

AmeriGas acquires former Level Propane.(Industry)(Horizon Propane L.L.C.)

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AmeriGas Partners has purchased substantially all of the retail propane distribution assets and business of Horizon Propane LLC in Westlake, Ohio, for \$31.7 million.

Horizon Propane, which purchased Level Propane out of bankruptcy in July for \$24.8 million, was owned by Eaglerock Propane Ltd., an investment group led by developer Richard E. Jacobs.

Once listed as the eighth-largest propane retailer in the United States, Level Propane fell from relative grace in 2002 after mounting accusations of alleged improprieties and multiple lawsuits by attorneys general in several states. Customers complained that they were forced to pay for fuel they did not use in an "underutilization fee," agreements were not honored, and they were unable to get tanks filled during the winter, causing homes to stay cold and pipes to burst. More than 4,000 complaints were filed in Ohio alone.

William H. Maloof, Level Propane's owner and chief executive, was forced to step down, and the company was barred from membership in the National Propane Gas Association.

In 2001, Maloof had reported that Level Propane had sold 111 million retail gallons to 124,000 customers in 25 states the previous year. By contrast, Horizon sold more than 30 million gallons of propane last year to nearly 35,000 customers from about 90 locations in 12 states.

Eugene V.N. Bissell, president and chief executive officer of AmeriGas, said he is unsure whether the drop in reported numbers is a result of inaccurate reporting or serious customer erosion as a result of Level Propane's practices.

"We think we can turn that (erosion) around," Bissell said. "The people who owned it in the interim addressed a lot of those issues. We're trying to make sure their policies now are consistent with AmeriGas."

Among those changes are supplying drivers with their first uniforms, providing employees with significantly better benefits, and bringing in 40 additional AmeriGas drivers to fill tanks before winter.

All but some duplicated accounting and managerial employees will be retained to serve customers, Bissell said. Jim Palkovic, director of regional operations for Midwest region--AmeriGas' second in command in the Midwest--will oversee the former Horizon operations full time.

For all of its troubles, the former Level Propane had instituted some impressive business practices unique to the industry that AmeriGas will study this winter before deciding whether to change. For example, all of the company's 90-some locations were unmanned--drivers and suppliers visited the locations to make deliveries, Bissell said.

Also, an advanced communications center tracked trucks and stayed in constant contact by satellite. "It's fascinating to see it, all these computer boards on the walls; it's just pretty amazing," Bissell said. "In the propane industry, I've never seen anything like it."

As the largest retailer in the country, Bissell said, **AmeriGas** has pledged to grow about 20 million gallons each year through acquisitions. He said the Horizon acquisition, with its 30 million gallons, presented a unique opportunity in itself—with significant potential for growth.

"When it comes to customer service, we'll do whatever it takes," he said. "I don't know that was the case when it was **Level.**"

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