

October 2008

OIL & ENERGY

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SBA, Hedging, Bioheat® 101

*O&E Recap of the 2008
Visions Conference*

Also Inside:

Sen. Jack Reed on American Energy Policy

Save Time with Digital Efficiency Tools

SEC Expert on Oil Reserve Reporting Changes

Q&A: Meteorologist John Bagioni

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



NEW ENGLAND
FUEL INSTITUTE

www.NEFI.com



**An open letter to the heating oil industry from Eric Slifka,
President and CEO of Global Companies, LLC**

If you don't like the weather just wait a few minutes. If you reside in the Northeast, where our heating oil market is concentrated, you're likely familiar with that phrase. But while our local markets remain weather driven, the supply and demand factors that determine the price you and your customers pay for heating oil are also driven by other variables, including the costs and risks associated with carrying inventory.

Unlike the changing weather and business climate, Global remains dedicated in its commitment to the retail heating oil dealer. Global Companies is in the best position to respond to the most extreme market conditions. We are a company that you have come to know and trust from our founding as an independent, family-owned fuel oil wholesaler. Today Global Companies still has that same vision of consistent supply and service to the customers and markets we serve. Our supply department sources products from all corners of the globe, providing our customers with the most dependable sources of supply available in the market.

Our success is attributable to the faith and confidence our customers continue to place in Global. In return, we have made significant capital investments over the last several years to expand our terminal storage capacity throughout the Northeast, providing direct access to product at strategic locations 24/7/365. Global stands alone in terms of its historical commitment to heating oil retailers.

We know your business. The Slifka family has been there, having owned and operated many retail heating oil businesses in the past. Today we are a terminal and wholesale marketing distribution company that shares and understands your concerns. You, our customer, and your own customers come first. Delivering supply when needed is one of the most important steps in this process. Global focuses on addressing the needs of each heating oil retailer and the heating needs of an entire region.

Quite simply, we are as committed to your success as we are to our own. As we continue to plan for this heating season, Global is confident about our industry's future. Situations may arise that will try our collective patience. However, as we have witnessed before, having oil available at the most critical times allows us to maintain a mutually beneficial and prosperous relationship.

These are risks that we can — and will — weather together.

Warmest Regards,

A handwritten signature in blue ink, appearing to read "Eric Slifka", is written over a light blue horizontal line.

Eric Slifka, President and Chief Executive Officer
Global Companies, LLC





HOUSE PASSES ANTI-SPECULATION BILL

In September, the Commodity Markets Transparency and Accountability Act of 2008 passed by a vote of 283 to 133 in the House of Representatives.

H.R. 6604 will impose position limits on non-commercial traders, increase rules and regulations on foreign boards of trade (FBOTs), increase transparency on over-the-counter (OTC) markets, require studies on pension fund investment in commodity markets, and restore the fundamentals of supply and demand to energy commodity markets. As of press time, the Senate had not moved forward to vote on their bill, S. 3268, the "Stop Excessive Energy Speculation Act of 2008." The New England Fuel Institute (NEFI) will keep members up to date on the Senate's action through the weekly NEON e-mail newsletter. You can subscribe to NEON at www.nefi.com.

PRESIDENT RELEASES NEARLY \$121 MILLION FOR LIHEAP

President George W. Bush directed the secretary of health and human services to release all of the remaining presidential contingency funds for the Low Income Home Energy Assistance Program (LIHEAP), totaling \$120.7 million, to be distributed to states in September.

In Connecticut, funding will be increased by \$6,962,123 to go to \$65,617,951. In Maine, funding will increase \$7,067,286 to total \$46,536,360. Massachusetts will receive \$11,501,835 to total \$126,492,221. New Hampshire will get an additional \$3,192,599 to total \$25,634,766. New York will receive \$12,158,305 to go to \$359,628,405 and Vermont will receive \$2,486,774 to have \$19,370,497.

OHI-RI MOVES TO NEW OFFICE

The Oil Heat Institute of Rhode Island (OHI-RI) has moved to a new location at 873 Warwick Ave., Warwick, RI 02888-3645. The new phone number will be (401) 865-6055 and the new fax number will be (401) 865-6056.

BUSH COULD TAP SPR TO PREVENT STORM-RELATED FUEL SHORTAGES

President Bush signaled his willingness in September to tap into the nation's emergency crude supply to prevent gasoline shortages and price spikes due to recent hurricane activity in the Gulf Coast and Eastern Seaboard regions of the U.S.

The Department of Energy, which administers the Strategic Petroleum Reserve (SPR), said that it will grant a request from Citgo Petroleum for a drawdown of 250,000 barrels of crude oil from the SPR. Citgo made the request for the drawdown after a key shipping channel was closed due to the storm, threatening supply to its Lake Charles, La., refinery. Citgo is the first to be approved among several refiners, including Marathon, who may ask for SPR supply to restart their refineries. One day after Hurricane Gustav hit the Gulf Coast, 1.3 million barrels per day of offshore crude oil production were shut down, representing 100 percent of the Gulf's oil production.

THE DIFF.

Spot Prices (Cents/Gallon) as of September 22, 2008*

New York Harbor No. 2 Fuel Oil / Heating Oil	New York Harbor No. 2 Diesel Low Sulfur	U.S. Midcontinent No. 2 Diesel
274.62	285.74	303.65

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

THE BAROMETER

Comparing Heating Oil to Other Financial Products

	September 22, 2008	One Year Ago
No. 2 Fuel Oil/New York (cents/gallon)	274.62	220.33
Crude Oil (dollars/barrel)	\$108.85	\$79.14
10-year Treasury Bill	3.87%	4.44%
30-year Mortgage	5.87%	6.49%
Dow Jones Average	11,249	13,145



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www.nefi.com



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SEC Proposes Update to Reserve Reporting Rule 32

The U.S. Securities and Exchange Commission has proposed a new list of rules for oil and gas companies to report their reserves. Kevin Keogh, an expert in the field of SEC reporting, says it may change our estimate for reserves in the nation.



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Taylor Hudson of Hedge Solutions says that dealers need to be clear with their customers about how much heating oil costs—it could surprise them. Hudson can be reached at taylor@hedgesolutions.com.



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Visit www.NEFI.com for late breaking news.

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Mark S. Morgan, Esq., New England Fuel Institute Regulatory Counsel: mark@nefi.com

2008 Oilheat Visions Conference Sets Attendance Records

The innovative strategy of learning and repeated classroom sessions at the 2008 Oilheat Visions Conference held at Boston's Logan Airport Hilton last month proved to be a resounding success. The setup kept class sizes smaller while also allowing attendees to participate in virtually every session. At times, the record-setting attendance by industry members, with wholesalers, retailers, equipment manufacturers and others, reached more than 600 people. The conference was hosted by the New England Fuel Institute (NEFI), along with the National Oilheat Research Alliance (NORA) and the Petroleum Marketers Association of America (PMAA), in addition to participation from state associations. The conference, kicked off by a keynote address from Gulf Oil president Joseph Petrowski, was capped off with a session on biofuel mandates led by Ian Bowles, secretary of the Executive Office of Energy and Environmental Affairs in Massachusetts.



Cochairman Craig Synder, of Wesson Energy Inc. in Waterbury, Conn., said he

felt a "perfect moment" at the end of the conference.

"Success is bound to occur when all are focused and willing to work together to accomplish something special, something unique and different," he said. "We did have our 'imperfect moments,' but we stayed vigilant in our quest to give our industry a great conference."

Fellow cochairman Don Craft, of Gulf Oil in Newton, Mass., was also quick to laud the team that planned the conference, which focused on programs that would provide learning experiences that attendees could apply immediately to their businesses, from banking and hedging to customer service, instead of simply presentations.

"Together, we overcame the challenges, politics, personalities, etc., and designed and pulled off one of the most, if not the most, successful educational conference in NEFI's long, cherished history," Craft said.

Others who worked on the conference felt similarly.

"So much thought was given to delivering a truly valuable experience to the attendees, and it came across in the number of attendees and feedback we received," said Richard Goldberg of Warm Thoughts Communications, one of the track leaders for the conference.

Another track leader, Steven Abbate of Griffith Energy Services, also recognized that the team's ability to work well together directly led to the conference's success, for the committee and those attending.

"Working with the team on the NEFI Visions conference has been one of the greatest experiences of my professional career," he said. "I have never worked with such a great, professional, knowledgeable, fun team. I think we can all be very proud of our accomplishments. I would expect that this conference will be the buzz of the industry for many months, if not years to come."

Track leaders Jim Townsend of Townsend Fuel and Richard Larkin of Hedge Solutions expressed similar sentiment, with Larkin stating the conference was so satisfying that he would be willing to do the work again, which began in October 2007, "in a minute."

According to NEFI vice president and director of events Tracy Goodwin, the conference also saw record event sponsorships and exhibitors, and the silent auction fundraiser for the PMAA Political Action Committee (PAC) raised \$5,300—well over the \$5,000 goal for the year (see more on page 8).

"The overall success of Visions is truly the result of the collaborative efforts of

many," Goodwin said. "Tremendous thanks to all event sponsors, exhibitors, attendees, planning committee members, track chairs, presenters, participating associations and their staffs. The common goal for Visions 2008 was to provide real value—business strategies and tools for marketers to 'survive and thrive,' and the industry responded."

NEFI Membership Continues to Grow

The New England Fuel Institute (NEFI) has gained about 80 new members over the last 16 months; NEFI attributes this growth to a constant effort to increase its communication to potential members in the industry.

"The growth in membership comes from a style which (NEFI president and CEO) Shane Sweet started in Vermont," said NEFI chairman of the board, Chris Keyser of Owner Services in Proctor, Vt. "Namely, you do not have to be a part of the circle to get information from NEFI."

As an example, Keyser said that in 2007, the weekly NEFI e-mail bulletin, *NEFI Energy Online News* (NEON), went to about 700 people. Today, it goes out to more than 3,000.

Action Center, which provides a variety of benefits for members, including:

- A government relations staff that monitors developments in Washington, D.C., of interest to members, and acts when their interests are threatened
- Legislative Action Alerts and an Online Legislative Advocacy Center to provide constant feedback and information at the push of a button
- Experienced regulatory counsel in Washington, D.C., Mark S. Morgan, Esq., who provides updates and expert guidance on impending or proposed federal regulations; provides direct consultation to members dealing with legal issues related to compliance and enforcement
- Easy-to-understand compliance kits and bulletins and on-call assistance
- NEON: The weekly newsletter that keeps members up to date on developments in the halls of Congress and beyond

"The benefits of becoming a NEFI member have not changed much since the hiring of Shane," Keyser said. "What has changed, as evident above, is the effort to communicate the issues and the efforts to affect those issues important to members of the industry."

NORA Reauthorization Bill Introduced in Senate

Legislation to strengthen and make permanent the National Oilheat Research Alliance (NORA) has been introduced in the U.S. Senate, and the bill is in need of co-sponsors. Sens. Jack Reed and Olympia Snowe have introduced the bill in the Senate as S.3442. The bill would:

- Eliminate the sunset provision, which would otherwise require the act to be reauthorized every five years. Eliminating the sunset provision will ensure continuity of contracts and allow for long-term planning and initiatives.
- Expand the definition of "Oilheat" to include all distillate blend stocks used for home heating.
- Modify the funding mechanism to bring NORA into conformity with the federal propane check-off program.
- Make other technical changes (e.g., to establish a mechanism for additional states to join NORA, adjust vote ratios, etc).

You can contact your members of Congress in support of this legislation by visiting the NEFI Action Center online at www.nefiactioncenter.com.



"None of these efforts would have much effect if it were not for the content of the message," said Keyser. "This is where the emphasis provided by (NEFI vice president for public policy and communications) Jim Collura has given an outlet for political action, as well as pertinent compliance information on federal rules and regulations. Thus, dealers feel empowered."

Collura also serves as the director of NEFI's Legislative and Regulatory

Ethanol Blend Suppliers Should Mark Shipping Papers to Avoid Liability

The U.S. EPA issued a letter recently to gasoline retailers warning that it is illegal to sell ethanol blends above E10 for use in gasoline-only vehicles and engines. The EPA went on to explain that ethanol blends up to E85 may be sold for use in flexible-fuel vehicles and engines. According to the EPA, the illegal sale of blends over E10 to consumers with gasoline-only vehicles and engines exposes retailers, and possibly their suppliers, to significant civil penalties under the Clean Air Act.



The EPA letter recommended dispenser label warnings and other measures for blends over E10 to prevent retailer liability for misfueling. A supplier may potentially be held liable for misfueling if the supplier knew or should have known that ethanol blends delivered to the retail site were being used to fuel gasoline-only vehicles and engines.

While it is not a federal requirement, PMAA is recommending to suppliers who wish to avoid potential liability for misfueling to place the following warning on all product transfer documents for ethanol blends higher than E10 delivered to retail facilities: "Not for Use in Gasoline-only Vehicles and Engines."

Unified Carrier Registration May Be Required in Your State

The New England Fuel Institute (NEFI) has received reports of fuel dealers being cited for failure to comply with the U.S. Federal Motor

Carrier Safety Administration's "Unified Carrier Registration" (UCR). The program was created by Congress in 2005 and modified in 2008, when a new UCR program replaced the former Single State Registration System that used to apply only to for-hire inter-state motor carriers. Participating states require registration and payment of fee (based on fleet size). Additionally, implementation may vary by state, as states are permitted to expand the program to include intra-state transporters, including for-hire and private petroleum transporters who never cross state lines. To determine if you must register, contact your state association or visit www.ucr.in.gov for an instruction sheet, list of frequently asked questions and an online registration form.

Visions Silent Auction Raises More Than \$5,300 for Petroleum Marketer PAC

The NEFI Action Center-sponsored silent auction fundraiser at the 2008 Visions Conference raised a total of \$5,312 for the Petroleum Marketers Association of America (PMAA) Small Business Committee (SBC) PAC, well exceeding the 2008 NEFI goal.

Contributions to the PMAA SBC PAC are used to give financial support to candidates for national office that share industry concerns on key issues and that have a voting record that is in line with industry priorities.

Also, \$605 was raised for the American Red Cross Hurricane Relief Program (www.redcross.org) in the raffle held during the cocktail reception.

If you would like to make a direct contribution (up to \$5,000) to the PMAA SBC PAC by personal credit card, call PMAA at (703) 351-8000 or e-mail spitcher@pmaa.org. To contribute by personal check, make it out to "PMAA SBC" and send to ATTN: PMAA SBC PAC, 1901 Fort Myer Drive, Arlington, VA 22209. Only personal donations can be accepted and they do not qualify for a tax deduction.

To see a complete list of the prizes and winners, visit the Visions Web site at www.visions2008.org/winners.

RUMORS OF NEW 'PURPLE DYE' FOR KEROSENE MAY BE UNFOUNDED

A fuel dealer contacted NEFI recently for confirmation on a rumor that "kerosene is soon going to be called No. 1 stove oil and be dyed purple." NEFI regulatory counsel Mark S. Morgan, Esq., said that he seriously doubts that kerosene would be dyed purple. First, the IRS requires that kerosene either be dyed red, for nontaxable, or that it be clear, for taxable use. (Clear kerosene can also be sold tax-free from pumps that are blocked/barricaded in accordance with IRS requirements.) NEFI has not been able to confirm this rumor, and it is the organization's understanding that the IRS is not considering a second dye color for kerosene. The IRS must approve such a change through the regulatory process, and no such process has been initiated. Morgan's contacts at the IRS say they have never heard of such a proposal and it is unlikely they would support it. The reference to "stove oil" may be a reference to the Canadian name for kerosene, which is imported as "Canadian stove oil."

NEFI Welcomes New Members

New England Fuel Institute welcomes seven new members.

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Commonwealth Oil provides home heating deliveries, burner services and installations.

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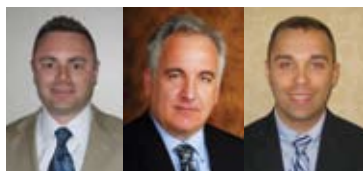
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Mark S. Morgan, Esq., New England Fuel Institute Regulatory Counsel: mark@nefi.com

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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.

Please respond to our request for a supporting contribution by mail Send check to NEFI LRAC, Box 9137, Watertown, MA 02471.

Or you may contribute online at www.nefi.com/payment.php Check the LRAC box and submit the completed form.

A list of NEFI's most recent and extensive achievements, made possible by LRAC funding, can be found at 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) 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
Wood's Heating Svc. E. Providence, RI

\$2,500 or more

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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
Dupuis Oil Co. Pawtucket, RI
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
Coan Inc. Natick, MA
Concord Oil Co., Inc. Concord, MA
Densmore Oil Company Mystic, CT
D F Richard Energy Inc. Dover, NH
Dolinsky Associates Cornwall, CT

...\$1,000 or more

East Providence Fuel Oil Co. Providence, RI
Energy Kinetics, Inc. Lebanon, NJ
Fraticeilli Oil Company Leominster, MA
Griffith Energy Services Columbia, MD
Horan Oil Company Stoughton, MA
H.R. Clough Inc. Contoocook, NH
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
Orange Oil Orange, 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
Brow Oil Braintree, 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
Huckleberry Heating Oils, LLC Boscawen, NH
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
Pioneer Propane Harrison, AK
L.F. Powers Co., Inc. Waterbury, CT
Reliable Oil & Heat Company Glenbrook, CT

...\$600 or more

Rowayton Fuel & Oil Company Rowayton, CT
Sherman Oil Company Brookfield, MA
Sochia's Oil & Gas, Inc. Douglas, MA
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
Lincoln Laboratories Leicester, MA
Madison Oil Co., Inc. Madison, CT
McCarthy Heating Oil Svc. Quaker Hill, CT
T.H. Malloy & Sons Cumberland, RI
Needham Energy, Inc. Needham, MA
Oil Heat Institute of RI Johnston, RI
Premium Fuels/AI'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
Rocky & Marciano Fuel Oil Inc. Holbrook, NY
R.L. Vallee Inc. St. Albans, VT
Thomas Fuel, Inc. Lunenburg, MA
HC Woodmansee & Son Inc. Hope Valley, RI

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

Visit www.NEFIActionCenter.com

2008 CONTRIBUTORS
as of September 17, 2008



Efficiency Testing Goes High-Tech

Digital Devices Offer Faster, More Reliable Results

DEALERS ARE PROJECTED TO SELL FEWER gallons of home heating oil this season and one major reason is that customers will be conserving more fuel this year due to higher prices.

However, service technicians can treat this as an opportunity, as simple annual efficiency tests can help optimize systems to burn less fuel. Though boilers manufactured since 1992 must have an Annual Fuel Utilization Efficiency (AFUE) rating of at least 80 percent, there are approximately 6 million units in the country that are 15 years old or older, according to the Oilheat Manufacturers Association (OMA). Though customers with newer units may not see the need for testing, those with older units could realize a large fuel savings.

"Many of these devices allow you to do a tune up very quickly and efficiently, seeing the results instantly."

Bill Spohn, Testo Inc.

With the continued development of more advanced and precise digital instruments, efficiency optimization can also be performed with fewer steps for faster results.

"Many of these devices allow you to do tuneups very quickly and efficiently, seeing the results instantly," said Bill Spohn, HVAC/R product marketing manager with Testo Inc., a manufacturer of portable measuring tools. "The results are now less of a judgment call."

NEW DEVICES

The advent of digital devices has streamlined the testing process beyond just offering quicker results. They can also give service techs a more complete picture of a heating unit's overall output. While older techniques provide only a snapshot of a system, many

digital devices are able to provide a constant, real-time stream of data. Depending on the device, this information can be saved right on the system, transferred to a computer or printed wirelessly at the site.

Testo has recently released the Testo 327 as a basic combustion analyzer for burners, boilers, furnaces and other appliances. According to Spohn, one of the advantages of the new analyzer is the do-it-yourself replacement of the sensor. Previously, the devices had to be sent back to the manufacturer every few years to get the maintenance performed.

"Now, techs don't have to worry about not having their equipment with them at all times," Spohn said.

The unit is pre-programmed to measure eight standard fuels, and also includes a fuel code for Bioheat®, which is now approved for use in all systems after the recent ASTM specification change.

Testo also offers the 330-1 LL, a more advanced device capable of testing for additional gases such as nitric oxides (NOx), as well as ambient carbon oxide (CO) and carbon dioxide (CO₂).

UEi recently released the Smart Bell combustion meter to complement its full-featured line of Eagle combustion analyzers. The Smart Bell offers an "electro-optical sensor," which the company said will lower the lifetime cost by negating annual replacements of the O₂ sensor and reducing calibration drifting.

Spohn said that the reliability of digital combustion analyzers has increased since they were first introduced and many are backed by longer warranties, but he understands why some businesses are reluctant to convert.

"Some businesses have bought cheaper units, or heard about bad experiences with

cheaper units, and that can turn them off upgrading at all," he said.

He said that he has been working to implement a set of standards from the Air-Conditioning, Heating, and Refrigeration Institute (AHRI) for digital combustion analyzers, to remove lower-quality units from the market and give dealers more confidence in those available.

ADVANCED DEVICES

The National Oilheat Research Alliance (NORA) has recently hosted meetings to discuss home energy assessments accredited by the Building Performance Institute (BPI) as a way for service departments to diversify their offerings. These assessments would go beyond just the heating unit to look at all the ways customers could become more energy efficient.

Two sources of home energy loss are thermal and air leakage, which can be detected using a variety of existing and emerging technology, according to Spohn. Testing shell and duct pressurization levels, as well as using thermal imaging, can measure just how much energy is being lost.

A recently released Testo device can aid dealers looking to be on the cutting-edge of energy assessment. The Testo 880 thermal imager features a video screen that gives a view of areas where heat is leaking or cooled areas where moisture is trapped.

Spohn admits that most service departments won't need thermal imagers to perform their regular tuneups, but as technology costs come down and dealers look to expand their offerings, thermal imagers could become one more tool for technicians to use.

For information on digital combustion analyzers, see www.testo.us or www.ueitest.com. 

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Joseph Petrowski, president of Gulf Oil, led off the 2008 Oilheat Visions Conference by telling the audience that as the industry changes, businesses must take advantage of new opportunities.

Gulf President Offers Vision of the Industry's Future *Petrowski Admits Challenges, But Sees Emerging Opportunities*

THE SPEAKER CHOSEN FOR THE KEYNOTE

address to kick off the Oilheat Visions 2008 Conference in Boston was not afraid to court a little controversy as he talked about the state of the industry and how to best prepare for the future.

Acknowledging that it wouldn't make him the most popular man in the room, Joseph Petrowski, president of Massachusetts-based Gulf Oil LP, said that chasing speculators is at best diversionary and at worst counter-productive for the home heating oil sector.

"Speculative excess is a symptom of the problem, not the disease," Petrowski said. He instead recommended a greater push for laws that would increase disclosure of financial details of futures contract trading, not banning the practice.

"Crisis breeds opportunity. This is a chance for America to grab the markets of the future."

—Joseph Petrowski, Gulf Oil president

Financial experts and industry groups have repeatedly cited excessive speculation in the futures market as the reason for record-high oil prices that peaked in July. Legislation to close the "Enron Loophole" was also touted as a major success for heating oil dealers. Other studies have blamed the price volatility on simple issues of supply and demand. However, as foreign futures markets are now being targeted for more regulation, Petrowski warned that pushing the trading offshore could create an even bigger problem, by moving the market beyond the regulatory scope of the United States government.

Petrowski has served as Gulf's president and CEO since 2005 and has extensive experience with global energy demand, domestic policy and trading infrastructures. Prior to joining Gulf, he was president of Consolidated Natural Gas Energy and president of Louis Dreyfus North America and Louis Dreyfus Natural Gas Liquids, an energy commodities trading firm.

In his address, Petrowski also challenged other common views about energy policy, including the topic of energy independence, which he called a "myth."

"What really matters in this world is energy security and balance," he said.

He said that increasing potential drilling sites in America is crucial and would lower prices immediately, even though drilling would not take place for several years.

"Suppose they said tomorrow that no new houses or buildings would be constructed in Chicago," Petrowski said. "Do you think the price of houses would wait to go up? And if they announced they were going to greatly expand the housing market, the price would go down immediately, because investors base prices on future supply."

He said another way to solve the balance problem is to open up drilling for private companies.

"State-run companies are revenue based," he said. "So they actually want to produce less as the prices go up, because they have met their quota."

Petrowski downplayed the effect that conservation would have on the market, instead saying that people should be focusing on efficiency.

"Higher BTU use is inevitable and to be celebrated," he said.

He recommended a focus on government aid in the form of credit support and tax credits for more efficient equipment, instead of solely encouraging conservation. He said that by encouraging increased efficiency, consumers would increase sales of new equipment, while also providing more service work for dealers.

In addition, Petrowski challenged the perception that the United States is much less efficient than other nations that are often cited as examples to follow. Considering the disparate climates and distance people need to travel to work in America, he said its rank among other countries is impressive.

Petrowski also showed an optimistic view of the future, despite the challenges many businesses face with rising costs and less credit.

"Crisis breeds opportunity. This is a chance for America to grab the markets of the future," he said, and proposed many ways businesses could do just that.

"Home heating oil dealers have service ability and knowledge that can be competitive advantages over other businesses," he said. Petrowski also proposed that businesses look into moving to multi-fuel capabilities, such as propane, in order to service a wider customer base. He also recommended that companies look at consolidation in order to reduce overall costs.

"There's an even bigger market out there for us," Petrowski said. "There are huge opportunities as we go forward." ☐

Has anyone seen my credit line?



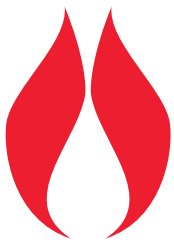
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Importance of Hedging Grows with Market's Volatility

IT'S NOT A QUESTION OF WHETHER YOU SHOULD hedge your oil purchases anymore, it's a question of how much, according to John Kilduff and Don Luke, both senior vice presidents of energy at MF Global, a broker of exchange-traded futures and options.

The pair offered a crash course in a variety of hedging programs for home heating oil dealers at the 2008 Oilheat Visions Conference in Boston in September, with the main message that hedging is no longer an option, it's a necessity in today's volatile market.

However, according to the 2008 Oilheat Survey from the accounting firm of Gray Gray & Gray, only 74 percent of dealers in the Northeast hedge their purchases for price protection plans.

With the volatility in the commodities market, including sharp price rises in heating oil, soybeans and corn, hedging can provide dealers with some financial stability and limited risk.

HOW TO START

The first step to hedging is understanding its purpose, the presenters said. Kilduff quoted the definition of hedging by the government's watchdog Commodities Futures Trading Commission (CFTC): Hedging is

"For dealers, hedging is not supposed to be a profit center. Hedging is a way to protect yourself; it's another form of insurance."

—John Kilduff, MF Global

taking a position in a marketplace opposite to a position held in the physical commodity to offset the risk of financial loss from adverse price change.

"For dealers, hedging is not supposed to be a profit center," Kilduff said. "Hedging is

a way to protect yourself; it's another form of insurance."

Dealers can begin hedging by either working with a financial institution or bank to determine the best method and amount to hedge or go directly to the exchange that offers contracts.

"Working with a financial institution can offer some better benefits because of the credit lines they may offer, while the exchanges require a certain margin payment on the contracts," Kilduff said.

One simple way for dealers to limit their cash exposure by hedging is to set up fixed-price supply agreements with their wholesalers and offsetting the sales to their customers by selling them fixed-price contracts.

ADVANCED METHODS

Futures contracts and swaps are other options for dealers to use to hedge their oil purchases. Each is a risk-shifting agreement where traders agree to deals based on the value of underlying assets, such as a commodity or stock. By locking in at a certain price, it's possible to make money as the asset's value rises, or sell it at that price when it goes down to make money.

Dealers can also use swaps settled against cash markets, like in the New York Mercantile Exchange (NYMEX). With these, the value of the contract is settled against the monthly average of the daily price.

Futures contracts include a date that the asset must be bought or sold, which differentiates it from another type of hedge, the options contract. When buying options, dealers are given the right to buy or sell the asset, but not an obligation. There are also different types of options contracts, which provide even more flexibility. Kilduff and Luke explained that the "put" option acts like

a price floor, and the "call" works like a cap. With a put, when the price goes down, you can sell the product at a predetermined price in order to make money and offset the risk of your physical purchase. When you buy a call, you have the right to take product from a seller at a predetermined price.

By using put options, dealers can use falling prices as a way to provide a benefit to customers who pay to be a part of the program.

"The end user and the customer can share the revenue and risk if you commit to put options," Kilduff said.

HEDGING BY COMMITTEE

Because of the numerous variables and amount of capital involved, Kilduff and Luke do not advise going about the hedging process alone within your company.

"Before you make any moves, you should create a risk management committee to outline the hedging strategy," Luke said.

They also said to completely understand the financial commitments that are required, such as banks asking for collateral on the hedges. Purchasing a system to track and mark all positions is also necessary. Software as ubiquitous as Microsoft Excel can be used for these purposes, or you could purchase a specific tracking tool like Hedge Insite.

Above all, keeping all top management involved and setting up cross-checking policies is key, to make sure that all moves are transparent and well thought out. Even though these moves are meant as insurance, it does not guarantee they will always move in predictable ways.

"Never assume the worst is not going to happen," Luke said.

For more information, contact your local financial institution or Kilduff and Luke at MF Global at (212) 589-6365. ☐



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Ian Bowles, left, secretary of the Executive Office of Energy and Environmental Affairs in Massachusetts, and Michael Ferrante, president of the Massachusetts Oilheat Council, spoke at the 2008 Oilheat Visions Conference about how the state's mandate became law.

The Inevitability of Biofuels

Effort Underway to Prepare Dealers and Consumers for Mandate

THE OILHEAT VISIONS 2008 CONFERENCE ended fittingly with a look toward the future of the home heating oil business, where an emphasis on biofuels is all but assured with the latest mandates being discussed by state governments.

Ian Bowles, secretary of the Executive Office of Energy and Environmental Affairs in Massachusetts, led the seminar by discussing the recent biofuels mandate approved by Gov. Deval Patrick, the first in the nation to include a specific home heating oil mandate.

Bowles has nearly 20 years of experience in the energy and environmental sectors, including advising or directing three clean energy technologies companies and serving as associate director of the White House Council on Environmental Quality and senior director of the Global Environmental Affairs directorate at the National Security Council.

“Even if you’re not buying biofuel yet, you should be educating your consumers about it.”

—Paul Nazzaro, Advanced Fuel Solutions

“Some people see the current energy situation as a reason for panic and worry, but Gov. Patrick saw it as a potential for economic advancement,” Bowles said.

Under the law, An Act Relative to Clean Energy Biofuels, signed by Patrick in late July, all home heating oil and diesel fuel must have a minimum of 2 percent biofuel by 2010 and increasing by 1 percent each year until it reaches 5 percent in 2013. There is also a gas-tax incentive for cellulosic ethanol that is projected to create 3,000 new jobs in Massachusetts and pump \$320 million into the economy as the advanced ethanol is brought to market, according to Patrick.

Currently, 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 and regulations for the mandate, a process that Massachusetts Oilheat Council (MOC) president Michael Ferrante said the group is heavily involved in.

“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,” he said.

It is not surprising that Massachusetts has led the way in biofuel acceptance, Bowles said, as Patrick has signed several energy bills to advance the state’s use of clean fuels and creation of new jobs to support that industry. He also said that the state is working on “the nation’s most flexible, but powerful, law for carbon taxes.”

Bowles acknowledged that built into the bill is the possibility of a delay in the mandate going into effect but said there is no sign of that happening right now and urged businesses to prepare meeting the criteria.

Other states have also created biofuel mandates, though not specific to home heating oil. Pennsylvania Gov. Ed Rendell signed legislation in July that will help spur the development of homegrown biofuels 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.

Rendell also believes the requirements 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 the

bill, 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.

NATIONAL OUTPUT

This increase in biofuel production is happening across the country, according to Paul Nazzaro, president of Advanced Fuel Solutions Inc., who represents the National Biodiesel Board’s (NBB) petroleum education programs.

“We’ve experienced massive growth,” said Nazzaro. “Midwest states can take advantage of unused farmland and help contribute to Bioheat® production for the rest of the country, even though their heating oil use is very limited.”

In 2005, biodiesel production was just 75 million gallons, according to NBB estimates. Its members reported production of 450 million gallons from Oct. 1, 2006 through Sept. 30, 2007, but that number could easily triple in the next year if all plants produced at a high level, according to production capacity estimates.

Much of this production has not even been used in the United States, however. According

to Nazzaro, 80 percent of 2007's biodiesel was exported to other countries.

"We just haven't built a domestic market yet," he said.

Biodiesel's prospects received a boost in June when the ASTM approved long-awaited specifications for biodiesel blends. Those specifications include changes to the existing B100 biodiesel stock specification, finished specifications to include up to 5 percent biodiesel (B5) in the conventional petrodiesel specification, a new specification for blends of between 6 and 20 percent biodiesel for on- and off-road diesel and, most importantly for the industry, specifications for inclusion of B5 biodiesel in heating oil.

MARKETING BIOHEAT®

The NBB is hoping to springboard off the boost provided by launching a new campaign to market Bioheat to both heating oil dealers and consumers.

"If you want to survive this market, you have to start by diversifying your business," Nazzaro said.

He said that the focus of the campaign will be the energy security and environmental benefits of Bioheat, which are two of the most important factors for consumers. A Web site highlighting those aspects would be a major part of the campaign, and companies could host the material themselves and customize it.

"Even if you're not buying biofuel yet, you should be educating your consumers about it," Nazzaro said.

He said the NBB will also open a hotline dedicated to answering questions for consumers about Bioheat and any equipment concerns or problems they have.

"We want to have a coordinated effort to mitigate fuel problems before and after these mandates take place," he said. "We want to ensure the customer's peace of mind."

Nazzaro also wants to assuage dealers' concerns about some aspects of biodiesel and Bioheat that are either exaggerated or wrong. He said that supply will not be a problem if all the plants ramp up their production in anticipation of the market, though getting the fuel to all dealers could be difficult in the beginning, as the storage, blending and distribution infrastructure forms.

The stability of the product, which has also been questioned, can be remediated just like normal heating oil, Nazzaro said.

And though the quality of the biofuel, whether coming from soy bean oil or greases and palm oil, is often a question in dealers' minds, Nazzaro said that can now be put to rest.

"All of these fuels will have to meet the ASTM spec, so you know what you'll be getting," he said. ☐

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New Group Plans Ambitious National Oilheat Campaign

THOUGH THE NATIONAL OILHEAT RESEARCH Alliance (NORA) promotes the industry in a variety of ways—such as offering training and providing information to customers—it is prevented by its charter from ever comparing Oilheat to competing energy sources in order to highlight any advantages.

With natural gas companies exploiting that by running campaigns to convince homeowners to convert, a new group that recently held its first meeting in New York hopes to become the voice of the industry, uniting fragmented companies across the nation that rely on Oilheat to survive.

“I hope at the end of this meeting, everyone will see the American Energy Coalition (AEC) as the answer to the industry-wide crisis we are facing,” said Dan Vessio, president of Nulite Fuel Oil, to the gathering of dealers, retailers, equipment manufacturers and association members.

“We want to run a NORA-style campaign doing what NORA can’t.”

Martin Romanelli, Romanelli & Son

Vessio serves on the AEC’s Executive Committee along with Michael Anton, CEO of Heating Oil Partners; Christopher Behrens, president of Dowling Oil; Neil Bianco, senior vice president and general manager of Champion Energy; Dan Donovan, president and CEO of Star Gas/Petro; and Martin Romanelli, president of Romanelli & Son.

“We want to run a NORA-style campaign doing what NORA can’t,” Romanelli said.

The AEC is based off the structure of the Metropolitan Energy Council (MEC), which existed for about 24 years, until 2004, representing the industry in the Northeast. It ceased functioning mainly due to a lack of funding from state associations.

Instead of looking solely to state groups,

the AEC is hoping to attract broad-based interest from those involved directly with heating oil and also the banks and lawyers who frequently work with and rely on the industry. The AEC is currently looking for funding in order to begin radio and television advertisements and also plans on developing an Internet presence and offering press releases to dealers in order to educate customers.

Richard Rutigliano, president of Primedia, the company behind the campaign, gave a presentation at the meeting that highlighted how necessary a strong national effort would be to combat the resources and reach of conglomerates such as National Grid, which spent \$4.3 million on advertising in the Northeast alone in 2007.

“The utility gas companies are giving consumers what they want to hear and they’re not hearing anything from our industry,” Rutigliano said, citing a National Grid Web site that touted the price, environmental impact, safety and rebates available for natural gas over oil, according to the company.

Rutigliano emphasized the importance of getting the campaign running as soon as possible, because according to the Census Bureau there are 900,000 fewer houses using Oilheat in 2006 than 2000, even though oil had a price advantage over other types of energy in those years.

“Home retention is the key to survival,” he said.

The AEC campaign would begin by debunking many of National Grid’s claims, while also personalizing the home heating oil industry.

“We want to show that this business is mostly made up of independent Oilheat dealers, not an international conglomerate like National Grid,” Rutigliano said.

There would also be an effort to educate consumers and dealers about the energy

and financial savings that can be reached by simply upgrading Oilheat equipment.

Television and radio would not be the only way the group promotes the industry.

“We want to reach the consumer everywhere: at home, at work and on the road,” Rutigliano said.

Advertisements will be placed on billboards, in railroad stations and on train cars, featuring the group’s logo and short statements that reinforce the advantages to using Oilheat.

There are also benefits that are unique to members who contribute to the AEC. The group will provide “leave behinds” that companies can give to customers with bills or during delivery drops that give more information about Oilheat’s advantages.

Members will also be able to use the AEC logo and access a members-only section of the group’s Web site, where they can find pre-written articles to use for their own sites and newsletters.

Beyond the promotional tools and literature, AEC also plans employee-training seminars, to give those who interact with customers help on how to answer potential questions about oil-to-gas conversions.

As of August, the group had raised almost half of the \$2 million necessary to begin the campaign, but stressed that reaching that amount is not the ultimate goal. Instead, the group’s reach is expected to grow with the funding, with the objective of reaching West Coast businesses and consumers by the third year.

“Our intent is to include everyone who makes a living from the heating oil industry,” Donovan said. “If we don’t act together, I don’t think it’s going to be that effective a campaign.”

See www.americanenergycoalition.net for more information. 



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 CO₂ 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 O₂ sensors and a longer life CO₂ sensor providing more reliable and trustworthy measurements. When asked for a response his opponent the CO₂ 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 Puredst 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.





Lending a Hand

SBA Offers More Details on Loans for Dealers this Heating Season

Editor's note: Last month, Oil & Energy provided information about the recent rule change by the Small Business Administration (SBA) that would allow more home heating oil dealers to receive loans. An SBA representative presented a seminar at the recent 2008 Oilheat Visions Conference that expanded on the plans available and provided new details specifically for the industry.

WITH MORE THAN 90 PERCENT OF HOME heating oil companies now eligible to receive loans backed by the Small Business Administration (SBA) thanks to a recent rule change fought for by the New England Fuel Institute (NEFI), the government organization has continued its efforts to provide information about its services to as many in the industry as possible.

That outreach continued at a well-attended presentation held on the final day of the 2008 Oilheat Visions Conference in Boston by Anne Rice Hunt, the lead lender relations specialist at the Massachusetts SBA.

"We've really tweaked our programs to help this industry as much as possible," she said.

The SBA offers loan guarantees to lenders of 85 percent for loans up to \$150,000 and 75 percent on loans from \$150,001 to the maximum of \$2 million. If one owner has multiple businesses, that maximum loan amount is for all the businesses combined.

She stressed that the purpose of the program was to provide money for businesses ahead of the heating season to use for fuel or equipment or to restructure debt; the funds will not be given to help start a new business.

Also, even though there was a change in size standards, from \$11.5 million in average annual receipts to businesses with less than 50 employees, there are still other eligibility requirements in order to obtain the SBA-backed loans.

The SBA will look at grant requests to make sure that owners are of "good character," pass the organization's personal resource test, demonstrate the ability to pay back the loan and are not involved in lending, real estate development, investments or speculation.

To receive debt refinancing, businesses must meet other criteria. The loan must result in a "substantial benefit" to the applicant, with the SBA looking for a 20 percent decrease in monthly payments. If businesses are trying to refinance demand and interest-only loans or balloon notes, they will automatically meet the "substantial benefit" test.

In return, businesses gain access to loan programs that Hunt called "unheard of," because banks cannot conventionally offer them. The loans are rare because of the terms offered, which include flexible maturities. These can be up to 10 years for working capital or up to 25 years for fixed assets, such as real estate, construction or equipment. Also, the interest rates are negotiated between the borrower and lender and typically cannot exceed the prime rate plus 2.75 percent.

The size standard of 50 employees can be increased to 75 if the business is located in a "labor surplus area," as defined by the SBA.

VARIETY OF OPTIONS

The basic 7(a) loan program, which Oil & Energy covered in detail in the September

issue, was just one of the many that Hunt reviewed at the presentation. While the 7(a) program may be used to purchase machinery, finance receivables, refinance debt, finance seasonal lines of credit and most other business uses, there are special programs that are fine-tuned for home heating oil dealers.

One of these programs is the CAPLines loan, which is a subprogram of the 7(a) loan. It's designed to provide short-term or cyclical working capital, with repayment based on the cash cycle rather than cash flow. Hunt said this type of loan is generally for established small businesses, not start-ups.

The SBA also offers a seasonal loan program, which can be perfect for home heating oil dealers looking to build inventory for the heating season, Hunt said. Borrowers can only use the loan to finance seasonal increases in accounts receivable and not to maintain activity during the slow periods of the business cycle. The business must have existed for at least one year in order to receive the loan.

Dealers can also tap into another asset-based revolving line of credit if they cannot meet credit standards for long-term loans. This program provides help for cyclical growth and short-term needs. For businesses with either private- or government-contracted work that requires cash upfront to pay for labor or materials, there is also a specific SBA program, Hunt said.

The SBA Express Program is one of its most popular offerings, available for loans or revolving lines of credit up to \$350,000, Hunt said. The program is especially useful for heating oil dealers because of the quick turnaround time. Instead of using SBA forms,

the lender's processes and procedures are followed, though it only comes with a 50 percent SBA guaranty.

However, there are additional benefits to the Express Program, according to Hunt. The banks can use the familiar credit score ratings to determine eligibility, making the process quicker and businesses can receive a credit card to directly tap into the line of credit. Also, lenders are not required to take collateral for Express loans of up to \$25,000.

Based on the success of the Express Program, the SBA launched the Patriot Express Loan, Hunt said. They are similar programs, though the Patriot loan is a pilot program available through Dec. 31, 2010, to businesses owned by veterans, reservists, National Guard members and current or widowed spouses of those groups. The Patriot program also features a loan of up to \$500,000.

While the Express loans can give businesses approval almost instantaneously electronically, it can take a week to 10 days after applying to get a response from the SBA for other programs.

REQUIREMENTS

Hunt outlined the various requirements for businesses to apply for an SBA loan guaranty. The information needed is:

- business plan;
- resume, personal tax returns and financial statement;
- accounts receivable/payable and financial information for three years;
- projections with reasonable assumptions.

If a business needs help compiling the statements, Hunt said the SBA has SCORE offices and Small Business Development Centers across the country with staff who can provide assistance.

Hunt also gave detailed information about the SBA's collateral policies and the fees associated with getting a loan guaranty. While liens may be required on personal assets, that is at the discretion of the lender. However, Hunt said that loans are not declined for insufficient collateral.

There are two factors in determining the guaranty fees—which can be financed—the loan amount and term length. For loans of one year or less, the fee is .25 percent of 1 percent, based on the gross dollar amount of the loan, regardless of the size. For loans of more than a year, the fee is 2 percent for up to \$150,000, 3 percent for loans to \$700,00 and 3.5 percent for loans up to \$2 million, with a .25 percent surcharge on loans of more than \$1 million.

For more information or to contact an SBA office near you, go to www.sba.gov or www.score.org.



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Hand-additizing from these jugs is inexpensive, but may increase the chance of an error.

Updated Techniques for Additizing Heating Oil

By Rick Trout, Fuel Advantage/Avalux

THE POOR QUALITY OF SOME HEATING OIL IS

widely recognized and the ability of additives to improve fuel quality is generally acknowledged. If a heating oil retailer embarks on an additive program, an important decision is how to blend the additive into the heating oil.

Five years ago, I wrote an article that discussed various techniques available to treat fuel, but much has changed since then. In this update, I will recap older methods and interject newer techniques, so that you are aware of the full range of options and the pros and cons associated with each one.

HAND-ADDITIZATION

If the retailer has a bulk plant, the transport drivers can hand-additize incoming loads. This method protects heating oil from degrading in both the bulk plant tanks and the retail customer tanks. It is a simple, effective and cost-free approach. However, someone has to put the additive into plastic jugs (from 55-gallon drums) and the driver may forget to treat a load. Driver errors are not as likely if the retailer owns the transport and employs the driver.

"I have found that inconsistent programs—where drivers are unable to get into a routine—have high potential for confusion and errors."

If the retailer doesn't have a bulk plant, the delivery truck driver can pour additive into the truck tank before he loads fuel into the tank, using plastic jugs provided by the chemical supplier. Here again, this technique is simple, effective and inexpensive, but requires filling jugs with additive and the driver may forget to treat a load.

MECHANIZED-ADDITIZATION

Another way to additize shipments coming in is to install a bulk plant injection system. This option typically consists of a metering pump and electric motor, a flow switch and a 275 or 330 heating oil storage tank, for additive storage. Additive suppliers and bulk plant contractors can recommend reliable and effective metering pumps, some of which are very economical. Since the offloading fuel



Bulk plant injection systems can treat a large volume of fuel at once, but are more costly than other methods.

triggers the flow switch, which activates the pump, there is no additive handling and no forgetting to additize. The disadvantages associated with this technique are cost of equipment and installation and the unlikely possibilities of equipment failure and additive run-out.

A bulk plant injection system can also be used to treat heating oil at the rack, i.e., as the fuel flows from bulk storage into the delivery truck. This method is employed when a retailer doesn't want to additize all of his heating oil, usually because he has a large volume of wholesale business and/or

commercial business. Therefore, the rack must be set up to selectively deploy additive, which increases the cost of the injection system and perhaps introduces the possibility of human error. There is still no additive handling, which is a big plus, however heating oil in bulk plant tanks is not protected from storage degradation.

If the retailer doesn't have a bulk plant, he can install delivery truck additive injection systems. This option typically consists of an injector, a mechanism that activates the injector when heating oil is being pumped off of the truck and an additive tank. Equipment recommendations can usually be obtained from additive suppliers and some systems are modestly priced and easy to install, although they are obviously more expensive than plastic jugs. In that chemical injection during fuel delivery is automatic, there is no forgetting to additize. If the additive tank is 15 gallons or so, the driver must refill it once a week or less frequently and no other chemical handling is required. An additive run-out warning light on the tank or installed in the truck cab is advisable. On-truck injection systems are particularly desirable on trucks with bottom-loading.

TERMINAL-TREATED HEATING OIL

A simple way to opt into treated fuel is to buy additized heating oil at a supplier's terminal rack. There is no handling of additive and you don't need to purchase injection equipment.

However, in order to effectively improve fuel quality, you must additize all of the heating oil you purchase. Do you want to limit your purchases to one or two suppliers

who sell terminal-treated fuel? If not, how will you additize heating oil purchased from other suppliers? Should you instruct your delivery truck drivers to rack-additize some loads and hand-additize other loads? I have found



An on-truck injection system is an efficient way to additize fuels.

that inconsistent programs—where drivers are unable to get into a routine—have high potential for confusion and errors. Remember, some of the techniques described in this article have virtually no vulnerability to human error.

SERVICE TECH FUEL TREATMENT

Another method of treating heating oil is to have the service technician pour a few ounces of additive into the home fuel tank when he performs the annual tune-up. If the chemical is packaged in small plastic bottles, additive handling is negligible and, in all cases, treatment is simple and infrequent. The theory behind this method is over-treating the heating oil initially, so that when the additized fuel is diluted by subsequent untreated fuel deliveries, the chemical in the commingled fuel will still be sufficiently potent to upgrade the quality of the untreated deliveries.

Does the math substantiate this theory? If an additive has a recommended treat rate of 1 gallon of additive to 12,000 gallons of heating oil and the service tech pours 8 ounces of chemical into 250 gallons of fuel, the heating oil is receiving three times the recommended dose. If the additive contains a dispersant, a triple overdose may act too aggressively on (“shocking”) existing tank sludge, causing it to break apart and clog the filter, rather than gradually dissolving into fine particles in the fuel that will pass through the filter.

Subsequently, if 170 gallons of untreated heating oil are delivered every time the fuel in storage drops to 85 gallons and there are four deliveries during the winter, the additive dose will be 100 percent of the recommended treat rate after the first delivery, 33 percent after the second delivery, 11 percent after the third delivery and 4 percent after the fourth delivery. Retailers will have to decide if the additive is sufficiently effective at 33, 11 and 4 percent of the recommended treat rate.

NO PERFECT TECHNIQUE

As you have seen, there are multiple options available for additizing heating oil. They all have pros and cons and there is no perfect technique. However, some have downsides that are rather inoffensive and almost all retailers can find a method that suits them well. Even if you undertake a minor investment in equipment, the cost of additizing versus the cost of today’s heating oil is so minor and the benefits are so compelling that no one should have to put up with poor fuel quality and the unnecessary service calls that come with it. ☑

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SENATORS ASK FOR INVESTIGATION INTO CFTC REPORT

The recent Commodity Futures Trading Commission (CFTC) report that found no evidence of excessive speculation in the run-up of energy commodity prices has come under fire from Democratic leaders in the Senate. Sens. Ron Wyden, Maria Cantwell, Byron Dorgan and Bill Nelson asked the CFTC inspector general to investigate the role the agency played in influencing the findings of the interagency task force assigned



to write the report. The senators charge that the CFTC steered the task force to its conclusion by knowingly supplying “seriously flawed” data that significantly undercounted the number of non-commercial trades. The task force’s report released in July said the increase in oil prices over the last five years was due largely to fundamental economic forces such as supply and demand and not excessive speculation. Specifically, the senators asked the inspector general to investigate how the report was prepared and why it was released after the CFTC staff had determined that critical information upon which it was based was inaccurate. They also asked the inspector general to look into “the suspicious timing” of the report which was released just before a key Senate vote on a pending bill related to speculation.

LEGISLATION WOULD INCREASE BIOFUEL DISPENSING INFRASTRUCTURE TAX CREDIT TO \$100,000

Reps. Herseth Sandlin and John Shimkus have introduced bipartisan legislation that would increase the Alternative Fuel Vehicle Refueling Property credit, which allows gas station owners to claim a 30 percent tax credit for the cost of installing clean-fuel vehicle refueling properties up to a maximum of \$30,000.

The E85 and Biodiesel Access Act would raise the amount of the credit from 30 percent of the cost of qualifying property to 50 percent up to a maximum of \$100,000, and allows station owners to claim the value for the entire cost of dual purpose fuel dispensers (currently the IRS limits the credit to the amount a dual purpose fuel dispenser exceeds the cost of equivalent conventional refueling dispensers).

The bill does not yet have a Senate companion bill, but the E85 and Biodiesel Access Act is likely to be rolled into a larger energy package next year.

FED CORRECTION SHOWS SPECULATORS CONTROL 81 PERCENT OF MARKET

The federal Commodity Futures Trading Commission (CFTC) recently revised a report to show that non-commercial, pure investment speculators—energy market traders who never intended to take possession of the energy they buy—control 81 percent according to the *Washington Post*. Prior to the revision, CFTC acting Chairman Walt Lukken repeatedly stated that non-commercial speculators were not a factor in rising prices.

In fact, Lukken released a “preview” of a Bush administration investigation of speculation scheduled for final release on Sept. 15 that stated that speculators were not a dominant force in the run-up in energy prices.



The CFTC has said that the *Post* article is factually incorrect and that speculators only control 50 percent of the market, according to *Bloomberg News*.

ISSUES WITH ULSD REPORTED

According to the Petroleum Equipment Institute (PEI), the national transition to ultra-low sulfur diesel (ULSD) is adversely affecting some petroleum equipment. It has been nearly two years since the transition began and according to PEI, they did not “expect to see any problems in storing, metering or dispensing the new ultra-low sulfur diesel fuel.”

It has been reported in some cases that ultra-low sulfur diesel is corroding metal components of the diesel storage system and causing filters and strainers to clog with rust. One member investigated several storage systems—all with fiberglass tanks—and found corrosion in the tank riser pipes, inside the STP housing, at the pipe above the STP and the pipe fittings at the STP, and inside the strainer housing. Another member reported rust inside the dispenser fittings before the strainer. Contributors to the PEI Forum reported gasket and seal problems in pumps and meters and rust clogging PLLDs.

The reports PEI received do not appear to reference isolated instances, but instead

identify a problem that ULSD marketers and users might have to deal with as long as they use fuel made to the ASTM D-975 specification.

E-20 DISPENSING CAPABILITIES

A recent survey by the Petroleum Equipment Institute (PEI) found that less than 10 percent of fueling facilities in the U.S. are presently capable of storing, metering and dispensing E-20 without eventual equipment failure. Survey respondents cited the following equipment that needed to be replaced due to E-20 incompatibility: dispensers, submersible pumps, hanging hardware, release detection equipment, tanks piping and spill containment. PEI shared the survey results with the EPA. Currently, federal law restricts blends of E-10 or below to gasoline-only engines. Only flex-fuel vehicles are permitted to burn gasoline with an ethanol content above E-10. Marketers should not be concerned about the compatibility of E-10 blends with existing dispensing and storage equipment.

DOE TO INVEST \$7 MILLION TO SPEED CLEAN ENERGY COMMERCIALIZATION

The Department of Energy (DOE) recently announced that it will invest up to \$7 million to accelerate the process of moving clean energy technologies from DOE’s national laboratories to the marketplace. The venture capital funding will support activities such as prototype development, demonstration projects and market research for technologies developed at the national laboratories. DOE’s Argonne National Laboratory, Lawrence Berkeley National Laboratory, Lawrence



Livermore National Laboratory, Los Alamos National Laboratory, Oak Ridge National Laboratory, Pacific Northwest National Laboratory and Sandia National Laboratories will all receive between \$500,000 and \$1.5 million of commercialization funding.

DOE’s national laboratories are at the forefront of renewable energy and energy efficiency technology research, and this funding will accelerate progress by encouraging private industry to partner with the national laboratories and ultimately bring new clean energy and energy efficiency technologies to the market.

COMSTAR RELEASES REUSABLE FLUSH INJECTOR

ComStar International Inc. recently introduced a reusable interior coil flushing tool.

The CF-20 Flush Injector is a reusable service tool used to clean out contaminants such as acid, moisture, carbon and oils from air conditioning linesets after a compressor



burnout and before refrigerant conversions and retrofits. Because the CF-20 Flush Injector can be refilled with a flushing agent, it can be used repeatedly. CF-20 was designed to clean lines after a burnout and during the

time of the change over from mineral to POE oils.

The CF-20 Flush Injector cylinder can be pressurized with nitrogen at the job site and comes with an on/off valve. The cylinder comes with a 3-foot long refrigeration hose and blow gun with a cone-shaped soft Viton tip to assure a tight fit into a line. One full cylinder of approximately 30 ounces will clean a 10-ton system. Visit www.comstarproducts.com for more information.

VENT RISER ALLOWS HIGHER TERMINATION POINT

Field Controls has released the Vent Riser for situations where power vent termination comes out below grade or without enough ground clearance to meet code. "The Vent Riser effectively raises the vent termination approximately 31 inches vertically," according to Tim Begoske of Field Controls.

"This allows the contractor to terminate power-vented and direct-vented furnaces and boilers per code by simply digging down to the sidewall penetration and attaching the Vent Riser to the ductwork."



There are two models—one with a Field Direct termination for direct vent oil-fired appliances, the other with a ComboVent motorized termination for use when power venting is required. Both are double-walled to accommodate combustion air intake (oil appliances only) as well as combustion gas exhaust.

The ComboVent Vent Riser will be available this fall through wholesale outlets. The FieldDirect Vent Riser will be available through original equipment manufacturers.

For more information, visit the Field Controls Web site at www.fieldcontrols.com or call (252) 522-3031.

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A Cranston, R.I., native, Jack Reed was first elected to the Senate in 1996. Prior to serving in the Senate, Reed was a three-term member of the U.S. House of Representatives from Rhode Island's 2nd Congressional District.



Senator Says Balanced Energy Plan Needed

Editor's note: The responses herein are the expressed views of Sen. Jack Reed, D-RI, and do not necessarily represent the viewpoint of this magazine or its publisher, the New England Fuel Institute (NEFI).

We have requested a response from Sen. Olympia Snowe, R-ME, to the same set of questions, with an anticipated publication in the November issue. Sens. Reed and Snowe are currently co-chairs of the Northeast-Midwest Coalition, a research organization that works for economic vitality, environmental quality and regional equity for Northeast and Midwest states.

WITH LEGISLATION TO PROVIDE MORE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP) funding, increase futures market transparency, continue biofuel tax credits and reauthorize the National Oilheat Research Alliance active, it seems major energy policy is being debated each week by the United States Congress.

Sen. Jack Reed, the two-term Democrat from Rhode Island, who is up for re-election this year, has been at the center of many of those debates due to his role as a member of the Senate Appropriations Committee and his cosponsorship of important energy bills. Reed recently answered questions from *Oil & Energy* about his views on potential legislation and other issues that would directly impact home heating oil dealers.

You've stated many times that the United States needs to reduce its dependence on foreign oil. What steps do you support to reach that goal?

America's reliance on fossil fuels jeopardizes our economy, our national security and the health of this planet. The United States

"I will continue pushing to get the full \$5.1 billion in funding for LIHEAP. This level of funding will allow states to deliver critical energy assistance to people in need and help more struggling families keep their heat turned on."

consumes about 21 million barrels of oil a day, about 25 percent of world consumption. With only 1.5 to 3 percent of the world's oil reserves, it's not tenable to expect or suggest that we can meet our energy needs without a reduction in petroleum demand. The only way to reduce our dependence on foreign oil is to use less of it.

We need a comprehensive, balanced plan that promotes more efficiency and conservation and doesn't just rely on increased oil drilling. For example, in places like Rhode Island and the Northeast, simply weatherizing a home can reduce a homeowner's energy consumption and

significantly lower their heating and cooling costs by as much as 32 percent. Replicating that savings across the country can quickly add up. According to the Department of Energy, the Weatherization Assistance Program reduces energy consumption by 17.9 million barrels of oil each year. Extending tax incentives for the purchase of energy-efficient appliances, furnaces and insulation would also go a long way toward curbing our addiction to foreign oil.

But the area with the greatest potential for reducing oil dependence remains transportation, which accounts for 70 percent of our demand. After years of Republican obstruction, Congress finally passed legislation last year that will increase fuel economy standards for cars and trucks to 35 miles per gallon by 2020. This alone will cut oil consumption by approximately half the amount we import from the Persian Gulf today. Frankly, the Department of Transportation should be using the authority it has under the law to raise standards beyond that level. With developments in energy saving technologies along with soaring gasoline prices, it's both technologically and economically feasible to raise this standard.

You have joined Sen. Olympia Snowe to sponsor the National Oilheat Research Alliance (NORA) Reauthorization bill of 2008. Please explain why you support NORA

and the importance of this legislation.

NORA is an outstanding program that has been at the forefront of creating energy-efficient heating equipment at no cost to taxpayers. When the price of heating oil is over \$4 a gallon, using less fuel is one of the only ways that families can bring down their bill while still keeping their home safely heated. It is important that we develop and maintain programs like NORA that improve energy efficiency.

You have said that energy efficiency is a key to energy independence. What steps would you take to promote more efficient use?

Energy-efficient technologies pay for themselves in the long run, but for many consumers the initial investment is cost prohibitive. That is why I've fought to increase funding for the Department of Energy's Weatherization Assistance Program. This program provides seniors and low-income households with basic home improvements—like added insulation, weather sealing and efficient heating systems—which provide savings over the lifetime of the house. But it is also critical to fund more research and development to advance technologies such as energy-efficient appliances, green buildings and advanced high-power batteries. And if we're serious about it, we need to find a way through the tax code or another avenue to reward those who invest in efficiency.

Your support for increased funding for the Low Income Home Energy Assistance Program (LIHEAP) is well known throughout the industry. Do you see a real funding boost for the program coming in the next Congress?

I think that it's critical to provide increased LIHEAP funding immediately. Despite a record number of utility cutoffs, skyrocketing energy prices and forecasts of even higher prices for the coming winter, President Bush actually called for a 22 percent cut to the LIHEAP program this year. There is strong bipartisan support among my colleagues in the Senate for providing additional LIHEAP funds now. Sen. Obama has been a strong supporter of LIHEAP, but as with so many issues, Sen. McCain has often sided with the Bush administration. But regardless of who our next president may be, I will continue pushing to get the full \$5.1 billion in funding for LIHEAP. This level of funding will allow states to deliver critical energy assistance to people in need and help more struggling families keep their heat turned on.

You have cosponsored legislation to limit excessive speculation in energy trading. Do you believe the government should do more

to increase transparency and accountability in the commodities markets? How do you think this would affect prices?

This year, we've seen oil climb to over \$145 a barrel and in a matter of weeks fall to \$90, even as hurricanes closed crude production in the Gulf of Mexico and major refineries along the Gulf Coast. While consumers have cut back on consumption, driving less in response to higher prices, there seems to be

"Without incentives, cash-strapped localities will stick with fuels that do not reduce our dependence on foreign oil or reduce greenhouse gas emissions."

—Sen. Jack Reed



more at play in the fluctuation in oil prices than just supply and demand. With a doubling of the number of speculative trades in the last eight years on regulated markets, as well as an increase in unregulated trades, there must be greater transparency. The Commodity Futures Trading Commission (CFTC) should also have greater authority and resources to examine trades. In the Farm Bill enacted this summer, I supported the adoption of a measure to close the so-called "Enron loophole," requiring greater federal oversight in "over-the-counter" energy trades. But there remain too many other gaps in federal oversight. While I've cosponsored several measures to try and address them, our efforts have been blocked on the Senate floor. Regardless of the price at the pump, these are reforms that we should put on the books to protect consumers.

Without question, Bioheat® acceptance is taking off. Massachusetts recently became the first state to pass a biofuel mandate for home heating oil and New York has passed a homeowner Bioheat tax credit. Would you support such measures at the federal level or do you think it is better left to states?

I support the increased use of biofuels and incentives to encourage their use. In addition to being renewable, biofuels are cleaner than carbon-based fuel, but they are also more expensive. Without incentives, cash-strapped localities will stick with fuels that do not reduce our dependence on foreign oil or reduce greenhouse gas emissions. Congress is working on a number of energy tax extensions, including a particularly important initiative —tax credits for biodiesel and renewable biodiesel. This year, I joined with

Sen. John Kerry to urge our tax-writing committee to keep a tax credit for renewable biodiesel used for heating oil. I'm pleased that this legislation was finally cleared by the Senate in September.

How would you support the development and use of renewable sources of energy in the United States?

Some steps have already been taken. In the 2007 Energy Bill, Congress enacted an expansion of the renewable fuels standard (RFS) to require an increased amount of our energy to come from biofuels. So far this requirement has been a boon to the conventional ethanol industry. In order to meet the goals of the RFS to offset foreign oil dependence and to cut greenhouse gas emissions, we need to invest more in the development of the next generation of advanced biofuels, including advanced heating oil. One of the most significant steps we can take is to implement a renewable electricity standard (RES) to require that 20 percent of our electricity be generated from renewable resources. Not only would this change reduce greenhouse gas emissions and energy costs, it would also add an estimated 185,000 jobs to the economy. Congress came very close to approving a 15 percent RES in the 2007 Energy Bill, but the provision was withdrawn after the White House-threatened veto led to a Senate filibuster.

Finally, we need long-term tax incentives for renewable energy technologies. Too often in the past, these incentives have been provided on a short-term basis and therefore failed to provide certainty to investors. With a long-term extension of the investment tax credit for solar, fuel cells, small wind, geothermal and other renewable resources adopted by the Senate, we are providing a tremendous boost in the deployment of renewable energy. ☒

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Forecasting the Future of Weather Projections

JOHN BAGIONI IS THE OWNER OF FAX-ALERT WEATHER SERVICE LLC AND FOR THE PAST 25 YEARS

he has provided a wide variety of forecasting and weather consultation services for clients across the Northeastern U.S. and Canada. Clients include numerous heating oil and propane gas suppliers and distributors, energy traders, municipalities, highway departments and snow removal contractors, school districts, roofing contractors and ski resorts, as well as insurance companies and law firms. *Oil & Energy* recently asked Bagioni about how his ability to forecast weather has evolved during his career, how heating oil companies can use forecasting to their advantage and what this winter might bring.

sound old school, but every weather office should have at least one window, so the forecaster does not forget what the science is really all about.

How do you see your ability to forecast weather changing in the future?

I think future advances will come as we better understand the various earth/sun/ocean connections, and that will not be driven so much by new technologies, but more time to study various earth, ocean and solar cycles. The interplay between the solid earth, the oceans and incoming solar radiation, while understood in general, still has many unanswered questions. Short-term forecasting, from one to five days, has improved greatly over the years, but there is a lot of room for improvement not only in the five- to 10-day period, but even more when talking about monthly or seasonal projections. There has been some decided improvement in these timeframes and more is likely to come as we get better at analyzing and predicting how various ocean-forcing features impact the global weather patterns.

What sort of weather is the hardest to forecast, both day-to-day and long-term?

The toughest short-term weather forecasting situations are Northeast snowstorms and severe weather outbreaks. While the large-scale atmospheric features that lead to these disruptive situations are well known and fairly easy to pick out days in advance,

What tools do you use to forecast weather?

Weather forecasting involves the constant acquisition and analysis of weather data from the surface to many tens of thousands of feet into the atmosphere. A variety of computer systems are essential to handle the enormous quantity of actual weather data and atmospheric model predictions that need to be assessed every day.

How has new technology altered your ability to predict weather patterns since you first started?

The phenomenal increase in computing power over the past couple of decades has played a major role in improving the ability

of meteorologists to receive, access and digest the massive amount of weather data now available. A weather pattern that might have taken a few hours to fully analyze 20 years ago can be completely dissected within a matter of minutes now. This allows more time for closer inspection of the many fine details that years ago have might gone unexamined.

Also, the steady increase in computing power has allowed for more elaborate and more accurate weather model depictions of what atmospheric conditions might be like many hours or many days into the future. That being said, advances in computing power can never replace good old-fashioned hard work. That means adherence to the many solid atmospheric principals and concepts that for many years have formed the foundation of modern day meteorology. Forecasters cannot be glued to their computer screens, only believing what some mathematical computer model is predicting. They need to assess "actual data" and not be afraid to take a walk outside or "a look out the window" and use their eyes as the best verification tool. It might

"Until we fully understand all ocean cycles and solar cycles and their connection to Earth's atmospheric patterns, no one should put a lot of faith in current climate change predictions. In fact, it would not surprise me if during the period of 2020 to 2040 people are screaming about what happened to all that global warming that was predicted."



small-scale weather features (mesoscale) can make for huge variations in precipitation types and amounts across small distances. Also great variations of precipitation types (rain/snow/sleet/freezing rain) come into play due to the closeness of an ocean surface just to our east. Severe thunderstorm outbreaks are another challenge across the Northeast. While the potential for severe weather can often be spotted well in advance, changes in sunshine, cool ocean flows and the timing of various surface and upper air features can and often make the actual occurrence of severe weather a challenge.

I find long-term precipitation patterns quite tough to nail. While a general prediction of cooler or warmer than normal periods can often be made with confidence for periods of a couple of weeks to a few months, rainfall and snowfall patterns can be harder to pin down.

How accurate are degree days as a way to calculate heating oil use?

Degree days are still very useful and are still the main measuring tool of energy consumption by most of the industry. But over

"The degree day of 2008 is not equal to the degree day of 1970, or for that matter 1990. It is still a viable measure of energy consumption, but must be considered in modern terms."

the years, changes in building and insulation standards, as well as the introduction of various new supplemental heating systems, have made the use of the degree-day standard more complex. Buildings are tighter, less heat is radiating out through the roof and walls, wind impacts are less, heating systems are more efficient. Also, people are becoming more conservative in their heating use, and the use of supplemental heating units like pellet stoves are on the rise. All of these factors mean the degree day of 2008 is not equal to the degree day of 1970, or for that matter 1990. It is still a viable measure of energy consumption, but must be considered in modern terms.

How can heating oil dealers and consumers use weather forecasts to their advantage?

By and large the most useful data once into the heating season is probably the temperature outlook for the next five to 10 days, and how this will impact energy use and thus delivery needs. I often get asked to keep some clients informed well in advance about the likelihood of a severe cold snap that might force the hiring of additional delivery staff. If the confidence in a long-range winter outlook is reasonably high, long-range planning for the entire winter season can be useful. The

prediction of a highly disruptive storm several days in advance can sometimes allow delivery schedules to be modified and increased prior to the storm's arrival.

How do you forecast short- and long-term patterns? How does the accuracy change? How far out are you willing to project?

Short-term forecast (one to five days) usually involves the careful analysis of surface and upper-air features and their expected movement and changes during the period of concern. Once you move beyond five or 10 days, there is more reliance on evolution of upper-air patterns and their likely impact on surface weather features. As you move further and further into the future, consideration of ocean anomaly patterns and their relationship to atmospheric features, as well as the incorporation of analog data (past years that seem to exhibit similar conditions) all must be given some weight. I think general temperature anomaly zones (above and below normal regions) can be stated with some confidence three to five months out.

Do you see any early signs of what kind of weather this winter will bring?

As I was answering these questions in early August, I had already started the process of evaluating the late fall and early winter period (November through December). For the Northeast, I was not overly concerned that the September/October period would see anything terribly significant in terms of huge temperature departures. I do think a fairly strong signal is showing up for a below-normal temperature pattern to take hold during November and intensify through December. In recent winters, cold signals for December have faded or rapidly flipped once into January. I like the call for a cold November and December from the north-central U.S. into the Northeast, but will wait a bit longer before indicating this is the year we break the recent January cold jinx.

Have you seen signs of global warming in the form of more extreme weather or marked changes in temperature? How reliable are long-term weather projections that show strong climate change?

I have spent lots of time reviewing and studying information about the weather patterns and storms over the past several centuries. What the record books, journals and diaries all show is that extreme weather has occurred many times in the past, is occurring now and will continue to occur in the future. In fact, you can make a pretty good argument that some of the decades of the 19th and 20th century featured far more

extreme weather than anything we have seen thus far in the 21st century. My personal opinion is that attempts to constantly connect what are in many ways "normal" weather events to global warming or climate change are bogus. More often than not it is media and/or political hype.

Until we fully understand all ocean cycles and solar cycles and their connection to Earth's atmospheric patterns, no one should put a lot of faith in current climate change predictions. In fact, it would not surprise me if during the period of 2020 to 2040 people are screaming about what happened to all that global warming that was predicted.

Have you seen evidence of global warming in ways that could impact the heating oil and energy business?

There is no doubt that for much of the country the majority of winters from the mid-1990s to present have averaged warmer than normal. Colder than normal winters or winter months have occurred, but their magnitude has not equaled the warm periods. I think there is just as much reason to believe the recent warm winters are a function of ocean and solar cycles/patterns favoring warmth combining with some input from man-induced warming (increased CO2 and urbanization) than just man-induced global warming alone. The impact on the heating industry has been significant, as shown by current 10-, five-, and three-year heating degree day averages compared to 20 or 30 year averages. The decrease in heating degree day totals has been very undeniable. That being said, I do not expect this trend to continue unchecked. I look for a trend toward a steadying of the heating degree day total average to get underway soon, with the possibility of a trend back upwards in total heating degree days as we move through the next few (five to 10) years. ☺

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Kevin Keogh works with oil and gas companies to make sure they comply with the reporting requirements of the Securities and Exchange Commission.

Q&A

SEC Proposes Update to 25-year-old Reporting Rule

Expert Says Change Could Mean Better Estimate of Oil Reserves

THE U.S. SECURITIES AND EXCHANGE COMMISSION (SEC) RECENTLY PUBLISHED PROPOSED revisions to its oil and gas reporting requirements, which are more than 25 years old, hoping to give investors a much more comprehensive picture of a company's oil and gas reserves. The revisions are also intended to address concerns that existing disclosure requirements do not reflect current industry practices and technological changes in the oil and gas industry.

"The SEC's reserve reporting requirements have not been revised for many years and these revisions will bring the SEC's reporting requirements for oil and gas companies into line with the more up-to-date reporting regimes of other countries," said securities partner Kevin Keogh, with the law firm of White & Case in New York City.

Keogh provides counseling and strategic advice to senior management and directors of public companies and also works to advise oil and gas companies, primarily with SEC reporting and transactional work. *Oil & Energy* recently asked Keogh more about the proposed rule change and how it might trickle down to home heating oil dealers and wholesalers.

the real value. The new rule proposes using a 12-month average price, using the final price on the last day of each month to determine the value of reserves.

The other change is that along with more flexibility in reporting, the SEC has requested more information from companies; much more detailed tables, not only showing production, but also proved undeveloped reserves and dry holes. A separate requirement is that the people preparing the report are specifically verified. For those using an independent petroleum engineer, the new rules require that the file be part of the annual report. This could be controversial, because companies are not used to making this information part of their public reports.

What is the timeline for this to take effect?

The SEC has published the proposed rules for comment and that period expired in September. The proposed effective date is Jan. 1, 2010. The reason for the delay before implementation is twofold. The SEC may revise the proposal due to comments and they recognize it may take a year for some companies to adjust their reserve calculation abilities, to be able to report on these new standards. Frankly, a great many companies already produce this type of information; they just don't file it in their SEC reports.

It's hard to say if there will continue to be changes in the future. Much of the current proposal was patterned after the currently existing Canadian rules. To the extent they are proposing differences, there may well be rules that they become consistent with other countries. And the SEC may look at the filing of third-party reports in the annual report. In general, though, I think the kind of disclosure

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Your work involves corporate counseling and securities transactions. How have you helped the energy industry with these services?

Specifically, I work with oil and gas companies that are SEC-reporting companies, dealing with their responses to SEC comments of their disclosures. Recently, those have centered on reserve reporting. The annual reports for each company are reviewed by the SEC's petroleum engineer, who makes very detailed questions each year about reserve reporting, and I help them answer those questions.

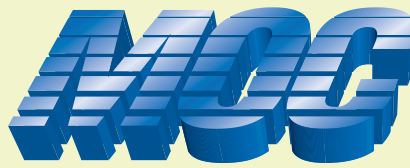
Can you explain exactly what the SEC rules on gas and propane storage levels enforce and how the revisions would change them?

The revisions specifically relate to reporting oil and gas reserves by exploration and production companies. The current rules were adopted in 1978 and have not been amended since 1982, so they clearly do not represent

current industry practices or current levels of technology. In particular, since the industry is now so global—many foreign companies have shares traded in the United States—there's an inconsistency with the old SEC rules and with reporting rules in countries such as Canada.

Canada introduced rules in 2003 that reflect not only new technologies, but also the interest from investors to include not only proved reserves, but probable and possible reserves. The SEC currently only asks for proved reserves, while Canada asks for probable reserves. The SEC asks that proved reserves be determined with a kind of accuracy that can only be known with a certain kind of production, or flow, test. One of the changes with the new rule is to use any kind of technology available to measure reserves.

Two other changes worth noting are that reserves are currently valued at year-end spot prices. In a volatile market, that doesn't show



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wishes to extend its sincere appreciation and thank you to all participants at, and sponsors of, its highly successful 2008 Golf Tournament held at Pinehills Golf Club, Plymouth, MA.

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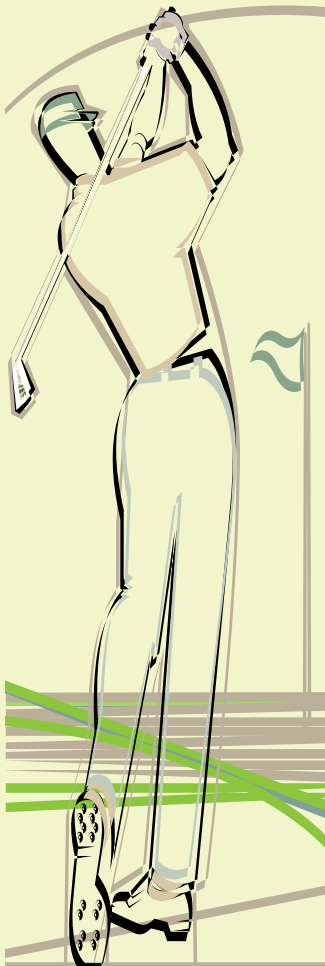
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that's being proposed is something that will be welcomed by investors and not considered to be too burdensome to too many oil and gas producers.

Oil and gas reserves are covered, are there any reporting rules for alternative fuels? If not, do you anticipate there might be?

The kinds of alternative energy fuels that are covered are really encompassed by using any current reliable technology, so oil and gas that will be produced by non-traditional or unconventional resources will be included in the reserves calculation. Oil shales, oil sands and other sources can

all be fit within these new rules. Under the old rules, there really isn't any way to test for them. It is recognizing the fact there are many more sources of production and the reserves reporting needs to cover those.

How do current U.S. rules compare to those in other countries?

One difference is the restriction in the United States that only proved resources can be reported. Some countries either permit or require probable and possible reserves and even go beyond that, to what you may call contingent reserves, which are really speculative. So, by permitting but not requiring it, the United States rules are in line with several other countries.

Another difference is what will be considered an appropriate geographic area for reporting. The SEC has tended to force companies to report on an almost field-by-field basis, which is incredibly burdensome. Other countries allow continent-by-continent or country-by-country reporting. The SEC is now trying to come in line with that, unless a country represents more than 15 percent of their total global reserves or if a field represents more than 10 percent. Otherwise, they can report by continent. The Canadian rules are more in tune with what the oil and gas industry is comfortable with. They followed the Petroleum Resources Management System that most companies use to define a broad range of reserve standards.

Is there any opposition to this proposal from oil companies or financial firms?

Certainly oil and gas companies will be providing comments to the SEC. They may choose to do it through a trade organization or the companies may do it individually. I would think those comments would be on more detailed technical aspects of the

proposals, not any fundamental details. So far, the reaction from institutional investors has been favorable.

How will this rule impact energy companies and their reporting methods?

It will result in more detailed reserve disclosure. A table of production will be created that goes beyond current data, including a table of drilling and exploration and development data. It will require more work and result in

more disclosure.

The reporting of oil-producing wells and dry holes will also be included, more than is currently done.

The one aspect that requires some judg-

ment is the SEC proposal of a table showing how, in the previous five years, proved undeveloped resources became developed reserves because they became economically viable. It's useful for investors because it will allow them to see how successful the company has been at finding and producing resources.

Companies are always looking at reports of other companies and now there will be more to digest and analyze for companies. The one change that is helpful is the ability to clarify reporting on a continent-by-continent basis. When you've got three or four companies in a field, you don't want them all reporting individually—they may have different projections.

It requires some prediction of pricing to determine whether a field is commercial and it involves a technical judgment whether the amount of production is likely to come from any particular reservoir. It takes a certain amount of economic forecasting and geographical and scientific expertise to arrive at a conclusion.

On the accounting front, the SEC is trying to coordinate international accounting rules with national rules, so it would make sense to make reporting more uniform.

What kind of effect would this have on fuel wholesalers and distributors?

It would only have an effect to the extent that broader and more accurate reserve reporting gives them a better picture of future sources of supply.

Will the rules have an impact on prices?

If I knew that, I'd be in a different business. If the result is that reserve reporting is more comparable from company to company, that should improve relative pricing for shares of all oil and gas producers, overall. So, comparability is really the objective here. ☐

Maine

GOVERNOR RELEASES WINTER FUNDING PLAN

Gov. John Baldacci has unveiled the details of a short-term plan that will begin to immediately address the dangers posed by volatile energy prices this winter.

The \$12.585 million plan will:

- Dedicate \$4.25 million to increase the LIHEAP benefit to \$500 per eligible household. The current benefit is estimated at \$415.
- Create a \$3.25 million emergency fund in January to help families who either participate in LIHEAP or are slightly above the entitlement threshold in the event of a fuel oil emergency.



- Increase weatherization funding by \$2 million, expanding the current program by about 500 homes. The new funding supplements an anticipated \$6.5 million in weatherization funding, which will improve another 1,500 homes.
- Invest an additional \$1 million to clean, tune and repair the furnaces in an estimated 1,500 additional homes that are LIHEAP eligible.
- Reserve \$1 million of available funding in the Economic Recovery Loan Program at the Finance Authority of Maine for eligible energy conservation projects for businesses in the state.
- Reprogram \$1.01 million within the Department of Transportation to increase utilization of the GoMaine program, extend the Free Fare Fridays promotion, study the state's Park & Ride network and improve access to rail services.
- Utilize \$75,000 to provide energy saving recommendations and program information to low-income Maine households.
- Distribute 2,000 Keep ME Warm Kits through MaineHousing. MaineHousing will pull funds forward from future quarters to use immediately.

The money will be restored either through reductions in other government programs or, as a last result, from the Budget Stabilization Fund.

The governor also signed an executive order creating an alternative work schedule pilot program within the Department of

Administrative and Financial Services. The pilot program will evaluate the effectiveness of alternative scheduling for state workers as an energy reduction measure.

Other efforts include training personnel to understand energy saving methods for business that can be applied during their normal outreach activities, increase training courses for weatherization technicians and improve access to information for homeowners who wish to make improvements themselves.

Massachusetts

FREE PHONE AND INTERNET DEGREE DAY SERVICE OFFERED

As the colder months approach, so do degree days. The Massachusetts Oilheat Council's (MOC) free dial-in service started again on Sept. 1 and will run through May 31, 2009. This service provides information on the previous day's degree day totals, month-to-date totals, current season totals, prior season totals and the forecast for four days in advance. To access these recordings, dial (866) MASSOIL (627-7645). You may access your local degree days by dialing 20 for Boston, 21 for Worcester, 22 for Chicopee, 23 for Pittsfield and 24 for Hyannis. See www.massoilheat.org/DegreeDayHome.htm for more information.

ATTORNEY GENERAL'S OFFICE SEEKS INFORMATION FROM NATIONAL GRID, MOC

The Massachusetts Office of the Attorney General (AG) recently sent letters to National Grid and the Massachusetts Oilheat Council (MOC) seeking "substantiation" of statements made by the utility in their current oil-to-gas



heat advertising campaign, and statements made by MOC on its "Energy Answers Today" Web site.

The request came after the MOC asked the AG in the spring to require that National Grid provide more details for its claims that natural gas is cleaner than home heating oil and that using natural gas reduces greenhouse gas emissions. As part of their investigation, the AG also looked at the MOC's Web site and has requested data to support "claims made by providers of home heating fuels and others."

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The option to buy biodiesel from a company certified under BQ-9000 is becoming more widespread, as six biodiesel producers and marketers recently achieved BQ-9000 certification.

With the addition of the most recent companies, certified marketers total 15 and certified producers total 33, representing more than 75 percent of biodiesel produced in the U.S.

"It's good for the entire industry when so many companies make the commitment to producing the highest quality biodiesel, meeting the most rigid ASTM specifications," said Leland Tong, chairman of the National Biodiesel Accreditation Commission, which is the governing body for the BQ-9000 program. "I think that it also demonstrates the market power of BQ-9000."

REPORT SHOWS U.S. NOW LEADS WORLD IN WIND ENERGY GENERATION

U.S. wind farms now generate more electricity than any other nation in the world and are on track to expand by more than 45 percent this year, according to a report by the American Wind Energy Association (AWEA).

While Germany still has more generating capacity installed (about 23,000 megawatts), the U.S. is producing more electricity from wind because of its much stronger winds.

Total U.S. installed wind power capacity now stands at 19,549 megawatts (MW). The industry installed 1,194 MW in the second quarter, down from 1,532 MW during the first. This brings the year's new capacity to 2,725 MW, more than was installed in any year except 2007.

However, the wind energy trade group cautioned that the expiration of the



federal production tax credit (PTC) less than five months from now threatens such expansion. More wind capacity is under construction for completion either by the end of this year or the beginning of next year, depending on when the PTC is extended.

Uncertainty regarding the PTC is causing a rush to complete projects by the end of the year, with increased risks and costs for the industry and eventually for customers, according to AWEA. Under the best-case scenario for the industry, Congress will move quickly in September to extend the credit and the pressure will be eased for immediate project completion while reopening the pipeline for 2009. Under that scenario, AWEA projects at least 7,500 MW of new capacity to be added in 2008.

GROUPS JOIN TO SHOW BIODIESEL EMISSIONS REDUCTIONS

Soon, freight carriers will be able to demonstrate their emissions savings by using biodiesel fuel. The National Biodiesel Board (NBB) has teamed up with Indigenous Energy LLC, developers of emissions tracking



systems, and States Logistics, a fleet and logistics company using clean technology, on an over-the-road pilot. The six-month pilot will culminate in a report quantifying States Logistics' emissions and carbon dioxide (CO₂) reduction from using biodiesel, a fuel with a lifecycle CO₂ reduction of 78 percent. So far, results for May and June showed a 16.5-ton reduction in CO₂ emissions.

States Logistics uses B5 and B99 in seven 2007 trucks, running on average approximately 27,000 miles a month. The pilot program takes into account several areas to measure carbon footprint including vehicle type, distance traveled, number of gallons used, percentage of biodiesel used and biodiesel feedstock type, such as soybean oil. The end result is a report on total CO₂ emitted from both the petroleum diesel and biodiesel, CO₂ reduction from using biodiesel and the quantifiable cost to offset petroleum CO₂.

Biodiesel has been shown to have a 1:3.5 ratio of energy gained to energy used to produce it, meaning for every unit of fossil energy needed to produce biodiesel, return is 3.5 units of energy, according to a 2008 study conducted at the University of Idaho.

ASSOCIATION FOCUSES ON DEVELOPING SUSTAINABLE TRANSPORTATION FUELS

The Southwestern Biofuels Association (SWBA) has recently been formed to promote renewable fuels created from low-water, high-yield and sustainable crops.

The SWBA will focus primarily on



biodiesel and fuels made from algae and camelina because they are particularly well suited to be grown in the Southwest. Biodiesel and algae-derived fuels also can be made from non-food, low water and low impact sources.

"With less than 4 percent of the 121,412 square miles that make up the state of New Mexico under cultivation, the potential for biodiesel feedstock production is substantial," said Justin Bzdek, president of Symbiosis Technologies LLC.

The Southwest's dry and warm climate is ideally suited for growth of biodiesel feedstocks and the region promises to become a prominent producer and exporter of biodiesel.

Biodiesel exhaust has significantly less impact on human health than pure diesel fuel due to lower levels of the aromatic hydrocarbons and compounds identified as potential cancer causing compounds. The U.S. EPA estimates that biodiesel results in 67.6 percent fewer lifecycle greenhouse gas emissions than pure diesel.

The southwestern climate is too arid for the production of many agricultural products, but some of the most important biodiesel crops are well suited to the region's high altitude, low moisture levels, and high summer heat. Where other crops would fail, crops used for biodiesel production—such as camelina and algae—prosper favorably in the Southwest's climate.

Pennsylvania

ALLEGHENY ENERGY TO OFFER VOLUNTARY WIND ENERGY PROGRAM

The Pennsylvania Public Utility Commission (PUC) recently approved a plan to allow customers of Allegheny Power to purchase alternative energy credit (AECs) to support the development of wind generation.

AECs place a value on the generation of alternative energy. One AEC is created when one megawatt hour of alternative energy is created. Money collected from the purchase of AECs is used toward the development of alternative energy generation projects such as wind.

The customer will be able to designate any number of blocks to be purchased per month, up to 100 percent of their total energy used.

The commission said the Allegheny plan furthers the goals of the state's Alternative Energy Portfolio Standards Act of 2004. The act requires that a certain percentage of all electric energy sold to retail customers be derived from alternative energy sources. By 2021, electric distribution companies and electric generation suppliers must supply 18.5 percent of electricity using alternative energy resources. For more information about the program, visit www.alleghenypower.com.

CLIMATE CHANGE ADVISORY COMMITTEE FORMED

Acting Department of Environmental Protection Secretary John Hanger has announced that Pennsylvania is continuing its efforts to address the challenges and opportunities of climate change with the first meeting of the Climate Change Advisory Committee.

"Gov. Rendell believes Pennsylvania must have smart, effective policies that reduce global warming pollution and that protect our economy and environment," said Hanger as he cited the Alternative Energy Portfolio Standards Act of 2004, as well as the recently enacted \$650 million Alternative Energy Investment Fund and the Biofuels In-State Development Act. "These measures were made possible with the support of the General Assembly and have helped us make progress in boosting the supply of cleaner and zero-emission sources of electricity, as well as transportation fuels that are produced at home and are better for the environment—accomplishments that will greatly inform our deliberations and the work of this committee.

"The task now is to build on these policies and identify new ideas that reduce Pennsylvania's greenhouse gas emissions and protect our economy. That includes carbon capture and sequestration—an issue on which the Department of Conservation and Natural Resources has led—and the tremendous benefits energy efficiency and conservation can produce."

Vermont

PIPELINE EXPANSION RAISES DEALER CONCERN

In Chittenden County, the expansion of the pipeline owned by Vermont Gas Systems has caused concern among fuel dealers. Vermont Fuel Dealers Association (VFDA) members report that in some cases the fill-pipe has not been removed and there is no notice from the customer that the Oilheat tank is no longer in place. Under Vermont statute "any person who replaces or adapts a liquid fuel heating system so that the liquid fuel is no longer used shall block or otherwise disable the access for delivery of the unused liquid fuel."

The economic and environmental impacts of non-compliance are substantial, according to the VFDA. The group has contacted Vermont Gas managers, who agreed to address this issue with heating technicians hired to do conversions. VFDA will also reach out to technicians to alert them of this issue.



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"Even in these volatile times, I don't worry about our margins, Destwin allows us to hedge with virtual precision" Gary Sippin, Sippin Energy Products

"In today's volatile marketplace, I can't imagine any dealer NOT using this system" Rick Bologna, Westmore Fuel

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**REMOVING ELECTRICITY CAPS COULD
'DEVASTATE FAMILIES'**

According to a report by Penn State University's Workforce Education and Development Initiative, increases in the cost of electricity once rate caps are removed might "devastate individual families."

Electricity rates were capped in the late 1990s when the electricity market was restructured, and the last of the rate caps will expire at the end of 2010. Pennsylvania's Office of Consumer Advocate has estimated rates in some areas could increase more than 60 percent.

"What might appear like a hiccup for a large, robust Pennsylvania economy might devastate individual families," according to the report "Your Electrifying Utility Bill." The researchers said most households will have to shuffle their budgets, but low-income families might have to shift spending away even from some necessities.

"Pennsylvanians in the lowest 20 percent of the income distribution are likely to bear two times the job loss and loss of personal income that is borne by the highest 20 percent of the Pennsylvania income distribution," according to the report.

NEW EFFICIENCY ADS AIMED AT KIDS

In September, the U.S. Department of Energy (DOE) and the Advertising Council announced the launch of a new series of public service advertisements (PSAs) designed to educate kids 8 to 12 years old about the importance of energy efficiency.

In a February 2008 national survey of kids, 85 percent of respondents believed that they could lead their family to do what is needed to consume less energy in the home. The new campaign entitled "What's Your Excuse?" highlights the simplicity of making energy efficient changes in the home and asks kids to join millions of others to make a difference by using their energy wisely.

The new TV, radio, outdoor and Web advertising encourages kids to save energy with an Energy Action Plan, a simple 10-step action list to help encourage better energy use in the home. The PSAs direct viewers to a new Web site at www.loseyourexcuse.gov where they can learn simple tips on energy efficient behaviors and new technological advances to reduce energy consumption in the home.

A second series of PSAs, including TV, online and outdoor, also developed through the Ad Council, are designed to educate 8-9 year-olds on positive energy efficient habits. The PSAs drive kids to visit www.energy.gov/tink.

October 2008

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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

12-14 Mid-Atlantic Petroleum Distributors' Fall Conference, Chesapeake Hyatt, Cambridge, MD. 410-349-0808 • 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

22 Massachusetts Oilheat Council (MOC) Oilheat Realty Partnership Program Free Breakfast Seminar, Auburn, MA. 800-722-0623 www.massoilheat.org

23 Massachusetts Oilheat Council (MOC) Oilheat Realty Partnership Program Free Breakfast Seminar, West Yarmouth, MA. 800-722-0623 www.massoilheat.org

26-29 Joint NC Petroleum & Convenience Marketers/VA Petroleum & Convenience Grocery Assn. Annual Convention, The Westin Savannah Harbor, Savannah, SC. NCPDM: 919-782-4411 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 www.ecobuildamerica.com/fallhome.html

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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

13-18 SIGMA 50th Anniversary Annual Meeting, San Francisco, CA. Phone: 703-709-7000 www.sigma.org

18 Gray, Gray & Gray Tax Conference, Westwood, MA. 781-407-0300 • www.gggcpas.com

19 Gray, Gray & Gray Tax Conference, Westborough, MA. Phone: 781-407-0300 www.gggcpas.com

19-21 U.S. Green Building Council's "Greenbuild International Conference and Expo", Boston, MA. 800-795-1747 www.greenbuildexpo.org

January 2009

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24-28 ASHRAE Winter Conference, Chicago, IL. 800-527-4723 www.ashrae.org

26-28 AHR Expo, McCormick Place, Chicago, IL. 203-221-9232 www.ahrexpo.com



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LOW-SULFUR KEROSENE (500 ppm Sulfur Maximum)

WARNING
Federal law prohibits use in model year 2007 and later highway vehicles and engines.
Its use may damage these vehicles and engines.

LOW-SULFUR KEROSENE (500 ppm Sulfur Maximum)

Undyed and untaxed.
Not for use in highway diesel vehicles and engines.
May damage 2007 or later model year diesel engines.

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WARNING
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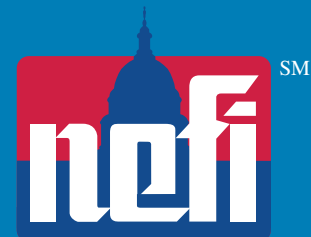
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SM

right now. With so many companies for sale and so much nervousness about customer retention, the deck is stacked against the seller, which makes it an opportune time for a buyer to pick up customers from good companies that they would otherwise have no chance of obtaining.

FINDING THE RIGHT FIT

As either a seller or a buyer, it is critical that you find the right fit for your company and your customers. It is most important that a seller not rush to accept the first offer, or any offer, unless there is some degree of confidence that the deal will work out.

Nearly all transactions currently are based on “retained gallons.” If a seller does insist on cash at closing, they should be prepared for a steep discount of 15 to 20 percent on top of the already depressed values.

If you sell your business to a company who is going to pay you on retained gallons, you had better be sure that company has the management savvy and willingness to do what it takes to keep customers. And you should be prepared to stick around to help keep your customers on board. Otherwise your customers will flow away and you’ll never see your money.

These are some of the reasons sellers should look for a buyer who is geographically compatible, with price points that are close to your own and with a similar customer base. For example, companies who are primarily geared to rural or suburban deliveries will struggle (and perhaps fail) if they try to take on city routes. Buying or selling to a company that looks like yours will help to ensure a successful transition.

SAVE A COMPANY, SAVE THE INDUSTRY

The public image of the Oilheat industry has suffered terribly as oil prices soared into unimaginable territory. Even as prices ease somewhat, the negative publicity and thoughts of astronomical prices remain. Failing companies only add fuel to this fire and continue to make customers, lenders and suppliers skittish.

Many of the companies on the market right now are on the edge of failure. For certain buyers they represent an opportunity to expand and grow at bargain prices. But in addition to the business aspects of such an acquisition, there is something to be said for a company that acts as a “white knight” in rescuing a business and its customers in a time of need.

Start by finding the right company. Negotiate fairly and honestly. Finally, the “devil is in the details,” meaning the terms of the deal are critical. Make sure you have a team to assist you that understands the industry and the players. ☐



“With so many companies for sale and so much nervousness about customer retention, the deck is stacked against the seller, which makes it an opportune time for a buyer to pick up customers from good companies that they would otherwise have no chance of obtaining.”

To Sell Your Company, Think Like a Buyer

By John Nardozi, CPA, CVA

GIVEN THE EXTREMELY TUMULTUOUS NATURE of the oil industry this year, many Oilheat company owners are thinking of selling. Others would like to buy, but only at the right price—low. Whether you are a seller or buyer, it is important that you put yourself in the “other fellow’s shoes” and approach any transaction from the other side’s point of view.

Need an example? As a buyer, you worry about what you are actually buying. Considering the current pricing environment, a buyer wants to be sure that the customers he “buys” will remain loyal, particularly those who are on automatic delivery. You want assurance that customers won’t be switching to gas or electric at the first opportunity. You want to know that margins will hold up. After all,

you don’t want to pay for something that will disappear shortly thereafter.

These are some of the reasons that values of heating oil customer lists are down 20 to 30 percent right now. In my opinion, this is short term. Why? Margins will improve (a direct component of the value), dealers will be smarter about the pricing programs they offer, discount oil dealers will find it harder to stay in business and only adequately capitalized companies will survive.

On the other hand, as a seller you have a deep, often emotional, interest in the business. No matter how desperate the situation, you are very reluctant to let your company go to a competitor for pennies on the dollar.

Based on the differing points of view above, it is obvious that it is a buyer’s market



NAOHSM executive Judy Garber, center, presented the 2008 Oil Heat Cares Cup to representatives of three NAOHSM chapters recently. From left, Dave Wagner of the NYC Chapter, Paul Cuprewich of the Garden State Chapter, Angel Gonzalez of the NYC Chapter and George Fantacone of the Rhode Island Chapter.

Oil Heat Cares Cup Awarded at NAOHSM Convention

THE 2008 OIL HEAT CARES (OHC) CUP WAS awarded to three chapters of the National Association of Oil Heating Service Managers (NAOHSM) recently. The winners were the Garden State, Rhode Island and New York City chapters. The cup was presented to the three winning chapters at the NAOHSM 2008 Convention in Hartford, Conn.

OHC is a not-for-profit foundation that assists needy people and organizations with the replacement of their Oilheat appliances and is the creation of NAOHSM.

The OHC board annually looks at the projects completed and decides upon the winner for that year. In 2007, the cup was awarded to several NAOHSM chapters and thus traveled from Maine to Virginia before being shipped to Hartford for the 2008 OHC presentation.

The board had to choose from 32 projects that were completed this year. The three winners were cited for their distinct accomplishments: the Garden State Chapter had done the most projects while continuing to contribute significant dollars to the program; the Rhode Island Chapter completed two Habitat homes, and the New York City Chapter worked on Emmaus House.

The Emmaus House project caught the board's attention because of the speed with which it was handled. A call came from the pastor at Emmaus House, a facility in Harlem, N.Y., that serves the neighborhood with food and clothing and houses people as well. An e-mail was quickly sent to NAOHSM members Angel Gonzalez and Dave Wagner and the project soon began. Gonzalez was going into Harlem to look at a job the day after the call came in and he made an appointment to assess the Emmaus situation. Within a very

short time, Gonzalez and Wagner gathered volunteers and had the project completed. Its quick completion showed how smoothly a volunteer project can be accomplished, according to NAOHSM.

To learn more about the Oil Heat Cares program and to read about other projects, visit www.oilheatcares.com or call (888) 552-0900. ☐

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Buyer's Remorse

By Taylor Hudson, Hedge Solutions

IS IT 2006 AGAIN? DON'T WE WISH! IT WAS ONLY two short years ago when dealers faced fixed-price customers before the heating season even started who were upset over locking in "too high" a price (they thought). Perhaps it was altitude sickness from the \$4 handle on rack pricing this summer, but we somehow forgot all the lessons we learned for dealing with buyer's remorse after the bottom falls out. Forget the fact that over the long run your customers have saved money. Forget the fact they were offered downside protection. Forget the fact the winter has not yet begun! They want lower pricing now, and as John Maynard Keynes put it, "we're all dead in the long run."

The decline in pricing has once again proven the need for contracts and some common sense on credit risk. While many states have passed contract laws specifically addressing price programs for heating fuels, they were meant to protect the consumer from retailer default. Ironically, this year the laws will protect the retailer from the consumer. We hope. "Counterparty risk" is usually a term reserved for Wall Street (especially this year), but now it is time to realize it applies to Main Street as well. Simply put, we are seeing a larger number of customers not hold up their end of the deal. Even though many dealers will not follow these broken contracts through the courts for enforcement, an "ironclad" contract should at least prevent a wholesale revolt.

Now combine default by the buyer with loose credit terms and what you have are toxic (another Wall Street reference) contracts. If 100 percent of the purchase price was not

obtained from the customer right away, why are we offering them a deal that leaves us in a position to chase the customer for their hedging losses? Let's face it—there's still risk even if we get all their money upfront because they may not take the oil. In many markets this credit risk is managed somewhat by budget payments and two- or three-part "prebuy" programs. But in other markets the fixed price "pay as you go" still survives. It's time for that offer to die and never be resurrected, even for commercial accounts.

I've seen quite a few methods employed to deal with a fixed-price customer's pain.

The worst ones hide solely behind the contract. I realize some people are going to ignore everything you say until they get their way, but we should at least try. First, a picture is worth a thousand words. A price chart is what you

need. Go ahead and show whoever will look a chart of prices for the January 2009 NYMEX Heating Oil contract between February and today. I've shown one above as an example, with sample text you may want to borrow. Make sure you point out the 90 cent price increase over 15 days in May.

Second, evoke the wholesaler. The homeowner has little understanding of oil logistics. If we took a survey, a majority could probably be convinced you buy their heating oil behind the gas station and then deliver it. Once they are told there's a big multimillion-dollar entity waiting on you to come pick up their oil, it just may earn you some goodwill. Third, you absolutely must dispel the rumor you are now buying oil for low prices. One of my clients actually lays a folder of his wet barrel contracts on the front desk in case anyone has any questions about the process. Perhaps that goes a bit further than most, but his strategy reinforces the mutual nature of the fixed-price contract.

It's true that all of the tactics above involve some sort of education on your part. Whether through your customer service representatives, your newsletter or straight from the horse's mouth, I'm convinced you'll have better success managing their remorse if you include an educational component.

What about conversion to a cap at this stage of the game? This is similar to calling the insurance company for the same quote right after you've had a major accident—the premium costs will be higher. If you have small numbers of customers requesting to jump from one program to the other, it probably won't have a huge impact, but they should pay more than the original fee for the right to do so. If you have large entities (municipalities) that wet barrels were purchased to cover, a specific quote on put options with a strike equal to your wet barrel cost should be obtained. The put price essentially covers the loss to date, so the customer

needs the market to keep falling to be any better off. Your price chart will be readily available.

Finally, I think it is a good idea to resist the urge to buy back the contracts at a loss and then hope the market continues to go down.



A Chart For Your Fixed-Price Customers

Recall that in late 2006 the cries were loudest for getting out of the contracts and taking a loss—right before the market turned around and began to push higher again. There's no way to know if we might be in for the same type of price movement this year. ☒



Get Ready for a 'Wild Card' Winter

By John Bagioni, Fax-Alert Weather Service

UP TO THE MIDDLE OF SEPTEMBER, I INFORMED my private clients that it appeared we had a "wild card" winter ready to unfold this year. By that I meant numerous weak signals were in play across the Northern Hemisphere and unlike some recent years, it was unlikely that there would be one dominating or controlling feature to key in on. In my opinion, that raises not only the error potential of this winter's forecast but also the potential volatility of the winter weather pattern after December.

In a nutshell, my winter forecast for the Northeast and New England regions of the country as it stands now calls for a colder-than-normal December followed by a trend toward milder-than-normal conditions once into January and February.

It seems very likely that equatorial Pacific temperature anomaly pattern (ENSO) will average fairly close to neutral. That seems like a fairly straightforward statement and seems to imply that an accurate winter forecast can be made this year by just assessing prior years with similar neutral looks. Oh, how I wish it were that simple.

While the large-scale Pacific Ocean basin average anomaly might look neutral, there will be sectors out across the far west Pacific into the Indian Ocean that resemble La Nina signatures temperature-wise and jet stream-wise, while at the same time some portions of the central Pacific look like a weak El Nino event is unfolding.

Most of the modeling seems to be trending slowly closer to weak La Nina conditions eventually winning out, and I will lean very slightly in that direction at the moment. But to say I am nervous about the overall weak look of the global pattern signals would be an understatement. At this point in time, I do think we will see a solid source of cold air poised to come southward into parts of the continental U.S. similar to last year, but

exactly where its main point of entry will be is very much in doubt. If the signal for a weak El Nino were to increase, the odds of a widespread colder-than-normal winter would quickly trend upwards.

Other atmospheric and ocean features I monitor and use in formulating my winter outlooks are also sending out weak signals at this time. The North Pacific pattern does not yet have a configuration that seems favorable for long-lasting eastern cold periods. The North Atlantic pattern may be a bit more favorable for eastern cold this year compared to the last two or three winters, but it certainly is not showing any strong trends toward a classic cold Eastern U.S. winter set-up just yet.

I have gone back and studied most of the fall ocean anomaly patterns that preceded cold Eastern winters. Since the North Pacific and North Atlantic anomalies are still evolving, we must be very wary of stating the forecast for either coldness or warmth once past December. If nothing changes at all, which is unlikely, a milder-than-normal pattern would be favored for the East after December.

I fully understand that it would only take one or two small shifts in the oceanic and atmospheric patterns across the North Pacific and North Atlantic to quickly take what looks like a bland mild winter pattern and turn it into a wild one.

Assuming we see a neutral or weak La Nina signal this winter, here is my early call:

- December will be the coldest month of the winter, not only for the Northeast and New England regions, but also for much of the Northern Rockies, northern and central plains, Midwest, Great Lakes and Middle Atlantic regions, there is some potential for a cold December that could challenge records.

- Assuming a weak La Nina signature is in place by January, moderation occurs and the January/February period averages milder than normal for the Northeast and New England regions.

- Even if we are fully into a weak La Nina by January, it would only take a modest shift in the current North Pacific and/or North Atlantic anomalies to offset the warming of the La Nina signal and keep the mid- and late-winter periods fairly close to normal. Any prolonged shift toward a Western U.S. ridge pattern and some North Atlantic blocking could significantly alter the mild look to January and February.

- It should be noted that even with a strong La Nina last year, parts of Northern New England managed to average normal or even below-normal for the winter.

I caution everyone to be very wary of long-range predictions being made this fall (be them from me or other sources) for the period after December. While the early call is for a higher probabilities of a milder-than-normal January/February period than a colder-than-normal period, only relatively minor changes would need to be made to the large-scale atmospheric and oceanic patterns to force the mid- and late-winter periods back closer to normal. ☺

Degree Day Reporting Form				REPORTING DATE: 8-31-2008
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	86	161	184	344
Portland, ME	23	56	55	199
Concord, NH	28	66	66	212
Burlington, VT	25	55	41	203
Albany, NY	10	36	32	168
Worcester, MA	11	29	43	158
Boston, MA	0	12	12	84
Hartford/Springfield	4	15	18	120
Providence, RI	2	12	8	101
Chatham, MA	5	28	3	89
Bridgeport, CT	0	6	9	68

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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Dennis K. Burke has been delivering fuel for more than 45 years. Shown at the left, an old delivery truck remains on display outside the company's headquarters.



The tour of the Dennis K. Burke blending plant drew dozens of participants.



Bill Bolch, with New England Biodiesel Equipment & Supplies, demonstrated how quickly and easily biodiesel can be made during the tour of the Dennis K. Burke facility by mixing the ingredients into a jar. The entire process took less than a minute, and Bolch even took a taste of the final product. Bolch sells the FuelMeister II biodiesel system, which can produce 80 gallons of the fuel per day. He said that supplies for the fuel cost less than 70 cents per gallon and can be put directly into vehicles, generators and furnaces.



Burke Gives Tour of Biodiesel Blending Plant

A TOUR OF DENNIS K. BURKE INC.'S CHELSEA, MASS.-BASED BIODIESEL BLENDING PLANT the day before the 2008 Oilheat Visions Conference drew a full busload of participants to the site of New England's first retail biodiesel company.

The tour, led by the company's chairman Ed Burke, also stopped at Dennis K. Burke's recently opened E85 gas pumps, the first in Massachusetts. In addition to offering E85, the company also produces B5 and B20 blends. At the plant, participants were shown where the biodiesel is blended and given a demonstration of how biodiesel is made by Bill Bolch, of New England Biodiesel Equipment & Supplies. Inside the company headquarters, there was also a demonstration of the GPS tracking system used by Dennis K. Burke's fleet.



The FuelMeister II (above) can be used for small-scale personal biodiesel production of 80 gallons per day. The ingredients necessary to make the fuel are used vegetable oil, lye, methanol and water. For more information on the systems, see www.newenglandbiodiesel.net.

Jim Sweeney, left, showed off the special heated containers used to store biodiesel at the Dennis K. Burke facility to tour participants. He said the containers are heated to 90 degrees and that someone could actually drink the fuel, because it is non-toxic.

PEERLESS BOILERS INTRODUCES NEW WEB SITE

Peerless Boilers and Pavilion Products recently introduced their new Web site. New features include easier overall site navigation, a custom-built "Product Selection Guide" to find products, literature, manuals and ratings and the ability to review warranty information, find



an installer, order parts, search FAQs and more directly from the home page.

Additionally, the www.PavilionAir.com and www.PeerlessBoilers.com Web sites are now combined.

Peerless Boilers is a manufacturer of residential and commercial, oil- and gas-fired boilers.

GREEN AWARENESS MANUAL AVAILABLE

ESCO Institute has announced the release of Green Awareness, a new publication providing a basic understanding of green

concepts, terminologies, systems and the latest in green mechanical technology.

When it comes to mechanicals (HVAC/R, plumbing and electrical), "green" means maximizing the energy efficiency of existing equipment, specifying the most efficient systems available for the application and the available budget, using renewable and sustainable fuel sources and conserving water.



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For additional information, call (800) 726-9696 or visit www.escoinst.com.

BRADFORD WHITE ANNOUNCES NEW PRESIDENT AND COO

Bradford White Corporation recently announced the promotion of Nicholas J. Giuffre to the position of president and COO. In his new post, Giuffre will be responsible for all corporate operating activities as well as the operation of Laars Heating Systems Company and Bradford White Canada. Giuffre began his career with Bradford White in 1978.



Nicholas J. Giuffre

Bradford White Corp. is a manufacturer of residential, commercial and industrial products for water heating, space heating, combination heating and storage applications. The company is headquartered in Ambler, Penn.

SUNTEC PRODUCTS NOW APPROVED FOR B5

New production of Suntec-labeled products are now certified for use with up to B5 blended fuel. While Suntec pumps produced from Jan. 1, 2007 through Aug. 31, 2008 with brown shaft seals are compatible with up to B20 blends, Suntec has chosen to classify new pumps to a maximum of B5 only. This is being done to reflect the ASTM D396 specification, which includes up to 5 percent biodiesel in fuel oil. There is a physical change to the A and B model pumps, as Suntec is changing back to a nitrile shaft seal that is suitable for B5 and also performs well in cold ambient temperatures. Suntec will continue to test higher concentrations of biodiesel as well as ultra-low sulfur fuel oil and new synthetic oils as they appear in the market.



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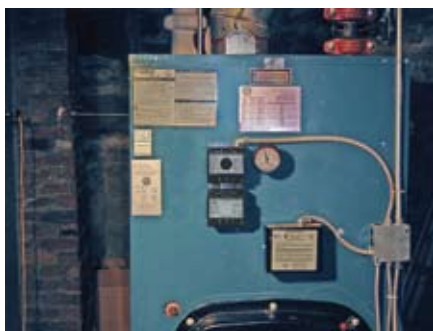
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A view of the church's system before the update.



The heating system, with reduced wiring and increased efficiency, after the Carlin installation.

system is now 84 percent efficient compared to the 55 percent efficiency rating for the old system. However, after the initial install, the system was not working as intended. Carlin Combustion Technology Inc. was contacted and Marc Bryden, Carlin sales representative, and Dave Rousayne, technical service manager, went to the job site. They found numerous problems with the temperature and zone controls. It was recommended that Carlin's new EZ-Temp 99000C commercial boiler control package for lo-hi-lo mode of operation be installed to solve the technical problems they were having. The EZ-Temp control was chosen because the company says it is easy to install and comes pre-wired. Bryden and Rousayne went to the job site to install the new control and both Haley and Towsley were pleased with the results.

"I have had good experiences with Carlin throughout the years and the technical support has been outstanding," Towsley said.

According to Carlin, the new control system is much easier to install than previous systems and it makes the boiler wiring more neat and organized, because instead of four controls, there is only one. ☐

New Burner Reduces Costs and Increases Efficiency at Church

ST. PATRICK'S CHURCH, LOCATED IN MONSON, Mass., recently decided that their 50-year-old two-pipe steam heating system needed some updating. The church was looking to save money due to both the increased cost of fuel oil and the continual maintenance costs of the old system, which was only 55 percent efficient. The church contacted David Haley, owner of Squier & Co. Inc., an oil dealer and parishioner, to update the system. Haley then contacted Towsley Associates Consulting Engineers to head the project up. Towsley

Associates specialize in heating, boiler and hot water replacements for commercial, industrial and educational facilities. Bill Towsley prepared the drawings and specifications for the job. The new system replaced the steam system with a forced hot water system using a baseboard radiation system and Runtal Radiation Heating units to replace the old steam radiators.

The new heating system is a Burnham V907 with a Carlin 702CRD oil burner. There are three zones with zone valves. The new



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and commitment to the governor's visions. As many of you know, the MOC board of directors voted to support the mandate earlier this year. Without the support of MOC and Ferrante's work in support of the bill, it is likely that the approval process would have taken longer or may have never seen the light of day. One of the reasons MOC support was crucial for this critical piece of legislation was the realization at the State House that the support of the local oil dealers would be necessary if the goals of the mandate are to be realized.

Ferrante followed the secretary and outlined why he believed in the mandate and why MOC came out in support of the mandate. With the high price of oil and all the challenges it brings to the industry, and the relentless attacks by the natural gas industry, Bioheat gives the industry a positive message and image to present to its clients. For the first time, it gives the oil industry a leg to stand on relative to energy independence, national security, peace of mind and environmental stewardship. Each of these issues brings a strong message and when you combine them all, it is easy to see why Bioheat will play a role in the future of Oilheat.

Paul Nazzaro, president of Advanced Fuel Solutions, concluded the presentation on Bioheat. Nazzaro, a staunch supporter of Bioheat and a lone voice for many years, outlined the challenges we face in meeting the mandate. He covered infrastructure improvements, logistics, supply and quality control, all issues that must be addressed but issues that are manageable. With just under two years to get ready for the mandate, he was able to show the steps the industry must take in order to capitalize on this great opportunity. Finally, Nazzaro unveiled a new marketing program that was developed and funded by the National Biodiesel Board (NBB) through a new Web site www.bioheatonline.com and a new support number, (877) B51-Line. These tools will help individual dealers market and sell Bioheat to local consumers as well as provide a national brand for Bioheat. It is through these resources and others similar to it that Bioheat will be able to gain mainstream acceptance in the marketplace.

As Paul mentioned in his presentation, there is much work still to be done, relative to the mandate, but the initial steps have been taken and we are moving forward. As we prepare for another winter, you will continue to see additional information on Bioheat but it is safe to say that we are only in the first chapter of this story and it will be up to the Oilheat industry to write the final chapter. A chapter that could be filled with success stories or missed opportunities and of the two "how do you want the final chapter to read?"

How Massachusetts is Leading the Way on Clean Energy

Mandate Can Bring Benefit to the Environment and Economy

By Bill Riordan, Advanced Fuel Solutions

WHAT COULD ONLY BE CLASSIFIED AS AN ardent success, the New England Fuel Institute's (NEFI) 2008 Oilheat Visions conference, held at Boston's Logan International Airport Hilton Hotel, concluded with Secretary of Energy for Massachusetts Ian Bowles addressing the industry. Bowles spoke passionately to a packed house for about 30 minutes about Gov. Deval Patrick and his vision for the future of Massachusetts' energy policy. Bowles did speak about wind, solar, geothermal and future fuels like cellulosic biofuels, but he made it clear that the state was moving forward toward a future of Bioheat®.

Regardless of the fuel or fuels of the future, Massachusetts is committed to lower greenhouse gases and meeting a yet-to-be-determined lower carbon fuel standard. Massachusetts is taking a leading role as it

"With the high price of oil and all the challenges it brings to the industry, and the relentless attacks by the natural gas industry, Bioheat gives the industry a positive message and image to present to its clients."

works with the other five New England states, New York and even Canada to come up with a standard that will benefit the entire region. Although environmental benefits are key to the plan, Bowles also sees a move to biofuels as an opportunity for Massachusetts companies to expand and grow in a segment of the economy that historically was left for companies located overseas or, at best, in the Gulf Coast. Last year alone, the United States sent more than \$700 billion dollars overseas to foreign governments

that control a large portion of the world's oil supply. Biofuels, and specifically Bioheat, give Massachusetts and Massachusetts-based companies the opportunity to capture a share of the energy business.

Schools such as MIT and UMASS are at the forefront of new technologies that will dramatically alter the energy landscape for generations to come and Massachusetts will do what it can to help foster the ideas necessary to bring about these new energy technologies. Through innovation and research and development, Massachusetts will be able to create jobs that will lead explosive growth in this new and exciting field. Finally, Massachusetts can and will play a leading role in the overall goal of establishing energy independence for the region and the nation.

One of the ways Massachusetts is demonstrating its commitment to biofuels and its belief that Massachusetts as a whole will benefit from this shift in energy resources is through the biofuels mandate. This mandate, which will go into effect July 1, 2010, is the first in the nation to mandate both transportation diesel fuel and heating oil to be blended with traditional home heating oil and diesel fuel. Once we have reached a 5 percent mandate blend by 2013, demand in Massachusetts may be as much as 65 million gallons of biodiesel. When you consider that current demand throughout the entire country is about 500 million gallons, you can see just how much of an impact this mandate will have on the growth of this industry.

Bowles was quick to praise Michael Ferrante, president of the Massachusetts Oilheat Council (MOC), for his tireless work

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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.

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A poll conducted by Quinnipiac University Polling Institute recently found that voters support off-shore drilling by a two to one margin. Sixty-two percent of voters said they favor resumption of off-shore drilling while 32 percent remain opposed. In addition, voters supported drilling in the Arctic National Wildlife Refuge 51 percent to 42 percent, additional spending on renewable energy 87 percent to ten percent and higher mileage standards for cars, 78 percent to 18 percent. Respondents were more evenly divided when asked about a drawdown of the Strategic Petroleum Reserve (SPR). An SPR drawdown was opposed by 47 percent of respondents and supported by 45 percent.

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**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	9/05/08	8/29/08	Year Ago	District	9/05/08	8/29/08	Year Ago
East Coast (PADD I)	16.6	16.6	15.6	East Coast (PADD I)	6.6	7.4	7.7
NEW ENGLAND	1.8	1.5	2.1	NEW ENGLAND	0.4	0.3	0.5
MID-ATLANTIC	8.5	8.9	7.7	MID-ATLANTIC	2.8	3.3	4.5
SOUTH TO FLA.	6.3	6.2	5.8	SOUTH TO FLA.	3.4	3.8	2.7
Midwest (PADD II)	23.5	23.6	20.7	Midwest (PADD II)	4.3	4.1	5.3
Gulf Coast (PADD III)	21.6	23.0	20.0	Gulf Coast (PADD III)	7.5	7.7	8.0
Rocky Mtn. (PADD IV)	2.4	2.2	2.2	Rocky Mtn. (PADD IV)	0.4	0.3	0.4
West Coast (PADD V)	9.9	9.8	10.0	West Coast (PADD V)	1.7	1.8	1.5
U.S. Total	74.0	75.1	68.5	U.S. Total	20.5	21.2	22.8

Greater than 500 ppm (0.05%) Sulfur				TOTAL DISTILLATE STOCKS			
	Week Ending				Week Ending		
District	9/05/08	8/29/08	Year Ago	District	9/05/08	8/29/08	Year Ago
East Coast (PADD I)	26.5	25.7	32.3	East Coast (PADD I)	49.7	49.7	55.6
NEW ENGLAND	4.5	4.5	8.5	NEW ENGLAND	6.7	6.2	11.1
MID-ATLANTIC	20.0	19.1	20.4	MID-ATLANTIC	31.3	31.2	32.6
SOUTH TO FLA.	2.0	2.2	3.4	SOUTH TO FLA.	11.7	12.2	12.0
Midwest (PADD II)	2.6	2.5	2.9	Midwest (PADD II)	30.4	30.1	28.9
Gulf Coast (PADD III)	5.5	5.9	5.8	Gulf Coast (PADD III)	34.6	36.5	33.8
Rocky Mtn. (PADD IV)	0.2	0.2	0.2	Rocky Mtn. (PADD IV)	2.9	2.8	2.7
West Coast (PADD V)	1.2	1.0	1.5	West Coast (PADD V)	12.8	12.6	12.9
U.S. Total	36.0	35.3	42.7	U.S. Total	130.5	131.7	134.0

**PRICE SWINGS ARE INEVITABLE,
AND FREQUENT, IN TODAY'S MARKET**

When the price of a barrel of oil shot up to \$147 on July 11, many experts agreed: oil at \$150 was inevitable and the bubble might not burst soon, if ever.

In May, even before the surge, Goldman Sachs projected oil to average \$141 per barrel in the second half of 2008, sharply up from its previous estimate of \$107. The same analysts said at the time that oil was increasingly likely to hit \$200 in the next six to 24 months. On July 11, that seemed all but assured at its current pace, especially in light of world events.

But through hurricanes, floods, Russian military campaigns and Middle Eastern saber rattling, prices fell precipitously through September, reaching as low as \$90 a barrel. It seemed that a contracting world economy was finally enough to suggest that unless energy and commodity prices fell, consumers would not be able to feed more capital into the system to pay off mortgages and loans, crippling businesses and banks. Experts emerged to say that oil might finally settle at its "true" value of \$70 to \$80 a barrel, with the speculative bubble burst.

That seemed possible until Sept. 22, when oil rose \$25, its largest single-day climb ever. As *Oil & Energy* went to press, oil rested comfortably above \$100. Where it goes next is anybody's guess.

Despite what experts may try to tell you, anyone who says they know where oil prices will be in six months or six years is merely guessing. The fundamentals that used to guide oil's worth are not as accurate, as speculative holdings have had a yo-yo effect on its value.

For home heating oil dealers, the lesson is that you can no longer lock in a season-worth of oil at one time, because you may get caught on the wrong side of a price swing. Instead, you must monitor the market closely, buy at a price you're comfortable with and use hedging techniques to give yourself some protection.

As David O'Connell, of Wilson Oil in Pennsylvania, said at the 2008 Oilheat Visions Conference in Boston, he no longer talks to customers about the volatile price per gallon. Instead he focuses on their monthly payment, treating it like any other monthly necessity. He works with the customer on finding the best way for them to reach that target, instead of quibbling over the daily price. At a time when the price could change drastically at any moment, O'Connell may have found the best solution: ignoring the daily price fluctuations and focusing on customer service and the business at hand. ☐

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 September 13, 2008 has been 7 percent cooler than last year and 6 percent warmer than normal.

Location	Current	Normal	% Change
	1/1/08 thru 9/13/08	1/1/08 thru 9/13/08	Current vs. Normal
Boston	764	742	+3%
Chicago	773	784	-1%
Hartford	759	729	+4%
New York	1278	1066	+20%
Philadelphia	1268	1151	+10%
Pittsburgh	631	689	-8%
Portland	324	341	-5%
Providence	823	684	+20%
Raleigh	1614	1381	+17%
Richmond	1502	1313	+14%
Washington	1554	1411	+10%

Oil & Energy Securities Recap

Company	Symbol	9/16/08	8/18/08	Change
Ashland Inc.	ASH	32.59	40.08	-7.49
BP-Amoco	BP	51.29	57.52	-6.23
ChevronTexaco	CVX	79.55	83.37	-3.82
Conoco Phillips	COP	70.23	77.19	-6.96
ExxonMobil	XOM	74.20	76.88	-2.68
Global Partners	GLP	10.97	12.91	-1.94
Hess Corp.	HES	75.71	94.90	-19.19
LUKOIL	LUKOY	60.80	75.95	-15.15
Marathon Oil	MRO	39.95	44.42	-4.47
National Grid Plc	NGG	65.08	66.10	-1.02
Occidental	OXY	66.92	75.98	-9.06
Royal Dutch Shell Plc	RDSA	58.15	67.86	-9.71
Star Gas	SGU	2.44	2.61	-0.17
Sun	SUN	37.50	40.84	-3.34
Tesoro Petroleum	TSO	15.97	17.30	-1.33
Total	TOT	60.27	70.72	-10.45
Valero Energy	VLO	31.44	32.61	-1.17

Sources:

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



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