

# OIL & ENERGY

OILHEAT • PROPANE • DIESEL FUEL • BIOFUELS



## Digital Delivery Increases Efficiency

**Also Inside:**

The Latest Buzz on Dealers' Price Plans

Q&A: MIT Energy/Environment Lab Director

NORA Looks at the House as an Energy System

New Options to Aid Credit Crunch

Update on Outdoor Reset



Publication of the New England Fuel Institute  
Volume 10/Issue 9



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## U.S. EPA REJECTS TEXAS GOVERNOR'S ETHANOL MANDATE WAIVER REQUEST

Texas Gov. Rick Perry's waiver request to reduce the national ethanol blending mandate was denied in August by Environmental Protection Agency Administrator Stephen Johnson. As a result, the required total volume of renewable fuels, such as ethanol and biodiesel, mandated by law to be blended into the fuel supply will remain at 9 billion gallons in 2008 and 11.1 billion gallons in 2009. The EPA consulted with the departments of Agriculture and Energy and determined that the request did not meet the requirements for a waiver as prescribed by law.

## UNDER-RADAR FUTURES TRADING RECLASSIFICATION REVEALS BIG PLAYER

Reuters has reported that the Commodity Futures Trading Commission (CFTC) reclassified certain commercial (physical hedger) positions in the market as non-commercial (or non-physical) in August. This reclassification means that oil speculators now control nearly 48 percent of the open interest in NYMEX crude oil futures and options. This revision in data tracking increases the number of futures contracts and options held by non-commercial investors (those who don't take delivery of the oil) by almost 25 percent.

## STAR GAS PLEDGES \$200,000 TO ENERGY COALITION

Petro/Star Gas has pledged \$200,000 to the newly formed American Energy Coalition (AEC), a group that intends to promote Oilheat's advantages over other forms of energy by gathering support from dealers, distributors, equipment manufacturers and any other groups associated with the industry. The AEC held its first regional meeting in New York in August and said that more than \$700,000 had been raised toward a goal of \$2 million to begin its campaign. For more information about the group, send an e-mail to [info@AmericanEnergyCoalition.net](mailto:info@AmericanEnergyCoalition.net) or visit [www.AmericanEnergyCoalition.net](http://www.AmericanEnergyCoalition.net).

## TOTAL ENERGY SOLUTIONS MOVES

Total Energy Solutions (TES) has moved to Pease International Tradeport. The new address is 100 International Drive, Suite 260, Portsmouth, NH 03801. For more information, call (877) 436-9812 or visit [www.totalenergyllc.com](http://www.totalenergyllc.com). TES is a multi-source petroleum distributor offering No. 2 heating oil, diesel products, kerosene and branded gasoline.

## FTC ISSUES MARKET MANIPULATION RULEMAKING NOTICE

The Federal Trade Commission (FTC) issued a notice of proposed rulemaking seeking public comments on a proposed rule prohibiting market manipulation in the petroleum industry in August. The notice will assist the FTC in determining whether, and in what ways, it should develop a final rule. The FTC expects to conclude the rulemaking process by the end of the year.

"The Federal Trade Commission is committed to exercising its authority to determine whether crude oil, gasoline or petroleum distillates price increases at wholesale are a result of illegal market manipulation," Chairman William E. Kovacic said. "The proposed rule brings us one step closer to defining, identifying and stopping fraudulent and deceptive conduct in wholesale petroleum markets that may contribute to higher gasoline prices."

## THE DIFF.

### Spot Prices (Cents/Gallon) as of August 15, 2008\*

New York Harbor No. 2 Fuel Oil / Heating Oil	New York Harbor No. 2 Diesel Low Sulfur	U.S. Midcontinent No. 2 Diesel
<b>304.31</b>	<b>311.06</b>	<b>306.81</b>

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



## THE BAROMETER

### Comparing Heating Oil to Other Financial Products

	August 15, 2008	One Year Ago
No. 2 Fuel Oil/New York (cents/gallon)	304.31	193.38
Crude Oil (dollars/barrel)	\$111.65	\$71.90
10-year Treasury Bill	3.84%	4.81%
30-year Mortgage	6.44%	6.61%
Dow Jones Average	11,658	13,074



# There's No Getting Away From The Law.

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

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The Federal Motor Carrier Safety Administration (FMCSA) requires strict compliance with Federal drug and alcohol testing regulations for motor carriers and drivers. Employers in violation are subject to civil and criminal penalties.

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## Dealers Differ on Options and Timing of Price Plans ..... 12

With unprecedented volatility, home heating oil dealers across the Northeast have decided on a variety of price plans for the upcoming heating season.



## Controlling Delivery by Going Wireless ..... 16

VisiTank and Automated Wireless Environments offer new ways for dealers to make delivery and fleet management more efficient than ever.



## Biz Tip: Keep Your Hands Out of the Cookie Jar ..... 18

Michael Cecere of Gray, Gray & Gray warns against businesses raiding their 401(k) plans in these difficult economic times.



## New Options Could Aid in Credit Crunch ..... 20

A new government rule on small business classification has opened a variety of ways for dealers to receive loan guarantees and advice.



## The House as an Energy System ..... 24

The National Oilheat Research Alliance (NORA) looks at whole-house energy evaluations as a new way for businesses to help customers conserve fuel and save money.



## Tech Talk: Benefits of Outdoor Reset ..... 26

Bruce Marshall of Emerson-Swan details the latest in outdoor reset technology, which could bring big savings to customers.



## Q&A: Stephen Connors ..... 30

Stephen Connors from the Massachusetts Institute of Technology (MIT) answers questions about the latest work being done at the school's Laboratory for Energy and the Environment.



## NAOHSM and School Prove 'Oil Heat Cares' ..... 35

The National Association of Oil Heating Service Managers (NAOHSM) recently joined with a technical school to install a new boiler as part of the "Oil Heat Cares" program.



## Biz Tip: The Value Proposition of Being in an Insurance Captive ..... 36

Kevin Seth of Energi Holdings outlines the benefits of participating in an insurance captive, which can be used to reduce costs by stabilizing expected prices. Seth can be reached at (888)-ENERGI-1.



## Bioheat®: Life Goes On, Massachusetts Mandates Bioheat ..... 40

Bill Riondan of Advanced Fuel Solutions says that even though the Massachusetts Bioheat mandate doesn't go into effect yet, dealers should not wait to act.



## Oil Market Stance: Volatility Spawns Innovation ..... 42

Taylor Hudson of Hedge Solutions says that even though dealers are facing many unknowns in the market, there are innovative solutions that may help. Hudson can be reached at taylor@hedgesolutions.com.



## Weather Trends: A Mild Fall Turns Into a Cold December ..... 48

John Bagioni of Fax-Alert Weather Service says that despite the summer heat, signs of a cold winter are already forming. Bagioni can be reached at johnbag@comcast.net.

Calendar ..... p. 47	Marketplace ..... p. 46
Classifieds ..... p. 53	NEFI FYI ..... p. 7, 8
Degree Days ..... p. 48	State News ..... p. 33, 39
Industry News ..... p. 25, 34, 50	The Stats Page ..... p. 54
Firebox ..... p. 44	Think About It ..... p. 54

Oil & Energy Magazine

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Fax: (978) 535-7826

E-Mail: [oil.energy@gstone.biz](mailto:oil.energy@gstone.biz)

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Peabody, MA 01960

### Managing Editor

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### Graphic Designer

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### Credits

Volume 10/Issue 9 © September 2008

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.

Advertising appearing in Oil & Energy does not constitute an endorsement of the advertised products or services by this magazine or the New England Fuel Institute.

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Complete advertising rates and media data are available from Oil & Energy, 67 Foster St., Peabody, MA 01960 (978) 535-7606, 9 a.m.-4 p.m. daily. [oil.energy@gstone.biz](mailto:oil.energy@gstone.biz)

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

## House of Representatives Votes Down Anti-Speculation Legislation

The House of Representatives voted down anti-speculation legislation in late July, soon before the August recess began, despite continued effort by the New

England Fuel Institute (NEFI) to see it passed. The legislation to address excessive speculation in the energy markets failed by a vote of 276 to 151, 14 votes shy of that needed for passage. At one point, there were the required 290 votes for passage, but then more than a dozen Republicans who initially supported the bill switched their votes to "no." A statement was released prior to the vote stating that President Bush would veto the measure. Passage ultimately failed, however, due to Republican protest over not being

allowed to bring an off-shore drilling vote to the floor—killing the anti-speculation bill in the Senate and stalling it in the House of Representatives. Unless Senate leaders can compromise on a solution, it is unlikely the bill will be considered again in September. NEFI, along with other industry groups, is currently working with industry allies on a broad strategy to promote grassroots lobbying through promotion of the [www.stopoilspeculators.com](http://www.stopoilspeculators.com) site.



## IRS Issues Proposed Rule Clarifying Alcohol and Biodiesel Credits

The Internal Revenue Service issued a proposed rule recently that clarifies the federal alcohol and biodiesel tax credit program implemented by the American Jobs Creation Act of 2004. The alcohol and biodiesel credit program replaced the old IRS reduced rate excise tax schedule for certain gasohol concentrations. The

proposed rule is important to petroleum marketers because it consolidates and makes permanent the various agency interpretations and notices pertaining to the federal alcohol and biodiesel tax credit.

The proposed rule affects producers of alcohol, biodiesel and renewable diesel; alternative fuel mixtures relating to those products; sellers and users of alternative fuel; and people liable for the tax on removals, entries or sales of gasoline or diesel fuel. There is little in the new provisions that would have a negative impact on petroleum

marketer/blenders. However, there are some ambiguous provisions that require further study and consultation with IRS rulemakers before the proposed rule's full impact is known.

The comment period closes Sept. 29. The proposed rule is published in the July 29 edition of the *Federal Register*.



## CFTC Sues Offshore Trading Fund for Manipulating Energy Futures

The Commodity Futures Trading Commission (CFTC) filed suit recently against a foreign commodity trading fund for manipulating energy futures traded on the New York Stock Exchange.

According to the CFTC, the charges are the first to emerge from the agency's nationwide crude oil investigation that began in December. Aggressive enforcement of energy futures manipulation is important to petroleum marketers because the practice, which is thought to be widespread, is a major factor in soaring petroleum prices.

The suit was filed against the Dutch trading firm Optiver Holding BV and its subsidiaries and alleges the company engaged in 19 separate instances of attempted manipulation over an 11-day period in March 2007 involving futures contracts for NYMEX light sweet crude oil, New York Harbor heating oil and New York Harbor gasoline. The CFTC said that in at least five of the 19 alleged attempts, the defendants successfully manipulated energy futures contracts resulting in artificial pricing. On two of these attempts the defendants successfully forced energy futures prices higher, while lowering prices on three occasions.

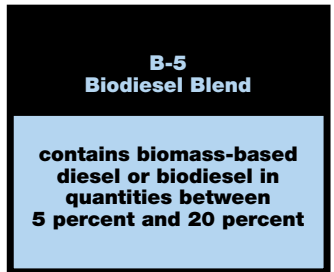
The CFTC suit alleges that the defendants profited by approximately \$1 million from their scheme, the practice of acquiring a substantial position leading up to the closing period followed by offsetting the position before the end of the close of trading for the purpose of attempting to manipulate prices. Finally, the complaint alleges Optiver concealed the scheme and made false statements in response to an inquiry from NYMEX officials.

## Industry Supported LIHEAP Legislation Fails Senate Vote

The "Warm in Winter and Cold in Summer Act," supported by the New England Fuel Institute (NEFI) failed a procedural vote in the Senate in July, despite major bipartisan support. The legislation would have added \$2.53 billion in funding for the Low Income Home Energy Assistance Program (LIHEAP), essentially doubling the current funding level. It failed to meet the 60-votes needed to invoke cloture in a special Senate session. Republicans (even some of those that supported this bill) rallied together in protest over their inability to introduce energy-related amendments.

## NEFI Offers Labels For Fuel Pumps

NEFI is now offering various labels for pumps that are required by law by the IRS, Environmental Protection Agency (EPA) and Federal Trade Commission (FTC). The labels are required on biodiesel blends, ethanol pumps



and to show sulfur content. Failure to display some of these labels can result in fines of up to \$10,000 per violation. NEFI also offers labeling guides and compliance kits to members at no cost. Visit [www.biodieselpumplabels.com](http://www.biodieselpumplabels.com) or <https://www.nefi.com/store1.php> for more information or to order.

## Senators Ask SBA to Implement Energy Initiatives

Sens. John Kerry and Olympia Snowe urged the Small Business Administration in late July to implement several energy initiatives aimed at helping small businesses through the current energy crisis. With rising energy prices topping the list of concerns of small business owners, the senators requested the SBA redouble their efforts to implement programs passed as part of the Energy Independence and Security Act of 2007.

Specifically the bill calls for the SBA to develop and implement programs to do the following:

- Establish an energy clearinghouse program that works with the EPA's Energy Star program to help educate small businesses on energy efficiency;
- Create a small business energy efficiency pilot grant program that would offer grants to small businesses development centers to conduct energy audits of small businesses and help them reduce their energy consumption;
- Encourage innovation in the field of energy efficiency by requiring federal agencies to give priority to

# FYI

SBIR/STTR program solicitations by small businesses that participate in or conduct energy efficiency or renewable energy system research and development;

- Allows loans to be made through the SBA's express loan program for the purpose of purchasing a renewable energy system or financing of energy efficiency projects;
- Establish a renewable fuel capital investment company program designed to promote the research, development, production and marketing of renewable energy resources;
- Initiate the small business telecommuting pilot program authorized in the energy bill to provide information regarding telecommuting options to small business owners and their employees.

## IRS Steps Up Enforcement of Diesel Fuel and Kerosene Dispenser Labels

The Internal Revenue Service has recently stepped up enforcement of the dispenser label requirements. The IRS requires all dyed diesel and dyed kerosene dispensers to have a specific label indicating that the fuel is for nontaxable use only. The labeling requirement has been in place for dyed diesel dispensers since 1993 and for dyed and clear kerosene dispensers since 1998. Many petroleum marketers are under the mistaken belief that the EPA's LSD and ULSD dispenser labels—which also



provide notice on nontaxable uses of these fuels—supersede the IRS labels. However, both the IRS and EPA labels are required.

The labels must be affixed to the dispenser in a conspicuous place within easy sight of the person dispensing the fuel either on the face of the dispenser (on both sides) or on the side of the dispenser just above the nozzle housing.

Any seller that fails to post the required labels on any applicable dispenser is presumed to know that the fuel will not be used for a nontaxable use. Penalties may include paying the federal excise tax on the fuel and assessed a \$10 fine for every gallon of fuel in the tank at the time of the violation or \$10 per gallon based on the gallon capacity of the tank.

Fuel dealers should check dyed diesel fuel, dyed kerosene and clear, untaxed kerosene dispensers for the proper IRS labels.

## TSA Releases Security Recommendations For Hazmat Transporters

The Transportation Security Administration (TSA) announced recently a set of non-mandatory security recommendations for the transportation of hazardous materials (including petroleum) across the nation's highways. The TSA's security action items have been divided into the following four categories: general security, personnel security, unauthorized access and En-route security.

General security measures pertain to security threat assessments, security planning, protecting critical information and awareness of industry security practices. Personnel security and unauthorized access refer to practices affecting the security of the motor carrier's employees, contracted employees and its property. En-route security refers to the actual movement and handling of motor vehicles containing security sensitive hazardous materials. A full list of the non-mandatory recommendations can be found online at TSA's Web site:

[www.tsa.gov/highway](http://www.tsa.gov/highway).

## NEFI Welcomes New Members

New England Fuel Institute welcomes 12 new members.

### ASSOCIATE MEMBER:

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Lyman Inc. is a retail fuel dealer and also provides installation and service for heating systems and pellet stoves.

### Joyal Fuels

Arnold Rivers  
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Fairfax, VT 05454  
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Fax: (802) 849-6190  
Joyal Fuels is a retail fuel dealer.

### Maine Potato Growers Inc.

Allen Green  
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Fax: (207) 764-7143  
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Web site: www.mpgco-op.com  
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Fax: (508) 339-6788  
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www.mansfieldoil-ma.com  
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Fax: (978) 742-4929  
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Allied Fuel is a retail fuel dealer also providing diesel over-the-road heating oil.

#### Bousquet Oil

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Fax: (401) 765-5360

#### Buchanan's Oil

Joseph Geary  
P.O. Box 857  
Mansfield, MA 02048  
Phone: (508) 543-7577  
E-mail: jdgeary@buchananoil.com  
Web site: www.buchananoil.com  
Buchanan's Oil is a retail fuel dealer also providing sales and service of heating, air conditioning and gas.

#### Columbus Energies Inc.

John Macedonio  
1492 GAR Highway  
Swansea, MA 02777  
Phone: (508) 674-1492  
Fax: (508) 677-1492  
E-mail: johnm1492@aol.com

#### County Oil Delivery Inc.

Martha Harvey  
51 Lepper Road  
Morrisville, VT 05661  
Phone: (802) 888-5333  
Fax: (802) 888-5301  
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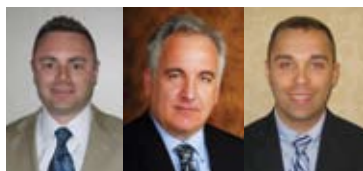
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## **BULLETIN: LRAC Scores on behalf of industry with SBA Change to Heating Oil and Propane Dealer Size Standards**

### Move Enables Distributors to Qualify for SBA Assistance In Terms of Number of Employees, Not Sales Volume

#### **REGULATORY ACTION:**

The U.S. Small Business Administration (SBA) has granted the request of the New England Fuel Institute (NEFI) to change the small business size-determination threshold under the North American Industry Classification System (NAICS) for heating oil and propane dealers. SBA agreed to change the threshold from one based on gross receipts to one based on the number of employees. Specifically, the new rule defines small heating oil and propane dealers as those with 50 or fewer employees.

#### **BACKGROUND:**

Heating oil and propane dealers were in danger of losing small business status as soaring fuel prices made the existing SBA annual gross receipts threshold meaningless and the need for additional credit essential. Under the previous size threshold, heating oil and propane dealers were considered small businesses if their annual gross receipts were \$11.5 million or less or \$6.6 million or less, respectively. In Late 2006, NEFI asked the SBA to change to an employee-based threshold to determine business size as distillate and LPG prices began to rise.

#### **IMPORTANCE OF THIS ACTION:**

This rulemaking is vitally important because it preserves small business status for heating oil and propane dealers under federal guidelines that are largely used by lenders to extend credit on favorable terms and by state and local governments to determine payment of various fees and eligibility for certain government contracts. As a result of the rulemaking, heating oil and propane dealers will have access to SBA Small Business 7(a) loans, SBA Economic Impact Disaster Loans, and additional private credit from local lenders. Moreover, heating oil and propane dealers will maintain their small business eligibility for payment of the reduced \$275 annual U.S. DOT HAZMAT fee and registration rather than the \$2500 per year fee for large businesses effective in 2009.

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**A list of NEFI's most recent and extensive achievements, made possible by LRAC funding, can be found at [www.nefi.com/LRAC](http://www.nefi.com/LRAC). We encourage you to review the list. It demonstrates our capacity to apply the valuable dollars you provide to the most important needs of our time.**

## **Among NEFI's many resources that work to serve you:**

- A skilled government relations staff that coordinates communication efforts with the U.S. Congress and federal agencies on legislative and regulatory issues; and constantly monitors activity in Washington for developments of interest to you, and ACTS when our industry's interests are threatened.
- Legislative Action Alerts and our online Legislative Advocacy Center ([www.capwiz.com/nefi](http://www.capwiz.com/nefi)) keep you informed of urgent developments in Washington that may require immediate action.
- Experienced Regulatory Counsel in Washington, DC, provide updates and expert guidance on impending or proposed federal regulations and provides consultation directly to members dealing with legal issues related to regulatory compliance and enforcement.
- Easy-to-understand Compliance Kits and Bulletins will help you come into compliance with new and existing rules and regulations, saving you valuable time and money.
- A new, members-only regulatory guidance website (coming online soon!) that will be a 24-hour depository of our regulatory guidance documents, bulletins, and lists of "frequently asked questions."
- Significantly improved communication and coordination of efforts between state and industry associations in New England and around the country, including PMAA, NAORE and others.
- Involvement with vital alliances and national coalitions including the LIHEAP Coalition, NEFI-led Energy Market Oversight Coalition and a new Oilheat industry public relations alliance.
- NEFI Energy Online News! (NEON) electronic newsletter keeps you up-to-date on weekly developments in the Halls of Congress and beyond... providing news headlines, updated NEFI education and training information, local news updates from each of the New England state associations and the National Oilheat Research Alliance (NORA).



# COMMITMENT COMES WITH NAMES ATTACHED

## WE ARE PLEASED TO RECOGNIZE OUR VALUED SUPPORTERS

### \$10,000

Global Companies LLC Waltham, MA  
Sprague Energy Corporation Portsmouth, NH

### \$7,500

Fawcett Energy Partners, Inc. Kingston, MA  
Total Energy Solutions LLC Portsmouth, NH

### \$5,000 or more

Arlex Oil Corporation Lexington, MA  
Townsend Oil Co. Danvers, MA

### \$3,500 or more

Atlas Glen-Mor/Petro Chelsea, MA  
Buckley Heating & Cooling Peacedale, RI  
Champion Energy New Rochelle, NY  
Alvin Hollis & Co., Inc. Weymouth, MA  
MacFarlane Oil Dedham, MA  
MacLellan Oil Company Tewksbury, MA  
New York Oil Heating Association New York, NY  
Roy Brothers Oil Company Ashburnham, MA  
Scott Williams, Inc. Quincy, MA  
Wesson Energy Waterbury, CT

### \$2,500 or more

L.E. Belcher, Inc. Springfield, MA  
Marran Oil LLC Holtsville, NY  
Noar's Oil Company Worcester, MA  
Noonan Energy Corporation Springfield, MA  
W.H. Riley & Son Attleboro, MA  
Scott Oil Company Manchester, MA  
Falconi Brothers Southborough, MA

### \$1,750 or more

Ayer & Goss, Inc. Henniker, NH  
Dominick Fuel, Inc. Norwalk, CT  
Faulkner Brothers, Inc. Somerville, MA  
Fleming Oil Company Brattleboro, VT  
Lipton Energy Pittsfield, MA  
Medway Oil Co., Inc. Medway, MA  
Osterman Propane Whitinsville, MA  
Wolfeboro Oil Co., Inc. Wolfeboro, NH  
Owner Services Inc. Proctor, VT

### \$1,000 or more

Alpha Oil Company Wilbraham, MA  
Anderson, Inc. Scituate, MA  
B & B Oil Co., Inc. Charlestown, MA  
Bender's Oil Service, Inc. Lebanon, CT  
Dennis K. Burke, Inc. Chelsea, MA  
Central Oil Company Chicopee, MA  
Chabott Coal & Oil, Inc. Keene, NH  
Chair City Oil, Inc. Gardner, MA  
City Fuel Co., Inc. Manchester, NH  
Concord Oil Co., Inc. Concord, MA  
Densmore Oil Company Mystic, CT  
DF Richard Energy Inc. Dover, NH  
Dolinsky Associates Cornwall, CT  
East Providence Fuel Oil Co. Providence, RI

### ...\$1,000 or more

Energy Kinetics, Inc. Lebanon, NJ  
Fraticeilli Oil Company Leominster, MA  
Griffith Energy Services Columbia, MD  
Horan Oil Company Stoughton, MA  
Mass. Oilheat Council Wellesley Hills, MA  
Metro Energy Boston, MA  
Munhall Fuel Co. Inc. Watertown, MA  
Norbert E. Mitchell Co. Danbury, CT  
Northboro Oil Co. Northboro, MA  
Palmer Gas/Ermer Oil Atkinson, NH  
Rand-Handy Oil Company Marshfield, MA  
Sunshine Oil Company Bristol, RI  
H. Wright's Service Billerica, MA  
Whiting Energy Fuels Northampton, MA

### \$600 or more

Atlantic Pratt Oil Co., Inc. Braintree, MA  
Augusta Fuel Company Augusta, ME  
Baker-Whitney Oil Company Acton, MA  
Barrieau Oil Co. W. Hartford, CT  
Bigelow Oil Company Newton U.F., MA  
Boston Steel & Mfg. Company Malden, MA  
Brideau Oil Corporation Fitchburg, MA  
Central Mass. Oil Co. Rutland, MA  
COCARD Beverly, MA  
Daniels Oil Co., Inc. Portland, CT  
Davis Oil Co., Inc. Keene, NH  
Dunn Oil Co., Inc. Maynard, MA  
Dutchess Oil Company Millerton, NY  
East Coast Petroleum Stoughton, MA  
Federal Heating & Engineering Co., Inc. Winchester, MA

D. Ferruccio & Son Hudson, MA  
Fisher-Churchill Company Dedham, MA  
Fuel Services, Inc. Westfield, MA  
Gillespie Fuels Northfield, VT  
Goodrich Oil Company Newport, NH  
Gottier Fuel Co., Inc. Rockville, CT  
Robert Greene, Inc. Bennington, VT  
Haffner's Service Stations, Inc. Lawrence, MA  
Hall Oil Co., Inc. Dennis, MA  
J.A. Healy & Sons Oil, Inc. Westford, MA  
Holden Oil Company. Peabody, MA  
A. Hohmann & Co. Dorchester, MA  
Imperial Oil Co., Inc. Windsor, CT  
Ives Bros/A Plus Oil Willimantic, CT  
Julian's LLC Medway, MA  
Knight Fuel Company Hudson, MA  
Mello Fuel Oil Terminal Jamaica Plain, MA  
Murphy Fuel Corporation Waltham, MA  
Needham Oil Co. Inc. Needham, MA  
Northfield Fuel Corporation Greenwich, CT  
North Shore Fuel Co., Inc. Revere, MA  
L.F. Powers Co., Inc. Waterbury, CT  
Reliable Oil & Heat Company Glenbrook, CT  
Rowayton Fuel & Oil Company Rowayton, CT  
Sherman Oil Company Brookfield, MA  
Sochia's Oil & Gas, Inc. Douglas, MA

### ...\$600 or more

Stadium Oil Heat, Inc. Peabody, MA  
Star Petroleum Co., Inc. Foxboro, MA  
State Line Oil Company Granby, CT  
J.J. Sullivan, Inc. Guilford, CT  
Total Fuel Services Corp. New Rochelle, NY  
Town Oil Company Wethersfield, CT  
Vincent Oil Company Southbridge, MA  
Westmore Fuel Co., Inc. Greenwich, CT  
West Oil Co., Inc. N. Adams, MA  
Winthrop Fuel Co., Inc. Winthrop, ME

### \$300 or more

Advanced Energy Ltd. Westwood, MA  
Arlington Fuel Oil Co., Inc. Arlington, MA  
Ashley Fuel, Inc. Beverly, MA  
Atlantic Discount Oil Inc. Gloucester, MA  
Bourne's Inc. of Morrisville Morrisville, VT  
Braley & Wellington Insurance Worcester, MA  
E.P. Cotter Oil Company Norwood, MA  
Dorr Oil Company Manchester Ctr, VT  
Fairlawn Oil Service, Inc. Lincoln, RI  
Forni Bros. Oil, Inc. Bridgewater, MA  
Giguere & Marchand Oil Service Blackstone, MA  
Greystone Services, Inc. Peabody, MA  
Hiller Fuels, Inc. Marion, MA  
Howell Fuel, Inc. Fairfield, CT  
Interstate Oil & Gas Corporation Sudbury, MA  
J & S Oil, Inc. Manchester, ME  
Kerivan Lane, Inc. Needham, MA  
Lee's Oil Service Westport Pt., MA  
Lemay Oil Co., Inc. Hartford, CT  
Madison Oil Co., Inc. Madison, CT  
McCarthy Heating Oil Svc. Quaker Hill, CT  
T.H. Malloy & Sons Cumberland, RI  
Needham Energy, Inc. Needham, MA  
Premium Fuels/Al's Oil Shrewsbury, MA  
Putnam Fuel Co., Inc. Goffstown, NH  
SonoEnergy Corporation Norwalk, CT  
Spring Brook Service New Britain, CT  
Squier & Co., Inc. Monson, MA  
Stocker Oil Co., Inc. Peabody, MA  
State Utilities Inc. Lindenhurst, NY  
Todd Oil/Rose's Rockport, MA  
Towne Heating Co., Inc. Swansea, MA  
Wagner Brothers Boylston, MA  
Wehof Forms Somerville, NJ  
Rick Wenzel Oil Co. LLC Amherst, NH

### \$100 or more

Arrow Fuel Seekonk, MA  
Booma Oil, Inc. Lynn, MA  
Community Oil Company Cambridge, MA  
Greeley's Oil Co., Inc. Halifax, MA  
Hilton Oil Co., Inc. Lawrence, MA  
John's Fuel Service, Inc. Lynn, MA  
Niccoli Bros. Oil, Inc. Brockton, MA  
People's Fuel, Inc. Gardner, MA  
H.H. Snow & Sons, Inc. Orleans, MA  
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Thomas Fuel, Inc. Lunenburg, MA

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2008 CONTRIBUTORS  
as of August 12, 2008



## Paying the Price

### Dealers Differ on Options and Timing of Plans

**ROBISON OIL AND EAST COAST FUEL INC. ARE** located relatively nearby in New York, but the pricing plans they are offering customers this winter are worlds apart.

This strong divergence in offerings is being seen across the industry as home heating oil dealers try to plan months ahead in a market with unprecedented pricing volatility.

“I’ve never offered price plans and I never will,” said Dan Palazzolo of East Coast Fuels. “It would have been advantageous to the customers maybe two years out of the more than two decades I’ve been in business.”

Instead, Palazzolo simply offers fuel based on daily market rates. That protects the company and its customers from locking into high prices if the fall from record highs established in July continues.

**“I’ve never offered price plans and I never will.”**  
— Dan Palazzolo, East Coast Fuels

Dan Singer, co-president of Robison Oil, said his company is looking to do the opposite when it comes to price plans.

“Our primary goal is to offer the consumer as many choices as possible and make us into more of the broker and delivery agent

rather than the ones taking the risk on the commodity,” he said. “As much as possible, we are steering customers to pre-purchases and fixed prices with penalties for early cancellation. It is an education process for the consumers, but I think they appreciate us getting out in front and offering choices.”

#### MANY OPTIONS

For Robison, the numerous plans are a way to let customers know that the way home heating oil dealers have worked in the past needs to evolve.

“We’ve got quite a big array of plans this season because we’re basically putting all the hedging tools into our customers’ hands,” Singer said. “We’re trying to get them to understand that the rules have changed.”

Robison has been offering plans since the end of April. Beyond the simple fixed price, Robison offers a cap plan, which includes an additional one-time fee. Customers can avoid the fee by signing up for the capped price budget plan. Robison calculates a monthly payment price based on historical usage and divides it over 11 months. They also offer the budget plan with a fixed price. The simplest option is to buy from them at the market price,

which would give customers the quickest opportunity to take advantage of lower prices.

In addition, Robison is officially including a biofuel option this year. The B10 blend is available with all of the plans, though it costs 10 cents more per gallon.

“The price for B10 does come out the same if you apply for the 10 cent per gallon rebate offered by New York for buying B10,” Singer said. He hopes to gauge this year how willing people are to buy a “greener” fuel, knowing that the rebate won’t be available for months after they purchase the fuel.

Robison will not only be offering variety as a way to hedge against the high prices, but also instituting some new policies to shield themselves from risk.

“We’ve never had a financial penalty for customers who cancel a contract, but this year we set one at \$300,” said Singer.

This protects the company from customers who decide to opt out of a contract to take advantage of lower prices, should they fall appreciably as winter approaches.

Singer said the company is also offering the chance to combine plans. They can pre-buy half of their fuel and go to a cap plan for the rest.

**Continued on page 14...**



# UEi Times Tribune

WWW.UEITEST.COM / SMARTBELL

## UEi Releases New Combustion Meter

### Fuel Prices Sky Rocket

New IR sensor technology saves both time and money



### New World Record Set in Combustion Meter Dash

The Smart Bell Combustion Meter, an unknown prior to this event, beat the traditional CO<sub>2</sub> Indicator's best time by 15 minutes.



### Dumbell's Untold Story

Once a technological icon Today searches for a new identity



### Love Life Improves After Smart Bell Use

Betty Flue, a technician's wife, claims that her husband's punctual returns from work, have increased after he switched to the new Smart Bell Combustion Meter. The two use their increased time together for long walks, gardening and overall quality time together. Mr. Flue comments, "Yeah... Thanks UEi."

### Local Forecast

Future looks bright and accurate for future Smart Bell users



## The Smart Bell Combustion Meter Offers An Affordable, User-Friendly Alternative To Traditional Gas & Oil Combustion Tests



### New Combustion Candidate Seeks To Unseat The Long Standing Incumbent



Recent polls show the new candidate, the Smart Bell, leading in the polls as he promises to deliver a new Infrared Sensor Technology eliminating the need to replace O<sub>2</sub> sensors and a longer life CO<sub>2</sub> sensor providing more reliable and trustworthy measurements. When asked for a response his opponent the CO<sub>2</sub> indicator had seemed shaken.

### Journeyman Furnace Repairman Found With Smart Bell In Oil Test Kit

Stan Heaterman, of Experienced Heat and Cooling, was found to have the new UEi Smart Bell in his oil test kit case where his previous Dumbell Shaker once resided. It was first noticed when Mr. Heaterman started completing his jobs faster, "...it works better and fits in my kit. What else do you need to know?" Authorities said the disappearance of the Dumbell seems suspicious but nobody's complaining.

There is no word regarding the whereabouts of the previous Dumbell Shaker. Mr. Heaterman commented, "Sure I'll miss it. We had a lot of good times together waiting to read test results together in all of those basements and maintenance rooms, but Smart Bell has helped me over come my phobia of new technology. I look forward to our future together."

### Slide Rule Efficiency Chart Deemed Too Complex For Computer Literate Youth

Recent students at an HVAC training school reportedly felt that operating slide rules to determine combustion efficiency was inefficient. Today's technicians are computer savvy, and have grown comfortable with electronic devices like the new Smart Bell, which eliminates the need for difficult charts and displays continuous readings in real time.

### Heating Contractor Saved From Toxic Mistake

Ron Way of Quandary Heating was stopped when attempting to drain used chemicals from his wet chemical kit into a local storm sewer. "...I didn't think this stuff was dangerous..." he was quoted as saying. Local officials were quick to point out that by using alternative technologies such as the UEi Smart Bell, Ron can accomplish the same job quicker, with more accuracy eliminating messes, dangerous liquids and hazardous material handling charges usually associated with such chemicals.



### Dumbell's All Shook Up



### STRIKE!

In the world of combustion today the work force has a new face. The Smart Bell by UEi takes over the outdated liquid analyzers, a standard for over 50 years in the industry. Needless to say all the dumbbells are not taking it sitting down. Repeated accounts all across the nation report that dumbbells are filling the streets to protest what could be the biggest change in market history! The Smart Bell can do all the work a dumbbell can in a fraction of the time without using toxic chemicals or needing replacement fluids, as well as providing immediate results without having to wait. Industry leaders are recognizing the value and moving towards replacement. The Smart Bell fits right in to where the Dumbell used to sit. It's a hard day to be a dumbbell.

### Analog Puresit Caught With New Digital Meter



"I was just holding it for a friend!"

Claims the technician who swore off using "fancy fangled technology" but his co-workers say it was hooked up and he finished his job suspiciously quicker than usual.

### Travel To Your Weekend Getaway

Less time performing combustion testing has more technicians getting back to their weekend sooner.

...Continued from page 12

**ACROSS THE NORTHEAST**

Robison's multitude of options and East Coast Fuel's single selection sit on the extreme ends of what many dealers in the Northeast are offering.

John Jette of Benny's Oil Service in Massachusetts said they will offer four plans to customers. It took them until the final week of July to set them, though, while waiting for anticipated market corrections.

"We always offer plans because of customer demand and the need to serve different budgetary means," said Jette.

Benny's customers can choose to go with a simple prepay plan upfront, a capped plan, a fixed price or the fixed price budget plan, which requires monthly payments. Jette said a down payment is now required on the fixed price plan. He also said that insurance costs are more expensive than usual.

For customers worried about where prices will be in six months, Jette advises to simply get the price cap plan, to hedge against movement in any direction.

"I expect the price to come down some more, but the next hurricane to the Gulf or news out of the Middle East, who knows?" he said. "There are factors beyond supply and demand affecting the price."

One heating oil dealer contacted actually decided to bring its plans to market early, in order to have a chance to revise the prices.

"We put out our plans a week or two early and shortened the window for people to lock in to 30 days, so we could come out with another price if the situation changes," said Pat Salzarulo of Arbor Oil in Connecticut.

Arbor is offering the same services from previous years: fixed price, capped, a prebuy and budget plans. The decision to have all those options was easy to make, according to Salzarulo.

"Whatever the competition offers, we'll offer, too," he said.

In addition to shortening the lock-in window, Arbor also increased the one-time fee for customers to sign up for the cap program.

"We did some hedging, which we didn't do this year," Salzarulo said. "We needed a little insurance for ourselves."

He said that most customers were opting for the cap program because it allowed them at least some price certainty, with the chance to pay even less.

Brennan Oil & Heating Co. of Rhode Island has a variety of programs, similar to

those offered by Robison. In addition to the normal automatic delivery, Brennan offers a cap plan, with a prebuy or budget payment, as well as strictly prepayment and budget plans, according to Chris Brennan.

According to the company's Web site, customers have saved an average of \$2,000 off the cost of their heating bill over a five-year period by using the cap program.



This year, the enrollment fee for the cap program was raised, but Brennan said most customers have understood why that happened.

"We've explained to people that what we're doing is sharing the cost with them of offering a capped price," he said.

Griffith Oil Services, which delivers across the Northeast and Mid-Atlantic states, said automatic delivery is the most popular service they offer, though they also have will call delivery. Both of these methods rely on daily pricing.

Preferred Oil of Connecticut also only offers heating oil at a daily price, which has been their custom for several years.

The July Fuel Price Report from the Vermont Department of Public Service shows that, as of July 7, the most popular option among heating oil dealers was a prebuy program, with about 30 percent of dealers offering one. More than 20 percent had cap programs in place, but just a few had

fixed price programs set. Approximately 70 dealers responded to the report.

**CAUGHT IN BETWEEN**

Kevin Mulholland of Pier Fuel Co. in Rhode Island said the company is planning on offering different price plans this season but it's very difficult to make a decision in such a volatile market. He has considered just offering a fixed pre-buy program due to the high costs needed upfront on fuel sold in a capped plan.

"There is no good or bad time to buy," said Mulholland. "You just have to choose a number you're OK to sell it at and go for it."

He also expects consumers to conserve fuel in much different ways due to the high prices.

"Back when prices were half what they are now, people used to keep the heat on low in their summer homes on the ocean all winter," Mulholland said. "I would expect we'll begin to see them simply close them down all winter so they only have to buy fuel for one house."

Trying to find a "good" time to buy for dealers is certainly a problem, according to Izzy Barros of East Coast Petroleum in Massachusetts.

"Thank God we did not purchase it a couple weeks ago when we started thinking about it," said Barros. "We would have been in big trouble."

Instead, East Coast Petroleum is offering just a simple budget plan right now based on the customer's previous year fuel usage, but expects to have more plans in the near future. Traditionally, the company offers a cap plan, as well.

"We're going to wait a couple weeks [to offer more plans]," said Barros. "but we think people appreciate at least being able to set their budget for the winter."

Brennan Oil used all the hedging tools and projection advice they could find, resulting in the decision to wait until offering a cap price.

"Usually, we're out with the plan in June, but we waited until the beginning of August this year because our research said it would come down," Brennan said.

The wait allowed the company to lower the price significantly from estimates released to customers in June. Brennan said with a rush of customers to lock in the new price, he expects the company to sell even more gallons of fuel this year than last.

"People are sensitive to the high prices, but the fact remains—it's a necessity," he said. ☐

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## Controlling Delivery Can Lower Costs

### *New Technology Offers Increased Efficiency*

**HOME HEATING OIL DEALERS HAVE INVARIABLY** seen profit margins go down as market volatility has increased. Higher insurance costs for hedging and an effort by competitors to offer the lowest possible price are the leading factors behind those eroding margins.

To combat this, dealers have had to look for other ways to stabilize costs and increase profits. Instead of looking to cut services or staff, however, dealers may want to look at innovative ways to simplify delivery. New technology has not only made routing and remote monitoring easier, but also provided a potential way to save money in the long run. The most advanced technologies are now wireless, giving dealers an unprecedented amount of control over every aspect of delivery, from drop offs to billing. *Oil & Energy* has taken a closer look at some of these products currently on the market.

#### **VISITANK**

VisiTank, from Oil Equipment Manufacturing (OEM), is the first commercially available system for remote tank monitoring that combines wireless sensors and continuous data to help lower costs. The system is made to measure certain variables, such as the oil level in a tank, and transmit that number back to the dealer so that the company can accurately monitor customers' needs.

The system consists of battery-powered sensors, modems that transmit data over a standard telephone line to a computer—typically located in the dealer's office or dispatch center—and software that presents the data. The data can also be integrated with routing and degree-day delivery systems that might be part of the dealer's operations already.

All sensors are wireless, which removes

much of the time and cost of installation, according to OEM. VisiTank currently offers sensors for fuel level, temperature and burner lockout. OEM is in the advanced stages of product development for a propane sensor and plans to add more sensors in the future.

In addition to providing fuel volume data on a periodic, user-controllable basis, the system can provide alarms for low or high fuel levels, low or high temperature levels, delivery notification and oil burner lockout.

#### **BENEFITS OF THE SYSTEM**

Different dealers have found different advantages to using the VisiTank system, according to OEM. They said some use the fuel level data to improve their own efficiency. They do this by using periodic oil level data to pick the best time to deliver oil to their customers instead of estimating tank levels using a degree-day system or "K" factor for average usage. If the usage is very steady, this can work reasonably well, OEM said, however, with more homeowners adopting mixed-fuel heating systems, it has become increasingly difficult to forecast usage.

Most oil dealers build in a safety factor

to ensure that their customer doesn't run out of oil, and will plan on delivering something on the order of two-thirds of a tank. The smaller the drop the company makes, the more trips required and the greater the cost in terms of time and fuel. In more difficult situations where usage changes due to use of multiple fuels, change in the number of residents or absence from the home, determining tank level is more difficult and the risk of short drops or run-outs increases. According to OEM, use of a remote monitoring system such as VisiTank gives the dealer "almost perfect" information on actual levels, which allows them to deliver oil at the most advantageous time.

With the VisiTank temperature and burner lockout sensors, some oil dealers are offering services to provide continuous monitoring of homes, even when residents are not there, according to OEM. If a burner locks out or another heating failure occurs, the system will detect that and send an alarm, which can prompt an emergency service call before a freeze-up occurs.

#### **SOFTWARE**

Companies begin using the service by installing software on the dealer's computer system. This can be as simple as a standalone Windows PC running XP or Vista. In a more complex installation, the software would be installed on one of the company's servers (running Windows Server 2003 or 2008) and then made accessible using client-server or terminal services over a local area network (LAN). Multiple users can access the system, which also supports multi-branch operations by allowing data to be separated by location.

OEM will train the software administrator



and field installation personnel at the company following the installation.

Next, the software administrator adds customers and modems to the VisiTank SQL database. After that, the customer can choose specific sensor devices to be installed and remote monitoring kits are installed in the field and tested by communicating with the dealer's computer. Finally, any adjustments to sensor or tank parameters are made to reflect actual field conditions, and readings from the devices can be viewed and printed if desired.

**INSTALLATION**

Installation occurs in two phases, one for software and one for hardware. Hardware installation can be done in a few simple steps, said OEM. A fuel oil sensor, for example, requires the tech to unscrew the plug from an existing opening at the top of the tank, replace



it with a supplied bushing (all common sizes are available) and attach the sensor with two screws. A temperature sensor requires essentially no installation time since it is battery powered and freestanding. It is simply placed in the desired location.

In order to effectively use the software package that comes with the system, some training is required. OEM recommends that at least one person becomes intimately familiar with the software setup and operations, until it becomes part of the routine.

**START-UP COSTS**

Each modem can handle up to eight sensor inputs. The kit (No. 7500) includes a "rocket" fuel level sensor, modem, power supply, tank mounting adapter, phone cord and modem mounting hardware, as well as instructions. There are one-time software installation and license costs, which depend on the license tier purchased. The license tier controls the number of modems that can be used with

the system. Additional license tiers can be purchased incrementally as needed. Training on the day of software installation by OEM is free and a software maintenance contract is required for the first year.

OEM said that the features in the system have been designed to make it a solution for both retail dealers as well as light commercial fuel dealers. Dealers serving managed properties, such as apartment buildings, as well as municipal and institutional facilities, will be able to use features such as delivery notification, amount delivered and an e-mail notifier. In addition, add-on products such as a plug-in LCD receiver can help fulfill local regulations where the driver must read a gauge before starting a delivery. The device shows the height of the tank and fuel level in inches as well as the percent full. OEM has more products being developed that can offer advantages to light commercial dealers, but they have not been revealed yet. For more information on the system and the latest information, see [www.visitank.com](http://www.visitank.com).

**AUTOMATED WIRELESS ENVIRONMENTS**

By continually adopting new technology and relying on more than three decades of developing fleet maintenance software, Automated Wireless Environments has its own array of tools for dealers to make delivery faster, less expensive and more efficient. The tools are integrated to work for technician coordination as well as fleet management, with specialized components available for all aspects of heating oil retail businesses.

The Petrodata E-System is the backbone of AWE's system, a software suite that handles credit card processing, customer prioritization, degree day calculations, automatic fax and e-mail, and instant payment posting. The program is Windows-based, with a similar interface to other Windows products, which often makes for an easier learning curve. The dealer is able to communicate with the entire fleet by using the E-System from a main computer, provided those vehicles have the proper hardware.

The degree day application in the E-System is made to work with little input from customers other than simple numbers from a weather bureau or degree day clock. The system will then perform calculations to account for separate heat and hot water usage, seasonal adjustments and temperature fluctuations. There are also individual considerations given to each customer based on personal habits and averages. All of these factors lead to a more precise number than a simple degree day calculation, allowing the dealer to better estimate when to deliver.

Another product offered by AWE that

works with the E-System is the RF Metered Delivery system. It allows managers and dispatchers the ability to interact with an entire fleet through real-time touch screen computers and electronic metering registers. Dispatchers can immediately connect to any or all on-board computers to update any ticket, add or delete tickets, add new messages, add or change a preset to a specific volume or dollar amount and can even change pricing globally or on a single ticket. Drivers and dispatch have direct communications with instant messaging and alerts. Dispatchers are even able to see how much fuel is in each truck that is connected to the system in real time, allowing for the best distribution of resources.

An understated advantage to all of the electronic integration is the fact that departments can communicate and transfer data immediately. This prevents a backup of paperwork or transcribing data repeatedly, which can lead to errors. With RF Metered Delivery, the driver can leave an invoice with the customer and the data is immediately transmitted back to the dealer's accounts receivable system. This can reduce the billing cycle and eliminate transcribed data entry errors. Dealers can also save on printing and posting tickets, as well as postage, envelopes and stuffing envelopes.

By adding the global positioning system (GPS) application to the Delivery system, companies can greatly reduce the chances of getting lost trying to find a customer or not knowing where a truck is located. Dispatchers are able to not only tell the exact location of a vehicle from the office, but can even tell the speed it is traveling. The system can also outline a precise service area, to know whether individual customers fall within the boundaries.

The software offered by AWE goes beyond simply making delivery efficient, but also helps keep a fleet healthy in order to reduce costs in the long term. According to the company, the Fleet Management System can increase efficiency by allowing dealers to streamline inventory control functions, monitor parts and labor performed on the fleet, track incident detail reports and create user-defined reports to generate specific data on each vehicle. This can combine to reduce ongoing maintenance expenses and inventory and overhead costs, said AWE.

The strength of the software and hardware is the ability to choose which applications are needed on a case-by-case basis, according to the company. While large fleets can utilize every aspect of it to gain efficiency, smaller fleets may only need the E-System and Delivery application.

For more information on all of the products offered by AWE, see [www.automatedwireless.com](http://www.automatedwireless.com). ☐

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## Keep Your Hands Out of the Cookie Jar

By Michael Cecere, CPA, Gray, Gray & Gray LLP

**IN THE CHALLENGING ECONOMIC TIMES WE ARE** currently experiencing, individuals seeking to supplement or replace lost income, or to get through financial crises such as unemployment and medical emergencies, have taken to "raiding" their own 401(k) plans. This is a fiscally risky move that could have serious consequences, both in the short term and down the road.

Loans from 401(k) plans have long been an option for emergency borrowing, or for providing funding for significant purchases, such as a first home. With a 401(k) loan, you are essentially borrowing from yourself. Such loans are generally short term and are paid back automatically through payroll deduction of the loan premiums.

**"Individuals who are enamored with the ability to withdraw or borrow funds from their 401(k) are missing the point. The 401(k) is set up for their retirement, not their current expenses."**

In most cases, borrowers can repay loans within five years without penalty. Loans for first-time homes must be repaid within 15 years to avoid penalties. Failure to repay loans on time typically incurs a 10 percent excise tax penalty as well as income tax on the unpaid balance.

The number of 401(k) loans has risen dramatically in recent years. A study by the Center for American Progress found workers in 2004 had \$31 billion in outstanding 401(k) loans, a fivefold increase from \$6 billion in 1989. Between 1998 and 2004, an average of 12 percent of families with 401(k) plans had borrowed from them.

The downside of a 401(k) loan is the money you borrow is not earning as much interest while it is out "on loan." This is particularly troubling at a time when Social Security is in trouble, pension plans are disappearing and personal retirement savings accounts are expected to play a more prominent role in providing retirement income for many Americans. According to the Center for American Progress study, a \$5,000 loan could cut retirement savings by 22 percent even if the loan is repaid without penalty.

It gets worse. Several financial institutions have introduced a 401(k) debit card. If you want to make a purchase and don't have the cash on hand, you can simply swipe your 401(k) debit card and instantly "borrow" against your retirement fund.

Unlike a 401(k) loan, which is paid back through payroll deductions, the user of the 401(k) debit card gets a monthly bill, just like a credit card. If you can't come up with the money to pay the bill, you could default on the "loan" from your 401(k) and get hit with penalties and taxes for early withdrawal.

Individuals who are enamored with the ability to withdraw or borrow funds from their 401(k) are missing the point. The 401(k) is set up for their retirement, not their current expenses. Being able to easily tap into that pool of money can be a big temptation—too big for many people. As a result, they are compromising their future security.

Naturally, if there is a true emergency, a 401(k) loan, used wisely, can be an advantage. But dipping into the cookie jar for transient purchases—like a new car, vacation or plastic surgery—is a huge risk that may jeopardize more than your retirement. ☞

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## New Options Could Aid in Credit Crunch

### SBA Offers Loan Guarantees and Advice to Borrowers

**THOUGH CONGRESS FAILED TO PASS ANY** meaningful energy legislation before its August recess to tackle excessive speculation or increase Low Income Home Energy Assistance Program (LIHEAP) funding, a new government rule could still offer financial aid to heating oil and propane dealers as the winter heating season approaches.

The U.S. Small Business Administration (SBA) has changed its definition of a small business for retailers from one based on annual receipts to the number of employees. Instead of receipts of \$11.5 million for heating oil dealers and \$6.5 million for propane dealers, the classification is given to those with 50 or fewer employees.

**“We focused on this segment of the industry because we could see a potential crisis coming.”**  
Sandy Blitz, SBA New England

The rule change has the ability to impact a large number of businesses, according to Eugene Guilford Jr., executive director of the Independent Connecticut Petroleum Association (ICPA), 96 percent of heating oil dealers in the state will now fall under the small business classification.

“We focused on this segment of the industry because we could see a potential crisis coming,” said Sandy Blitz, New England regional administrator for the SBA.

The New England Fuel Institute (NEFI) recognized the discrepancy several years

ago and was a driving force in getting the rule changed.

“[Then-NEFI President] Sean Cota and I approached the SBA in October 2006 requesting that change in size standards for heating oil dealers and propane marketers,” said Mark Morgan, NEFI’s regulatory counsel. “At the time, NEFI was becoming increasingly concerned that a size standard based on annual gross receipts bore little relevance to actual business size for heating oil dealers and propane marketers in light of escalating fuel costs.”

That concern grew out of interactions with dealers that showed increasing difficulty when trying to obtain loans.

“Increasingly, NEFI heard from heating oil dealers that local banks were beginning to question size status of applicants for private credit because annual gross receipts approached or surpassed the \$11.5 million for heating oil dealers and the \$6.5 million for propane marketers,” said Morgan. “This was the case for both SBA guaranteed loans and private loans that were not SBA guaranteed, but underwritten using SBA standards.”

NEFI pushed for the SBA to do a rulemaking that would change the size thresholds for both from annual gross receipts to the number of employees. SBA agreed and proposed a rule that would set the size threshold at 50 employees. NEFI supported the change in comments and the final rule was published in July.

According to the SBA, before the rule change, many heating oil and propane dealers were exceeding their existing size standards due to large, and often unpredictable, increases in oil costs while continuing to deliver the same quantity of fuel. The dealers in these industries supplemented the higher costs by increasing prices for their customers.

“We recognize that these are challenging economic times for small businesses, so we made these changes to the size standards to help small businesses reduce the impact of volatility in heating oil prices and ensure their continued eligibility to receive help from SBA’s financial and contracting assistance programs,” said SBA Acting Administrator Jovita Carranza.

According to the U.S. Energy Information Administration, heating oil and propane average weekly prices have fluctuated by more than 35 percent between 2002 and 2007.

Standard cash flow and wholesaler credit lines might be enough for some retailers, but many will have to look at other sources of funding. According to the ICPA, if the average Connecticut heating oil retailer sold 2.5 million gallons per year in the 1998-99 season, that retailer needed to capitalize about \$1.1 million for wholesale oil. For the 2008-09 season that same retailer will need to capitalize \$9.1 million. That retailer will sell, on average, 500,000 gallons in just January 2009—requiring capital exceeding \$2 million.

**Continued on page 22...**



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...Continued from page 20

The SBA has offices across the nation that welcome businesses to learn what financial options are available to them, attend training sessions and receive technical assistance. Look below for the office nearest you or visit their website: [www.sba.gov](http://www.sba.gov).

**Connecticut:**

District Office  
330 Main St., Second Floor  
Hartford, CT 06106  
(860) 240-4700

**Maine:**

Augusta District Office  
Edmund S. Muskie Federal Building  
68 Sewall St., Room 512  
Augusta, ME 04330  
(207) 622-8274

**Massachusetts:**

Boston District Office  
10 Causeway St., Room 265  
Boston, MA 02222  
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1 Federal St., Building 101-R  
Springfield, MA 01105  
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**New Hampshire:**

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(973) 645-2434

**New York:**

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(212) 264-4354 Phone  
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The SBA will be able to provide a loan guarantee for additional working capital lines, under what is known as the 7(a) program. That program provides for up to a 75 percent guarantee of \$2 million or 50 percent of \$4 million.

“Already we are hearing that banks are more comfortable extending credit based on the size standard changes,” said Morgan.

**HOW 7(A) LOANS WORK**

The 7(a) loan is the most basic and most common type loan of SBA's business loan programs. Lenders who have already agreed to participate with the SBA in the program provide all 7(a) loans.

The dealer first applies to a bank for financing. The bank decides if they will make the loan internally or if the application contains more risk than they would normally assume. If so, they can approve the loan, but with an SBA guarantee. The SBA guarantee assures the bank that if the dealer does not repay the loan and a payment default occurs, the government will reimburse the bank for its loss, up to the percentage of SBA's guarantee. Under the 7 (a) loan, the borrower remains obligated for the full amount due.

The ICPA advises that if you need an appraisal of your business, don't delay. Finding a qualified appraiser and having a meeting can take as long as 45 to 90 days. Your financial institution may want to see a number of things as you apply for loans and loan guarantees. Here is what many private lenders will likely need to see, according to the ICPA:

- Previous three years of financial statements (Consolidated);
- Previous three years of financial statements (By business line if possible);
- Trial balance with reconciliation to financials;
- A/R recovery plan – A/R management;
- Quarterly results;
- Two years of tax returns;
- Fixed Asset listing;
- Amortization/Depreciation schedules;
- Accounting system and financial statement close process;
- Accountant name and contact information.

**OTHER ADVANTAGES**

Besides determining eligibility for SBA assistance, a firm's small business status determines the cost of the registration fees that small businesses in these industries have to pay to the U.S. Department of Transportation (DOT) for transporting hazardous materials, which was another concern NEFI had raised.

Small businesses have to pay \$275 annually for the DOT HAZMAT fee and registration rather than the \$2,500 per year fee for large businesses, which becomes effective in 2009.

Blitz said that in addition to the loan guarantee, the SBA is helping heating oil dealers by offering special forums throughout the summer in New England. The forums are meant to get direct input from the businesses and advise them personally on what programs the SBA offers.

The SBA wants dealers to know that it has a nationwide technical assistance network and nearly 1,000 Small Business Development Centers (SBDC) nationwide.

“The SBDC program is a great way for dealers to get free business counseling,” said Blitz. “It allows them to get a better look at their finances, so when they go to a bank, they will know exactly what they need to do.”

**MEZZANINE FINANCING**

Though the SBA-backed loans are an important opportunity, another option for dealers that state associations have looked into is mezzanine financing. Mezzanine financing is unsecured debt offering a high return with a high risk. This type of debt generally offers interest rates 2 to 5 percentage points more than that on senior debt and frequently gives the lenders some right to a share in equity values if the company performs well.

Mezzanine finance is often used when bank borrowing limits are reached and the firm cannot or will not issue more equity. The finance it provides is cheaper, in terms of required return, than would be available on the equity market and it allows the business owner to raise large sums of money without sacrificing control. It is a form of finance which permits the firm to move beyond what is normally considered acceptable debt/equity ratios (leverage levels).

Since mezzanine financing is usually provided to the borrower very quickly with less diligence on the part of the lender and little or no collateral on the part of the borrower, this type of financing is aggressively priced, with the lender seeking a return in the 20 to 30 percent range. Failure to repay this financing within the agreed time limits results in the lender having an equity stake in the company. This is a very complicated form of borrowing, and the ICPA and SBA offer counseling and more details on how to manage mezzanine financing.

For more information about SBA's revisions to its small business size standards, visit [www.sba.gov](http://www.sba.gov) and click on “What's New About Small Business Size Standards.”

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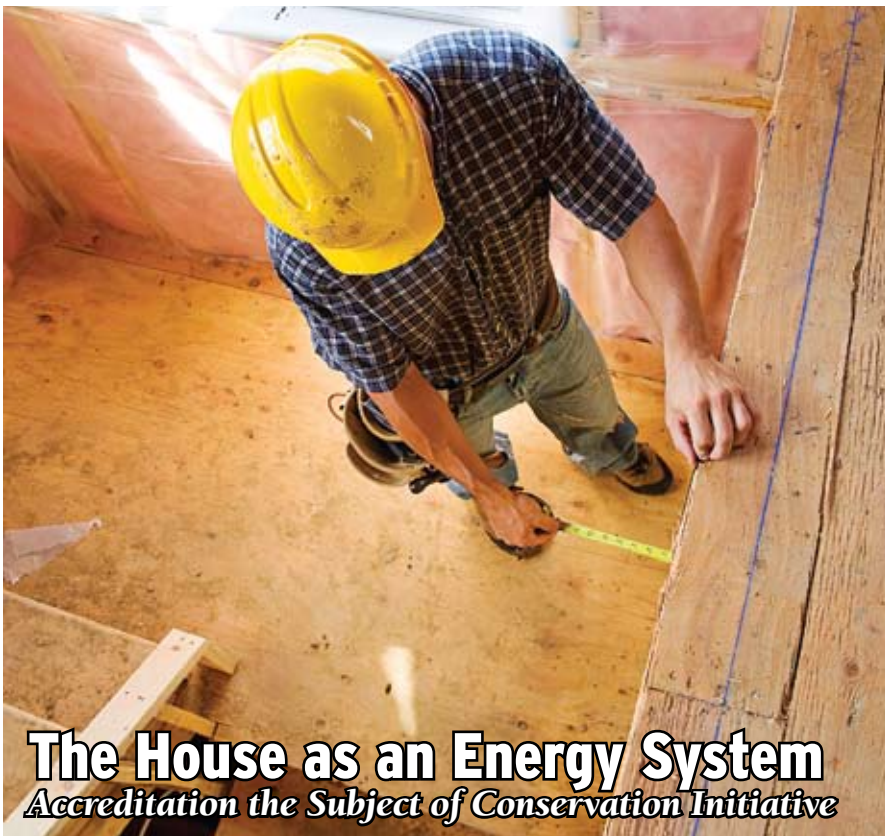
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**The House as an Energy System**  
*Accreditation the Subject of Conservation Initiative*

According to the OMA, upgrading the oldest equipment lowers carbon dioxide emissions by 7 million tons per year. This represents a 10 percent reduction from current residential oil-powered equipment. When combined with the use of new biofuel blends, the OMA said GHG emissions could be lowered by 20 percent or more.

To gain BPI accreditation, a company's staff must first be certified. Certification requires each person to pass not only a written exam, but also a field exam where they can apply their knowledge. Continued education is necessary once accredited to renew certification. BPI offers continuous training throughout the year, including Web-based seminars. The curriculum is developed by the New York State Energy Research and Development Authority (NYSERDA) and closely aligned with BPI standards.

Another aspect that makes BPI unique is the quality assurance program, which uses independent third-party consultants to review files and randomly investigate sites to confirm that the standards are maintained. This lets clients know that companies are adhering to strict guidelines and offers a chance for accredited companies to get direct feedback.

For more information about BPI, see [www.bpi.org](http://www.bpi.org).

**OILHEAT DEALERS MAY SOON BE ABLE TO** diversify their businesses by offering a new service that can also save customers money.

The National Oilheat Research Alliance (NORA) hosted an energy conservation initiative for dealers in August on whole-house energy evaluations with accreditation from the Building Performance Institute (BPI). The evaluations would allow residents to pinpoint ways to make their houses more energy efficient, reducing annual fuel consumption.

BPI offers accreditation to building performance industry members to ensure certain professional standards are maintained. BPI creates and regularly updates technical requirements through a consensus-based development process. Defining a standard for home energy evaluations in the United States

which consists of walls, windows and doors—the HVAC system, other appliances and people. He said that the critical issues causing energy loss are thermal and air leakage, which can be detected using a variety of existing and emerging technology. Testing shell and duct pressurization levels, as well as using thermal imaging, can measure just how much energy is being lost.

Energy loss measurements are just one way to evaluate the energy consumption in a house. Another factor to assess is the age and type of equipment used. There are approximately nine million oil-fired heating and hot water systems operating in the U.S. today. As only 2 percent are replaced annually, there are approximately six million units that are 15 years old or older, according to the Oilheat Manufacturers Association (OMA). Installation of new high-efficient heating appliances can cut costs by 20 to 50 percent. Upgrading just the oldest 30 percent of currently installed units, with an efficiency gain of 26 percent, would save consumers \$2.8 billion per year, or \$56 billion over the lifetime of the new equipment, the OMA reports. The turnover to new equipment would also be a boon to manufacturers in terms of sales, even if just a small percent upgraded annually.

In addition to saving the consumer energy, providing another revenue outlet for dealers and helping to sell new equipment, forming official guidelines for energy evaluations could reduce greenhouse gas (GHG) emissions.

**"Installation of new high-efficient heating appliances can cut costs by 20 to 50 percent. Upgrading just the oldest 30 percent of currently installed units, with an efficiency gain of 26 percent, would save consumers \$2.8 billion per year, or \$56 billion over the lifetime of the new equipment, the OMA reports."**

would bring the country more up to date with established programs in Europe and Canada.

Engineer Bill Spohn made a presentation at the meeting to highlight how to test and measure home energy use. He said the major components in the home used to determine the complete energy system are the shell—

**Here's what BPI accreditation involves:**

- Educating customers on the value of the whole-house approach to building performance contracting;
- Offering customers the option for a whole-house performance assessment and retrofit plan option;
- Providing an assessment and retrofit plan, consistent with BPI standards;
- Archiving records of the results of those assessments and plans;
- Maintaining the results of work contracted as a result of those assessments;
- Employing an adequate number of BPI-certified staff (based on requirements);
- Ensuring that procedures have been carried out to BPI standards and accreditation requirements;
- Installing measures consistent with BPI standards;
- Maintaining records of each customer and then providing appropriate information to BPI for customers who have received measure installation that incorporates BPI standards;
- Participating in BPI's quality assurance program for residential projects.

**DOE AND USDA AWARD \$10 MILLION FOR CELLULOSIC BIOFUEL RESEARCH**

The Department of Energy (DOE) and the U.S. Department of Agriculture (USDA) announced recently their plans to award 10 grants, totaling more than \$10 million, to accelerate fundamental research in the development of cellulosic biofuels. The grants will be provided through a joint DOE-USDA grant program that aims to accelerate fundamental research in biomass genomics and to further the use of cellulosic plant material for bioenergy and biofuels. The grant awardees include the University of Massachusetts, Pennsylvania State University, and the Boyce Thompson Institute for Plant Research in New York, in addition to Oregon State University and the University of Georgia, which are both receiving two grants.

Most of the awardees will be investigating ways to improve the performance of switchgrass, a fast-growing perennial grass that can be used to produce cellulosic ethanol. They'll be using a number of "model organisms"—simpler plants that can yield insight into the more complex switchgrass genome—including purple false brome, foxtail millet, maize and rice. One awardee will study the symbiotic relationship of switchgrass and soybeans to a fungi that boosts production, using model organisms like purple false brome and barrel medic (a simple legume). In addition, two awardees will be studying sunflowers and poplar, which can also be converted into biofuels, while one project will develop computation tools for making better use of existing genome data.

**MAJOR COAL TO LIQUID PLANT PLANNED IN WEST VIRGINIA**

The West Virginia government and officials from CONSOL Energy, Synthesis Energy Systems (SES) and the Regional Economic Development Partnership (RED), recently announced the construction of the nation's first modern coal-to-liquids plant in the state's Northern Panhandle.

CONSOL, the nation's largest producer of bituminous coal, and SES, a global industrial gasification company, intend to develop through a joint venture, their first U.S. coal gasification and liquefaction plant in West Virginia—an \$800 million investment.

The plant is expected to be a "mine mouth" facility with feedstock supplied directly from CONSOL's nearby Shoemaker complex. The feedstock will be a blend of run-of-mine coal and coal.

Coal will be converted to synthetic gas using SES proprietary technology. The "syngas" would be used to produce about 720,000 metric tons per year of methanol that can be used as a feedstock for the chemical industry.

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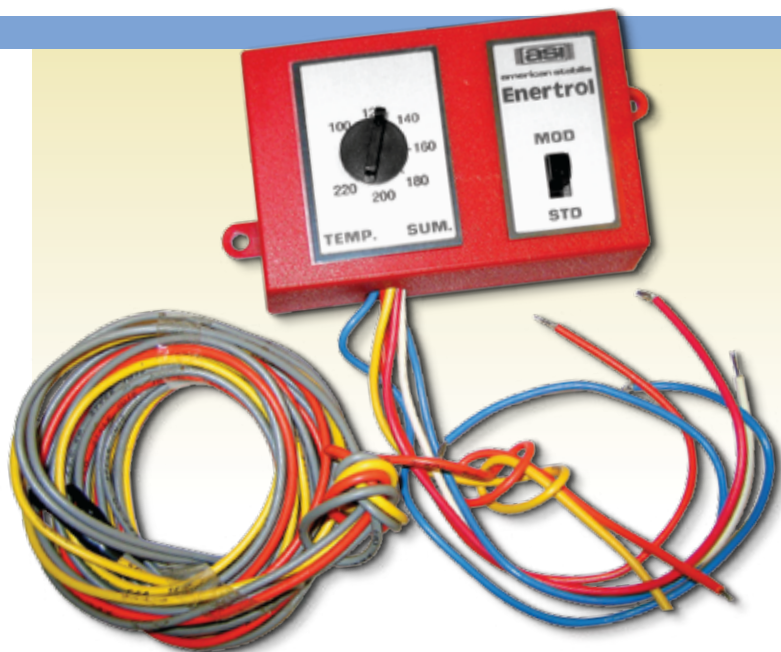


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## The Benefits of Outdoor Reset

By Bruce Marshall, Emerson-Swan

**AS I WRITE THIS, THE TEMPERATURE OUTSIDE** is hovering around 93 degrees, the humidity is in the 80s and we are in the midst of a three-week heat wave. We are more concerned with air conditioning than heat right now but before we know it, the heating season will be upon us. This coming season will be like no other in history. The tank of oil that cost \$500 during the winter of 2007-08 will cost more than \$1,000 the winter of 2008-09.

With skyrocketing energy prices, consumers are going to have to make difficult choices and sacrifices in order to pay their heating bills. The media is portraying the oil dealer as the bad guy when, in fact, he is just as much a victim as the consumer. The oil dealer has to dispel this image, and the best way to do it is to help the consumer through these hard times. There has never been a better time than now to offer them some relief. We have to start thinking about how to sell fewer gallons to more people.

**“With skyrocketing energy prices, consumers are going to have to make difficult choices and sacrifices in order to pay their heating bills. The media is portraying the oil dealer as the bad guy when, in fact, he is just as much a victim as the consumer.”**

Heating systems are designed to heat the building to a certain temperature under the worst outside conditions. These conditions actually occur only about 5 to 7 percent of the heating season. Without an outdoor reset device, the heating system does not know if it is a cool autumn night or the coldest winter day. It's like driving your car as fast as you can then slamming on the brakes. This is

neither an efficient way to drive a car nor run a heating system.

A device that made its debut back in the '70s was the outdoor reset control. In 1976 a company known as American Stabilis introduced the Enertrol to the heating industry. The Enertrol was state of the art for its day. It consisted of an outdoor and indoor temperature probe and a solid-state control. This control was then wired into the existing high limit control of the boiler and effectively lowered the boiler temperature as the outdoor temperature increased. The main drawback was how to heat domestic hot water, since all we had back then were gas or electric heaters and tankless water heaters; indirect water heaters had not yet been invented. Taco took the next step and incorporated the Enertrol with a rotary program timer, which would allow the boiler to return to normal temperatures at preset intervals. This product was known as the MasterMind II. It worked pretty well for its day, but the weak link was the timer. If there was a power failure or the timer failed, the customer either had no hot water when they expected it or no reset.

There are functions available in today's controls that did not exist in the '70s such as warm weather shutdown, a starting water temperature setting and a minimum boiler supply temperature. Most reset control systems can monitor the water temperature returning to the boiler, and will adjust the mixing device to keep this return temperature above the programmed minimum.

“Smart” reset controls also optimize cycle times, so the boiler fires less often, but remains on longer when it does fire. This increases boiler life and efficiency, because a boiler, like a car engine, is not efficient until several

minutes after continuous operation. Long run cycles are much more efficient than short ones. Domestic hot water override ensures an uninterrupted supply of hot water on demand.

Outdoor reset controls have been installed in commercial applications for years but now they are available to the homeowner. With the information sent by the outdoor sensor, the control can match heat output closer to the actual needs of the home. With outdoor reset, zone valves and zone pumps can have longer on/off cycles or can remain continuously operating throughout the entire heating season—which extends the mechanical life and reduces the start-up energy consumption.

Some of the European imports have these controls built in as part of the package. Taco, Tekmar and Heat Timer all offer a variety of outdoor reset controls that are affordable, easy to install, program and understand. Savings will depend on many factors but a recent study performed by the Environment and Resource Center in St. Paul, Minn., showed that outdoor reset controls saved an average of 14 percent. By adding an outdoor reset control that works alongside your boiler and thermostat, a typical payback in less than a year can be achieved.

While no one was noticing, on Jan. 18, the Department of Energy (DOE) implemented recommendations for new design requirements for hot water boilers that call for a “temperature reset” feature that automatically adjusts the boiler output according to the outdoor ambient air temperature. This rule, which went into effect last January, has a compliance date of Nov. 19, 2015. Now is the time to step up to the plate and embrace the concept of outdoor reset. Don't let the world pass you by. Learn all you can about this technology, because the future is here. ☐

**DOT ISSUES INTEGRITY MANAGEMENT PROPOSAL FOR PIPELINE OPERATORS**

The Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) has issued a proposed rule to require the development of integrity management plans for distribution system pipeline operators, often referred to as DIMP (distribution integrity management plan). Those who operate jurisdictional propane pipeline systems would be affected by this proposal as such pipelines are considered distribution lines.

The National Propane Gas Association (NPGA) has already communicated concerns over the potential impact this proposal would have on the propane industry.

Among other things, the proposal requires pipeline operators to identify threats to a given pipeline, e.g., excavation damage, corrosion, etc., and to develop methods to mitigate those threats. While these requirements already exist for the major transmission lines, methods used in those applications cannot simply be transferred to distribution lines because of the large variance in sizes, pressures and distances, etc., of the distribution lines.

NPGA has already requested that propane systems be exempted from the DIMP proposal. However, at the time, there seems to be significant sentiment not to exempt any segment, class or category of piping systems. Nevertheless, the agency has recognized the group's concerns and indicated they would develop a flexible rule to accommodate smaller operators such as LPG operators and master meters. To that end, they have proposed separate requirements for these groups.

NPGA has a task force of its Technology, Standards and Safety (TSS) Committee that is set up to review this proposal in detail so that comments can be developed accordingly. The comment deadline is Sept. 23.




**GOVERNMENT OFFERS GRANTS TO REDUCE DIESEL EMISSIONS**

The U.S. Environmental Protection Agency (EPA) plans to award approximately \$3.4 million in grants to establish projects using emerging technologies to reduce emissions from the nation's existing fleet of diesel engines. This sum was authorized by the Energy Policy Act of 2005 and funded for the first time this fiscal year.

State, local, regional and tribal governments may apply for the grants, as well as non-profits and institutions with transportation, educational service and air quality responsibilities. Emerging technology manufacturers must partner with an eligible applicant to receive this funding. The grants are targeting school or transit buses, medium and heavy-duty trucks, marine engines, locomotives and non-road engines. Grant proposals must be submitted by Sept. 21.

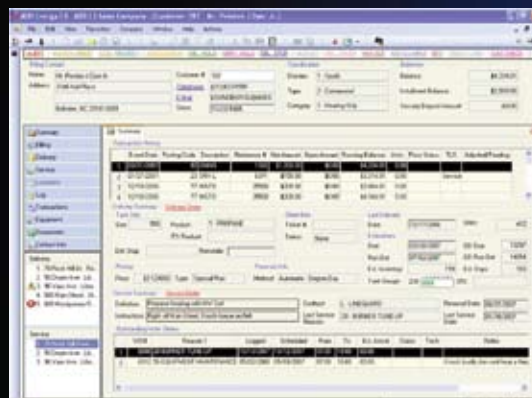
An emerging technology is a device or strategy that reduces emissions from diesel engines or equipment that has not been verified or certified by EPA or the California Air Resources Board (ARB). To qualify as an emerging technology, manufacturers must submit an application and test plan to EPA or ARB. For more information about the grant, visit [www.epa.gov/otaq/diesel/grantfund.htm](http://www.epa.gov/otaq/diesel/grantfund.htm).



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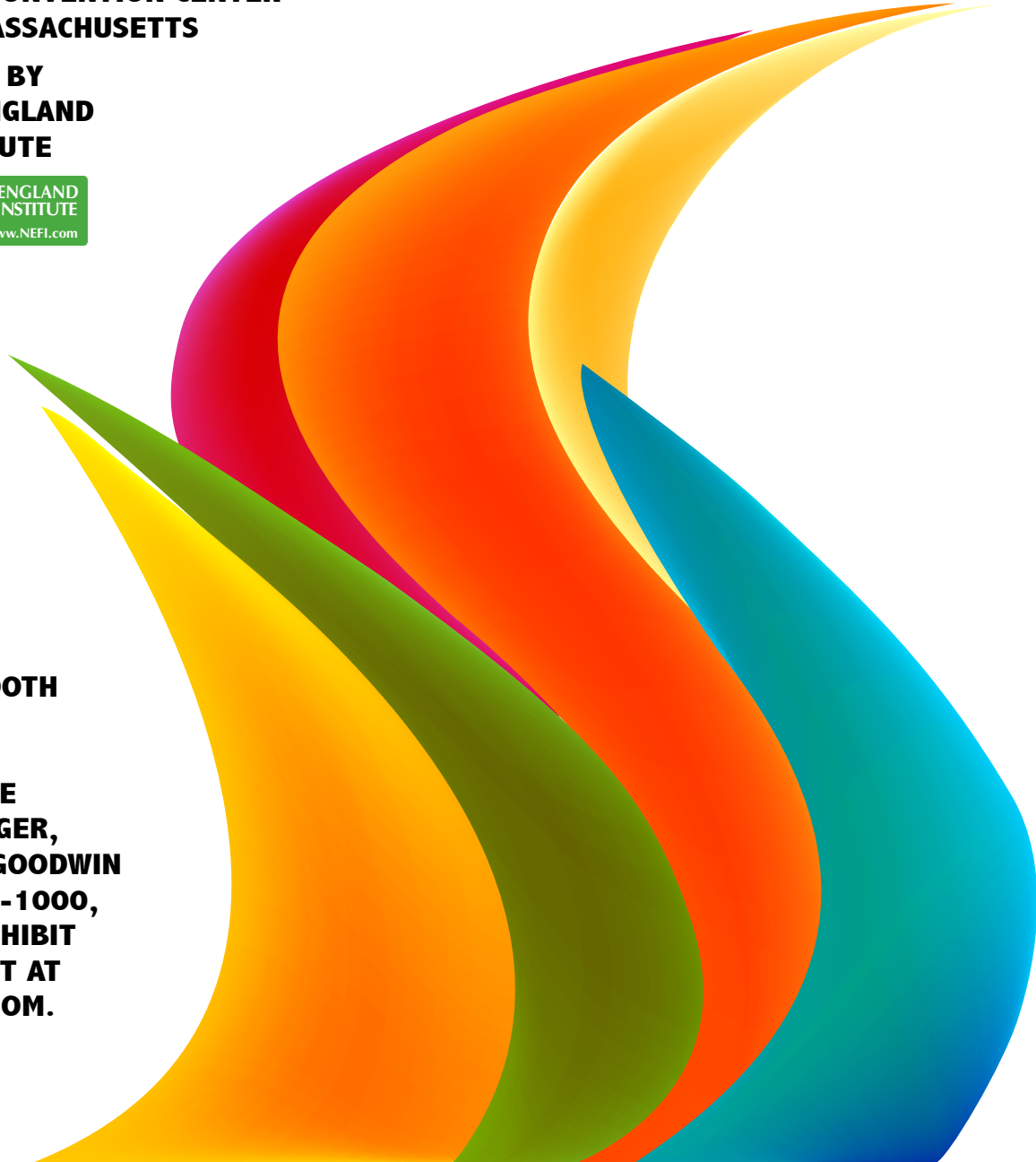
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## SIGN ON NOW TO REACH THESE TARGET MARKETS FOR THE 2009 EXPO.

### OILHEAT



The primary market driver for our EXPO for over 60 years, the audience is as viable as ever with over 8 million homes and businesses in the Northeast and Mid-Atlantic sold and serviced by EXPO attendees. These business owners and managers are looking for new and innovative ways to serve a marketplace in transition to fuel efficient heating and hot water.

### BIOHEAT®



Following guidelines established by the National Oilheat Research Alliance (NORA), the fuel distributor population that incorporates Bioheat® into their delivered product continues to grow. Going forward, there is encouragement by several states for Bioheat® incentives. The uptrend is “green,” as marketers respond to homeowner enthusiasm for “home grown” fuel resources. There will be companion Bioheat® seminars at the New England Fuel Institute (NEFI) Business Conference, held in tandem with the EXPO during non-show hours.

**IF YOU SELL PRODUCTS AND/OR SERVICES TO THE TRADE IN ONE OR MORE OF THESE FIELDS, YOU NEED TO DISPLAY AT THE EXPO!**

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- Combustion Products
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- Energy Conservation
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- Filtration
- Forms, Tickets
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- Fuel Transport
- Furnaces
- Heating Controls
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- Humidifiers
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- Insurance
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- Meters, Fuel and other
- Nozzles, Filters, Valves
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- Oil Suppliers
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- Pumps, Circulators
- Sales Aids, Marketing
- Security Alarms
- Solar Heating / Accessories
- Storage Tanks; AST/UST
- Supply Houses
- Truck Hardware
- Truck Maintenance
- Trucks / Truck Tanks
- Technical Training
- Water Filtration
- Water Heaters / Storage

### DIESEL FUEL / GASOLINE / C-STORES



If you are involved with trucks and transport in any fashion, you recognize that on-highway demand is what drives the distillate market. With the advent of ultra-low sulfur fuel and biodiesel, there are a host of opportunities to present your products and services before diesel fuel resellers, many of whom augment heating oil distribution with sales to truckers via roadside pumps and truck stops and scheduled fillups to fleets within customer yards. Many of our attendees are diversified petroleum jobbers who own/operate independent service stations and C-stores, a key component to their overall profits — and certainly an added value opportunity for EXPO exhibitors.

### PROPANE



A growing part of the product and marketing mix, Oilheat companies continue to broaden their home services scope by making the substantial capital commitment to propane. Conversely, major propane distributors now own and oversee heating oil divisions. “Covering all bases” is the appropriate catch phrase for these companies and you’ll find their decision makers present at the 2009 EXPO.

### SOLAR

A slice of the market now, a growth segment in future years, conventional fuel distributors are looking at what it takes to augment current heat and hot water equipment with solar systems. If you provide solar to new home construction and/or retrofits, the EXPO provides you on-site access to the nation’s leading full service Oilheat companies who have the largest independent base of established homeowner customers and are exploring the profit avenues that solar tie-ins can provide.



Over 12 billion gallons of No. 2 distillate are sold annually by marketers attending the EXPO, accounting for 85% of all No. 2 fuel oil sales in the U.S.A.



## Making Sustainability a Reality

**AT THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY, MANY OF THE WORLD'S LEADING** scientists work to tackle the most complex challenges facing society and energy is not just among them, it is a major focus. The school's Laboratory for Energy and the Environment (LFEE) consists of 13 departments that focus on projects that range from fuel efficiency to nuclear plant design.



Stephen Connors

Stephen Connors works at LFEE as the director of the Analysis Group for Regional Energy Alternatives (AGREA) and the Alliance for Global Sustainability (AGS). Over the last 20 years, Connors has focused on local issues such as Northeast electricity use to energy sustainability for developing countries across the globe. *Oil & Energy* recently asked Connors about how these big ideas—as well as emerging biofuels,

alternative energy sources and government mandates and regulations—could change the way home heating oil dealers operate.

### **MIT's Laboratory for Energy and the Environment is part of the Alliance for Global Sustainability (AGS). Can you explain what that is?**

The AGS is a partnership among four of the world's leading technical universities—MIT, the University of Tokyo, the Swiss Federal Institutes of Technology and Chalmers University of Technology in Sweden—who have been working together for more than 10 years. We combine our strengths to work on the multidisciplinary challenge that is sustainability, not just energy or environment, but everything. At MIT, the AGS

chose energy as one of the major areas MIT must play a major role in. That led to the formation of the MIT Energy Initiative (MITEI), and the LFEE is one of the central labs in that arc of research on the campus. The MITEI's founding sponsors are major oil and gas companies such as BP and Eni, the large Italian oil and gas company. The other sponsors are also members in support of the energy initiative. The MITEI's evolving research portfolio includes not only innovative areas of study such as advanced solar, but also conventional oil and gas exploration, carbon capture and storage, coal to liquids, and oil and gas market dynamics.

**"When coming out with a biofuels mandate, the government needs to do more than mandate a percentage. They have to build in the fundamental knowledge that when the technology is ready, it can be applied quickly where it's most appropriate."**

is headquartered in the Lab of Energy and the Environment, which is one of MIT's many multidisciplinary labs. In her inaugural address in May 2005, MIT President Susan Hockfield

### **The AGS launched the "Near-Term Pathways to a Sustainable Energy Future" program in 2005. What are the ongoing results of this research and outreach program?**

The Near-Term Pathways program integrates our portfolio of energy systems research across the four-university AGS program. We're trying to develop research that is the middleware for the energy business. There are a lot of new products and process people in universities.

And while the finance people have their market models and the climate scientists have their atmospheric models, there isn't a single model or set of solutions that apply to everyone. Each region must identify their own "energy pathway" combining economic, security and environmental considerations. There are very different dynamics for China, Japan and the U.S., for example.

What do we do in the next 10 to 15 years to supply and use energy to set us up for the long-term, major transformations we think we're going to need by mid-century? This is emphasized by the proclamation by the G8 countries earlier this year that a 50 percent reduction in greenhouse gases is needed to avoid large-scale climate change. That's more like 80 percent reduction by Organization for Economic and Development (OECD) countries, once the growth of developing nations are factored in. You have to see how such aggressive reductions manifest themselves on the local and regional scales. How do we do biofuels right? How do we turn over the building stock so that buildings use much less energy and how do we supply that energy through new supply chains?

So we realize the range in technologies might be the same from region to region, but you could have a very different portfolio or balance of those technologies than your neighbor. So this is a bottom-up realization that you must have a unique, tailored solution to meet your future energy needs.

Most of the AGS pathways projects are midstream, though "On the Road 2035" was recently released. It does a lot of technology assessment of vehicles and fuels; there are some pretty good insights in there. There are a couple highlights that are good and bad. First is that new vehicle technologies take a long

time to enter the market. If you work really hard now and do continuous improvement on vehicles, it takes decades for new vehicles to penetrate the range of vehicles for sale, so we're just starting to see this take off with hybrid vehicles. Only once you have a new technology available across a large range of vehicles for sale can you start to penetrate and transform the on-road vehicle fleet. So it could take decades to flip the on-road fleet.

The second key insight is that while we talk about new innovative technologies, what this study also shows is that continuous improvement of the basic vehicle technologies, spark ignition engines and continuously variable transmissions for example, is incredibly

important. If one car out of five cars sold by 2020 is a plug-in hybrid, then 80 percent of vehicles sold are an evolutionary improvement of today's car. Over time, these incremental improvements have a huge impact on overall fuel consumption.

**You're the director of the Analysis Group for Regional Energy Alternatives (AGREA). What kind of work does the group do?**

That's essentially our group within the Laboratory for Energy and the Environment that does strategic planning research. It's not just technology assessment, it's looking at driving cycles for vehicles, patterns for solar and wind and how all those aspects fit together.

**What kind of projects have you done with AGREA concerning the Northeast?**

That's actually what I did as a graduate student and in the late 1980s. That's where the group started, with the New England electric sector. That research continued until '96, when we completed that study. Essentially, no one's been doing strategic electricity planning for New England for the last 15 years. And that's bad for the consumer, because that means you build what's expedient, what has low up-front costs. And now, most of the Northeast and most of Western Europe is saying we have too much natural gas generation. We're seeing the

**Continued on page 32...**

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...Continued from page 30

challenge of maybe doing coal, but the financial institutions are saying it may be too risky. The Northeast needs to get back to doing long-term, strategic energy infrastructure planning. We have the Regional Greenhouse Gas Initiative—which is a good start—but it doesn't really give you the portfolio vision of how to change the energy infrastructure. And climate change is just one of many design parameters. As we know, energy is a business, but it is much more an infrastructure industry linked by pipes and wires than a loose industry sector like manufacturing, where suppliers can change with the rerouting of a truck. I think that's something we missed in the '90s electricity restructuring debates that we're just realizing now.

**What role do you see biofuels playing in future energy use?**

Well, I really like them, but it's not a one-size-fits-all approach. We've seen the U.S. subsidies for ethanol and the European biofuels mandate—they're really a shotgun approach. We need to be much more targeted, and I think we're learning that lesson very quickly. Biofuels are another renewable energy resource, but you really have to spend time to understand the resource dynamics, and look at cost and energy balance impacts of ethanol from corn versus cellulosic feedstocks (e.g. whole plants) versus sugar cane. The dynamics from the farming side must be considered as well as the biorefinery. You can't generalize this stuff.

I'm perfectly happy to have corn ethanol as 10 percent of gasoline; as a fuel additive, not as a full replacement. But, we're not doing our homework from the farming through refinement. We first need to make sure that we're providing targeted incentives so that things get done right from a broader set of metrics. Biofuels done right are great, because that helps farmers, consumers from an energy security standpoint and society environmentally, but we really can't say how much we help ourselves until we've done our homework. Another background issue is whether we are training enough people to meet the energy challenges of the future. It's a different skill set than that of the people in the industry today.

In addition—I know it's tricky growing fuel crops in New England—but there are some projects supported by the Massachusetts Renewable Energy Trust on cellulosic ethanol in Massachusetts, and another set in upstate New York. It's mostly forest residue projects in New England, such as lumber, and pulp and paper. In New York, state agencies are co-funding some cellulosic demonstration plants. That's really in a technology demonstration phase. How big a market that becomes

is determined by the sustainable biomass resource. We need forests and farmers in this to determine if it's a small niche project or a larger niche that really contributes to offsetting oil imports.

**Do you think the government needs to guide energy use or will the market bring about more efficient and sustainable energy?**

I think it's both, and I think the government's totally underestimated its role in this.



A lot of understanding and making sure the best practices happen on the biomass resource side is essential. An individual developer of a biofuel process facility cannot do it alone. When coming out with a biofuels mandate, the government needs to do more than mandate a percentage. They have to build in the fundamental knowledge that when the technology is ready, it can be applied quickly where it's most appropriate. There's a lot of information regarding the where, when and under what circumstances that needs to be developed for these new technologies and market to expand.

The government needs to look at how bulk distributors can be more influential in the market to help create a favorable environment for a rational diversification of our fuel supplies. I know the Dennis K. Burke guys well, and the fact it took them a couple years to get an ethanol fuel station approved shows how long it takes to make substantive changes, even though there've been ethanol pumps in the Midwest for 30 years.

Hopefully that was because it was the first of its kind project in Massachusetts, and by going through that arduous process the next pumps can be plug-and-play across the state. Then, we will have the ability to supply the percentage of ethanol the state government

just mandated. More supply chain detail is needed than just making legislation without backing it up with expertise and the real incentive to make sure it's there.

**It's clear from your research that consumers, businesses and governments need to work together to make sustainable energy resources a reality. What can heating oil distributors do to support that, whether it is changes they make or those suggested to customers?**

It's been very interesting to see how quickly consumers have embraced the Bioheat® market in New England, and I think that's probably because the suppliers did a lot of public education about biodiesel, its safety and substitutability. It's no risk to you—the individual consumer—and it's good for the economy and the environment. It actually offers an opportunity for suppliers when they offer families fixed-price contracts. Since the market is different, there is potentially less price volatility than petroleum diesel. If home heating oil exceeds a certain price, you may actually save money, or at least insulate yourself and your customers from the price impact of world crude markets. If you are selling a B40 or B60 blend, then the cost of impact of rising crude prices will be less.

Since Bioheat has a certain ceiling on price, one would expect—and I think it may be important this winter—Oilheat suppliers signing people up for relatively fixed rates will help both them and their customers.

**You've researched the importance of electricity dynamics in regards to efficiency and output. What have you discovered, especially in the Northeast?**

It's true in the Northeast and a lot of places in the U.S. that electricity production cannot be stored easily, so there's very little electricity storage in the power grids in the country. In the Midwest and Northeast, there's a little bit of hydropower—but not much—which is somewhat storable. So since electricity demand ramps up and down on a daily cycle, there's a lot of underutilized generation capacity in nighttime hours as coal and oil-fired generation stays hot, but at a low level of output, in order to generate the following day. So, there's a huge opportunity to use that overnight surplus capacity, for plug-in vehicles, perhaps. Given the high volatility of the price of oil, that could make sense for fleets in the near term. Longer term, if someone can develop a viable bulk electricity storage technology, that would be a real game changer. By understanding these dynamics of supply and demand, we see a huge potential role for electrical storage, but no solutions yet. ☒

**Connecticut**  
**\$500 HEATING SYSTEM REBATE PROGRAM FUNDED**

A bill that will provide homeowners with up to a \$500 rebate to replace their heating system will finally be funded. Gov. Jodi Rell recently announced that \$5 million would be used for a program to provide rebates of up to \$500 for homeowners who replace their furnaces with more efficient models. To qualify, oil and propane equipment must be at least 84 percent efficient. The amount of the rebates varies depending on the income of the homeowner.

**Pennsylvania**  
**PENNSYLVANIA CREATES A \$500 MILLION ALTERNATIVE ENERGY FUND**

Gov. Edward Rendell has approved a bill that establishes a \$500 million fund to support alternative energy projects. Special Session House Bill 1 authorizes the Commonwealth Financing Authority to borrow \$500 million, most of which will be split into six funding sources relating to energy efficiency and renewable energy: \$80 million in grants and loans for solar energy projects; \$100 million in grants loans, and rebates for up to 35 percent of the cost of solar energy projects at residences and small businesses; \$165 million

in grants and loans for alternative energy projects, excluding solar energy, at businesses and local government facilities; \$25 million for wind and geothermal energy projects; \$40 million to help start-up businesses involved in energy efficiency technologies; and \$25 million in grants and loans to improve the energy efficiency of new and existing homes and small business buildings. An additional \$65 million will go toward pollution control technologies and to help low-income families pay their energy bills.

The bill places no time limit on the payout of the various funds, and it pays off the debt by drawing \$40 million per year from the state's general fund for the next 30 years.

**Massachusetts**  
**GOVERNOR APPROVES BIOFUEL MANDATE**

Massachusetts now has an official biofuel mandate, making it one of the first major Oilheat states in the country to embrace biofuels for both home heating and transportation.

Under the law, An Act Relative to Clean Energy Biofuels, signed by Gov. Deval Patrick in late July, all home heating oil and diesel fuel must have a minimum of 2 percent biofuel by 2010, with a ramp up to 5 percent by 2013.

Now that the legal framework is in place for a biofuels mandate, the Massachusetts Oilheat Council (MOC) will be heavily involved in the drafting of the regulations that will provide the ultimate guidance for full implementation. The state's Division of Energy Resources (DOER), and the Department



of Environmental Protection (DEP), both of which reside in Executive Office of Energy and Environmental Affairs (EOEEA), are charged with writing the rules. "MOC has strong relationships within these agencies and we are confident that we can create rules that meet the best interests of the Oilheat industry and the manufacturers of the biofuels that are compatible with oil heating systems," said MOC president Michael Ferrante.

## DOE ANNOUNCES HEATING OIL PURCHASE FOR NORTHEAST HOME HEATING OIL RESERVE

The U.S. Department of Energy recently announced the award of a contract to Hess Corporation for the delivery of 808,625 gallons (approximately 19,250 barrels) of home heating oil for the Northeast Home Heating Oil Reserve (NEHHOR).

The heating oil will be repurchased using \$3 million in funds appropriated after the sale of 35,000 barrels from the reserve in June 2007. The 2007 sale was conducted to raise funds necessary to award new long-term storage contracts to maintain the reserve at its authorized capacity of 2 million barrels of oil in accordance with the Energy Policy Act of 2000.



NEHHOR was established by the Energy Act of 2000 to provide a short-term supplement to Northeast heating oil supplies in the event of an actual or imminent severe energy supply disruption. Two million barrels was determined to be a sufficient size to provide relief from a shortfall for approximately 10 days, the time it would take for replenishment supplies to arrive.

NEHHOR currently holds 1,965,000 barrels located in three locations in the Northeast.

## DRAFT LEGISLATION INTRODUCED TO END LUCRATIVE TAX BREAKS FOR SPECULATORS

Sens. Ron Wyden and Chuck Grassley introduced draft legislation that would end tax breaks that speculators enjoy by taxing all the profits earned on the energy commodities market at the same rate as ordinary income. Under current tax law, physical hedgers who need the energy commodity pay ordinary income tax on any profits from such trading; however, for-profit speculators pay lower capital gains rates on their profits and tax exempt investors such as pension funds and university endowments pay no taxes on these investments. The legislative proposal would treat everyone who directly purchases oil and natural gas or indirectly through futures contracts, commodity index funds, etc., would be taxed as if they were commercial traders.

## INDUSTRY GROUP SENDS LETTER TO SENATOR OVER LIHEAP COMMENTS

The Petroleum Marketers Association of America (PMAA) sent a letter to Sen. Jeff Sessions in July regarding his comments made on the Senate floor in which the senator expressed his concerns over the Low Income



Home Energy Assistance Program (LIHEAP). Sessions complained that LIHEAP only benefits Northeast states and that heating oil is "dirty." In response, PMAA sent a letter to clarify the inaccuracies of Session's floor statement.

PMAA highlighted that the state of Alabama would receive a substantial amount of LIHEAP funding, more than four Northeastern states. The letter also highlighted National Oilheat Research Alliance (NORA) accomplishments that show ways to increase furnace, water heater and boiler energy efficiency. Finally, the letter addressed BioHeat® and its growing presence in the heating oil industry which stated, "Bioheat is a cleaner, more sustainable heating fuel that will help fight our dependence on foreign oil. If every Oilheat household in America used a 5 percent blend BioHeat, 400 million gallons of oil would be conserved each year."

There still is no word if the "Warm in Winter and Cool in Summer Act," would be brought to the floor for a vote when the Senate returns from August recess.

## NYMEX TO LAUNCH GREENHOUSE GAS FUTURES

The New York Mercantile Exchange has announced that it will launch a Regional Greenhouse Gas Initiative (RGGI) carbon dioxide allowance futures contract and RGGI options contract for trade in late August. The listing of these products on NYMEX is a Green Exchange initiative, which will provide a trading platform for environmental commodities.

December 2009 will be the first listed month for both the futures and options contracts, with additional contract months to be added.

RGGI is a cooperative effort of 10 Northeastern states to reduce CO<sub>2</sub> emissions. RGGI states have put in place a regional cap and trade system to regulate CO<sub>2</sub> emissions from power plants, and the trading of carbon allowances

under this program has begun in the over-the-counter market. RGGI plans to begin quarterly auctions of allowances on Sept. 25, and the launch of the NYMEX RGGI futures and options contracts are expected to provide the market with a tool for hedging price risk.

## NORA ADDS KIDS PAGE TO WEB SITE

The National Oilheat Research Alliance (NORA) has announced a new interactive Web site, geared toward encouraging learning about Oilheat and energy conservation. The Web site's target audience is 5 to 12 year olds, parents and teachers. The site focuses on highlighting the importance of taking care of the Earth, as well as games to keep kids interested in learning. The site also has a section for parents and teachers. This section gives teachers resources for lesson plans and it gives parents tips on how to make sure their child is safe when using the Internet. The Web site can be viewed under the general information tab at [www.oilheatamerica.com](http://www.oilheatamerica.com).

## STUDY: PELLET STOVES POLLUTE MORE THAN OIL

Air quality could worsen if homeowners switch from Oilheat to wood pellet stoves, according to a recent study conducted in Maine. Pellet stoves generate more particle pollution and air toxics than oil furnaces, said the study conducted by David Dixon of Dirigo Environmental Consultants. Dixon is a former air bureau manager at the Maine Department of Environmental Protection.



Demand for the pellets and pellet stoves has quickly exceeded supply. According to Vermont's *Rutland Herald*, stove dealers have run out of inventory and are already taking orders for next year. There are no wood pellet producers in Vermont, and many dealers in the market for pellets have been left waiting. The supply problem could make wood pellets less affordable over time. The *Wall Street Journal* recently reported on the sawdust shortage created by the economic slowdown and pellet demand. The price of sawdust—which is the principal ingredient in wood pellets—was \$25 a ton two years ago. Now it is more than \$100 a ton.



Bob Murphy, Greenfield, Mass., recipient of a new Weil-McLain boiler courtesy of "Oil Heat Cares," and students from the Franklin County Technical School in Turners Falls, Mass.

## NAOHSM and School Prove 'Oil Heat Cares'

### BOB MURPHY SUMMED UP HIS FEELINGS SUCCINCTLY.

"I am so fortunate," said Murphy, a retired homeowner in Greenfield, Mass., as his new Weil-McLain steam boiler was being installed by a regional contractor and high school students from the Franklin County Technical School in Turners Falls, Mass., as a part of "Oil Heat Cares."

Oil Heat Cares is a not-for-profit foundation that assists needy people and organizations with the replacement of their Oilheat appliances and is the brainchild of the National Association of Oil Heating Service Managers (NAOHSM). Oil Heat Cares projects can be initiated by any of NAOHSM's 30 chapters located throughout the Northeast U.S. or by any individual members.

When Murphy heard of the program, he sent a letter of interest to George Milton, service manager of Mackin Construction and Fuel in Greenfield. Murphy needed a new boiler, but his financial situation was such that he simply couldn't afford to replace his old one.

The plumbing and HVAC students at the Franklin County Technical School partnered with Mackin, on the initiative of Milton, a long-time member of NAOHSM, and a believer in the principles underlying the Oil Heat Cares program.

"It was a perfect way for us to end the year with the students," said HVAC instructor John Hicks. "For them to see success just as it is in the field was very valuable."

In addition to project work in their shop, the students occasionally get to perform off-site work and undertake mostly new-construction residential projects. He undertook the task of replacing the boiler and the piping after the heating season concluded but before the last days of June.

Additionally, Mackin provided technicians to safely remove the old boiler and hoist in the new Weil-McLain boiler and indirect water heater. Upgraded piping and set up was

done jointly by Mackin's contracted plumber and the students.

"The authenticity is what we're always hungry for our students to experience— it's the ethos of our school," said John Carey, the director of curriculum and instruction for the technical high school. When he received the phone call from Milton, he jumped at the chance to get such a project underway.

"The students got a firm grasp of exactly what was happening during that week. They learned who the contributors to the cause

were, whom they were helping and why an ethic of service is so important to learn," Carey said.

Milton can easily see this point and wholeheartedly supports it and the school.

"It was great to see it all work out so well," said Milton. "This was my first time working with students. I'd certainly like to do one of these a year, at the least."

To learn more about the Oil Heat Cares program, visit [www.oilheatcares.com](http://www.oilheatcares.com) or call (888) 552-0900. ☐

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## The Value Proposition of Being in an Insurance Captive

By Kevin J. Seth of Energi Holdings

**IS THERE AN OPPORTUNITY FOR ENERGY** companies to participate in a captive insurance program that can benefit their organization in the long term? Business owners should evaluate the captive model approach by learning the components of a captive and understanding the value proposition offered.

A captive is a unique type of insurance company established by a parent company, group of companies or association to insure the risks of its members. It is created to serve the specialized needs of its members. The creation of a captive is not a new concept. Captives have been around for decades, and approximately 65 percent of the Fortune 500 companies participate in captives. Although there are many types of captives—each having a unique purpose—some common value propositions are sought by all of them: stabilization of pricing, improved claims handling and loss control, availability of insurance, customized coverage and the ability to have greater control over insurance.

Stable insurance premiums are highly desirable and possible with a captive. The steady and reasonable loss experience in a captive can mitigate the pricing swings that occur from year to year in the general insurance marketplace. Traditional insurance companies often create pricing from broad industry classifications, which may not reflect the pricing for individual insurers. The result is price volatility based on general market conditions. Also, captives generally operate at an expense level lower than traditional

insurers. Economies are derived from the elimination of profit, acquisition costs and the duplication of activities such as administration, claims and loss prevention. The price of insurance coverage purchased in the traditional insurance market typically reflects these costs. The fact that premiums are paid in advance represents a lost opportunity to earn investment income when outside of a captive. The extent of the cost reductions will vary based on the captive's own objective and cost management plan.

Claims handling is a critical component to an insurance company controlling costs and has a direct impact on the pricing of insurance. Claims costs affect insurance pricing in two ways. First, the loss costs in the particular industry are used to develop the rates to price insurance. Secondly, the insured individual's experience is utilized to calculate an experience rating factor that is applied to their pricing with most companies and types of insurance. In addition to insurance costs and pricing stability, claims handling has several indirect costs. Claims that are not handled timely and properly can impact the insured's operations, create moral issues, impact the public image of the company and create additional expenses.

Captives have the freedom to establish their own claims handling policies and procedures, thus providing a more aggressive claims handling philosophy. Having a claims operation that has extensive industry experience with a single focus has an obvious advantage in


the reduction of claims cost and time service. Many traditional insurance carrier claim operations handle claims for insurers in multiple industries. They may lack the experience and expertise to handle many of the unique types of claims found in your industry.

Loss control and safety is a critical component in the prevention and reduction of claims cost. Most captives focus substantial efforts in providing loss control and safety training services tailored to their targeted industry. Many traditional insurance carriers outsource loss control services to the lowest cost vendor, many of which do not have industry-specific knowledge. The insurance carriers that have their own loss control departments usually require their staff to support all or a number of the industries that they write insurance for, which requires them to be generalists.

Traditional insurance company appetites for writing certain types of insurance are driven by market cycles, their underwriting results, their industry knowledge and various other factors. In many cases, this equates to an insurance company's unwillingness to offer certain types of insurance, which occurs in the energy industry. Whereas the establishment of a captive to provide all necessary types of insurance can be the answer to these market issues.

Appropriate coverage is a critical component to any insurance program. With captives, the coverage, terms and conditions are specifically tailored to their industry. This customization ensures that all of the exposures are properly addressed and that unnecessary coverage is not provided and charged for. Many traditional insurance carriers' policies are generic, allowing them to cover many different exposures and industries. This requires in-depth scrutiny by both the insured and broker to ensure that the coverage addresses all of the insured's exposures.

Captives practice inclusion of members rather than exclusion. Participating in a captive typically offers greater control over risk management issues including loss control, safety programs and claims handling. Insurers have a vested interest in the success of a captive. Many captives establish finance, claims and loss control committees to involve the members and to leverage their extensive industry knowledge.

The insurance and oil and gas industry have undergone significant changes over the past decade. It is important to make sure that your insurance program is keeping pace and supports your current and future needs. There is a strong value proposition for looking into the feasibility of a captive for forward-thinking companies committed to loss control. 

**DICKINSON JOINS CALEFFI AS PRODUCT MANAGER**

Caleffi Hydronic Solutions, a manufacturer of components for hydronic and solar heating systems, has hired Woody Dickinson as a product manager.



Woody Dickinson

As product manager, Dickinson will lead the development and introduction of new components and systems, including the related marketing and sales communication materials.

Dickinson comes to Caleffi with 18 years of experience in the HVAC controls business and has been a product manager and director of marketing at companies including Johnson Controls and Siemens Building Technologies.

**TACO JOINS GREEN MECHANICAL COUNCIL**

Taco Inc., headquartered in Cranston, R.I., recently joined the Green Mechanical Council (GreenMech) as a founding member.

Taco joins several other organizations as a leading member of GreenMech. Taco develops and manufactures hydronic-based components for use in heating and cooling applications.

Taco, like many other companies, has chosen to join the Green Mechanical Council, in order to continue educating contractors, field technicians and industry leaders about creating "green" environmentally sound residential and commercial mechanical systems.

For additional information about Taco, see [www.taco-hvac.com](http://www.taco-hvac.com) or call (401) 942-8000.

**FUEL COMPANY TO LAUNCH GREEN ENERGY DIVISION**

C.K. Smith Co., Inc., a Worcester, Mass., fuel and energy services dealer for more than 115 years, has introduced its Alternative Energy & Services Division. The new division includes its environmentally friendly Hybrid-Energy product line, propane delivery and service, and the plumbing services necessary to install equipment powered by C.K. Smith's alternative energy.

Available to residential and commercial customers, the company's Hybrid-Energy solutions use solar panels in conjunction with existing oil, natural gas, propane, electric and wood pellet systems to produce heat and/or hot water.

The Hybrid-Energy products can be integrated into any existing heating and/or

hot water system. A solar collector, energy storage tank, solar panels and all controls are installed in the customer's home.

Federal and state tax credits are presently available for purchase of C.K. Smith's Hybrid-Energy products. There may be additional credits available depending on the location of your residence. All credits will be evaluated on a case-by-case basis.

For more information about C.K. Smith, call (508) 753-1475 or (800) 922-8341.

**FIELD CONTROLS RELEASES NEW VENTING GUIDE**

Field Controls, the Venting Solutions Company, has developed a new 16-page guide to venting oil-fired appliances. The guide discusses the basic principles of venting and the evolution of venting technology from the chimney through power and direct venting. Information on how to choose the right venting method, how to size and locate a power venter, clearance to combustibles and more is included. System setup, routine service and maintenance are also included.

For more information, visit their website at [www.fieldcontrols.com](http://www.fieldcontrols.com) or call (252) 522-3031.

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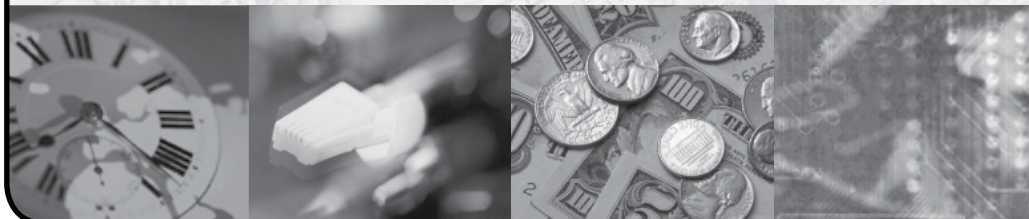
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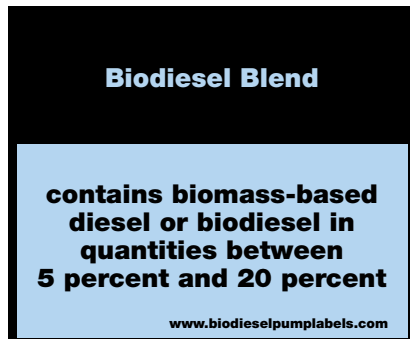
BACKGROUND: Section 205 of the Energy Independence and Security Act of 2007 directs the Federal Trade Commission (FTC) to require new biodiesel content labels for all dispensers. COMPLIANCE DATE: Labels must be placed on all biodiesel and biomass-based diesel dispensers no later than December 16, 2008.

**FOR COMPLETE INFORMATION AND TO ORDER: Log to [www.biodieselpumplabels.com](http://www.biodieselpumplabels.com).**

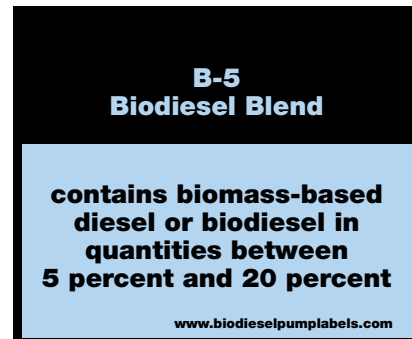
The option to order online via secure credit card transaction and via Pdf download for mail/fax will be available. These labels comply with FTC-specific regulations for size and color and are coated for outdoor protection.

Direct inquiries to the NEFI Action Center at 617-923-5022 or email [dave@nefi.com](mailto:dave@nefi.com)

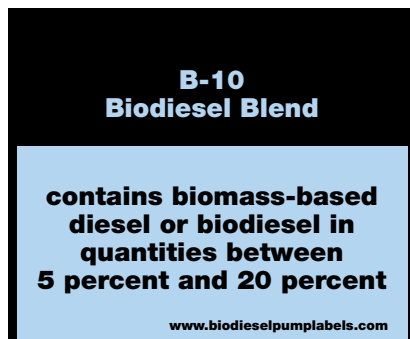
NOTE: Actual Dimension per label = 3.0 x 2.5 inches



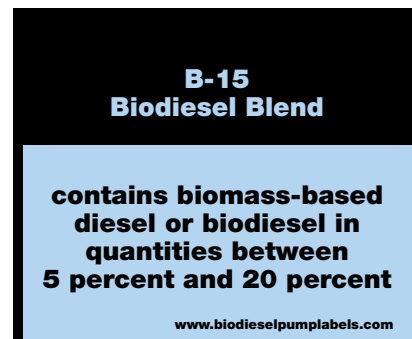
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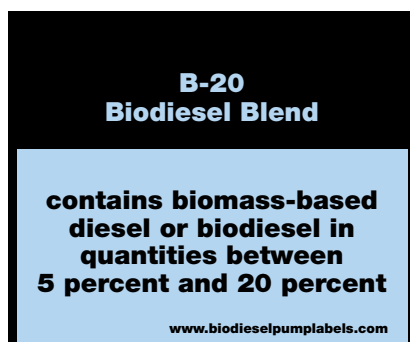
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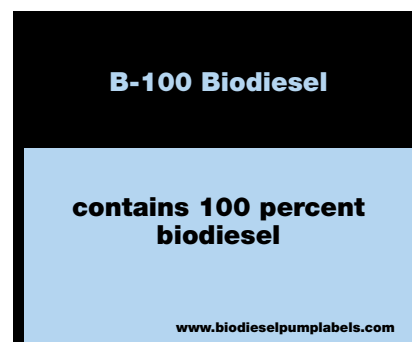
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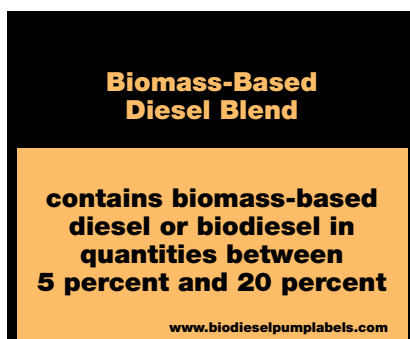
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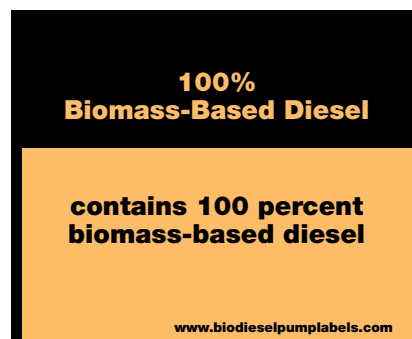
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B100



BMD-BLEND



BMD100

**Maine**

**ENERGY TASK FORCE RELEASES RECOMMENDATIONS**

Gov. John E. Baldacci recently received the report from the state's Pre-Emergency Energy Task Force.

Among the recommendations:

- Create a single point of entry for residents seeking information about energy programs and services;
- Expand weatherization of residences;
- Increase energy audits of homes and businesses;
- Provide statewide education and training for what Maine people can do to prepare for the upcoming winter;
- Expand energy efficiency financing tools for hospitals, schools, nursing homes, municipalities, social service agencies and businesses;
- Increase transportation options and reduce fuel consumption;
- Create local teams that would help keep people safe, secure and warm in their homes.

"We will begin to implement that recommendation of the Task Force as soon as possible," Baldacci said. "When someone calls 211, we will make sure they are connected to an energy specialist who can help them get the information they need, whether it's about a low-interest loan or receiving emergency energy assistance."

**New Hampshire  
SENATORS INTRODUCE MEASURE TO HELP WITH HOME HEATING COSTS**

Sens. Judd Gregg and John Sununu have introduced the "Weatherization, Assistance, and Relief for Middle-Income Households (or "WARM") Act, which would provide an additional \$2.5 billion in current year funding for the Low Income Home Energy Assistance Program (LIHEAP). It would also triple weatherization funding to \$750 million and provide up to a \$1,000 tax credit for individuals and \$2,000 for married couples for home heating purchases this winter. It would also not classify spending as "emergency funding" (thereby adding to the national debt). Rather, it would offset this expense by repealing an obscure "manufacturing" tax deduction for major integrated oil companies and make clarifications regarding the determination of foreign oil and gas extraction income (FOGEL).

**New York  
STATE AIMS FOR 7.5 PERCENT ELECTRICITY REDUCTION BY 2015**

The New York State Public Service Commission (PSC) approved an energy efficiency initiative in mid-June that aims to reduce

electricity sales in the state by 7.5 percent by 2015, relative to projected sales for this year. Without the initiative, the state's electricity sales are expected to increase by 9 percent, so the initiative actually represents a 15 percent decrease from projected sales. Called the Energy Efficiency Portfolio Standard, the new program will be funded by an average 90 percent increase in the systems benefit charge paid by electric utility customers, starting in October 2008. That increase will yield \$172 million annually to be applied to energy efficiency programs, which are expected to save customers more than \$4 billion by 2015. It will initially fund a number of fast-track programs, including efforts to increase marketing and promotions for compact fluorescent light bulbs, promote the use of energy efficient central air conditioners, expand weatherization services for the homes of low-income families, increase the use of the whole building design approach for energy efficient commercial buildings, provide energy efficiency retrofits for small businesses, enhance a program to encourage industrial energy efficiency, and expand a technical assistance program for energy efficiency.

**Pennsylvania  
SENATE BILL WOULD NOT REQUIRE VENDORS TO OFFER LIHEAP DISCOUNTS**

The Pennsylvania state Senate, by a 50-0 vote, recently passed a bill which, if enacted, would have the effect of prohibiting the state from requiring oil vendors to offer discounts as a condition for participating in the LIHEAP program.

The bill was originally introduced to give the General Assembly a role in determining the operation of the state LIHEAP program. Currently, the Department of Public Welfare (DPW) decides the funding allocations with input from an advisory committee that lacks legislative participation.

The bill states: "The department shall not seek to alter energy pricing of any fuel type nor attempt to negotiate or condition participation of any energy vendor in the LIHEAP program based on the vendor's energy pricing..."

Pennsylvania DPW is in the process of developing pilot programs in four counties that would require oil vendors to agree to designated margins over rack or retail discounts in deliveries to LIHEAP customers. A number of Northeast states have instituted similar programs over the last few years. The bill has gone to the state House for consideration.

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# Life Goes On, Massachusetts Mandates Bioheat®

By Bill Riordan, Advanced Fuel Solutions

## IN THE MIDST OF ALL THE TURMOIL SURROUNDING

oil markets this summer, it is easy to lose sight of what is happening around us each and every day. As you read this article, another Labor Day has come and gone, signaling the end of another summer, the Olympics have come and gone, the kids are back to school and we are just a few short months away from electing a new president.

All of which means another winter will soon be upon us. Oh, by the way, Massachusetts has also become the first state in the nation to mandate the use of Bioheat®. On July 28, Gov. Deval Patrick put his pen to Legislative Bill 4821 and ushered in a new era in Oilheat. Under provisions of the bill, all heating oil and diesel fuel delivered in the state must be blended with a minimum of 2 percent biodiesel no later than July 1, 2010. In subsequent years,

**“Regardless of how you plan to meet the mandate, you still need to make additional plans and arrangements so you are ready to meet it in 2010.”**

the blend percentage will increase by 1 percent per year until 2013, when it peaks at 5 percent. There are other provisions in the bill regarding tax credits for cellulosic ethanol, but for the Oilheat industry, the major provisions of the bill are related to the biodiesel mandates.

Over the past several months, I have written about possible mandates and changes to ASTM, but the mandate in Massachusetts is not hypothetical. It is real and we, as an industry, must be ready to meet it. With two years to get ready, we have plenty of time to pull it all together, but it does require acting sooner not later. With support from industry associations like the National Oilheat Research Alliance (NORA), the New England Fuel Institute (NEFI) and the Massachusetts

Oilheat Council (MOC), not to mention the National Biodiesel Board (NBB), we should feel comfortable that when July 2010 arrives everyone will go on with everyday life and it will seem like just another day.

Laying out a sound plan and executing this plan in an orderly fashion will certainly help bring about a smooth and worry-free transition for both you and your customers. As you start to think about what you need to do to meet the mandate, there are a few things you will want to consider. First and foremost, will you be a reseller of B100 biodiesel or just a supplier of the mandated biofuel blend? If you are going to purchase, store and blend your own biodiesel, you will need to make necessary arrangements to handle the fuel. This may involve installing or retrofitting existing tanks to store your biodiesel, not to mention align yourself with a B100 producer to make sure you have ample supply to meet your demand.

Depending on where you purchase your biodiesel, this may entail long-haul freight or even railcar deliveries. However, if you are just going to deliver the biofuel mandated percent, all you really need to do is make sure your current suppliers will have adequate supply to meet your demand. Regardless of how you plan to meet the mandate, you still need to make additional plans and arrangements so you are ready to meet it in 2010.

Once you have determined that you will have the necessary biodiesel supply, you will need to start thinking about how you will educate and inform your employees about the benefits of Bioheat. Finally, you will need to think about how you will notify your customers of the mandate and why this is going to be a benefit to them. A well-educated employee and customer will eliminate questions or possible problems that may arise in a couple of years. It will also be nice to have

a positive message that depicts oil in a positive light, especially when you compare the benefits of Bioheat to that of utility gas.

However, to get to the point we can all feel comfortable with it will take a comprehensive effort on the part of all involved. From producers and distributors to wholesale terminal operators and retail marketers, everyone must work together to bring about a seamless transition. Based on historical data, demand for biodiesel in Massachusetts in 2010 will be around 60 million gallons and will grow to more than 100 million gallons by 2013. Reducing the state's dependence on foreign oil by as much as 100 million gallons in the next five years is certainly a great message we can use to promote the Bioheat industry and one that should help stimulate demand and help curb the conversion of Oilheat customers to gas.

As I mentioned, the NBB is also helping to educate and inform oil dealers and consumers about Bioheat. One of the vehicles they will use is a new Web site, [www.bioheatonline.com](http://www.bioheatonline.com), and a hotline, (877) B51-LINE. This hotline will be a good resource for dealers to get answers to questions about biodiesel and Bioheat, while the Web site is geared toward both dealers and consumers. I would encourage you to get online and take a look at the site—it will be operational Oct. 1—as well as [www.biodiesel.org](http://www.biodiesel.org). Gathering information and using information that is available to you is a great place to start and a nice way to prepare yourself for this new and exciting fuel.

Although we have two years to get ready to meet the mandate, many times life gets in the way and we lose sight of what is happening each and every day. Therefore, it is important to start making a plan to educate yourself so that when you are sitting down to enjoy your summer in 2010, you and your customers are not caught by surprise. ☐

**COMPANIES AND UTILITIES TO LAUNCH ALGAE FARM IN HAWAII**

Two companies and two Hawaiian electric utilities are teaming up to develop a commercial-scale microalgae facility on Maui for the production of biodiesel and other products. The two utilities—both subsidiaries of Hawaiian Electric Industries Inc.—will help engineer piping to carry emissions from the neighboring power plant to the algae facility. The project is contingent upon a number of factors, including positive results from HR BioPetroleum's pilot-scale and demonstration-scale algae facilities.

If the project goes forward, the facility should begin operating in 2011. During operation, the algae will grow in the carbon dioxide-rich atmosphere of the power plant emissions, converting some of those emissions into algae. The oil will then be extracted from the algae, combined with local vegetable oils, and converted into biodiesel fuel. Microalgae have significant potential as an energy crop, with the levels of oil production per acre potentially far exceeding the levels found in vegetable oil crops. HR BioPetroleum is currently working with Royal Dutch Shell on a pilot facility to grow algae on land leased from the Natural Energy Laboratory of Hawaii Authority.



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## Volatility Spawns Innovation

By Taylor Hudson, Hedge Solutions

**JUST TO WARN YOU AHEAD OF TIME—YOU WON'T** believe the next few paragraphs. But what I am about to share is true, and you can see it for yourself on Sept. 9 at the Visions 2008 conference in Boston.

I know an owner who goes on vacation during the summer and doesn't worry about what the market is doing—even though he is offering price protection programs to his customers in the meantime. The concept is simple: as the market rises, so do his program price offers. As the market falls, program prices fall. There is no “pending” pile for him to wonder if the contract is going to be returned or not because there is no delay between contract inception and acceptance by the customer. His risk manager knows the company's exposure in real-time, marked to market. As a result, he knows his company's forward P&L in real-time, also marked to market.

The customer sales staff experiences no “hell week” as the program contracts go out the door and the phone onslaught begins... because there is no magic time once a year for price protection—it happens all year round, allowing for better customer service. There is also no “letter” or contract announcing the price or an estimated budget payment; there is no delay between program creation and offer to the customer base. Marketing materials are still sent to the customer, but the customer decides when they want to jump on price protection offers (or not), not him. Many

of his customers sign up for a price protection contract over the Internet, without calling in at all. And if the market slides after a customer locks in, there is no simple way for them to find out what the current price protection offers are.

The owner collects a fee for price protection contracts, even fixed-price contracts, adding thousands to the bottom line to offset program management costs. He can target price offerings to different customers based on qualifications such as “K” factor and credit worthiness. He ensures no “special deals” are written for customers when he isn't looking. And on the hedging front there is no scaling in or accumulation of a position in advance of acceptance by the customer—therefore there is little market timing risk. Those of you who went to market with a program at the end of July will know the value of avoiding this risk all too well. Did I mention he goes on vacation during the summer?

Two months ago I wrote about how volatility is changing the rules of the game for our business. The last sentence declared “the winter of 2008-09 will be one that produces better management techniques for dealing with the volatility.” Today I can point to one such innovation, online contract management powered by Destwin. On Sept. 9, this new way of doing contract management will be overviewed by Gary Sippin of Sippin Energy Products at the Visions 2008 show. He's the owner I described above. If there's one piece

of advice I can give other owners, it is to make sure you meet Gary at some point and hear it straight from him.

I realize this column is not meant to be a solicitation, but I can't help soliciting readers to take the time and see the methodology many dealers are employing for themselves—because I believe it will be the “norm” very soon. When I sit in my clients' offices and hear “I've always wanted to do it that way but didn't know how” time and time again, I know there is a revolution in the making.

We can continue to debate price protection programs as an industry forever, but I know one thing is certain—there are bad programs to market and good programs to market. What differentiates the two is risk transfer. Bad programs shift the risk of price moves to the dealer. Good programs shift the risk to the customer and preserve dealer margins. Gary's methodology is an example of shifting market price risk to the customer, and having them pay for the benefit of insulating themselves from adverse price moves. On top of that, the programs are offered only as a value-added service, not the primary product, which keeps them from taking over the company's entire customer portfolio.

It will take a change in existing management style to deal effectively with the market's new volatility. Do yourself a favor and take a look at this new way of doing business—I think it is a positive development for our industry. ☐

# ENERGI

Energi is an exclusive risk management and insurance program designed for the energy industry. To date, over 30 prominent fuel distribution companies in New England have become part of this “dealer owned” captive insurance program.

Energi’s underwriting guidelines have been designed around NORA & NPGA “best practices” and only companies that follow to these “best practices” can become part of the Energi family of companies. Adherence to these underwriting guidelines equals fewer losses, which means lower premium cost to the dealer.

Energi’s “value added” loss prevention & safety program compliments insurance coverage. This ongoing training helps to reduce claim frequency, but also provides a safer working environment for your employees.

Energi’s aggressive claims management program is unsurpassed in the insurance industry. Dealer involvement in claims is integral to the program, from claim reporting right through the arbitration process.

Energi is a risk management insurance program run by fuel distribution companies for fuel distribution companies. Energi provides long term stable insurance with no coverage gaps and transparent fair premium pricing. By pooling the best companies in the energy industry, Energi is able to offer the unrivaled risk management solutions today and in the future.

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(Shareholders & Risk Manager Conference)

Date: September 26, 2008

Location: Gillette Stadium, Foxboro, MA

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### IMPORTANT!

Before applying any decals we strongly recommend that you obtain the detailed COMPLIANCE KIT FOR FUEL DISPENSER LABELING REQUIREMENTS prepared by New England Fuel Institute (NEFI). This kit has been mailed free of charge to member companies of NEFI. Non-members can obtain the kit for \$50. Phone 617-924-1000.

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### BURKE RESPONDS TO NEWSPAPER EDITORIAL

Ed Burke, chairman of Dennis K. Burke Inc. in Massachusetts, had a Letter to the Editor of the *Boston Globe* published recently in response to an editorial that called for more consideration of ethanol mandates. Burke wrote:

"The *Globe* promulgated the myth that biofuels, like ethanol, are significantly raising food costs around the world. While ethanol has become a convenient scapegoat, it accounts for only about 3 percent of the increase in food prices, according to the chairman of the White House Council of Economic Advisers.

"The primary reason that food prices have increased is skyrocketing oil costs. Higher oil prices not only drive up costs for farming, but they also add to the costs for transporting and packaging food. These are costs that ethanol helps to offset by keeping gasoline prices down by as much as 50 cents a gallon.

"Our nation is at a crossroads, and our energy policy is an integral part of our future well-being. I am proud to say that Burke Oil recently opened its first E85 ethanol station, the first such fueling station in Massachusetts, at our facility in Chelsea. We believe ethanol is a key step along the path to realizing the possibilities of alternative energy sources."

### OFFSHORE RENEWABLE ENERGY PROPOSALS MADE IN MASSACHUSETTS, NEW YORK

The Minerals Management Service (MMS) of the U.S. Department of the Interior published a proposed rule recently for the regulation of "alternative" energy production on the Outer Continental Shelf (OCS). The proposed regulations will establish a program to grant leases, easements and rights-of-way for renewable energy projects in federal waters on the OCS. The rule will also establish methods for sharing lease revenues with nearby coastal states.

To meet its new responsibilities, the MMS has also established a new Office of Offshore Alternative Energy Programs. The new office will develop and implement policy, analysis and overall management of the OCS alternative energy leasing and operations program while ensuring compliance with the goals and philosophy of the Department of Interior. The office is currently evaluating a proposal by Cape Wind Associates LLC to build a 468-megawatt wind power facility off the coast of Massachusetts and a proposal by the Long Island Power Authority and FPL Energy to build a 144-megawatt wind project off the coast of Long Island, New York. There is also a proposal from Blue H USA LLC, which plans to build a 420-megawatt wind power project far off the coast of Massachusetts, about 23 miles from Martha's Vineyard. The facility would be located in waters 167 feet deep and would employ floating wind turbines.

### GIANT ETHANOL FACILITY OPENS IN NORTH DAKOTA

VeraSun Energy Corp., one of the nation's largest ethanol producers, recently announced the startup of its 110 million gallon per year ethanol biorefinery located near Hankinson, N.D. The Hankinson production facility marks the 12th VeraSun biorefinery in operation, increasing the company's annual operating capacity to 1.2 billion gallons.

Construction on the Hankinson facility began in August 2006 and was completed in June. It will annually process approximately 39 million bushels of corn and produce about 350,000 tons of distiller's grains for livestock feed.

Located on a 220-acre site in southeastern North Dakota, the Hankinson ethanol biorefinery employs approximately 50 people. It is the third VeraSun facility to come online this year, joining sister production facilities in Marion, S.D., and Bloomingburg, Ohio, all engineered by ICM Inc., of Colwich, Kan., and built by Fagen Inc., of Granite Falls, Minn.

### LARGE-SCALE U.S. SOLAR POWER FACILITIES BECOMING COMMONPLACE

A spate of announced plans to build large solar power facilities throughout the United States seems to indicate that relatively large-scale systems are becoming commonplace. One recent example is a plan to build a 106.8-MW concentrating solar power plant near Coalinga, Calif., about 60 miles southwest of Fresno. Pacific Gas & Electric Company signed a power purchase contract for the facility with a subsidiary of Martifer Renewables Electricity LLC in June. Slated to start operation in 2011, the facility will produce power from biomass fuels when the sun is not available, allowing for constant power production.

In late April, Philadelphia Mayor Michael Nutter announced that a megawatt-scale PV system will be installed at the Philadelphia Navy Yard in Pennsylvania. In late May, Duke Energy Carolinas announced plans to buy all the power from a 16-MW PV facility, to be built north of Charlotte, N.C. SunEdison LLC is building the facility and expects to have it running by 2010. In mid-June, Pepco Energy Services was awarded a contract to install a 2.36-MW PV system on the roof of the Atlantic City Convention Center in New Jersey, with the installation to be completed by the end of the year, and in late June, enXco agreed to install a 1.3-MW system and a 0.5-MW system on two warehouses in South Plainfield, N.J., under a contract with Hall's Warehouse Corporation.



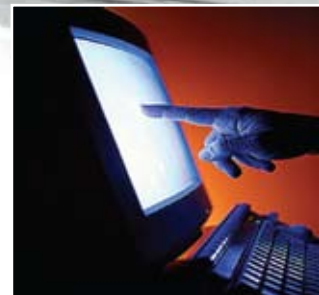
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## September 2008

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### 8-10 **Visions Conference**

Hilton Boston Logan Airport Hotel, Boston, MA.  
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**11-14 NAOHSM's "Oilheat Retreat,"**  
Gettysburg, PA. 888-552-0900 [www.naohsm.org](http://www.naohsm.org)

**15 MOC/NEFI Seminar "Massachusetts Oil Burner Code 527 CMR 4.00,"** Hyannis, MA.  
617-924-1000 • [www.nefi.com/training](http://www.nefi.com/training)

**16-18 Oil Heat Council of New Hampshire's Annual Convention,** Sheraton Harborside Portsmouth Hotel & Conference Center, Portsmouth, NH.  
603-895-3808 • [www.nhoilheat.com](http://www.nhoilheat.com)

**23-28 NEFI Fall Energy Conference**  
Napa Valley, CA. 617-923-5015 [www.nefi.com](http://www.nefi.com)

**30-1 North American Oilburner 2-day Workshop,** 7am - 3:30pm, Watertown, MA.  
617-924-1000 • [www.nefi.com/training](http://www.nefi.com/training)

## November 2008

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**5 Independent Oil Marketers Assn. of New England Annual Meeting/Board of Directors Meeting,** Doubletree Hotel, Westborough, MA.  
508-548-7627 • [www.iomane.com](http://www.iomane.com)

**18 Gray, Gray & Gray Tax Conference,** Westwood, MA. 781-407-0300 • [www.gggcpas.com](http://www.gggcpas.com)

**19-21 U.S. Green Building Council's "Greenbuild International Conference and Expo,"** Boston, MA. 800-795-1747  
[www.greenbuildexpo.org](http://www.greenbuildexpo.org)

## October 2008

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**1-3 Penn. Petroleum Marketers & Convenience Store Association's (PPMCSA) Annual Meeting & Tradeshow** (with ESPA's participation), Hershey Lodge & Convention Center, Hershey, PA. 717-902-0210  
[www.ppmcsa.org](http://www.ppmcsa.org)

**3-4 PMAA Fall Meeting,** Hilton Chicago Hotel, Chicago, IL. 703-351-8000 • [www.pmaa.org](http://www.pmaa.org)

**4-7 NACS Show/PEI Meeting,** McCormick Place, Chicago, IL. 877-684-3600  
[www.nacsonline.com](http://www.nacsonline.com)

**8-9 Affordable Comfort, Inc.'s (ACI) New England Conference,** Westford Regency Inn & Conference Center, Westford, MA. 800-344-4866 or 724-627-5200 • [www.affordablecomfort.org](http://www.affordablecomfort.org)

**12-14 Mid-Atlantic Petroleum Distributors' Fall Conference,** Cambridge Chesapeake Hyatt, Cambridge, MD.  
410-349-0808 • [www.mapda.org](http://www.mapda.org)

**15 Independent Oil Marketers Association of New England (IOMA NE) Annual Award Dinner & Trade Show,** Burlington Marriott, Burlington, MA. 508-548-7627 • [www.iomane.com](http://www.iomane.com)

**26-29 Joint NC Petroleum & Convenience Marketers/VA Petroleum & Convenience Grocery Assn. Annual Convention,** The Westin Savannah Harbor, Savannah, SC. NCPCM: 919-782-4411  
[www.ncpcm.org](http://www.ncpcm.org) / VPCGA: 804-282-7534

## December 2008

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**8-11 Ecobuild Fall & AEC-ST Fall Annual Meeting,** Washington, DC. 800-996-3863  
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## U.S. AGENCIES LOOK TO OIL SHALE AND THE ARCTIC FOR PETROLEUM

With world oil prices near record levels, the United States is investigating ways to increase domestic petroleum production. According to DOE's Energy Information Administration (EIA), the United States currently consumes 24 percent of the world's oil but produces only 10 percent of it. One potential new source of domestic petroleum is oil shale, a fine-grained sedimentary rock containing organic matter from which oil can be produced. The largest known deposits are located in a 16,000-square-mile area covering parts of Colorado, Utah and Wyoming, of which about 72 percent is on federal lands. The Bureau of Land Management recently published proposed regulations for establishing a commercial shale oil program. The U.S. Department of Interior estimates the shale potentially holds 800 billion barrels of recoverable oil. The United States consumed about 20.7 million barrels per day in 2006.

Meanwhile, the U.S. Geological Survey (USGS) has completed its assessment of the undiscovered, technically recoverable oil and natural gas that exists north of the Arctic Circle, an area that includes the northern one-third of Alaska. According to the USGS, about 90 billion barrels of undiscovered oil lie north of the Arctic Circle.

## UPCOMING TRAINING COURSES

There is a new series of courses taught by George Lanthier of Firedragon Academy in September at the NEFI Technical Training Center in Watertown, Mass.

- Riello Troubleshooters Workshop, Sept. 10, 7 a.m. to 3:30 p.m., tuition is \$205 (NEFI members) or \$250 (non-members)
- Wiring Hydronic Systems, Sept. 11, 7 a.m. to 3:30 p.m., tuition is \$215 (NEFI members) or \$299 (non-members)
- Advanced Common Sense Troubleshooting, Sept. 17 and 18, 7 a.m. to 3:30 p.m., tuition is \$399 (NEFI members) or \$499 (non-members)
- North American Oilburner Workshop, Sept. 30 and Oct. 1, 7 a.m. to 3:30 p.m., tuition is \$399 (NEFI members) or \$499 (non-members)
- Gas Heat Training for Oilheat Technicians, Sept. 9 to Nov. 13, 80 hour course, evenings, Tuesdays and Thursdays from 6 to 10 p.m. Tuition including books is \$1,495 (NEFI members) or \$1,795 (non-members)

For more information or to register, see [www.nefi.com/training](http://www.nefi.com/training).



First let's deal with the fall period of September, October and November. Since I see only a slow transition out of the summer pattern, I expect a relatively mild fall. Given the ability of the Great Lakes/Midwest trough to occasionally send some cool shots into the country's midsection, I do expect some crisp cool fall periods. But the offshore ridge will still likely have dominating periods from time to time, and this should be able to offset the cool periods. I am not sure we are looking at an exceptionally warm fall, but warmer-than-normal periods should out-duel cool periods. It is possible the offshore ridge will retrograde west a bit as the fall progresses. If this happens, I will not have gone warm enough in my fall forecast. My current thinking is that the Northeast sees a three-month fall anomaly of plus-1.5 to plus-2.5 degrees. But the door could open for a plus-2.5 to plus-4.0 anomaly.

## A Mild Fall Turns Into a Cold December

By John Bagioni, Fax-Alert Weather Service

**ALL THINGS CONSIDERED, I AM QUITE PLEASED** with the results of my summer forecast. The forecast issued in May had called for a warmer than normal summer overall, but not one that could be classified as excessively hot. I did call for some hot periods and there were a couple. The early June heat wave took top honors, and that also was expected. There was a July hot period, but as of this writing on Aug. 10, an August hot period had not developed yet. There is still time, though, and the pattern trends for the mid- to late-August period certainly seemed capable of producing a warm humid finish to the month with some potential for a couple of hot days. The three-month temperature anomaly for the June-July-August period will likely run warmer than average. My prediction was for a summer anomaly of plus-1.5 to plus-3.0 degrees. I think we will likely find most of the region in that range when the regional summer totals are added up and averaged out.

As expected, the summer pattern across the Northeast has seen an interesting battle for control by two large-scale atmospheric players—an offshore ridge to our east and an upper level trough positioned just to our northwest. I doubt this pattern configuration is going away anytime soon.

One of the things I did highlight in my summer outlook was the potential for the offshore ridge/upper trough couplet to produce a very active, potentially severe, thunderstorm pattern. Well, in my opinion that was the biggest regional weather story through mid-August. Numerous severe weather outbreaks have occurred and taken their toll in terms of damage and deaths due to excessive rainfall and flooding, large hail, damaging local winds, lightning strikes and, last but not least, tornadoes. Given the fact that I do not expect a huge pattern change

during September, severe thunderstorm activity might well harass us well into the early fall.

Of course, as stated in previous articles, the basic upper air pattern in play is a recipe for East Coast hurricane threats, especially during periods when the upper air trough is sharpening and advancing toward the coast. A burst of tropical cyclone development was expected to get underway during late August and run through September. Hopefully we can dodge the tropical bullets again this year, but given the upper pattern, I have concerns that our free passes may have run out. Another reason for concern is the very wet summer we've had. Wet ground and strong winds usually mean a lot of trees getting uprooted across New England. Hopefully nothing happens, but there is good reason to be nervous.

Now onto the fall and early winter outlook. We are still very early in the winter prediction game but there are some things starting to appear that may serve as the first hints of the winter pattern.

Looking into the early winter period finds the potential for a very potent pattern reversal. I expect the late fall pattern (November) to allow for a much colder than normal regime to build across Canada, especially the Arctic regions. There are also hints that while the equatorial Pacific temperature anomaly pattern stays near neutral, a shift toward a weak El Nino could get underway. Given the fact that I expect a very strong build-up of Arctic air by mid- to late November, and the hint of a weak El Nino, along with some analog data, a very cold December could be the result.

The past few years have seen cold Decembers fade away rapidly into a mild/warm January. This makes me wary of hyping a call for a cold December/January period. That being said, I like the idea of a colder than average December for the Great Lakes, Ohio Valley and Northeast/New England regions of the country. If weak El Nino conditions do become reality, I will throw a colder than average January into the mix for these areas as well. ☺

Degree Day Reporting Form				REPORTING DATE: 7-31-2008
Station	Total Actual Accumulation To Date	Normal Accumulation To Date	Actual Accumulation To This Date 1-Yr. Ago	Normal Next 30-Day Period
Caribou, ME	12	58	66	103
Portland, ME	0	19	17	37
Concord, NH	1	22	20	44
Burlington, VT	2	17	11	38
Albany, NY	0	10	7	26
Worcester, MA	1	9	14	20
Boston, MA	0	4	0	8
Hartford/Springfield	4	3	4	12
Providence, RI	0	3	0	9
Chatham, MA	0	16	2	12
Bridgeport, CT	0	2	0	4

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

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**LAW MANDATES BIODIESEL AS PRODUCTION INCREASES**

Gov. Ed Rendell signed legislation in July that will help spur the development of homegrown biofuels in Pennsylvania and reduce the state's dependence on foreign fuels by establishing new requirements that every gallon of gasoline and diesel fuel contain a percentage of ethanol and biodiesel.

The requirements—which include what is believed to be the nation's first state-specific cellulosic ethanol mandate—will spur new economic development in renewable biofuels by directing that more of the money spent each year by Pennsylvanians on imported fuels stay in the state. Under H.B. 1202, as much as 1 billion gallons of biofuels will be added to the state's fuel supply.

The law establishes the following for ethanol and biodiesel production and consumption:

All diesel fuel sold at retail must contain 2 percent biodiesel once in-state production

reaches 40 million gallons and climbs to 20 percent biodiesel once in-state production reaches 400 million gallons. All gasoline sold at retail must contain 10 percent ethanol, once in-state cellulosic ethanol production reaches 350 million gallons.

Pennsylvania already has an in-state biodiesel production capacity of approximately 60 million gallons per year, and the state's first large-scale ethanol plant—a 100-million-gallons-per-year operation—is under construction in Clearfield County.

**ENERGY BILL INCLUDES EFFICIENCY INCENTIVES**

At a time when conventional energy prices are at or near record highs, Gov. Ed Rendell signed into law a new fund that will save families and small businesses money on their energy bills by supporting investments in energy conservation and efficiency.

As part of the \$650 million package, residential consumers and small businesses will be eligible for \$92.5 million in loans, grants, reimbursements and rebates to support energy conservation and weatherization projects that can ultimately reduce energy bills. Another \$40 million is available to provide financial assistance through the state's Low-Income Home Energy Assistance

Program (LIHEAP) and establish an energy efficiency loan fund through the Pennsylvania Housing Finance Agency. Households and small businesses can also qualify for \$100 million to support the installation of solar energy technology.

**STATE RECOGNIZED FOR ENERGY POLICY**

Pennsylvania's efforts to develop alternative energy resources and ensure more fuel efficient vehicles has made it one of the nation's top states working to break its dependence on foreign oil, according to a recent study by the National Resources Defense Council (NRDC).

In "Fighting Oil Addiction: Ranking States' Oil Vulnerability and Solutions for Change," the NRDC ranked Pennsylvania fifth among states working to reduce their dependence on oil from abroad. The Keystone State was also ranked as the eighth least vulnerable state to spikes in oil prices, as measured by the percentage of income spent on gasoline in 2007.

Near the top of the rankings with Pennsylvania were California, New York, Connecticut, Washington, New Jersey, Rhode Island, New Mexico, Colorado and Maryland.

For more information on the NRDC report, visit [www.nrdc.org/energy/states/contents.asp](http://www.nrdc.org/energy/states/contents.asp).

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From the Education Division of New England Fuel Institute



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- 3-part greeting
- Handling many lines ringing at once
- Acknowledging the caller's request

#### How to Handle the Irate Caller

Quick tips for diffusing angry callers. 15 minutes

- The A.S.A.P. technique
- What to do if someone starts swearing
- Why you should never make excuses

#### Essential Elements of Internal Customer Service

Helps employees realize we are customers to each other. 25 minutes

- Knowing your role
- The BIF approach
- Internal service is everyone's responsibility

#### How to Deal With the Foreign Accent

Awareness makes communication easier with foreign speaking customers. 20 minutes

- Five point awareness program
- Celebrates diversity

#### That's Just Rude!

Exploring the Rudeness Matrix. 14 minutes

- Intentional vs. Accidental Rudeness
- Rudeness by omission
- Rudeness by commission

#### Maintaining Customer Relationships

The importance of follow up after the sale. The five most common scenarios. 15 minutes

- No ulterior motive call
- Sandwich technique
- New contact situations

NOTES: Fee for non-member companies of New England Fuel Institute is \$135. Courses provided via video downstream over the Internet.

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1991 Scania T/A, diesel, 10 spd, RR, 109K miles, Techweld 5,500 gal. 3 compt. alum tank, TX 2 1/2" Blackmer pump, Smith T20 meter motor, reasonable offers considered.

1994 Ford LNT9000, 325 h.p. CAT, 10 spd, RR, 64,000# GVW, 5,000 gal, 2 compt. alum tank, TX 2 1/2" AV pump, L/C meter, \$18,500.

1984 Mack MR686ST, 300 h.p., 62000# GVW, 5,000 gal. (2,500/2,500) steel tank, Marlow pump, L/C meter, V-good cond., \$29,900

1995 Ford LN8000, Cums. pwr. 6 spd., 33,000# GVW, Techweld 2,800 gal., 2 compt. alum tank, TX 2 1.2 AV pump, L/C meter. \$20,000 plus \$3,400 for meter register and printer.

1989 GMC Brigadier, 3208 CAT, 33,000# GVW, new 22.5 rubber, 2,700 gal 1 compt. alum tank, TX 2 1/2" Blackmer pump, Neptune meter, \$12,000.

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ONL 09-08

**Distillate Stocks by PADD (Million Barrels)  
PRODUCTS IN STOCK: MOST RECENT WEEKS**

Ultra-Low Sulfur / 15 ppm and under				Low Sulfur / 15 ppm+ to 500 ppm			
	Week Ending				Week Ending		
District	8/08/08	8/01/08	Year Ago	District	8/08/08	8/01/08	Year Ago
East Coast (PADD I)	16.5	16.4	15.3	East Coast (PADD I)	7.4	7.1	8.8
NEW ENGLAND	1.4	1.7	1.9	NEW ENGLAND	0.3	0.3	0.5
MID-ATLANTIC	7.8	7.9	7.2	MID-ATLANTIC	2.8	2.8	4.6
SOUTH TO FLA.	7.3	6.8	6.1	SOUTH TO FLA.	4.3	3.9	3.6
Midwest (PADD II)	23.4	24.0	19.3	Midwest (PADD II)	4.2	4.4	5.5
Gulf Coast (PADD III)	24.4	24.6	18.8	Gulf Coast (PADD III)	6.8	8.3	8.7
Rocky Mtn. (PADD IV)	2.6	2.6	2.4	Rocky Mtn. (PADD IV)	0.3	0.4	0.4
West Coast (PADD V)	10.2	10.5	8.9	West Coast (PADD V)	1.3	1.5	1.4
<b>U.S. Total</b>	<b>77.1</b>	<b>78.2</b>	<b>64.6</b>	<b>U.S. Total</b>	<b>20.0</b>	<b>21.7</b>	<b>24.8</b>
Greater than 500 ppm (0.05%) Sulfur				TOTAL DISTILLATE STOCKS			
	Week Ending				Week Ending		
District	8/08/08	8/01/08	Year Ago	District	8/08/08	8/01/08	Year Ago
East Coast (PADD I)	24.2	23.1	27.9	East Coast (PADD I)	48.1	46.5	52.0
NEW ENGLAND	3.5	3.4	7.0	NEW ENGLAND	5.2	5.4	9.5
MID-ATLANTIC	18.6	17.8	17.0	MID-ATLANTIC	29.3	28.6	28.9
SOUTH TO FLA.	2.1	1.9	3.9	SOUTH TO FLA.	13.6	12.6	13.6
Midwest (PADD II)	2.3	2.3	2.7	Midwest (PADD II)	29.9	30.7	27.5
Gulf Coast (PADD III)	6.2	6.5	6.0	Gulf Coast (PADD III)	37.4	39.4	33.5
Rocky Mtn. (PADD IV)	0.2	0.2	0.2	Rocky Mtn. (PADD IV)	3.2	3.2	3.0
West Coast (PADD V)	1.5	1.4	1.4	West Coast (PADD V)	13.0	13.4	11.7
<b>U.S. Total</b>	<b>34.5</b>	<b>33.5</b>	<b>38.3</b>	<b>U.S. Total</b>	<b>131.6</b>	<b>133.3</b>	<b>127.7</b>

**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 January 1, 2008 through August 16, 2008 has been 1 percent warmer than last year and 7 percent warmer than normal.

Location	Current	Normal	% Change
	1/1/08 thru 8/16/08	1/1/08 thru 8/16/08	Current vs. Normal
Boston	410	340	+21%
Chicago	363	383	-5%
Hartford	400	353	+13%
New York	644	491	+31%
Philadelphia	658	552	+19%
Pittsburgh	323	342	-6%
Portland	170	142	+20%
Providence	445	307	+45%
Raleigh	849	722	+18%
Richmond	782	675	+16%
Washington	781	712	+10%

**Sources:**

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

**Oil & Energy Securities Recap**

Company	Symbol	8/18/08	7/23/08	Change
<b>Ashland Inc.</b>	ASH	40.08	41.32	-1.24
<b>BP-Amoco</b>	BP	57.52	62.54	-5.02
<b>ChevronTexaco</b>	CVX	83.37	83.97	-0.6
<b>Conoco Philips</b>	COP	77.19	82.92	-5.73
<b>ExxonMobil</b>	XOM	76.88	82.03	-5.15
<b>Global Partners</b>	GLP	12.91	13.89	-0.98
<b>Hess Corp.</b> (formerly Amerada Hess)	HES	94.90	95.65	-0.75
<b>LUKOIL</b>	LUKOY	75.95	92.45	-16.5
<b>Marathon Oil</b>	MRO	44.42	43.35	+1.07
<b>National Grid Plc</b> (formerly Keyspan Corp.)	NGG	66.10	68.97	-2.87
<b>Occidental</b>	OXY	75.98	74.00	+1.98
<b>Royal Dutch Shell Plc</b>	RDSA	67.86	73.98	-6.12
<b>Star Gas</b>	SGU	2.61	2.26	+0.35
<b>Sun</b>	SUN	40.84	36.31	+4.53
<b>Tesoro Petroleum</b>	TSO	17.30	16.53	+0.77
<b>Total</b>	TOT	70.72	76.67	-5.95
<b>Valero Energy</b>	VLO	32.61	34.02	-1.41

**COALITION'S PLANS TO REFUTE  
GAS CLAIMS: AMBITIOUS AND  
VENTURESOME**

**IT'S A SOBERING FACT THAT NATIONAL GRID,** the international natural gas provider, spent \$4.3 million in 2007 on advertising in the Northeast alone. A key aspect of their ad campaign consisted of outlining the ways natural gas is, according to them, cleaner, safer and more environmentally friendly than Oilheat. However, the heating oil industry could not respond in a concerted manner. The National Oilheat Research Alliance (NORA) is prevented from offering views on competing energies by its charter, and the industry is strapped for combative cash.

The newly formed American Energy Coalition (AEC) hopes to fill this void by launching a broad-based campaign across the Internet, radio and television to refute National Grid's claims and tout the advantages of using Oilheat. They offer an ambitious plan that would directly counter much of the information that National Grid and other natural gas providers have released. Other outlets could include billboards and taxis.

Dealers who join the group would gain access to press releases, information to put on their Web sites summarizing Oilheat's benefits and "leave behinds" to insert into bills that explain to customers why they should not convert. The AEC's Web site would give more detail on the costs associated with oil-to-gas conversions, feature new technology, offer links to government resources and also give conservation tips.

The plan is already formed and aimed to deploy for the 2008-09 heating season. Right now, there's only one thing missing—the money needed to fund it. Though the group is nearly halfway to its goal of \$2 million needed to begin releasing ads and other materials, the rest must be gathered in relatively short order.

Based on the structure of the former Metropolitan Energy Council (MEC), the AEC intends on a national audience, but first must establish itself in the Northeast. Instead of gathering resources from state associations like the MEC did, this new group is looking to receive funding from every company that relies on the Oilheat business as a source of income, from retail dealers and equipment manufacturers to banks. It's a bold plan made more demanding by the downturn in the economy and already-stretched budgets.

Regional meetings—where a presentation that shows exactly what the campaign entails—are planned throughout the fall to continue spreading the AEC's message. ☐

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