November 5, 2008

The Honorable Henry Paulsen
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Secretary,

With the enactment of the Emergency Economic Stabilization Act (EESA), Congress provided the Treasury with an array of significant new powers to be used to stabilize financial and capital markets and restore equilibrium to the nation's economy.

There are few issues more important to our nation's citizens among the more northern states than the onset of winter and how they will afford to heat their homes and businesses. Heating oil retailers, numbering more than 6,000 businesses across 24 oil heat states involving more than 7.2 million consumers, are an integral part of caring for a substantial portion of the nation's heating needs.

With the unprecedented run-up in the commodity cost of crude oil through mid-July of $147.00 per barrel, and the associated run-up in the commodity cost of heating oil to over $4.25 a gallon for December delivery, consumers were driven to exercise certain guaranteed pricing agreements [lock-in] with their retailers to protect them from the upside risk of what appeared to be rapidly increasing commodity costs. During this unprecedented run-up in prices, Goldman Sachs, among others, estimated the potential of $200 per barrel crude oil. Heating fuel retailers did not lead consumers to believe that the cost would increase at this rate. However, these dire predictions from financial speculators created a demand for guaranteed pricing from heating oil consumers.

In order for retailers to be able to provide guaranteed price programs to their customers they would first have to enter into contracts for such supply at guaranteed, fixed prices with wholesale suppliers.

After mid-July to date we have seen a 55% reduction in energy commodity costs, usually regarded as good news for the economy and consumers. Unfortunately, we now have millions of consumers who locked-in their prices at over $4.50 a gallon this summer who now see a retail price substantially lower than that. The only way our retail companies can swap out their higher-priced wholesale futures contracts for newer, lower-cost supply agreements is to literally buy their way out of them and pay their wholesalers.

Between the issues of the historically undercapitalized heating oil retail industry and the borrowing they have already done to secure their existing higher-priced supply – with the problems we see every day with the severity of the nation's credit crunch, there is no practical way thousands of businesses on behalf of millions of consumers will be able to gain access to the capital necessary to reorder supply arrangements at more favorable rates for consumers. Of equal, associated concern are widely reported stories involving the use of TARP assets by the banking community to engage in acquisitions, rather than increasing their lending. Banks are, in fact, further constricting their lending, not expanding their lending. This situation is critical, and we hope merits our request to meet as soon as possible.

On behalf of our industry, we respectfully request a meeting with your offices at the earliest practical time for the purposes of discussing how, under the Emergency Economic Stabilization Act (EESA), the Department of the Treasury might be able to facilitate the access to capital we need on behalf of the nation's heating consumers.

Sincerely,

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