

# OIL & ENERGY

OILHEAT • PROPANE • DIESEL FUEL • BIOFUELS



Hedging Survey 2010

## Reducing Your Hedging Risks

Experts Offer Advice on  
Building Better Programs

***Also Inside:***

Accounting for Hedging

Next Generation Price Protection

Confronting Dyed Diesel Penalties

Publication of the New England Fuel Institute  
Volume 12/Issue 7



NEW ENGLAND  
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## MASSACHUSETTS OIL LINE UPGRADE DEADLINE EXTENDED

The Massachusetts Oilheat Council (MOC) has reported that after more than three months of work with House and Senate leadership on Beacon Hill, they have helped secure an extension for the upgrades of unprotected oil lines defined in Massachusetts General Law Chapter 453.

A House and Senate Conference Committee passed an MOC-drafted amendment that extends the deadline for compliance from July 1, 2010, to Sept. 30, 2011.

It is important to note that the deadline for requiring insurance companies to offer remediation coverage under the law has not changed. That deadline is still July 1, 2010. MOC's amendment was included in the complete state budget package and the bill was headed to Gov. Deval Patrick's desk for signature as of press time.

Even though MOC has secured this extension, retail heating oil dealers are strongly encouraged to continue to aggressively upgrade unprotected lines currently in use. For more information, see [www.massoilheat.org](http://www.massoilheat.org).

## REGISTRATION REMINDER FOR EPA'S RENEWABLE FUEL PROGRAM

The Environmental Protection Agency's (EPA) new Renewable Fuels Standards II (RFS 2) requirements are effective July 1, 2010. All petroleum marketers who blend renewable fuels or buy, sell or hold RINS must register with the EPA by July 1.

Even blenders who are currently registered with the EPA under RFS 1 must re-register by July 1 to continue blending under the RFS 2 program. Re-registration is required due to changes under RFS 2 that add new categories of registrants, renewable fuels and RINS codes. If registration is not accomplished by July 1, then a 30-day waiting period is imposed from the date registration is completed before any blending or RINS transactions can be resumed.

## USDA REPORT PROVIDES ROADMAP FOR U.S. BIOFUEL ENERGY GOALS

The U.S. Department of Agriculture (USDA) released a report in June detailing regional strategies to increase biofuels production to meet the Renewable Fuels Standard (RFS2) mandate for U.S. consumers to use 36 billion gallons of biofuel per year by 2022. Authors of the USDA's Biofuels Strategic Production Report conclude that meeting RFS2 targets will require a rapid build-up in production capabilities and a substantial investment in biorefineries.

The roadmap cites sources of existing or planned biofuels capacity. For example, EPA's analysis projects that 15 billion gallons of conventional biofuels could come from current or already planned production capacity of corn starch ethanol. Of the remaining 21 billion gallons of advanced biofuels needed to achieve the RFS2 targets, 16 billion gallons must come from advanced cellulosic biofuels that reduce greenhouse gas emissions by at least 60 percent relative to gasoline.

According to the USDA, the Southeast and Central-Eastern portions of the country could together produce more than 93 percent of the biofuels needed to meet the RFS2 targets. Infrastructure will also need improvements. The EPA found that \$12 billion in infrastructure improvements, particularly rail expansions, would be needed to sustain the growth in biofuels.

## THE DIFF.

### Spot Prices (Cents/Gallon) as of June 27, 2010\*

New York Harbor	New York Harbor	U.S. Midcontinent
No. 2 Fuel Oil / Heating Oil	No. 2 Diesel Low Sulfur	No. 2 Diesel
<b>189.20</b>	<b>192.90</b>	<b>192.70</b>

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

## THE BAROMETER

### Comparing Heating Oil to Other Financial Products

	June 27, 2010	One Year Ago
No. 2 Fuel Oil/New York (cents/gallon)	189.20	147.50
Crude Oil (dollars/barrel)	\$74.52	\$58.04
10-year Treasury Bill	3.33%	3.11%
30-year Mortgage	4.86%	5.03%
Dow Jones Average	10,187.30	8,304.88



## Mandatory Drug & Alcohol Testing Regulations for Motor Carriers...

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[www.nefi.com](http://www.nefi.com)



## NEFI Action Center: From Washington ..... 10

Jim Collura, NEFI vice president for government affairs, writes about the Home Star legislation, which would consist of consumer rebates for home efficiency retrofits and could provide a boon to Oilheat equipment manufacturers and service providers.



## Planning for Hedging Success ..... 12

Hedging programs have become more complicated than ever, and also more important, as the industry has faced extreme volatility with crude prices. Oil & Energy spoke with hedging experts from a variety of companies, from wholesalers to hedging specialists, to learn about the latest programs they offer and what to expect from the market in the face of new financial legislation.



## Accounting for Hedging ..... 18

Joe Ciccarello of accounting firm Gray, Gray & Gray writes about the details that home energy providers need to consider before setting up any hedging programs. Ciccarello can be contacted at (781) 407-0300 or [jjciccarello@gggcpas.com](mailto:jjciccarello@gggcpas.com) for more information.



## NAOHSM Honors 'Superheroes of Service' ..... 20

The National Association of Oil Heating Service Managers (NAOHSM) recently held their annual convention and trade show in Providence, R.I. The conference included educational seminars, as well as fundraising efforts for charities the industry supports and an awards banquet to honor those who have provided great service.



## Oil Market Stance: Apple Slices ..... 22

Mark Skaparas of Hedge Solutions looks to the computing industry for lessons that can be very useful for those in the energy industry as well. Skaparas can be reached at [mark@hedgesolutions.com](mailto:mark@hedgesolutions.com) or (800) 709-2949.



## Biz Tip: Confronting Dyed Diesel Penalties ..... 23

Cloyd Van Hook, a tax attorney with Guarisco & Cordes, writes that when a company is facing penalties for buying or selling dyed diesel, there are numerous courses of action, such as appealing the likely fine. For more information, Van Hook can be contacted at [cloyd@gctaxlaw.com](mailto:cloyd@gctaxlaw.com) or 504-587-7007.



## Biz Tip: Price Protection 2.0 ..... 28

Anonius Van Wijngaarden and Myles Tryder of Boston Oilheat Financial say that not all hedging programs are created equal and offer advice for home energy providers of all sizes who are looking for different strategies. Boston Oilheat Financial can be reached at (877) 700-6454 or [www.bostonoilheat.com](http://www.bostonoilheat.com) for more information.



## Bioheat®: Priming the Pump for Higher Blends ..... 30

Paul Nazzaro, petroleum liaison for the National Biodiesel Board, looks at the future of biofuels and how the industry is working to approve fuels and equipment for blends above 5 percent. Nazzaro can be reached at (978) 664-5923 or [paulsr@fuelsolution.com](mailto:paulsr@fuelsolution.com).



## Education: NEFI Welcomes Midwest Biofuel Group ..... 36

Bob Messia, head instructor, and Andrea Medina, education coordinator, write about the latest classes and events at the NEFI Education Foundation, including seminars on hydronics and power venting, as well as a visit by 40 Midwestern soy farmers to learn more about biofuel use in Oilheat.

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Volume 12/Issue 7 © July 2010  
Postage paid at Manchester, NH  
Permit No.1926

Library of Congress, National Serials  
Data Program, ISSN-0044-0205.n



Oil & Energy is published monthly by New England Fuel Institute, a non-profit organization incorporated in Massachusetts. The Institute's energies and resources are devoted to Oilheat, Propane, Diesel Fuel, Bioheat® industries and associated service companies.

Editorial and news matter are not necessarily reflective of the opinion of the New England Fuel Institute, its officers and members.

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## Senate Approves Measure to Address EPA Lead Paint Rule

The U.S. Environmental Protection Agency (EPA) approved an onerous lead paint rule on April 22 that caught much of the industry off guard. However, Congress is now stepping in to provide some welcome regulatory relief from the new requirements.

The rule requires contractors, including HVAC technicians who perform renovation or repair work in buildings built prior to 1978, to take specific steps to ensure that children are not exposed to toxic lead particles and dust.

Since the rule is triggered when any lead paint surface greater than 6 square feet is "disturbed," it will apply to many of the tasks associated with the installation of heating, cooling and ventilation systems performed by full-service heating oil dealers. The rule requires all contractors whose work disturbs lead paint surfaces to file for certification with the EPA and pay a minimum \$300 fee.

Contractor employees performing the work must become "Certified Renovators" by undergoing 8 hours of training by a certified EPA trainer at a cost of between \$150 and \$200. Home contractors, including many NEFI members, have been left scrambling to comply with the new rule. Many have found certified EPA trainers to be few and far between, and that training courses had been filled up months in advance.

The U.S. Senate approved an amendment offered by Sen. Susan Collins, R-ME, to prevent the EPA from fining contractors for failure to comply with the training requirements under the rule as long as they sign up for training by Sept. 30, 2010. The amendment was attached to a nearly \$60 billion bill for emergency funding for the wars in Iraq and Afghanistan, and disaster relief.

## FTC Extends Red Flag Rule to End of Year

At the request of Congress, the Federal Trade Commission (FTC) has announced that it would give businesses defined as "creditors" under the agency's controversial "Red Flag" rule until Dec. 31, 2010, to comply with onerous identity fraud and theft requirements.



The rule was drafted so broadly that many businesses, like home energy retailers, have fallen under the rule. Congress requested the extension to more narrowly define to which businesses the rule applies. Under the rule, any company that meets the broad definition of "creditor" established by Congress must put into place a prevention plan that identifies patterns, practices and activities that are "red flags" for possible identity theft.

A "creditor" is defined as essentially any company that bills customers for products or services. As a result, petroleum marketers qualify as creditors under the Red Flag rule and must implement an identity theft prevention plan. The Red Flags rule goes beyond the routine securing of customer account information that most companies already follow.

The rule requires companies to seek out and respond to suspicious data in customer accounts that indicate an identity theft has taken place. In other words, companies must now proactively monitor customer accounts for identity theft.

This current extension is the latest in a series of extensions from the FTC since the rule became effective on Jan. 1, 2008.

## EPA Delays E15 Waiver Decision Citing Need for Ongoing Testing

The U.S. EPA recently announced a delay in its decision on whether to allow the use of ethanol-blended gasoline in concentrations greater than 10 percent in conventional fueled vehicles. It is widely thought that the EPA is considering allowing blends up to E15.

The federal Clean Air Act currently limits ethanol blends to 10 percent maximum when used in conventionally fueled vehicles. The EPA planned to make a decision on the controversial issue by August but now says it won't decide until the end of September or beyond.



The issue is controversial for petroleum marketers due to the largely unknown corrosive effects of E10-plus blends on existing UST systems, dispensers and other storage equipment. The potential liability for marketers for storage tank equipment failure could be significant.

For its part, the EPA does not care much about the potential effects of E10-plus blends on storage tank equipment—in fact, it is not even a factor in the agency's decision-making process.

Instead, the only factor under consideration by the EPA is the effect E10-plus blends will have on vehicle emissions.

The EPA claims the federal Clean Air Act prevents them from considering anything else but air emissions. Not even the potential for increased risk of UST releases from E10-plus blends warrants any consideration, according to the EPA.

As for the delay, the agency says it is necessary to allow additional time for the Department of Energy (DOE) to complete studies on the effect of E10-plus blends on 2001 and newer vehicles. The fact that the DOE is not including all conventional fueled vehicles in the study means that

retailers will be forced to choose between offering both unblended and E10-plus gasoline fuels or just unblended gasoline at the point of sale. Under this scenario and given the potential liability problems, it is likely that retailers will simply choose not to market an E15 blend. Whether suppliers or the EPA leave that choice to retailers is another matter.

## DOT Rulemaking has Potential to Eliminate Non-Spec Tank Use for Combustibles

The U.S. Department of Transportation (DOT) is in the very early stages of a potential rulemaking that could eliminate the exemption in the federal Hazardous Material Regulations (HMR) permitting the use of non-specification cargo tank vehicles for transporting combustible distillates such as diesel fuel and heating oil. The rulemaking is a long shot at best, but still a potential threat.

However, there is no need for immediate concern as any potential rule would not occur for several years, if at all. Moreover, the DOT shows little inclination at this point to make the change. The issue was created when international shippers recently petitioned the DOT to finalize rules that would harmonize the HMR with



United Nations recommendations on the shipment of hazardous materials. The UN recommendations do not recognize the "combustible" class of hazardous materials that is provided for in the HMR. Instead, distillates are shipped as "flammable" material under the international regulations.

If the DOT were to harmonize the HMR with the UN recommendations, the "combustible" hazard class would cease to exist and domestic shipments of distillates would be reclassified as "flammable," which can only be transported in DOT specification tanks.

International shippers want harmonization to eliminate alleged delay at ports due to the reclassification of combustibles to flammables prior to shipment.

Also, harmonization would place an unnecessarily heavy economic burden on small business domestic distillate transporters—a move the DOT would be hesitant to make particularly when a much simpler, and cost-effective, solution is available, such as new language for international shipments during the domestic leg of their journey.

NEFI will submit comments opposing regulatory changes that jeopardize non-specification tanks.

## Environmental Lawsuit Challenges EPA's Renewable Fuels Standard Rulemaking

The Clean Air Task Force recently filed a lawsuit and an administrative petition on behalf of Friends of the Earth challenging the EPA's final Renewable Fuels Standard II (RFS2) rulemaking, which determined that corn-based ethanol would reduce CO2 emissions over its lifetime—from crop production to using the fuel in vehicles.

EPA is required to adopt regulations implementing changes to the RFS program. This RFS2 rule implements the requirements of EISA including the adoption of new cellulosic, biomass-based diesel, advanced bio-fuel and renewable fuel standards that will apply to all gasoline and diesel produced or imported in 2010.

A key provision of the RFS2 is the requirement that the lifecycle greenhouse gas emissions (GHG) of the four qualifying renewable fuels must be less than the lifecycle GHG emissions of the 2005 baseline average gasoline or diesel fuel that it replaces. One of the four qualifying renewable fuels, ethanol must meet a CO2 reduction threshold of 20 percent for renewable fuel derived from corn. RFS2 measures CO2 emissions over the lifecycle of the renewable fuel from planting to production.

The Clean Air Task Force filed suit alleging that EPA's rule on corn-based ethanol is flawed because it will increase CO2 emissions. The task force asked EPA to consider the "global rebound effect" when analyzing life-cycle CO2 emissions from biofuels. The task force said that the RFS replaces some gasoline in the U.S. with ethanol, reducing consumer demand, which lowers the global price of gasoline



and leads to increased demand and consumption. This causes an increase in emissions, the task force claims.

The Renewable Fuels Association, which represents corn-based ethanol businesses, dismisses the task force's argument that the ethanol industry is contributing to increased emissions and increased oil use saying that the lawsuit is "laughable."

## LCFS Court Challenge Moves Forward

A U.S. District Court in California has ruled that the lawsuit filed by the National Petrochemical and Refiners Association (NPRA) challenging California's Low Carbon Fuel Standard (LCFS) can move forward. The court denied a motion from the state of California to dismiss the lawsuit.

NPRA argued that the state's LCFS, as part of A.B. 32, California's Global Warming Solutions Act of 2006, is unconstitutional and conflicts with existing federal law. Under the plan, refiners would be discouraged from using affordable supplies of crude oil from Canada due to its level of carbon. The California Independent Oil Marketers Association (CIOMA) has joined a coalition that supports suspending the LCFS regulations until the California economy experiences

a sustained recovery. The coalition is seeking to put its initiative on the ballot this fall.

## Durbin Holds Hearing on Interchange Rates

Sen. Richard Durbin, D-IL, chairman of the Appropriations Subcommittee on Financial Services and General Government, recently held a hearing on the payment of interchange fees by the federal government.

A recent study from the Treasury Department estimated that taxpayers could save almost \$40 million annually if the federal government could negotiate interchange fees with the credit card companies. The Senate adopted an amendment to the financial regulatory reform bill sponsored by Durbin that would permit retailers to offer consumers discounts based on

payment type and set minimums for debit purchases.

Amtrak said that 90 percent of customer transactions are debit or credit and the agency pays almost 2 percent in interchange fees each year. Other federal agencies on the panel included the Treasury Department and the Government Accountability Office (GAO). Treasury said that taxpayers would benefit if the government could negotiate interchange fees. GAO echoed the comments of Treasury.

In November 2009, the GAO released its study that found consumers would benefit from the ability of merchants to negotiate interchange fees with Visa and MasterCard. The GAO concluded that any reduction in interchange fees would be passed on to the consumer.

## NEFI Welcomes New Members

New England Fuel Institute welcomes our new members:

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## Oilheat Industry Supports Federal Rebates for Home Efficiency Upgrades

By Jim Collura, NEFI Vice President for Government Affairs

The New England Fuel Institute (NEFI) is joining the broader Oilheat industry to support legislation that would create a new and aggressive nation-wide program for home energy efficiency improvements (including HVAC system upgrades) inspired by last year's "Cash for Clunkers" program. NEFI is also supporting the legislation as a member of the national Home Star Coalition.

The proposed program is called "Home Star" (informally, "Cash for Caulkers") and would establish a point-of-sale consumer rebate program for home efficiency retrofits, of up to \$1,500 for a single improvement, and up to \$3,000 (or 50 percent of total costs, whichever is less) all together. It would also offer up to an \$8,000 rebate if whole-home efficiency improvements of greater than 20 percent can be shown.

The legislation was introduced in the Senate as S.3434, the Home Star Energy Efficiency Act of 2010. The legislation was introduced by Sen. Jeff Bingaman, D-NM, chairman of the Senate Committee on Energy and Natural Resources. That committee already approved the bill, and it now awaits consideration by the Senate Finance Committee in order to advance to the Senate floor.

The bill enjoys the support of 19 bipartisan co-sponsors, including Republican Sens. Scott Brown of Mass., Olympia Snowe of Maine and Lindsey Graham of South Carolina.

The House already passed similar legislation on May 6. The Senate must act, and then meet the House in a conference committee to work out a final bill to send to the President to sign. Paying for the bill's \$6 billion price tag is now the only obstacle.

In June, NEFI published a list of "Frequently Asked Questions" or a "FAQ" about the proposed rebate program, which is available to NEFI members only at [www.nefiactioncenter.com](http://www.nefiactioncenter.com) or by contacting Dave Rocco at [dave@nefi.com](mailto:dave@nefi.com) or (617) 923-5016.



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 Medway Oil Co. Inc. Medway, MA  
 Munhall Energy Co. Watertown, MA  
 Needham Oil & Air, LLC Needham, MA  
 Norbert E Mitchell Inc Danbury, CT  
 Northboro Oil Co. Inc. Northboro, MA  
 O'Connell Oil Associates Pittsfield, MA  
 Orange Oil Co. Inc. Orange, MA  
 Osterman Propane Whitinsville, MA  
 Palmer Gas Co. Inc./Ermer Oil Co. Atkinson, NH  
 Rand-Handy Oil Co. Marshfield, MA  
 Standard Oil of CT Bridgeport, CT  
 Standard Oil of CT Bridgeport, CT  
 Stocker Oil Co. Peabody, MA  
 Sunshine Oil Company Bristol, RI  
 T. H. Malloy & Sons Cumberland, RI  
 Warren Enterprises/Fisher-Churchill Dedham, MA  
 Wilcox Fuel Inc. Westbrook, CT

## ...\$600 And Up...

Knight Fuel Company Hudson, MA  
 L F Powers Company Waterbury, CT  
 Lakeside Oil Co. Inc. Marlboro, MA  
 McCarthy Heating Oil Svc. Quaker Hill, CT  
 Mello Fuel Inland Oil Terminal Jamaica Plain, MA  
 Metro Energy DBA M&T Oil South Boston, MA  
 Murphy Fuel Corp. Waltham, MA  
 New England Oil Co. Inc. Greenwich, CT  
 North Shore Fuel Revere, MA  
 Northfield Fuel Corp. Greenwich, CT  
 PBLs Ent. T/A LS Fuel Libertytown, MD  
 Perry's Oil Service Bradford, VT  
 Pioneer Propane Co. Harrison, AR  
 Propane Plus Corp. Rehoboth, MA  
 R F Ohl Fuel Oil Lehigh, PA  
 Robert Greene Inc. Bennington, VT  
 Sherman Oil Co. West Brookfield, MA  
 Sippin Energy Products Monroe, CT  
 Sochia's Oil & Gas Inc. East Douglas, MA  
 Star Petroleum Co. Inc. Foxboro, MA  
 Tasse Fuel Corporation Southbridge, MA  
 Town Oil Co. Wethersfield, CT  
 Waldo-Thompson Brothers Inc. Waldo, ME  
 West Oil Co. North Adams, MA  
 Westmore Fuel Company Inc. Greenwich, CT  
 Winthrop Fuel Co Inc Winthrop, ME

## ...\$300 And Up...

Jackman Fuels Inc. Vergennes, VT  
 Jennings Oil Co. Danbury, CT  
 John's Fuel Service dba John's Oil Co. Lynn, MA  
 Kieras Oil Inc. North Amherst, MA  
 Krall Coal & Oil New Haven, CT  
 Landry & Martin Oil Co Inc. Pawtucket, RI  
 Lipsett & Sons Inc. Weymouth, MA  
 Madison Oil Co Inc. Madison, CT  
 Marcey Oil Co. Inc. Provincetown, MA  
 Marran Oil, LLC Holtsville, NY  
 McKusick Petroleum Co. Dover-Foxcroft, ME  
 Merrimack Valley Oil Co. North Andover, MA  
 Michaud & Raymond Oil Inc. Peabody, MA  
 Micheletti Oil Service Inc. Johnston, RI  
 Nardone Oil Co. Wakefield, MA  
 Needham Energy Inc. Needham Heights, MA  
 Pallett Oil Co. Inc. Chesapeake, VA  
 Patten Oil Co. Inc. Rutland, VT  
 Premium Fuels DBA Al's Oil Shrewsbury, MA  
 Putnam Fuel Company Inc. Goffstown, NH  
 Rick Wenzel Oil Co., LLC Amherst, NH  
 Rose's Oil Svc / Todd Oil Co. Rockport, MA  
 Sorenti Bros. Inc. Sagamore Beach, MA  
 Spring Brook Ice & Fuel Svc. New Britain, CT  
 Squier & Co. Inc. Monson, MA  
 Swanzey Oil, LLC West Swanzey, NH  
 Swezey Fuel Patchogue, NY  
 Total Fuel Services Corp. New Rochelle, NY  
 Wagner Brothers Boylston, MA  
 Wehof Forms Somerville, NJ  
 Whiting Energy Fuels Northampton, MA  
 Whitney Brothers Oil Co. Clinton, MA  
 Wolfeboro Oil Co. Inc. Wolfeboro, NH

## \$600 And Up...

Atlantic Pratt Oil Co. Inc. Braintree, MA  
 Stafford Oil Company Inc. Laconia, NH  
 Reliable Oil & Heat Co. Glenbrook, CT  
 Reggie's Oil Co. Inc. Quincy, MA  
 Rowayton Fuel & Oil Co. Inc. Norwalk, CT  
 Homestead Fuel Inc. Ellington, CT  
 A. Hohmann & Co., Inc. Dorchester, MA  
 Affordable Oil, LLC Rollinsford, NH  
 Albert Culver Co. Rockland, MA  
 Angus Partners Ft. Lauderdale, FL  
 Ayer Oil Co. Ayer, MA  
 B & B Oil Company Charlestown, MA  
 Baker-Whitney Oil Co. Acton, MA  
 Bigelow Oil Co. Newton Upper Falls, MA  
 Boston Steel & Mfg. Co. Malden, MA  
 Brow Oil Co. Braintree, MA  
 Central Mass Oil Rutland, MA  
 D. Ferruccio & Son Inc. Hudson, MA  
 Deiter Brothers Heating /AC Bethlehem, PA  
 Dodge Oil Co. Gorham, ME  
 Dunn Oil Co. Inc. Maynard, MA  
 Dutchess Oil & Propane Co. Millerton, NY  
 Erickson Fuel Co. Inc. Medford, MA  
 Federal Heating & Eng. Co. Inc. Winchester, MA  
 Fuel Services Inc. Westfield, MA  
 Gillespie Fuels & Propane Inc. Northfield, VT  
 Goodrich Oil Company Newport, NH  
 Gottier Fuel Co. Inc. Rockville, CT  
 Guy E. Nido Inc. Wilmington, VT  
 Hall Oil Co. South Dennis, MA  
 Harbor Fuel Oil Corp. Nantucket, MA  
 Holden Oil Inc. Peabody, MA  
 Imperial Oil Co. South Windsor, CT  
 Interstate Gas & Oil Corp. Sudbury, MA  
 Ives Bros DBA A Plus Oil Willimantic, CT  
 J. J. Sullivan Inc. Guilford, CT  
 James E. Kimball, Jr. Inc. GT Barrington, MA  
 John A Healy & Sons Westford, MA  
 Julians, LLC Medway, MA

## \$300 And Up...

Advanced Energy Westwood, MA  
 Advanced Fuel Solutions, Inc. North Reading, MA  
 Alves Fuels Ludlow, MA  
 Anchor Fuel, LLC Middletown, RI  
 Apple Oil & Svc. Co. West Haven, CT  
 Arlington Fuel Oil Co. Arlington, MA  
 Ashley Fuel Inc. Beverly, MA  
 AVATAS Payment Solutions Beverly, MA  
 Benway Oil Co. Milton, MA  
 Booma Oil Lynn, MA  
 Braley & Wellington Insurance Agency Worcester, MA  
 Busa Fuel Oil Co. Inc. Watertown, MA  
 Cetane Associates, LLC Ellicott City, MD  
 Chapman Fuel Inc. Gardiner, ME  
 Columbus Energies Inc. Swansea, MA  
 Dunlap's Oil Svc. Plymouth, MA  
 E. P. Cotter Oil Co. Norwood, MA  
 East Coast Petroleum Stoughton, MA  
 Foley Oil Co. Inc. Laconia, NH  
 Fred's Plumbing & Heating Derby, VT  
 Fuel Advantage/Avalux Portsmouth, NH  
 Giguere & Marchand Oil Services Inc. Blackstone, MA  
 Glendale Oil Service Inc. Glendale, RI  
 Goulart Oil Inc. Dighton, MA  
 Hall Trask Equipment Company Braintree, MA  
 Hiller Fuels Inc. Marion, MA  
 Hilton Oil Co. Inc. Lawrence, MA  
 Howell Fuel Inc. Fairfield, CT  
 J & A Waterville Naugatuck, CT  
 J & S Oil Manchester, ME  
 J. J. Hayes Oil Co. Waltham, MA

## \$100 And Up...

Arrow Fuel Seekonk, MA  
 Blanchard Oil Company Orleans, VT  
 Bousquet Oil Woonsocket, RI  
 Cahill Fuel Co. Inc. Newton Lower Falls, MA  
 Cape Ann Oil Gloucester, MA  
 Clark HVAC Services Feeding Hills, MA  
 Community Oil Co. Cambridge, MA  
 Dinosaur Enterprises Ltd. Portland, ME  
 Frank Brothers Bay Shore, NY  
 Greeley's Oil Co. Inc. Halifax, MA  
 Guy's Inc. Niantic, CT  
 H L Fuel Co Inc West Lebanon, NY  
 H. H. Snow & Sons Inc Orleans, MA  
 Linwood Fuel Inc. Hyde Park, MA  
 Murray Oil Co. Turner, ME  
 Niccoli Bros. Oil Inc. Brockton, MA  
 Perillo Brothers Farmingdale, NY  
 Port Oil Billerica, MA  
 Prendergast Oil Co. Watertown, MA  
 Rowley Fuel Co. Inc. Adams, MA  
 Rutland Fuel Co. Inc. Rutland, VT  
 Sandy River Cash Fuel Strong, ME  
 S-K Quality Fuel Inc. Oquossoc, ME  
 Taylor Energy Broad Brook, CT  
 Thomas Fuel Inc. Lunenburg, MA  
 Wheeler Oil Company Inc Chester, MA

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## Planning for Success

### Choosing and Marketing the Best Hedging Strategies

**MOST HOME ENERGY DEALERS ARE FAMILIAR WITH THE CONCEPT OF HEDGING THEIR SUPPLY,** but the volatility in the crude market over the last two years has forced them to become even more educated on the varieties of options available.

Retailers can now receive hedging assistance from wholesalers or companies that focus specifically on financial transactions. Each employs different strategies and offers various programs, but they all work to bring a sense of price certainty to retailers, and thus their customers, during the heating season.

As hedging programs have become more sophisticated, retailers have been forced to learn even more about the markets. However, all companies agree that the best way for dealers to educate customers on their programs is by distilling them into simple terms and being transparent on their costs.

With that in mind, *Oil & Energy* reached out to some of the leaders in the industry to learn more about the latest programs and hedging solutions they've devised, what they expect from federal financial regulation and whether the extreme volatility of the last few years is behind us.

#### **Please list the hedging programs and services that you offer to fuel oil dealers and include a brief description.**

**Angus:** We offer “soup to nuts” hedging services. We start with a review of the company’s prior offerings, financials, customer segmentation and competition. We then work with the client to formulate a hedging plan, including customer communication, planned hedge transactions, and tracking methodology. Once “the plan” is prepared, we assist in the execution of the plan, incorporating storage utilization, forward wetbarrel purchases, swaps and OTC options, etc. As the “coverage” is initiated, we track and report on the positions in place, and coverage still needed. Where necessary, we assist with financing of hedge positions,

and work with clients to assist in their dealings with their working capital providers.

Once full positions are in place that appropriately cover the risk profile, clients receive daily reports incorporating all of the “pieces” of their hedges and trade settlements, to assist in proper pricing to customers, and to all for price (and/or expense) modification, as appropriate.

**Boston Oilheat Financial:** Boston Oilheat Financial offers an end-to-end program which enables dealers to offer capped price protection without incurring price risk or making volume commitments with wholesalers. Enrolled dealers eliminate the hassles of planning capped programs, developing hedging strategies, the daily administration of positions, and, most importantly, trade execution.

**Global:** Global offers fixed-priced contracts, prompt contracts, heating degree day (HDD) deals, spread deals and basis deals. Global also offers traditional put and call options, average price put and call options, and collars.

**Hedge Solutions:** Hedge Solutions is a consulting company that works with clients to find the best solution for their unique hedging needs. We do not offer a one-size-fits-all product. Most work centers on protecting a client’s price protection program, but also includes improvement of daily rack purchasing, margin management, and market knowledge. Hedge offers regular opportunities for fuel oil dealers to increase their understanding of markets and hedging through its Hedging College seminars, and is also available for special projects that do not require ongoing consultative services. Customized option solutions are also available to Hedge clients through its Northland Energy Trading affiliate.

**Irving:** Under our NAVDesk offering, we provide dealers and end-users with the following products:

- Fixed-price forward
- Fixed-differential forward
- Zero-basis forward
- Split-month forward
- Prompt (full or half contracts)

Downside price protection and assistance with establishing the dealer’s hedging program offer and management.

**Do you find there any common misconceptions or objections dealers have to starting**



### hedging programs? If so, what are they and how can they be mitigated?

**Angus:** The biggest misconception is that hedging is speculative, when the exact opposite is the case. There are always stories of dealers who “lost their shirts” (or their businesses) from hedging, but after further investigation, that is never the case. Anything, trading-related, that is not in the form of a true risk-offsetting hedge, is nothing more than bona fide speculation. With speculation (on a good day), you have a 50/50 chance of being right. With properly planned and executed hedging, you will always be right.

Another misconception is that “my customers will never pay for it.” While it is not easy to pass through hedging costs, merely avoiding offering a program may have dire consequences. We are big advocates of offering caps (as opposed to offering a fixed price), as the cap customer is always “in the game,” whereas the fixed-price customer or the variable-price customer might find a friend or neighbor paying a lot less, and that might drive them to the competition—or worse, to convert to natural gas!

**Boston Oilheat Financial:** Boston Oilheat Financial found that dealers tend to align into three categories: 1) those who don’t trust hedging to protect them, and who are not inclined to offer any price protection programs, 2) those who offer a program, but who assume financial risk due to the complexity of constructing an adequate hedge, and 3) those who knowingly gamble on the price of heating oil.

For example, dealers may only purchase put options in combination with forward contracts for half of their program volume, and buy rack-plus without protection for the remainder. This creates significant risk, leaving the dealer exposed in the event that prices rise.

Dealers often object to charging the entire program cost to consumers, and eat a portion of their cost themselves, or charge instead

**“Although more dealers than ever understand hedging programs and their benefits, there are still many that don’t. These dealers have to be upfront with their suppliers and ask any and all questions so they completely understand hedging strategies and how to use them.”**

—William Braunig, Global

on a per-gallon basis. We have even known some to offer programs for as low as a flat fee of \$75. These dealers may not deliver on their promise to deliver oil at the capped price due to the losses they will face if prices rise.

By contrast, an effective, well-structured program will typically cost between 20 and 30 cents per gallon, depending on the operating margin of the dealer, geographical location and the level of the capped price.

**Global:** Although more dealers than ever understand hedging programs and their benefits, there are still many that don’t. These dealers have to be upfront with their suppliers and ask any and all questions so they

completely understand hedging strategies and how to use them.

**Hedge Solutions:** There are many misconceptions when it comes to the term “hedging,” so the best course of action for every dealer is to get educated on the topic! First of all, if a dealer is not offering any price protection programs to their customers, there is rarely a need for trading long-term futures and options other than to speculate on market prices.

Second, good strategy design means hedging costs are borne by the customer, not the dealer. Third, every dealer should apply a simple outcome test: if you can’t identify what the margin outcome will be in a higher, sideways, and lower market price environment then ask for clarification until you can. There should be no surprises in a well-designed program.

**Irving:** Yes we do and some of the common concerns are as follows:

Dealers advise that they have been “burned” in an earlier program. The only reason why they can be burned is because they did not sell what they bought or buy what they sold. In either instance, they were speculating and by its very nature speculation can result in losses.

Dealers say that they are too small to offer hedging programs. If their customers ask for them and the dealer doesn’t offer them, then the dealer may lose the customer. We have a program for small dealers which will allow them to compete and keep their customers.

**Continued on page 14...**

...Continued from page 13

**What mistakes are dealers likely to make in a volatile market? How can they avoid making those mistakes?**

**Angus:** Most mistakes are made when dealers either panic or they feel that they “know better”, and do not match their hedges with the sales programs and the risks contained therein. Although it is preaching to the choir, having a plan, executing the plan, and not speculating are the true keys to success.

**Boston Oilheat Financial:** An extremely common mistake is to set the capped price too low. During a volatile summer market, when hedging with supplier forwards and put options (which must be bought at-the-money for proper protection), the puts will be re-priced by the market based on changes in the near-month NYMEX futures price of heating oil.

*“A budget program that starts early or one where there is a few months pre-pay works the best. The customer also wants to be certain that if the price of heating oil declines, they will not get stuck with a high-price contract so the cap program is better than the fixed price program. Combined, these provide the customer with the best program to plan their winter heating costs.”*

—Kevin Mikoski, Irving Oil

In these cases, program costs to consumers can quickly become unaffordable. As a result, the dealer must adjust their margin or increase the capped price, increasing the administrative burden of such a program. Basing a capped program on out-of-the-money call options will take away part of this pricing effect.

Moreover, due to the contract size of 42,000 gallons, the price risk that results between the selling of call options needs to be hedged as well. Over-the-counter contracts in smaller than 42,000 gallon increments will mitigate this risk, but will increase the dealer’s inherent counterparty risk associated with OTC transactions. Most dealers do not recognize this window of exposure, which in a volatile heating season can erode a large portion of the profit margin.

**Global:** Making an emotional buying decision instead of a business buying decision. Dealers should be buying only what they have sold. Speculation could lose you your business.

**Hedge Solutions:** The biggest mistake we see dealers make in a volatile price environment is paying too much attention to competitive price offers. Fear of losing accounts due to program price competition is real, but often overestimated by dealers. Dealers need to set program pricing where

their margin needs suggest it should be and handle price negotiations individually when they occur.

The second mistake made is assuming that oil prices “can’t” go above or below a certain level. Thirty-cent swings in 15 days should be teaching us all by now that just about anything is possible for oil prices over a six-month time horizon.

**Irving:** Some mistakes that are often made are:

- Offering customers deals that you haven’t or can’t cover at current market levels.

- Selling too much fixed priced product without having purchased adequate supply.

- Buying too much fixed priced product without securing enough customers.

- Buying NYMEX or OTC products for cap or fixed price sales without securing physical supply.

- Not collecting money from customers to assure they are locked in and will not run as market conditions change.

These mistakes can be avoided by:

- Not trying to match competitors’ deals that are unrealistic at current market levels.

- Buying a small number of gallons for each month and adding to the gallons as needed—while changing the offer price as necessary.

- Securing a supply agreement to assure physical gallons during the heating season.

- Collect money upfront either in full or on a budget payment that starts before the heating season begins.

**What steps can dealers take to ensure that hedging costs do not erode their margins?**

**Angus:** It’s all about pricing properly. If you are offering a fixed price, don’t lower your price if market prices fall. The customer chose to have the fixed price. Why would you lower your price—and erode your margins? If you are offering a capped price, make it clear that there is a cost involved in the offering of the program. Whether you charge a fee, include the cost in your sales price, or do a little of both, there is no reason for you to lower your price to offset “perception.”

You are selling a premium product, and it does come with a cost. The way to make sure that the hedging costs don’t erode margins is to set your prices so that the margins are not eroded!

**Boston Oilheat Financial:** In order to guarantee a budgeted operating margin under all market conditions, dealers will need to hedge with call options and have a method in place that ensures proper execution of these options during the heating season.

Frequently used hedging methods based on heating curves inherently cause price risk that can erode dealers’ margins for three main

reasons; no winter is the same, often only 65 to 70 percent of program volume is hedged due to this weather uncertainty, and weather derivatives are not adequate for covering all price and HDD risk associated with this hedging method. Boston Oilheat Financial has developed a proprietary statistical model to assess price risk associated with offering a capped program based on a heating curve.

*“There are a number of dealers out in the market who are still paying off their debts from previous years’ failed hedging strategies. Some are caught in a vicious cycle, where this year’s program proceeds are directed to pay off past losses and cover operational expenses instead of entering into adequate hedging positions to offset current season’s risk. These dealers will not be able to sustain these practices long-term.”*

—Antonius Van Wijngaarden, Boston Oilheat Financial

**Global:** I’ll quote myself from last year “dealers should not have any hedging costs, all costs associated with hedging should be included in the price they charge for their capped and/or price protection programs, it should be a pass-through cost”.

**Hedge Solutions:** First and foremost, dealers should be reimbursed by their customers for premiums spent to hedge price protection programs. Second, dealers should be cautious of “reduced premium” strategies that offer protection at a fraction of the normal cost.

These strategies normally involve a dealer selling options back to the broker, a strategy that can be disastrous for margins if the market moves in an unexpected direction. Again, test all strategies in higher, lower and sideways market conditions before committing.

**Irving:** It is important to understand that a hedging program will cap the dealer’s margin. Dealers need to calculate the margin they need to run their business. This is the margin that must be added to their purchase to set their price offer to their customers.

With the volatility in today’s market, time is a dealer’s enemy. The time between when they buy and sell must be minimized. Our suggestion is to buy in small blocks at a time. Dealers may have to change their offer price if the market moves higher on their next purchase.

**Have you seen dealers changing their hedging methods/habits at all in response to the vast changes in oil prices over the last two years? If so, how?**

Continued on page 16...

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...Continued from page 14

**Angus:** Due to the ever-widening swings (volatility) in the markets, more companies are offering caps and fewer are offering fixed prices. The winter of 2008-09 was so devastating to those who offered fixed prices, although the

More dealers charge customers to provide them price protection services, fewer dealers commit to very large supply obligations in advance of customer commitment, and program offerings have been spreading out

limits (for speculators) will help to protect against the “cornering” of markets, oil trading is still a “zero sum game.” There is a long position for every short position (and vice-versa), so I don’t see reform doing much, other than perhaps adding some to the execution costs of hedging.

**Boston Oilheat Financial:** Boston Oilheat Financial believes that the new federal financial regulation reform will harm the U.S. financial system and weaken the economy as a whole, but we expect it will not significantly impact the volatility of oil prices. Government-imposed regulations, restrictions and potential levies on transactions will remove the grease from the bearings of the financial system, resulting in lower market efficiency and higher costs of doing business for all parties involved, including consumers.

**Global:** Yes, I believe it will have an impact.

**Hedge Solutions:** Only time will tell. Transparency should improve. But even if bank holding companies are unable to trade speculatively within the commodity markets



dealers really didn’t do much wrong, that in some cases the companies will never recover. Letting customers out of contractual obligations was a big mistake, and many are still paying the price.

In the case of offering a cap, there is definitely an uphill battle in signing up the customers, but if/when prices do fall, you have the ability to lower your delivered price (and to widen out your margin), and if/when prices rise, you stop increasing the delivered price—at a point.

**Boston Oilheat Financial:** There are a number of dealers out in the market who are still paying off their debts from previous years’ failed hedging strategies. Some are caught in a vicious cycle, where this year’s program proceeds are directed to pay off past losses and cover operational expenses instead of entering into adequate hedging positions to offset current season’s risk.

These dealers will not be able to sustain these practices long-term. We have also seen that dealers have recently moved away from fixed programs due to the obvious drawbacks for consumers. Boston Oilheat Financial applauds this trend, as it provides a better solution for consumers.

**Global:** No, I haven’t seen them change their habits, although more dealers are using hedging tools in general.

**Hedge Solutions:** Price protection and hedging has changed drastically over the past two years. Generally we believe the changes have been positive for the dealer community.

over the entire year rather than a single period of time. Those changes have generally resulted in lower risk, higher margins and lower stress on the back office support system than in previous years.

**Irving:** We see more cap programs and less fixed price. The cap program, if executed properly, has the possibility of providing the dealer with a better margin. It also allows the customer to benefit if prices fall.

In today’s competitive market dealers need to ask themselves two important questions.

What is it worth to have a higher quality product, guaranteed supply, immediate access to a representative to assist with a problem and to obtain precise market information to help in the management of my business? The answer will point to the quality of the wholesaler and the product, not the minimal savings in a price differential.

What additional value do I obtain from a hedge consultancy provider vs. working directly with the wholesaler who I will buy my contracts from? Wholesalers have the expertise to provide similar services to assist in managing a dealer’s hedge program.

**Do you expect eventual federal financial reform to impact the market for crude oil as a commodity by making trading more transparent and/or less volatile?**

**Angus:** Good question, and up for much debate. The answer is that I do not think that it will have much impact. While transparency is most definitely a good thing, and position

**“In the case of offering a cap, there is definitely an uphill battle in signing up the customers, but if/when prices do fall, you have the ability to lower your delivered price (and to widen out your margin), and if/when prices rise, you stop increasing the delivered price—at a point.”**

**—Mark Bloom, Angus Energy**

to the extent they were before, there will likely be some other vehicle providing investors access to the markets.

While we can’t prove definitively that speculators increase or decrease price levels on their own, we do believe they contribute significantly to increased volatility. Hopefully financial reform will make it more costly for speculators to participate in the market and volatility will calm down a bit.

**Irving:** I think the federal financial reform requirements proposed so far will not substantially change the overall crude oil market. Having all the OTC derivatives traded in regulated markets may have a small impact but I believe there will be numerous loopholes (as there always are in any newly proposed regulations) and not too much will change as far as the current volatility goes. I think changes need to be made, but I have not yet seen anything I believe will significantly help keep the markets stable and restore a supply and demand market level.

**The price of a barrel of oil has been falling as summer has approached, staying around**

**\$70 a barrel in June. Do you expect prices to continue to fall through summer or rise as they typically do?**

**Angus:** I have no opinion of oil prices, and don't believe that there is such a thing as "they typically do." A lot depends upon the global economy, the strength of the U.S. dollar, the debt woes in Europe, and many other non-oil related issues. There is no crystal ball, and we prefer to think of it in that manner.

**Boston Oilheat Financial:** As a risk management and hedging solutions provider, Boston Oilheat Financial refrains from making public statements about the direction of oil prices in the future. In order to truly be hedged, dealers must remain market neutral, and not make bets on the direction of oil prices.

Frankly, there are tens of thousands of commodity traders worldwide who will drive the price of oil going forward. Our opinion of the market trend should be largely irrelevant to what dealers want to accomplish, which is to develop a program that protects them from the price risk of a capped program when prices turn against them.

However, in general, we believe that the factors driving the price of oil in the future are the pace of recovery of the U.S. economy,

**"There are many misconceptions when it comes to the term "hedging," so the best course of action for every dealer is to get educated on the topic! First of all, if a dealer is not offering any price protection programs to their customers, there is rarely a need for trading long-term futures and options other than to speculate on market prices."**

—Taylor Hudson, Hedge Solutions

the relative strength of the Euro versus the dollar, levels of U.S. oil reserves—which are a result of short-term supply and demand—market expectations about the growth pace of the Chinese economy, and the development of a possible military conflict in the Middle East.

**Global:** Until the Euro finds a bottom, there will be continued downward pressure on many U.S. dollar backed commodities, of which petroleum is one.

**Hedge Solutions:** Markets prefer to rise rather than fall because investors like to shoot for high reward trades, and there is a limit to how low prices can go. A combination of hurricane activity and the long-term implications of a moratorium on deepwater Gulf of Mexico drilling operations will keep prices supported. Evidence of global economic problems will weaken prices. Predicting which of the two will drive the news cycle and markets daily is anyone's guess.

**Irving:** I see the market having a hard time falling very far during the summer months. With a strong hurricane season in the forecast and a prediction for economic recovery (real or perceived) the oil market will keep pressure to the upside. There may be some down periods but they will most likely be short lived, quickly jumping on any strong economic news and/or any storm reports.

**Do you have any advice for retailers on how to best communicate hedging strategies to their customers and help market them?**

**Angus:** Clearly, honestly and with enough frequency!

**Boston Oilheat Financial:** Capped price protection programs should be communicated through the dealer's Web site and through mass mailing to their customer base. Properly hedged dealers will benefit from explaining to consumers how they protect themselves against price risk, enabling them to deliver on their price promises. Dealers who cut corners might get lucky this season if prices stay flat, but they are putting their customers, as well as their own business, at risk.

In an attempt to reduce the pain of an upfront cost of \$200 to \$300, dealers may elect to charge the fee in 12 monthly payments. In general, consumers on a capped program have shown to be more likely to remain with the dealer than those consumers on a will-call or fixed contract. It is in the best interest of the dealer to communicate the availability of a capped program to consumers.

**Global:** Yes, by keeping program details simple. Don't confuse their customers with details of your hedge, give them the maximum capped price and clear benchmarks when their customers' price will be reduced.

**Hedge Solutions:** Educate yourself and your company staff about the market and what drives the local rack price daily. Read about the markets daily. Your customers expect your company to be knowledgeable about pricing and these conversations are already occurring. This is the information age. Make sure the information being presented by your company is accurate.

We suggest using past price history as a guide. When someone says "prices can't go down that much," show them a graph of wholesale heating prices dropping 35 cents in a three-week period of time. When they ask "what are prices going to do?," be honest and tell them you are not sure, so pick a pricing/payment plan that they are comfortable with no matter what happens.

**Irving:** Customers want to know what the cost to heat their home for the winter is going to be so they can budget for it. A budget program that starts early or one where there

is a few months pre-pay works the best. The customer also wants to be certain that if the price of heating oil declines, they will not get stuck with a high-price contract so the cap program is better than the fixed price program. Combined, these provide the customer with the best program to plan their winter heating costs. ☐

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## Accounting for Hedging

By Joe Ciccarello, Gray, Gray & Gray

**HEDGING HAS BECOME AN IMPORTANT PART** of doing business in the Oilheat industry because financial markets (banks and anyone else who extends credit) want some assurances that the borrower will meet the budget (proforma numbers) on which the credit was extended.

Because of all the uncertainties surrounding the oil industry, lenders seek to reduce their risk by compelling independent dealers to purchase hedging arrangements to minimize the effects of market fluctuations, unpredictable weather patterns, etc.

Buying a hedging contract helps a dealer protect his margin should oil prices take an unexpected shift in wholesale prices, which could leave the dealer exposed to falling retail market prices. Hedging against this potential situation allows the dealer to offer a price protection program to customers with little or no risk to the bottom line.

**It's definitely a numbers game. And that means that how you account for the money you spend on hedging and any gains you realize at the other end is a critical component of the overall program. Place the wrong numbers in the right place—or the right numbers in the wrong place—and you may find yourself on the wrong side of rules.**

It's definitely a numbers game. And that means that how you account for the money you spend on hedging and any gains you realize at the other end is a critical component of the overall program. Place the wrong numbers in the right place—or the right numbers in the wrong place—and you may find yourself on the wrong side of rules.

The rules of accounting require a company to recognize all “derivatives, assets and liabilities” on the balance sheet at “fair value.” The same rules also address how to show the other side of the transaction, the loss side on the income statement.

These rules were established to differentiate between a company that buys hedging arrangements to speculate from one that hedges to protect their margins.

Hedging contracts used for risk management purposes must be documented at inception, and must include a stated objective and explanation of the method to be used to measure the effectiveness of the hedge.

In simple terms, what are you betting on? An uptick in oil prices? A drop? At the end of the contract, how will you know if it worked? All of this must be laid out up front.

Once set up, the plan will have to be reviewed periodically for effectiveness and adjusted accordingly so that the end of the period/season, it will achieve its goal.

The most common type of hedge contract is a “cash flow” hedge. This method is used to protect a dealer's margin so that the company can remain profitable, even if prices skyrocket or tumble. A cash flow hedge can help stabilize your income in order to keep lenders or potential buyers from getting nervous, while also providing a level of predictability to your financial forecasts and projections to assist management in navigating through the heating season.

At the end of the year, or measurement date, if your documentation shows that you followed the program, you will have achieved your goals of protecting the gross margins of your fuel department from market volatility.

The increase in value of the financial instrument on hand as of the balance sheet date will be shown as “other comprehensive income” on the equity section of the balance sheet, and not on the company profit and loss statement.

The check your company will receive from the hedging company to account for the difference between the contract price and the “rack” price will be recorded as a reduction of cost of goods sold, adjusting the margins to what you originally had shown on the proforma financial statements you gave to the bank. All is good.

The bank is happy, your company weathered the storm and was able to achieve the results it needed to meet the debt covenants and not be in default. Your customers are happy because you were able to adjust their contracted price downward as prices were falling. You are a good businessman.

Of course, there is a price to pay for all this happiness. Hedging, like all other insurance products, comes at a cost. You will have to figure out what that cost will be per customer and then pass it on to the customer.

If not, you will end up disappointing your banker and other creditors. You can pass your hedging costs on to customers either as a one-time charge or by increasing your price per gallon. Either way, you must not try to absorb the hedging costs.

Hedging programs are complex financial transactions. That is why it is essential to have a solid understanding of how hedging gains and losses should be treated and reported, as well as having qualified professionals in place to assist you with this complicated but potentially lucrative undertaking. ☐

**GLOBAL PARTNERS PURCHASES RETAIL GAS STATIONS IN NEW ENGLAND**

Global Partners recently announced the purchase of 190 retail gas stations located in Massachusetts, Rhode Island and New Hampshire. The gas stations are branded under the Mobil name and were purchased Exxon Mobil, which has decided to exit some of its downstream and marketing operations. The 190 stations sold a combined total of 370 million gallons of gasoline in 2009.

Global Partners paid \$200 million and assumed the environmental liabilities associated with the operations. The company said that 42 of the gas stations are company operated and 148 are dealer operated.

Global Partners also obtained the rights to supply the 190 gas stations with gasoline and other products, and 31 other independently owned stations in the same three states. Global Partners said that 179 of the gas stations are in Massachusetts, 22 in Rhode Island and 20 in New Hampshire.

“We believe that the strategic value of this transaction comes from the significant new stream of income we expect to generate by supplying these 221 locations in New England with gasoline and diesel fuel through

our supply and terminaling system. This transaction offers efficiencies and opportunities within our existing gasoline and diesel fuel wholesale supply business,” said Eric Slifka, the CEO of Global Partners.



**INDEPENDENT TECHNOLOGIES CELEBRATES 25TH ANNIVERSARY**

Independent Technologies Inc., organized as a Federation of Companies in diverse fields of business, is celebrating its 25th year of providing business solutions to its many customers.

The corporate office, located in Omaha, Neb., was founded in 1985 as a voice and data communications research and development company. ITC designs, manufactures and sells a wide range of customized communications products, which have broad applications in the telecommunications, power utility, cable TV, energy and information systems markets.

The family of companies includes Berry Test Sets, MetroTel Corporation, Sheyenne Dakota Incorporated, Wintel and Independent Technologies’ Wesroc Remote

Fuel Monitoring System.

Independent Technologies originally designed the Wesroc Payphone Monitor in 1986. In 2001 ITC created a similar application, the Wesroc Remote Propane Monitoring System, now the industry leader, according to the company.


The Wesroc product line includes monitors for propane, liquid fuel, liquid oxygen, CO2 and remote sites such as oil wells. Wesroc also makes remote railroad switch monitoring systems, GPS asset tracking systems, satellite based alarm and protection systems for a variety of applications.

**CEO RAISES \$6,000 IN CHARITY RUN**

Nicholas Kambitsis, president and CEO of Raceway Petroleum of Piscataway, N.J., has raised more than \$6,000 for children with cancer and blood disorders by participating in the 2010 Spring Lake 5 Mile Run.


Kambitsis said the donation will benefit the Embrace Kids Foundation, a non-profit organization committed to enhancing the quality of life for children with cancer and blood disorders.

Those interested in donating can still give via online at [www.firstgiving.com/nickkambitsis](http://www.firstgiving.com/nickkambitsis).



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## NAOHSM Honors 'Superheroes of Service'

*Industry Leaders for Education, Charity Efforts*

**THE NATIONAL ASSOCIATION OF OIL HEATING Service Managers' (NAOHSM) 57th Annual Convention and Trade Show** took place in Providence, R.I., from May 23 to 27, and saw professionals from various trades, including Oilheat, plumbing, HVAC, and chimney services, gather for education and networking.

This year's theme was "Superheroes of Service," and according to Judy Garber, executive administrator of NAOHSM, this year's convention was "a tribute to the men and women who make our industry shine."

The business seminars focused on a variety of topics for home heating professionals, from updates on codes and regulations to discussions about biofuel availability. In addition to technical sessions, there were also marketing segments that gave retailers information on how to grow their companies through new technologies and communications strategies.

John Barba, Dan Holohan, Dave Yates, and other industry experts led some of the seminars that were offered. George McQueeney, national president of NAOHSM, emphasized

the importance of continued education, saying that the seminars "covered subjects that are pertinent not only to our industry, but also to the emerging-alternative energy market."

With the 2012 requirement for newly installed boilers to contain an outdoor reset control, Taco's Barba gave advice at one session for technicians on some common mistakes made when setting up controls and how technology has made controls more dynamic.

He said that the first mistake many installers make is assuming the worst weather when setting up new systems.

"People are sizing an entire heating system for the coldest day of the year, which is going to occur less than 3 percent of the time," Barba said.

By sizing the system incorrectly, the system can experience a cascading series of problems, according to Barba.

"Heat loss will vary with weather," he said. "This leads to short-cycling, kills cycle efficiency, and increases wear and tear and standby loss."

By adding a boiler reset that automatically

adjusts the boiler temperature, homeowners can realize an instant conservation of fuel, according to Barba.

"A conservative savings estimate is 5 to 15 percent for an old iron non-condensing boiler," he said—assuming it is set up correctly.

"Many outdoor controls, at least 90 percent, are probably not programmed or used correctly," Barba added.

Using these controls correctly adds a new dynamic to the system by allowing the boiler to have a standardized target temperature and monitoring the differential. This can prevent short-cycling, according to Barba, by automatically adjusting when the weather calls for it.

There are also optional plug-ins for the controls that can add further functionality, according to Barba. These plug-ins include a post-purge timer, priority protection and pump exercise.

The timer maintains power to the circulator once a zone has been filled, but does not fire the boiler. It can help minimize stand-by loss during warm weather. The priority protection

**Taco's Facebook Builds a Worldwide Community**

Taco HVAC's Facebook community has grown enormously since its launch in April. Participants have joined the throng from 22 countries, including Canada, Saudi Arabia, Egypt, Mexico, Bulgaria, Singapore and even from the top of Mount Washington where Taco fan Steven Gronski hiked, Taco pump in hand, to go where no pump has gone before.

Taco's Facebook and Twitter activity has quickly become a dynamic means of two-way communications with key audiences, according to the company. Both offer an informal setting where people learn more about Taco.

Taco has thrown the doors open to a broad spectrum of people, from residential HVAC, plumbing and heating contractors, to commercial system designers and engineers, home and business owners and students.

Content and information exchange is largely set by those in the community. Taco hopes to stimulate discussion on a broad range of topics having to do with HVAC systems, residential heating and cooling, green building, sustainability green living and energy efficiency.

helps prevent systems from freezing up by allowing all zones to act independently if the priority zone calls for heat continuously for more than an hour. The pump exercise works to cycle pumps at selected time intervals to prevent issues during cold weather months.

**"Many outdoor controls, at least 90 percent, are probably not programmed or used correctly."**  
 —John Barba, Taco

In the spirit of service, the convention also hosted three unique charity events. The first was held on Sunday, May 23, and Oil Heat Cares partnered with Honeywell and the local rep agency, EDOS, to clean up and rehab the YMCA Sheppard Reservation Day Camp in Smithfield, R.I. You can view a video of this effort by visiting NAOHSM's YouTube channel at [www.youtube.com/user/NAOHSM1](http://www.youtube.com/user/NAOHSM1).

Monday kicked off with two more charity events. Golfers participated in the Annual Dave Nelsen Golf Tournament at Triggs Memorial Golf Course. This event, led by the Rhode Island Chapter's George Fantacone, raised funds for the Dave Nelsen Scholarship. This scholarship assists students planning to further their education in the Oil Heat industry. The golf tournament was a huge success, according to NAOHSM, raising more than \$10,000.

While the golfers were at the tournament, other convention participants were walking, biking and motorcycling for another industry cause at the Care to Ride event for Oil Heat Cares. Oil Heat Cares is a non-profit foundation that assists needy persons and organizations with the replacement of their oil heating equipment. Kevin Bowman, Mark Chaffee and Don Farrell organized the routes for the event and NAOHSM reported that this year's event raised more than \$58,000. The top fundraisers by category are:

- Team: Team Connecticut
- Walking: Judy Garber
- Biking and Overall: Roger Marran
- Motorcycling: David Besette

That night, NAOHSM held an opening reception where Care to Ride participants were recognized and Bob Craig was given a Lifetime Achievement Award for his "outstanding service and commitment to the industry."

Exhibitors showcased their products and services at a widely attended trade show and students and technicians had a lively competition that tested their skills.

The ladies who attended this year's conference also were able to partake in a special trip. After a day of sightseeing in Providence, they gathered for a cooking show presented by a local celebrity, Chef Terranova.

The event featured Rhode Island cuisine and raised money for Dorcas Place, an organization that gives educational opportunities to low-income Rhode Islanders.

NAOHSM's Awards Banquet took place on Tuesday, May 25, and honored the many "superheroes of service" to the industry. The New York Chapter received the Oil Heat Cares Cup for their work at the Lawrence F. Keene American Legion Post in the Bronx. Led by Angel Gonzalez, students from the Alfred E. Smith Vocational Career School had the opportunity to work side by side with professional installers on this project.

The renamed Lou Ehrlich Award (previously known as the Associate of the Year Award) was given to Robert O'Rourke of the Westchester Chapter. The Technician of the Year Award was presented to Wayne Lawrence, who works for Petro, and remarked that "this industry is all about family."

The Manufacturer of the Year Award was given to Hydrolevel. The Rhode Island Chapter honored Judy Garber by presenting her with a basket of products from Rhode Island. Ed Frazier was honored with the Instructor of the Year Award and Al Breda of Sippin Energy, member of the Fairfield County and New Haven chapters, received the Service Manager of the Year Award. Scott Hinkley was named the Hugh McKee Award winner and remarked, "This association has meant the world to me, as does this award."

The recipients of the Dave Nelson Scholarship were also honored at the Awards Banquet. Twelve students, out of more than 70 who applied, were awarded \$2,000 scholarships for furthering their education in the field. The winning students are: Michael Foley, Benjamin Forst, Matthew Fulmer, David Gidron, Ryan Gombert, Nathan Higgins, Michael McMahon, Ronald Mannino, Joseph Manzo, Alrick Crowe, Bradley Rydbom and Jesse Sutherland.

NAOHSM's 57th Annual Convention and Trade Show succeeded in its goal of strengthening our industry through education, according to NAOHSM.

Matt Spink, co-education chairman of NAOHSM, said, "We are a group of concerned individuals who get together and stay together for the betterment of our industry as a whole. We pride ourselves on the comfort we provide to our customers. We do that by constantly educating ourselves on the new products and technologies that are available to us today and we are proud to pass this knowledge on to the next generation."

For more information on the convention, see [www.naohsm.org](http://www.naohsm.org). Next year's convention and trade show is scheduled for May 22 to 26 in Hershey, Pa. ☒

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## Apple Slices

By Mark Skaparas, Hedge Solutions

**WOULD YOU EVER HAVE THOUGHT THAT DAVID** would overtake Goliath in market valuation? Well it happened recently this past May when Apple surpassed Microsoft.

What can we learn from a company (Apple) that almost went out of business (actually bailed out by Microsoft years ago so that Microsoft wouldn't look like a monopoly) to dethroning Microsoft in market cap?

**No matter what industry you find yourself in, companies still have to evaluate their business in order to stay on top of their games. You basically have two choices: to increase your sales or look for ways to save money.**

One similarity that the tech and petroleum industries share is the fact that technology and price change rapidly. Thus no longer can you sit and wait for your business to turn out OK. Apple is currently the king of smartphones, but Google is turning up the heat.

No matter what industry you find yourself in, companies still have to evaluate their business in order to stay on top of their games. You basically have two choices: to increase your sales or look for ways to save money. Let's take a look at four things that you can learn from Apple that will position your company to succeed in the future regardless of whom your competitors are.

### EASE OF USE

Do you make life easier for your customers or do you create more headaches? The iPhone is very easy to use right out of the box. Is your company user friendly? If you have made the decision to provide more services, be careful not to be too confusing.

An example of this would be to scale

back on the number of price offers. If your customer service people don't understand the offers, then it is safe to say your customers won't either. Let's say you want to offer fixed and capped plans, then offer a pre-buy fixed along with a budget cap. If your customer can't afford the lump sum payment upfront, then explain the advantage of spreading out payments while also having the ability to pay less throughout the year should prices go lower.

Another consideration is how easy it is for your customers to sign up. Do you offer Web-based, call in, or direct mail? The key takeaway here is ease of use.

### KNOW YOUR AUDIENCE

Are you selling to the 30 percent of people who solely buy from you on price or to the other 70 percent of your customers who like you more than you think based on other criteria, besides price?

Apple chose to focus on the consumer market, which in return meant better margins. Is your commercial business a worthwhile endeavor? The days of credit card offers flooding mailboxes have dried up due to the tightening of credit.

More and more of your residential, and even commercial, customers are losing their ability to jump from one company to another, as a result of less credit. There is a trickle-down effect from the bank that extends credit to the wholesaler, the wholesaler to the retailer and then ends at the retailer to the consumer. The key takeaway here is holding your ground on pricing.

### PRICE YOUR PRODUCT ACCORDINGLY

Profit margins are better in some months and worse in others. That is a fact of life in

your business, thus you need to be ahead of the curve. Being ahead of the curve means to always look for opportunities to optimize your margins and don't let the market push you off course. Hedging is a year-round event! It comes in the form of physical as well as paper hedging. Wholesale suppliers have brought to market great online ordering tools and hopefully you are taking advantage.

Although many of you have a comfort level with wetbarrels, there is another world out there that can help you optimize your profitability in the form of paper gallons. Online ordering from wholesale suppliers is great, but you need to be cognizant of the daily differential.

Sometimes when the market is down it would serve you better to lock in profits utilizing paper hedging versus online wetbarrels, because the wholesale supplier might increase their differential over the Nymex in order to take some of the profit of a down market.

In many instances, I have seen companies in the petroleum industry become lax at certain times of the year because their mind set was that not many gallons were being sold in a particular month so, "No need to worry." The key takeaway here is to have a 12-month mindset in hedging.

### BE INVOLVED

Let your customers help your business to grow. When Apple CEO Steve Jobs took the stage at the Worldwide Developers Conference in June, he quickly pointed out that they have paid out to developers more than \$1 billion! Apple gets 30 percent of the revenue from the apps they sell, while their developers get 70 percent.

Why not try teaming up with other companies with similar philosophies in order to expand your brand awareness. An example of this would be if you sell biofuels, then maybe team up with a Ben & Jerry's promotion. The key takeaway here is to create a brand that people want to associate with.

Many people are looking for rock-bottom prices and the oil industry is certainly no different. It is relatively easy to increase the gallons you sell by lowering your price or putting a special price offer out there.

As can be learned from Apple, keep in mind there is value in providing goods and services that most definitely do not have to be the cheapest on the block. Make life easy for your customer, know your audience, price your product accordingly, and be involved with your customers and community. Hopefully you can take away these four slices from Apple in order to help maintain fruitful revenues for many years to come. ☐



## Confronting Dyed Diesel Penalties

By Cloyd F. Van Hook, Guarisco & Cordes

**SINCE THE FEDERAL EXCISE TAX IS IMPOSED ON** motor fuel when it is loaded at the terminal rack, most petroleum marketers do not pay the tax directly. It is included in the price they pay for the fuel and passed along to their customers. But this does not mean they are completely free from problems with the federal revenueurs.

One area that can and often does cause problems is dealing with dyed diesel fuel. If diesel fuel is destined for a nontaxable use it can be loaded at the terminal without the imposition of tax. But one of the requirements is that it must be dyed in accordance with regulations.

**The IRS sees the improper use of dyed diesel as one of the major areas of fuel tax fraud. In order to combat this fraud, Congress has imposed penalties that apply when dyed fuel is knowingly sold, held for sale or used for a use that is not a nontaxable use.**

The IRS sees the improper use of dyed diesel as one of the major areas of fuel tax fraud. In order to combat this fraud, Congress has imposed penalties that apply when dyed fuel is knowingly sold, held for sale or used for a use that is not a nontaxable use. The penalty, which is imposed under Internal Revenue Code section 6715, is the greater of \$1,000 or \$10 for each gallon of dyed fuel involved.

In such a case the revenue agent will likely seek to impose a penalty of \$10 per gallon for the entire contents of a storage tank. The tax is increased for subsequent offenses by increasing the penalty by the product of the penalty to be imposed and the number of prior penalties. So the penalty is double for the second offense, triple for the third offense, etc.

The regulations also prescribe very specific language that a seller must have displayed on any retail pump that dispenses dyed diesel fuel.

Furthermore, the regulations contain a provision that if the specific language contained in the regulation is not posted, there is a presumption that for purposes of the penalty imposed by section 6715 the seller knows the fuel will not be used for a nontaxable use. The burden is then upon the taxpayer to disprove this presumption.

If an IRS agent believes a violation has been committed which would subject the taxpayer to a penalty he will issue a Form 12010 Report of Proposed Penalty—IRC 6715. The agent's cover letter will advise the taxpayer that if he does not agree with the penalty he should complete the Form 12009 Request for an Informal Conference and Appeals Review, which will be enclosed with the Form 12010.

The cover letter will contain a deadline for submitting the Form 12009, typically 30 days from the date of the letter. If the taxpayer is not comfortable contesting a matter with

the IRS he would be well advised to seek assistance from a professional with experience in handling controversies with the IRS early in the process and well before the deadline for submitting a response.

If the taxpayer wishes to have a tax professional represent him before the IRS, he will have to submit a form 2848, Power of Attorney and Declaration of Representation.

It is important to respond timely if the taxpayer wishes to contest the penalty. The taxpayer should present his position and any supporting documentation. The Form 12009 will afford the taxpayer or his representative a conference with an agent's supervisor.

Do not be dismayed if the issue is not resolved with the agent's supervisor. If the issue is not resolved at this level, the supervisor will forward the case to the Appeals Office for administrative review.

The Appeals Office is separate from and independent from the office that proposed the penalty. Most matters are settled in the Appeals Office. The Appeals Officer will take a fresh look at the issue and in reaching a settlement will consider the hazards of litigation. It may be necessary to file a written protest when requesting an appeals conference.

Some of the issues that may be raised include whether the fuel involved was dyed, whether the taxpayer knew or had reason to know that the fuel was sold or held for sale for other than a nontaxable use, whether the taxpayer knew or had reason to know that the fuel was dyed and whether the IRS correctly determined the amount of fuel subject to the Dyed Fuel Penalty.

Since the final amount of the penalty, if any, will not be determined until after the appeals process, collection activity will be suspended until Appeals has determined the penalty amount.

If the matter is not resolved in Appeals, the IRS will send the taxpayer a notice of the penalty amount due. If the taxpayer disagrees he must then pay the full amount due and file a Form 843, Claim for Refund.

If the claim is rejected or the IRS has not taken action for six months, the taxpayer may then litigate the matter in either the U.S. District Court or the U.S. Court of Federal Claims. It is very rare for a taxpayer to litigate a penalty case. There are only a handful of reported cases.

Because of the expense and uncertainty of the outcome in litigation, it is highly advisable that the taxpayer contests a proposed penalty and follows through with the appeal process.

Though there is no guarantee of success in the appeals process, if the taxpayer's position is justified, the proposed penalty can often be eliminated or substantially reduced through a well-prepared appeal. ☐

**EPA WITHDRAWS EMISSION COMPARABLE FUELS RULE**

The U.S. Environmental Protection Agency (EPA) has withdrawn the Emission Comparable Fuels (ECF) Rule, a rule that was finalized in December 2008. The rule sought to remove regulatory costs by reclassifying fuels that would otherwise be regulated as hazardous waste, but generate emissions similar to fuel oil when burned.

EPA has now withdrawn the rule due to difficulty of ensuring that emissions from burning ECF are comparable to emissions from burning fuel oil.

The ECF rule was criticized for potentially allowing hazardous waste to evade the hazardous waste regulatory system, and for being difficult to administer. Industry members have also criticized it because of the detailed conditions for reclassification, which they believe will limit the rule's use.

More information on the rule is available at [www.epa.gov](http://www.epa.gov).

**RGGI CO2 AUCTION RAISES \$80.4 MILLION**

The 10 states participating in the Regional Greenhouse Gas Initiative (RGGI), the nation's first mandatory, market-based program to reduce greenhouse gas emissions, recently announced the results of the second quarterly auction of carbon dioxide (CO2) allowances in 2010.

The auction, held in June, yielded \$80,465,566.78 for states to invest in the clean energy economy.



There were 40,685,585 CO2 allowances offered for the first three-year control period (2009-11) at a price of \$1.88.

In a parallel offering, the RGGI states also auctioned CO2 allowances for the second three-year control period (2012-14). A total of 2,137,993 CO2 allowances for the second control period sold at a price of \$1.86.

Proceeds from all the RGGI auctions now total more than \$662.8 million. States are investing these proceeds in consumer benefit programs that further reduce emissions, save consumers money and create jobs. Overall, states are investing the vast majority of proceeds to improve energy efficiency and accelerate the deployment of renewable energy technologies.

Overall, states are investing roughly 60 percent of the proceeds from RGGI CO2 allowance auctions in energy efficiency, the most cost-effective resource for reducing energy demand in the near-term. Energy efficiency measures, such as building retrofits, heating system replacements and appliance upgrades, save consumers 20 to 30 percent off their energy bills.

While states maximize near-term energy efficiency opportunities, they are also investing in renewable energy sources for a long-term clean energy future. Across the region, funds are being used to install solar, wind and geothermal energy generation systems in commercial and industrial facilities and to deploy solar energy and hot water systems on homes and businesses.

States are beginning to document both the direct consumer benefits and the broad economic gains that the investment of RGGI proceeds is bringing to the region. For example, in Connecticut, electric and gas energy efficiency programs, funded in part with RGGI proceeds, are producing more than \$4 in benefits for every \$1 invested. New York is showing a greater than 8 to 1 benefit for every dollar invested in renewable energy systems.

"Expanded efficiency programs, funded in part by RGGI, will generate roughly \$6 billion in consumer energy savings in Massachusetts over the next three years," said Phil Giudice, commissioner of the Massachusetts Department of Energy Resources. "The same programs are also expected to create or maintain nearly 4,000 jobs for contractors, HVAC technicians, architects and other specialists, also over three years."

To learn how each state is investing RGGI auction proceeds, see [www.rggi.org](http://www.rggi.org).

The next RGGI auction is scheduled for Sept. 8.

**DOE SEEKS INPUT ON NATIONAL ENERGY RATING PROGRAM FOR HOMES**

The U.S. Department of Energy (DOE) issued a Request for Information (RFI) in June inviting interested parties to submit comments that will help to develop a National Energy Rating Program for Homes. This rating program will offer consumers easy-to-understand, reliable information about the energy performance of existing homes, and help them identify cost-effective energy efficiency investments for their homes.

Even though home energy retrofits are good investments that save families money, consumers often do not have the straightforward information on a home's energy use that they need to decide whether

to retrofit their homes and what investments make the most sense. This national program will enable consumers to access additional information about their home's energy use.

It will facilitate a new level of investment in home energy efficiency by developing a consistent way of measuring a home's energy performance and a clear method for



conveying information to consumers. Greater investment in home energy retrofits will create jobs, save homeowners money on their energy bills, help avoid emissions of greenhouse gases and other air pollutants, and improve energy security. The program is meant to complement existing home retrofit efforts, such as Home Performance with Energy Star, weatherization, and other state and local energy efficiency initiatives.

The National Energy Rating Program for Homes will consist of standardized approaches for evaluating home energy performance and options for conveying this information to consumers. DOE is considering a wide range of issues including how to measure energy performance, what performance metrics to use, and how best to present information to consumers.

Interested stakeholders such as state and local energy offices, Realtors, consumer groups, utilities, Home Performance with Energy Star contractors and administrators, weatherization contractors, home energy rating organizations, lenders, environmental groups and non-profit organizations involved with energy efficiency initiatives, are encouraged to participate.

This RFI seeks public input on the following aspects of the program:

- Guiding principles for the program;
- Options and approaches for key elements of the program;
- Proposed DOE approaches;
- Additional work that the department is considering.

The department plans to have an initial program design available by early fall 2010. The department expects to partner with interested parties and ongoing residential energy efficiency retrofit programs to implement this effort.

## EPA OFFERS COOLING TIPS FOR EVERY BUDGET THIS SUMMER

**THE U.S. ENVIRONMENTAL PROTECTION AGENCY'S** (EPA) Energy Star program has released a list of tips that offers low to no-cost energy-efficient cooling tips for consumers this summer. The tips provide a variety of ways that home energy retailers that provide HVAC service can suggest to their customers.

These efficiency tips can be included on a Web site or as part of other marketing material, providing another way for retailers to be the total energy information provider for customers. They may also encourage customers to think about upgrading equipment or services in order to become more efficient during the winter as well.

The EPA's tips include:

### NO-COST TIPS

- Program your thermostat to work around your family's summer schedule—set it a few degrees higher (such as 78 degrees) when no one is home, so your cooling system isn't cooling an empty house. With proper use, programmable thermostats can save about \$180 a year in energy costs.

- Check HVAC system air filters every month. If the filter looks dirty, change it, but change the filter at least every three months. Dirty filters will slow air flow and make the system work harder to keep you cool, wasting energy.

- Run a ceiling fan to create a cool breeze. If you raise your thermostat by only 2 degrees and use your ceiling fan, you can lower cooling costs by up to 14 percent. Remember that ceiling fans cool you, not the room, so when you leave the room make sure to turn off the fan.

- Pull the curtains and shades closed before you leave your home to keep the sun's rays from overheating the interior of your home. If you can, move container trees and plants in front of sun-exposed windows to serve as shade.

### LOW-COST TIPS

- Remember to have your HVAC system serviced annually to ensure it's running at optimum efficiency for money and energy savings.

- Swap out incandescent bulbs with more energy-efficient lighting choices. Energy Star-qualified lighting not only uses less energy, it also produces about 75 percent less heat than incandescent lighting, so cooling bills will be reduced, too.

- Seal your air ducts. As much as 20 percent of the air moving through your home's duct system is lost due to leaks and poor connections. Seal duct work using mastic sealant or metal tape and insulate all the ducts that you can access (such as those in attics, crawlspaces, unfinished basements and garages).

- Make sure that connections at vents and registers are well sealed where they meet floors, walls and ceilings. These are common locations to find leaks and disconnected ductwork.

### OTHER TIPS


- When buying a room air conditioner, look for one that has earned EPA's Energy Star. If every room air conditioner in the United States were Energy Star qualified, they would prevent 900 million pounds of greenhouse gas emissions annually—equivalent to the emissions from 80,000 cars.

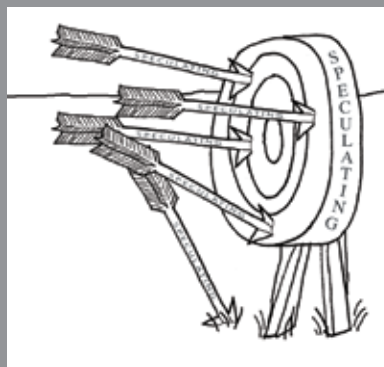
- Add insulation to your attic to keep cool

air in. If every American household did so, Americans would collectively save more than \$1.8 billion in yearly energy costs.

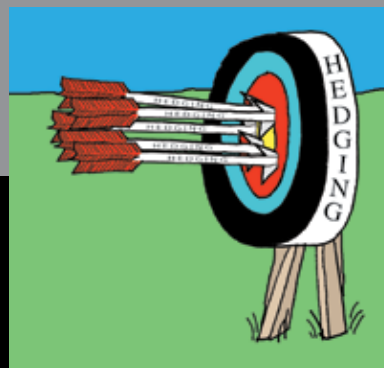
- Hire a contractor to seal and insulate the interior ductwork in your home (the ducts you can't reach yourself). For help with choosing the right contractor, go to [www.energystar.gov/homeimprovement](http://www.energystar.gov/homeimprovement).

- If your central air conditioning unit is more than 12 years old, replacing it with a model that has earned EPA's Energy Star could cut your cooling costs by 30 percent.

More information about keeping cool and comfortable while saving money this season can be found at [www.energystar.gov](http://www.energystar.gov). 



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## Pennsylvania

### SUNSHINE PROGRAM PAYS OUT 1,000TH REBATE AFTER FIRST YEAR

After a little more than a year, the Pennsylvania Sunshine Solar Rebate Program has proved immensely successful and popular, having enabled thousands of Pennsylvania homeowners and small businesses to lower their energy bills with the help of the sun's power.

Those projects are paying dividends for the state's economy and putting people to work at the same time, according to Department of Environmental Protection Secretary John Hanger, who presented the 1,000th rebate check to Montgomery County homeowner Sally Kauffman. Kauffman received a \$10,800 rebate for the 4.8-kilowatt solar system she installed that is expected to generate more than 5,500 kilowatt hours of electricity, saving her nearly \$800 each year.

All told, he said, Pennsylvania has added approximately 10 megawatts of installed solar capacity in just over one year as a result of the PA Sunshine Program. More than 790 residential solar electric and 137 solar thermal projects have been completed with another 895 solar projects approved for construction. Among small businesses, another 108 solar electric and 10 solar thermal projects have been completed with another 318 solar technology projects approved for construction.

In total, the secretary added, the \$100 million PA Sunshine Program has provided more than \$72 million in rebates to fund more than 2,300 solar electric and hot water projects that are either completed or already under construction. Rebates for the remaining projects are being processed timely in the order they were received.

Mercury Solar Systems of Philadelphia installed Kauffman's system and is one of more than 500 approved solar installers in the state. In the past year, the company has installed more than 50 solar projects and has dozens more scheduled to be installed in the coming weeks. That new demand has allowed the company to expand its workforce from three employees prior to the opening of the program, to 15 today.

For information, visit [www.depweb.state.pa.us](http://www.depweb.state.pa.us), keyword: PA Sunshine, or call the Department of Environmental Protection's Office of Energy and Technology Deployment at (717) 783-8411.

## Vermont

### ANNUAL MEETING A SUCCESS

More than 200 people participated in the 2010 Vermont Fuel Dealer Association

(VFDA) Conference in Stowe in May. On the first day, attendees enjoyed an afternoon of golf, a dinner in the atrium garden and company at the VFDA hospitality suite.

The following day, six business seminars kept VFDA members up to date with regulations that impact the heating industry. Nearly 30 vendors showcased the latest in heating technology in the atrium exhibitor gallery.

In addition to industry members, Gov. James Douglas, Lt. Gov. Brian Dubie, Sen. Phil Scott and Speaker of the House Shap Smith attended the event.

See [www.vermontfuel.com](http://www.vermontfuel.com) for information on the event, including pictures and copies of business presentations.

## New Jersey

### REPORT: PSE&G'S LARGEST GAS CUSTOMER DODGES SBC FEE

According to a recent article on the Web site NJ Spotlight, Public Service Enterprise Group (PSEG) Power, a supplier of power and PSE&G's largest gas customer, has avoided paying the societal benefits charge (SBC) over the past decade, even though critics say regulatory rules explicitly state that the charge cannot be bypassed.

The article claims PSEG power has, according to an industry lawyer, avoided \$47 million in fees—just in 2009. Last year, the fund raised \$740 million from other customers to finance half a dozen energy-related programs, including reduction of energy consumption, promotion of solar and wind power, and assistance for the poor in paying their utility bills.

Critics say that by escaping the SBC, PSEG Power is, in effect, being subsidized by other ratepayers and gaining an unfair advantage over competing energy suppliers. The state has been collecting the SBC since it passed a deregulation law in 1999, adding a surcharge on utility gas and electric bills to pay for clean energy programs and energy efficiency, and to help low-income households pay energy bills.

For information, see [www.njspotlight.com](http://www.njspotlight.com).

## New Hampshire

### WEATHERIZATION MILESTONE REACHED

The U.S. Department of Energy has announced that five more states have reached a significant milestone under the American Recovery and Reinvestment Act—completing weatherization work for more than 30 percent of the homes they have planned.

Now that New Hampshire, New Mexico, Montana, Minnesota and Utah have each met this target, along with completing a series

of monitoring and reporting milestones, the states will have access to the remaining 50 percent of their Recovery Act funding for the program. The Weatherization Assistance Program under the Recovery Act has weatherized more than 108,000 homes nationally, saving American families more than \$47 million on their energy bills and according to state reports, supporting more than 10,000 jobs in the first quarter of this year.

The five states join seven other states nationally who met this Recovery Act milestone in the last month: Idaho, Maine, Mississippi, Nevada, Ohio, Vermont and Washington.

New Hampshire has weatherized 985 homes under the American Recovery and Reinvestment Act as of May 31. New Hampshire now has access to the full \$23.2 million in funding to weatherize more than 2,600 total homes with Recovery Act funding. According to the state, 110 workers were employed by state and local weatherization providers during the first three months of the year.

## Massachusetts

### MOC HOSTS BIODIESEL CONFERENCE

On June 15, the Massachusetts Oilheat Council (MOC), along with the National Biodiesel Board (NBB) and the National Oilheat Research Alliance (NORA), held the 2010 Massachusetts Biodiesel and Bioheat® Conference at the Westin Hotel in Waltham, Mass.

There were 220 people in attendance, including industry leaders, heating oil dealers and wholesalers, and soy producers and biodiesel/biofuel suppliers from across the country.

"This is by far the most successful event MOC has ever had," said MOC President Michael Ferrante. "The turnout, cooperation from NBB and NORA and the high quality and depth of our presenter panel all contributed to our success."

MOC thanks the following people for helping to make the conference a success:

Paul Nazzaro, Advanced Fuel Solutions and petroleum liaison for NBB; John Huber, NORA president; Elizabeth Warren, Mass Biofuel; Len Bicknell, Alvin Hollis; Ed Otis and Kristin Capone, Atlas Glen-mor; Michael Devine, Earth Energy Alliance; David Cash, MA EOEEA; Dan Bogan, L.E. Belcher; Ed Burke, Dennis K. Burke; Bill Davidson, Global Companies; Tom Flaherty, Sprague Energy; Jay Leduc, Irving Oil; Kevin McAteer, Gulf Oil; Ted Noonan, Noonan Energy; and Thomas Zeth, Buckeye Partners.

**DOE ANNOUNCES UP TO \$11 MILLION FOR BIOFUELS TECHNOLOGY DEVELOPMENT**

The U.S. Department of Energy (DOE) has announced up to \$11 million in funding over three years for research and development in the area of thermochemical conversion of biomass into advanced biofuels that are compatible with existing fueling infrastructure.

The objective of this funding is to improve the conversion of non-food biomass to liquid transportation hydrocarbon fuels via pyrolysis,



a process that decomposes biomass using heat in the absence of oxygen to produce a bio-oil that can be upgraded to renewable diesel, gasoline or jet fuel. This funding opportunity is part of the Department's effort to accelerate development and deployment of sustainable, renewable biofuels that significantly reduce U.S. dependence on foreign oil and lower greenhouse gas emissions.

Previous research has shown the potential of upgrading biomass pyrolysis oil to a form that is stable for six months under ambient conditions. DOE is seeking projects that will further upgrade stabilized bio-oil into a refinery-ready intermediate, and demonstrate production of a final hydrocarbon fuel. This Funding Opportunity Announcement (FOA) is requesting applications for projects that will:

Demonstrate the capability of long-term processing to address the corrosivity issues associated with stabilized bio-oil;

Catalytically de-oxygenate the many molecular fragments that collectively comprise bio-oil;

Demonstrate the ability to produce a final liquid transportation hydrocarbon fuel that can be blended at up to 30 percent by weight with petroleum fuels, or produce an upgraded bio-oil compatible with existing petroleum refining unit operations;

Provide extensive supporting data on the physical and chemical property requirements of the petroleum operations to demonstrate the compatibility of the resulting liquid hydrocarbon product with petroleum refining unit operations.

The FOA can be viewed at [www.Grants.gov](http://www.Grants.gov).

**DOE ANNOUNCES \$29 MILLION FOR WEATHERIZATION TRAINING CENTERS**

The U.S. Department of Energy (DOE) announced recently that 34 projects in 27 states have been selected to receive \$29 million under the American Recovery and Reinvestment Act to develop and expand weatherization training centers across the country.

These projects will provide green job training for local workers in energy efficiency retrofitting and weatherization services. With this training, skilled workers can help expand the use of energy efficient practices in America's homes and businesses.

Using innovative approaches to weatherization training and standardized training curricula, these projects will help prepare weatherization workers, supervisors, and inspectors to maintain a high degree of quality in weatherization projects and to work in the growing field of energy efficiency retrofits. The centers and programs will offer training using a combination of classroom, online, and hands-on learning tools.

This funding will support the expansion of eight existing weatherization training

centers and the establishment of 26 new training centers, more than tripling the number of DOE-funded weatherization training centers nationally.



The training programs announced will support a range of public and private energy efficiency efforts, including the Department's Weatherization Assistance Program, which has already funded the weatherization of nearly 200,000 homes since last February, using both Recovery Act and annual program funds.

These weatherization training centers are part of the Department's broader Training and Technical Assistance program for weatherization, including a variety of online tools, a national training platform, certification and accreditation standards, program evaluations, quality assurance reviews, and peer mentoring.



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## Price Protection 2.0

By Antonius Van Wijngaarden and Myles Tryder, Boston Oilheat Financial

**WHEN DEALERS OFFER CAPPED PRICE PROTECTION, THEY USE ONE OF** several methods to protect against price fluctuations. Each is designed to work in the abstract, but typically has significant real-world drawbacks, which make it difficult to manage, administer and execute hedges.

As a result, we have known dealers to rely upon a wide variety of what end up being poorly constructed hedges, which fail to protect against losses when the market moves against them. Even worse, dealers frequently fail to realize how exposed they really are.

For example, in an attempt to reduce total program cost, dealers often take shortcuts, such as failing to secure downside protection on forward contracts, or hedging only 65 to 70 percent of volume needs (in case an especially mild winter drives demand down).

**For small-to-medium-sized dealers, a window of exposure is easily created between the selling of option contracts, due to the 42,000 gallons that each contract represents. In this interim time period, option values can fluctuate significantly, and dealers can see their entire profit margins evaporate on gallons sold.**

For small-to-medium-sized dealers, a window of exposure is easily created between the selling of option contracts, due to the 42,000 gallons that each contract represents. In this interim time period, option values can fluctuate significantly, and dealers can see their entire profit margins evaporate on gallons sold.

At Boston Oilheat Financial, we employ a hedging strategy enabled by proprietary trading models, based on the rack-plus hedging method. When properly managed, rack-plus enables dealers to benefit from full protection without the drawbacks of forward contracts.

It empowers you to lower costs, hedge 100 percent of program needs, protect against a basis blowout, set your desired retail price cap, and lock in your desired gross margin, all without committing volume to your supplier.

The natural question, of course, is: if rack-plus hedging is so clearly advantageous, then why don't all existing risk management

firms offer it? There is one advantage to using forward contracts: they typically offer a lower capped price than call options.

For suppliers, forward contracts are ideal: they guarantee profits months in advance, and generate exorbitant deposits and penalties for under-lifting and shifting volume from month to month.


Because suppliers shield their exposure back-to-back with NYMEX futures, all of this guaranteed profit comes with little to no risk. Because forward contracts create so much revenue for suppliers, it is in their best interests to guide dealers toward them.

This is why traditional hedging methods for capped programs require you to enter into a forward contract, in addition to purchasing a put option with an at-the-money strike price.

In fact, the Black-Scholes financial model dictates that options with a strike price closer to the near-month futures price are inherently more expensive than options that are out of the money. For example, it is not uncommon for an at-the-money option to cost 10 cents per gallon more than an out-of-the-money option.

As of the writing of this column, the December 2010 future on the NYMEX trades at \$2.14 per gallon, while an at-the-money put option is priced at 21 cents per gallon. In comparison, a call option at 25 cents out-of-the-money costs only 10 cents per gallon. In essence, traditional hedging methods force your customers to pay a substantial premium for price protection.

At Boston Oilheat Financial, our price protection program allows you to buy protection in 100 gallon increments, making it feasible for dealers of almost any size. We enable you to earn a guaranteed operational margin on your enrolled gallons, while fully isolating you from price risk and relieving you of tedious management of wetbarrels and options.

We have only your interests in mind, and if you're interested in learning more about what we can do for you, give us a call at 877-700-6454 or visit us online at [www.bostonoilheat.com](http://www.bostonoilheat.com). 

# AUCTION

PGANE (with the assistance of NEFI) will be holding the inaugural Northeast Propane Show (NPS) on Aug. 10 and 11. The groups are planning an **ONLINE AUCTION** leading up to the event with proceeds evenly divided between PGANE and NEFI's legislative and regulatory efforts. Items must be received by Friday, July 30.

If you donate, your company will be featured in the pages of this magazine as well as in NEFI and PGANE's weekly e-newsletters! Get great exposure and help the industry by donating today!

For more information, see [www.northeastpropaneshow.com](http://www.northeastpropaneshow.com).

**NOTE: Donations are not tax deductible as charitable contributions or as business expenses.**





## RAPID RESPONSE TO FIELD ISSUES

In expanding the use of biodiesel in the home heating market both by increasing the number of buildings using blends and the blend ratio, it is inevitable that problems or questions will arise that will be blamed, in all or partially, on the use of biodiesel. Some of these problems have risen in the past with conventional fuels.

Examples of potential problems include: pump failures, increased tank sludge and sediments, increased nozzle and filter plugging rates, fuel separation, low temperature flow problems and burner head coking.

Goal: Development and use of a rapid response capability that can be used to quickly analyze the cause of observed field problems associated with increased biodiesel use in heating equipment. Currently these events are monitored and managed by NBB's "Bioheat Hot Line."

## LIMITS BASED ON LEGACY PUMP SEAL COMPATIBILITY

Define an allowable limit for the biodiesel content of heating oil based upon the impact on the mechanical properties of one pump seal material defined as representative of the shaft seals that are in the use in the current population of burners in homes.

Goal: This materials property testing is part of a first phase in determining the bio-blend level of the 7 million gallons of heating oil currently in use throughout the NORA distribution network. The results of this research and actual pump testing will determine the timing and methods for upgrading pump seals to accommodate higher blends as the industry increases its sustainable footprint.

## CROSSING T'S, DOTTING THE I'S

As you can see, no stone is left unturned. Often those involved with buying and selling distillate fuel overlook the finer details on critical performance parameters that necessitate attention. The body of work described above will be your "stamp of approval" that the industry will ensure a quality fuel beyond today's standards.

When you begin selling higher blends of Bioheat, do not worry about pumps, seals, fuel lines, strainers, nozzles, tanks or any other component being negatively impacted. Rather, with this higher blend you can go forward with peace of mind knowing that the above-mentioned issues will be improved upon. Be confident that the issues that currently make you feel uncertain are being investigated in exhaustive detail. All the attention focused on higher blends makes for happy customers and stronger businesses both of which you can feel good about. ☑

# Priming the Pump for Higher Blends

By Paul Nazzaro, Advanced Fuel Solutions; National Biodiesel Board

**SINCE 2002, THE NATIONAL BIODIESEL BOARD'S** (NBB) petroleum outreach team has looked out for the future interests of Oilheat while maintaining a vision to integrate ASTM D6751 biodiesel with ASTM D396 heating oil.

Countless field and laboratory studies monitored by exhaustive media coverage have been given to Bioheat, and for obvious reasons. Bioheat and ultra-low sulfur heating oil will make the difference between continued market contraction of Oilheat and the polar opposite progressive and sustained growth, if handled properly.

Now with unanimous support of industry leaders to move toward our new goal of up to a 20 percent blend, it is time to get back to amending ASTM D396 for a second time in the past five years.

A few years back, we set out to amend D396 to include up to 5 percent and succeeded. Today, a well-versed group of industry technical minds have joined together to assess and execute the body of work required to achieve the ultimate goal of demonstrating that blends up to 20 percent are safe for use in home heating oil systems.

The need to validate the performance of higher blends can be attributed to the findings contained within the ICF International Report. In a nutshell, when a lifecycle analysis of natural gas versus oil is taken into consideration, a blend of 80 percent ultra-low sulfur heating oil (15ppm is blended with 12 percent and above of biodiesel) the industry can exceed the reduction in GHG (greenhouse gas emissions of natural gas).

This of course was of paramount importance to an industry that squares off against gas on a daily basis. This new fuel blend also enables our industry to be proactive in meeting the demands of government legislators demanding that our country reduce their independent carbon footprint,

which clearly we are working on collectively and proactively

Understanding that time is of the essence, a joint venture was established between NBB and the National Oilheat Research Alliance (NORA). Committee members, many of whom participated in the first attempt to amend D396, were assembled and began work on establishing the strategic direction of analysis required to successfully increase the blend percentages of biodiesel into the home heating oil pool.

This group of individuals now represents a working group called the Bioheat Technical Steering Committee (BTSC). Since November 2009, the BTSC has participated in countless teleconferences, leading to establishing consensus on what needs to be done to eliminate roadblocks that otherwise would interfere with our ultimate goal to increase blend percentage. Below are projects identified by the steering committee that have been approved for funding (NBB and NORA to co-fund) and are now being initiated.

## DOCUMENTATION OF FIELD EXPERIENCE WITH BIODIESEL BLENDS

The liquid heating fuel industry has led in the displacement of petroleum with biodiesel and has accumulated a great deal of experience with the use of biodiesel. This has included thousands of homes operating for periods of more than five years with a wide range of equipment, feedstocks, blending and distribution system and climates.

This experience represents a rich source of data that can be used to increase confidence in further expanding the use of biodiesel blends and to identify areas of possible concerns relative to higher blend ratios.

Goal: To document the impact that biodiesel blend use has had on service requirements, component failure rates, fuel quality and reliability in heating systems.



## MEMBERSHIP ENROLLMENT

**New England Fuel Institute (nefi.com)**

PO Box 9137 – Watertown MA 02471-9137

Business Address: 20 Summer Street, Watertown MA 02472

Phone 617-924-1000 – Fax 617-924-1022 - shane@nefi.com

ANNUAL MEMBERSHIP DUES beginning in 2010 are \$400.00 for retail/associate members and \$800 for wholesalers/refiners. NEFI operates on a calendar year and will prorate dues on a monthly basis for those joining after January 31.

NAME OF COMPANY:

NAME OF DESIGNATED REPRESENTATIVE:

TITLE:

MAILING ADDRESS:

CITY:

STATE:

ZIP:

PHONE:

FAX:

E-MAIL:

WEBSITE:

Attached find – or I have emailed same to joanne@nefi.com – the contact information for additional company contacts that should receive NEFI's publications, alerts, etc

**TYPE OF MEMBERSHIP:** Please Check ONE:  Retail Fuel Dealer **or**  ASSOCIATE MEMBER **or**  WHOLESALER/REFINER

**Note:** In some states retail fuel dealer membership may be subject to membership in that state fuel association.

PLEASE PROVIDE A DESCRIPTION OF ALL THE PRODUCTS AND/OR SERVICES YOU PROVIDE: check any that apply:  Heating Oil  Kerosene  Propane  Diesel-over the road  Diesel-Off Road  Gasoline  Bioheat or Biodiesel  C-Stores  Other \_\_\_\_\_

### How did you hear about us?

Internet  Publication (newsletter, magazine)  State Association

NEFI Staff Member, Name \_\_\_\_\_

Fellow Retailer, Name \_\_\_\_\_

Other, Please Specify \_\_\_\_\_

### PAYMENT/BILLING

\_\_\_\_ **Optional** - Sign me up for subscription to Oil & Energy Magazine, a NEFI monthly publication - \$25 per year in U.S; \$60 Overseas, \$40 Canada

\_\_\_\_ Check enclosed for \$400.00 (fuel retailers or associate members) **OR** \$800.00 fuel wholesalers or refiners, made payable to "NEFI" enclosed- or

\_\_\_\_ Credit Card - Visa/MC/Amex Card Number \_\_\_\_\_

Exp. Date (mm/yyyy): \_\_\_\_\_ Name as it appears on card: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_ Bill my company. NEFI will prorate dues based upon the month in which you join and invoice you

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Join these other Oilheat and energy products and service providers who have made earlybird reservations for the 2011 ENERGY EXPO.

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 Boston Steel & Mfg. Co.  
 Dennis K. Burke, Inc.  
 Cargas Systems  
 Carlin Combustion Technology, Inc.  
 The Creative Companies  
 Crown Boiler Co.  
 Crown Engineering Corp.  
 C&S Scientific Corp.  
 Degree Day Systems  
 DRM, Inc.  
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 W.B. Hill  
 Kamco Products  
 div. of Great Lakes Copper Inc.  
 Kerr Energy Systems  
 Lincoln Laboratory  
 Lin's Propane Trucks  
 Market Line Computers  
 MID:COM  
 Monitor Products, Inc.  
 MPE Inc.  
 Newmac Mfg.  
 Northeastern Petroleum  
 Service & Supply Inc.  
 Oilheating Journal  
 Onspot Automatic Tire Chains  
 Peerless Boilers  
 The Powderhorn Agency  
 PriMedia, Inc.  
 Riello Burners  
 Sid Harvey  
 Simpson Dura-Vent  
 Spirotherm, Inc.  
 Sprague Energy  
 Stamberger-Sender Assoc.  
 Taurus Systems Inc.  
 tekmar Control Systems Ltd.  
 Therma-Flow, Inc.  
 Tjernlund Venting Products  
 Total Control Systems  
 Trans-Tech Industries  
 Triangle Tube  
 Trident Insurance Services, LLC  
 Truck & Auto Repair  
 UTILITY  
 Viessmann Manufacturing Company  
 Watts Water Technologies  
 Wehof Forms  
 Weil-McLain  
 Williamson-Thermoflo  
 WILO USA LLC

## PGANE MEMBERS DISCUSS ISSUES AT PROPANE DAYS IN D.C.

Propane Gas Association of New England (PGANE) members Steve Rosentel, David Gable, Bill Cummings, Jim Taranovich, Randy Chase, Matt Cota, Ray Murray, Mike Hopsicker, Jay Jackson, Denis Gagne, Jeff Taylor, Glenn Saunders, Mike Tracey and John Simcox joined PGANE President Joe Rose in Washington recently.

The contingent made the trip to visit members of Congress and discuss reforming the Propane Education and Research Act (PERA) Act, extending the 50-cent-per-gallon



motor fuel tax, and modifying the Kerry-Lieberman Climate Change bill to push the compliance date to the same date as natural gas, so that rural gas users are not disadvantaged versus urban gas users.

The group is also working to push the point of regulation upstream from the propane marketers.

In addition, they talked to congressmen about derivative regulation, potential closure of railroads in northern Maine with Sen. Olympia Snowe and issues with Federal Energy Regulatory Commission (FERC) and enterprise tariffs with all the New England delegation.

PGANE offers thanks to all members who took the time to visit their legislators and help the industry. The event will take place next year on June 14 and 15, 2011.

## CSA 2010 ROLLOUT: WHAT IS HAPPENING WHEN?

After listening carefully to all stakeholders including Operational Model test participants, enforcement staff, and industry safety experts, the Federal Motor Carrier Safety Administration (FMCSA) has developed a revised schedule for the roll out of CSA 2010 in line with its commitment to launch this program in the most effective way possible.

The rollout schedule is designed to methodically step federal and state enforcement staff, as well as the motor carrier industry, into the program one step at a time—increasing the safety benefits through better understanding and increased accountability for good safety performance. The rollout timeline is outlined below:

**April 12 to Nov. 30, 2010:** Motor carriers can preview their own data by seeing their roadside inspections/violations and crash events organized by Behavior Analysis and Safety Improvement Category (BASIC);

**June 30:** The Operational Model (Op-Model) Test will end;

**July:** The four 50/50 Op-Model Test states, Colorado, Georgia, Missouri and New Jersey, will join the five 100 percent Op-Model Test states in implementing the program;

**August:** Motor carriers will be able to see an assessment of their violations based on the new Carrier Safety Measurement System (CSMS) which will replace SafeStat later in 2010;

**Fall/Winter 2010:** SafeStat will be replaced by the CSMS. CSMS will be available to the public, including shippers and insurance companies. FMCSA/states will prioritize enforcement using the CSMS. FMCSA will begin to issue warning letters to carriers with deficient BASICS. Roadside inspectors will use the CSMS results to identify carriers for inspection;

**Winter 2010:** Safety Fitness Determination Notice of Proposed Rulemaking (NPRM) is scheduled to be released;

**2011:** Enforcement staff will be trained, and new interventions will be implemented state-by-state.

## MAINE PUBLIC UTILITIES COMMISSION ADOPTS NEW PROPANE RULES

The Maine Public Utilities Commission has adopted a rulemaking of a new Chapter 421 that sets forth safety and operation standards specifically for jurisdictional liquid propane gas transmission and distribution systems.

Additionally, the new Chapter 421 expands and clarifies the requirements for the operation, installation, and maintenance of liquid propane gas transmission and distribution systems.

This rule is available online at [www.maine.gov/mpuc/legislative/rules/proposed/index.shtml](http://www.maine.gov/mpuc/legislative/rules/proposed/index.shtml).

## NEW CSA 2010 MATERIALS NOW AVAILABLE

Comprehensive Safety Analysis 2010 (CSA 2010) does not give the Federal Motor Carrier Safety Administration (FMCSA) the authority to remove 175,000 drivers from their jobs and cannot be used to rate drivers or to revoke a Commercial Driver's License (CDL).

FMCSA does not have the authority to take those actions. Only state agencies responsible for issuing licenses, CDL or otherwise, have the authority to suspend them. CSA 2010 does introduce a driver safety assessment tool to help enforcement staff evaluate drivers' safety as part of motor carrier investigations.



## Inaugural Show Full of Educational, Business Sessions

**THE FIRST NORTHEAST PROPANE SHOW HAS** been set for Aug. 10 and 11 at the Holiday Inn in Boxborough, Mass., and the official schedule has been released.

Registration to attend the Northeast Propane Show is also now available online. Admission to the Trade Show is free. You can also register for training seminars, reception and barbecue, employee award luncheon and more at the site. See [www.northeastpropaneshow.com](http://www.northeastpropaneshow.com) for more information or to register.

The schedule is as follows:

### Aug. 10

#### SALES AND MARKETING

##### DIRECTORS ROOM (SEMINAR PACKAGE)

8 a.m. to 2 p.m.: *Marketer Technology Training, Capturing New Gallon Opportunities*

The Propane Education & Research Council (PERC) is launching an innovative new training program called the Marketer Technology Training Program: Capturing New Gallon Opportunities. The goal of the program is to teach marketers the skills they need to offset seasonal demand and grow their markets by focusing on technologies that achieve this. The three technologies selected in the launch year are commercial mowers, tankless water heaters and irrigation engines. New Hampshire will be one of the first states to host this training program as part of the Northeast Propane Show.

##### MASSACHUSETTS-APPROVED SESSION 3 CONTINUING EDUCATION COTILLION ROOM

9 a.m. to Noon. Preregistration is required. The cost for this Massachusetts-required class is \$60.

##### BUSINESS SKILLS

##### SEMINAR ROOM (SEMINAR PACKAGE)

9 to 10:30 a.m.: *Business Financing in*

*a New Environment* from Morgan Stanley Smith Barney

10:30 a.m. to Noon: *You Know What You Have to Do, So Do It!* with Craig Snyder

##### FREE TRADE SHOW FROM NOON TO 5 P.M.

##### FREE TECHNICAL TRAINING SESSIONS

##### COTILLION ROOM

1 to 2 p.m.: *Cathodic Protection Installation and Testing*

2 to 3 p.m.: *2011 Bulk Plant Compliance*

3 to 4 p.m.: *Proper Installation of Polyethylene Piping*

##### RECEPTION AND BARBECUE

6 to 7:30 p.m. on the Trade Show floor

Ticket cost is \$40 per person, which includes a traditional New England barbecue and kegs of beer

### Aug. 11

##### FREE TRADE SHOW FROM 9 A.M. TO 1 P.M.

##### FREE TECHNICAL TRAINING SESSIONS

##### COTILLION ROOM

9 to 10 a.m.: *Leak Checking an LP System*

10 to 11 a.m.: *Rinnai Service Update*

11 a.m. to Noon: *5 Percent Rule Exemption, How to Comply*

##### AWARD LUNCHEON FEDERAL ROOM

12:30 to 2 p.m. with keynote speaker Ann Ward, renowned coach, teacher and cheerleader. The topic- "It's All Because of You!" for key employees. Ticket cost is \$45 per person, or buy a table of 10 for \$400.

The Propane Gas Association of New England (PGANE) is looking for those key individuals that stand out from the rest, those individuals that go above and beyond what is expected of them. If someone comes to your

mind, nominate them as the outstanding employee in your state. There will be awards for several positions: supervisors, sales, technicians, drivers and office staff for each state. Simply e-mail a short explanation as to why this individual deserves to be recognized to [kpratt@pgane.org](mailto:kpratt@pgane.org).

The PGANE panel of judges will select the winners by Aug. 2. Whether your candidate wins or not, just the fact you think they should win, will make them feel appreciated. Winners will attend the employee award luncheon at the show for free.

##### MASSACHUSETTS-APPROVED SESSION 3 CONTINUING EDUCATION COTILLION ROOM

1 to 4 p.m. Preregistration is required. The cost for this Massachusetts-required class is \$60.

##### SUPPLY

##### COLONIAL ROOM (SEMINAR PACKAGE)

1 to 2 p.m.: *Hedging Strategies* with Morgan Stanley Smith Barney

2 to 4 p.m.: *Detailed Supply Update* with Bard Black

##### BUSINESS SKILLS

##### SEMINAR ROOM (SEMINAR PACKAGE)


1:30 to 2:30 p.m.: *Business Cash Management* with Morgan Stanley Smith Barney

2:30 to 4 p.m.: *It is All About the Right People with the Right Motivation* with Ann Ward

##### SALES AND MARKETING

##### DIRECTORS ROOM (SEMINAR PACKAGE)

2 to 3 p.m.: *Web sites That Work* with Warm Thoughts Communications

3 to 4 p.m.: *Margin Enhancement & Customer Retention* with Pro Image Communications 



The Propane Gas Association of New England is proud to announce the inaugural

## NORTHEAST PROPANE SHOW

August 10 & 11, 2010 / Holiday Inn, Boxborough, Mass.

[www.northeastpropaneshow.com](http://www.northeastpropaneshow.com)

Trade Show

Technical & Business Education Sessions

Sponsorship Opportunities

Silent Auction

...And More

Over 100 indoor exhibit spaces

An additional 25 outdoor exhibits



**NPS**  
NORTHEAST PROPANE SHOW

*Propane burns brightest at  
the Northeast Propane Show*

Brought to you by The Propane Gas Association of New England with assistance from the New England Fuel Institute.



### NPS Exhibitors Registered as of 6/30/2010

Abenaque Carriers Inc.	LP Cylinder Service Inc.
Adams & Fogg Oil Equipment Co.	Market Line Computers
ADD Systems	Marshall Gas Controls
American Welding and Tank	Marshall Gas Controls
Amtrol Inc.	Mississippi Tank Company
Automated Wireless Environments	Morgan Stanley Smith Barney
AVATAS Payment Solutions	Navtrak
Bergquist Inc.	Nelson & Small
Blue Cow Software	NFPA
Brale & Wellington Insurance	NPGA
Bulk Truck & Transport	Oil Equipment Manufacturing
Cargas Systems	On Hold
Cargotec USA	Onspot Automatic Tire Chains
CHS, Inc.	Petroleum Tank Corp.
Consumer Focus	Presto-Tap, LLC
Dan Davis Sales	PriMedia, Inc.
David Gooding, Inc.	Pro Image Communications
Davis Airtech Inc.	Quality Gas Service
Degree Day Systems	Quality Steel Corporation
Dennis K. Burke Inc.	Ray Murray Inc.
Destwin	Riello Burners
Ditech Testing	Rough Performance
East Coast Utilities Construction	Rural Computer Consultants
Edos Manufacturers Reps	Sid Harvey Industries, Inc.
Edward R. Stephen Co.	Smart-Hose Technologies
Energi Insurance Services, Inc.	Tank Solutions
Energy Kinetics	Tarantin Tank & Equipment Co.
EnerTrac, Inc.	The Powderhorn Agency
F.W. Webb	The Walter F. Morris Company
F.W. Webb	Thermo Pride
Fueling Technologies	Total Energy
Gastite	Touch Star
Global Gas, Inc.	Trac Pipe
Gray Gray & Gray	Training Associates
H&H Sales Co. Inc.	TransTech Energy
Hedge Solutions	Triangle Tube
Independent Technologies	Trident Insurance Services
Intellidyne	Of New England, Inc.
J & K Sales Associates	Trinity Containers
Jasper Alternate Fuels	USI New England
K & K Management	Victor/F.W. Webb
Kurtz Truck Equipment, Inc.	Ward Certified Consulting
Lancaster Propane Gas Inc.	Warm Thoughts Communications
Leran Gas Products	Wehof Forms
Liberty Propane Equipment	Westmor Industries
Lin's Propane Trucks	Worthington Cylinders
LIT Tank Sales & Service, LLC	



NEFI instructor Bob Messia showed a group of Midwestern visitors how a Carlin burner can use a 20 percent biodiesel blend as fuel.



Above: Inside the NEFI lab, Bob Messia showed various technology to the Midwest contingent and answered their questions about Oilheat equipment and fuel.

Right: Jim Erhardt of Watts came to Watertown on June 16 to teach a seminar on hydronics to a full classroom of students.



## NEFI Welcomes Midwest Biofuel Group

By Bob Messia, Head Instructor, and Andrea Medina, Education Coordinator

### JUNE AS BEEN A LITTLE BUSY FOR US THIS YEAR AT THE NEW ENGLAND

Fuel Institute (NEFI) Education Foundation. On June 3, we had the R410-A Training and Certification class. With the phasing out of R22, NEFI feels that it is important to certify as many technicians and installers as possible to understand the safe handling of this high-pressure refrigerant.

Then, on June 10, we had an 8-hour class and exam on the 608 Universal Training and Certification. This law was established by the Environmental Protection Agency's (EPA) Clean Air Act. Areas covered by this test include service, installation and disposal practices for refrigerant. Both classes were taught by our A/C instructor Rocco Novia.

On June 9, Jamie Demaris from JAD Associates, who is the manufacturer representative for Field Controls, came to the Watertown, Mass., school to put on a seminar on power venting and combustion air. He covered the installation, wiring and troubleshooting of the power venter. Also in his seminar he talked about the oil vent damper that is installed in the flue pipe to save on off-cycle heat loss, and touched on UV- AIR products.

On June 16, we had a busy day as there were two morning seminars going on. Jim Erhardt from Watts, who has many years of experience in the industry, came in to teach a seminar on hydronics. His topics included boiler sizing, piping and distribution piping.

That same morning, we had Paul Nazzaro Sr. and Paul Nazzaro Jr. from Advanced Fuel Solutions and about 40 Midwestern farmers who grow soy crops for biofuels come to see our lab and to sit in on a Bioheat® seminar presented by Paul Jr. The class was split into

two groups. One group was in the classroom with Paul Jr. as he spoke about biofuels.

Meanwhile, Bob Messia and Bob Manna took the other group of gentleman outside to show them a Carlin EZ-1 burner using a 20 percent biofuel blend (B20) firing into a ceramic chamber and explained the operation of the system. The group then went into the oil lab to see the burner parts and to participate in a question and answer session about the technology. After about 45 minutes, we rotated the class and went over everything with the next group. They were a great group with some good questions.

We had two Massachusetts oil burner code CMR 4.00 classes in June. One class was on June 17 in Watertown with Bob Manna teaching the class and another on June 22 in Springfield, with our Oilheat instructor Ed MacGray teaching a code class. Both of the classes focused more on the new oil line code that takes effect on July 1, 2010.

Carlin Combustion Technology will be at NEFI in Watertown on June 30. 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.

We would also like to thank the following companies for donating equipment or literature to NEFI for use in education in 2009: RW Beckett Corporation, Taco, Carlin, Portland Group, Suntec Pumps, Crown Boiler, S.G. Torrice, South Shore Oil Supply Inc., Westwood Products, Sweeney-Rodgers Corporation, Honeywell, Bacharach, Roth, Watts, Riello Burners and URELL. ☞



# New England Fuel Institute Education Foundation, Inc.

I hereby make application for enrollment in the Technical Course(s) as indicated on this form. Please mark the course(s) you wish to attend. Then mark location and date. Register early. Classes are limited in size.

APPLY USING THIS FORM OR APPLY ONLINE AT [www.nefi.com/training](http://www.nefi.com/training)

## BASIC OIL BURNER INSTALLATION & SERVICE TECHNICIAN COURSE

160 - Hour Basic Course of Study

TUITION: NEFI MEMBERS @ \$2,195 NON-MEMBERS @ \$2,395

Books & Laboratory Fees are \$200 Additional

Total for NEFI MEMBERS = \$2,395; NON-MEMBERS \$2,595

## AIR CONDITIONING

80—Hour Course of Study

TUITION: NEFI MEMBERS @ \$2,075 NON-MEMBERS @ \$2,275

Books & Laboratory Fees are \$150 Additional

Total for NEFI MEMBERS = \$2,225 NON-MEMBERS = \$2,425

## GAS HEAT TRAINING COURSE FOR OILHEAT TECHNICIANS

80-Hour Course of Study

TUITION: NEFI MEMBERS @ \$1,595 NON-MEMBERS @ \$1,895

Total for NEFI MEMBERS = \$1,595 NON-MEMBERS @ \$1,895

Name \_\_\_\_\_ Phone \_\_\_\_\_

Home Address \_\_\_\_\_

Email: \_\_\_\_\_

Employer \_\_\_\_\_

Business Address \_\_\_\_\_

Position Held \_\_\_\_\_

Please find \$ \_\_\_\_\_ enclosed as a payment for enrollment in the course(s) designated above.

A \$50 non-refundable application fee is required for courses with tuition over \$1,000. For courses where tuition is \$1,000 or less, a 5% non-refundable application fee is required. This application fee will be credited toward your total tuition expense.

**A check for the \$50 application fee must be enclosed with this application form. Tuition payments must be received in full by the second day of the course. Tuition may be paid in advance.**

Expenses for education including application fees, travel, meals and lodging, undertaken to maintain and improve professional skills, provide an income tax deduction. (See Treasury Regulation 1.16205. Coughlin vs. Commissioner, 203F, 2d, 307.)

Please note: The New England Fuel Institute Technical Training Center will accept tuition payments by American Express, VISA or MasterCard.



Name on Card \_\_\_\_\_

Card No. \_\_\_\_\_ Expires \_\_\_\_\_

For office use only

Cash Received: Amount \_\_\_\_\_ Date \_\_\_\_\_

Check Received: Amount \_\_\_\_\_ Date \_\_\_\_\_ No. \_\_\_\_\_

Billed: Amount \_\_\_\_\_ Date \_\_\_\_\_ Inv. No. \_\_\_\_\_

An Affirmative Action Equal Opportunity Employer

This school is licensed by the Mass Dept. of Elementary & Secondary Education, Office of Proprietary Schools. Any comments, questions or concerns about this school's license should be directed to: Massachusetts Department of Elementary & Secondary Education, Office of Proprietary Schools, 350 Main Street, Malden, MA 02148-5023, Tel: 781-338-6048, [proprietaryschools@doe.mass.edu](mailto:proprietaryschools@doe.mass.edu). Veterans benefits available.

**Fill out application form completely and mail to:** New England Fuel Institute Education Foundation, Inc.,

PO Box 9137, Watertown MA 02471-9137, Or fax to: 617-924-5962 or register online at [www.nefi.com/training](http://www.nefi.com/training)

Please sign me up to receive Education & Training notices from NEFI: Name: \_\_\_\_\_

Address: \_\_\_\_\_ Tel: \_\_\_\_\_ Email: \_\_\_\_\_

## 2010 SCHEDULE

### BASIC OIL BURNER INSTALLATION & SERVICE

#### TECHNICIAN COURSE

#### NEFI TECHNICAL TRAINING CENTER

#### WATERTOWN, MASS.

Days/Monday—Friday: 7:00am to 3:30pm (4 Weeks)

- January 11—February 5
  - February 8—March 5
  - March 8—April 2
  - April 5—April 30
  - May 3—May 28
  - June 1—June 25
  - June 28—July 20
  - [ Watertown Days - School Vacation July 26—August 6 ]
  - August 9—September 3
  - September 13—October 8
  - October 18—November 12
  - November 22—December 17
  - [ Watertown Days School Vacation Dec 20-Dec 31 ]
- Evenings 6:00—10:00pm (20 weeks)**

- February 9—June 24, Tues & Thurs.
- September 7—January 27, 2011, Tues & Thurs.

#### SPRINGFIELD, MA

Mon., Tues., Wed, Evenings 6-10 pm

- January 19—May 5 (15 weeks)
- September 7—December 15 (15 weeks)

#### HYDE PARK, VT

- Evenings / February 2 - June 17, Tues. & Thurs. 6-10pm
- Days / July 6—August 2, Mon—Fri, 7am—3:30 pm

#### WHITE RIVER JUNCTION, VT

- Evenings / February 2 - June 17, Tues. & Thurs. 6-10pm
- Days / July 6—August 2, Mon.—Fri, 7am—3:30pm

#### CLAREMONT, NH

- Evenings / Oct 4—Feb 16, 2011, Mon & Wed. 6-10 pm

#### WARWICK, RI

- Evenings / September 9— February 7, 2011, Mon. & Thurs. 6-10pm
- Days / June 7—July 2, Mon—Fri, 8am—4pm (4 weeks)

#### GAS HEAT TRAINING COURSE

NEFI TECHNICAL TRAINING CENTER WATERTOWN, MASS.

- Evenings/March 9—May 13 Tues & Thurs. 6:00—10:00pm
- Evenings/September 7—November 11, Tues & Thurs. 6:00—10:00pm

#### AIR CONDITIONING COURSE

NEFI TECHNICAL TRAINING CENTER WATERTOWN, MASS.

- Evenings/February 2—April 8, Tues & Thurs. 6:00—10:00pm
- Evenings/September 7—November 11, Tues & Thurs. 6:00—10:00pm
- Days/May 4—June 3, Tues & Thurs. 7:00am—3:30pm





# New England Fuel Institute Education Foundation, Inc.

The industry leader in oil heating, propane and heating fuel technical education.

## MASSACHUSETTS

### Watertown

NEFI Technical Training Center  
20 Summer St. Watertown MA 02472

### Springfield

Springfield Technical Community College  
West End Bldg 32  
One Armory Square  
Springfield MA 01105

## NEW HAMPSHIRE

### Claremont

Sugar River Valley Reg. Tech Ctr.  
111 South Street  
Claremont NH 03743

## RHODE ISLAND

### Warwick

New England Institute of Technology  
2500 Post Road (Rte. 1)  
Warwick RI 02886

## VERMONT

### White River Junction

Hartford Area Vocational Center  
1 Saunders Avenue  
White River Junction VT 05001

### Hyde Park

Green Mountain Tech & Career Ctr.  
Route 15 West  
Hyde Park VT 05655

## The NEFI Technical Training Center also offers courses in:

- CETP Propane
- Air Conditioning
- Gas Heating Training
- Hazmat Training
- Refrigerant Recovery R-410A
- EPA Section 608
- Mass. Burner Code Training
- CMR 4.0
- Business Courses such as Credit & Collections, Customer Service and more.

Visit our website for a complete list of course offerings or inquire by phone at 617-923-5019 for the current schedule

[www.nefi.com/training](http://www.nefi.com/training)

New classes added throughout the year so check back often.

## NORA Education Credits



As you may be aware, the National Oil-heat Research Alliance (NORA) administers the Silver and Gold Certification program for Oilheat technicians. This program is designed to acknowledge skill levels attained in both the field and continuing education classes by working Oilheat technicians and other participants.

Successful completion of NEFI's Basic 160-Hour Oilheat Technician course satisfies the educational requirement for Bronze apprentice status.

The Oilheat Masters Program, the Air Conditioning, Electrical Procedures courses and others qualify for NORA Continuing Education Credits (NORA CEUs).

These NORA credits accrue to your benefit when applying for certification or recertification under the Silver and Gold program. The number of credits varies with the nature and duration of each course. For more information, log on to [www.noraed.org](http://www.noraed.org), or phone -866-924-1100.



New England Fuel Institute Education Foundation, Inc.

Technical Training Center

PO Box 9137, 20 Summer Street, Watertown MA 02471

PHONE (617) 923-5019

FAX (617) 924-5962

E-mail: [school@nefi.com](mailto:school@nefi.com)

Visit our website at [www.nefi.com](http://www.nefi.com)



## DOE ANNOUNCES FUNDING FOR BIOENERGY FEEDSTOCK PRODUCTION

The U.S. Department of Energy (DOE) recently announced \$5 million in funding for research focused on sustainable production of large quantities of non-food biomass for bioenergy. The intent of this Funding Opportunity Announcement (FOA) is to quantify and understand the environmental impacts of different strategies for producing large quantities of energy crops and other crop residues at the watershed scale.



Biomass will play a significant role in a renewable energy future, especially for the production of liquid transportation fuels, as well as biopower and bioproducts. America's vast agricultural and forest lands have the potential to produce a wide variety of biomass feedstocks, all of which must be grown and harvested sustainably without adverse impacts or long-term cumulative effects.

The lack of reliable environmental data at the watershed scale for high-yielding energy crops and other feedstocks removed from the landscape to ascertain the sustainability of these production systems is a critical barrier to achieving a robust biofuel and biopower industry. Furthermore, there is not adequate information and tools for implementing and managing sustainable high-yield energy crops across the landscape.

Through this FOA, DOE seeks projects that will result in a better understanding of how to design and implement sustainable energy crop production systems at the watershed scale. Selected projects are also required to provide a model or set of tools to assist in the sustainable implementation of production systems at the watershed scale within a broadly defined region of the country.

The complete FOA can be viewed at the [www.Grants.gov](http://www.Grants.gov) Web site.

## AWEA: GROWTH IN U.S. WIND POWER SLOWS IN FIRST QUARTER

The U.S. wind power industry had its slowest first quarter since 2007 this year, installing only 539 megawatts (MW) of wind power, according to the American Wind

Energy Association (AWEA). While the industry installed more than 10,000 MW in 2009, the project pipeline has slowed over the past 18 months, a situation that AWEA attributes to a lack of long-term market signals, low power demand and low prices for power. The industry group notes that the amount of wind power installed in each quarter over the past three years has varied dramatically, falling near 100 MW in the slowest times and rising to more than 4,000 MW in the most active quarters.

The first-quarter trend may continue through the rest of the year, according to a new report from IHS Emerging Energy Research. The study finds that the U.S. wind industry is growth-constrained in 2010 and will face increased competition, holding growth to about 6,300 MW to 7,100 MW.

In the long term, however, the IHS report projects 165 gigawatts (GW) of new U.S. wind power capacity through 2025, which would average out to about 11,000 MW per year. The Global Wind Energy Coalition (GWEC) has a similar outlook, expecting the North American market to grow at a steady pace for the next couple years before accelerating again in 2012. The GWEC expects an additional 63 GW of wind capacity to be installed in the United States and Canada over the next five years, which averages out to 12,600 MW per year.

## ETHANOL PLANTS IMPROVING EFFICIENCY

Ethanol plants continue to increase in efficiency according to a new University of Illinois at Chicago study of facilities that produce most of the nation's ethanol found that the energy needed to make a gallon of the corn-based fuel decreased on average by about 30 percent within the past decade.



The study, conducted by Dr. Steffen Mueller at the Energy Resources Center at the university and funded by the Illinois Corn Marketing Board, surveyed 90 of the 150 dry mill ethanol plants operating during 2008. Results were compared to a 2001 survey conducted by BBI International on behalf of the U.S. Department of Agriculture.

In 2001, ethanol plants used an average of 36,000 Btu of thermal energy and 1.09 kWh of electrical energy, per gallon of ethanol. They also produced 2.64 gallons of ethanol per bushel. Ethanol plants in 2008 used an average of 25,859 Btu of thermal energy and 0.74 kWh of electricity per gallon of ethanol produced—that's 28 and 32 percent less than 2001, respectively. Ethanol per bushel of corn, meanwhile, increased 5.3 percent to 2.78 gallons per bushel.

The findings may prove useful to state and federal energy policy makers studying the pros and cons of fuels based on their "full life-cycle"—the total energy needed to create a fuel compared to its energy output, the greenhouse gases emitted during production, the water used in production, and other factors.

## BIOFUELS ADD \$2 BILLION TO CANADIAN ECONOMY

The Canadian Renewable Fuels Association recently released the first-ever comprehensive third-party economic impact assessment of renewable fuels investments in Canada, according to *Biodiesel Magazine*. The assessment conducted by econometric firm Doyletech Corp. concluded that, "The grand total of the annual positive economic impact of renewable fuels is \$2.013 billion."



The report studied 28 ethanol and biodiesel plants across Canada and added that there were major benefits from renewable fuels in "rural revitalization, increased oil exports from western Canada, industrial development, and valuable options for rebalancing fuel 'mix.'"

"This is the first report of its kind to study the economic impact of Canadian renewable fuel plants, and the results are undisputable, ethanol and biodiesel in Canada are driving growth," said Gordon Quaiattini, president of the Canadian Renewable Fuels Association. "It's overwhelmingly clear that Canada's new renewable fuel standard is delivering on its promise of jobs, investment and growth."

A copy of the "Total Economic Impact Assessment of Biofuels Plants in Canada" can be found at [www.greenfuels.org](http://www.greenfuels.org).

**BLACKMER NP SERIES PUMPS OFFERED FOR TRANSFER IN TERMINALS**

Blackmer, a global leader in positive displacement pumps, centrifugal pumps and reciprocating compressor technologies, has announced that its NP Series Sliding Vane Pumps have been designed to provide efficient transfer for a wide variety of liquid-terminal operations.

NP Series pumps are ideal for liquid-storage terminal applications such as loading and unloading, transfer, mixing and blending.

The NP Series pumps can meet the needs of these demanding applications because they have been designed for the handling of clean, non-corrosive liquids at varying temperatures, pressures and viscosities. NP pumps offer maximum versatility while sustaining a high-level of performance and trouble-free operation, according to Blackmer.

NP Series pumps are available in five sizes, with port sizes from 1.5 to 4-inch. They feature flow rates from 5 to 500 gpm (19 to 1,893 lpm) at operating temperatures up to 500°F (260°C).

They can handle viscosities ranging from 30 to 20,000 ssu (4,250 cP) at differential pressures up to 150 psi (10.3 bar) with standard

construction. With optional materials, maximum viscosities can go to 100,000 ssu (22,000 cP) and differential pressures up to 200 PSI (13.8 bar).

Also available in stainless-steel construction, the SNP Series are ideal for handling a variety of corrosive or caustic fluids. SNP pumps are available in five port sizes from 1-1/4 to 3-inch with capacities from 2 to 265 gpm (8 to 1,003 lpm). All SNP pumps can handle fluid viscosities in excess of 20,000 ssu (4,250 cP) at working pressures to 150 psi (10.3 bar) and temperatures to 350°F (177°C).

The NP and SNP models feature Blackmer's sliding-vane-technology principles, which guarantee consistent volumetric-output performance, even after significant in-service time. This eliminates the efficiency-robbing "slip" that shortens lobe and gear pump life, and improves production yields by stripping lines of residual product, Blackmer says.

For information on the Blackmer NP and SNP Series Sliding Vane Pumps, go to [www.blackmer.com](http://www.blackmer.com).

**NEW 2400 SERIES CIRCULATORS DESIGNED FOR QUIET EFFICIENCY**

Taco's new, 2400 Series pumps are designed for quiet, efficient operation in a wide range of medium to high flow/head

applications, including hydronic heating, chilled water cooling and hot water recirculation.

The space-saving, close-coupled, maintenance free motor with permanently-lubricated bearings and carbon/silicon-carbide mechanical seal provide superb reliability for a wide variety of uses, according to the company.



The pumps are available in cast iron or stainless steel for a broad range of larger residential and commercial hydronic systems. Typical applications also include snow melt, high pressure drop boilers, outdoor wood boilers, geothermal heat pumps, primary/secondary loops and hydro-air fan coils.

Stainless steel circulators—which meet California AB1953 and Vermont lead requirements—are well suited for open-loop domestic water recirculation systems.

The circulator's small, compact design also makes it an ideal choice for many boiler OEMs seeking a high performance pump with a small footprint, Taco says.

For information, see [www.taco-hvac.com](http://www.taco-hvac.com).



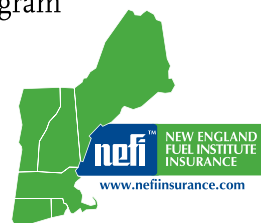
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### DOE HALTS SALES OF INEFFICIENT HEAT PUMPS AND AIR CONDITIONERS

The Department of Energy (DOE) has ordered three manufacturers to stop distributing 61 models of heat pumps and one air conditioner model that do not comply with federal energy conservation standards.

On June 3, DOE ordered Aspen Manufacturing Inc.; Summit Manufacturing; and Advanced Distributor Products to halt the distribution of the noncompliant models and to notify all previous buyers of the noncompliant models. If the companies fail to respond or to notify their customers, DOE will seek a judicial order to prevent the sale of the noncompliant models.

Under federal law, manufacturers of certain products covered by the Energy Policy and Conservation Act must certify with DOE that their models meet the applicable minimum energy conservation standards. Based on certification information submitted to DOE, the agency discovered that Aspen Manufacturing had certified 58 heat pump models and one air conditioner model that failed to meet federal energy efficiency standards by up to 7 percent.

DOE also found one heat pump model manufactured by Summit Manufacturing that failed the energy use standards by about 16 percent, as well as two heat pump models manufactured by Advanced Distributor Products that missed the standard by 1 to 2 percent.

### FORECASTERS PREDICT A VERY ACTIVE ATLANTIC HURRICANE SEASON

Both government and university researchers are predicting a very active hurricane season in the Atlantic Basin this year, which could both disrupt natural gas and oil production in the Gulf of Mexico and complicate efforts to respond to the ongoing BP oil leak.

The National Oceanic and Atmospheric Administration (NOAA) notes that record warm sea surface temperatures are now present in the area where storms often develop, while wind shear, which can literally tear storms apart, is expected to weaken. Combining those conditions with a long-term cyclical trend toward more active hurricane seasons led NOAA to predict 14-23 named tropical storms, of which 8-14 will develop into hurricanes and 3-7 could develop into major hurricanes, of Category 3 or higher.

Based on the NOAA forecasts, DOE's Energy Information Administration (EIA) is predicting that 26 million barrels of crude oil production and 116 billion cubic feet of natural gas production will be prevented due to tropical storms in the Gulf of Mexico this year.

That's the median outcome of EIA's simulation, but there is also a 17 to 20 percent probability that the production outages could be equal to or greater than the outages caused by Hurricanes Gustav and Ike in 2008, when the production of 65 million barrels of oil and 400 billion cubic feet of natural gas production was prevented.



Meanwhile, the EIA predicts that a 6-month moratorium on deepwater drilling, imposed by the Interior Department on May 27, will reduce oil production in the Gulf by an average of 26,000 barrels per day in the fourth quarter of this year and roughly 70,000 barrels per day in 2011.

Those impacts equal about 28 million barrels of oil, essentially equal to the median outcome of the EIA's tropical storm assessment. Despite those predictions, the EIA has lowered its price forecast for crude oil, expecting spot prices to average \$79 per barrel this year and \$83 in 2011. Gasoline is now expected to average \$2.79 per gallon during the summer driving season, 15 cents lower than last month's forecast.

### EPA ANNOUNCES \$10 MILLION FOR COMMUNITIES TO COMBAT CLIMATE CHANGE

The U.S. Environmental Protection Agency (EPA) is making available up to \$10 million in grants to local governments to establish and carry out initiatives to reduce greenhouse gas emissions.

Under the Climate Showcase Communities program, EPA expects to award approximately 25 cooperative agreements ranging from \$100,000 to \$500,000.

The grant program is administered by EPA's Local Climate and Energy Program, an initiative to assist local and tribal governments to identify, implement and track policies and programs that reduce greenhouse gas emissions within their operations and surrounding communities.

Over the course of the grant program, EPA will offer training and technical support to grant recipients, and share lessons learned with communities across the nation. This is the second round of funding for the Climate Showcase Communities program. Last year, EPA selected 25 projects to receive \$10 million in grants.

More information on the grants is available at [www.epa.gov/statelocalclimate/local/showcase](http://www.epa.gov/statelocalclimate/local/showcase).

### HVAC EXCELLENCE ANNOUNCES 2011 CONFERENCE

The 2011 National HVACR Educators and Trainers Conference will be held from March 20 to 22, 2011, at the SouthPoint Hotel in Las Vegas, N.V.

This annual train-the-trainer boot camp consist of concurrent high-impact sessions covering: new and changing technologies, changes in federal legislation, energy efficiency, best practices, training techniques that work, green and sustainable technologies, industry exhibits and roundtable sessions.

The nearly 500 HVACR educators and trainers that packed 2010 conference were surveyed on the classes they attended and asked to rate the conference as a whole. To the delight of HVAC Excellence, the surveys shows that people loved the conference, the diversity of sessions, the speakers and the program as a whole.

The SouthPoint has reserved a limited number of rooms for the conference at \$55 per night on a first-come, first-served basis.

For information, visit [www.hvacexcellence.org](http://www.hvacexcellence.org) and click on the conference button.

### RGGI OFFSET HANDBOOK NOW AVAILABLE

An Offset Handbook for the Regional Greenhouse Gas Initiative (RGGI) Model Rule and model offset applications and monitoring and verification report submittals is now available on the RGGI Web site at [www.rggi.org](http://www.rggi.org).

The purpose of the Offset Handbook is to explain RGGI Model Rule provisions for offset projects (Subpart XX-10) and the documentation specified in model offset project Consistency Applications and model Monitoring and Verification (M&V) Reports.

These documents were used as the basis for development of state CO2 Budget Trading Program regulations and state offset project application and submittal materials.

The Offset Handbook has been prepared for informational purposes only to explain the model documents listed above. The Offset Handbook does not constitute formal guidance or an official interpretation by any individual RGGI participating state regarding its CO2 Budget Trading Program regulations, which are controlling.

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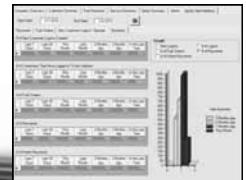
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## FMA Seeks Meeting with BPU President

**THE NEW JERSEY BOARD OF PUBLIC UTILITIES (BPU) HAS ANNOUNCED CHANGES TO ITS HOME Performance Energy Star Program, primarily as the result of decreased funding for the program.**

Fuel Merchants Association of New Jersey (FMANJ) Executive Vice President Eric DeGesero said, "FMA is very troubled with how those changes have been implemented, including changes in how home energy savings are calculated, and more egregiously, the dissemination of erroneous information to our members' customers by Conservation Services Group (CSG), who administers the HPwES Program on behalf of the residential market manager, Honeywell. We have written a letter to BPU President Lee Solomon asking for a meeting to discuss future changes in the management of the program."

The following are excerpts from the letter sent to Solomon: "As business owners, FMA's members recognize the HPwES Program was a 'victim of its own success' due to the increased demand resulting from the enhanced incentives offered in the fall of 2009.

"FMA understood that changes were going to be made regardless of Governor Christie's redirection of \$159m in funds. The rules have been changed mid-game causing confusion. However, the confusion has been further compounded due to erroneous communication with the program applicants. As business owners, FMA members routinely manage increased workload and make adjustments accordingly. This is something that apparently wasn't done. Customers are now calling FMA's members and taking their wrath out on them causing significant, and possibly irreparable, damage to their businesses.

"Finally, FMA strongly advocates that the BPU require PSE&G and/or PSEG Power to pay all back SBC charges immediately. If those monies were in the coffers now, as they were legally required to be, many of the program's current difficulties may have been significantly mitigated. Also, FMA would like to know if other power generators have also escaped paying the SBC, which would dramatically increase the underfunding of the program."

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### MAINE ENERGY MARKETERS ASSOCIATION

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### Oil Heat Council of NEW HAMPSHIRE

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Interested parties are urged to contact Shane Sweet, CEO, at [shane@nefi.com](mailto:shane@nefi.com) or (617) 923-5011, with proposals or questions.

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Att: Bob Messia, Principal Instructor  
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**New York Passes ULSD Mandate**

The New York State Assembly passed legislation in late June that will dramatically reduce sulfur levels in all Oilheat sold in the state. Starting in July 2012, sulfur levels of heating oil sold in the state must contain less than 15 ppm—which is the same standard as on-road diesel fuel.

The current statutory limit in New York is between 2,000 to 15,000 ppm, in Vermont the standard is 20,000 ppm. The bill was backed by the Empire State Petroleum Association (ESPA), which represents the heating oil retailers in New York. It was opposed by the American Petroleum Institute (API), which represents large oil companies.

Legislation that would reduce sulfur in heating oil has been introduced in nearly every northeastern state. Once low sulfur fuel is the standard throughout the region, the Oilheat industry can install condensing boilers and other high-efficiency equipment.

For the industry's most comprehensive full year calendar, visit: [www.nefi.com/calendar](http://www.nefi.com/calendar)

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**10 National Governors Association Annual Meeting Energy Summit**, Sheraton Hotel, Boston, Mass. [www.nga.org](http://www.nga.org)

**12 High-Performance Building Congressional Caucus Coalition**, U.S. House of Representatives, Washington, D.C. [www.escoinst.com](http://www.escoinst.com)

**19-20 Pennsylvania Petroleum Marketers & Convenience Store Association Summer Conference**, Sheraton Erie Bayfront Hotel, Erie, Pa. [www.ppmcsa.org](http://www.ppmcsa.org)

**4-6 Northeast Biomass Conference**, Westin Copley Place, Boston, Mass. [www.biomassconference.com/northeast](http://www.biomassconference.com/northeast)

**10-11 Northeast Propane Show**, Holiday Inn, Boxborough, Mass. [www.northeastpropaneshow.com](http://www.northeastpropaneshow.com)

**11-13 Farm to Fuel Summit**, Rosen Shingle Creek Hotel, Orlando, Fla. [www.floridafarmtofuel.com](http://www.floridafarmtofuel.com)

**22-24 Petroleum Marketers and Convenience Stores of Iowa Fall Convention**, Riverside Casino and Golf Resort, Riverside, Iowa. [www.pmcofiowa.com](http://www.pmcofiowa.com)

**26-28 Virginia Petroleum, Convenience and Grocery Association Convention**, Williamsburg Lodge, Colonial Williamsburg, Va. [www.vpcga.org](http://www.vpcga.org)

**28-29 West Virginia Oil Marketers and Grocers Association Make A Wish Charity Golf Outing**, Stonewall Resort, Roanoke, W.V. [www.omegawv.com](http://www.omegawv.com)

**29-30 Hedge Solutions' Hedging College**, 9 a.m. to 3 p.m., Manchester, N.H. [www.hedgesolutions.com](http://www.hedgesolutions.com)

September 2010

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**Industry Seeks Fuller Biodiesel Content Labeling**

PMAA recently sent a letter to National Conference on Weights and Measures (NCWM) Laws and Regulations (L&R) Committee Chairman Joe Benavides asking him to support rules requiring fuller disclosure of biodiesel content in fuels at petroleum terminals.

PMAA believes terminal documents should disclose the exact volume percentage of biodiesel on the invoice, bill of lading and shipping papers to ensure that no over-blending occurs off-site. Current rules allow terminals to not disclose biodiesel content blends below 5 percent (B5). Because of this, some petroleum marketers could unknowingly be creating blends above 5 percent. Some standards governing engines, burners and retail infrastructure only permit a maximum of 5 percent biodiesel.

**Resolution to Oppose EPA Carbon Regulations Fails in Senate**

The U.S. Senate recently voted down a resolution opposing the EPA's ability to regulate carbon and other greenhouse gas emissions by a vote of 47-53. The vote is seen as a setback for groups trying to block the EPA's recent "Endangerment Findings" which is being used by the agency to claim the authority to regulate greenhouse gases under the Clean Air Act.

Many political insiders watched this vote closely as a "test vote" on the climate change issue, as the Senate Democrats work to draft a new comprehensive energy and climate bill, and try to find a way forward on those issues.

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	Week Ending				Week Ending		
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East Coast (PADD I)	21.9	21.6	21.7	East Coast (PADD I)	4.3	4.6	8.8
NEW ENGLAND	2.7	2.4	2.5	NEW ENGLAND	0.2	0.1	0.7
MID-ATLANTIC	9.1	8.7	10.2	MID-ATLANTIC	2.6	2.7	4.4
SOUTH TO FLA.	10.1	10.4	9.0	SOUTH TO FLA.	1.6	1.7	3.7
Midwest (PADD II)	25.5	26.0	27.0	Midwest (PADD II)	2.2	2.3	3.4
Gulf Coast (PADD III)	37.2	36.9	30.3	Gulf Coast (PADD III)	5.8	5.8	7.0
Rocky Mtn. (PADD IV)	3.1	3.1	2.6	Rocky Mtn. (PADD IV)	0.2	0.3	0.3
West Coast (PADD V)	9.9	10.0	9.2	West Coast (PADD V)	1.2	1.3	1.3
<b>U.S. Total</b>	<b>97.7</b>	<b>97.6</b>	<b>90.9</b>	<b>U.S. Total</b>	<b>13.8</b>	<b>14.3</b>	<b>20.7</b>
Greater than 500 ppm (0.05%) Sulfur				TOTAL DISTILLATE STOCKS			
	Week Ending				Week Ending		
District	6/18/10	6/11/10	Year Ago	District	6/18/10	6/11/10	Year Ago
East Coast (PADD I)	35.0	34.3	31.6	East Coast (PADD I)	61.2	60.5	62.2
NEW ENGLAND	7.5	7.2	8.0	NEW ENGLAND	10.4	9.8	11.2
MID-ATLANTIC	25.2	24.6	21.4	MID-ATLANTIC	36.9	36.1	36.0
SOUTH TO FLA.	2.2	2.4	2.2	SOUTH TO FLA.	13.9	14.6	14.9
Midwest (PADD II)	1.3	1.5	2.0	Midwest (PADD II)	29.1	29.8	32.5
Gulf Coast (PADD III)	7.8	7.7	5.6	Gulf Coast (PADD III)	50.8	50.4	42.8
Rocky Mtn. (PADD IV)	0.1	0.1	0.1	Rocky Mtn. (PADD IV)	3.5	3.5	3.0
West Coast (PADD V)	1.3	1.2	1.1	West Coast (PADD V)	12.4	12.5	11.7
<b>U.S. Total</b>	<b>45.5</b>	<b>44.7</b>	<b>40.5</b>	<b>U.S. Total</b>	<b>156.9</b>	<b>156.6</b>	<b>152.1</b>

**FINANCIAL REFORM IS HERE,  
BUT AT WHAT COST?**

AS THIS ISSUE OF OIL & ENERGY WENT TO press, the long-awaited financial reform bill in the U.S. Congress was inching slowly forward, with the massive bill gaining approval in the House of Representatives, while the Senate looked for the last few votes needed for passage.

It's likely that some version of the bill will eventually pass for President Barack Obama to sign, even though it may have to be watered down in order to gain enough votes to make it through the Senate.

The New England Fuel Institute (NEFI), along with many other industry trade groups, has been pushing for financial reform for several years, especially after the commodities markets began a volatile period beginning in 2008. When oil surged to almost \$150 in a matter of months, then fell well below \$50 just as quickly, many heating oil dealers were left to wonder if this new volatility would be commonplace.

While the gyrations have been smaller and less frequent over the last year, the industry believes there is still the potential for prices to swing again if the proper financial controls are not instituted to prevent speculators from abusing the trading system.

Talking to several hedging experts this month (page 12), many predicted that financial reform could help to reduce volatility, but might also increase the cost of hedging for home energy providers. While additional costs that could eat into your margin are never welcomed, the tradeoff is worthwhile for the industry as a whole.

Those same experts also stressed uniformly that retailers need to pass hedging costs appropriately along to their customers. While the legislation could result in slightly higher prices to consumers per gallon, the decreased volatility would make the industry stronger as a whole.

In 2008, the natural gas industry seized on rising oil prices to try and convince consumers to switch from home heating oil to their product, taking advantage of the uncertain market. There will inevitably be loopholes in this legislation that traders will try to abuse, but if at least some price certainty is guaranteed by it, that should put customers, retailers, and the industry as a whole, at ease.

No financial reform that is passed by the Congress will please every corner of the Oilheat world, but the version currently circulating is the best chance the industry has had at closing some major trading loopholes, and we should embrace the chance to make oil markets more transparent. ☐

**Weather Summary**

Selected U.S. Cities  
(Population Weighted Cooling Degree Days)

The weather for the nation, as measured by population-weighted cooling degree-days from Jan. 1, 2010, through June 26, 2010, has been 14 percent warmer than last year and 21 percent warmer than normal.

Location	Current	Normal	% Change
	1/1/10 thru 6/26/10	1/1/10 thru 6/26/10	Current vs. Normal
Boston	213	148	+44%
Chicago	288	188	+53%
Hartford	248	160	+55%
New York	412	231	+78%
Philadelphia	515	274	+88%
Pittsburgh	258	168	+54%
Portland	76	46	+61%
Providence	207	125	+66%
Raleigh	739	412	+79%
Richmond	694	379	+83%
Washington	637	384	+66%

**Oil & Energy Securities Recap**

Company	Symbol	6/28/10	5/27/10	Change
<b>Ashland Inc.</b>	ASH	48.62	54.98	-6.36
<b>BP-Amoco</b>	BP	27.52	44.86	-17.34
<b>ChevronTexaco</b>	CVX	68.73	73.49	-4.76
<b>Conoco Philips</b>	COP	50.20	51.35	-1.15
<b>ExxonMobil</b>	XOM	57.68	60.91	-8.39
<b>Global Partners</b>	GLP	22.17	21.08	-3.23
<b>Hess Corp.</b>	HES	51.09	53.95	-2.86
<b>LUKOIL</b>	LUKOY	52.75	49.00	-3.75
<b>Marathon Oil</b>	MRO	31.52	31.20	-.32
<b>National Grid Plc</b>	NGG	37.49	41.05	-3.56
<b>Occidental</b>	OXY	79.10	81.22	-2.12
<b>Royal Dutch Shell Plc</b>	RDSA	51.32	52.73	-1.41
<b>Star Gas</b>	SGU	4.32	4.39	-.07
<b>Sun</b>	SUN	35.27	29.39	+5.88
<b>Tesoro Petroleum</b>	TSO	12.11	11.52	+.59
<b>Total</b>	TOT	44.90	47.22	-2.32
<b>Valero Energy</b>	VLO	17.80	18.50	-.70

**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.

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- Needham, MA  
HO Plus
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Diesel One & HO Plus
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Diesel One & HO Plus
- Sandwich, MA  
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- Springfield, MA  
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- Terminal Rd., Providence, RI  
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