Natural Gas Gains Squeeze Family-Run Oil Companies

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NEW HAVEN, Conn. (AP) — The black-and-white photo on the wall of Jennifer Tracey-Carlo's heating oil company shows her father and grandfather standing beside a small fleet of gleaming delivery trucks, offering a glimpse into a time when oil was king and honoring the two men who built the business.

Tracey-Carlo, the third generation to run Tracey Energy Services in New Haven, says oil dealerships like hers once expanded with a growing population and followed the exodus to suburbia.

"We have their grandchildren," she said of customers whose families grew up with hers. "As people moved further, we'd move with them."

Now, the industry faces a relentless boom in cheaper natural gas, on top of a more than 50 percent drop in the number of homes heated by oil between 1973 and 2011. The threat to the industry dominated by family businesses is particularly keen in the Northeast, where about 30 percent of homes are heated by oil, according to the U.S. Department of Energy. That far outpaces the South, Midwest and West where no more than 2 percent of homes use oil heat.

In Connecticut, oil businesses face another hurdle as a new law encourages a massive buildup in natural gas pipelines over the next 10 years.

While state officials say they're leveling the playing field, business owners who say natural gas is touted as a clean alternative drilled in North America as their product is being smeared as a dirty fuel imported from the Middle East are getting lessons from marketers in how to fight back.

"It's not just us. We're all kind of in it together," Tracey-Carlo said. "There are people that are going to go by the wayside."

The number of U.S. homes heated by oil declined from a peak of 17.2 million in 1973 to 8.1 million in 2011, a 53 percent drop, according to the U.S. Energy

Information Administration. Between 1999 and 2011, the decline was 19 percent.

An average home with oil heat will spend $2,046 this winter, compared with $679 for homes using natural gas, according to the Energy Department.

Started in a basement in 1931, Tracey Energy now operates in a neighborhood storefront where customers paying their bills are greeted by Grace, the Carlo family's golden Lab. It survived the Depression, the two oil shocks in the 1970s and a run-up in oil prices that began five years ago.

Many other companies were less fortunate. As many as 80 to 100 home-heating businesses in southern and parts of central Connecticut have been whittled down to about 50 since the late 1980s, said Tracy-Carlo and her husband, Ralph Carlo.

In the last eight years, Tracey Energy has lost about 400 customers, a drop of about 20 percent, to 1,500. The most recent blow was in late 2008 when oil prices tumbled sharply at the start of the Great Recession, leading to confusion and cancellations among customers locked into higher prices.

Kevin Rooney, chief executive officer of the Oil Heat Institute of Long Island, a trade association, said oil sales volume is down because furnaces are more efficient. Homeowners who have spent up to $4,000 to upgrade their burners are not likely to spend thousands to convert to natural gas, he said.

"They've already made the investment," Rooney said.

Ken Williams, president of Scott Williams Inc., a heating oil company in Quincy, Mass., said some customers switch to natural gas to install a gas stove and said some regret losing the one-on-one relationship they had with a dealer.

Daniel Rothstein has no regrets. The West Hartford resident converted to natural gas in September.

"It should be a no-brainer," he said. "Why would you want to pay all that money for oil?"

To survive, oil companies are expanding. Tracey Energy has bought smaller companies; Sippin Energy Products, in Monroe, has increased biofuel content,

primarily soybeans; and Daigle Oil Co. in Fort Kent, Maine, sells oil, propane and wood pellets and installs oil boilers, wood pellet furnaces, solar panels and radiant heat systems.

"We're here to stay," said Tony Malandra, president of Yeager's Fuel in Allentown, Pa. "We see this threat of natural gas as a threat, but we've been punched in the face before and hopefully we'll be viable after this."

At a recent industry conference in Connecticut, Richard Rutigliano, president of Primedia, a New York marketing company, exhorted dealers to not be shy about contrasting themselves with natural gas utilities. He claimed they issue complicated bills, fail to disclose the true cost of converting oil furnaces to natural gas, and expose communities to the risks of natural gas explosions and environmental hazards of hydraulic fracturing, or fracking, to drill for natural gas.

"We have to get off the mat and fight," he said.

Daniel Esty, Connecticut's energy commissioner, says home heating oil lobbyists have been "misinforming people" about the state's role in energy policy. He said the expansion of the state's natural gas distribution system is leveling the playing field that had been tilted to the home heating industry.

Tracey-Carlo, however, sees the state as an adversary.

"The biggest thing against us is the government," she said. "We're all working hard. We're trying to make a living."

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