

# OIL & ENERGY

OILHEAT • PROPANE • DIESEL FUEL • BIOFUELS



## The Many Roles of Service Managers

Service Managers Talk Equipment Sales

Biofuels and New Technology

Q&A with NAOHSM's Dave Bessette

Maintaining a Reliable Delivery Fleet

A Look at Energy Prices and Supply in 2030

Publication of the New England Fuel Institute  
Volume 11/Issue 5

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## CLIMATE BILL SCHEDULED TO CLEAR COMMITTEES BY MAY

In April, Congressmen Henry Waxman, D-Calif., chairman of the House Energy and Commerce Committee and Ed Markey, D-Mass., chairman of the Energy and Environment Subcommittee and the Committee on Global Warming and Energy Independence, released their discussion draft of comprehensive climate and energy legislation, with the plan to complete it by the Memorial Day recess.

The Waxman-Markey bill calls for a 20 percent reduction in carbon emission below 2005 levels by 2020. The reductions would come as part of a market based cap and trade program managed the Federal Energy Regulatory Commission (FERC).

The committees announced they would schedule hearings during the week of April 20 and begin markup of the bill the week of April 27. The full Energy and Commerce Committee planned to take up the legislation beginning May 11, with completion scheduled ahead of the Memorial Day recess.

## CONGRESSMEN SEEK COMPLETE RENEWABLE FUELS ANALYSIS

Congressmen Ed Markey, D-Mass., Chris Van Hollen, D-Md., and Rep. George Miller, D-Calif., sent a letter to the Obama administration in April to say that an upcoming Environmental Protection Agency (EPA) rule on the Renewable Fuel Standard will not be adequate unless it considers indirect greenhouse gas emissions (GHG) from land-use changes resulting from biofuels production.

Currently, the law requires 11.5 billion gallons of renewable fuels. The EPA can raise the allowable renewable fuel blend level, but it must first consider conflicting Clean Air Act provisions, which requires the EPA to consider the indirect land-use changes in which farmers turn forest to cropland to produce biofuels. Ethanol's lifecycle GHG have come into question because the land that is cleared to grow crops increases GHG emissions.

Several national associations have written the EPA to include this analysis in EPA's proposed RFS rule, so that all sides can review and comment on it.

## EPA: GHG INVENTORY UP 1.4 PERCENT IN 2007

The U.S. Environmental Protection Agency has released the national greenhouse gas inventory, which finds that overall emissions during 2007 increased by 1.4 percent from the previous year. Total emissions of the six main greenhouse gases in 2007 were equivalent to 7,150 million metric tons of carbon dioxide. The report indicates that overall emissions have grown by 17.2 percent from 1990 to 2007.

Primary contributors to this increase include: demand for heating fuels and electricity due to cooler winter and warmer summer conditions in 2007 than in 2006; increased consumption of fossil fuels to generate electricity; and a significant decrease in hydropower generation used to meet this demand. The inventory also calculates carbon dioxide emissions that are removed from the atmosphere by "sinks," e.g., through the uptake of carbon by forests, vegetation and soils.

## THE DIFF.

Spot Prices (Cents/Gallon) as of April 14, 2009\*

New York Harbor No. 2 Fuel Oil / Heating Oil	New York Harbor No. 2 Diesel Low Sulfur	U.S. Midcontinent No. 2 Diesel
<b>137.24</b>	<b>137.74</b>	<b>143.10</b>

\*Figures taken from Energy Information Administration's "This Week In Petroleum."

## THE BAROMETER

Comparing Heating Oil to Other Financial Products

	April 14, 2009	One Year Ago
No. 2 Fuel Oil/New York (cents/gallon)	137.24	333.25
Crude Oil (dollars/barrel)	\$50.15	\$114.80
10-year Treasury Bill	2.82%	3.60%
30-year Mortgage	4.98%	5.88%
Dow Jones Average	8057.81	12,619



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www.nefi.com



## LRAC: From Washington ..... 10

Mark S. Morgan, Esq., New England Fuel Institute (NEFI) Regulatory Counsel, delves into the long history of Spill Prevention, Control and Countermeasure (SPCC) regulations, from the initially proposed amendments nearly two decades ago to the latest deadlines.



## Managing to Thrive: How Service Departments Adapt ..... 12

Four service managers from across the Northeast participated in our roundtable discussion to give their opinions on new technology and equipment, being part of the National Association of Oil Heating Service Managers (NAOHSM) and how their businesses are planning for the future.



## Long-term Approach ..... 20

The U.S. Energy Information Agency (EIA) recently released its long-term energy outlook, which projects nearly level oil use in the year 2030, as equipment becomes more efficient and renewable fuels become more prevalent.



## Time to Think About PCI ..... 23

Tracy Richmond, vice president of COCARD of Beverly, Mass., advises businesses of all sizes that deal with credit cards to make sure their processing company uses the most up-to-date security protocols. Richmond can be reached at [www.cocardprocessing.com](http://www.cocardprocessing.com) or (866) 849-8800.



## Biz Tip: Seven Reasons for a Business Valuation ..... 24

John Nardozzi of Nardozzi Consulting goes through the variety of reasons that a business might be due for a valuation and the best time to perform one. Nardozzi can be reached via e-mail at [jnardozzi@nardozziconsulting.com](mailto:jnardozzi@nardozziconsulting.com).



## Tech Talk: Maintaining a Reliable Delivery Fleet ..... 26

Scott Jackson, a product manager for Blackmer of Grand Rapids, Mich., says that reliability for fuel oil fleets can be aided by using certain types of pumps. Jackson, who specializes in pump applications for the fuel oil industry, can be reached at (616) 248-9218 or [jackson@blackmer.com](mailto:jackson@blackmer.com).



## Biz Tip: Oil Company Sellers Wanted! ..... 28

Joe Ciccarello, managing partner at Gray, Gray & Gray CPA, Westwood, Mass., says that despite a down economy, there are still many businesses interested in acquisitions. Ciccarello can be reached at (781) 407-0300, or via e-mail at [jjciccarello@gggcpas.com](mailto:jjciccarello@gggcpas.com).



## Q&A: NAOHSM's Dave Bessette ..... 30

Dave Bessette, a former National Association of Oil Heating Service Managers (NAOHSM) president, talks about his upcoming technical seminars on biofuels at several industry shows, as well other experiences as a longtime service manager.



## Building Sites for Customers, Not Just Prospects ..... 32

Ben Gutkin, vice president at Warm Thoughts Communications, writes about strategies for home heating oil companies to build Web sites that aid their current client list to foster better customer relations. Gutkin is a founding member of the Online Marketing Council and speaks regularly about both online and off-line marketing. Gutkin can be reached at [bgutkin@warmthoughts.com](mailto:bgutkin@warmthoughts.com) or (201) 330-9276, ext. 227.



## Oil Market Stance: Using the Past to Project Prices ..... 33

Mark Skaparas of Hedge Solutions looks at petroleum inventories in order to project where prices may be headed in the next few years, with favorable results for fuel oil dealers and their customers. Skaparas can be reached at [mark@hedgesolutions.com](mailto:mark@hedgesolutions.com) or (508) 721-7604.



## Weather Trends: Cool Spring Could Linger ..... 36

John Bagioni of Fax-Alert Weather Service forecasts the cool spring to continue into May, with some extreme weather also possible. Bagioni can be reached at [johnbag@comcast.net](mailto:johnbag@comcast.net).



## Bioheat®: Taking the First Step ..... 43

With a statewide mandate coming soon, Michael Ferrante, president of the Massachusetts Oilheat Council, looks at what the next steps in biofuels may be. For more information, contact (978) 664-5923 or [paulsr@fuelsolution.com](mailto:paulsr@fuelsolution.com).

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## OIL & ENERGY

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## TUESDAY, JUNE 9, 2009



**KEYNOTE AT 9:30 AM Tom Kloza**, foremost OPIS analyst and lead editor, will discuss "fuel price predictability," Tuesday AM, June 9th as the keynote speaker at NEFI's "Energy Summit."

**"HOW TO BUY FUEL" AT 11:00 AM** Concurrent sessions dealing with how to buy product in today's environment, one for heating oil, one for propane. Both sessions will feature a panel of buying and contract specialists from leading wholesale suppliers in the Northeast. On the oil side, you'll hear from specialists, including:

Bob Blanchard, Irving Oil  
Bill Braunig, Global Companies LLC  
Walter Brickowski, Gulf Oil Limited Partnership  
Hugh Macnaughton, Sprague Energy

**TUES. AT 2:00 PM SPPC COMPLIANCE RULES** will undergo examination and Q&A at a special Tuesday afternoon session to be headed by **NEFI Counsel Mark S. Morgan, Esq., who will be joined by representatives from five professional engineering firms.**

## WEDNESDAY, JUNE 10, 2009



**START YOUR DAY AT 9:00 AM WITH Consultant Betsi Bixby** who will speak on "How to Profit & Survive in an Ever-Changing Business Environment."

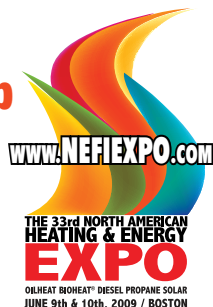
**GET BUSINESS GROWTH POINTERS AT 10:00 AM** from **John Levey** and **Joe Vassallo** who will lecture on "The Right Way to Find and Buy an Acquisition," a most fitting topic for these trying times.

**ALSO: Concurrent session at 10:00 AM will review air quality and "Cap & Trade" issues** that are quickly becoming the next "speculation" issue, in terms of impact on fuel dealers.

**BIOHEAT® AT 11:00 AM** This important session will address upcoming Bioheat® mandates in Massachusetts, which is assuredly to be followed by surrounding states and government bodies. With the Massachusetts state-wide mandate scheduled to roll out in July of 2010 industry terminal owners are working at this very moment to ensure that fuel distributors have access to high quality Bioheat with no disruptions. A generous amount of time will be allocated to field attendees' questions.

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Mark S. Morgan, Esq., New England Fuel Institute Regulatory Counsel: [mark@nefi.com](mailto:mark@nefi.com)

## Home Efficiency Retrofit Bill Proposed

Rep. Peter Welch, D-Vt., a member of the House Energy and Commerce Committee, has joined several of his colleagues to introduce a bill that would create a National Home Energy Savings revolving fund to provide \$10 billion in interest-free loans to eligible homeowners.

In April, Welch joined 30 other members of Congress to introduce a bill that would create the Retrofit for Energy and Environmental Performance (REEP) program to, according to Welch's Web site, "retrofit millions of homes and commercial buildings and increase efficiency by 20 percent or more nationally." A similar program already exists in his home state, and Welch said "it's high time we bring this successful Vermont to the national stage."

According to the site, the bill would direct government agencies to develop guidelines and manage financing for the program. Homeowners and businesses could qualify for direct cash incentives, interest rate subsidies and credit support based on the percentage increase in energy efficiency they achieve, including:

- Homeowners could qualify for \$1,000-\$3,000 in financial incentives for achieving a 10-20 percent increase in efficiency, with another \$150 for every additional percentage point of energy savings achieved.
- Businesses could qualify for \$0.15 per square foot for the first 20 to 30 percent increase in efficiency with an increasing incentive of up to \$2.50 per square foot for energy reductions over 50 percent.
- Incentives for both homes and commercial buildings would be capped at 50 percent of the cost of the retrofit.

Funding for the program would go to the states through the existing State Energy Program Formula, which has a built-in small state minimum, and provides additional financial incentives to states with high-performing programs. At press time, industry groups were reviewing the bill and NEFI had not yet taken a position.

## Biodiesel Tax Credit Extended for Previous Standard

In order to smooth the transition to the revised ASTM standard, the IRS is allowing product meeting the old ASTM D6751 quality standard—in effect before Oct. 13, 2008—to continue to qualify for the federal biodiesel tax credit until Oct. 1, 2009, an extension of the original April 1 deadline.

This means that until Oct. 1, 2009, biodiesel product meeting either the old or revised ASTM D6751 standard qualifies for the current \$1 per gallon federal biodiesel tax credit. In order to be eligible for the credit, blenders are required under federal code to obtain a certificate from the biodiesel producer that certifies the biodiesel used in the mixture conforms to ASTM D6751.

Beginning Oct. 1, 2009, only product that meets the revised ASTM D6751-08 standard will qualify for the federal biodiesel tax credit. In addition, all producer certificates must certify after Sept. 30, 2009 that the product meets "ASTM D6751-08" in order to qualify for the federal biodiesel tax credit.

## LIHEAP Eligibility Increase Expires in October

Late in 2008, Congress passed a funding bill that provided a full \$5.1 billion for the first time in the Low Income Home Energy Assistance Program's (LIHEAP) history and also included an increase in eligibility to 75 percent of state median income (up from 60 percent).

However, according to Alisha Frazee of the Massachusetts Oilheat Council, this nationwide eligibility increase, which has helped state governments make more of the money available for those who need it, will expire with the 2009 funding on Oct. 1. Congress will have to address the issue in the fiscal year 2010 appropriations bill, when Congress is expected to look at reauthorization of the LIHEAP program, which has been due since 2007. The New England Fuel Institute (NEFI) is working closely with the LIHEAP Coalition and the National Fuel Funds Network to advocate for a stronger LIHEAP program in terms of both funding and eligibility, and will be monitoring the reauthorization process to make sure that any changes to the federal LIHEAP program are both fair and fuel-neutral.

## Cap and Trade Bill Likely to Now Require 60 Senate Votes as House Introduces its Proposal

House and Senate budget committees have cleared budget resolutions for floor consideration that do not assume revenue from a federal cap and trade program, which was a staple of the budget presented by President Barack Obama. By not including the program in the resolutions, it is likely that any cap and trade legislation will require a 60-vote majority to overcome a filibuster when the Senate eventually considers climate change legislation later this year. If the program had been included in the budget resolution it would have required a simple majority vote. It is not clear that cap and trade supporters will have enough votes to secure passage.



As this issue went to press, the House of Representatives had introduced its own climate change bill that includes a cap and trade program. NEFI's new Climate Change Task Force

was reviewing the legislation, which was introduced by Energy Committee chairman Henry Waxman, D-Calif., and Subcommittee Chairman Ed Markey, D-Mass., and is planned for hearings in late April and final committee markup in early May. While Senate passage of a national cap and trade bill would be a challenge for supporters, the House is likely to approve its version sometime this year. Floor debate in the House and Senate could come as early as this summer.

## NEFI-led Coalition Sends Letter to Congress in Support of Anti-Excessive Speculation Bill

The NEFI-coordinated Commodity Markets Oversight Coalition (CMOC) sent a letter to the U.S. House of Representatives on Monday, March 23, calling for support for a tough new anti-excessive speculation bill introduced by House Agriculture Committee Chairman Collin Peterson.



The Peterson bill, called the "Derivatives Markets Transparency and Accountability Act" would fully close the "Enron Loophole" by requiring significant over-the-counter transactions to clear through an exchange and make them subject to speculation limits; close the "Swaps Loophole" by helping to make sure that only bona-fide physical hedgers are given regulatory exemptions; and close the "Foreign Markets Loophole." It also requires new studies into over-the-counter markets and adds 200 full-time employees to the futures regulator, the Commodity Futures Trading Commission. The letter writes, "it is clear that non-traditional speculators played a significant role in the swift and volatile commodity price run-up through last summer, and also in the subsequent price collapse." It goes on to say that financial players "served to exaggerate price movements in energy, agricultural and other markets."

## Washington State Oil Marketer Testifies on Market Transparency

Petroleum Marketers Association of America (PMAA) Vice Chairman Gerry Ramm of Inland Oil Company in Ephrata, Wash., testified before Congress recently regarding the impact of excessive speculation in the energy commodity markets on petroleum and heating oil marketers.

Ramm testified before the Senate Energy and Natural Resources Committee Subcommittee on Energy on proposed draft legislation that aims to enhance transparency to energy futures markets by expanding data collection authority of the Energy Information Agency (EIA) and by creating a new group that would study the processes and factors that determine energy pricing and make recommendations to Congress on how best to prevent rampant speculation.

Ramm urged Congress to immediately pass commodity futures market reform legislation in order to prevent another excessively leverage speculative bubble like marketers and consumers had to endure for most of last year. Ramm said that PMAA supported the intent of the Subcommittee's legislation, to bring transparency to help eliminate excess speculation in the energy futures markets. However, he argued about the reporting requirement on the amount of commercially held oil, saying there should be a minimum threshold for reporting and that heating oil contracts should not be included in the requirements. Finally, Ramm reminded the committee that commodity markets were not designed as an investment class—they were set up for price discovery, and for physical hedgers to manage risk by entering into a futures contract to lock in a price for future delivery.

## President Launches International Climate Forum

President Obama has announced the launch of the Major Economies Forum on Energy and Climate, which will facilitate candid dialogue among key developed and developing

countries regarding efforts to advance clean energy and reduce greenhouse gas emissions.

The forum is meant to generate political leadership in order to achieve a successful outcome at the United Nations (U.N.) climate change negotiations to be held in Denmark this December. The United States is currently participating in a preliminary



round of climate change talks in Germany and by the time of the Copenhagen meeting, the U.N. hopes to establish the framework for an international climate change agreement that will succeed the Kyoto Protocol.

For the new forum, President Obama has invited the leaders of 16 major economies and the Secretary General of the United Nations to designate representatives that will participate in a preparatory session at the U.S. Department of State on April 27-28 in Washington, D.C. This and other preparatory sessions will culminate in a Major Economies Forum Leaders' meeting, which Italian Prime Minister Silvio Berlusconi has agreed to host in La Maddalena, Italy, in July. In addition to the United States, the major economies include Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, South Africa, the United Kingdom, and the United States. Due to their role in the climate change negotiations, Denmark and the U.N. have also been invited to participate in the forum.

## EIA: High Oil Prices, GHG Controls Would Help Clean Energy Grow

The growth of renewable energy and renewable fuels in the United States will be significantly greater

under scenarios involving high oil prices and stricter controls on greenhouse gas emissions, according to the Department of Energy's Energy Information Administration (EIA).

The EIA released its full "Annual Energy Report" in April, which includes an examination of alternate scenarios for the future of U.S. energy.

One such alternate scenario involves oil prices that reach \$200 per barrel by 2030, rather than \$130 per barrel under the reference case. That higher price drives biofuel production up by about 10 percent, reaching 40 billion gallons in 2030. It also cuts the percentage of imported liquid fuels from 41 percent of U.S. fuel demand in 2030 in the reference case to only 30 percent of U.S. fuel demand in the case of high oil prices.

Likewise, limits on greenhouse gas (GHG) emissions spur renewable

energy production, particularly for electrical power supplies. Although the EIA report examines only one legislative scenario—the legislation proposed by Sens. Lieberman and Warner in the 110th Congress—it found a strong shift toward renewable energy, nuclear power and fossil fuels with carbon capture and storage under that scenario. In fact, the percentage of the nation's electricity generated with non-hydroelectric renewable energy sources doubles under the GHG controls, from a 9 percent share in 2030 in the reference scenario to an 18 percent share under the climate legislation. The report doesn't account for legislation signed after November 2008, so it doesn't include the effects of the American Recovery and Reinvestment Act of 2009.

## NEFI Expo Space Exceeds 2007 Booth Sales; Free Info-Driven Technical Seminars On Tap

The 2009 North American Heating and Energy Expo, with expanded booth space over previous Expos, has exceeded 2007 exhibit space sales and is closing in fast as a record trade show event. The EXPO is being held June 9-10 at the Hynes Convention Center in Boston with the potential for as many as 390 booth spaces to fill out the floor plan.

As is customary, admission to the EXPO and all technical sessions is free of charge. An impressive technical session lineup will cover a diverse range of subjects the morning of each show day, including Bioheat®: A Technician's Perspective, Chimneys, Carlin's EZ-H2L Two-State Residential Oil Burner with ESP Control, Condensing Propane Gas Boilers, Honeywell's New World of Wireless Controls with Wireless True Steam, and a special seminar focusing on customer attitudes and company response, presented by customer relations expert Ann Ward.

The complete technical agenda and schedule is available online at [www.nefiexpo.com/technical.html](http://www.nefiexpo.com/technical.html), where you can also pre-register to attend the EXPO and the companion "Energy Summit" business sessions.

## NEFI Welcomes New Members

New England Fuel Institute welcomes three new members.

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## The Confusing History of SPCC Requirements and Where We Stand Today

Over the past few weeks, I have received dozens of calls from New England Fuel Institute (NEFI) members who are concerned, and a little confused, about the status of the upcoming deadline for U.S. EPA Spill Prevention, Control and Countermeasure (SPCC) plan revision and implementation.

It's no wonder people are confused, given the regulatory history of the SPCC amendments. Believe it or not, the proposal rule to amend SPCC requirements was first proposed in 1991. It took another 11 years for the EPA to finalize the rule, which was to become effective on Aug. 16, 2002. However, things did not pan out so smoothly for the EPA. Four separate rulemakings were required to clarify the 2002 SPCC rule. Each of these amendments was followed by an extension of the deadline by which SPCC plans must be revised and the deadline for the revised plans to be implemented. Yes—there was originally two separate deadlines for SPCC compliance.

It wasn't until the fourth extension that the EPA decided to merge the two compliance dates into a single deadline. OK, this is getting a little easier, but like the pitchman on those late night infomercials is fond of saying—wait! There's more!

The EPA was then sued, because the agency failed to weigh the cost of SPCC tank inspection requirements on small bulk plant operators. A settlement was eventually reached that established cost-effective tank inspection standards, but it had to be approved in a final rulemaking. Of course, this final rulemaking was also followed by—you guessed it—a compliance deadline extension.

OK, four sets of amendments and four deadline extension brings us down to the very end of 2008. Remember, we have been on this rulemaking journey for 17 years. It is December and the compliance deadline for SPCC plan revision and implementation is set for July 1, 2009—the road ahead is clear, the weather fine and the end of our journey in sight. Then, it happened—the EPA announced a final round of SPCC amendments on Friday Dec. 5, 2008. In all

fairness to the EPA, I should pause here and say that with each amendment to the 2002 rulemaking, the SPCC requirements became more flexible and less costly for small bulk plant operators. Unfortunately, any sense of regulatory certainty was steadily eroded during this process.

With the Dec. 5, 2008, amendments, the EPA clearly saved the best for last. The final amendments would streamline SPCC plan revision and allow self-certification and use of generic template plans for certain small petroleum bulk plants. In addition, the amendments would, in most cases, eliminate secondary containment for loading racks at bulk plants served entirely by underground tanks, provide significant regulatory relief from costly security measures—and last but not least—establish an exemption from sized secondary containment requirements for cargo tank vehicles parked overnight at bulk plants. NEFI requested the exemption in light of increased EPA enforcement actions that required bulk plant operators to construct secondary containment areas for parked trucks containing product—a very costly and needless precaution. The final amendments were to become effective on Feb. 3, 2009. True to form, the EPA also proposed another SPCC compliance deadline extension (Number five!), set for Nov. 20, 2009.

Well folks, it all goes downhill from here. President Barack Obama froze all agency rules that were finalized during the last days of the Bush administration but had not yet become effective. In addition, the Obama administration withdrew proposed rules that were not yet published. The 30-day freeze was designed to provide time for the agencies to review the rulemakings for consistency with Obama administration policy.

This is where our journey gets really confusing. The effective date of the Dec. 5, 2008, SPCC amendments was pushed back to April 4, 2009. At the end of the 30-day review period, the EPA decided it needed more time to consider certain provisions in the SPCC amendments and extended the effective date once again to Jan. 14, 2010.

Meanwhile, the proposed rule to extend the SPCC deadline to Nov. 20, 2009, was withdrawn altogether. That is where the SPCC rule stands today.

If you are confused, don't worry, you have plenty of company. Here is how you should proceed. The compliance deadline for plan revision and implementation is July 1, 2009. The EPA told NEFI that there is a good chance that this deadline would be extended. Unfortunately, the EPA will not say for sure whether a deadline extension is certain, how long an extension might be or when a decision can be expected.

Therefore, bulk plant operators should continue compliance efforts with the July 1, 2009, deadline as a target while keeping in mind an extension may be announced in the near future. Second, the EPA told NEFI that the Dec. 5, 2008, amendments providing significant regulatory relief for small bulk plant operators, including the exemption from sized secondary containment for parked trucks, are not controversial and unlikely to change between now and the Jan. 14, 2010, effective date. That is very good news. Instead, the EPA is concentrating its regulatory review on controversial amendments that provide regulatory relief to oil producers.

As you may have guessed already, apart from the parked truck exemption, the regulatory relief provisions in the final amendments provide little benefit to bulk plant operators if they only become effective after the compliance deadline for SPCC plan revision and implementation has passed. NEFI explained this to the EPA and is expected to play a significant role in the agency's decision on whether to extend the SPCC compliance deadline.

That is all the information that is available now. NEFI will, however provide up-to-date alerts and compliance information on the status of the SPCC amendments and possible compliance extension. In the meantime feel free to contact me with any questions you may have at [mark@nefi.com](mailto:mark@nefi.com).

Mark S. Morgan, Esq.  
NEFI Regulatory Counsel



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If you would like more information on how NEFI's Legislative & Regulatory Action Center serves your interests, and how you can contribute to our annual efforts, please email [jimcollura@nefi.com](mailto:jimcollura@nefi.com), or telephone 617-924-1000.

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**Connecticut  
CONSERVATION CERTIFICATION TRAINING  
UNDERWAY AT ITEC**

On March 16, the ICPA Technical Education Center (ITEC) began BPI/Energy Conservation Technician training with 24 students—a full class—and ITEC has a waiting list of 25 students for the next class scheduled for June. Half of the students are from Independent Connecticut Petroleum Association (ICPA) member companies.

BPI's Building Analyst 1 Training course gives technicians the knowledge they need to perform a whole house energy audit. It will teach the relationship between all the systems in the house and the effects on health, safety, comfort and efficiency, as well as building science fundamentals, energy conservation strategies, heat loss calculations, duct testing and sealing, blower door testing, etc.

Utilities in the state are under state mandate to perform energy conservation programs in homes in Connecticut, funded from a systems benefit charge on everyone's electric bill. The state of Connecticut subsidizes the cost of providing home energy audits. The company performing a whole home energy audit bills up to a maximum of \$300.

In addition, Connecticut's electric utility United Illuminating will provide a \$250 per-student rebate for each student that successfully completes the ITEC course—and an additional \$250 per student rebate for each student who successfully passes all tests and achieves BPI certification.

For more information, see [www.icpa.org](http://www.icpa.org).



**New Hampshire  
STATE COUNCIL HEADS TO D.C.**

The New Hampshire Oil Heat Council, represented by President Bob Garside, Bill Ermer of Palmer Gas/Ermer Oil Company and Al Davis of H.R. Clough, visited Washington, D.C., recently to meet with Sens. Jeanne Shaheen and Judd Gregg to discuss the merits of the reauthorization of the National Oilheat Research Alliance (NORA).

NORA is up for reauthorization this year. The group said that NORA, as a federal check-off program that performs research and development, consumer education and outreach, technical training and certification programs, is vital to heating oil dealers and consumers in New Hampshire. A letter is being sent to Sen. Shaheen to encourage her to see that this will be added to the federal energy bill. The group returned from the trip confident that both senators would support reauthorization.

**New Jersey  
EQUIPMENT LEGISLATION INTRODUCED IN SENATE**

Legislation that would include Oilheat equipment replacement as part of the state's Clean Energy Program was recently proposed for introduction in the State Senate. S-2746, sponsored by Sens. Bob Smith and Joe Kyrillos requires the Board of Public Utilities (BPU) to offer similar incentives to residents purchasing certain Oilheat equipment as are offered to residents purchasing certain natural gas heating equipment.

"This legislation is a top priority," said Eric DeGesero, Fuel Merchants Association (FMA) executive vice president. "Some FMA members are in the process of becoming Building Performance Institute (BPI) certified, which will enable them to perform home energy audits under the CEP's Home Performance with Energy Star Program. Unfortunately, if the home is oilheated and the recommendation is to replace the heating system, oil equipment is currently ineligible. This bill would remedy that."

The bill statement reads, "This bill would provide that any incentives made available by the Board of Public Utilities ("BPU") to State residents who purchase and install new, high-efficiency natural gas heating equipment shall also be made available to State residents who purchase and install new, high-efficiency oil heating equipment, having an annual fuel utilization efficiency (AFUE) rating of 85 percent or greater, as a replacement to any existing oil heating equipment. Currently, under the BPU's Clean Energy Program, incentives are only offered to State residents who purchase and install or have installed new, high-efficiency natural gas heating equipment."

The funding source is the same societal benefits charge that is paid by utility customers.



**Al Breda** is currently the service manager for Sippin Energy in Monroe, Conn., and serves as the National Association of Oil Heating Service Managers (NAOHSM) national secretary.



**Rena Falconi** is the service manager for Aalanco Service of Massachusetts and the president of the Central Massachusetts chapter of NAOHSM.



**Angel Gonzalez** is the service manager at Combind Oil of New York and is NAOHSM's national education liaison with vocational schools and NYC education chairman.



**Scott Vadino**, the service manager of Harriett's Energy Solutions of New Jersey, is president of NAOHSM's South Jersey chapter.

## Managing to Thrive How Service Departments are Changing with the Times

**WITH THE ADVENT OF NEW TECHNOLOGY, UPDATED EQUIPMENT, CLEANER FUELS AND DIVERSIFYING** businesses, the job description for the modern service manager seems to be in constant flux. For those who have been part of the heating oil industry for years, keeping up with these changes is just another part of the job.

Instead of apprehension, many service managers have embraced the opportunity to learn about these advances in the industry and teach them to a new generation of technicians. *Oil & Energy* recently reached out to four service managers across the country in commercial and residential companies of varying size to learn more about how they have adapted to this changing world and some lessons they have learned in their more than a century of collective time with Oilheat.

**How did you get involved in the Oilheat industry? What was your career path to becoming a service manager? What area does your business cover and how many customers do you service? How many years have you been in Oilheat?**

**Al Breda:** I got involved in oil heating in 1979, at age 19, when I started driving an oil truck for Hillcrest Fuel in Ansonia, Conn. After my first winter delivering oil, I was trained for oil burner repair at the Independent Connecticut Petroleum Association (ICPA) in Wallingford, Conn. After that, I delivered fuel oil, performed annual tune-ups and repair service at Hillcrest Fuel until 1982. In 1982 I wanted to only perform service and did not care to deliver oil anymore. I started working at Standard Oil of Connecticut in Bridgeport, Conn. There, at

age 22, I was a licensed burner technician. After time, I became an installer and technician, then the supervisor, and was promoted to service manager for Standard Oil of Connecticut in 1993 at age 33. I am currently the service manager at Sippin Energy Products of Monroe, Conn. I have been involved in Oilheat for 29 years now.

**Rena Falconi:** I actually started in the accounting area of the company I have been working at for the last 22 years. I found that I enjoyed the workload and how every day could have you working on different things in the service department. We cover all of New England as a commercial and industrial service company and service about 1,200 accounts. I have been with my present company for 22 years, this was my introduction to the industry and apparently I loved it!

**Angel Gonzalez:** In 1975, I was a senior at Alfred E. Smith High School in the Bronx, NY. The school offered me the opportunity to participate in a work/study program. I alternated one week of school and one week I would work in the field as a helper/trainee for Combind Oil Corp., also located in the Bronx. When I graduated, I was hired full time as a helper.

The funny thing, though, is that I never intended to study heating at my high school. I had transferred to this school in my junior year, and because of this I was limited in the choices I had in selecting career training. After realizing that my first three shop class choices had no room for additional students, I finally "settled" on the heating program. Apparently that turned out to be a good

**"In order to stay competitive, we offer bids to our customers for both new oil equipment and gas conversions when they show interest in converting to alternative fuels. In many cases, we can persuade them that it is more cost-effective to upgrade oil equipment over converting to gas." — Angel Gonzalez, Combind Oil**

choice. I have worked for the same company ever since, my first 10 years as a field technician and in 1985 I was promoted to service manager. I have been with my employer for a total of 34 years. Combind Oil Corp. is a small, family-owned business that services about 1,000 clients. We service in the Bronx

**Continued on page 14...**



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 ® The color yellow for heating boilers is a registered trademark of Energy Kinetics. † United States Department of Energy Brookhaven National Laboratory (2007), by Dr. T. Butcher.

\* For this renewable energy initiative, System 2000/ Energy Kinetics was named "2008 New Jersey Clean Energy Small Business Leader of the Year."

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and Manhattan boroughs of New York City and lower Westchester county.

**Scott Vadino:** I went to a vocational high school for HVAC. During my senior year, I worked instead of being in shop. I picked up a former classmate whose car broke down that was working for Harriett's at the time and he mentioned they were hiring. My part-time employer at that time was a small company and couldn't guarantee long-term employment. I applied and was hired by Bob Harriett. We keep our coverage area to three counties and we have about 3,100 oil accounts. This June will mark 23 years in Oilheat.

**Could you briefly describe your typical day?**

**Breda:** A typical day for me starts at about 6:30 a.m., when I meet with the service dispatcher and review the assigned work for all the technicians prior to them signing on. After checking e-mails and phone messages, I usually assist the installers with loading up the parts and equipment for the day's installations. I review service billing from the past afternoon and night, check to see that the correct parts are ordered for jobs that are scheduled, and assist in pricing out small jobs. I will also help the equipment salesmen with specifications on jobs whenever needed.

**"We realized the potential that our customers are looking at [home energy audits]. We even have changed our company name from Harriett's Oil Service to Harriett's Energy Solutions. We always did more than just oil, but with the different things we are looking at and beginning to do, this name change fits better."**  
— Scott Vadino, Harriett's Energy Solutions

Some time is spent on organizing equipment advertising, in-house training, technician recall statistics, equipment sales statistics, supervising technician time cards, reviewing personnel performance, working with managers from other departments and reviewing the fleet service needs as required. I'll also possibly visit a jobsite or customer's home if time allows and maybe answer a question from customer service or a customer along the way.

**Falconi:** I first oversee morning dispatching that was scheduled by myself on the previous afternoon. Installation jobs are scheduled in advance, depending upon equipment availability. One day a week I sit in on a sales meeting and a management meeting. During the day, my assistant and I take and dispatch calls. I handle customer and/or tech problems that can't be handled in the field by my field supervisors. I also process accounts payable, posting of labor and materials to large contract jobs, billing and profitability of large contract

jobs, oversee daily service billing, visit job sites on occasion, quote customers when a sales person is not available, perform hiring, firing, performance reviews, etc... The daily duties could change every day.

**Gonzalez:** I truly can't remember what a typical day is like. This industry has changed so much in the last 10 to 20 years, I have seen my responsibilities change dramatically in that same period. Average winter days would mean that I arrive to my office at 8 a.m. to sort through a wide array of service calls. Some have been previously scheduled, while others are emergencies that we have received from overnight or early morning calls. We will contact everyone to determine the exact problem and to set priorities and routing.

If I have no scheduled appointments, I will begin to review the previous day's work and establish any follow-up work, contact the customers with pricing or to discuss any issues that remain. I always have plenty of work to make sure that any special replacement parts are ordered, making certain stock parts are replaced and maintaining inventory. My daily goal is to close out the work from the day before. It is rare that this ever gets done on schedule. During the workday I make myself available to speak with customers and technicians about any problems that may arise. In many cases my follow up to a single phone call or a service situation could require several hours of telephone calls and research. Most of my time is spent communicating with customers and technicians. Usually by the end of the business day, I find enough time to start working on what I could not finish during the day. I generally make most efficient use of my time between 5 and 7 p.m. I also spend a considerable amount of time out in the field either helping to resolve service related issues or for equipment sales.

**Vadino:** I start at 7:15 a.m. and go through the night calls and check with dispatch on manpower and workload. During the day, I will order truck and warehouse stock, deal with customer issues, follow up on inside personnel and deal with any field issues technicians may have. I also go to any problem service and installation jobs that need help being solved. The day usually ends around 5:30 p.m.

**What part of your job is taking an increasing amount of your day from this time last year?**

**Breda:** There has been a greater focus on training and recall management.

**Falconi:** Constant calls for clients, regarding service invoices and pricing of future work. We have become more aware of how the economy is affecting even the commercial business, to the point where they are watching the clock upon arrival and departure from

the site. I am also looking for a couple of HVAC technicians to replace two retiring employees; interviewing takes an enormous amount of time.

**"The next five years will see an increased focus on raising the customer service bar. While some customers are price driven, the real emphasis in customer retention will be leaving the customer with a completely satisfied experience."**  
— Al Breda, Sippin Energy Products

**Gonzalez:** There is no one thing that takes up most of my time. I do spend more time communicating by e-mail and that is not necessarily more efficient, but it is more convenient. Last year at this time we devoted a lot of time communicating with our customers about the escalating prices of fuel oil, so far that is not the case this year.

**Vadino:** Dealing with customer billing issues. With the way money seems to be tight for everybody, customers question billing more than in the past, making sure they get the most for money spent.

**What training do you require/expect from your staff?**

**Breda:** I suggest or require the training generally. I will send individuals to area seminars of various topics as needed. I also bring an occasional factory representative to our facility to speak with the technicians. The best increase in training is coming from a voluntary program that I started last year. On most Saturdays, between 8 and 10 a.m., I will hold a class at our facility on a predetermined subject. There is coffee and doughnuts. The technician is allowed to bring the service truck, but it is voluntary and they are not paid. There is an average of 10 technicians that will show up for this on their own.

**Falconi:** I have a lot of in-house knowledge with our senior techs that are within two to six years of retirement that I like to have them pass on to the less experienced techs in the field. We try and have a technical service meeting at least every four to six weeks where one technician will plan and teach a particular item, and then they all have time for input and questions. We also utilize the willingness of the manufacturers. They always have training at their facilities; sometimes they will come and put on a training seminar at our building.

**Gonzalez:** I am a very active member of NAOHSM and help to promote education; it is very common for us to sponsor field training for all our technicians. It is common for us to hold breakfast meetings with our technicians

**Continued on page 16...**



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“in-house.” We will often invite a manufacturer to come and speak and do seminars for our technicians. Although this is not mandated, we have excellent attendance. We have even shared these opportunities with local competitors in order to increase attendance.

**Vadino:** We meet every two weeks for training. This may be for company policy training, paperwork or anything pertaining to the company. We also do technical training at these. I bring in reps from different manufacturers or do the training myself. I also budget money every year for seminars and classes that come up. I schedule what I see that someone may need. My personnel also knows I want them to bring to me areas they think they could use help in so I can send them. I also constantly tell them to read instructions and manuals on what they are working with. I tell them that they have so much valuable information sitting there and I feel that’s what helped me get better.

**Many companies are looking to diversify what products and services they offer as a way to generate new revenue streams. Have you increased the services you offer within the last few years? Do you, or do you plan to, participate at all in home energy audits?**

**Breda:** We have increased awareness of indoor air quality products with some newsletters and advertising, but we remain focused on the oil-fired heating and cooling equipment service and installations. The home energy audits are new to the area and we have not yet started them, but it is not out of the question.

**Falconi:** We are always looking to furnish our customers with “one-stop shopping” whenever possible. If they need it and we can service it or provide something out of our normal workday, we will accommodate. As a commercial service company, we don’t participate in any home auditing.

**Gonzalez:** For many years now, we have been servicing and installing gas heating equipment. In a major urban area such as New York City, our biggest competitor is natural gas. In order to stay competitive, we offer bids to our customers for both new oil equipment and gas conversions when they show interest in converting to alternative fuels. In many cases, we can persuade them that it is more cost-effective to upgrade oil equipment over converting to gas. We have also been able to sell dual-fuel equipment in order to retain even a small part of their business. Our company will certainly participate in home energy audits, but we will most likely use subcontractors.

**Vadino:** We have offered new services

and are starting to get back into doing solar. I have three people right now three-quarters of the way through certification for energy audits. We realized the potential that our customers are looking at this. We even have changed our company name from Harriett’s Oil Service to Harriett’s Energy Solutions. We always did more than just oil, but with the different things we are looking at and beginning to do, this name change fits better.

**What qualities are you looking for in new techs? What are you doing to find and recruit talented staff?**

**Breda:** Attitude is extremely important. Trade school training is usually a requirement, as Connecticut has a license requirement, and the trade school certificate shows a dedication to the business and reduced apprenticeship hours.

**“Unfortunately, we are behind the times as a company regarding the newest computer technology available to streamline paperwork and billing. Aalanco is still using a mainframe computer and we have more paperwork than we know what to do with. A new computer system will be the next capital investment.”**

— Rena Falconi, Aalanco Service

**Falconi:** Diversity is very important: heating, cooling, installation. There are so many qualified technicians that have been laid off that we have found the local paper and Craig’s List to provide a wealth of resumes. If you are looking for apprentices, then the best contact is your local trade school teacher!

**Gonzalez:** I have always preferred to hire young graduates as trainees. We offer training incentives and have also offered “retention” contracts when we make substantial investments in their training. We will pay for training and they must stay with us for the stated period of time or reimburse us for our expenses.

**Vadino:** You want a new tech that has some schooling in HVAC. You also have to try to determine that not only can they learn it from a book, but that they have the mechanical ability to do it. Look for them to have the drive to learn more. They also need to be able to come across well to the customer when they represent themselves and the company. I work with the local vocational high school and a local Pennco Tech to try and recruit staff.

**What are you doing to assist sales as the service manager?**

**Breda:** I am in charge of equipment sales and in-house service calls. New account sales are generally assisted by providing service as

quick and accurately as possible.

**Falconi:** The service technicians in the field are by far your first sales contact with customer bases; they get the inside look at the facility and know to look for problems and/or improvements that the customer is “in need of.” If the account salesperson is not available to provide a quote and it is needed ASAP, then I will price and quote the job to the customer. This way, it is right back into their hands while the problem is a priority.

**Gonzalez:** Our company is not large enough to have an equipment salesperson, so I am responsible for all equipment sales. We use envelope stuffers with all invoices, and customer communications and referrals from technicians to promote sales.

**Vadino:** I use the National Oilheat Research Alliance (NORA) fuel savings analysis calculator to show customers the savings they can get if they replace their old equipment. I also get out money saving ideas to our customers, such as outdoor resets, heat managers or anything that may help them reduce their energy costs.

**Have you serviced/are you servicing biofuel customers? What kind of growth do you expect from this market segment in the near future?**

**Breda:** Our company has been delivering biofuel to our customer base for a few seasons now. I do not see an appreciable difference in the way that service is performed while using biofuel.

**Falconi:** No, but we are open to this avenue. We are still servicing heavy oils, which are the dinosaur of the industry.

**Gonzalez:** We are not servicing or selling biofuel. The added cost difference makes it difficult. I don’t expect our company to expand in this market segment in the near future. Bioheat® has yet to be validated even as an optional fuel. Price is not the only obstacle, availability is not yet widespread and dealer attitude does not favor the transition. Before our industry is fully engaged, we must address these issues. Maybe state mandates is the way to go.

**Vadino:** We currently don’t have any biofuel customers. In our area I don’t see any big growth in the near future.

**What skills will a service manager need to master in the next five years?**

**Breda:** The next five years will see an increased focus on raising the customer service bar. While some customers are price driven, the real emphasis in customer retention will be leaving the customer with a completely satisfied experience. We cannot

**Continued on page 18...**

## SOME SPCC REGS. DELAYED

**THE EPA RECENTLY ANNOUNCED AN** extension of the effective date for certain regulatory relief provisions designed to simplify and reduce the costs of compliance with the agency's Spill Prevention, Control and Countermeasure (SPCC) plan revision and implementation requirements for bulk plants. This latest change does not extend the July 1 compliance date for SPCC plan revision and implementation.

The effective date of these regulatory relief provisions is changing from April 4 to Jan. 14, 2010. As a result, bulk plant owners and operators who are currently revising and implementing SPCC plans cannot use the following regulatory relief provisions to meet the July 1 SPCC compliance deadline:

**New definition of facility.** Gives bulk plant owner or operators discretion in determining which contiguous or non-contiguous buildings structures, make up the "facility" for purposes of compliance with the rule.


**New definition of loading rack.** Narrows the range of equipment EPA considers a "loading rack" for purposes of providing sized secondary containment.

**Simplified plans.** Establishes streamlined compliance procedures for bulk plants under 10,000 gallons of aggregate capacity with no single storage tank greater than 5,000 gallons.

**Simplified plans for Tier II facilities.** Establishes a "hybrid" simplified compliance approach for bulk plants with total aggregate tank capacity under 10,000 gallons but with a single tank capable of storing over 5,000 gallons.

**Security requirements.** Allows an owner or operator of a bulk plant to tailor security measures to specific characteristics and location of the bulk plant facility.

**Secondary containment for vehicles.** The rule eliminates the sized secondary containment requirements for cargo tank vehicles containing product that are parked at bulk facilities between deliveries.

This latest SPCC rule does not change the compliance deadline for SPCC plan revision and implementation, however, an extension is being considered. Until then, bulk plant operators must revise and implement SPCC plans no later than July 1. For more information on SPCC regulations, see the March issue of *Oil & Energy*. 

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**...Continued from page 16**

sacrifice technical competency or efficient operation procedures, but there may be a time when we will need to spend more time with the customer, not just the equipment. Increased hours of operations for tune-ups or taking more time to explain the billing procedures with the customer are areas we may need to emphasize.

**Falconi:** I feel that some of my most difficult matters are with hiring people. I have found some people interview great, but just don't bring the same quality to the field.

**Gonzalez:** The service manager of the future must be educated in all the current and emerging technologies. Because of the need to become more energy efficient, these technologies seem to evolve faster than we can keep up with. I believe it is critical for service managers to align themselves with organizations such as the New England Fuel Institute (NEFI) and NAOHSM, which affords ample opportunities for education.

**Vadino:** Staying up with the changes on the technical end of the equipment. The systems now are so much more advanced than in years past. You need to stay on top of the

changes and not be afraid of the changes and advancements out there.

**What kind of new technology have you integrated into your job recently? How has this technology changed the way you operate, if at all?**

**Breda:** We are usually close to the technological forefront. Each technician is required to perform a combustion analysis with an electronic combustion analyzer each time an adjustment is made to the burner. The trucks are equipped with wire communication to computers and the work orders are available as the technician is done. All the vehicles have TomTom GPS units for driving safety and as a time saver. The new Beckett Genisys controls are being used as a way to assist inventory control and are providing a history to the technician when he is diagnosing a nuisance lockout.

**Falconi:** GPS tracking on vans has helped with customer time complaints; we can show the customer the arrival and end times to clarify a bill. Unfortunately, we are behind the times as a company regarding the newest

computer technology available to streamline paperwork and billing. Aalanco is still using a mainframe computer and we have more paperwork than we know what to do with. A new computer system will be the next capital investment.

**Gonzalez:** Technology is all around us these days, I can't state any one recent technological advancement that has changed our operation significantly. I can tell you that the Internet has made my job better (quick access to current information) and I am still giving thanks for cell phones. I remember when we used to dispatch on truck radios, even before the days of beepers. Today it is much simpler to communicate with everyone in general. I guess if I had to decide about a new technology, I would point to the new and simpler methods in information technology.

**Vadino:** As a company, the owners have always been willing to take on new technology. It always had to pass the test of being good for the company and good for the customer. So it's hard to say what I may have changed. ☐

**Industry News****COAL PLANTS SWITCHING TO BIOMASS**

The Georgia Public Service Commission (PSC) has approved a request from Georgia Power Company to convert its coal-fired power plant to a biomass power plant. The facility will be able to produce 96 megawatts of power once the conversion is completed in June 2012, making it one of the largest biomass power plants in the United States. It will draw on surplus wood fuel from suppliers within a 100-mile radius of the power plant.

A recent report from the Southern Alliance for Clean Energy notes that such biomass power plants would be key for a near-term shift to renewable energy in the Southeast. According to the report, 11 southeastern states currently draw on renewable energy for about 5 percent of their electricity sales, but that percentage can increase to 15 percent by 2015.

Also, Xcel Energy recently filed for approval to convert the remaining coal-fired unit at its Bay Front Power Plant to biomass by adding a biomass gasification facility to the Wisconsin facility. The utility already burns wood in two of the three boilers at the power plant, and the conversion will make it the largest biomass power plant in the Midwest. If approved, construction will start next year, with commercial operation anticipated in late 2012.

**MORE THAN \$3 BILLION IN EFFICIENCY GRANTS AVAILABLE**

The Obama administration recently announced plans to release \$3.2 billion for energy efficiency and conservation projects across the country. The Energy Efficiency and Conservation Block Grant program will provide formula grants for projects that reduce total energy use and fossil fuel emissions, and improve energy efficiency.



The funding will support energy audits and energy efficiency retrofits in residential and commercial buildings, the development and implementation of advanced building codes and inspections, and the creation of financial incentive programs for energy efficiency improvements. Other activities eligible for use of grant funds include transportation programs that conserve energy, projects to reduce and capture greenhouse

gas emissions, renewable energy installations on government buildings, energy efficient traffic signals and street lights, deployment of combined heat and power and district heating and cooling systems, and others.

Cities and counties will receive nearly \$1.9 billion under the Energy Efficiency and Conservation Block Grant Program, and states and territories will receive nearly \$770 million. States will receive and administer funds for those counties and cities that are not large enough to qualify for direct DOE funding. To learn more about the grants and to see if projects in your area are being funded, go to [www.eecbg.energy.gov](http://www.eecbg.energy.gov).

**SETTLEMENT REACHED FOR DEFECTIVE RADIANT SYSTEM**

There has been a \$324 million settlement for homeowners who purchased the Entran II radiant heating and snow melting system, which contained a defective hose. Claims vary depending on the extent of the property damage and type of installation. Homeowners who have the Entran II hose but have not suffered damaged may also file a claim.

Customers who have purchased this system should be notified immediately, in order to file a claim by the Nov. 19 deadline. For more information about the settlement, see [www.entranisettlement.com](http://www.entranisettlement.com).

**TOWNSEND READY FOR MANDATE WITH BIOPURE™**

**TOWNSEND OIL AND PROPANE INC., A FUEL AND** energy services company in the greater Boston area for more than 75 years, has announced the introduction and general availability of BioPure™, a biofuel made from domestic, renewable sources of energy.

BioPure is a blend of traditional home heating oil and between 2 and 5 percent of biofuel made from a variety of agricultural and vegetable feed stocks. Once in place with Townsend's 12,000 customers in Massachusetts and New Hampshire, BioPure will conserve the equivalent of 200,000 gallons of fuel oil in its first year alone.

"Support for the availability of alternative fuels for home heating is not just an economic

development issue, it is also an environmental issue," said Jim Townsend, CEO of Townsend Oil and Propane. "By proactively offering consumers in the region more options in adopting renewable sources of energy, we create incentives that can help to cut our energy costs, improve air quality and reduce our dependence on foreign oil. We are making BioPure immediately available to all of our current customers and new ones as well."

Townsend's introduction of BioPure comes more than a year ahead of the new biofuels mandate in Massachusetts for both home heating oil and transportation diesel.

"From an industry point of view, Townsend Oil and Propane is certainly taking

a leadership role in promoting biofuels for home heating oil customers," said Michael Ferrante, president of the Massachusetts Oilheat Council. "Jim's company is clearly ahead of the curve in helping to reshape the home heating oil industry in our state."

Townsend's BioPure is BQ-9000 certified, which meets ASTM D6751 quality and audit standards for companies engaged in producing, distributing and marketing blended biofuels. In addition to BioPure, Townsend provides propane delivery and heating and cooling services, as well as diesel, gasoline and customized energy-saving solutions for customers with its team of trained conservation specialists. For more, see [www.townsendoil.com](http://www.townsendoil.com).

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## Long-term Approach

### Government Predicts Slowing Fuel Demand by 2030

**THOUGH PROVIDING PROJECTIONS OF WORLD** energy prices and supplies within even a short span of time has proven to be nearly impossible in the last year, the U.S. Department of Energy's Energy Information Agency (EIA) recently released its long-term energy outlook, with an expectation for nearly level oil use and slowing overall fuel demand by 2030.

The report tries to ignore the relatively short-term impact the gyrating world economy is currently having on usage and demand, instead focusing on factors that are expected to persist, such as higher world oil prices, growing concern about greenhouse gas (GHG) emissions, the increase in renewable fuel production, a changing transportation fleet and improved efficiency in end-use equipment. The outlook's projections are also based on laws in effect as of November 2008, so it does not take into account the stimulus act passed in February, current Environmental Protection Agency (EPA) policy being debated or a potential national cap and trade program.

#### ENERGY USE

Consistently rising energy prices, along with a continued worldwide interest in adopting energy efficiency policies, could lead to a modest growth of just .5 percent energy consumption in the U.S. between 2007 and 2030, according to the EIA report.

**"With rebounding oil prices, more stringent vehicle fuel standards and renewable fuel mandates, the EIA projects total U.S. demand for liquid fuels to grow by only 1 million barrels per day between 2007 and 2030, but with no corresponding growth in oil consumption."**

That growth could change, however, and the report links energy use directly to the growth of the nation's economy over that time.

The report predicts the U.S. economy to grow at an average rate of 2.5 percent per year, but also made projections for between 1.8 percent and 3 percent. The more the economy grows, the more energy use is projected nationwide. According to the report, the difference in energy consumption between the low and high rates of growth would be nearly 20 quadrillion Btu.

Similarly, carbon dioxide (CO<sub>2</sub>) emission growth is also directly related to economic growth, according to the report. While the 2009 report predicts a growth rate of .3 percent and 6,414 million metric tons of CO<sub>2</sub> emissions in 2030, that is down from the 6,851 million metric tons it projected by then in last year's study, due to a slowing worldwide economy.

#### OIL PRICES AND PRODUCTION

Even though the EIA projects oil use to remain relatively unchanged through 2030, prices are harder to forecast. The report cites continued demand from China, India and other developing countries—along with oil-producing countries limiting access or output—as reasons that oil prices will rise by 2030, but the projected prices vary widely. While a target price of \$130 in 2007 dollars by 2030 is used, other projections varied from \$50 to \$200. The differences are rooted almost entirely in production. If the majority of countries continue to steadily increase production, the EIA sees the low point being achievable, while the opposite would drive prices to the higher levels.

The U.S. is expected to increase its own petroleum production in order to fight any international erosion, though the growth will probably only be incremental after 2010 due to technological limitations and rising capital costs for new projects, according to the report. Total offshore production is projected to

increase at an average annual rate of just 2.8 percent, from 1.4 million barrels per day in 2007 to 2.7 million barrels per day in 2030. The overall domestic production numbers are also sensitive to international prices. As the price rises, the U.S. is expected to increase production, as capital investments become more cost-effective.

With rebounding oil prices, more stringent vehicle fuel standards and renewable fuel mandates, the EIA projects total U.S. demand for liquid fuels to grow by only 1 million barrels per day between 2007 and 2030, but with no corresponding growth in oil consumption.

These factors will also contribute to the U.S. importing an overall lower share of its liquid fuels, helping to realize a popular campaign refrain from 2008 of reducing reliance on foreign countries for fuel. The net import share of U.S. fuels already fell from 60 percent in 2005 to 58 percent in 2007. That trend is expected to continue through 2030 with a net import share of 41 percent, with variations depending on where oil prices settle. If prices reach \$200 per barrel, imports could be reduced to just 30 percent of U.S. liquid fuel consumption.

#### RENEWABLE FUELS

While energy growth is projected at just .5 percent per year by 2030, renewable fuels are projected to grow by 3.3 percent per year. This would account for numerous types of renewables, including wood, municipal waste, and biomass in the end-use sectors; hydroelectricity, geothermal, municipal waste, biomass, solar, and wind for electric power generation; ethanol for gasoline blending; and biomass-based diesel.

This projected growth is spurred on heavily by already-established national policy. The Energy Independence and Security Act of

**Continued on page 22...**

**PGANE SCHEDULES REGIONAL DINNER MEETINGS**

The Propane Gas Association of New England (PGANE) will be hosting informational dinner meetings across the region next month to keep members up to date on the latest industry news. The meetings will feature Joe Rose, PGANE president, the group's regional directors and other invited guests.

The next dinner meeting will take place at Makris Lobster and Steak House in Concord, N.H., on Wednesday, June 3. Guests can arrive at 5:30 p.m. for cocktails, with dinner speakers scheduled for 6:30 p.m. The cost to attend is \$40 per person. Reservations are required by May 25.

Another dinner meeting will take place Thursday, June 4, at the Holiday Inn in Woburn, Mass. The cost is again \$40 per person, with cocktails at 5:30 p.m. and dinner and speakers scheduled for 6:30 p.m.

Companies are encouraged to bring several employees in order to network with associates and learn about key industry issues.

For more information about the dinners or to download the registration forms, go to [www.pgane.org](http://www.pgane.org) and click on "Events Calendar."

**RESERVATIONS BEGIN FOR SUMMER MEETING**

The Propane Gas Association of New England (PGANE) and New York Propane Gas Association (NYPGA) will hold their Joint Summer Conference this year on June 23 and 24 at the Sagamore Resort in Bolton Landing, N.Y.

More than 200 guests are expected and rooms are already filling up quickly. To reserve a room now, you can call the Sagamore at (800) 358-3585 and give reservation code 51JOIQ. For more information, see [www.pgane.org](http://www.pgane.org).

**PROPANE TRAINING CLASSES AVAILABLE**

There will be propane classes available throughout the spring and summer from the Propane Gas Association of New England (PGANE) in order to teach new technologies, give the latest information on new codes and regulations and provide refresher courses.

In order to properly plan class materials, certificates and meals, all class registrations will close seven days before the class is scheduled, unless the class is filled sooner. Registrations must be submitted by fax or e-mail, phone registrations are not accepted. All classes run from 8 a.m. to 4:30 p.m.

unless otherwise noted. To register, or to see a full list of the classes available, go to [www.pgane.org](http://www.pgane.org).

**The upcoming classes include:**

- May 21, Gasfitter Code Training on NFPA 54 with Ed Anderson in Troy, N.H.
- May 21 and 22, Operator Qualification Two-day Refresher in Hartford, Conn.
- May 26 through 28, CETP Book 1 Basics with Manny Crafts in Lebanon, N.H.
- June 2 through 4, CETP Book 6 Appliance Installation with Maine Supplement, instructor Jim Fusco, in Hooksett, N.H.
- June 3 through 5, CETP Book 1 Basics with David Breed in Hartford, Conn.
- June 11, Gasfitter Code Training on NFPA 54 with Ed Anderson in Troy, N.H.
- June 11 and 12, Operator Qualification Two-day Refresher, Montpelier, Vt.
- June 15 through 19, CETP Vapor Distribution 4.1 and 4.2 with David Breed in Brentwood, N.H.
- June 15 through 19, CETP 4.1 and 4.2 Distribution Systems with Ed Anderson in Troy, N.H.
- June 23 through 25, CETP Book 7 Basic Electricity and Appliance Troubleshooting with Jim Fusco in Hooksett, N.H.

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The image displays three overlapping screenshots of the EnergyWeb website. The top screenshot shows the Fegley Oil Company website with a navigation menu, a truck image, and a 'CURRENT HEATING OIL PRICE: \$1849' prominently displayed. The middle screenshot shows the Appgar Oil website with a 'Welcome to Appgar Oil' message and a 'Request Service Appointment' button. The bottom screenshot shows an 'Online Heating Oil' ordering form with fields for delivery location, phone number, and email address, along with a 'Complete the form below complete your online order.' message.

...Continued from page 20

2007 (EISA2007) will lead to guaranteed growth with its renewable fuel standard and growth in renewables for electricity generation from the renewable portfolio standard (RPS) programs at the state level.

The EISA2007 requires that 36 billion gallons of “credits” from biofuels be produced by 2022. A credit represents roughly one gallon, but some biofuels may receive more than one credit per gallon. The act requires 15 billion gallons of convention biofuels—such as ethanol from corn starch—and 21 billion gallons from advanced biofuels—such as cellulosic ethanol or biodiesel. While the report does not see enough credits actually being produced by the 2022 target date, it should be reached in 2027 and exceeded by 2030.

consumed will be of domestic production, the EIA projects that net imports of ethanol will increase to .5 million barrels per day in 2030.

**NATURAL GAS PRICES AND PRODUCTION**

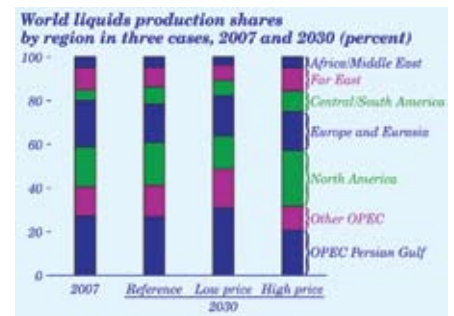
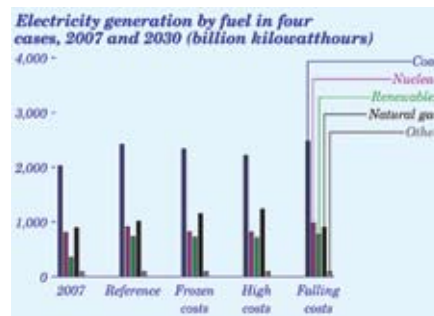
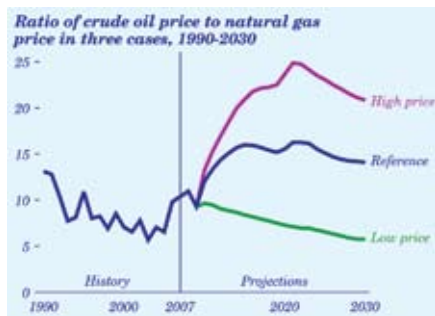
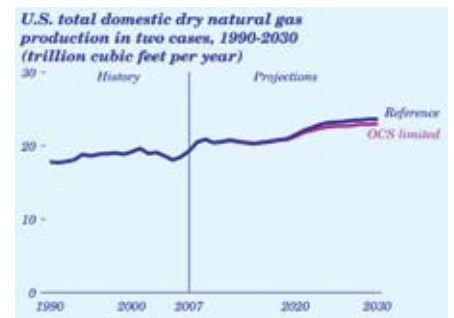
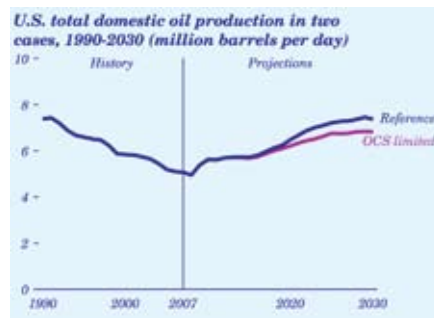
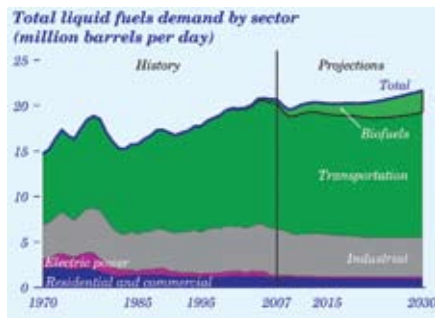
The study expects natural gas prices to steadily increase through 2030, with a brief dip in 2020 when domestic production ramps up in Alaska. The amount the price increases depends on general economic factors and the rate that natural gas exploration and production technologies advance.

While developing new technologies has short-term capital implications, it tends to drive the prices down in the long run. In fact, if companies are slow to adapt new

**ELECTRICITY GENERATION**

One of the more difficult areas to forecast in the report is the source of future electricity generation, as greenhouse gas emission and renewable portfolio standard (RPS) programs could direct what fuel sources are used.

There were 28 states, along with the District of Columbia, with RPS requirements specifying that a share of electricity sold in the state come from renewable sources, at the time of the report’s projections. As a result, the percent of electricity coming from nonhydroelectric renewables is expected to grow from 3 percent in 2007 to 9 percent in 2030, and 33 percent of the increase in total electricity generation comes from nonhydroelectric renewable sources. Those numbers would continue to grow further if more



For biofuel consumption to rise, prices need to be competitive with other petroleum-based fuels, according to the report. If oil prices stay on the low end of the projections, total liquid biofuel consumption is projected at 27 billion gallons by 2030. If oil goes as high as \$200 per barrel by 2030, biofuel consumption is expected to reach 40 billion gallons per year.

U.S. production of biofuels will grow from less than .5 million barrels per day in 2007 to 2.3 million barrels per day in 2030, the EIA says. Ethanol production will supply most of that growth, as ethanol use for gasoline blending grows to more than .8 million barrels per day and ethanol consumption in E85 fuel increases to 1.1 million barrels per day in 2030. Demand for E85 fuel is expected to escalate after 2015, when the market for E10 fuel has been saturated. While most of the ethanol

technology and therefore limit their production through 2030, the report projects that natural gas prices could be about \$2 more per thousand cubic feet than if they develop it at a faster rate than they have historically.

Due to the anticipated technological leaps, natural gas from unconventional sources is expected to drive annual domestic production in 2030 up by more than 4 trillion cubic feet from 2007 levels. These sources will include offshore, tight sand and shale formations.

By increasing domestic production, the U.S. is expected to sharply reduce natural gas imports by 2030. While imports accounted for 16 percent of U.S. supply in 2007, it is projected to go down to 3 percent in 2030. This will also allow the U.S. to export more natural gas to countries such as Mexico, where demand is expected to rise quicker than production.

states adopt or increase their current RPS requirements. If a cap and trade system, or another national program to limit greenhouse gases, is put into effect, those numbers would continue to rise as well. Assuming a limit on greenhouse gases similar to one proposed in Congress last year, the share of electricity accounted for by nonhydroelectric renewable generation could grow to 18 percent in 2030.

This could also impact coal production, which is only expected to grow about .6 percent per year through 2030, down from .9 percent a year since 1980. The report did not include projections on coal production with emissions standards in place, because there are too many factors to account for, including what the standards would be, how many allowances would be created and whether credits for certain fuel types would be encouraged. ☐



from them confirming they are PCI compliant today and learn what their plans are to remain PCI compliant. If they can't provide you with these answers, you should stop using their credit card storage modules until they are PCI compliant. Again, if there is a data breach, it is your company that is liable for any fines and it is your reputation at stake. ☒

For the most up-to-date PCI information, visit COCARD's newly designed Web site at [www.cocardprocessing.com](http://www.cocardprocessing.com). It will be continually updated to display the latest PCI data.

## Time to Think About PCI

### Why Compliance Matters for Every Business

By Tracy Richmond, COCARD/Richmond Financial Services

**FOR YEARS, MOST OILHEAT AND PROPANE** dealers thought they were "too small" to think about Payment Card Industry (PCI) rules. "That's only for the big retail stores!" is something I would hear often.

Unfortunately, that is not a true statement. Any company, large or small, that accepts credit cards is responsible for complying with PCI security standards.

The PCI security standards were developed in conjunction with the four major card brands, MasterCard, Visa, Discover and American Express. The standards detail 12 requirements that entail many security technologies and business processes. These reflect most of the usual best practices for securing sensitive information. You might be surprised at how many of the standards your company is already meeting.

The goals of PCI are to:

- Build and maintain a secure network;
- Protect cardholder data;
- Maintain a vulnerability management program;
- Implement strong access control measures;
- Regularly monitor and test networks;
- Maintain an information security policy.

I would like to caution you that just assigning this task to someone in your IT department won't keep your company safe. PCI is an ongoing initiative and must be monitored closely. It is important to partner with a processing partner that works closely with your company to aid you in this process. If your merchant services company is not talking to you about PCI security, then you might want to ask them why.

**Any company, large or small, that accepts credit cards is responsible for complying with PCI security standards.**

Just recently a dealer mentioned an alarming statement to me. He was under the impression that since he stored all his credit card data in his Fuel Oil Software program, then he was not responsible for PCI. He thought his software partner was responsible. This fact is 100 percent wrong! Your customers are your responsibility.

In fact, according to a recent study, the number one source of credit card data

breaches was through software products. It is imperative that you call your software partner and verify their PCI compliance immediately. You must receive something in writing

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MAIN ST. OIL CO.

## Seven Reasons for a Business Valuation

By John Nardozzi, Nardozzi Consulting

**THERE IS AN OLD JOKE ABOUT AN EAGER YOUNG** accountant applying for his first job. In an effort to test the young man's basic accounting knowledge, the interviewer asked him, "How much is two plus two?" Immediately, the young CPA shot back, "How much do you want it to be?"

He got the job.

The same sort of logic applies to business valuations. How much your business is worth depends on who is asking, and why. And while you should always have a "ballpark" idea of how much your business is worth, there are times when you need to know its value more precisely.

A business valuation puts a price tag on your company's assets both tangible (trucks, real estate, bulk plant, parts inventory, equipment, computer system, oil inventory) and intangible (customer list, logo, Web site, the "good will" generated by your reputation). The value of each part of your company can be influenced by a number of factors, including your location, competitors, oil prices—even the political stability of the Middle East.

**Although the market will eventually set the true value of the business (which is what someone is willing to pay for it!) you want to start the bidding as high as you can.**

But in all cases, the value assigned by a professional valuation analyst is an opinion and can vary widely. Ask five different valuation analysts to examine the same

business and you are likely to get five different valuations.

Similarly, there are seven basic reasons to have a valuation conducted and the purpose of each will affect the outcome of the valuation process.

**You are selling the business.** If you are about to put your Oilheat company on the market, you must first know what it is worth so that you can set an asking price. In such a case, you want the valuation to be as high as possible, rating your assets at their maximum value. Although the market will eventually set the true value of the business (which is what someone is willing to pay for it!) you want to start the bidding as high as you can.

**You are buying another business.** Conversely, if you are looking to expand and grow by acquiring a competitor's company, you want to have it valued as low as possible. Do not rely on the valuation given by the seller (see No. 1 above for the reason why), but pay to have your own valuation done. You will be surprised by the difference in asking price and true value.

**You are seeking financing.** Banks and other lenders will peg the amount they will lend and the interest rate they will charge to the security you can provide them. The higher the value of your business, the more comfortable a lender will be in providing capital. Time to crank the valuation knob "up" again.

**You are getting divorced.** When it comes time to divide assets with your soon to be ex-spouse, you will once again want to minimize the value of your business.

Of course, he or she will do just the opposite and present an analysis that maximizes the value of the company. That's why lawyers make so much money.

**Succession planning.** It's time to give the next generation a chance to own and run the business. This could be in a planned and organized gifting/transfer strategy or a complete succession plan. Whether gifting or selling or some of both, a valuation is critical to the success of the plan.

**Shareholder and partner agreements.** What happens if you or your partner dies, becomes disabled or wants to retire? First, you need an agreement. Second, the agreement will require an "agreed-to valuation." This can be by formula or by an outside appraiser. Either way, you will need to agree to a starting value to get the ball rolling and avoid disputes when the time comes.

**You die.** Not that you will be directly affected, but your heirs have a keen interest in the value of your business once you pass on. So does Uncle Sam. For estate tax purposes, your spouse, children and other heirs will want to minimize the value of the company. This will be particularly important if Congress and the Obama administration allow the current estate tax laws to lapse in 2010, which will bring back a much higher estate tax rate.

As you can see, the young accountant had the right attitude. When it comes to a business valuation, you really can make "two plus two" add up to almost anything you want, depending on the situation in which you find yourself. ☐

**Pennsylvania**

**ENERGY EFFICIENCY WORKSHOPS SCHEDULED**

The Department of Environmental Protection will hold a series of one-day workshops throughout Pennsylvania for contractors to help ensure homeowners realize the maximum benefit from any work to make their residence more energy efficient.

DEP, through West Penn Power Sustainable Energy Fund and Energy Coordinating Agency, is sponsoring Home Performance 101—a workshop that will provide contractors with an introduction to home performance concepts and related programs.

Workshop participants will learn the “house as a system” approach to energy conservation and energy efficiency, how to integrate that approach into their business model, and how to gain a better understanding of the market forces affecting homeowners.

The new Keystone HELP Energy Efficiency Loan and Rebate Program offers assistance to families seeking to cut their energy bills by helping to finance high-efficiency heating and air conditioning systems, and Energy Star-qualified windows and doors.

Thirty sessions of Home Performance 101 will be offered statewide over the next 12 weeks. Some sessions will be open to the public.

For the dates, times and locations, and to register online, visit [www.keystonehelp.com](http://www.keystonehelp.com).

**Vermont**

**VFDA DISCUSSES FUEL ASSISTANCE PROGRAM**

Nearly 80 people attended the Vermont Fuel Dealers Association (VFDA) membership meeting on March 26 at the Vermont Fuel Education Center in Montpelier to discuss the latest relevant state government bills.

While members received an update on pending legislation, the main focus of the meeting was the future of Vermont’s fuel assistance program. Commissioner Steve Dale and fuel assistance Supervisor Richard Moffi spoke to dealers for more than an hour about possible changes to the way benefits are distributed. A proposal to distribute benefits directly to recipients through a debit card was under consideration, however, it will not be implemented this upcoming heating season.

The fuel assistance office is attempting to modernize how they deliver benefits and are committed to working with heating fuel dealers on that effort. Last year’s last minute mandated discount was also discussed at length. The VFDA reported that Dale apologized for the way the discount was handled, but made it clear that such a discount was not going away. Both Dale and Moffi indicated that they are considering changing it from a percentage to a cents-per-gallon discount.

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Sliding-vane pumps have been designed to include features that make them efficient and reduce costs related to maintenance.

## Maintaining a Reliable Fuel Oil Delivery Fleet

### How the Right Pump Can Increase Safety and Efficiency

By Scott Jackson, Product Manager, Blackmer

**THE NATION'S FUEL OIL DEALERS** PRIDE themselves on being customer-centric. They relish the retelling of tales that feature them battling through a blizzard with snow drifts as high as their heads in order to make an emergency delivery, or answering the firefighter-like call at 3 a.m. in sub-zero conditions to repair a boiler that has gone on the blink. It's this kind of personal, one-to-one service with the customer base that continues to make Oilheat a viable home- and commercial-heating source for a great portion of the country, particularly in the Northeast.

But these tales would not have such happy endings—and would be retold for a whole different set of reasons, none of them good—if the fuel oil dealer was not able to rely on his or her equipment. From being certain that the delivery truck will start right up on those bitterly cold winter mornings to knowing that the on-board GPS system will deliver them to the correct location every time, fuel oil dealers rely on a wide range of equipment and technologies in the course of their day-to-day operations.

**The sliding-vane design compensates for normal wear in the pumping chamber, ensuring like-new performance throughout the life of the product, while the higher pumping capacities at lower speeds increase service life.**

One of the most crucial components in this technological chain remains the transport pumps used on the delivery fleet. These pumps act as the mechanical interface between the fuel oil on the delivery truck and the storage tank on the customer's property, making the

reliable operation of these pumps paramount in the success of a fuel oil dealer's business. With this need for reliability and efficiency in mind, the nation's fuel oil dealers have resoundingly accepted sliding-vane pumps as the No. 1 pump technology for use in the transfer of fuel oil from transport truck to storage vessel.

Invented in the late 1800s as an alternative to the inefficient "rotary" pumps of the time, sliding-vane technology has grown to become the leading pump technology anywhere that moving light liquids is a crucial part of the operation. Among their many benefits—chiefly, self-priming and high-suction capabilities; increased energy efficiency; consistent volumetric performance; and the ability to eliminate efficiency-robbing "slip"—the pumps' ease of maintenance make them ideal for fuel oil deliveries that can be critically time-sensitive.

Sliding-vane pumps help lower annual and emergency maintenance costs for fleet owners due to their design advantages. They are constructed with unique "self-adjusting" nonmetallic composite vanes that allow them to maintain near-original volumetric performance during the life of the pump. Additionally, the sliding-vane technology is designed around the bearing and seals, so the pumps offer longer life and greater product loss prevention than other technologies. The sliding-vane design compensates for normal wear in the pumping chamber, ensuring like-new performance throughout the life of the product, while the higher pumping capacities at lower speeds increase service life.

Sliding-vane pumps can be easily serviced without having to remove them from the truck

or piping, whether it's for a summer tune-up or during an early-morning vane replacement at the height of delivery season. The pumps can be completely rebuilt with the piping attached, allowing for quick and easy maintenance. If a vane ever becomes damaged, replacing it can be accomplished by simply removing the outboard head assembly from the non-drive end of the pump, sliding out the old vanes, inserting the new vanes, and reinstalling the head. In a matter of minutes, the pump can be back in operation. Simple vane replacement also requires no special tools.

In addition, some sliding vane pumps have included safety features in their design, such as relief valves and strainers, to further reduce downtime. Adjustable relief valves protect the pump from excessive pressure, which can lead to wear and breakdowns. The optional air-operated relief valve offers easy hose and nozzle handling. T-type strainers are available to protect pumping systems from damage caused by welding slag and foreign matter in the piping and tanks. Also, vane pump slip-fit bearings do not have to be pressed off and on the shaft, meaning that in truck-mounted applications, the pumps can be repaired without removing them from the truck.

In the end, this ease of maintenance offers the fuel oil dealer many benefits. The pumps are able to be serviced quickly and efficiently without the need of any special tools or excessive training for the field technician. This not only equates into less time spent on maintenance concerns, but also an appreciable monetary benefit for the dealer, since there is less overall downtime for the fleet, especially during the crucial high-volume winter months. ☐

**DOE-FUNDED PROJECT SHOWS PROMISE FOR TAPPING OIL SHALES**

A technology as simple as an advanced heater cable may hold the secret for tapping into the nation's largest source of oil, which is contained in vast amounts of shale in the American West.

A recently completed project sponsored by the U.S. Department of Energy (DOE) successfully demonstrated the application of a ceramic-composite insulated heater cable for oil shale recovery deep underground.



The United States holds about two thirds of the world's estimated reserves of 3.7 trillion barrels of oil shale, an amount thought to be 40 percent larger than remaining supplies of petroleum worldwide. Scientists believe that the Green River shale formation alone, in Colorado, Utah and Wyoming, has as much as 1.1 trillion barrels of oil equivalent.

Oil shale contains a substance called kerogen, which is the organic material from which oil is derived. Kerogen cannot be pumped from a reservoir like oil. Instead, the oil shale rock must be heated to separate the liquid. Once the liquid is collected, it can be upgraded to synthetic crude oil for shipment and refining in the nation's existing petroleum infrastructure.

The successful test of the heater cable holds promise for heating the shale oil in situ, down to a depth of 5,000 feet, thus separating the kerogen without having to go through the expensive process of mining the oil shale rock. If future underground tests of the cable prove successful, operators should be able to extract a petroleum-like liquid that is fluid enough to be pumped to the surface.

By eliminating the mining and a portion of the large-scale processing associated with oil shale recovery, the advanced cable system is estimated to cut recovery costs in

half while addressing environmental issues on the surface.

**CARLIN OFFERS BURNER SEMINAR**

A Carlin U Residential Oil class will take place Tuesday, Aug. 25, from 8 a.m. to 5 p.m. at the New England Fuel Institute (NEFI), 20 Summer St., Watertown, Mass.

This is a comprehensive, full-day seminar covering combustion and burner set-up, combustion efficiency testing, venting and combustion air, component testing and troubleshooting, and electrical circuit troubleshooting.

This class is prepared for any level of knowledge. Whether you are a seasoned technician or new to the field, the course will educate you about the latest technologies Carlin has to offer.

Specifically, the workshop agenda will include:

- Oil burner overview in detail, including proper burner set up on EZ-123, 99FRD, 100CRD and 102CRD.
- Oil burner component and primary control overview, featuring intermittent ignitions versus interrupted ignition, solenoid valve advantages, nozzle overview, measuring

draft, natural versus mechanical draft and combustion air openings.

- Fuel unit overview includes gravity feed versus lift feed, line sizing, vacuum, one-pipe vs two-pipe systems and cut-off pressure.
- Combustion testing overview, types of testers, how to use the multimeter to test components.

To register for the class, contact Linda Keene at Carlin at (800) 989-2275, info@carlincombustion.com or [www.carlincombustion.com](http://www.carlincombustion.com).

**LONGTIME OPMCA PRESIDENT RETIRES**

The Ohio Petroleum Marketers and Convenience Store Association (OPMCA) announced recently that longtime president Roger Dreyer would retire after 47 years with the association. Dreyer started with OPMCA in 1962, during the height of extended gasoline tax battles in the Ohio legislature.

Dreyer and his wife Mary Sue have three children. One of their daughters, Karen Dreyer Womack, is the executive vice president of OPMCA. Dreyer's plans for retirement include writing a book about his experience with OPMCA and consulting on various projects.

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to stay on the job as a contracted employee. You should expect to remain on the scene, doing the work of customer retention and sales for an average of two to three years.

#### FINANCING CHANGES

What has changed to shift the burden of risk onto the seller? You can thank the banks for much of the shift. With tightening credit, they are no longer willing to lend based on “potential” sales. Instead of looking at a customer list and seeing opportunity, they view the list as “customers who might leave.” So only retained gallons are deemed adequate collateral.

Similarly, few banks are willing to take a risk on financing the purchase of your bulk plant. There are too many potential problems and liabilities, including the ever-present threat of environmental issues. We are seeing many sellers retain ownership of their bulk plants, leasing the plant to the new owners with a purchase option for the future.

#### BETTER IN THE LONG RUN?


The upside of all this is that, in exchange for the seller assuming more of the risk, the buyer is often willing to pay a higher price for the company’s assets. With assurances that customers and gallons will be there, a buyer can justify a higher cost. In fact, with the stock market on shaky ground and bank savings accounts paying very modest rates, a seller may be better off taking the buyout over several years and asking for a higher interest rate from the buyer.

To protect yourself when selling your business, make sure the “paper” you receive promising future payment is securitized. A handshake agreement is not enough to ensure that you will get all you are due.

#### GOOD TIME TO SELL?

Despite the numerous changes and complications surrounding the transaction it is still a good time to sell an Oilheat company. Cash rich buyers are actively seeking ways to reinvest, and, despite the barriers erected along the way, financing is available for attractive deals.

Now it is time to look in the mirror and decide if the timing is right to sell your company. Do you have enough “gas in the tank” to put another few years into the business during the transition phase? Will the buyers still be there in a few years? Or will the market shift again and the opportunity be lost?

Take the time to complete a thorough assessment of your company, your exit strategy and your life. Sit with your trusted advisers and go over your options. If you decide that this is the year to sell your Oilheat company, the market is there for you. 

## Wanted: Oil Company Sellers!

By Joe Ciccarello, Gray, Gray & Gray

**IN THE MIDST OF A STRUGGLING ECONOMY AND** turbulent energy market you might be surprised to learn that there are many eager buyers out there for retail Oilheat companies. The question is, are you ready to sell?

We are at a critical period in the history of the Oilheat industry, and it has nothing to do with oil prices or international economics. The simple fact is that many Oilheat companies that were founded after World War II are now being run by second-generation owners who are ready to retire. They must either pass the business along to the next generation, sell it or simply shut the doors. First-generation owners of companies founded in the 1960s and 1970s face a similar choice.

**Today’s buyers are not willing to take the same risk. They want assurances that the customers they are buying will remain loyal, and that gallons sold will remain at the same level or higher. Guess who has to assume the risk? The seller.**

If you have a son or daughter who is willing to take over the business, great. Oilheat remains a good industry and can provide a very good living for your children, provided they are willing to treat the company as a modern business and not be tied to the past. It is also critical that the transition include an adequate income stream for you.

But if family ownership is ending with you, the best option to recoup the investment you have made over the years is to sell.

The good news is that there are plenty of buyers on the market. Companies that successfully rode the wave of up and down oil prices over the past few years have emerged

with very strong margins and cash reserves that can be reinvested in expansion. The owners of these companies are looking for attractive, well-run companies with solid customer lists, healthy margins and relatively clean balance sheets. And, in many cases, they are willing to pay a premium price.

Sounds like your company, right?

#### THE NEW REALITY OF SELLING

But selling an oil business is not the relatively simple transaction that it once was. If you envision cashing a fat check and sailing off into the Caribbean sunshine, your expectations need to be adjusted.

Years ago buyers were willing to take a “leap of faith” when purchasing an Oilheat company. They bought the trucks and a bulk plant and either repainted or retired them. They took on parts inventory, computer equipment and employees. Most critical, of course, the buyer bought the all-important customer list, then worked like heck to minimize “bleed off,” hoping to retain as many customers (and gallons) as possible.

Today’s buyers are not willing to take the same risk. They want assurances that the customers they are buying will remain loyal, and that gallons sold will remain at the same level or higher. Guess who has to assume the risk? The seller.

When you sell your company and your customer list, you may get some cash upfront, but the bulk of your payout will depend on retained gallons. You’ll receive the money in portions over a predetermined period of time. Instead of taking the money upfront and walking away, sellers today must be willing

**SOLAR GREW AT RECORD PACE IN 2008**

Solar energy deployment increased at a record pace in the United States and throughout the world in 2008, according to new industry reports. Recently, the Solar Energy Industries Association (SEIA) released its "2008 U.S. Solar Industry Year in Review," which found that U.S. solar energy capacity increased by



17 percent last year, reaching the equivalent of 8,775 megawatts (MW). The SEIA report tallies all types of solar energy, and last year the United States installed 342 MW of solar photovoltaic (PV) electric power, 139 thermal megawatts (MWTh) of solar water heating, 762 MWTh of pool heating, and 21 MWTh of solar space heating and cooling.

Domestic PV manufacturing capacity increased by 65 percent, and preliminary estimates peg the total U.S. PV manufacturing capacity at 685 MW per year as of the end of 2008.

SEIA estimates that 342 MW of PV were installed throughout the United States in 2008, and although Solarbuzz LLC reached a higher number of 360 MW for its annual PV industry report, that growth rate is still dwarfed by the world's fastest-growing PV markets, namely, Spain and Germany. According to Solarbuzz, Spain added 2,460 MW of solar PV power in 2008, while Germany added 1,860 MW of PV power, leaving the United States in a distant third place. Solarbuzz estimates the global market growth at 5,950 MW in 2008. World PV production reached 6,850 MW per year in 2008, a significant jump up from the capacity of 3,440 MW per year for 2007.

**NBB RESPONDS TO EUROPEAN BIODIESEL PROVISIONS**

The National Biodiesel Board (NBB) recently submitted formal written comments in response to the European Commission's (EC) decision to impose provisional antidumping (AD) and countervailing duties (CVD) on U.S. biodiesel entering the European Union (EU), ostensibly meant to prop up EU fuel producers.

"The comments we have filed highlight that arbitrary procedural conclusions and inaccurate market assumptions were used by the EC as the basis for imposing provisional duties on U.S. biodiesel," said Manning Feraci, NBB's vice president for federal affairs. "The rationale used to impose AD and CVD duties—which clearly benefit the interests of European biodiesel producers—runs afoul of the EU's WTO commitments."

The NBB's comments are meant to highlight that the European industry has not been harmed by U.S. competition, a fundamental fact that must be proven before duties can be finalized later this year. The comments filed by the NBB also note the faulty procedural assumptions that are utilized in the EC's ruling, specifically relating to the arbitrary decision to change the definition of the product under investigation. In addition, the provisional ruling also appears to omit key information from significant EU biodiesel producers that would be detrimental to the European Biodiesel Board's (EBB) claims in the investigations. According to the NBB, the EU producers that are alleging harm in the complaints have increased their market share by 5.8 percent and posted a 5.7 percent profit, which is quite healthy by industry standards.

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"We need to, as service people, get past the misconceptions that Bioheat® is a 'flash in the pan.' Bioheat is going to be a big part of the future of Oilheat." —Dave Bessette

## Teaching Change

### An Industry Veteran Leads Biofuel Education

**A MAJOR PART OF THE NATIONAL ASSOCIATION OF OIL HEATING SERVICE MANAGERS (NAOHSM)** convention in May and the New England Fuel Institute (NEFI) Energy Expo in June will be educational seminars where industry professionals can learn about a variety of topics from experts in the field. One of those experts—who will be speaking about the increasingly important topic of handling biofuels—is Dave Bessette, no stranger to heating industry gatherings. Bessette, currently the vice president of service at Arlex Oil Corporation of Lexington, Mass., has been in the Oilheat industry for more than 35 years. He became a member of NAOHSM in 1988, soon becoming the secretary of the Northeast Chapter, which allowed him to participate at National Board of Director Meetings. Through the years, he continued to take on new challenges at NAOHSM, serving as the national education chairman, vice president and eventually president of the association. He is currently serving on the NAOHSM Executive Board



Dave Bessette, a former NAOHSM president and currently vice president of service at Arlex Oil Corporation, will be giving technical seminars this year on how to handle biofuels as state mandates near.

as past president and as a member of the convention committee. In addition to those national assignments, he also serves as the president of NAOHSM's Northeast Chapter and secretary of the Boston Chapter, as well as on the Massachusetts Oil Burner Code Committee, the NFPA 211 Chimneys and Venting Committee and as an adviser to the National Biodiesel Board.

*Oil & Energy* asked Bessette for a preview of what he will be sharing at the upcoming trade shows, as well as his views on how biofuels and other energy conservation efforts could continue to change the industry.

**As you prepare to give technical seminars at both the NAOHSM show and NEFI Expo this year on biofuels, what are some of the most important lessons about the fuel you plan to tell service managers?**

Service managers and technicians need to understand that using a 5 percent bio-blend of fuel appears to have little or no negative impact on the burner's performance. Using a blend greater than 20 percent may cause service problems like plugged filters or gasket, O-ring and seal failures.

**What do you think are some of the biggest misconceptions about biofuels?**

Service people in our industry tend to be negative of new ideas. Bioheat® is still in its early stages. We need to embrace the concept so that we, and our customers, can lessen our dependence on foreign oil. We need to, as service people, get past the misconceptions that Bioheat is a "flash in the pan." Bioheat is going to be a big part of the future of Oilheat.

**How prevalent do you see biofuels being in**

**five years? Should service departments across the country be prepared to deal with them?**

Bioheat, will be more prevalent in the next five years due to the fact that beginning in July 2010, all heating oil sold in the state of Massachusetts must be a 2 percent blend, with an increase to 5 percent by 2013. Due to the fact that many of the adjoining states of New England get their heating oil from Massachusetts terminals, they as well may need to begin to use the product.

**Have you seen the service manager's job change as companies have diversified to offer fuels such as propane, solar and wood?**

The service manager's job has changed greatly in the last 10 years or so. Today's service manager is more than the technical guy of the organization. He or she needs to hone their skills in finance, inventory control, customer service, additional use of alternate fuels and the list goes on.

**Have you seen service departments expanding to offer home energy audits or other conservation advice? What training is available for companies looking to offer energy audits?**

The National Oilheat Research Alliance (NORA) has begun to offer training in home energy audits. Many companies are already utilizing this service for their customers. More of them will need to offer a program to their clients, as well. As a whole, all of the home heating oil companies have been helping our customers to conserve, especially with new equipment, set back thermostats, outside reset controls and other strategies.

**You spent time as NAOHSM's educational chairman. How important do you think**



**continued training is for technicians? How do you encourage it?**

Education for our technicians is important to the success of the industry. The younger technicians are always looking for additional training and hands-on education. The more experienced techs want more training on the many new innovations available to us. Service managers and owners of companies need to encourage service people, customer support staff and all of their employees to get additional training. If one of our techs brings a training session to our attention and he or she wants to take advantage of the time to train, we encourage them to do so. Training is an additional expense that is well worth the investment. Excellent service is what separates us from our competition.

**How is NAOHSM working to recruit and train new technicians? What do you see as the advantages to joining the Oilheat industry? What advice would you offer to those just starting in the industry?**

NAOHSM has just completed a new technical guide for the individual who is interested in the Oilheat profession. We are extremely excited to pass it on to technical schools, as well as middle and high schools and Oilheat instructors.

Personally, I can say, one of the advantages of being part of the Oilheat industry is the satisfaction of doing a job where you get to help people stay comfortable in their home. Another is the people that you get to meet and work with. The people who are associated with this industry really do care about each other and their customers. You don't get that feeling from a big utility.

**Do you assist in equipment sales? If so, what techniques has your company used to help in a tough economic climate?**

Most service managers assist in the sale of heating/cooling equipment. With the present economic situation, we have found that many of our customers are looking for financing of the proposed equipment. We offer no interest financing for 12 months with a substantial down payment. We also encourage our clients to apply for rebates from the local utility company.

**How has technology changed your job since you began and is there anything you have specifically embraced?**

The technology that we are seeing now in the industry has changed the way we do service calls. With many of the new combustion controls, the technician is able to access information from the control that enables him to know what the burner has

been doing for the last number of startups. He will know how long the burner ran, whether it started and stopped, if there was a lockout situation and much more information. This innovation has been embraced by experienced technicians as well as the younger techs. They are usually impressed with the high tech stuff.

**In addition to biofuels becoming more prevalent, what other changes do you anticipate for service managers, or the Oilheat industry as a whole?**

In addition to Bioheat fuels becoming more prevalent, service people will see more controls that will conserve the amount of oil a customer uses. Energy audits will be a service provided by oil dealers who may be referred to as "energy and comfort specialists." I look forward to the Oilheat industry thriving into the future and expanding the services that we provide to our customers. ☒

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## Customers and Prospects

### A World Wide Web of Difference

By Ben Gutkin, Warm Thoughts Communications

**GOOD MARKETING SHOULD MARRY YOUR** objectives and your customers' needs. Too often we focus on what we want customers to know or accomplish, with little regard for what's in it for them.

When developing your Internet strategy, it's beneficial to think of your target audience in two segments. First, there are prospects, who need to find out who you are. They want to know if you have the products and services they want, if you service their area and if you are someone they want to do business with.

In this article, we'll focus on the second segment—existing customers—who don't need to be sold quite as much. They visit you online because they have specific questions: "My heat isn't working. What should I do?" "How does your monthly payment plan work?"

**If you handle your online enrollments well, you can make your life, and your customers' lives, easier. A properly created enrollment Web site will dramatically reduce the number of inbound calls.**

"What efficiency equipment should I buy?" "Is a cap worth the cost of the fee?" They also come for the convenience of managing their account online. They want to pay bills, view delivery history, check prices, etc.

By setting up your Web site so that it quickly, easily and thoroughly addresses

these desires, you do two things. First, you demonstrate to customers that you're the kind of company they like doing business with. Second, you can position your company the right way, showing them why you are worth more than the discounter or full service dealer who's offering a cheaper deal.

Your price protection program is one example of how you can use the Web to marry your customers' needs with your need to deliver your message in the right way.

#### PRICE PROTECTION—ONLINE

In a time of hyper-volatility, it's increasingly risky to market your price protection programs. You've probably asked yourself these questions:

- Should I really be buying product or paper hedges before I get commitments from customers?
- What do I do about the price per gallon? If I put it in a letter, it might change dramatically before the customer has an opportunity to respond.
- How do I handle all the complex terms and conditions of my program?
- How do I address the fee for price protection? If it's 30 cents a gallon when I write an offer letter, it could be 35 cents when I mail the letter and 40 cents by the time the customer responds!

- And how do I handle all the calls?!?! A week after you do a mailing, you've got hundreds, if not thousands, of incoming calls. And your beleaguered customer service reps, apart from not being able to handle all the calls, may not be giving the answers you want them to give.

If you handle your online enrollments well, you can make your life, and your customers' lives, easier. A properly created enrollment Web site will dramatically reduce the number of inbound calls. Here are some of the things you can do:

- Post prices of your various programs and fees, updating them as often as you need to;
- Have customers specify the number of gallons they'd like to protect;
- Include an electronic signature and other security measures to verify agreement to your terms and conditions;
- Include a list of FAQs (such as, "Why do you need to charge for a price cap?" and "Why can't you tell me where oil prices are headed?") to explain the differences between your programs, demonstrating the pros and cons of each.

We've created dozens of price protection Web sites that do all of these things. And the beauty is that you haven't put the cart before the horse. You don't have to purchase without having confirmed enrollments.

#### MAKING GOOD USE OF E-COMMERCE

This same thinking can be applied to just about anything you want your customers to do. For example, why use your site to explain your service plans if you don't provide the opportunity to sign up for one at the moment customers are focused on it? And you can have different payment options as well. As long as you have a secure site built for e-commerce, they can pay with a credit card on the spot. Even better, they can apply the cost to their budget payments.

That leads to the next opportunity. Why not promote online sign-up for your budget plan and for your electronic funds transfer program, too? Ultimately, your goal for bill payment should be a paperless system. Once your customer signs up for electronic statements, you can e-mail them and then either their payment is automatically deducted from their bank account or they go to the Web site and pay the bill online.

The key to all of this is to have a Web site that is functional, easy to navigate, designed attractively and full of information that your customers are looking for. Next month, I'll talk about using your Web site and search engine marketing strategy to capture prospects. ☐



## Back to the Future

### Using the Past to Project Prices

By Mark Skaparas, Hedge Solutions

**GREAT SCOTT! CRUDE INVENTORIES ARE** currently bursting at the seams and distillate inventories are historically very high, plus worldwide energy demand is down substantially. This obviously raises the question, can prices continue to go lower or have the bottoms already been reached? To answer this question, I want you to hop into your DeLorean and head back to the future.

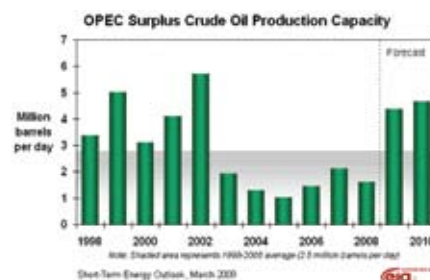
Just more than 10 years ago, crude on the NYMEX averaged \$11.91 a barrel. When evaluating prices back in 1998, one factor that jumps out is spare capacity by the Organization of Petroleum Exporting Countries (OPEC).

In fact, it is interesting to see that in 2000 crude averaged \$27.39 per barrel, in 2002 it went down to \$22.81 per barrel. Then in 2004 it jumped to \$37.66 per barrel, continued higher in 2006 to \$58.30 a barrel and nearly doubled in 2008 to \$99.65 per barrel. When comparing the forecasted OPEC crude surplus for 2009-10 with prior years, probably the best comparison is 2001. The average price for crude throughout 2001 was only \$23 a barrel.

**When comparing the forecasted OPEC crude surplus for 2009-10 with prior years, probably the best comparison is 2001. The average price for crude throughout 2001 was only \$23 a barrel.**

This past year you heard much talk about the fundamentals and technicals. Technicals are the short-term indicators used to project future commodity price movements. Currently the technicals are neutral, but

something that jumps off the chart is spare capacity, which falls under the umbrella of a fundamental criterion. You surely heard numerous hedge fund managers that invested—or speculated—in oil contracts last year claim that their bullish position was justified because they believed that producing countries lacked any spare capacity.



This chart from the U.S. Energy Information Agency (EIA) shows a steady surplus of inventory of fuel from OPEC through 2002, which helped to maintain greater price stability.

This was tough to argue with because as demand for oil increased, the perception in the financial markets was that producing nations around the world, mainly OPEC, were not sufficiently bringing enough crude to the market.

Fast forward to 2009 and the demand for refined products is sharply down and the OPEC production cuts are lagging behind the decrease in demand. More simply put, demand contraction has outpaced OPEC's continued call for more cuts. Thus, until destocking of

inventories occurs, it will be months until OPEC will be ahead of the demand curve. Not long ago, many economists felt that crude at \$24 to \$28 a barrel would allow economies to flourish. When crude hit \$147 a barrel, the economies of the world were devastated. An argument could be made that it wasn't the bond traders, subprime lending or mark to market accounting, but the astronomically high oil prices that led to the worldwide economic slowdown.

So what is a heating oil dealer to do? Should you wait until the forward curve gets weaker? Wait until the Dow moves back above 9,000? Remember, your chance of picking the low price of the year is less than half of 1 percent. So instead of overanalyzing the markets or buying oil that you don't need, why not test the waters to see what your customers want now? Many of your customers received, or will be receiving shortly, their tax rebate checks from Uncle Sam. As many consumers are tightening up their spending habits and prioritizing budgeted items, it is an opportune time to early enroll those customers in plans.

As you look back into the future, it is clear that many markets are cyclical. They have peaks and valleys. Economics 101 tells us that high prices lead to low prices and low prices lead to high prices. With the market being so overblown this past year, the spare capacity factor definitely should be kept in the back of everyone's mind when making purchasing decisions for the upcoming 2009-10 season. ☞

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**JEFF QUICKEL, EMERSON SWAN**, who will address why oil companies are interested in gas products, introduce condensing equipment for residential/commercial applications, offer up some installation practices do's and don'ts, and discuss "going green" with high efficiency products. (Tues., June 9, 9:30 AM).

**JAMES S. JAFFE, CONNECTICUT CHIMNEY AND VENT, LLC**. What you don't know about chimneys can hurt you. A veteran of the HVAC field for twenty three years, his presentation will concentrate on understanding venting requirements for heating appliances. Specifically, attendees will learn about chimney flue and combustion air requirements when installing, removing or upgrading heating equipment. (Tues., June 9, 10:30 AM Session 1).

**MICHAEL SAN ANTONIO, TECHNICAL TRAINING MANAGER, EDOS MFR. REPS., Inc.** He will provide updates on the latest Honeywell control devices and their important role in providing efficient heating and AC systems. As Manager of Commercial/Industrial Combustion Controls division, Michael assumes the responsibilities of customer interface for Honeywell project planning, sales, and technical support coordination for distributors, combustion contractors and end users in quality, and the commissioning of individual equipment and integrated systems. (Tues., June 9, 10:30 AM Session 2).

**DAVE BESSETTE, SERVICE MANAGER, ARLEX OIL CO., ARLINGTON, MA ON BIOHEAT®**. Biodiesel becomes a mandatory component to heating oil in Massachusetts in 2010. Other states and government localities are sure to follow suit. His seminar provides essential background and updates to the physical attributes and delivery and handling of Bioheat. The future is now. We expect a packed house. (Wed., June 10, 9:30 AM Session).

**DAVE ROUSAYNE, CARLIN COMBUSTION TECHNOLOGY, INC.**, Carlin will be demonstrating the features of its new EZ-H2L two-stage residential oil burner and its state-of-the-art control system. Carlin's new ESP controls the firing rate of the burner, the combustion process, and the blower speed based on the response it detects from the appliance. (Wed., June 10, 11:00 AM Session 1).

**ANN WARD, WARD CERTIFIED COMPANY**  
Ann has dubbed her session "happy hour," as her philosophy and presentation will show attendees how "happy customers" stay loyal, even in tough times. She invites you to spend a fun, interactive hour learning the tools and techniques needed to gain instant respect from your customers, fix problems faster, and be able to answer their tough questions. (Wed., June 10, 11:00 AM Session 2).

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Advanced Fuel Solutions Inc.  
AFLAC  
Allanson, Inc.  
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Blackmer  
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April likely signaled the true end to the cold season across much of the country. I expect a large and growing warmer-than-normal zone to expand across the Rockies and the Plains during early May. I am a bit worried that the large upper-level ridge that will be responsible for the west-central and central U.S. early May warmth could induce a mean trough to position itself across the Northeastern states, or just offshore. If that does indeed come to pass, the Northeast will see a variable weather pattern, with alternating warmer-than-normal and cooler-than-normal periods. If the west-central ridge is amplified enough it could remove most of the remaining cold air across central Canada. This would greatly diminish the cold air potential of any Northeast trough.

My current thinking is that during May a large warmer-than-normal zone will run from the Plains on across the Midwest, Deep South, Southeast and much of the Middle Atlantic region. The Northeast could see the warmth periodically surge northeastward strongly enough to allow for a somewhat milder-than-normal May overall. But the likelihood of at least a weak New England trough means enough cooling should occur to prevent the warmth from getting out of hand across the Northeast. It also means a couple of cool, nasty periods are still quite possible.

The pattern could very well mean an early start to the severe thunderstorm/tornado season is in store from the Great Lakes on into the Northeast, as warm summertime intrusions battle it out with any remaining cold air masses dropping into the Northeast trough.

In summary, my call is for a somewhat milder-than-normal May overall across the Northeast/New England region, but with enough cooling periods to prevent any early summer warmth from holding on for extended periods. I also expected the mid- to late-May period to see enhanced severe weather threats. ☒

## Cool Spring Could Linger Summer Warmth Might Be Suppressed Through May

By John Bagioni, Fax-Alert Weather Service

**BACK DURING THE EARLY FALL, MY VISION OF** how the late winter/spring period would evolve was for a colder-than-normal end to the winter season, followed by a fairly rapid transition into a warmer-than-normal spring season. That scenario was harmed by the failure of February to run consistently colder than normal.

While not an unusually mild month, February ended slightly to modestly above normal for many Northeastern locations. March featured a split personality and ended with relatively small deviations from normal across the Northern Middle Atlantic region and New England. The failure of February and March to stay consistently colder than normal left the door open for leftover cold air masses to harass the Northeast well into late April.

I had planned on April turning into a much warmer-than-normal month for the Northeast, and while it did start warm, mid- and late-month cooling was quite impressive. By no means was April a balmy spring month across the Northeastern part of the country.

It is interesting to note that even when we have seen recent months average above normal, it has not been due to consistently milder-than-normal daytime periods. Most of the above-normal periods, ever since February, have been driven by milder-than-normal overnight periods, not warmer-than-normal daylight periods. In fact, during April many residents of the Northeast were complaining about the rotten spring weather this year not because of the number of rainy days, but because of the consistently cooler and windier-than-normal daylight periods. Overall, temperature averages were not too far from normal, but windy, cool daytime periods skewed many people's impressions about how the spring was playing out.

The data through April does support the impression of a less-than-pleasant spring. This year there were many fewer days in the

60s and 70s. Even during cold springs we usually see one or two weeks of truly balmy conditions. Well, not this year. When truly warm temperatures did occur, they only stuck around for a day or two.

Before I move into my May and early summer thoughts, a couple of words about this past winter. For the vast majority of the region (Northern Middle Atlantic, New York and New England), the three-month period from December to February averaged fairly close to normal, when looking at 30-year averages. Most locations found heating degree-day totals ending within 1 to 2 percent of 30-year averages. If you used three, five, or 10-year averages as a base, most locations saw heating degree totals ending up above normal. While December and February were close to or modestly milder than normal in most locations, January was solidly colder than normal for all areas. The 2008-09 winter season cannot be termed a throwback winter, but given recent global climate shifts, I think it points toward a trend of colder-than-normal winters in the not too distant future.

A large-scale pattern shift at the end of

Degree Day Reporting Form				REPORTING DATE: 3-31-2009
Station	Total Actual Accumulation To Date	Normal Accumulation To Date	Actual Accumulation To This Date 1-Yr. Ago	Normal Next 30-Day Period
Caribou, ME	8043	8179	8191	805
Portland, ME	6102	6192	5907	649
Concord, NH	6419	6463	6206	623
Burlington, VT	6519	6663	6220	646
Albany, NY	5877	6005	5578	553
Worcester, MA	5746	5878	5544	601
Boston, MA	4954	4846	4649	503
Hartford/Springfield	5381	5385	5046	488
Providence, RI	5030	4995	4582	494
Chatham, MA	4911	4856	4353	608
Bridgeport, CT	4861	4769	4279	490

Report compiled by John Bagioni, a consulting meteorologist who runs Fax-Alert Weather Service LLC, Burlington, Conn. He can be reached at: (860) 675-9091, or at: johnbag@comcast.net.

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**May 2009**

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**June 2009**

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**July 2009**

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**5-7 Atlantic Region Energy Expo AREE09**, Atlantic City Convention Center, Atlantic City, NJ. 973-467-1400 • [www.aretradeshow.com](http://www.aretradeshow.com)

**6 NORA Board Meeting in Conjunction with AREE**, 12:00 noon, Atlantic City, NJ. 703-340-1660 • [www.nora-oilheat.org](http://www.nora-oilheat.org)

**13-15 PMAA Washington Conference and Day on the Hill**, Washington, DC. 703-351-8000 • [www.pmaa.org](http://www.pmaa.org)

**17-21 National Association of Oil Heating Service Managers 56th Annual Convention**, Hershey, PA. 888-552-0900 [www.naohsm.org](http://www.naohsm.org)

**19 Gray Gray & Gray's 8th Annual "Spring Swing" Golf Tournament**, Granite Links Golf Club, Quincy, MA. 781-407-0300 • [www.gggcpas.com](http://www.gggcpas.com)

**27-29 Canadian Oil Heat Association's Annual Symposium in Montreal** "Oilheat 2009: Facing Tomorrow Together," Montreal, Quebec. 514-879-1370 • [www.symposium.coha.ca](http://www.symposium.coha.ca)

**28-29 Vermont Fuel Dealers Association's Annual Conference**, Stratton Mountain Resort, Stratton Mountain, VT. 802-223-7750 • [www.vermontfuel.com](http://www.vermontfuel.com)

**29-30 Radiant Panel Association's "REXperience" 2009 Annual Conference**, Mohawk Valley Community College, Utica, NY. 970-613-0100 • [www.radiantpanelassociation.org](http://www.radiantpanelassociation.org)

**8-10 National Propane Gas Association's "Propane Days" and Board of Directors Meeting**, Washington, DC. 202-466-7200, Ext. 228 • [www.npga.org](http://www.npga.org)

**9-10 NEFI's 33rd North American Heating and Energy Exposition & NEFI Business Convention**, Boston, MA. 617-924-1000 [www.nefiexpo.com](http://www.nefiexpo.com)

**11-19 NEFI Spring Energy Conference**, Italy (extension trip June 19-22). 617-923-5015 [tracy@nefi.com](mailto:tracy@nefi.com)

**18 Oil Heat Council of New Hampshire's Golf Outing and Membership Meeting**, Stonebridge Country Club, Goffstown, NH. 603-895-3808 • [www.nhoilheat.com](http://www.nhoilheat.com)

**21-23 Maine Oil Dealers Association 55th Annual Convention**, Harborside Resort & Marina, Bar Harbor, ME. Phone: 207-729-5298 [www.meoil.com](http://www.meoil.com)

**23-24 Propane Gas Association of New England/NYPGA's Joint Summer Conference**, The Sagamore Resort, Lake George, Bolton Landing, NY. 603-544-2226 • [www.pgane.org](http://www.pgane.org)

**25-26 Independent Connecticut Petroleum Assn. (ICPA) 59th Annual Meeting**, Water's Edge Resort & Spa, Westbrook, CT. 860-613-2041 • [www.icpa.org](http://www.icpa.org)

**9-14 Empire State Petroleum Association's Summer Convention**, Hyatt Regency Resort, Lake Tahoe, NV. 518-449-0702 • [www.espa.net](http://www.espa.net)

**19-21 Pennsylvania Petroleum Marketers & Convenience Store Assn. (PPMCSA) Summer Conference**, Grand Hotel, Ocean City, MD. 717-902-0210 • [www.ppmcsa.org](http://www.ppmcsa.org)

**28 NAOHSM's "Crossing the Generational Divide" Workshop**, Hilton Hotel, Woodcliff Lakes, NJ. Phone: 888-552-0900 • [www.naohsm.org](http://www.naohsm.org)

**Coming in August 2009:**

**17 Massachusetts Oilheat Council's Golf Tournament**, Pinehills Golf Club, Plymouth, MA. 800-722-0623 • [www.massoilheat.org](http://www.massoilheat.org)

**25 Carlin "U" Residential Oil Class**, 8am-5pm, NEFI Technical Training Center, Watertown, MA. 617-924-1000 • [www.nefi.com](http://www.nefi.com)

**31 Maine Oil Dealers Association 17th Annual J. Garrie Murray Golf Classic**, Penobscot Valley Country Club, Orono, ME. 207-729-5298 • [www.meoil.com](http://www.meoil.com)

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**Industry News**

**APPROVAL CLEARS WAY FOR EPA TO LIMIT GREENHOUSE GAS EMISSIONS**

**IN APRIL, THE U.S. OFFICE OF MANAGEMENT AND** Budget (OMB) approved the Environmental Protection Agency's (EPA) regulatory finding that greenhouse gas (GHG) emissions from transportation fuels endanger human health and the environment. This issue is important to heating oil dealers because GHG limits could significantly increase the cost of heating oil and other petroleum-based fuels. OMB approval of the endangerment finding was necessary before the EPA could move forward with regulations under the Clean Air Act to

control GHG emissions. The EPA favors a cap and trade approach to limiting emissions from these sources.

Under a cap and trade approach, a national inventory of current greenhouse gas emissions must be taken in order to establish an emission baseline. The EPA has already proposed an emission-reporting requirement that would establish this baseline. Once the baseline is known, a cap on emissions will be established below the current baseline so that emitters will be forced to purchase credits from the EPA to

exceed the cap. Emitters will then factor the cost of the credits into the cost of their products, which is ultimately paid by consumers in the form of higher prices.

In the meantime Congress is expected to step in with legislation establishing a GHG program before the EPA can implement cap and trade through regulations. Whether Congress chooses a cap and trade approach to limit GHG emissions or simply imposes a pollution or "carbon tax" on fossil fuels is still a subject of debate. ☐



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**SENATE ADDRESSES RFS BLEND WALL DILEMMA**

The Senate subcommittee on Clean Air and Nuclear Safety recently held a hearing to address the Environmental Protection Agency (EPA) renewable fuel standard (RFS).

Although the Committee Ranking Member James Inhofe, R-Okla., was not in attendance, he did submit his opening statement, which said, "This overly aggressive ethanol mandate has also led to consumer backlash in parts of the country. In my home state of Oklahoma, one convenience store chain experienced a 30 percent drop in fuel

sales once they began selling fuel blended at E-10 levels."

Witnesses Blake Early and Charles Drevna expressed concerns with the current RFS in regards to the corn ethanol mandate. Both witnesses urged the subcommittee to direct the EPA not to act on mid-level ethanol blends until further studies are completed. They also questioned the validity of the Department of Energy's (DOE) only completed study on the effects mid-level ethanol blends pose to vehicles and small engines. Drevna said that if the ethanol community is so certain that

mid-level ethanol blends pose no problems with marine engines and small power equipment, then they should accept the full liability if mid-level ethanol blends destroy non-flex-fuel vehicle engines.



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The EPA's submitted statement highlighted three potential pathways to address the RFS's "blend wall" issue: pursue expanded use of flex-fuel vehicles and E85 refueling infrastructure; pursue expanded use of non-ethanol renewable fuels which are not affected by the blending limitations; and, raising the current 10 percent ethanol limit to higher levels. The EPA is working with the DOE to evaluate the impacts of the use of higher ethanol blends for highway vehicle fleets and non-road equipment, and expect to complete the testing over the course of the next year.

In 2007 the renewable fuel standard was expanded to require the motor fuel supply to include 36 billion gallons of ethanol and advanced biofuels by 2022. Under current regulations, gasoline can only have up to 10 percent ethanol content; however, no existing fuel dispensing system has been UL certified for ethanol blends above E10.

### **REPORT: LOW OIL PRICES SLOWING SUPPLY GROWTH**

The steep decline in oil prices near the end of 2008 was not matched by a decline in the cost of developing new oil fields, leading oil companies to slow, defer or cancel many of their projects to find new oil supplies, according to a new study by Cambridge Energy Research Associates (CERA).

CERA expects oil demand to pick up in 2010, at which time today's slow growth in oil production could lead to a period of tight supply and strongly rising oil prices. The report notes, however, that future oil demand remains highly uncertain, in part because of "demand destruction" in 2008, as people started buying more fuel-efficient cars and adopting practices that could become long-term habits, such as driving less and using mass transit more. The report also notes that new policies for energy and climate change could significantly dampen future demand for oil, making future oil prices highly uncertain.

# HVACR Educators and Trainers Awarded

**EACH YEAR, HVAC EXCELLENCE ACKNOWLEDGES**

some of the individuals and groups that are making a real difference in the HVACR industry. During the 2009 National HVACR Educators and Trainers Conference in Las Vegas this March, HVAC Excellence hosted many crowded technical sessions and presentations. The show was so busy that the Las Vegas Fire Marshal had to give special permission to expand the seating for the individuals representing nearly 800 schools and training centers to be seated together during the general sessions.

HVAC Excellence also presented their annual awards to the following individuals and groups in 2009:

**The Leadership Award** was presented by Jerry Weiss of HVAC Excellence and David Jolley of Equity Residential to Michael Flynn of Hampden Engineering. Hampden manufactures educational equipment for vocational and industrial programs. Flynn is vice president of Hampden Engineering and was named this year's winner for his leadership and dedication to HVACR education. Accepting on behalf of Flynn was Keith Avery of Hampden Engineering.

**The Green Award** was presented by Erik Rasmussen of the Carbon Monoxide Safety

Association (COISA) and Jo Ann Keirns of the Green Mechanical Council to Richard Benkowski. Benkowski is a sales engineer with Carrier and a trainer for the United Association. He was selected for his expertise in instructional delivery of green mechanical awareness education in the HVACR industry. Benkowski is also one of the authors of Green Awareness, the training program used by the United Association and the Mechanical Service Contractors of America for the green awareness training.

Russ Harju of Fieldpiece Instruments and Bob Dwyer of the Carbon Monoxide Safety Association presented the **Carbon Monoxide Safety Education Award** to the staff of Intellitech College in Colorado Springs, Colo. Intellitech College was selected for their aggressive and progressive program approach to carbon monoxide safety and technician education. They developed a six-room "Carbon Monoxide Manor" classroom annex, where the classroom meets the full-size lab for advanced technician performance assessments.

HVAC Excellence commended all of the 2009 award winners for making a difference in the HVACR industry. To view more photos from the awards ceremony or conference, go to [www.hvacexcellence.org](http://www.hvacexcellence.org).



From left, David Jolley of Equity Residential, Keith Avery of Hampden Engineering and Jerry Weiss of HVAC Excellence.



From left, Erik Rasmussen and Jo Ann Keirns present Richard Benkowski with an award.



Intellitech College won the CO Safety Award for their development of new programs to safety perform testing.



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## Taking the First Step Going Greener and Cleaner with Biofuels

By Michael Ferrante, Massachusetts Oilheat Council

**WITH NATIONAL ENERGY POLICY FRONT AND** center currently, the natural gas companies flexing their competitive muscles again this year in the home heating marketplace and environmental groups favoring not only natural gas but also wood pellets over Oilheat for space heating, the Oilheat industry must begin to take charge of its own destiny and fully embrace a transition to a blend of biofuel and lower sulfur diesel in order to sail with the shifting tide.

From my perch in Massachusetts, where more than 800 million gallons of home heating oil is sold annually—the third largest home heating oil volume state in the country—we are witnessing a convergence of many

**The Massachusetts biofuel mandate has essentially made our state an island, and we must address significant infrastructure issues with our wholesale partners in order to meet the 2010 timeframe. But in meetings with members of a wholesale task force that our association created, I've heard nothing but tacit approval for aggressively moving the entire industry to biofuel.**

factors that has led our industry leaders to embrace the first biofuel mandate in the country for both home heating oil and diesel fuel. Beginning in July 2010, all home heating oil and diesel gallons sold here must contain a B2 (2 percent blend) of biofuel, and the blend

escalates to B5 by 2013. Here in Massachusetts, a “green,” “clean” and “secure” national energy policy isn't just rhetoric anymore. Our governor, Deval Patrick, is clearly trying to jumpstart the national energy agenda, and his friend and ally President Barack Obama is certainly in lock step with this effort.

### THE PRESIDENT AND NATIONAL ENERGY POLICY

One of the reasons President Obama captured the White House is that he articulated an energy policy that resonated with voters. His view that our country is overly reliant on foreign energy sources; that our air needs to be cleaner; and that the country's economy can grow with energy security investments are certainly not new platforms, but Obama's swift action on initiatives such as releasing millions of stimulus dollars for energy efficiency programs shows that he means business. The president has promised that he will advance legislation on a low carbon fuel standard and a cap and trade program to help reduce greenhouse gas emissions. Advancing biofuels is one of his methodologies for accomplishing these goals, so the time is right for the Oilheat industry to align itself with a cleaner-burning product.

### BIOFUELS PROVIDE THE ANSWER

I'm certainly not delusional about the hurdles we face in bringing biofuels to the Oilheat marketplace. The Massachusetts

biofuel mandate has essentially made our state an island, and we must address significant infrastructure issues with our wholesale partners in order to meet the 2010 timeframe. But in meetings with members of a wholesale task force that our association created, I've heard nothing but tacit approval for aggressively moving the entire industry to biofuel. These companies are willing to make the necessary infrastructure improvements if states like Massachusetts fully commit to a new distillate blend. Apart from the wholesale challenges however, biofuel products currently meeting the American Society of Testing & Materials (ASTM) standard 6751 are fit-for-use right now and fully compatible with home heating oil equipment. And Underwriters Laboratories (UL) has given its seal of approval to a B5 blend, while the National Oilheat Research Alliance (NORA) is also on board with B5. But we can and must do more to improve home heating fuel.

### A LOW SULFUR BIO BLEND

Five years ago, our association conducted one of the first laboratory tests of a B20 blend of biofuel with 500 parts per million (ppm) low sulfur diesel. Although the study focused only on combustion efficiency, the test results indicated that we had worked with a very clean-burning fuel. Today, our industry is armed with more comprehensive test results that demonstrate that if we blend 15 ppm ultra-low sulfur diesel (ULSD) with biofuel, the fuel surpasses the cleanliness of natural gas for annual CO<sub>2</sub> emissions at a B12 blend.

And given statements recently by National Grid's Steve Holliday to the *New York Times*, our industry needs to move as swiftly as possible to offer a cleaner fuel blend. Holliday is quoted as saying, “Each time you take an oil burner out of a normal home, it's equivalent to taking four four-wheel drive vehicles off the road. It should be a no-brainer; it has a huge impact on the environment and air quality.”

To our credit, the Oilheat industry is making steady progress with ULSD. Industry leaders have partnered with major refiners to negotiate with groups like the Northeast States for Coordinated Air Use Management (NESCAUM) to usher in a practical, feasible step down approach from 500 ppm to 15 ppm fuel, thus creating one ULSD pool over the next 10 years.

So with spring in full bloom, I submit that the time is right for a fresh start in the Oilheat industry. Let's all commit to making a blend of biofuels and ULSD the fuel of choice for home heating in the near future. And if you have questions about biofuel and Bioheat®, I encourage you to visit [www.massoilheat.org](http://www.massoilheat.org) and follow the links for [www.bioheatonline.com](http://www.bioheatonline.com). ☞

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	Week Ending				Week Ending		
District	04/03/09	03/27/09	Year Ago	District	04/03/09	03/27/09	Year Ago
East Coast (PADD I)	17.3	18.8	13.8	East Coast (PADD I)	8.7	7.2	4.8
NEW ENGLAND	2.1	2.5	1.4	NEW ENGLAND	0.8	0.7	0.1
MID-ATLANTIC	8.2	8.6	6.0	MID-ATLANTIC	4.0	2.7	1.6
SOUTH TO FLA.	7.0	7.6	6.3	SOUTH TO FLA.	4.0	3.8	3.2
Midwest (PADD II)	27.3	27.8	22.4	Midwest (PADD II)	3.5	3.6	4.0
Gulf Coast (PADD III)	26.0	26.4	19.1	Gulf Coast (PADD III)	6.7	7.4	6.8
Rocky Mtn. (PADD IV)	2.9	2.9	2.3	Rocky Mtn. (PADD IV)	0.4	0.2	0.5
West Coast (PADD V)	9.9	10.4	9.4	West Coast (PADD V)	1.1	1.2	1.3
<b>U.S. Total</b>	<b>83.5</b>	<b>86.3</b>	<b>67.0</b>	<b>U.S. Total</b>	<b>20.4</b>	<b>19.7</b>	<b>17.4</b>
Greater than 500 ppm (0.05%) Sulfur				TOTAL DISTILLATE STOCKS			
	Week Ending				Week Ending		
District	04/03/09	03/27/09	Year Ago	District	04/03/09	03/27/09	Year Ago
East Coast (PADD I)	26.8	27.3	13.2	East Coast (PADD I)	52.9	53.3	31.8
NEW ENGLAND	6.7	7.0	2.7	NEW ENGLAND	9.6	10.2	4.3
MID-ATLANTIC	17.1	17.3	9.1	MID-ATLANTIC	29.3	28.7	16.6
SOUTH TO FLA.	3.0	3.0	1.4	SOUTH TO FLA.	13.9	14.4	10.9
Midwest (PADD II)	2.2	2.3	2.7	Midwest (PADD II)	33.0	33.7	29.1
Gulf Coast (PADD III)	6.8	6.8	4.3	Gulf Coast (PADD III)	39.5	40.7	30.1
Rocky Mtn. (PADD IV)	0.1	0.1	0.1	Rocky Mtn. (PADD IV)	3.4	3.3	2.9
West Coast (PADD V)	1.1	1.6	1.3	West Coast (PADD V)	12.1	13.1	12.1
<b>U.S. Total</b>	<b>37.0</b>	<b>38.1</b>	<b>21.6</b>	<b>U.S. Total</b>	<b>140.8</b>	<b>144.2</b>	<b>106.0</b>

**Weather Summary**

**Selected U.S. Cities  
(Population Weighted Heating Degree Days)**

The weather for the nation, as measured by population-weighted heating degree-days from July 1, 2008 through April 11, 2009 has been 4 percent warmer than last year and did not deviate from cumulative normal.

Location	Current	Normal	% Change
	7/1/08 thru 04/11/09	7/1/08 thru 04/11/09	Current vs. Normal
Boston	5190	5064	+2%
Chicago	6060	5927	+2%
Hartford	5623	5601	0%
New York	4396	4410	0%
Philadelphia	4361	4438	-2%
Pittsburgh	5393	5326	+1%
Portland	6341	6465	-2%
Providence	5273	5210	+1%
Raleigh	3003	3286	-9%
Richmond	3580	3696	-3%
Washington	3996	3834	+4%

**Sources:**

Energy Information Administration, Weekly Petroleum Status Report. For information about distillate stocks, contact Diana House: 202-586-9667 or by e-mail at dhouse@eia.doe.gov.

**Oil & Energy Securities Recap**

Company	Symbol	4/15/09	3/23/09	Change
<b>Ashland Inc.</b>	ASH	15.02	8.03	+6.99
<b>BP-Amoco</b>	BP	38.85	41.20	-2.35
<b>ChevronTexaco</b>	CVX	66.57	67.71	-1.14
<b>Conoco Philips</b>	COP	39.29	39.76	-.47
<b>ExxonMobil</b>	XOM	68.12	68.92	-.80
<b>Global Partners</b>	GLP	12.55	10.90	+1.65
<b>Hess Corp.</b>	HES	56.74	64.89	-8.15
<b>LUKOIL</b>	LUKOY	45.31	41.35	+3.96
<b>Marathon Oil</b>	MRO	28.60	25.91	+2.69
<b>National Grid Plc</b>	NGG	39.37	39.34	+.03
<b>Occidental</b>	OXY	58.26	59.69	-1.43
<b>Royal Dutch Shell Plc</b>	RDSA	42.35	46.36	-4.01
<b>Star Gas</b>	SGU	2.99	2.50	+.49
<b>Sun</b>	SUN	27.91	27.98	-.07
<b>Tesoro Petroleum</b>	TSO	15.19	14.62	+.57
<b>Total</b>	TOT	47.47	51.69	-4.22
<b>Valero Energy</b>	VLO	20.89	18.0	+2.89

**SUPPLY SEPARATES LNG FROM  
PETROLEUM PRICES**

**WHEN THE PRICE OF A BARREL OF OIL WAS** climbing steadily last spring and summer, natural gas prices continued seemingly in lockstep, until they both peaked in July 2008 and then fell precipitously in tandem.

However, while oil reached a recent low in the \$35 range in February, natural gas continued to fall, going below \$4 per 10,000 million British thermal units (mmBtu), down from highs above \$13. Oil, meanwhile, has settled around \$50, as the Organization of the Petroleum Exporting Countries (OPEC) continued to impose lower production quotas. But natural gas supply is not constrained in the same way, with liquefied natural gas (LNG) reserves steadily increasing as more production units—ramped up to meet rising worldwide demand late in 2007 and early in 2008—come online.

With a slowing of worldwide demand due to the current economic climate, the market for LNG will turn “shockingly bad” next year, according to a *Bloomberg News Service* report. Japan, the world’s largest LNG customer is expected to reduce purchases by nearly 5 percent this year, according to the report, with excess supply likely to end up in North America. It is not until at least 2013 or 2014 that supplies are expected to be tight again, as production from record highs is reduced.

As construction projects slow, manufacturing output decreases and Americans look to reduce their electricity costs, it is likely that demand for LNG in this country will also slow, barring an extremely hot summer. According to the U.S. Department of Energy’s Energy Information Administration (EIA), domestic natural gas storage for the lower 48 states is nearly 23 percent higher currently against the five-year average.

Even though oil prices will probably not spike like last year, there is little evidence they will drop far from their current level. This may mean a price advantage for gas over heating oil as we head into the next heating season.

In light of the volatility in the last year, of course, it’s hard to project where energy prices will be in six months and beyond. If supply and demand return as the main factors determining those prices, however, heating oil dealers should be prepared to market the many other advantages over fuels such as natural gas. There are several advantages for them to cite, such as the approval of Bioheat® (a renewable source of fuel) for use in existing equipment, plus the fact that Oilheat dealers are most often small community businesses, not international conglomerates like the gas utilities. If gas, natural or liquid, prices continue to move independently of petroleum, Oilheat dealers must continue to communicate their differences from that industry. ☐



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