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DOE/EI/22786--T1

State of Maine  
Residential Home Heating Oil & Propane Survey  
1991-1992

FCOI- 91EI 22786

DOE/EI/22786--T1

Heating Oil:

DE92 013025

After two years of seeing fuel oil prices go through erratic times, Maine consumers enjoyed a more stable season in 1991-1992. The weather in the region was relatively mild, compared to recent years, which added to a more positive view of the market as well. Supply problems never really figured into the picture. Actually, an observer would most likely report that the home heating oil market had finally returned to "normal".

At one time it was thought that oil companies followed predictable pricing strategies each season. Each September, as refineries changed emphasis from gasoline to heating oils, dealers were expected to engage in price wars to lure customers for the coming winter. By late October, dealers had established themselves, and markets were for the most part set. Depending on the weather and supply, another fluctuation could be found in January or February. In March and April, prices would have settled in for a period of time that could last until the next September.

In the summer of 1991, oil dealers in Maine advertised various fixed price contract or price cap schemes for customers. Generally these plans consisted of entering into a fixed ceiling price for the season or paying for the season in advance at an established low price. The public was given an opportunity by most dealers to back them in the futures market. After the last two years, a chance to avoid price spikes and uncertainties seemed very attractive. It is not known how successful the programs were, however dealers claimed that the fixed maximum price had been favorably grasped.

With the largest terminals located in Portland, it has been long speculated that the more populated areas of Southern Maine have some of the most active cash price competition in all of New England. This year was no different. By the end of November, rack prices were falling and dealers mounted furious sales campaigns. Slim margins were identified in the spread between rack prices and retail prices. This was in the southern part of the state.

In Central and Northern Maine, surveys revealed a completely different picture. Little or nothing happened. When prices did respond to the benchmark, the average Portland rack price, the change was minimal and more slowly coming. The public wanted an explanation, the media wanted an explanation, and state government wanted an explanation. Increased workers compensation insurance and operating expenses became an explanation for the public. Transportation costs were often given as a major

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difference, until lower prices appeared in the west and north central Kennebec County area. Southern dealers started complaining that larger dealers were using profits elsewhere in the state to drive them out of business. As more attention was drawn to margins however, fewer complaints came from southern dealers. The Maine Oil Dealers Association (MODA) responded with advertisements in almost every newspaper in the state claiming that according to the United States Department of Energy Maine has some of the lowest prices in the region, which is true but is based on the prevalence of the cash price discount. MODA also claimed that attention drawn to profits was wholly political. Explanations often used examples in Southern Maine. In most cases, no explanation was forthcoming from the dealers.

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#### Our Own Oil Company

In one part of Maine though, citizens responded with an oil co-op, which had been greeted warmly last year and managed to extend its service area this year. The Our Own Oil Company began in the mill town of Rumford, Maine, in 1991. The area around Rumford is known to have a relatively good economic base, with the presence of the Boise Cascade Paper Company, but has generally lacked a competitive market - few oil companies have successfully competed in its remote location. This year the oil co-op identified consumer displeasure first in the Lewiston area and then in Augusta. With a very basic cash on delivery operation, one of the strongest statements to be made against the practices of some Maine oil companies received a great deal of attention this year.

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The 1991-92 heating season in Maine may best be described as being characterized by stable prices. It most likely did not return to "normal". New price schedules and contracts may have altered the course of a "normal" heating season forever. It may also be evidence of new strategies of oil dealers who have survived the last couple of years or merged in the decreasing numbers of companies. Communication with the dealers and state government in some instances became strained or much more formal this year. From January, there appeared to be little change in the price of product. Basically the lack of activity is what was confirmed in the SHOPP survey.

#### Propane:

Propane prices appeared to follow a more normal trend as well. Prices change rarely in this state's situation. Most propane is supplied from the terminal of Sea 3, Inc., in Newington, New Hampshire. In the case of two survey participants,

we did see price changes in the reorganization of price schedules to better accommodate propane heating customers.

The variation in prices seems to come more from location than from a response to competition amongst propane dealers. One company was reported to have moved into the Lewiston/Auburn area with a completely different price schedule, but it appeared to be testing for new customers. In Maine, as elsewhere, tanks are owned by companies as customers are enlisted. This in effect removes the ability to shop for the lowest prices. Very little change in prices is expected and very little change is found.

#### Weather:

Weather presented itself as a possible influencing factor as early as September. Before Labor Day, northern Maine had the first snowfall. While it did not last and had only the effect of soaking the ground to hamper the potato harvest, it presented the early psychological sign of a harsh winter. Prices jumped in the northern part of the state, as the survey period for home heating fuels started. Just two months later customers in the same part of the State were complaining of a lack of snow to insulate their foundations. As the DOE heating season ends, Aroostook County reports doing a brisk business along with eighteen inches of snow on the ground. Southern Maine, however, was virtually immune to the scare from Mother Nature. The most important factor, temperature, never threatened to cause a problem. The National Oceanic and Atmospheric Administration identified the winter of 1991-92 as one of the warmest in recent history in this country. An examination of Maine's winter would show that in many areas temperatures were colder than the average for two out of four months.

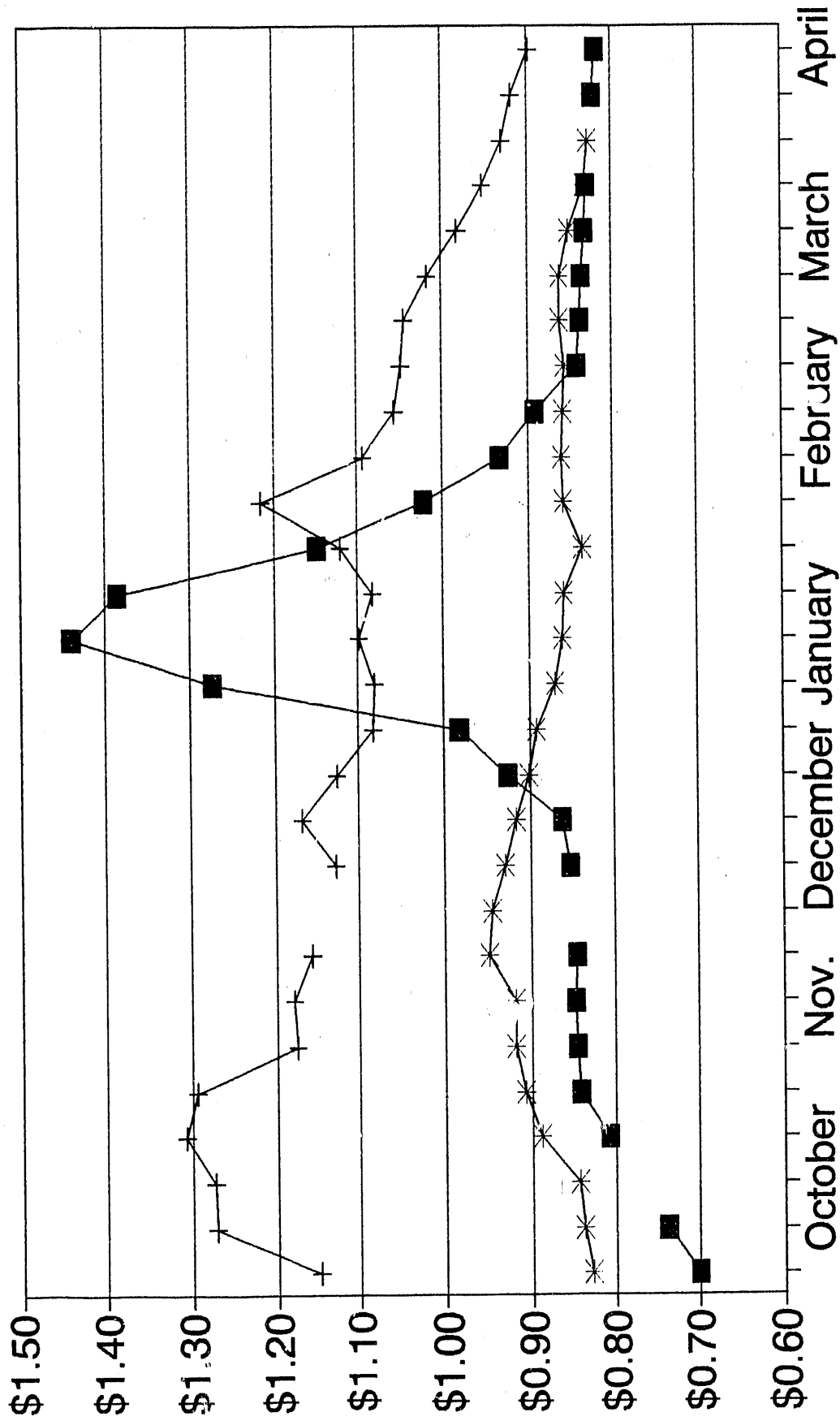
#### Survey and Recommendations:

If any problems or comments are addressed to the SHOPP survey, they generally are made at the beginning of each year. Some attention could still be given to the beginning procedures. It would seem logical to have DOE announce in writing the coming season's survey well in advance of the fall, perhaps the beginning of September. An official letter on DOE stationery, rather than a draft for state letterhead, would be provided by DOE. Each company should be asked to respond on a form which would acknowledge receipt of notification, while providing volume data and any other information needed to complete the demographics. Service area, affiliation with larger or smaller companies, number of years in business, storage, or whatever else needed might comprise a single page. Like the survey, this would be done by the state energy offices on some official EIA forms. This would assist state energy offices in the evaluation of the construction of the sample and their own state's industry. The evaluation would follow a schedule, which would permit any changes by the first week of the survey.

A final recommendation can be made for the propane portion of the sample. It seems like the propane survey sample could be simplified in Maine. Directions for the SHOPP survey call for an average from large companies, and yet here we asked to contact several identified dealers of the same supplier. Contacting a few large companies, often located out of state, offers a pretty reasonable picture of the propane market. This is especially true with the large quantities of gas used for heating being surveyed. If next seasons survey is to alter this year's sample, the number of calls comprising the propane portion of the survey could easily be trimmed. The end result would probably help state energy offices with the number of successful calls, as well as EIA with receiving timely information.

# SPO FUEL OIL SURVEY

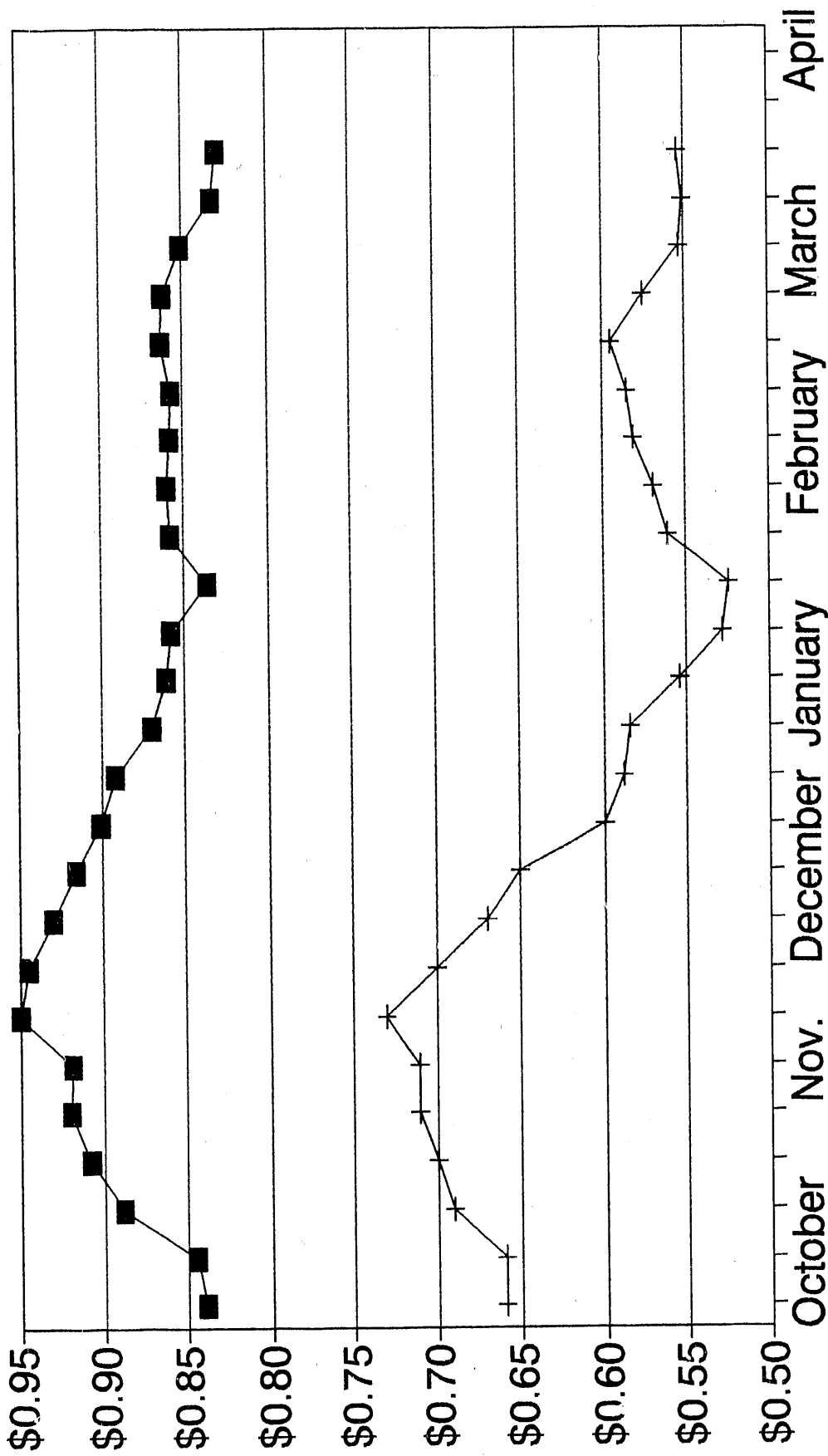
3 Year Cash Price Comparison



■ 1989-90    + 1990-91    \* Current

# 1991-1992 Heating Season

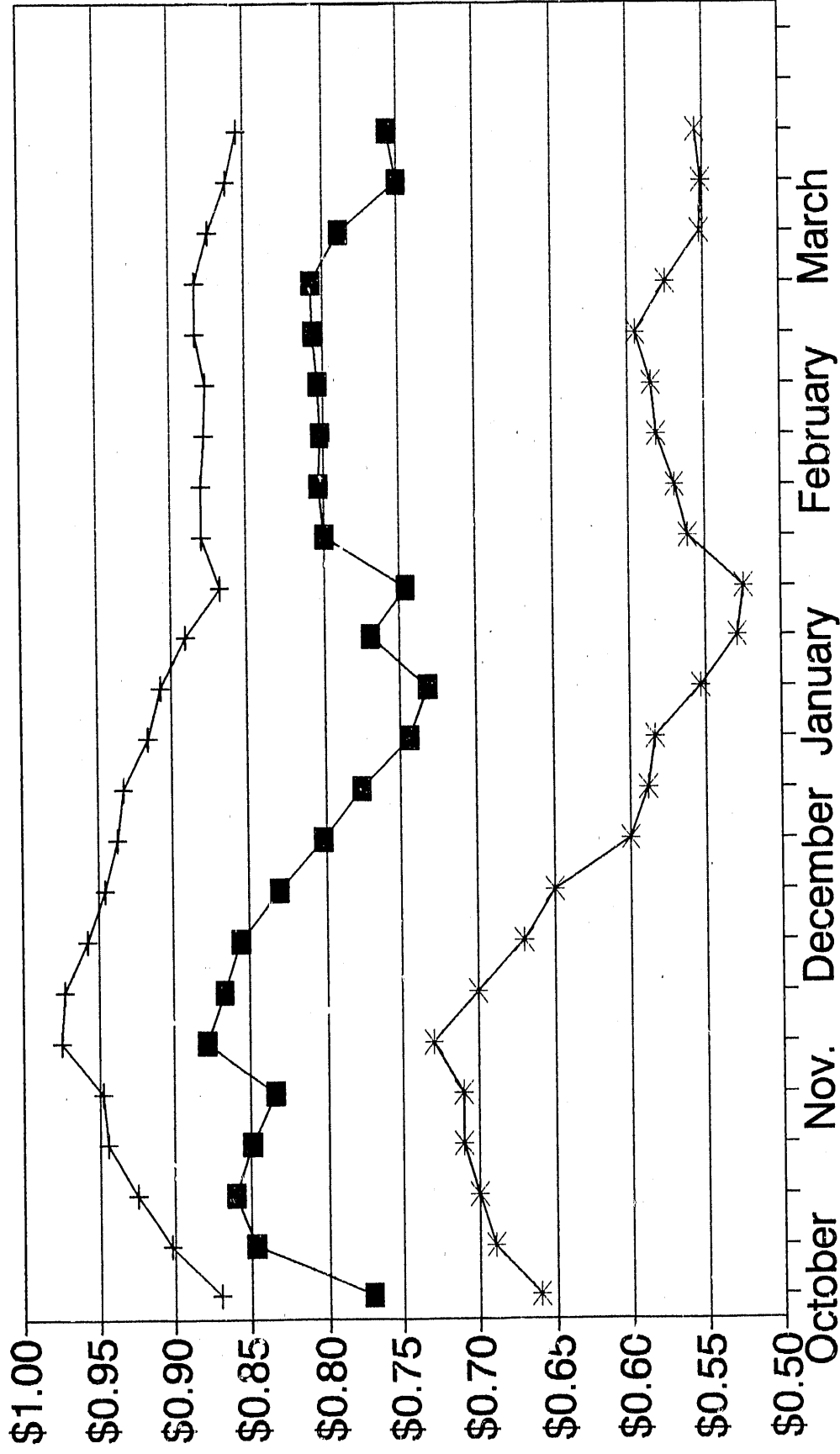
## Market Response To Rack Changes



—■— Ave Cash Price      —+— Ave Portland Rack

# 1991-1992 Heating Season

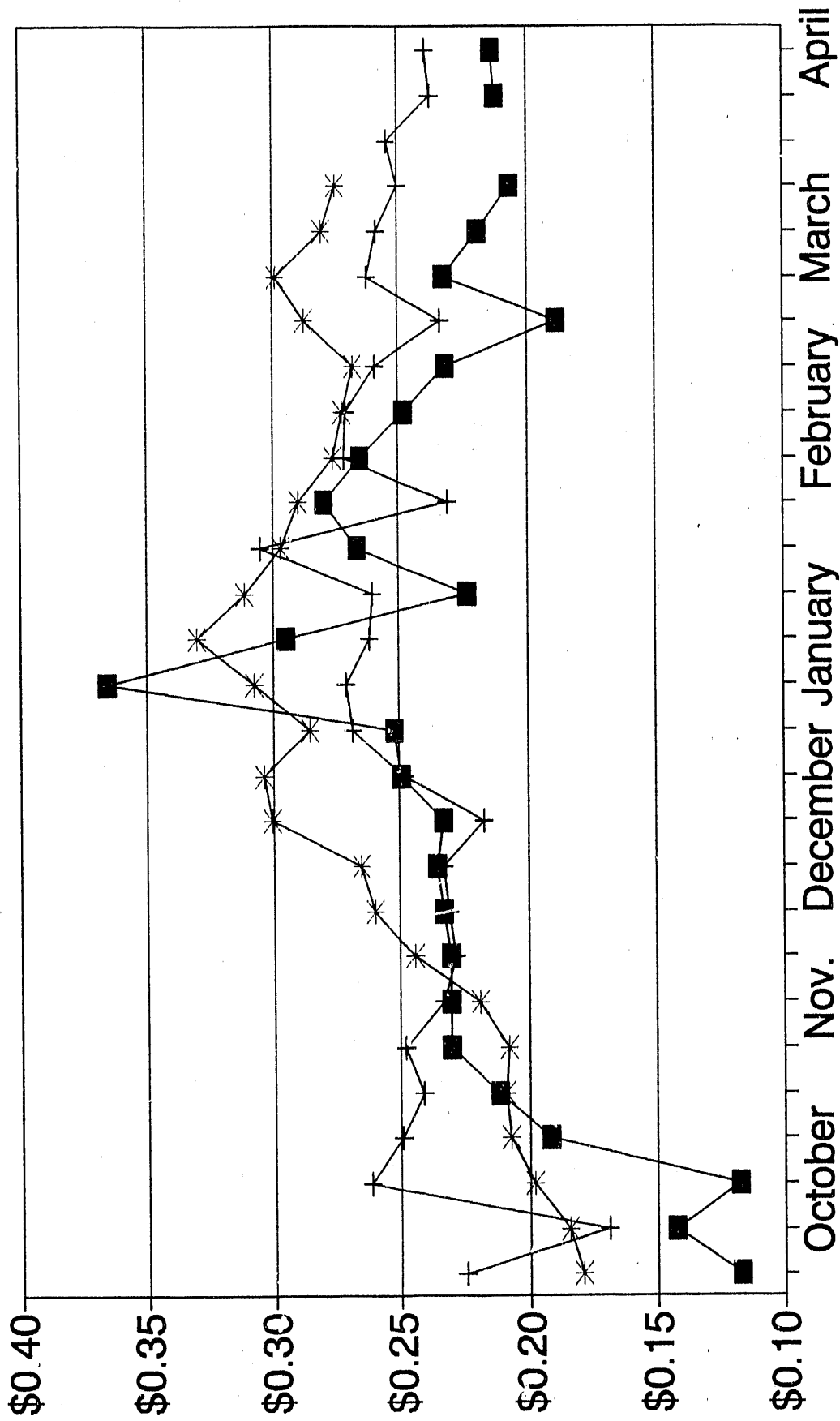
## Northern and Southern Maine Comparison



Southern Ave
  Northern Ave
  Portland Rack Ave

# SPO FUEL OIL SURVEY

Weekly Cash & Rack Ave Price Spread



—■— 1989-90 —+— 1990-91 —\*— Current



U.S. DEPARTMENT OF ENERGY  
Energy Information Administration  
WINTER HEATING FUELS TELEPHONE SURVEY

## PART I. IDENTIFICATION DATA

Reference	Mo/Da/Yr	DOE I.D.	Submission	Mo/Da/Yr
Date	03/16/92	Number: ME000000099	Date	03/16/92

State Office: STATE PLANNING OFFICE

Street/Box: STATE HOUSE STATION 38

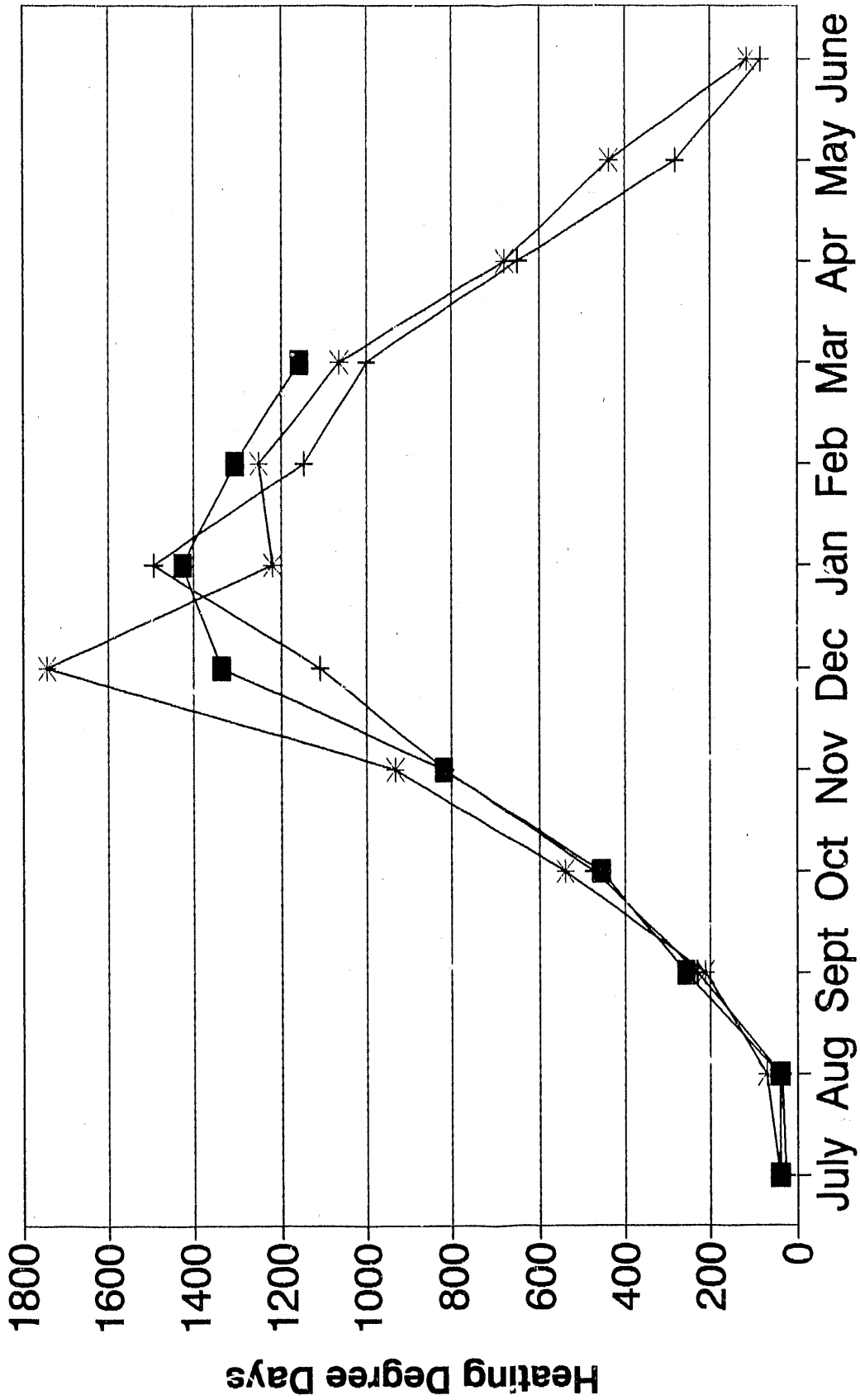
City: AUGUSTA	State: ME	Zip Code: 04333
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Name of Contact Person: MR. BRUCE WHITE	Phone: (207) 289-6012
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Enter any additional information here: None.

# Three Year Weather Comparison

## State Heating Degree Day Averages



■ 1991-1992    + 1990-1991    \* 1989-1990

## MAINE - NO. 2 HEATING OIL PRICES

ID	03/16/92	03/02/92	02/17/92	02/03/92	01/20/92	01/06/92
ME00007	0.799	0.849	0.869	0.859	0.869	0.819
ME00011	0.799	0.839	0.879	0.859	0.839	0.819
ME00013	0.799	0.839	0.879	0.859	0.839	0.819
ME00022	0.769	0.769	0.799	0.799	0.799	0.759
ME00023	0.700	0.750	0.799	0.750	0.760	0.770
ME00032	0.719	0.769	0.769	0.769	0.769	0.769
ME00033	0.929	0.929	0.929	0.899	0.899	0.899
ME00034	0.859	0.859	0.879	0.849	0.849	0.859
ME00035	0.849	0.849	0.859	0.859	0.859	0.839
ME00047	0.769	0.769	0.799	0.799	0.799	0.759
ME00048	0.879	0.879	0.899	0.899	0.899	0.939
ME00054	0.879	0.879	0.899	0.899	0.899	0.939
ME00076	0.760	0.760	0.830	0.830	0.830	0.800
ME00097	0.819	0.839	0.849	0.859	0.859	0.879
ME00112	0.749	0.779	0.789	0.799	0.779	0.729
ME00167	0.879	0.879	0.899	0.899	0.899	0.939
ME00186	0.799	0.859	0.859	0.859	0.859	0.899
ME00208	0.899	0.899	0.899	0.899	0.899	0.899
ME00227	0.829	0.899	0.899	0.879	0.889	0.839
ME00237	0.779	0.799	0.799	0.829	0.849	0.899
ME00294	0.840	0.840	0.840	0.840	0.840	0.890

## MAINE - PROPANE PRICES

ID	03/16/92	03/02/92	02/17/92	02/03/92	01/20/92	01/06/92
ME00001	1.284	1.284	1.284	1.284	1.284	1.284
ME00002	1.250	1.250	1.250	1.250	1.250	1.250
ME00003	1.140	1.140	1.140	1.140	1.120	1.120
ME00005	1.490	1.490	1.490	1.490	1.530	1.530
ME00011	1.400	1.400	1.400	1.400	1.400	1.400
ME00014	0.856	0.856	0.858	0.858	0.863	0.863
ME00015	1.275	1.275	1.275	1.275	1.275	1.275
ME00016	1.009	1.009	1.089	1.089	1.029	1.029
ME00017	0.970	1.020	1.000	1.000	1.100	1.100
ME00026	1.290	1.290	1.290	1.290	1.290	1.290
ME00035	1.085	1.085	1.085	1.085	1.089	1.200
ME00036	1.260	1.260	1.260	1.260	1.370	1.370
ME00037	1.100	1.100	1.160	1.160	1.160	1.160
ME00038	1.110	1.110	1.110	1.100	1.100	1.100
ME00040	1.195	1.195	1.195	1.215	1.215	1.215
ME00041	1.370	1.370	1.370	1.370	1.350	1.350
ME00042	0.849	0.889	0.889	0.889	0.869	0.869
ME00044	1.190	1.320	1.310	1.310	1.310	1.310
ME00046	1.150	1.150	1.170	1.170	1.210	1.250
ME00049	1.270	1.270	1.270	1.270	1.270	1.270
ME00061	1.500	1.500	1.550	1.550	1.550	1.550
ME00087	1.110	1.110	1.110	1.090	1.090	1.140
ME00093	1.290	1.290	1.290	1.290	1.290	1.290
ME00097	1.360	1.360	1.360	1.360	1.360	1.360
ME00132	1.280	1.280	1.280	1.280	1.280	1.180
ME00138	1.100	1.090	1.100	1.100	1.100	1.170
ME00191	1.531	1.531	1.531	1.531	1.530	1.616
ME00193	1.173	1.215	1.215	1.176	1.153	1.152
ME00200	1.400	1.400	1.400	1.400	1.400	1.400
ME00214	1.240	1.240	1.240	1.240	1.240	1.240
ME00221	1.430	1.430	1.430	1.430	1.430	1.430
ME00296	1.200	1.200	1.200	1.200	1.200	1.260

## Oil prices quick to rise, slow to fall

● The world market is glutted, but consumers probably won't see plummeting prices.

By DIRK BEVERIDGE  
Associated Press

**NEW YORK** — The price of oil has dropped sharply this winter, but that doesn't mean consumers will get much relief when they fill their tanks or heat their homes.

Crude oil has fallen about \$6 per barrel since late October, and wholesale prices for gasoline and home heating oil fell by about 11 cents to 13 cents a gallon from late fall to early winter. Professional oil traders say the price is plunging on perceptions that a global glut is building.

But if you think that will make fuel a lot cheaper for ordinary citizens, critics of the oil industry say, don't hold your breath.

*The oil companies say prices are set by supply and demand.*

They point out that retail prices of gasoline and home heating oil have not been keeping pace with the sharp drops in wholesale prices over the past several months.

To be sure, gasoline prices have been falling steadily at the pump since November, albeit more slowly than in the commodities markets where large contracts for energy supplies are bought and sold.

In the heating oil market, though, wholesale prices fell sharply in November and December, while the price to consumers barely budged.

The problem, said Edwin S. Rothschild, energy policy director for Washington-based Citizen Action consumer group, is that retail fuel

prices are quick to rise, but slow to fall.

"Some English economist called it rockets on the way up and feathers on the way down," Rothschild said.

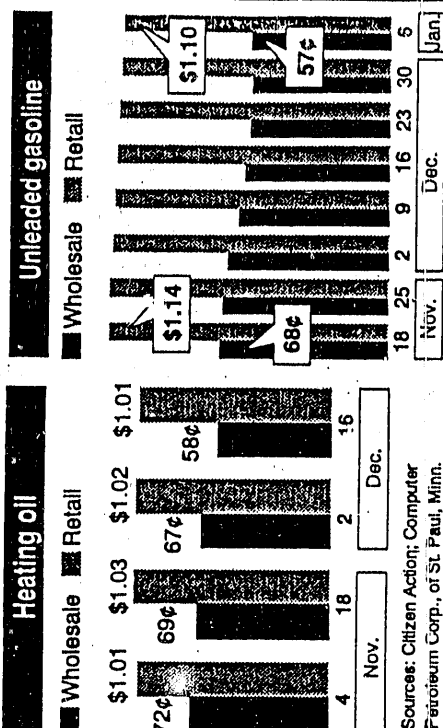
He asserted many consumers are victims of "non-competitive markets," where a few big players can control prices.

Oil companies, which categorically deny allegations they gouge consumers when supplies are tight, also deny they gouge when supplies are plentiful.

The industry's trade group, the American Petroleum Institute, recently published a study indicating the rises in petroleum product prices proceed at the same pace as the declines.

The oil companies say prices are set by supply and demand, influenced by a complicated array of factors beyond anybody's control. At times, retail prices fall at the same time crude oil prices are rising, but the critics stay conspicuously silent

### Oil prices



when that happens, oil companies say.

"It can work both ways," said John Lichtblau, chairman of the Petroleum Industry Research

Foundation in New York

For example, Lichtblau said, gasoline prices fell a little more than a penny a gallon between June and October of last year.

# CONTROL YOUR HEATING OIL PRICES

With Our "DOWNEAST Classic"

**PAY  
NO MORE  
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95<sup>9</sup>/<sub>100</sub>¢**  
Gallon  
#2 Fuel Oil

**Guaranteed CEILING Price  
PRICE PROTECTION PLAN**

This Guarantee means you will not pay more than 95<sup>9</sup>/<sub>100</sub>¢ next winter—the (1991-1992) heating season. While the price of oil is below 95<sup>9</sup>/<sub>100</sub>¢ you will be charged at our lowest cash price at the time of the delivery—you can't lose.

Our revolutionary plan includes:

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- Automatic delivery

What could be more reassuring? A guaranteed ceiling on your oil heat price next winter—with no strings attached. It just makes good sense.

Call for details on Plan 1 or Plan 2 for range oil, too.

**PLAN  
1**

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ONLY  
84<sup>9</sup>/<sub>100</sub>¢**  
Gallon  
#2 Fuel Oil

**Entire Winter's Fuel Oil Price  
PRE-PAID PLAN**

Our Pre-Buy Plan allows you to prepay for your entire winter's fuel oil needs at the low price of 84<sup>9</sup>/<sub>100</sub>¢.

- We will estimate your usage.
- You write us one check for the estimated gallons at 84<sup>9</sup>/<sub>100</sub>¢.
- Any gallons delivered in excess of this estimate will be billed at our lowest cash price at the time of delivery.
- We will pay you an 8% Earned Credit on credit balances
- Automatic delivery included.

**PLAN  
2**

**SIGN UP FOR EITHER OF THESE  
PLANS BEFORE JUNE 30, 1991  
BY SIMPLY CALLING ONE OF THE  
NUMBERS BELOW.**



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# Co-op oil company starts pumping heating oil in area

By GEORGE MANLOVE  
Staff Writer

AUGUSTA — A non-profit, customer-owned oil company that raised havoc with home heating oil prices last month when it started selling oil in Lewiston is now breaking ground in the Augusta area.

Our Own Oil Co., a cooperative based in Dixfield, delivered the first of what could be many loads of fuel oil to some Augusta homes Tuesday at 78 cents a gallon — 8 cents a gallon less than the going price here.

Co-op director Ashley O'Brien said more will follow if a customer base develops in Augusta. When the co-op started selling oil in Lewiston a few weeks ago, other dealers immediately dropped their prices 3 to 7 cents a gallon.

"I wouldn't call it a price war because they haven't tried to match us," O'Brien said from his Dixfield home, six miles east of

Rumford, where the co-op started last November.

Consumers who know about the co-op have welcomed it with, well, open tanks, as it were.

With customers paying a one-time \$30 membership fee, the customer-owned co-op has grown from 130 members to 660. O'Brien expects membership to reach 1,000 by fall, and he's making plans to increase the staff of four people, including himself, by one or two more employees.

The co-op will hire as many drivers and buy as many trucks as it needs to meet demands, according to O'Brien.

"This is an idea whose time has come," he said, "and the oil companies have no one to blame for it but themselves. And what we've found here in Rumford was the more they cut the price, the more people signed on with us."

See: CO-OP  
Page 10

## Co-op starts pumping heating oil in area

► FROM PAGE ONE

State Attorney General Michael Carpenter personally advised the group last year on how to get started and how to incorporate as a non-profit co-op, O'Brien said.

John Flumerfelt, the director of energy policy and planning for the state, also endorsed O'Brien and his co-operative.

"Certainly from the consumer's perspective, we would welcome a new entrant into the market," said Flumerfelt, who last fall expressed frustration that local oil prices were continuing to rise even though wholesale prices were dropping.

Flumerfelt said it is possible the emergence of Our Own Oil Co. will force oil prices down, especially if the company begins serving Augusta, whose residents have been paying among the highest oil prices in the state.

Flumerfelt surveyed oil prices statewide on Monday and found the state average cash price was 82.9 cents a gallon. Southern Maine prices were 75.6 cents a gallon, central Maine prices were 82 cents per gallon and in northern Maine, consumers were paying 88 cents on Monday.

Augusta prices averaged 84.9 cents Monday. Waterville prices were 77-78 cents, according to Flumerfelt.

O'Brien said Tuesday that he found Augusta prices at 85.9 cents a gallon and in Rumford, where his co-op has been entrenched for four months, oil prices were only 74.9 cents a gallon.

"We believe if two statewide oil companies

can afford to sell oil for 74.9 in Rumford, then they damn well ought to be able to do it in Augusta as well," he said.

"The funny thing is there's no real need for it," O'Brien said of Augusta's oil prices. "You have a pipeline that runs right through Augusta."

The margins between wholesale prices — what dealers pay — and retail prices — what customers pay — depends on the services and size of an oil dealer, Maine Oil Dealers Association President Gene Guilford said.

"There's an entirely different need for margin depending on the services you offer consumers," Guilford said.

Budget plans, 24-hour emergency service, oil-burner maintenance, large truck fleets and other investments that affect services also affect the price of heating oil.

"If you want none of those things you don't need as much of a margin as a company that does," Guilford said.

Normal margins between wholesale and retail prices average between 19 and 30 cents per gallon. A Kennebec Journal survey six weeks ago found the average markup was 26 cents.

Whether Our Own Oil Co. is successful, Guilford said, depends on whether customers want full-service dealers or not.

The idea for the co-op came last fall, O'Brien said, when he and others in the Rumford area saw they were paying 30 cents a gallon more than Lewiston-Auburn heating-oil users.

Once word got out — the company does no advertising — consumer interest soared, he said.

"It's grown by leaps and bounds," O'Brien

said. "Our biggest problem has been to control that growth."

O'Brien said some Augusta residents, whom he would not identify, contacted him recently and asked if they could get involved in the co-op. O'Brien agreed to send a 2,600-gallon load here and see what develops.

"We do bulk loading anytime, anywhere," he said. "As far as being in Augusta as a presence there, I'll go find a truck and I'll go find a driver, and I'll put that truck in Augusta."

"The thing that will make a difference is how ticked off people are about how they've been abused" by oil dealers, he said.

O'Brien keeps overhead costs down and there are no profits, he said, which allows Our Own Oil Co. to undersell profit-seeking companies.

"We're able to keep our prices down because we're not trying to be the Wall Street oil company," he said. "Our trucks aren't the newest and they don't have any fancy chrome, but they are safe and dependable. We pay our drivers a living wage and they're happy to give us an honest day's work."

The drivers are on the road seven days a week, O'Brien said, and there are virtually no advertising costs.

The co-op will hold an annual meeting in September and it will be managed by a board of directors.

"We are consumer owned and no one owns any more than anyone else," he said.

The co-op can be reached at 562-7700.

Several state and local oil dealers contacted about Our Own Oil Co. Tuesday either would not comment or did not return telephone calls.

**END**

**DATE  
FILMED**

**6 / 11 / 92**



