

Marketplace

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A volatile market for home heating oil

Prices for home heating oil looked like they were only going to continue rising this past summer, so many customers locked in winter contracts. Now, heating oil's dropped to less than \$2.50. Kai Ryssdal speaks with oil retailer Peter Bourne about how his customers are feeling and how his business is doing.

TEXT OF INTERVIEW

KAI RYSSDAL: We had a cold snap here in L.A. a week or two ago. I know, 40 degrees doesn't compare to the weather in most parts of the country, especially the Northeast. People there keep a real close eye on the price of home heating oil. This past summer, with prices looking like they were only going to keep going up, there was a great temptation to lock in winter contracts at almost \$5 a gallon. Heating oil's dropped to less than \$2.50 today.

So, as part of our look back this week, we thought it'd be a good time to call up oil retailer Peter Bourne. He runs Bourne's Energy in Morrisville, Vt. Here's part of what he told our reporter Jane Lindholm:

PETER BOURNE: A 74-year-old lady who's been a customer for 16 years and asking, "Is there anything you can do?" And I'm saying I can't do a thing. That's the worst, because I know people are going to be hurting and there's not a damn thing I can do about it.

RYSSDAL: Peter Bourne, welcome back to the program.

BOURNE: Thank you for calling.

RYSSDAL: Whatever happened with that woman?

BOURNE: Well, that woman did not get on a program at all. I mean, she just didn't have the ability to do it. And so, fortunately, as I think everybody's aware, the market's dropped enough so that she's OK. She's keeping track of her oil herself. She's not on automatic delivery.

RYSSDAL: What about the rest of your customers and how they're feeling. I mean, you know, when they were buying these contracts, home heating oil was going up to \$5 a gallon, and now it's dropped almost half that much. How are the rest of them doing?

BOURNE: Generally speaking, the customers are doing fine. For the people that did the cap pricing -- and the cap pricing issue required a fee upfront.

RYSSDAL: The cap pricing being, buying those futures contracts?

BOURNE: That's correct. But this was buying it with a downside. So that if the market dropped, they



An Arlington Fuel Oil Company worker makes a delivery of home heating oil in Arlington, Mass. (Darren McColister/Getty Images)

were able to drop with the market. And those people, as we know in retrospect, made a good decision. Because, as our retail prices dropped, which it has significantly -- we were at a high of \$4.80 and now we're in the mid \$2 level as we speak today -- so they're paying that price, instead of the \$4.80 that we were at. The ones that locked in for a fixed price this year, that was not, as it turns out, wasn't the way to go.

RYSSDAL: Did you learn anything this past six months with this wild swing in oil prices that you're going to use this coming summer and fall as you start pricing things?

BOURNE: Every year, Kai, it's a different game. It really is never the same. What I did last year is not what I can do this year. But the one thing is, with the markets what they are, and recognize the volatility and try to make sure we don't have customers in positions that are going to be as adverse as some of the ones that locked into a fixed pre-buy this year. That was . . . they're really feeling abused. I understand that. We're feeling abused, but we're buying that oil at a price that's just ridiculous in relation to today's market.

RYSSDAL: What about that piece of tape we played right at the beginning of the interview and the last thing you said there was there's not a damn thing you could do about some of these people and their situation. Where does that leave you as a businessman?

BOURNE: That just leaves a hole in your stomach. And you just . . . it's helpless. It's, I don't know, it's like watching a kid dive off a dock and knowing they can't swim.

RYSSDAL: Peter Bourne runs Bourne's Energy. It's in Morrisville, Vt. He spoke to Jane Lindholm earlier this past year about the rising price of oil in home heating oil up in Vermont. You can hear that story on our website. It's Marketplace.org. Mr. Bourne, thanks so much for your time.

BOURNE: Thank you.

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