



Contributors

Julie Gill: Don't panic about home-heating oil

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THE FIRST RULE of surviving a home-heating dilemma: Don't panic.

Basing a decision on a week's worth of heating-oil price data instead of decades' worth could be a classic switching-horses-midstream error.

A popular Internet encyclopedia begins its definition of "panic" as a "sudden fear that dominates or replaces thinking." It's no surprise that many homeowners are suddenly fearful in the face of the recent spike in heating-oil prices, and it's dramatically apparent that they run the definite and potential costly risk of panic-think.

To be sure, it's only natural that consumers catch their breath when the price of heating fuels or gasoline reach record levels. Part of that sudden fright is the innately common fear of the unknown. What will heating a home cost this winter? Can I afford it? Should I run away? Remember that fear is also connected psychologically with the instinct to flee.

The answer is, of course, that no one has a crystal ball. But there are some very instructive lessons to find in history. In New York, for example, history tells us that for nine out of the past 16 years, heating a home with oil has been a homeowner's very best bet. In Massachusetts, 16 out of the past 17 years. In Connecticut, 18 out of the past 20 years. In Rhode Island, 21 out of the past 23 years!

Better than natural gas, propane, coal and way better than electricity — which is another breathtaking story in itself.

So before anyone decides to chuck a perfectly decent oil-heat system for whatever is being trotted out as good for the moment, it's very important to stop, take a deep breath, and review some other known facts about home heating.

First, take stock of the value of the investment you already have in your heating system. The average heating system will last for about 25 years, so the money you have tied up in your current system is not insignificant. Upgrading an existing system can often boost efficiency at a fraction of the cost of a new system.

Second, take stock of the value of your storage tank. Older style storage tanks last for 25-30 years. New tanks are designed to last longer than that. And remember that the oil in your tank is also like having your money in your bank.

With a few thousand dollars riding on your existing oil-heat system, now tack on the costs of removing the existing system and replacing it with, for example, a natural-gas system if natural gas is an option in your area. Depending on the size of your home, some new installations can run as high as \$5,000 to \$6,000.

Add the cost of removal and disposal of the storage tank (many states require that this be handled by licensed contractors), and you're up about another \$2,000 in out-of-pocket costs.

Clearly, a prudent consumer would want to weigh the question of switching heating fuels carefully with as much as \$10,000 or more in the balance.

Where are energy prices headed? With as much as 40 percent of the price of a barrel of crude oil attributable to rampant and unfettered manipulation, unsupported by few if any fundamental reasons, fuel could very well be at the top of the roller coaster.

Regardless, we know that over time heating oil has a steady track record of being the least expensive heating choice in most markets. We also know that natural-gas prices are at surprising lows now — some say because natural-gas supplies are high after an unusually cool summer, still others say because regulators are keenly focused on natural-gas commodity trading in the wake of allegations of manipulation. There are no guarantees at all that natural gas won't be the next energy to run into price volatility, while the call for increased scrutiny of petroleum trading (see closetheeronloophole.com) could help bring the price of oil down.

Moreover, the heating-oil industry has survived two world wars, a global depression, recessions, fuel embargo, unprecedented hurricane damage, and more. And the few big price fluctuations of heating oil in the past have not lasted long.

If history tells us anything, it's that ponying upwards of \$10,000 today to switch horses midstream in home heating is about as far from a sure bet as it gets. Stop. Take a deep breath.

Making a decision on week's worth of price data instead of decades' worth of price data is simply not survivor-think.

It's panic-think.

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