

November 2008

OIL & ENERGY

OILHEAT • PROPANE • DIESEL FUEL • BIOFUELS



LIHEAP Outlook 2008-09

*Government Nearly
Doubles Funding*

Also Inside:

Sen. Olympia Snowe's Energy Strategy
Using Margin Flow to Your Advantage
Changing Tactics in a Volatile Market
Reducing Pricing Risk Through Software

Publication of the New England Fuel Institute
Volume 10/Issue 11





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The Front Burner

STUDY COMPARES GREENHOUSE GAS IMPACT OF OILHEAT AND NATURAL GAS

A study has been released recently by ICF International that shows the comparative greenhouse gas (GHG) impact of various heating fuels, including heating oil and natural gas. The study considers "total resource energy use and fuel cycle emissions impacts of fuel consumption," including extraction/production, processing, transmission, distribution, and ultimate combustion states. The study suggests that the "potential use of biofuel blends can significantly alter the relative GHG emissions profiles of natural gas and heating oil." It goes on to say, "B20 [Bioheat®] can have up to 12 percent lower GHG emissions than LNG, the marginal natural gas supply option for the Northeast and Mid-Atlantic regions," when efficient home heating equipment is utilized. The Consortium of State Oilheat Associations Greenhouse Gas Project requested the study and the New England Fuel Institute (NEFI) contributed to the cost of the report. You can download a PDF of the report at www.nefi.com.

NEW BIOHEAT® SITE FOR CUSTOMERS AND DEALERS LAUNCHES

A Web site designed to educate customers and fuel dealers on Bioheat, an environmentally friendly home heating oil blended with pure biodiesel, has been launched.

The site is intended to educate home heating oil customers and dealers on the benefits of Bioheat and to provide marketing tools for local heating oil dealers. See the Web site at www.bioheatonline.com.

SIMPSON AND IDE JOIN RENRE INVESTMENT MANAGERS

Jeff Simpson and Matthew Ide, former vice presidents of the Energy Lending Unit at Citizens Bank, recently joined RenRe Investment Managers Ltd. RenRe is a company engaging in a variety of non-insurance businesses centered on the weather and financial markets, with a particular focus on weather-exposed commodity price risk.

Simpson and Ide will be focusing on advisory services, risk management products, working capital finance and asset maximization, aimed at finding comprehensive solutions to meet the complex challenges facing energy marketers today. For more information, contact Ide at (832) 592-0076 or Simpson at (832) 592-0077.

DOE AND USDA RELEASE NATIONAL BIOFUELS ACTION PLAN

The Biomass Research and Development Board, a collaboration of senior officials from 10 federal agencies, recently released the National Biofuels Action Plan (NBAP). The purpose of the NBAP is to meet President Bush's "Twenty in Ten" initiative and meet the targets of the Renewable Fuel Standard (RFS) program. The "Twenty in Ten" initiative would cut gasoline consumption by 20 percent over the next 10 years. The RFS program calls for the production of 36 billion gallons per year by 2022.

To meet these challenges, the NBAP identified several action areas: sustainability, feedstock production, feedstock logistics, conversion science and technology, distribution infrastructure, blending, and the environment, health and safety. In an effort to reach the RFS mandate, a Department of Transportation-led task force is studying the feasibility of transporting ethanol via pipelines. The board will also review results of an interagency testing program to evaluate blending ethanol with gasoline in amounts above 10 percent. To view the report, go to www.doe.gov/print/6640.htm.

THE DIFF.

Spot Prices (Cents/Gallon) as of October 21, 2008*

New York Harbor No. 2 Fuel Oil / Heating Oil	New York Harbor No. 2 Diesel Low Sulfur	U.S. Midcontinent No. 2 Diesel
215.47	223.22	237.72

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

THE BAROMETER

Comparing Heating Oil to Other Financial Products

	October 21, 2008	One Year Ago
No. 2 Fuel Oil/New York (cents/gallon)	215.47	231.52
Crude Oil (dollars/barrel)	\$72.06	\$79.14
10-year Treasury Bill	3.79%	4.63%
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Dow Jones Average	9,192	13,754



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The federal government has approved up to \$5.1 billion for use in this season's Low Income Home Energy Assistance Program (LIHEAP). We take a state-by-state look at other changes in the program and what dealers need to know to participate.



ECC Issues Report Supporting Oilheat 19

The Energy Communications Council recently released a report based on government statistics that supports Oilheat over electricity and natural gas for economical and environmental reasons.



'Heating Oil Crisis Response Meeting' Unites Varied Groups 20

Representatives from the home heating oil industry, the government and social groups came together recently to discuss ways to ensure the funding and infrastructure is available to keep households warm this winter.



Changing with the Market 22

The annual meeting of the Oil Heat Council of New Hampshire featured presentations by business and financial leaders to give dealers and wholesalers advice on how to adapt to current—and future—market conditions.



Oil Market Stance: Going with the Flow 26

Mark Skaparas of Hedge Solutions says that better understanding margin flow is one method to aid dealers in volatile times. Skaparas can be reached at mark@hedgesolutions.com or (508) 721-7604.



Q&A: Working Toward a Comprehensive Energy Strategy 28

Republican Sen. Olympia Snowe of Maine answers questions about her support for reauthorization of the National Oilheat Research Alliance (NORA), LIHEAP funding and the future of American energy policy.



Biz Tip: Reducing Pricing Risk Through Software 32

Gary Sippin of Sippin Energy/Destwin says that computer programs can help businesses stay ahead of ever-changing prices and keep pace with the market, reducing overall risk.



Weather Trends: November's Cold Pattern Intensifies Further in December 36

John Bagioni of Fax-Alert Weather Service forecasts cold weather in the early winter months, with some possible moderation as the season continues. Bagioni can be reached at johnbag@comcast.net.

OIL & ENERGY

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Mailing Address

Oil & Energy
67 Foster St.
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Managing Editor

Steven Andrews

Editorial Assistant

Kris Peterson

Advertising Production

Catherine Armao

Graphic Designer

Nathan Burke

Credits

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Phone: 617-924-1000

Fax: 617-924-1022

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CONTACTS:

Jim Collura, NEFI Vice President for Public Policy and Communications: jimcollura@nefi.com
Mark S. Morgan, Esq., New England Fuel Institute Regulatory Counsel: mark@nefi.com

Federal LIHEAP Funding Doubled

Federal funding for the Low Income Home Energy Assistance Program (LIHEAP) has been fully funded to the maximum amount authorized by Congress, \$5.1 billion, thanks to persistent lobbying efforts by industry groups and LIHEAP advocates nationwide. This amount is double the current year funding level and the largest federal allocation in the 26 year history of the program.

The New England Fuel Institute (NEFI) and national LIHEAP coalition allies have been working together to call for full federal LIHEAP funding for years. The \$5.1 billion for the fiscal year 2009 includes \$4.5 billion in formula funding which was allocated directly to states and \$600 million in contingency funding that is to be released on the president's discretion. The entire \$5.1 billion was released to states on Oct. 16, 2008.

Congress also doubled funding for the federal Weatherization

Assistance Program (WAP) to \$477 million. That is up from the \$227.2 million the program received in 2008.

The funding was included in the 2009 "stop-gap" appropriation measure, known as a "continuing resolution." The continuing resolution will keep the government operational until March 2009, when the new president and the new Congress can finish work on 2009 appropriations. For a state-by-state look at this season's LIHEAP funding, see page 12.



Financial Rescue Package Includes Alternative Fuel Tax Credit Changes

Important changes in federal alternative fuel tax policy were part of the \$1.2 trillion economic stabilization package enacted into law to address the recent financial failures on Wall Street. The Emergency Economic Stabilization Act (H.R. 1424) contains the following alternative fuel-related provisions:

- Closes the "splash and dash" loophole in federal tax policy that allows diesel fuel from foreign countries to be eligible for the U.S. biodiesel tax credit. The loophole allowed foreign tankers with finished diesel fuel to temporarily enter American ports and splash blend with biodiesel in order to qualify for the federal biodiesel tax credit. Once blended, both the fuel and the tax credit would be shipped to foreign countries. The language of the bill disallows any splash and dash blending occurring on or after May 15, 2008.

- Extends the biodiesel blender's tax credit set to expire on Dec. 31, 2008 to Dec. 31, 2009.

- Increases the 50-cent-per-gallon biodiesel blender's credit available for product containing animal fats (yellow grease) to \$1 per gallon, the same rate as biodiesel made from 100 percent plant oils.

- Clarifies that biodiesel containing a petroleum feedstock (prior to downstream blending with diesel



fuel) does not qualify for the federal biodiesel tax credit.

- Extends the federal alternative fueling infrastructure tax credit for one year. The credit, 30 percent of cost or \$30,000 maximum, whichever is less, was set to expire on Dec. 31, 2009, but will now be available through Dec. 31, 2010.

The law also increases the federal Oil Spill Liability Trust Fund excise tax paid by the major oil refiners from 5 cents per barrel to 8 cents per barrel from 2009-2016. In 2017, the tax will rise to 9 cents per barrel. The legislation also includes a tax incentive for oil refiners to encourage more refining of gasoline and diesel fuel.

Action Center Web Site Launched

The New England Fuel Institute (NEFI) Legislative and Regulatory Center's new Web site, located at www.nefactioncenter.com, recently launched. The site features home page news items on breaking legislative, regulatory and industry developments that affect the home heating oil industry. The site also features:



- The Legislative Action Center, allowing you to send your government representatives letters quickly and easily.

- The members-only Federal Regulations page, with new and archived regulatory alerts, bulletins, kits and other resources.

- Our National Agenda, coming soon, which will list priority industry issues and related information for the upcoming year.

- Electronic donations to the Action Center, which is funded by industry contributions, can be made using the new online form.

- The online store, with an order form for pump decals, delivery ticket stamps and other member resources.

- The About Us page, which lists NEFI Action Center staff and NEFI leadership biographies and contact information.

- Useful links to government and industry Web sites, organizations and online resources.

Traders Subpoenaed as Oil Manipulation Investigated

The Commodity Futures Trading Commission (CFTC) subpoenaed traders as it investigates why a New York Mercantile Exchange (NYMEX) oil contract had its biggest dollar gain ever on Sept 22, according to *Bloomberg News*.

Congress and the CFTC are watching oil markets for signs of manipulation after prices rose to a record \$147.27 per barrel in July. Congress held hearings this summer on whether speculators are driving up prices, and the House passed legislation recently that would curb speculation in commodities such as oil.

The CFTC said in a statement that it would "scour" trading data to determine whether manipulation was involved.

First U.S. Auction of CO2 Allowances Brings in \$38.5 Million

The Regional Greenhouse Gas Initiative (RGGI) recently conducted the first-in-the-nation auction of carbon dioxide emission allowances. More than \$38.5 million was raised from the sale of 12.5 million allowances to bidders from the energy, financial and environmental sectors. The allowances were sold at a clearing price of \$3.07, with demand exceeding the offerings by more than four times the available amount. Six of the 10 RGGI states offered allowances for sale in the first auction. Connecticut, Maine, Maryland, Massachusetts, Rhode Island and Vermont will invest the proceeds from the auction in energy efficiency and renewable energy technologies and other programs that benefit energy consumers. The allowances can be used for compliance in any of the 10 states participating in RGGI, including the four states—Delaware, New Hampshire, New Jersey and New York—that did not offer allowances in this first auction.

RGGI aims to reduce carbon dioxide emissions through a cap-and-trade

program. Under the initiative, the 10 participating states will stabilize carbon dioxide emissions from the power sector at capped levels. The states will then reduce the cap 10 percent by 2018, with 2.5 percent decreases each year between 2015 and 2018. Auctioning the allowances allows the states to invest the revenues in programs that reduce energy demand and the use of fossil fuels. The next auction will be held in December, and all 10 states are expected to offer allowances for sale in the first 2009 auction and in quarterly auctions thereafter.

Also, the Western Climate Initiative (WCI) announced its own plan for a regional market-based cap-and-trade program for the seven U.S. states and four Canadian provinces participating in the initiative. The governors of Arizona, California, Montana, New



Mexico, Oregon, Utah and Washington; and the premiers of British Columbia, Manitoba, Ontario and Quebec aim to reduce greenhouse gas emissions by 15 percent below 2005 levels by 2020. The plan sets a lowest common denominator for the states and provinces, which can each exceed the requirements of the plan.

NEFI Introduces Text Message Alerts

The New England Fuel Institute (NEFI) has deployed a text messaging application that allows NEFI to text message industry members using a simple, low-cost group SMS text messaging solution.

"Text broadcasting allows NEFI to reach industry members with late-breaking alerts and notices," said

NEFI CEO Shane Sweet. "It is just one more way that we are reaching out to the industry in an efficient and cost-effective way"



NEFI will use this service to complement its current information distribution services, and will use the technology to alert the industry of education and training, legislative and regulatory, member services.

To enable receipt of NEFI Legislative and Regulatory Alerts via mobile text messaging, e-mail your name and mobile phone number to jimcollura@nefi.com, visit the text messaging sign-up form online at www.nefiactioncenter.com, or call Collura direct at (617) 923-5016.

Climate Change Legislation Draft Introduced

House Energy and Commerce Committee Chairman John Dingell, D-MI, and chairman of the Subcommittee on Energy and Air Quality, Rep. Rick Boucher, D-VA, unveiled global climate change draft legislation which will serve as a starting point for debate in the House next year. The House global climate change legislation is similar to its Senate counterpart (S.3036). Both chambers' bills would cap emissions of greenhouse gases and establish a market-based program for businesses to trade emission credits. However, the House version is less aggressive than the Senate bill by requiring 6 percent emission reductions by 2020 compared to the Senate bill, which would require 19 percent emission reductions. Dingell and Boucher stand behind the reduced emission cuts citing energy technologies that would meet the Senate goals are highly unlikely to be

commercially available in the near future. The House legislation also places limits on the ability of states to implement their own emission caps. Most experts agree that it is very likely that Congress will take up strong climate change legislation sometime next year, and this legislation will most likely be used as a starting point, not a final product. The new president will also have great influence on any climate change legislation drafted by the Congress and ultimately enacted into law.

Congress Allows Off-Shore Drilling Ban to Expire

Democratic leaders in Congress agreed not to renew the ban on off-shore drilling, in a major victory for NEFI members and the industry at-large. The federal moratorium on off-shore drilling was set to expire at the end of the year. Democratic leaders decided not to renew the ban in order to win Republican support for funding that they would have otherwise opposed. Democratic leaders have promised to try and put new limits on off-shore drilling when they return next year, although most have conceded that a renewal of the ban is unlikely.

NEFI Supplies SBA Loan Guide to Members

The New England Fuel Institute (NEFI) has published a members-only "Guidance Document for Small Business Administration 7(a) Loan Applications." This document provides straightforward guidance on how to determine eligibility and to apply for 7(a) SBA loans, explains the various types of loans available and for what purposes they can be used.

See www.nefiactioncenter.com for more information.

Regulation May Come For 'Dark Markets'

U.S. Senate Agriculture Committee Chairman Tom Harkin, D-IA, recently indicated that off-exchange trades, including swaps and derivatives, need to be fully regulated. Harkin also called the Commodity Futures Modernization Act (CFMA) of 2000 "a terrible mistake." The New England Fuel Institute (NEFI) and its allies have maintained that the CFMA is responsible for the "Enron Loophole" and many other exemptions afforded certain commodity trading instruments, activities and environments. The deregulatory measures found in the CFMA extend to mortgage-linked swaps and derivatives, the same complex investment instruments that have helped lead to the recent crisis on Wall Street.



Lawmakers are expected to introduce new legislation before the end of the year pushing for more regulation in these markets. It is not clear if Congress will act before next year, especially because President Bush has threatened to veto similar legislation (H.R.6604) that passed the House this fall. Any new legislation may have to wait until the new presidential administration and the new Congress.

NEFI Welcomes New Members

New England Fuel Institute welcomes two new members.

ASSOCIATE MEMBERS:

Greg Burns Consulting

Greg Burns
5 Izzy Lane
Kittery, ME 03904
Phone: (207) 451-5012
Fax: (207) 439-1515
E-mail: gburns5izzy@comcast.net
Greg Burns is an energy consultant.

Maguire Company Inc.

Dennis Maguire
PO Box 600785
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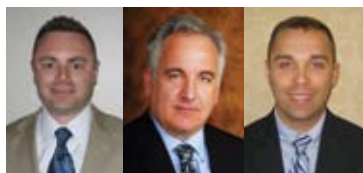
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CONTACTS: (left to right):

Jim Collura, NEFI Vice President for Public Policy and Communications: jimcollura@nefi.com

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

Dave Huffman, Member Services Specialist: dave@nefi.com

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.nefiactioncenter.com) 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).



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Mass. Oilheat Council
Metro Energy
Munhall Fuel Co. Inc
Norbert E. Mitchell Co.
Northboro Oil Co.
Orange Oil
Palmer Gas/Ermer Oil
Rand-Handy Oil Company
Sunshine Oil Company
H. Wright's Service
Whiting Energy Fuels

\$600 or more

Albert Culver Co.
Atlantic Pratt Oil Co., Inc.
Augusta Fuel Company
AWANE
Baker-Whitney Oil Company
Barrieau Oil co.
Bigelow Oil Company
Boston Steel & Mfg. Company
Brideau Oil Corporation
Brow Oil
Central Mass. Oil Co.
COCARD
Daniels Oil Co., Inc.
Davis Oil Co., Inc.
Dunn Oil Co., Inc.
Dutchess Oil Company
East Coast Petroleum
Erickson Fuel Co.
Federal Heating & Engineering Co., Inc.

D. Ferruccio & Son
Fisher-Churchill Company
Fuel Services, Inc.
Gillespie Fuels
Goodrich Oil Company
Goodier Fuel Co., Inc.
Robert Greene, Inc.
Haffner's Service Stations, Inc.
Hall Oil Co., Inc.
J.A. Healy & Sons Oil, Inc.
Holden Oil Company.
A. Hohmann & Co.
Huckleberry Heating Oils, LLC
Imperial Oil Co., Inc.
Ives Bros/A Plus Oil
Julian's LLC
Knight Fuel Company
Lee's Oil Service
Mello Fuel Oil Terminal
Murphy Fuel Corporation
Needham Oil Co. Inc.
Northfield Fuel Corporation
North Shore Fuel Co., Inc.
Pioneer Propane
L.F. Powers Co., Inc.
Reliable Oil & Heat Company
Rowayton Fuel & Oil Company
Sherman Oil Company

...\$600 or more

Lebanon, NJ
Leominster, MA
Columbia, MD
Stoughton, MA
Contoocook, NH
Wellesley Hills, MA
Boston, MA
Watertown, MA
Danbury, CT
Northboro, MA
Orange, MA
Atkinson, NH
Marshfield, MA
Bristol, RI
Billerica, MA
Northampton, MA

Rockland, MA
Braintree, MA
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Acton, MA
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Rutland, MA
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Glenbrook, CT
Rowayton, CT
Brookfield, MA

Sochia's Oil & Gas, Inc.
Stadium Oil Heat, Inc.
Star Petroleum Co., Inc.
State Line Oil Company
J.J. Sullivan, Inc.
Total Fuel Services Corp.
Town Oil Company
Vincent Oil Company
Westmore Fuel Co., Inc.
West Oil Co., Inc.
Winthrop Fuel Co., Inc.

\$300 or more

Advanced Energy Ltd.
Arlington Fuel Oil Co., Inc.
Ashley Fuel, Inc.
Atlantic Discount Oil Inc.
Bourne's Inc. of Morrisville
Braley & Wellington Insurance
E.P. Cotter Oil Company
Dorr Oil Company
Fairlawn Oil Service, Inc.
Forni Bros. Oil, Inc.
Giguere & Marchand Oil Service
Greystone Services, Inc.
Hiller Fuels, Inc.
Howell Fuel, Inc.
Interstate Oil & Gas Corporation
J & S Oil, Inc.
Kerivan Lane, Inc.
Lemay Oil Co., Inc.
Lincoln Laboratories
Madison Oil Co., Inc.
McCarthy Heating Oil Svc.
T.H. Malloy & Sons
Needham Energy, Inc.
Oil Heat Institute of RI
Pallett Oil Co. Inc.
Premium Fuels/Al's Oil
Putnam Fuel Co., Inc.
SonoEnergy Corporation
Spring Brook Service
Squier & Co., Inc.
Stocker Oil Co., Inc.
State Utilities Inc.
Todd Oil/Rose's
Towne Heating Co., Inc.
Wagner Brothers
J&A Waterville Oil
Wehof Forms
Rick Wenzel Oil Co. LLC

\$100 or more

Arrow Fuel
Booma Oil, Inc.
Community Oil Company
Greeley's Oil Co., Inc.
Hilton Oil Co., Inc.
John's Fuel Service, Inc.
Niccoli Bros. Oil, Inc.
People's Fuel, Inc.
H. H. Snow & Sons, Inc.
Rocky & Marciano Fuel Oil Inc.
R.L. Vallee Inc.
Thomas Fuel, Inc.
HC Woodmansee & Son Inc.

Douglas, MA
Peabody, MA
Foxboro, MA
Granby, CT
Guilford, CT
New Rochelle, NY
Wethersfield, CT
Southbridge, MA
Greenwich, CT
N. Adams, MA
Winthrop, ME

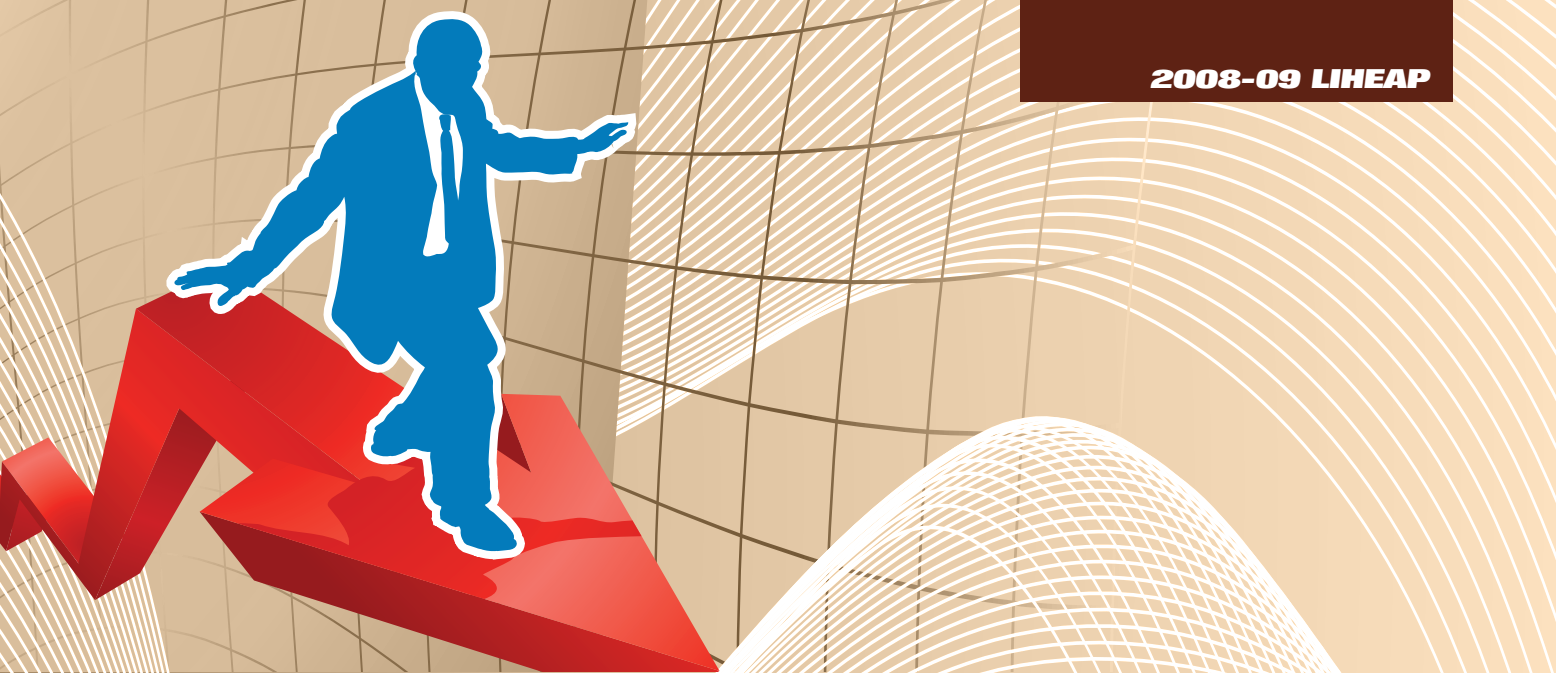
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Arlington, MA
Beverly, MA
Gloucester, MA
Morrisville, VT
Worcester, MA
Norwood, MA
Manchester Ctr, VT
Lincoln, RI
Bridgewater, MA
Blackstone, MA
Peabody, MA
Marion, CT
Fairfield, CT
Sudbury, MA
Manchester, ME
Needham, MA
Hartford, CT
Leicester, MA
Madison, CT
Quaker Hill, CT
Cumberland, RI
Needham, MA
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Goffstown, NH
Norwalk, CT
New Britain, CT
Monson, MA
Peabody, MA
Lindenhurst, NY
Rockport, MA
Swansea, MA
Boylston, MA
Naugatuck, CT
Somerville, NJ
Amherst, NH

Seekonk, MA
Lynn, MA
Cambridge, MA
Halifax, MA
Lawrence, MA
Lynn, MA
Brockton, MA
Gardner, MA
Orleans, MA
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2008 CONTRIBUTORS
as of October 21, 2008



LIHEAP Funding Sharply Increases This Winter

AFTER APPROPRIATED FEDERAL FUNDS FOR THE LOW INCOME HOME ENERGY ASSISTANCE Program (LIHEAP) dipped to about \$2 billion dollars the previous two heating seasons from nearly \$2.5 billion in 2006, recent government action has resulted in nearly double the funding this year.

States will now receive a portion of \$4.5 billion in appropriated funds, with an additional \$590 million in contingency funds available for use at the president's discretion. The rise in funding, long fought for by the New England Fuel Institute (NEFI) and other industry groups, could increase the amount of fuel per household and number of households eligible. The funding could also mean Oilheat dealers receive more fair prices for delivery. In the past, some states have limited the margin that dealers could attach to rack prices, which might not cover all delivery expenses.

Oil & Energy recently surveyed LIHEAP administrators from across the country to find out the latest information about their 2008-09 programs. We asked for information on this year's funding compared to last year, what home heating oil dealers can do to help and who to contact for more information. We thank all of the officials who took the time to respond to the questions.

Delaware expects to see a lot more households over the 200 percent of poverty level requesting assistance due to the state of the economy (i.e., credit crisis, mortgage crisis, fuel costs, increase in unemployment, etc.).

What dealers can do to help: Fuel dealers can encourage their customers to apply for assistance now, rather than waiting until the weather is really cold. This makes it much easier to administer the program and help families in crisis when the really cold weather comes in January/February.

Questions: Leslie L. Lee, management analyst, (302) 255-9681.

Idaho

Funding: We have no official word yet on our allocation but we are anticipating receiving about \$26.9 million.

Compared to last year: We have no official word on what Idaho will actually receive, but our estimate is double what we received last year.

How many served: About 48,000 more this year. We served 34,856 last winter during the regular LIHEAP season and we served 1,027 with crisis funding.

Program starts/ends: Starts Nov. 1 and typically ends March 1 due to funding restrictions. This year we plan to extend the season in order to serve more with the additional funding. The crisis program runs year round but is dependent upon the availability of funding.

Eligibility levels: We are going to attempt to raise them from 150 percent of the federal poverty level to 160 percent of the federal poverty level.

Changes: We are now electronically passing the names of recipients and benefit amounts to the four large vendors in the state.

Delaware

Funding: We are expecting approximately \$18 million in federal funds for Delaware. This increases our grant from last year by almost 200 percent. For the first time, since LIHEAP has been authorized at a spending level of \$5.1 billion, we are actually going to get that amount. This will enable us to assist a lot more eligible households, but we still will not be able to raise our income guidelines to accommodate all eligible households. In order to raise our guidelines permanently we'd probably need approximately \$25 million consistently. However, the \$18 million we are expecting keeps us from going into crisis mode—which would have been the case had Congress not funded LIHEAP at the authorized level of \$5.1 billion.

Compared to last year: Last year Delaware received approximately \$6.7 million; as mentioned earlier, this is almost a three fold increase.

How many served: We expect to serve approximately 17,000 households. Last year we assisted 14,400 households. While the funding has increased almost threefold, we will not be able to serve three times as many households. Last year, we ran out of money before the application period ended and were unable to help people with summer electric bills. This year we'll be able to help with summer electric bills and we are increasing our average benefit from \$356 per household to \$550/household for the winter heating season. Numbers of households receiving crisis assistance will double along with their benefit.

Program starts/ends: We started accepting mail in applications from seniors (aged 60-plus) and households with disabled members in September. The application period for all other applicants is Oct. 1 to March 31.

Eligibility levels: Up to 200 percent of poverty level.

Effect of credit crunch/higher fuel prices:

Continued on page 14...

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Effect of credit crunch/higher fuel prices:

We started getting calls asking for help with heating costs as early as Sept. 1, generally we do not receive these calls this early in the year. We know that gas prices are going up 18 percent.

Emergency deliveries: No changes.

What dealers can do to help: Fuel oil dealers can coordinate delivery of fuel with LIHEAP to ensure these households do not go without fuel. Some dealers in this area have raised their minimum delivery amount and for households receiving a smaller LIHEAP benefit, this causes a great hardship.

Questions: Christina Zamora at Community Action Partnership of Idaho, (208) 375-7382.

Kentucky

Funding: Our funding expectation is about \$25 million. Compared to last year the amount is similar.

How many served: Last winter we served 173,840. With similar benefit and funding levels, we expect to serve a comparable number.

Program starts/ends: Our program has two parts:

Subsidy: Nov. 3 to Dec. 12

Crisis: Jan. 5, 2009 until funding runs out.

Eligibility levels: Eligibility levels are at or below 130 percent of poverty.

Changes: There are no changes in our delivery coordination or payment system.

Effect of credit crunch/higher fuel prices:

The credit crisis may impact our relationship with vendors who may have less credit available and thereby require less time for payment. The higher cost of fuel is stressful for all involved, including the vendor, the client and service provider.

What dealers can do to help: Vendors can continue to do the outstanding job they have in the past and to participate in good and frequent communications with the service providers as fuel prices change.

Questions: Dan McKenzie, Energy Programs director, Community Action Kentucky, (502) 875-5863, fax is (502) 875-5865.

Maryland

Funding: Our federal allocation is estimated at \$101 million. State funding is \$57.7 million for electricity only. The federal funding is an increase from \$36 million over last year.

How many served: Approximately 93,000 households were served for heat and just over 100,000 for electricity. We expect to serve a great deal more, but do not have a projection at this time, as we have just been notified of our federal allocation.

Eligibility levels: At the current time, 175 percent of poverty is our eligibility level,

but with the increase in federal funding it is likely that will be increased.

Effect of credit crunch/higher fuel prices:

Higher benefits will be necessary to provide adequate heating resources.

Changes: No changes.

What dealers can do to help: Dealers should refer people who are having trouble making payments.

Questions: Ralph Markus at (410) 767-7415 or rmarkus@dhr.state.md.us.

Massachusetts

Funding: Approximately \$184.5 million. Ideally, \$200 million is needed to support rising fuel costs of low-income Massachusetts residents. Last year, we received approximately \$141 million.

How many served: Last winter we served about 145,000 households—we are expecting to serve about 170,000 households this year.

Program starts/ends: LIHEAP starts on Nov. 1 and ends on April 30 of each year. The application deadline is often extended by two weeks.

Eligibility levels: Currently it's at 200 percent of federal poverty level but it may change.

Changes: We are not expecting any changes in deliveries, however our subgrantees have been advised to reimburse vendors within the contract-specified time frames. The margin for LIHEAP deliveries has been increased to 40 cents per gallon.

Effect of credit crunch/higher fuel prices:

Rising fuel costs usually reduce purchasing power of LIHEAP customers, given our fixed benefit levels.

Emergency deliveries: No changes.

What dealers can do to help: Prioritize services to emergency clients (no heat/low heat).

Questions: Gerald Bell, manager, Community Services Unit, at (617) 573-1438. Margin over rack related calls can be forwarded to Akm Rahman, senior information and contracts coordinator.

Minnesota

Funding: Estimated at \$144 million.

Compared to last year: Last year was \$102 million, including \$23.7 million from the supplemental allocations.

How many served: 126,000 last year. Expecting about 185,000 this year.

Program starts/ends: We began taking applications mid-September and continue until May 31 or until money runs out. The crisis program operates on the same schedule.

Eligibility: 50 percent of state median income. For example, a family of four is eligible if earnings do not exceed \$49,738.

Changes: No changes in the way deliveries

are coordinated and paid for.

Emergency deliveries: Emergency deliveries are offered as in the past.

What dealers can do: Dealers are partners in the delivery of the program. Most have access to eHEAT, the online EAP system for Minnesota and communicate closely with local service providers. They are doing a great job and we are always improving.

Questions: John Harvanko, director, Office of Energy Assistance Programs, at (651) 284-3275 or john.harvanko@state.mn.us

Nevada

Funding: Based on the fiscal year 2009 continuing resolution passed recently, Nevada is estimated to receive approximately \$12-13 million in Low Income Energy Assistance (LIEAP) funding. The funding available from Nevada's Universal Energy Charge is anticipated to be \$14.2 million for the Energy Assistance Program.

Compared to last year: Fiscal year 2008 funding for LIEAP was \$4.3 million; the funding from the Universal Energy Charge in FY08 was \$12.7 million.

Program starts/ends: Nevada anticipates assisting 18,567 households during the period July 1, 2008 to June 30, 2009. During the period July 1, 2007 to June 30, 2008, 17,979 households were assisted.

Program starts/ends: Nevada operates the Energy Assistance Program on a year-round basis to assist eligible households with heating and cooling energy costs. This year's program began July 1, 2008 and ends June 30, 2009.

Eligibility levels: Nevada's eligibility levels are 150 percent of the poverty guidelines. Households are categorically eligible if all household members are eligible and receiving one or more of the following benefits: TANF, SSI, Food Stamps, or means-tested Veteran Disability benefits.

Changes: None.

Effect of credit crunch/higher fuel prices: Applications are up 13 percent from federal fiscal year 2007 to federal fiscal year 2008 and are still trending upward into fiscal year 2009.

Emergency deliveries: No, there are no anticipated changes this year.

What dealers can do to help: By providing timely responses to requests for customer account and energy usage information, fuel oil dealers can assist their customers in meeting the verification requirements to establish eligibility for the Energy Assistance Program.

Questions: Andrea Fountain, Social Services manager, Energy Assistance Program, (702) 486-9580.

Continued on page 16...

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...Continued from page 14
New Hampshire

The New Hampshire Office of Energy and Planning (OEP) is responsible for the statewide administration of New Hampshire's Fuel Assistance Program (FAP), which is funded by a grant from the federal Low Income Home Energy Assistance Program (LIHEAP)

Funding: The OEP expects to receive a standard grant award of LIHEAP federal funds in the amount of \$34,149,501 based on the current continuing resolution. In addition, New Hampshire has already received \$3,192,599 in contingency funds for this program year for a total of \$37,342,100.

Compared to last year: OEP received a standard grant award last year of \$15,495,145, plus contingency funds of \$3,275,857 (program year 2007 funds received in September 2007), \$5,148,509 and \$1,621,798 for a total of \$25,541,309.

How many served: New Hampshire's Fuel Assistance Program assisted 35,351 households last year. OEP anticipates that based on the \$37,342,100 funding level, approximately 39,000 households will be served in program year 2009.

Program starts/ends: New Hampshire's Fuel Assistance Program opens on Dec. 1, 2008 and ends on April 30, 2009. However, the application process for the general public began on Sept. 1, 2008.

Eligibility levels: Eligibility is determined by household income (60 percent of the state median income), number of people in the household and home energy costs.

Changes: There are no changes.

Emergency deliveries: New Hampshire's FAP continues to operate the same emergency component as last year, which is also delivered through the Community Action Agencies.

What dealers can do to help: OEP would appreciate fuel dealers utilizing any available

opportunity to promote the Fuel Assistance Program to their customers. For example, fuel dealers can encourage customers who may need assistance to contact their local Community Action Agency. Vendors can remind customers that they do not need to wait until they are in an emergency/no-heat crisis before applying for assistance. OEP also welcomes suggestions from vendors as to how OEP could better improve New Hampshire's Fuel Assistance Program.

Questions: Agencies can be contacted by region:

- Community Action Program Belknap-Merrimack Counties Inc. serves Belknap and Merrimack counties, (603) 225-3295.

- Rockingham Community Action Inc. serves Rockingham County, (603) 431-2911.

- Southern New Hampshire Services Inc. serves Hillsborough County, (603) 668-8010.

- Southwestern Community Services serves Cheshire and Sullivan counties, (603) 352-7512.

- Strafford County Community Action Committee Inc. serves Strafford County, (603) 516-8130.

- Tri-County Community Action Agency serves Coos, Carroll and Grafton counties, (603) 752-3248.

Celeste Lovett, Fuel Assistance Program manager, can be contacted at (603) 271-8317.

New Jersey

Funding: Approximately \$185 million. It is difficult to estimate an exact ideal figure. While we are of course happy to be getting the approximately \$185 million in funding, the state could always use more to assist the maximum number of residents possible.

Compared to last year: Last year we received approximately \$108 million.

How many served: 196,066 households were assisted this year. In an effort to

better assist New Jersey residents during this difficult economic time, Gov. Corzine announced recently that the state will be expanding the eligibility requirement from a gross income at or below 175 percent of the federal poverty level to 200 percent for LIHEAP participants. We anticipate that this will allow for an additional 28,000 households to take part in the program

Program starts/ends: LIHEAP runs from Nov. 1 to April 31.

Eligibility levels: As stated above, the governor has expanded eligibility from a gross income at or below 175 percent of the federal poverty level to 200 percent for LIHEAP participants.

Changes: LIHEAP 2009 households heating with deliverable fuel oil will see an increased benefit to an average of \$1,000 (which is triple the 2008 base benefit).

Effect of credit crunch/higher fuel prices: Because of the difficult times, we expect more people will be in need of assistance, which is why the governor expanded the eligibility.

Emergency deliveries: We hope to double the benefits for fuel delivery clients.

What dealers can do to help: We have an outstanding working relationship with dealers and they should not hesitate to contact the DCA's Division of Community Resources if they need assistance or have questions.

Questions: Anyone in need of assistance or who has questions about LIHEAP should call Community Resources at (800) 510-3102 or reach out to their local administration agency. The complete list is available at www.nj.gov/dca/dcr/hea/localapp.shtml.

New York

Funding: We have \$537.6 million in federal fiscal year (FFY) 2009 federal LIHEAP formula and contingency funding; \$12.1M in FFY 2008 federal LIHEAP contingency funds that were released in September 2008 for use in FFY 2009 and a \$1.2 million federal LIHEAP leveraging award, for a total of \$550.9 million available for our 2008-09 HEAP program.

Compared to last year: We had a total of \$360.6 million in federal LIHEAP funding for our 2007-08 HEAP program, so this is a \$190.3 million increase.

How many served: We expect to serve 910,000 households in 2008-09. We served 870,000 households in 2007-08.

Program starts/ends: Our heating component opens on Nov. 3, 2008. It will close when we exhaust our available funding, but we expect to be able to keep the program open until May 2009. Our furnace repair and replacement component opened on Oct. 1, 2008, and will remain open until Sept. 30, 2009.

CITIZENS ENERGY PROGRAM EXPANDS

Citizens Energy, which buys fuel from dealers and offers it at a discount to those in need, has returned for this heating season with an expanded coverage area and easier registration for companies.

The program, which operates with help from Citgo, now covers all of New England, with New Hampshire joining this year. Citizens Energy will also operate in Alaska, Connecticut, Delaware, Indiana, Maine, Maryland, Massachusetts, Michigan, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, Washington, D.C., and Wisconsin.

Citizens pays dealers the full retail price for fuel, which is then delivered to households in need already approved by the group. Last year, more than 2,500 dealers participated, aiding in heating 170,000 households with No. 2, 4 and 6 oil, kerosene and biodiesel.

Dealers will have access to a Web portal that allows them to register, track clients, invoices and payments, and follow any program updates.

For more information on the Citizens Energy program or to register, go to www.citizensenergy.com or call the dealer hotline at (800) 866-4591.

Eligibility levels: Households may earn up to 60 percent state median income to be eligible.

Effect of credit crunch/higher fuel prices: We have increased the amount of the regular and emergency HEAP benefits for households heating with oil, kerosene and propane so that the amount is high enough to purchase a minimum delivery (150 gallons) of fuel at the higher prices.

Questions: Phyllis Morris, Director, HEAP, SSI and EBT policy, New York State Office of Temporary and Disability Assistance, (518) 473-0332.

North Carolina

Funding: North Carolina's LIHEAP block grant request is for \$46,882,504. Actual funding is unknown at this time.

Compared to last year: North Carolina received a total of \$41,925,942 in funds for the Energy Program last year.

How many served: North Carolina served 237,190 households with a one-time energy assistance payment and 75,096 households with crisis assistance in fiscal year 2008. Numbers assisted generally increase by 10 percent each year.

Program starts/ends: Crisis assistance is a year-round program; the one-time payment program to assist with heating bills accepts applications for two weeks each November. Food and Nutrition Services benefit recipients are pre-screened to determine eligibility for the one-time payment program each September. Eligible households receive checks in February of each year.

Eligibility levels: The one-time payments are dependent on the number of approved households, where in the state they reside, total household income and heating type. Check amounts ranged from \$26 to \$103 this past February, with the statewide average payment being \$66.45.

Changes: No changes are planned.

Effect of credit crunch/higher fuel prices: The rising cost of fuel prices could impact utility bills substantially, thus causing more households to have a greater need for utility assistance.

Questions: Dean Simpson, chief of economic services, North Carolina Division of Social Services, phone number is (919) 334-1224, fax is (919) 334-1266

Vermont

Funding: \$35 million from LIHEAP and \$2.1 million from state

Compared to last year: Total of \$23 million last year (\$16.7 million from LIHEAP and \$6.3 million from the state).

Continued on page 18...

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...Continued from page 17

How many served: Projected this year is 23,850. Last year, 21,680 were served.

Program starts/ends: The program runs from July 7 to Feb. 28.

Eligibility levels: 125 percent of poverty level.

Effect of credit crunch/higher fuel prices: There is more confusion and concern about the program this year.

Emergency deliveries: There is a statewide effort to educate consumers and dealers that clients do not have to be out of fuel to request a crisis grant during regular business hours. The state is trying to eliminate the need for special trips and the charges they generate.

Questions: Certification related questions and benefit issues are directed to Maggie Reith at (802) 241-1097 and program questions go to Richard Moffi at (802) 241-1097. See http://dcf.vermont.gov/esd/fuel_assistance for more information.

Virginia

Funding: Virginia does not have state funds allocated to EAP. Federal funding for LIHEAP is not known at this time.

Compared to last year: Will depend on the federal fiscal year appropriation; last year Virginia received \$38 million in block grant funds.

How many served: Last year Virginia served just over 108,000 households through Fuel Assistance, the largest of the three EAP components. The state anticipates approximately a 10 percent increase this year. Virginia served approximately 17,000 households through the Crisis Assistance component.

Program starts/ends: Applications for fuel assistance are accepted from the second Tuesday in October through the second Friday in November. This year the dates are Oct. 14 to Nov. 14. Payments are made to vendors, on behalf of approved households from mid-December through April. The Crisis Assistance component begins accepting applications Nov. 3 for assistance with primary heat security deposits and heating equipment repair and replacement. Beginning the first working day in January, the crisis component will begin accepting applications for the purchase of primary fuel and payment of primary heat utility bills.

Eligibility levels: Virginia uses 130 percent of the federal poverty limit.

Effect of credit crunch/higher fuel prices: We anticipate increases in the number of requests for assistance.

Emergency deliveries: No anticipated changes for crisis assistance.

What dealers can do to help: Communicate changes in operating procedures to the state

office (minimum delivery requirements, etc.). Provide services upon receipt of credit authorization and bill for services immediately.

Questions: Andrea Gregg, manager, Energy Assistance Program, at (804) 726-7368.

Wisconsin

With the recent continuing resolution activity, these estimated numbers represent just a good guess at what may be available.

Funding: About \$168 million (includes both LIHEAP and Public Benefits funds).

Compared to last year: About \$134.3 million (includes LIHEAP Base, LIHEAP Supplemental, LIHEAP Amendment, and Public Benefits funds).

How many served: An estimated 162,000 households this year. Last year 159,690 households were served.

Program starts/ends: Program runs Oct. 1 through May 15, unless the funds run out.

Eligibility levels: 150 percent of the federal poverty level.

Effect of credit crunch/higher fuel prices: An increase in the number of applicants and requests for crisis assistance are expected.

What dealers can do to help: Maintain the high level of cooperation and coordination with our local providers/agencies.

Questions: Call local provider/agency or Division of Energy Services at (608) 267-3680 or e-mail heat@wisconsin.gov.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM FY 1983 TO FY 2009 (\$ IN THOUSANDS)

Fiscal Year	Appropriated	Contingency Funds	Total Available
1983	1,975,000	1,975,000	
1984	2,075,000	2,075,000	
1985	2,100,000	2,100,000	
1986	2,009,700	2,009,700	
1987	1,825,000	1,825,000	
1988	1,531,840	1,531,840	
1989	1,383,200	1,383,200	
1990	1,443,000	1,443,000	
1991	1,415,037	195,177	1,610,214
1992	1,500,000	0	1,500,000
1993	1,346,030	0	1,346,030
1994	1,662,392	300,000	1,737,392
1995	1,319,202	100,000	1,419,202
1996	900,000	180,000	1,080,000
1997	1,000,000	215,000	1,215,000
1998	1,000,000	160,000	1,160,000
1999	1,100,000	175,299	1,275,299
2000	1,100,000	744,350	1,844,350
2001	1,400,000	455,650	1,855,650
2002	1,700,000	100,000	1,800,000
2003	1,788,300	200,000	1,988,300
2004	1,789,380	99,410	1,888,790
2005	1,857,519	324,880	2,182,399
2006	2,452,775	627,225	3,080,000
2007	1,980,000	208,395	2,188,395
2008	1,980,000	610,678	2,590,678
2009	4,509,672	590,328	5,100,000

Source: Congressional Research Service, U.S. Department of Health and Human Services

Official Stats Show Oilheat Advantage

ECC issues report supporting Oilheat as value-added fuel choice

FOR YEARS, HOME HEATING OIL DEALERS HAVE been telling their customers that sticking with heating oil is a better option, economically and environmentally, than switching to natural gas or electricity. A recent report issued by the Energy Communications Council (ECC) agrees, citing a plethora of statistics provided by the U.S. Energy Information Administration (EIA). The ECC, formerly the Northeast Petroleum Association, was founded by 10 fuel marketer trade associations to coordinate media and public relations for the groups.

The report shows that while the EIA's numbers are important, they can, and often are, skewed by the media. It quotes three national news services reporting that electricity would be the least expensive heating option for the 2007 season, based on the EIA's 2007 Winter Fuels Outlook. However, when compared directly by British thermal unit (Btu) output, electricity ends up being the most expensive heating option in the Northeast, according to the ECC.

Using the EIA numbers, the report concludes that if home heating oil costs \$3.50 per gallon, the cost per million BTU is \$25.24. Meanwhile, if electricity costs 15 cents per kilowatt hour, the cost per million BTU is \$43.96.

The report also touts the historical price advantage of heating oil. In the Northeast, home heating oil has been the less expensive option for 16 out of the last 20 years—in Connecticut, heating oil's been the better buy for 18 out of the last 20 years and in Rhode Island it's been less expensive for 19 out of the last 21 years.

Even in a smaller and more recent window, heating oil compares favorably, according to data released in 2007 by the EIA. It shows that during the previous five years, heating oil has been less expensive than natural gas in two of those years, more expensive during two of them and about even for one year.

Natural gas can no longer claim to be outside the volatile price jumps that have affected heating oil of late, either, according to the ECC report. From the beginning of 2008 through June 2008, natural gas prices on the New York Mercantile Exchange (NYMEX) increased by nearly 70 percent.

Also, while domestic production of natural gas is cited as an asset toward energy independence, EIA data indicates this advantage is diminishing as natural gas consumption grows. Domestic production has been essentially flat for the last 20 years, the ECC report says, and according to the EIA, natural gas consumption grew by more than 6 percent from 2006 to 2007, and will see similar increases through 2009.

The report says that as a result, the increased demand has been met with imported energy,

primarily in the form of liquefied natural gas, which produces significantly higher greenhouse gas emissions and, because of its explosive nature, is more dangerous to handle and transport than traditional dry natural gas.

In addition to price, the report also rebuts claims that natural gas is the cleaner-burning fuel. Testing conducted by the National Oilheat Research Alliance (NORA) found that a Bioheat® blend of 80 percent low-sulfur heating oil and 20 percent biodiesel (B20) reduced sulfur oxide emissions by as much as 80 percent or more. If all heating oil was a B5 blend, 400 million gallons of regular heating oil could be conserved, greatly reducing emissions.

To view the full report, see www.nefi.com/pdfs/ECC_Materials_Outlook_Mtg_Oct_2008.pdf. ☒



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'Heating Oil Crisis Response Meeting' Unites Varied Groups Government Aid Sought for Customers, Dealers

THE PARTICIPATION OF SO MANY SEEMINGLY disparate organizations at the recent New England Regional Heating Oil Crisis Response Meeting underscored just how far reaching and pressing the need for affordable fuel is this winter.

The meeting, held in Portsmouth, N.H., was sponsored by AARP and the New England Fuel Institute (NEFI) and attended by government representatives, fuel dealers and retailers, as well as low-income advocacy groups and charities. It was organized by the National Consumer Law Center (NCLC).

The meeting was not intended for participants to come to any consensus about how to deal with the unprecedented price of heating oil this year, but to generate ideas to present to government leaders and other decision-makers, according to NCLC senior energy policy analyst John Howat.

"We're advising dealers to do all they can—talk to banks about credit, collect money on time, know their expenses. You can only chip away, one issue at a time."

NEFI president Shane Sweet

Much of the discussion focused on how to support the Low Income Home Energy Assistance Program (LIHEAP) this year, with federal funding increases in flux. The inordinate number of senior citizens affected by the program spurred AARP's participation.

"Seniors will be especially hard hit by this heating oil crisis," said AARP's Janee Briesemeister. "People 65 and older make up

20 percent of households nationwide, but 35 percent of low-income housing. They are also more susceptible to low temperatures."

She said the percent of income that seniors devote to energy costs is higher than other age groups. AARP is supporting not only increased LIHEAP funding, but also an expansion of eligibility for people who are currently earning too much to apply.

The participants broke into groups and generated many other ideas throughout the day. Some of the ideas follow.

LIHEAP

To request more state appropriations, advocacy organizations could collect evidence of inadequate funding and work with other organizations and constituency networks to ask state legislatures to supplement federal LIHEAP money. The group suggested that increased state money could then be used to expand enrollment and/or increase funding per person. Because of dramatic increases in fuel costs, an increase in available LIHEAP funding will need to occur. In addition, states need to act in the short term and provide funding before a new federal government session begins in January 2009.

Another suggestion is to increase LIHEAP eligibility and funding through categorical inclusions. This proposal is based on a New Jersey plan, which made all Medicare Part D low-income subsidy recipients eligible for LIHEAP. Making this group or similar ones automatically eligible or enrolled in LIHEAP could combat the difficulty in signing up that can keep the elderly, ill or disabled from

applying for assistance. Because the state has already determined income and asset data through other social services, like Medicare, implementing categorical inclusion could save administrative time and money. There is also hope that if state LIHEAP membership is expanded, the federal government will be more likely to provide greater funding for the program. This is most likely if the constituency groups serving the increasingly large LIHEAP-eligible population increased pressure on Congress to fully fund those enrolled and if more state governments and Congressional delegations adopt this plan.

In addition to increasing funding for LIHEAP enrollees, expanding funding for administrative staff would decrease turnaround and make LIHEAP assistance timelier, the group suggested. This could also change the way people are enrolled in LIHEAP, turning it into a 12-month program, so application backups would occur less frequently and applicants would not be without heat while waiting for approval. Even during the heating seasons, applications would be more rapidly approved with more administrative staff and resources.

It was also suggested that the cost of fuel for LIHEAP recipients could be lowered if fuel agencies had less need of making a profit through these customers. If states were willing to pay more for fuel deliveries, dealers could focus on increasing profit margins on those state deliveries and pass some savings on to LIHEAP recipients. Supporting deliverable fuel agencies as contractors for state conservation programs could also

increase their profit, with savings passed on to LIHEAP recipients.

USING CREDIT TO INCREASE FUEL ACCESS

A revolving loan fund could be created through state appropriations or a bond issue, according to participants, easing the cost of fuel for customers. Loans would be issued during the heating season and borrowers would have until the start of the next heating season to pay back the loan. Loans would not be accessible to those who had failed to pay back the previous season's loan. Customers could use this money to fill their tanks and spread the cost of heating across a longer period of time. This loan fund could also provide assistance to dealers trying to survive periods of low cash flow, helping them avoid going into debt with suppliers and allowing them greater flexibility in collecting payments. Similar existing programs have had a high rate of repayment, according to the group.

Loan funds could also be created specifically for the purpose of upgrading energy systems and putting conservation measures in place. Similar to the loans for fuel customers and dealers, these funds would allow homeowners to upgrade to more efficient energy systems, improve insulation, weatherize windows, etc. These measures would decrease fuel consumption, and therefore fuel cost, allowing borrowers to repay loans through the resulting savings. Alternately, a lien could be placed on these homes, ensuring that the loan will eventually be recouped. In place of state intervention, banks could fulfill their community obligation through low-interest conservation loan programs. All of these programs would help guarantee that dealers would get paid for fuel in a timely fashion.

It was also suggested that individual states could contract directly with small dealers to provide oil for groups of customers already known to energy assistance programs. This would be particularly helpful to some populations, like the elderly and mentally ill, who would benefit from automatic deliveries, the group suggested. In creating direct payment to dealers, it would alleviate some of the cash flow challenges facing those small businesses. Paying fair or slightly above-market prices for these state contracts could allow dealers to pass some savings on to their low-income consumers.

INCREASING ENERGY EFFICIENCY

Working to identify and publicize a definitive list of small steps that individuals may be able to take to increase efficiency could have a big impact on energy use, according to one group. Some suggestions were turning

down the heat, weather stripping windows, caulking leaks and using fall leaves as insulation against cellar windows. States could also create a voucher system to help fund these repairs, while ensuring that allocated funds go to improvements.

Most state programs focused on updates and conservation are small, but have the potential to save residents a lot of money, some participants said. If states were able to devote more resources, the effects could make

“Seniors will be especially hard hit by this heating oil crisis.”

—AARP’s Janee Briesemeister

a difference, they said. States could also institute points systems that would give priority to low-income households that would most benefit from the savings. States could also potentially use AmeriCorps volunteers to expand programs and assist in more complicated construction efforts. Ultimately, expanding these programs will be a long-term effort that will yield long-term results, but could begin to make a difference this season.

Another long-term suggestion was that placing efficiency improvements into housing law could give incentive to builders and landlords to make changes, decreasing costs to tenants and the cost of maintenance, according to one group. If completed before a deadline, landlords might receive tax incentives, either through reductions or quarterly tax deferrals that would allow them to defer paying taxes until after the winter heating season. Landlords who did not meet deadlines could face tax penalties or code violations, according to the proposal.

THE USE OF STRATEGIC PRODUCT RESERVES

Fuel reserves could be increased through the creation of state reserves, which could be released with greater discretion and might more directly impact local markets, one group said. Encouraging wholesalers to store oil beyond what is immediately in demand could also increase reserves. Terminal suppliers could buy smaller reserves, perhaps with revolving loan funds, to ensure that dealers’ supplies, and therefore prices, will be less subject to market fluctuations.

Changing the release criteria for reserves was also discussed. Strategic reserves can currently only be released in a small set of specific circumstances. Allowing more subjective decision making, or creating alternate reserves that could be subject to different standards, might help stabilize markets during fuel shortages, the group said.

THE INTERSECTION BETWEEN ENERGY AND HOUSING

Increasing fair market rents and/or creating utility allowances could increase access to heat, one group said. An increase in funding could make landlords more willing to accept residents with these vouchers and enable landlords to maintain these units and utility service without financial harm. Grants or loans for weatherization could be prioritized as additional incentive to landlords accepting Section 8, or housing subsidy, vouchers. This could create a greater customer base for dealers.

Most New England states have foreclosure prevention programs. When homeowners are so economically strapped as to have to choose between mortgage payments and the cost of heating fuels, subsidizing utility payments becomes a foreclosure-prevention measure. Turning to these programs might provide additional funding for individuals facing the choice between paying heating and mortgage bills, according to one group. In instances where homeowners are facing foreclosure or have been evicted, banks should also ensure that energy is shut off in a manner that will prevent fire, burst pipes or other unsafe conditions, as well.

It was also suggested that foreclosure laws should be amended to compel banks foreclosing on multi-unit buildings to notify tenants in advance that their utilities may be turned off.

Receiving any amount of energy assistance can also qualify people for other social services. Those receiving energy subsidies should be made aware of this, one group suggested. If families eligible for energy assistance were given even a nominal subsidy to qualify them for food stamps or other programs, it could free up household funds and allow them to keep up with heating payments.

Another proposal to aid low-income housing communities and heating companies is to have multi-unit Section 8 building tenants and low-income communities and neighborhoods develop co-ops to buy bulk fuel shipments, lowering the cost for each customer, one group said.

NEFI president Shane Sweet, representing the region’s dealers, acknowledged that multiple strategies, with support from various groups, would be needed to ensure businesses can continue to provide fuel for all customers.

“We’re advising dealers to do all they can—talk to banks about credit, collect money on time, know their expenses,” he said. “You can only chip away, one issue at a time.” ☒



Changing with the Market

Meeting Focuses on Evolving Business Tactics

AS THE HEAD OF A CONSULTING COMPANY

specializing in valuations and mergers of Oilheat companies, John Nardozi encounters many owners interested in selling their business because of the difficulties encountered in this volatile market and gives them all the same advice: Don't.

"I've told every seller I've advised lately not to sell," said Nardozi, who has more than 25 years in the business, at the recent Oil Heat Council of New Hampshire (OHCNH) annual meeting. "Now is not the time to do it."

He said there are far more buyers in the market currently, looking to grab companies while their value is at its lowest point.

"Because there are so many buyers, the spread is very far between the offer made and what sellers anticipate," Nardozi said.

"Customers must be aware that having price protection is like insurance. They must pay the premium."

—Kevin Mikoski, Irving Oil

Buyers are making low offers because they anticipate they may be able to just wait and get a competitor's customer list by paying off their debts or get the company from the bank if it defaults on loans. Instead of selling a company at a discount on the eve of the season when money begins coming in, Nardozi advises owners to at least stick through this winter.

"This volatility is a cycle," he said. "It's the worst I've ever seen, but if you survive it, you will come out stronger."

HOW VALUE DROPS

With selling a last resort for many owners, Nardozi said that he sees many common mistakes that can prevent businesses from considering it. Most of the mistakes regard either the misuse of funds or poor financial planning. He cites using prepay money to pay off debts, not using hedging tools to cover wet barrels or basing prices off the competition as some of the most frequent offenses. By doing this, companies are not able to generate a profit, denying the ability to get loans and, therefore, supplies.

Nardozi thinks the easiest way to get out of this cycle is to focus on a clear margin, but not in the way that many businesses currently do.

"We need to stop thinking about margins as 'cents per gallon,'" Nardozi emphasized repeatedly.

With increases in costs such as payroll, insurance and vehicle repairs calculated on a percent basis, Nardozi wonders why many businesses still use cents per gallon to calculate their margins. He said that historic gross profit percentage has been about 30 percent in the industry, but in 2007 it was down to 21 percent and fell to 14 percent in 2008. If owners focused on making the same percent profit each year, Nardozi said they could manage costs easier and continue to make profits at the same level.

"All of my friends and clients who (use a percentage for margins) to pick a price per gallon make money," he said.

Another way that businesses lose money is mismanaging price programs, according to

Nardozi. He suggests that if price programs are needed in order to compete, owners should make sure to hire an expert to manage the hedging. Even better, he said, would be to offer no fixed- or capped-price plans.

"The way to make a profit is to set a real margin and offer customers 10 cents off the retail price if they keep current with bills, stick with automatic delivery and have a service contract," Nardozi said. "Build the best customer base you can get and maintain it."

OTHER SOLUTIONS

The OHCNH meeting also featured a conversation among several industry leaders on how to protect cash flow in these turbulent times.

Kevin Mikoski of Irving Oil, David Daoust of Sprague Energy, Richard Larkin of Hedge Solutions and George Wilson of Angus Energy all agreed that businesses must change the way they operate if they want to continue to operate amid such volatility.

"We've learned that you can no longer leave the price alone for months," Daoust said, recommending that businesses purchase their supply in smaller pieces, in case prices change drastically.

Larkin said that a fundamental shift in price programs might soon occur.

"It's way too risky to take a position 90 days ahead of the program," he said. "I think you'll see in the next three to five years that sign-ups will go to the Web, and the risk will be shifted back to the consumer. (Dealers) offer the menu of options and they can make the choice."

Mikoski agrees that putting the burden of price programs on the customer is how businesses need to operate.

"Customers must be aware that having price protection is like insurance," he said. "They must pay the premium." ☐



From left, John Ray & Sons president Ken Ray and his wife, Fran, are joined by Lynette Stark, NENY Affiliate of Susan G. Komen for the Cure grants chairman, and Dee DeLollo, vice president of the local Komen board of directors, at the introduction of a new pink truck into the John Ray fleet. The program will provide breast cancer awareness to the community and monetary contributions to support the local affiliate of the Komen Foundation.

Similar to a moving billboard, this truck will cover approximately 1,000 miles per week, delivering fuel oil to homes and businesses in an eight-county area.

“Starting ‘Fueling the Cure’ in October has particular significance since (October) is National Breast Cancer Awareness Month,” Ray said.

“Since my grandfather founded the company, we have continually strived to expand our services and capabilities. The new pink truck is our latest effort to serve the community that has supported us for more than a century,” Ray added.

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‘Fueling a Cure’ at John Ray & Sons

JOHN RAY & SONS OF TROY, N.Y., HAS INTRODUCED A NEW TRUCK INTO ITS FLEET. BUT RATHER THAN sporting the well-known John Ray colors of yellow and red, this truck is pink, with a purpose.

The truck is part of a new two-year program at the company called “Fueling a Cure.” The program will provide breast cancer awareness to the community and monetary contributions to support the Northeastern New York (NENY) Affiliate of Susan G. Komen for the Cure.

Painted in the foundation’s signature color of pink, a portion of the proceeds from each gallon of oil delivered by the truck will benefit the NENY Affiliate of Susan G. Komen for the Cure. All funds will support breast cancer research, education, screening and treatment in New York’s Capital Region.

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Eugene A. Guilford, Jr.
Executive Director & CEO

gene@icpa.org
www.icpa.org



MAINE OIL DEALERS ASSOCIATION

25 Greenwood Road
PO Box 249
Brunswick, ME 04011

Phone: 207.729.5298
Fax: 207.721.9227
Web: www.meoil.com
Email: jamie@meoil.com
Jamie Pye, President & CEO



MASSACHUSETTS OILHEAT COUNCIL

Michael Ferrante, President

118 Cedar Street
Wellesley Hills, MA 02181

Ph: 781-237-0730
800-722-0623 (MA Only)

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Fax: 603-895-3325

Email: ohcnh@nhoilheat.com



Matt Cota
Executive Director

Vermont Fuel Dealers Association

802.485.7999 office

802.318.2190 cell

802.485.9637 fax

vermontfuel@gmail.com

<http://www.vermontfuel.com>

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PMAA ELECTS CHAIRMAN, EXECUTIVE COMMITTEE

At the Fall Petroleum Marketers Association of America (PMAA) Board of Directors meeting in Chicago, the board approved the slate of new Executive Committee members and officers for 2009. Matt Bjornson, president of Bjornson Oil Company, Cavalier, N.D., was elected 2009 PMAA chairman. Bjornson thanked the board for their support and pledged to give special focus to making sure every PMAA marketer director knows the issues and helps drive the decision making process. Others newly elected were:

- **Vice Chairman** Gerry Ramm, Washington;
- **Treasurer** Sean Cota, Vermont;
- **South East Region Association Executive** Arleen Alexander, Alabama;
- **South Central Region Chairman** Todd St. Romain, Louisiana;
- **Western Region Chairman** Jason Powell, Oregon;
- **North Central Region Association Executive** Dawn Carlson, Iowa;
- **North East Region Association Executive** Eric DeGesero, New Jersey.

AMCA ANNOUNCES 'ASSOCIATES' CATEGORY

The Air Movement and Control Association International (AMCA) board of directors recently approved a new category called "associates," that would be extended to manufacturers, businesses and companies that are involved in supplying components, products and services to the HVAC/R industry.

AMCA is optimistic that this new category will strengthen the relationships of AMCA members with the industry, providing additional technical and practical expertise, and broadening the members' knowledge base of the industry. For example, in electronics, controls technology, code activities and industry trends such as green initiatives, etc.

The annual cost for an AMCA Associate is \$2,500 and any firm or corporation not eligible for AMCA Membership, Joint Membership or Provisional Membership is eligible to submit an application to become affiliated with the association as an AMCA International Associate.

LEGISLATION PASSED REQUIRING CFTC INSPECTOR GENERAL TO BE APPOINTED BY PRESIDENT

The House recently approved H.R. 6406, legislation that amends the Inspector General Act of 1878. The new language would require the inspector general of the Commodity Futures Trading Commission (CFTC) to be a presidential appointee. Currently the CFTC chairman appoints the inspector general.

The legislation will elevate this position to a presidential appointment, requiring Senate confirmation. The legislation is aimed at increasing the inspector general's hierarchy and independence.

STUDY FINDS BIOHEAT® HAS ENVIRONMENTAL ADVANTAGES

One of the latest studies focusing on greenhouse gas emissions resulting from home heating fuels was unveiled in Boston in September. ICF International, a professional services firm recognized with expertise in energy, climate change and the environment, submitted the final report. The report is an unbiased analysis of emissions and efficiency related to home heating fuels. According to the report, when used in conjunction with ultra-low sulfur and biofuel products, heating oil holds a clear advantage over natural gas and liquefied natural gas in both efficiency and reduced emissions.

ENERGY SAVERS WEB SITE LAUNCHED

The U.S. Department of Energy (DOE) has launched an informational Energy Savers campaign, "Stay Warm, Save Money,"

aimed at helping American consumers and businesses save on energy expenses during the cold winter months. Energy Savers offers proactive ways to implement simple, cost-effective, energy saving solutions for both homes and businesses. At the heart of this campaign is a consumer-focused Web site developed by the DOE available at www.energysavers.gov.

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By Mark Skaparas, Hedge Solutions

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- Plus \$10,000 Retiree Life Insurance. Employers who participate in the Trust may elect to insure owners, proprietors, or partners when they retire for \$10,000 life benefits that do not reduce due to age. The owner, proprietor, or partner must retire on or after 10/01/04

For more information, please contact Donna Carcerano at:
Phone: 617-923-5020

Fax: 617-924-1927 or email donna@nefi.com

This plan is managed by the Telamon Insurance Network and by Fort Dearborn Life Insurance Company



ONE HUNDRED AND EIGHTY DEGREES MEANS TO change course and go in a completely new direction. Too often companies find themselves going 360 degrees, ending up right back where they started. Which direction are you heading in? Is your margin GPS keeping you on track and profitable or are you still refusing to ask for directions when you get lost?

There are roughly 180 days between October and April. How are you maximizing your profits? If you take a look at Walmart, it is clear that they consistently maintain profitability throughout good times and bad times. So how can you duplicate their success? In one word—efficiency. The industry has done a fabulous job promoting energy efficiency for homeowners, but it is now time to improve your profit efficiency.

Did your parents or grandparents ever think they would come into the office in the morning and see a 10-cent price increase by a supplier? This lightning-fast price movement has wreaked havoc on margin efficiency.

My experience has shown me through the years that companies have great potential to succeed and continue to succeed as a direct result of the hard work previous generations put into the business. The stark difference between prior generations and today's owners is the fact that the price of oil moves so rapidly. Did your parents or grandparents ever think they would come into the office in the morning and see a 10-cent price increase by a supplier? This lightning-fast price movement has wreaked havoc on margin efficiency.

There are many ways to become more efficient. One main method is what I call margin flow. Margin flow is the management of profit over a period of time. As I mentioned

earlier, as a retail heating oil company, your main window of opportunity falls between October and April.

So what is the problem? The problem is when the price of product increases and your margins tend to decrease due to a higher replacement cost. Also, when the price of product decreases, your margins tend to increase due to cheaper replacement cost. In order to keep that margin flow positive you must track some data on a daily basis.

The first part of the equation is your daily rack price. Some companies like to track the lowest rack, while others will take an average of their top three suppliers. The second piece is what your retail price is. Lastly, keep track of what the previous night's NYMEX settlement was in order to see what your basis is. This tracking process will be getting a technological boost in the future, but in the meantime a pen and a pad of paper will suffice.

When your daily margin is above your target, a red flag should go up prompting you to capitalize on this margin opportunity. The goal should be to take advantage of the market direction in order to lengthen the amount of time you can keep that above target profit margin.

You are probably thinking that sounds great, but what are some practical steps to take? If the market is down and you have a better-than-forecasted margin, take a piece of the better margin and invest it in what we call short-term hedging. This can come in the form of call options, collars or other hybrids, but the goal is not to speculate but to lock in higher profit margins for a longer period of time.

The countdown has begun. The clock is ticking and the number of days we have to sell some juice are quickly going into the history books. Don't turn 360 degrees, turn 180 degrees and smile all the way to the bank. Remember, you have to improve efficiency if you want to continue in the footsteps of prior generations. ☐



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In November 2006, Olympia Snowe was reelected to a third six-year term in the U.S. Senate with 74 percent of the vote. Snowe is co-chair of a bipartisan, consensus-building group in the Senate called the Common Ground Coalition—a forum for communication and cooperation between Senate Democrats and Republicans.

Working Toward a Comprehensive Energy Strategy Americans Face ‘Massive Undertaking,’ Says Senator

Editor’s note: The responses herein are the expressed views of Sen. Olympia Snowe, R-ME, and do not necessarily represent the viewpoint of this magazine or its publisher, the New England Fuel Institute (NEFI).

In the October issue, Oil & Energy posed the same questions to Sen. Jack Reed, D-RI, and his responses can be viewed at www.nefi.com/oilandenergy/archive.htm. Sens. Reed and Snowe are members of the Northeast-Midwest Coalition, a research organization that works for economic vitality, environmental quality and regional equity for Northeast and Midwest states.

EVEN THOUGH RECORD-HIGH CRUDE PRICES HAVE SUBSIDED FOR NOW, ENERGY POLICY HAS still remained at the center of the U.S. government’s attention as it crafts financial stability packages and a budget for next year. This has resulted in legislation that has funded the Low Income Home Energy Assistance Program (LIHEAP) with \$5.1 billion and the renewal of several tax credits to encourage biofuel adoption.

Sen. Olympia Snowe, a Republican who has held her seat since 1994, has long supported increasing LIHEAP funding and increasing energy independence. Snowe encounters many of the issues concerning home heating oil dealers due to her appointment on several influential Senate committees. She currently serves on the Senate Finance Committee, the Intelligence Committee, the Commerce, Science and Transportation Committee and the Small Business and Entrepreneurship Committee.

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?

The United States must embark on a massive undertaking to completely alter our use of energy. Clearly, we must expand our

“We’ve seen the drastic and disturbing impacts of unfettered deregulation and unchecked greed on our financial and energy markets. Congress must work to implement accountability and oversight on national and global commerce in order to protect consumers and ensure that we never again experience our present-day economic tumult.”

— Sen. Olympia Snowe

vision beyond a patchwork energy policy and boldly lead the United States to a future in which America’s energy is no longer controlled by unstable suppliers and rogue nations. In order to relinquish our dependency on foreign oil, the United States must take a balanced approach that recognizes that we cannot drill our way toward energy independence. We must have a comprehensive energy strategy that invests in energy efficiency and renewable energy. Research and development of new energy technologies as well as incentives for energy efficiency are of paramount importance.

You have joined Sen. Jack Reed, D-RI, to sponsor the National Oilheat Research

Alliance (NORA) Reauthorization bill of 2008. Please explain why you support NORA and the importance of this legislation.

The National Oilheat Research Alliance is a vital endeavor that, since its enactment in 2000, has made significant strides in improving home heating services to millions of Americans. As the sponsor of the original bill and a cosponsor of its reauthorization, I am proud of the program’s successes and am hopeful for its renewal.

Since its creation, NORA has been a leader in developing highly efficient boilers and furnaces. In fact, when NORA was enacted in 2000, the top efficiency for Oilheat equipment was 86 percent, whereas today consumers can purchase a furnace with 95 percent efficiency and a boiler with a rating of 93 percent. As energy prices continue on their unstable course, it is advances such as this that will help consumers across the country rely on efficient sources of home heating energy at a lower cost.

Yet along with these developments, we have also discovered ways to improve NORA over the past eight years. First, the reauthorization will expand the definition of Oilheat to include distillate blendstocks. The legislation also proposes to permanently authorize the Alliance. Eliminating the authorization’s sunset provision will ensure continuity of contracts, and allow for long-term planning and initiatives, without the uncertainty caused by the need for frequent reauthorization.

You have said that energy efficiency is a key to energy independence. What steps would

DEP ENCOURAGES EFFICIENCY MEASURES FOR PENNSYLVANIA HOMEOWNERS

Homeowners can help protect themselves from the expected record-high heating costs this winter by inspecting their home heating equipment and by following simple, effective energy conservation measures, Pennsylvania's Department of Environmental Protection Acting Secretary John Hanger said recently.

Performing basic maintenance on heating and cooling systems and practicing energy conservation at home is one way consumers can manage rising energy costs. A first step in homes heated with oil is to inspect indoor and outdoor heating oil tanks for potential problems prior to refilling.

In addition to safety, leaking heating oil could cause indoor air problems and potentially contaminate groundwater and private drinking water wells.

Anyone who thinks an oil tank may have problems should immediately call an oil company for help and the state says a professional should perform any maintenance or alterations to a heating oil tank system.

Tips on energy conservation and residential heating oil tanks inspections are available at www.depweb.state.pa.us by using the keywords "Energy" and "Storage Tanks."

Information is also available at www.StayWarmPA.com, including conservation tips and resources for getting financial assistance with utility bills and home weatherization.

GRIFFITH MANAGER BEGINS FULL-TIME CONSULTING BUSINESS

Steven Abbate has left his position as manager of business development at Griffith Energy Services Inc. to pursue his consulting business on a full-time basis as the head of Cetane Associates. Abbate has more than two decades of experience in the fuel industry and is best known for work in home heating oil acquisitions. Abbate has been directly involved in the sale of 51 companies and has performed financial analysis on more than 300 retail businesses. He is active in several industry organizations including MAPDA, VPCGA, ICPA (Board of Directors) and NEFI (Visions Track Chairman).

"The goal of Cetane Associates is to assist business owners in growing their businesses and making them more profitable," Abbate said. "We also have the expertise and knowledge to prepare and position companies for business transitions. I have had the unique opportunity to be an eyewitness to what has made businesses succeed and fail. The successes need to be shared so our industry and its business owners can prosper."

For more information contact Abbate at sabbate1@verizon.net or (410) 404-3199.

you take to promote more efficient use?

Energy efficiency has always been a cost-effective investment, but with the rise in home heating oil costs, energy efficiency resources are now absolutely critical. I have worked to pass energy efficient tax credits for efficient hot water boilers, furnaces, as well as tax credits for energy efficient new homes and commercial buildings.

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 am hopeful for the future of LIHEAP in the 111th Congress. Throughout the 110th we experienced several setbacks to increase funding for this crucial program. Yet, just weeks ago, Congress passed the Continuing Resolution for Fiscal Year 2009, a vital appropriations bill which will fully fund LIHEAP at \$5.1 billion, plus an additional \$250 million in emergency funds for weatherization. This is the most that the program has ever been provided.

According to Energy Information Agency (EIA) estimates, New Englanders using heating oil will spend 23 percent increase over

has a fundamental impact on our personal and national security, is being traded in an unregulated fashion on foreign markets, Americans have a right to know if manipulation of those markets is occurring. What we need to impose are limits so that speculators can play a role in the market, while not overwhelming it. We've seen the drastic and disturbing impacts of unfettered deregulation and unchecked greed on our financial and energy markets. Congress must work to implement accountability and oversight on national and global commerce in order to protect consumers and ensure that we never again experience our present-day economic tumult.

Without question, Bioheat® acceptance is taking off. Massachusetts recently became the first state to pass a biofuel mandate for home heating oil. 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 any initiative that reduces the burden on New England's heating oil consumers, including alternative sources of energy such as Bioheat. Bioheat has potential to replace a portion of our reliance on foreign oil and

"The squeeze of the credit crunch and the freeze of the winter season will be felt by a growing number of Mainers and it's essential that we utilize every resource and avenue available to expand assistance and alleviate the crisis. I am hopeful that Congress will recognize the needs of the American people and make LIHEAP funding a priority in the 111th Congress."

— Sen. Olympia Snowe

last year's arduous heating costs. The coupling of rising energy costs with the burgeoning economic crisis extends the dire need for home heating assistance across socioeconomic lines. The squeeze of the credit crunch and the freeze of the winter season will be felt by a growing number of Mainers and it's essential that we utilize every resource and avenue available to expand assistance and alleviate the crisis. I am hopeful that Congress will recognize the needs of the American people and make LIHEAP funding a priority in the 111th Congress.

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?

When a basic commodity like oil, which

I support research and development of this product. With all new energy products, it is critical that government does not choose technology winners, but create financial incentives for the promotion of alternatives. I look forward to working with my colleagues to provide an environment so that Bioheat has an opportunity for expanded use in New England.

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

I continue to believe that we need to extend the renewable production tax credit by a minimum of 10 years and provide a long-term extension of my energy efficiency tax credits. We need to establish long-term energy policies; this will encourage industries to invest in these technologies that will move our nation beyond our foreign oil reliance. ☐

Vermont**EQUIPMENT LOANS AVAILABLE FOR HOMEOWNERS**

The Vermont state treasurer recently announced a program to help homeowners cut their fuel costs and boost equipment sales for manufacturers. TD Banknorth has agreed to provide \$2 million in low-interest loans. Consumers will be able to borrow up to \$5,000 at an interest rate of 3.75 percent. The money must go to weatherization or heating system replacements. To learn more about the program, contact the Vermont Fuel Dealers Association (VFDA) at info@vermontfuel.com.

Maryland**GRANTS AID OPENING OF E85 STATION**

With the opening of the Town Center Chevron in Germantown, Md., another option for cleaner, renewable fuel became

available. Mid-Atlantic Petroleum Properties officially announced the opening of its seventh fueling location offering VeraSun Energy's branded E85, a blend of 85 percent ethanol and 15 percent gasoline. The opening of the Town Center Chevron was celebrated with a ribbon cutting with local politicians and area dignitaries, in addition to offering VE85 for \$1.85 for the first 185 minutes of sales.

The opening of the station was made possible through a grant awarded by the U.S. Department of Energy to the Maryland Energy Administration and implemented by the Maryland Grain Producers Utilization Board.

New Jersey**DEGREE DAY SERVICE RESUMES**

The Fuel Merchants Association of New Jersey (FMA) has resumed its degree

day information service. Members can receive degree day information by calling (973) 467-4965 after 9 a.m., Monday through Friday. Degree day information can also be obtained at the National Weather Service Web site at www.weather.gov/climate/index.php?wfo=okx for Newark or www.weather.gov/climate/index.php?wfo=phi for Philadelphia.

HOME HEATING OIL RESERVE INVESTIGATED

Assemblymen Brian Rumpf and Daniel Van Pelt filed pre-legislation that would create a task force to study whether or not New Jersey should establish a heating oil and propane reserve to help address "high prices due to tight supplies and heavy demand."

The assemblymen agreed that the FMA should be represented on the task force.

Connecticut**DANBURY REJECTS PREFERRED OIL CO-OP PROPOSAL**

The Independent Connecticut Petroleum Association (ICPA) recently met with a subcommittee of the Danbury, Conn., Common Council to deal with the cost of home heating oil for Danbury residents.

ICPA Danbury Chapter president Jeff Jennings, of Jennings Oil, and Bob Jennings joined ICPA in raising concerns about several proposals that would potentially mislead consumers about purchasing heating oil. The committee was originally exploring whether to choose a preferred oil dealer to serve Danbury oil consumers. Once ICPA members—who contacted local city council members and the mayor—were successful in deterring the city from exploring that idea, the city came up with another proposal that would create a section of the Danbury Web site (called "Oil Watch") where oil dealers that serve the city would have their prices posted for consumers to review.

Jeff Jennings explained that price is not, and should not, be the only factor that a consumer should consider before making a decision of who to do business with. Ultimately, the committee accepted a recommendation to add links to their Web site to include the Department of Consumer Protection, so consumers could verify if an oil dealer is properly registered, licensed and insured. The committee did reject the posting of oil dealer prices and the city negotiated preferred vendor ideas. ICPA suggested that since Connecticut has the most expensive electric rates in the nation, Danbury should broaden their approach to helping their residents and include information on all energy sources. The committee talked about creating an "Energy Watch" Web site instead of an "Oil Watch" site, containing generic energy information.



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NATIONAL BIO DIESEL BOARD

DOE TO INVEST \$35 MILLION IN CONCENTRATING SOLAR POWER PROJECTS

The Department of Energy (DOE) announced recently that it will invest up to \$35 million over the next four years in 15 concentrating solar power (CSP) projects which, combined with the project cost-sharing from the project participants, will result in up to \$67.6 million being invested in these projects. CSP technologies concentrate the sun's heat for conversion into electricity, and the ability to store that thermal energy and draw on it after sunset will greatly increase the economic feasibility of CSP power plants. Of the 15 projects, 11 will involve the research and development (R&D) of thermal energy storage technologies, one involves R&D for advanced heat transfer fluids, and three will be geared toward near-term demonstrations of thermal storage technologies. The projects are expected to further DOE's goal of reducing the cost of CSP electricity from today's 13-16 cents per kilowatt-hour (kWh) with no thermal storage to 8-11 cents per kWh with six hours of thermal storage by 2015, and to less than 7 cents per kWh with 12-17 hours of thermal storage by 2020.

SUSTAINABLE AVIATION FUELS TAKE FLIGHT

UOP, a Honeywell company, announced recently that it has joined a group of leading air carriers and Boeing to accelerate the development and commercialization of sustainable new aviation fuels.

With support and advice from world leading environmental organizations, the World Wildlife Fund (WWF) and Natural Resources Defense Council (NRDC), the Sustainable Aviation Fuel Users Group makes commercial aviation the first global transportation sector to voluntarily drive verifiable sustainability practices into its fuel supply chain.

The group's charter is to enable the commercial use of renewable fuel sources that can reduce greenhouse gas emissions, while lessening commercial aviation's exposure to oil price volatility and dependence on fossil fuels. Airlines supporting the sustainable fuels initiative include Air France, Air New Zealand, ANA (All Nippon Airways), Cargolux, Gulf Air, Japan Airlines, KLM, SAS and Virgin Atlantic Airways. Collectively, they account for approximately 15 percent of commercial jet fuel use.

The user's group pledged to consider only renewable fuel sources that minimize biodiversity impacts: fuels that require minimal land, water and energy to produce,

and that don't compete with food or fresh water resources. In addition, cultivation and harvest of plant stocks must provide socioeconomic value to the local communities.

The group has announced two initial sustainability research projects. Assistant professor Rob Bailis of Yale University's School of Forestry & Environmental Studies, through funding provided by Boeing, will conduct the first peer-reviewed, comprehensive sustainability assessment of *jatropha curcas*, to include lifecycle CO₂ emissions and the socioeconomic impacts to farmers in developing nations. Similarly, NRDC will conduct a comprehensive assessment of algae to ensure it meets the group's stringent sustainability criteria.

BIOFUELS EMISSIONS RULES COMING IN 2009

The Environmental Protection Agency (EPA) hopes to finalize its rules for measuring the lifecycle emissions of biofuels by spring or summer of 2009, an official said recently.

The energy policy passed by Congress in 2007 requires that the United States incorporate 36 billion gallons of renewable fuels by 2022. It calls for EPA to set emissions standards for the fuels' lifecycles. EPA's deadline is in December, but officials have worried that the complexity of the issue means the standards won't be ready by then.

MICROWAVE TECHNOLOGY COULD BOLSTER OIL SUPPLY

Global Resource Corp., a developer of a patent-pending microwave technology and machinery for extracting oil and gas, recently announced that the company successfully completed the testing of a commercial prototype of its microwave technology for economically converting hydrocarbons into oil and gas, from a wide variety of sources. The company said that as a result of its successful tests it could begin taking orders for its machines.

Global Resource Corp. is a developer of microwave technology and machinery that extracts oil and petroleum products from shale deposits, tar sands, capped oil wells, bituminous coal and processed materials such as tires and plastics as well as dredged soil from harbors and river bottoms. Its process produces significantly greater yields and lower costs than are available using existing technologies. Because the process takes place in an enclosed environment, it is emission-free and an efficient and cost-effective tool for cleaning environmental wastes and toxic materials.

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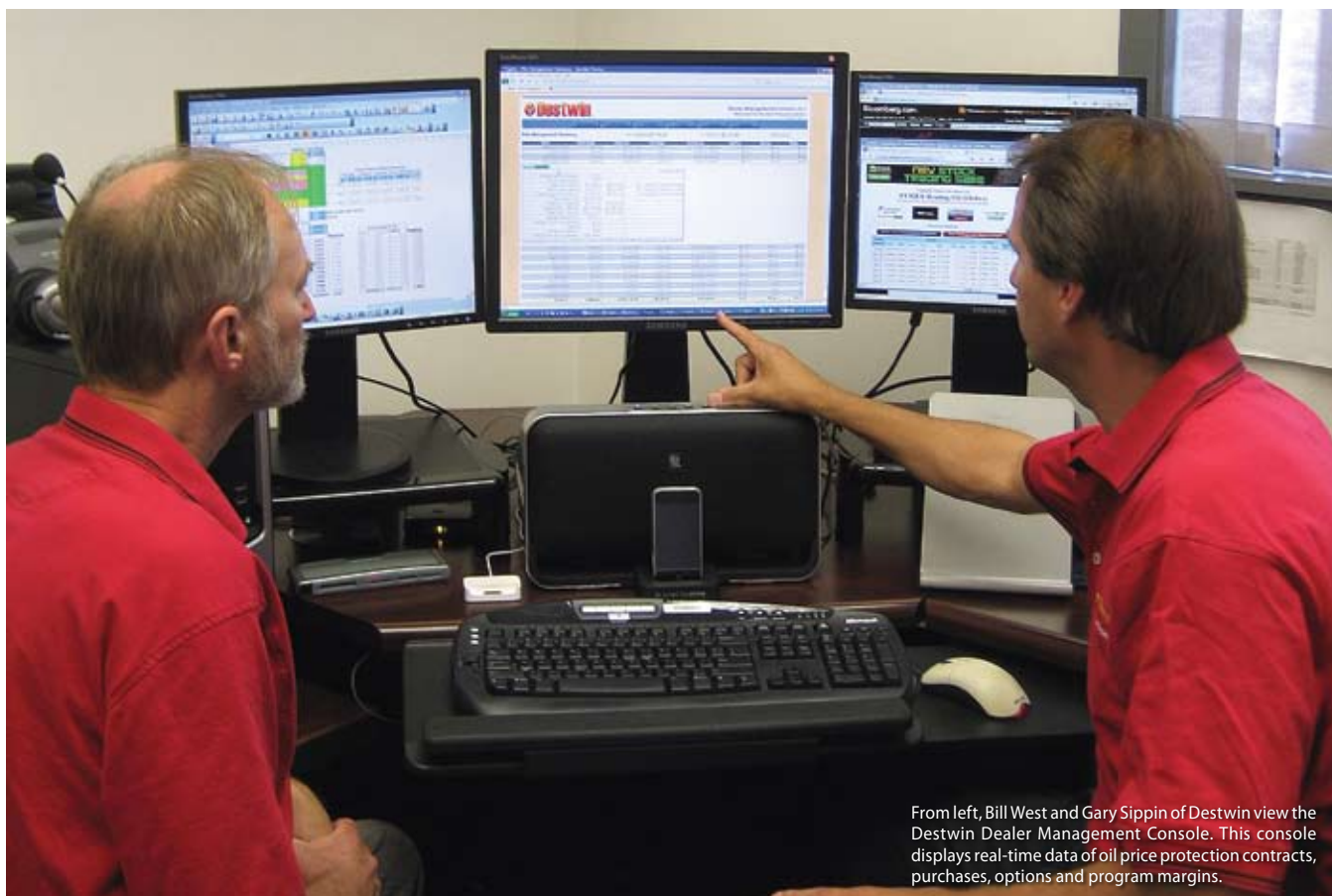
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From left, Bill West and Gary Sippin of Destwin view the Destwin Dealer Management Console. This console displays real-time data of oil price protection contracts, purchases, options and program margins.

Reducing Risk Through Software

By Gary L. Sippin, Sippin Energy/Destwin

THE LAST FIVE YEARS IN THE RETAIL OIL business have been a wild ride—and most of the time not a fun one. Many oil dealers have offered oil price protection to their customers but have been forced to take risks that in some cases cost them a lot of money, or worse, put them out of business.

What's the deal? The main cause is the inability to synchronize their oil price protection program's buying and selling process. The "gap" is often caused by conventional postal-mailed programs that create an enormous risk, especially considering that it's not uncommon to see the market gain or lose 20 or 30 cents a gallon in a few days. This creates several interesting scenarios (being lived out by dealers every day).

EXAMPLE 1

A dealer buys some oil, goes to the local printer and prints up a bunch of flyers with the price on it. The dealer puts the program in the mail and—oh no!—the price drops 30 cents a gallon in three days.

The dealer now has a program on the street that's 30 cents overpriced, causing program response to grind to a crawl, the

dealer to be grossly overbought, have mad or lost customers and the dealer to lower price and lose margin.

EXAMPLE 2

A dealer buys some oil, the dealer then goes to the printer and prints up a bunch of flyers with the price on it, puts the program in the mail and—oh no!—the price skyrockets 50 cents a gallon in eight days.

The dealer now has a program out that's 50 cents under priced, causing the program response to skyrocket, the dealer to be suddenly under bought, have lost or mad customers who missed the deal, and the dealer has to go out and buy additional high-priced oil to meet program demand and lose margin.

EXAMPLE 3 (THESE GET SCARIER AS WE GO...)

A dealer buys little or no oil (like last year, "It's too high and has to come down!"), then, knowing what that fuel would probably cost) prints up a bunch of flyers with the price on it, puts the program in the mail and—oh no!—the price skyrockets 50 cents a gallon in 15 days.

The dealer now has a program out that's 50 cents under priced and has bought no oil, causing program response to skyrocket, the dealer to go out and buy high-priced oil to meet program demand and lose all margins, as well as extreme anxiety and possible bankruptcy.

SOLUTIONS

Times have changed, and to survive and thrive, your business must change, too.

It took a few years, but we isolated a few key problem areas and figured out how to solve them using a software system called Destwin.

The only way to reduce risk (sorry, risk cannot be eliminated altogether) is to closely synchronize oil price protection sales and purchases. This first requires the complete elimination of postal mail contracts, postal mail quotes, faxed quotes, etc. All contracts have to be executed the same day (preferably within minutes) of the price quote. It also requires the complete elimination of the dreaded "pending file."

How is this done? Contracts have to be executed over the Internet directly by the customer, telephonically by a customer service

representative or by walk-in. This can and has been done, and with the proper tools and software, it can be easy to launch, and a snap to manage. Yes, customers will have to adapt, and a few will not like the changes; that's life. Remember, the most important thing you can do for your customer is to remain in business to service their needs for years to come.

INTERNET CONTRACTS

Internet contracts are by far the best solution, because they are done automatically. A good Web site will always suggest that a customer call with any questions, but in most cases, a good, intuitive contract system will allow the customer to feel as though they are in control. Prices change daily, and sometimes by the minute, making it difficult for customers to "shop" you, and program prices can be customized for different customers (you may want to discount a long-time customer with a big tank, or charge a small user a higher price). You can also "recommend" or steer customers to programs you feel would protect them better.

TELEPHONIC CONTRACTS

Because many people don't have computers, or would simply like to talk to a human being, we must offer telephonic contracts. How's it done? Simple, the customer calls in and the representative accesses the same exact Web site, with that customer's program price (remember they may be different), walking them through the various plans. When the customer chooses the plan they want, the rep tells the customer that the transaction can be done over the phone, which will be logged and recorded. Generally, this requires the customer have a copy of the terms and conditions in hand before starting. Once the rep confirms that the customer understands and agrees to the general terms, the specific contract terms are recited (start date, end date, price per gallon, gallons bought and program type). In the case of any fixed-price program, it's always a good idea to reiterate the risk that if prices fall, the customer will continue to pay the higher price. The rep then processes either a credit card or e-check (also know as an EFT or ACH). Payment of a fee is a great way to "authenticate" the sale and finalize the contract. Lastly, the customer is given a confirmation number and mailed a confirmation (either by e-mail or postal mail). Some states have "suggested" a two- or three-day right of rescission. On the surface, this sounds like a dealer risk, but it gives the customer peace of mind and in general two or three days is a lot less risky than the normal postal mail "gap" of two to three weeks.

TIME FOR ROLL-FORWARD CONTRACTS

One of the most frustrating things for dealers is dealing with the flood of calls that happen every year when it's "program time." The solution to this problem is to eliminate "program time" and make all year "program time." Incrementally starting and ending contracts throughout the year has many benefits. Not only will your staff load be dramatically reduced—dealers with a fully deployed roll forward Web-based system can usually reduce customer service staff by load as much as 25 percent—but your customers will feel far less pressured to make an oil purchase decision. It's important to note that when you send out a program by mail, chances are the customer will call anyway.

"Remember, the most important thing you can do for your customer is to remain in business to service their needs for years to come."

You don't want customers to get a busy signal because your phones are flooded, have a customer service representative tell them that the program is not available yet or tell them they missed the program.

In the case of software systems such as Destwin, getting real-time contracts in is where it actually gets fun (hard to believe). As the contracts come in, Destwin displays the sales in its Dealer Management Console (DMC). This looks easy, but to do it right requires sophisticated programming because the gallons have to be spread out across a heat curve (the percentage of oil sales a dealer makes for each month) so that purchases can be matched accurately to those sales. In addition, there are things that have thrown a wrench in the works in the past that have to be effectively dealt with. For instance, a short pre-buy (a customer who buys fewer gallons than projected) will exhaust its gallons before terms end, so the gallons have to be allocated to the months they will actually be delivered. This whole process is done automatically in Destwin.

BALANCING THE BOOKS

Now that sales are there in real time, you need to buy oil to match those sales. Months in the middle of the heat curve will sell in greater quantities than non-peak months; they will be easier to synchronize. Off-peak months sell slower and are normally bought in blocks (i.e., one contract may cover gallons sold for four months). In any regard, these months often make up a minority of sales, so the risk is much lower on these. At the end, there will

be an overall long/short position that needs to be in relative balance and an average weighted margin that must be maintained.

CAPPED-PRICE PROGRAMS

Capped-price contracts require you purchase options for protection, period. Ideally this should be calculated as a pass-through (you charge the customer what you intend on paying for the options). Your only other choice is to lie (or suffer the financial consequences). The Destwin system tracks inbound cap and program fees that are used to purchase options and cover some of the hidden costs of running these programs. My personal opinion about contract programs is that they require an equal or higher margin than a straight rack/retail sale because they are inherently more risky for the dealer.

KEEPING EVERYONE HONEST

You see a company on the street with a lowball deal replete with "freebies." You say "The guy must have a trick up his sleeve; he must be smarter than me." I've found more times than not, they are far from smart and are simply unaware of what their true cost is. The more people who use automated systems like Destwin, the better the marketplace will become. Predatory marketers who use oil price protection as a discount tool will quickly realize that it's a revolving customer door that erodes margins.

Another aspect of keeping honest is compliance and reporting. If your state requires compliance reporting, Destwin provides a one-button compliance report that you can give to your state agency, bank or even your wholesaler to prove you are in control. If you are also planning on selling your business, this is a quick way to dramatically increase the value of your business.

THE BOTTOM LINE

I suppose in a dream world, I would wake up and consumer contract price programs would be no more, but in the world we live in they are a reality and something that is likely to be with us for a long time. On the positive side, consumers have saved millions of dollars on these programs, which are not available with many competitive fuels. If implemented properly, they can benefit both consumer and dealer. Last but not least, oil dealers are not commodity brokers. Many of us don't enjoy that part of the business, and would be a lot better off simply running our businesses and taking care of our customers. A well-run and automated system not only reduces risk, but also gives us back the time we need to run our businesses like we should. ☐

Rhode Island**DEEPWATER WIND TO BUILD OFF-SHORE WIND PLANT**

Gov. Donald Carcieri announced recently that Deepwater Wind will construct a wind energy project that is projected to provide 15 percent of all electricity used annually in the state—about 1.3 million megawatt hours. The project, expected to cost \$1 billion to construct and funded by private investments, will be built off the shore of Rhode Island. The exact location is still being determined. Deepwater Wind will also construct a regional manufacturing facility in Quonset, R.I., which will serve the entire Northeast with support structures for wind turbines and towers. The facility is expected to create up to 800 jobs. Rhode Island and Deepwater Wind are entering formal negotiations, and final approval of the projects is subject to state and federal regulatory approvals.

Massachusetts**BURNER CODE REVISED**

The state attorney general recently sanctioned amendments to the oil burner code suggested by the Massachusetts Oilheat Council (MOC) and state fire officials. They include: allowing for the use of UL 2285 storage

tanks, strengthening the language surrounding the removal of fill and vent piping when a fuel oil storage tank is removed, cleaning up language on the pitch of unenclosed tanks, additional clarification on clearances and mounting for specific appliances in, further guidance on smoke pipe and new language and table for galvanized steel pipe.

See www.massoilheat.org for more information.

Pennsylvania**DEP ADOPTS VOLUNTARY GREENHOUSE REGISTRIES**

Following the recommendations of the Pennsylvania Climate Change Advisory Committee, Acting Secretary John Hanger announced recently that the Department of Environmental Protection has taken a step toward reducing greenhouse gas emissions and enabling businesses to create solutions that will limit climate change.

The 21-member panel recommended that DEP officially designate registries, or systems, that businesses can use to voluntarily collect information about their greenhouse gas emissions and document their successes in reducing or offsetting emissions.

DEP accepted the recommendation and adopted The Climate Registry as the emissions

registry and three different organizations for offset registries.

Pennsylvania joined 30 other states last year in becoming charter members of The Climate Registry, which is a tool that measures, tracks, verifies and publicly reports greenhouse gas emissions accurately, transparently and consistently across borders and industry sectors. DEP has actively worked to create and develop The Climate Registry and its general verification and reporting protocols. The registry will support voluntary, market-based and regulatory greenhouse gas emissions reporting programs.

Connecticut**ZERO INTEREST HEATING SYSTEM PROGRAM AVAILABLE**

Connecticut has approved a residential energy conservation loan program at zero interest for heating systems that have at least an 84 percent average fuel utilization efficiency (AFUE). The program is available based on income levels up to 200 percent of the median income of the county that qualified work is being performed in.

More information and applications can be found at www.chif.org/owner_borrowers/index.shtml#energy.



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Please contact:

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HOP Energy Completes Acquisition of Kaufman Fuel Company

In a move to expand its regional footprint, HOP Energy, a prominent U.S. retail heating oil distributor, recently completed its acquisition of Kaufman Fuel Company, which serves a large number of retail customers in Fairfield and lower New Haven counties in Connecticut. HOP Energy will operate Kaufman Fuel as a new “standalone” location from its office and garage facility in Bridgeport, Conn.

Kaufman Fuel has approximately 90 percent of its customers on automatic delivery, indicating a loyal and stable customer base, according to HOP Energy. This acquisition fills in the line of HOP Energy operations beginning in Boston and running down the Atlantic Coast through Delaware.

The acquisition of Kaufman Fuel represents a new market for HOP Energy and allows for future expansion in the Fairfield County market. Kaufman Fuel provides a prime and immediate opportunity to establish a significant presence in the area.

“We believe that this area is ideally suited to our value-added marketing approach as an automatic delivery, full service provider,” said Michael Anton, HOP Energy’s CEO. “Kaufman Fuel will provide us a platform from which to purchase several other high-quality oil dealers that could be readily folded into the Kaufman Fuel operations, as well as a platform from which to organically grow in the cities of Greenwich and Stamford, Conn.”

Ron Farrell, Kaufman Fuel’s president, added, “I am excited about the prospects of merging with HOP Energy, as their business approach is to provide the highest quality service to its customers. I am also looking forward to assisting HOP Energy with its growth strategy.”

Kaufman employees will continue to work from their current offices. Financial terms of the acquisition have not been disclosed.

Founded in 1995, HOP Energy provides retail, commercial and fleet-fueling distribution of heating oil and other petroleum products and related services in the northeast United States. The company services customers across New England and the East Coast.

HENRY MARTIN POWERS JR.

HENRY MARTIN POWERS JR., A LEADER IN THE OILHEAT INDUSTRY FOR MORE THAN 45 YEARS, passed away Sept. 27 at his home at the age of 76.

Powers joined the C.H. Sprague Company in 1961 and became the company’s president in 1972. Upon retiring as president and chairman of C.H. Sprague and Sons, now known as Sprague Energy, he remained with the company as a consultant.

He graduated from Maine Maritime Academy in 1954 as a licensed engineer. He served as a lieutenant in the U.S. Navy on the destroyer Conway and the super-aircraft carrier Saratoga. Before attending Johns Hopkins University, where he studied business and industrial management, he served as an engineer for American Export Lines and later, in 1958, became a member of the staff of Bull & Roberts Inc., New York, consulting chemists.

Surviving are his wife, Hepzibah; his son, Carlton Powers; his grandsons, Carlton C. and Daniel Powers; his granddaughter, Anna Powers; his sister, Catherine Powers; and his brother, Robert Powers.



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November's Cold Pattern Intensifies Further in December

By John Bagioni, Fax-Alert Weather Service

AS IS OFTEN THE CASE, I WOULD HAVE LOVED to be able to wait one more week before penning this *Weather Trends* article. While I had a fair degree of confidence about where the long-range weather pattern was heading for the November/December period, the pattern evolution was not fully underway when I sat down to put my thoughts to paper on Oct. 13. Be that as it may, I still feel I am on the right track with my late fall and winter forecast.

In my October article, I used the term "wild card" to describe the upcoming cold season. When all is said and done, the word "wild" might be the single best descriptor.

I have no changes in my early assessment of the large-scale global features that will work together to produce what I think will be a noteworthy 2008-09 winter season. The call for a weak La Nina or near neutral equatorial Pacific signal still looks good.

The patterns across the North Pacific and North Atlantic do not look overly favorable for a long-running warmer-than-normal winter, and in fact may be tilting a bit more toward a cold bias. It appears likely that a very large and powerful source of Arctic air will build across northern Canada this year, and I also expect significant jet stream energy and moisture to stream into the U.S. from the tropical Pacific this winter season. When you throw all of these factors together, you get the potential for a wild winter with high impact storms.

My assessment of the evolution of the late fall and winter period leads me to believe we will see a few strong periods of Western U.S. ridging during which Arctic air will flood parts of the Central and Eastern U.S. In particular, when large cold intrusions do occur I favor the area from the Northern Plains, upper Midwest, Great Lakes and Northeast catching the brunt of the action.

At the moment, I do not think the pattern will lock into an endless flow of cold air sweeping southeastward out of Canada into the Northeast. That means I am not calling for a record cold or brutally cold winter season. There will be ebbs and flows to this winter's cold intrusions that will offset the cold periods. That being said, the potential does exist for the winter temperature average to end-up modestly colder than normal when all is said and done.

The term "bookend" winter may also be a good naming of this cold season. That means a cold start, a mild middle and a cold finish. In my earlier discussions, I called for the fall period to feature non-remarkable temperatures through November. I thought October would likely see more mild periods than cold periods, but either way, nothing unusual was expected. November had been looking pretty typical, with a pattern that would gradually turn colder as we moved toward December. Well, things may progress quicker into the colder regime than expected.

By mid-October, signals were appearing that November should trend sharply colder than first thought. I now feel that need to lump November and December into a solidly colder-than-normal period. I still like the call for December to average well below normal, but now have added November into the cold mix.

While it would not take much to keep the cold pattern in place well into January 2009, most data and analog information supports a call for moderation to normal or above normal during January. Whether it gets very mild again, as some recent Januarys have, is uncertain. There is support for a warmer-than-normal January, but the weak global signals and the likelihood of a very cold Canadian pattern makes me wary of dismissing a more "normal" January. I will let the original call for a milder-than-normal January stand for now, but will indicate that it will carry the lowest confidence level of the three winter months.

I also continue to favor a colder-than-normal February/March period with a later-than-normal spring.

Given the volatile winter temperature regime expected from November through March, I expect above-normal seasonal snow and ice accumulations for most of the Central and Eastern U.S. In fact, the potential exists for several high impact storms.

Trying to get overly specific about winter storm events this far out is not prudent. That being said, everyone from the Plains eastward across the Midwest, Great Lakes, Ohio Valley, Middle Atlantic regions, as well as New York and New England, will get their share of serious winter storm action this year. While the November/December period should feature at least a couple of significant winter storm events for the Middle Atlantic and New England regions, it might be the February/March period that wins the snowfall prize this winter. ❄️

Degree Day Reporting Form

REPORTING DATE: 9-30-2008

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	374	505	474	691
Portland, ME	185	255	202	523
Concord, NH	186	278	209	548
Burlington, VT	180	258	167	538
Albany, NY	107	204	121	484
Worcester, MA	112	187	124	478
Boston, MA	78	96	62	344
Hartford/Springfield	89	135	70	413
Providence, RI	74	113	46	377
Chatham, MA	75	117	51	359
Bridgeport, CT	43	74	48	320

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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The entry level course is designed to prepare each student for employment as a qualified oil heating technician; the receipt of a certificate of competency can lead to a license appropriate to the state or regional authority where the student plans to work as a professional technician.

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TENNESSEE BREAKS GROUND FOR CELLULOSIC ETHANOL BIOREFINERY

DuPont Danisco Cellulosic Ethanol (DDCE) and the University of Tennessee Research Foundation, through Genera Energy, broke ground recently for a pilot-scale biorefinery and state-of-the-art research and development facility for cellulosic ethanol, or ethanol from non-food sources.

Utilizing DDCE's cellulosic ethanol technology and the UT Institute of Agriculture's cellulosic feedstock production and co-product research, the facility will produce cellulosic ethanol as a transportation fuel from two different non-food biomass feedstocks: corn stover (cobs and fiber) and switchgrass.

The pilot plant and process development unit (PDU) will be constructed in the Niles Ferry Industrial Park. A PDU is a research facility that enables both experimentation at larger-than-laboratory scale and more rapid adjustments to process components. With a plant capacity of 250,000 gallons of cellulosic ethanol annually, the facility is expected to produce cellulosic ethanol by the end of 2009.

The university has also invested state research dollars to develop switchgrass as a dedicated cellulosic energy crop. Sixteen east Tennessee farmers participated in the first round of sponsored switchgrass production. The farmers worked a combined 723 acres in 2008 as part of the university's research into supply chain logistics for cellulosic biorefineries.

The first fruits of the spring planting, bales harvested from about 3 acres, were on display during the groundbreaking. In two more years the switchgrass established this year will produce even more biomass per acre, and the harvested switchgrass will be used as feedstock for the biorefinery.

The pilot plant is also designed to convert corn stover from western Tennessee to ethanol. Corn stover is the plant material left in the field after the grain is harvested for use as food or feed for livestock. The biorefinery's construction and switchgrass production are the first major components of the UT Biofuels Initiative, a farm-to-fuel business plan developed by UT Institute of Agriculture researchers. The initiative models a biofuels industry with multiple commercial facilities supplied by locally grown feedstock and capable of supplementing 30 percent of Tennessee's current petroleum consumption.

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NORA PARTNERS WITH AMERICAN SOCIETY OF HOME INSPECTORS

The National Oilheat Research Alliance (NORA) recently announced a partnership with the American Society of Home Inspectors (ASHI), the largest national professional organization of home inspectors in the nation. ASHI is an organization of independent, professional home inspectors. ASHI associates work their way to being an ASHI certified inspector as they meet rigorous requirements, including passing a comprehensive, written technical exam and performing a minimum of 250 professional, fee-paid home inspections conducted in accordance with the ASHI Standards of Practice and Code of Ethics.

With this partnership, NORA customers gain access to the largest network of home inspectors—an important step in the buying and selling process that can ultimately help consumers make a more informed purchasing decision. Partnering with ASHI confirms NORA's commitment to bringing consumers and professionals together.

"We are extremely happy to partner with such a respected organization," said John Huber, NORA president.

NAOHSM READIES 'GREEN' SITE

The National Association of Oil Heating Service Managers (NAOHSM) will soon be launching a new page on their Web site, Energy Saving Ideas. This will include tips and categories of products that will help consumers save energy and also act as a quick reference point for technicians and salespeople that wish to refer their customers to the ideas.

Categories on the site include: boilers, furnaces, storage tanks, zoning, AC, controls and metering devices, solar, heating oil and Bioheat®, and miscellaneous products geared toward conservation.

Manufacturers and suppliers of any products that are Energy Star rated or provide energy savings are encouraged to send a link to the product on their Web site and a logo to jgarber@naohsm.org.



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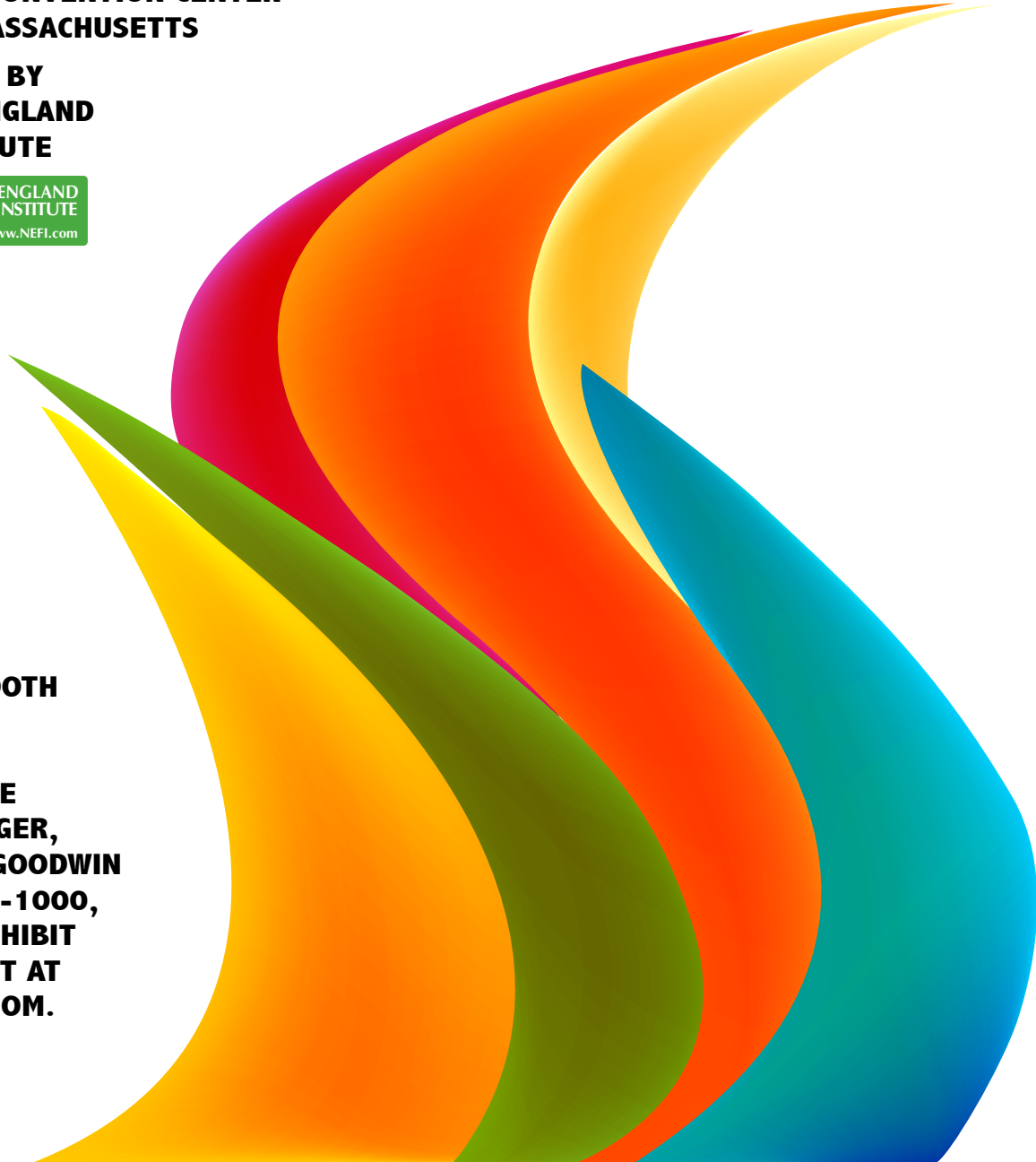
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- Combustion Products
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- Convenience Stores
- Energy Conservation
- Environmental
- Filtration
- Forms, Tickets
- Fuel Delivery: Software/Hardware
- Fuel Transport
- Furnaces
- Heating Controls
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- Humidifiers
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- Oil Storage Tanks
- Oil Suppliers
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- Security Alarms
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- Truck Hardware
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- Trucks / Truck Tanks
- Technical Training
- Water Filtration
- Water Heaters / Storage

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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.

DIESEL FUEL / GASOLINE / C-STORES



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

PROPANE



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

SOLAR

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



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



Pilot to Offer EPA-Mandated Urea

Pilot will begin offering urea to truckers at 100 of its locations around the U.S. starting mid-year 2009, the company said recently.

Urea, or diesel exhaust fluid (DEF), will be required by 2010 model year trucks in order to replenish their selective catalytic reduction (SCR) exhaust systems.

"Pilot's decision to offer [DEF] 'at the pump' will maximize affordability and convenience for truckers and is one of the final infrastructure elements to be in place for truck fleets and owner-operator customers planning to use SCR emissions control technology to meet 2010 emissions standards," Pilot said.

The Knoxville, Tenn.-based chain will also offer pre-packaged, top-off quantities for SCR-equipped trucks. Because 2010 trucks will also carry EPA-mandated on-board diagnostic systems, trucks will slow to a crawl if they run out of DEF on the road, according to Oliver Dixon, an analyst with Automotive World.

DEF poses risks, however, if it is mishandled. Because it is an aqueous product, it may cross-contaminate diesel fuel and plug filters. Driver training will be needed. There are freezing point issues, as well, requiring special handling in cold climates.

Register for Energy Efficiency Audit Classes in Conn.

The Independent Connecticut Petroleum Association (ICPA) is offering classes to give businesses a step-by-step guide to conducting energy audits and suggest the tools needed to perform the audits and advise customers in ways to save money through energy conservation. Connecticut appropriated \$7 million to subsidize energy audits performed by "qualified oil dealers" and the Office of Policy and Management has selected this program as qualifying an oil dealer to perform these whole-home energy audits.

The next class takes place Nov. 13 from 8:30 a.m. to 4 p.m. at ICPA, Cromwell, Conn. For more information contact Kate Lennon at kate@icpa.org or (866) 521-ICPA.

November 2008

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5 Independent Oil Marketers Assn. of New England Annual Meeting/Board of Directors Meeting, Doubletree Hotel, Westborough, MA. 508-548-7627 • www.iomane.com

5 NEFI/PMAA/NORA/NCPCM's SPCC Compliance Webinar. Phone: 617-923-5022 www.nefi.com

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

13 Home Energy Audit/Conservation Course, ICPA Training Center, Cromwell, Connecticut. Phone: 860-613-2041 www.icpa.org

13 NEFI/Newport Alliance Free Drug/Alcohol Testing & EAP Seminar, NEFI, Watertown, Massachusetts. Phone: 617-923-5020

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 NEFI's Hazmat Training Course, 6-9pm, Watertown, MA 617-924-1000 www.nefi.com

19 NEFI/MOC Creative Credit & Collections for Oilheat & Propane Companies, 9 am-3 pm, Watertown, MA 617-924-1000 www.nefi.com

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

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

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

February 2009

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1-4 National Biodiesel Conference & Expo, San Francisco, CA. 573-635-3893, 800-841-5849 www.biodieselconference.org/2009

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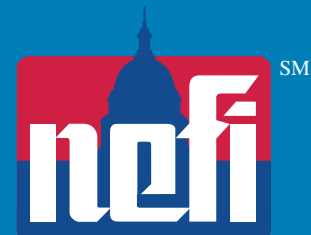
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Distillate Stocks by PADD (Million Barrels)
PRODUCTS IN STOCK: MOST RECENT WEEKS

Ultra-Low Sulfur / 15 ppm and under				Low Sulfur / 15 ppm+ to 500 ppm			
	Week Ending				Week Ending		
District	10/10/08	10/3/08	Year Ago	District	10/10/08	10/3/08	Year Ago
East Coast (PADD I)	14.3	13.8	15.8	East Coast (PADD I)	6.1	5.5	8.7
NEW ENGLAND	2.0	2.1	2.4	NEW ENGLAND	0.4	0.4	0.5
MID-ATLANTIC	6.5	6.9	6.8	MID-ATLANTIC	2.4	2.4	4.7
SOUTH TO FLA.	5.8	4.8	6.6	SOUTH TO FLA.	3.3	2.7	3.5
Midwest (PADD II)	20.8	21.2	20.8	Midwest (PADD II)	3.8	4.0	5.3
Gulf Coast (PADD III)	19.4	20.6	19.8	Gulf Coast (PADD III)	7.3	6.7	7.8
Rocky Mtn. (PADD IV)	2.5	2.3	2.0	Rocky Mtn. (PADD IV)	0.3	0.3	0.3
West Coast (PADD V)	8.8	9.1	8.6	West Coast (PADD V)	1.5	1.3	1.2
U.S. Total	65.7	67.0	67.0	U.S. Total	19.0	17.8	23.3
Greater than 500 ppm (0.05%) Sulfur				TOTAL DISTILLATE STOCKS			
	Week Ending				Week Ending		
District	10/10/08	10/3/08	Year Ago	District	10/10/08	10/3/08	Year Ago
East Coast (PADD I)	28.1	28.4	36.4	East Coast (PADD I)	48.5	47.7	61.0
NEW ENGLAND	5.9	6.2	9.9	NEW ENGLAND	8.3	8.7	12.8
MID-ATLANTIC	19.4	19.9	23.0	MID-ATLANTIC	28.3	29.2	34.6
SOUTH TO FLA.	2.8	2.3	3.5	SOUTH TO FLA.	11.8	9.8	13.6
Midwest (PADD II)	2.4	2.4	2.7	Midwest (PADD II)	27.0	27.6	28.7
Gulf Coast (PADD III)	5.5	5.6	4.9	Gulf Coast (PADD III)	32.2	32.9	32.5
Rocky Mtn. (PADD IV)	0.2	0.2	0.2	Rocky Mtn. (PADD IV)	2.9	2.7	2.5
West Coast (PADD V)	1.3	1.2	1.9	West Coast (PADD V)	11.6	11.6	11.7
U.S. Total	37.5	37.7	46.0	U.S. Total	122.1	122.6	136.3

Weather Summary

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

The weather for the nation, as measured by population-weighted heating degree-days from July 1, 2008 through October 18, 2008 has been 25 percent warmer than last year and 18 percent cooler than normal.

Location	Current	Normal	% Change
	7/1/08 thru 10/18/08	7/1/08 thru 10/18/08	Current vs. Normal
Boston	217	261	-17%
Chicago	201	317	-37%
Hartford	261	336	-22%
New York	87	153	-43%
Philadelphia	82	163	-50%
Pittsburgh	205	316	-35%
Portland	412	521	-21%
Providence	230	296	-22%
Raleigh	38	106	-64%
Richmond	52	128	-59%
Washington	38	113	-66%

Oil & Energy Securities Recap

Company	Symbol	10/22/08	9/16/08	Change
Ashland Inc.	ASH	23.52	32.59	-9.07
BP-Amoco	BP	43.50	51.29	-7.79
ChevronTexaco	CVX	63.23	79.55	-16.32
Conoco Philips	COP	50.23	70.23	-20.00
ExxonMobil	XOM	68.15	74.20	-6.05
Global Partners	GLP	10.23	10.97	-.74
Hess Corp.	HES	50.79	75.71	-24.92
LUKOIL	LUKOY	34.40	60.80	-26.40
Marathon Oil	MRO	24.20	39.95	-15.75
National Grid Plc	NGG	53.00	65.08	-12.08
Occidental	OXY	45.70	66.92	-21.22
Royal Dutch Shell Plc	RDSA	48.34	58.15	-9.81
Star Gas	SGU	2.18	2.44	-.26
Sun	SUN	26.61	37.50	-10.89
Tesoro Petroleum	TSO	10.31	15.97	-5.66
Total	TOT	47.76	60.27	-12.51
Valero Energy	VLO	19.24	31.44	-12.20

MISLEADING CLAIMS AND OUTDATED NUMBERS MAR GOVERNMENT RESOURCES

CRUDE OIL'S PLUMMETING PRICE SINCE JULY

has had a positive impact for home heating oil dealers on a number of fronts. With credit lines stretched, the lower price has made inventory purchases for the upcoming season easier to manage. It has also brought heating oil prices more in line with natural gas, negating the already-questionable savings benefit of converting that utilities touted during the summer.

Yet a report now being cited by the media, the *Short-Term Energy and Winter Fuels Outlook*, released by the government's Energy Information Administration (EIA), gives projections based on outdated prices that could lead consumers to believe heating oil will be much more expensive than its competitors this winter.

The report projects residential heating oil during the winter season to average about \$3.90 per gallon. As of the middle of October, the EIA reported the average retail heating oil price to be \$3.38. Using the projected price of \$3.90, the Outlook forecasts heating oil customers would pay \$449 more this year for fuel compared to last year's per-gallon cost of \$3.31. Since prices for this year and last year are currently almost equal, if prices continue to fall and supplies are consistent, the overall cost for fuel could actually be lower.

Though there is no guarantee that will happen, heating oil is at a disadvantage in the report because the projection was made during a time of unprecedented cost and volatility, while the natural gas prices are more locked in.

Misleading information about energy efficiency has also made its way into another government release. When the Department of Energy's (DOE) Energy Efficiency and Renewable Energy group created its Energy Savers site, it was meant to be a consumer's guide to energy consumption. "Burning natural gas, oil, propane, wood, or pellets in your home with a high-efficiency furnace or boiler can be a very efficient way to deliver heat to your home. Of all these choices, natural gas burns cleanest," one section says. The guide does not appear to account for Bioheat® or other, cleaner-burning blends.

Though the New England Fuel Institute (NEFI) and other industry groups continue to look into these misleading claims, dealers have to be aware that they exist. These studies—which often provide valuable information that supports the industry—can be useful, but dealers have to be aware of their limitations. ☐

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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