — but calls himself lucky to be able to afford it.

"Twenty-five years ago when I had four little kids, \$900 would have been hard to come by," he said.

---

If you want other stories on this topic, search the Archives at [latimes.com/archives](http://latimes.com/archives).

**TMSReprints**

Article licensing and reprint options

Copyright 2008 Los Angeles Times | [Privacy Policy](#) | [Terms of Service](#)  
[Home Delivery](#) | [Advertise](#) | [Archives](#) | [Contact](#) | [Site Map](#) | [Help](#)

partners:

