



National Oilheat Research Alliance



2000 L STREET, NW
SUITE 802
WASHINGTON, DC 20036
PHONE: 202-659-0404
FAX: 202-659-0407

Ellen Berman, President
www.cecac.org

December 21, 2004

Mr. John Huber
President
National Oilheat Research Alliance
600 Cameron Street, Suite 206
Alexandria, VA 22314

Dear John:

Since its founding in 1973, the Consumer Energy Council of America's mission has been to forge policies that enable consumers to better meet their energy needs. As we have worked to promote policies that encourage better use of energy, increase the efficiency of homes and heating equipment, and help protect the environment, we have considered NORA to be an effective and dedicated partner in our efforts on behalf of consumers. We believe that many of the projects that have been initiated and completed by NORA will yield benefits to consumers for many years to come.

In a few short years, NORA has developed into a technically-sound and dependable source of information on heating oil issues and CECA has relied on NORA's research as a credible resource. This information has been useful in the consumer education materials that CECA produces for end-use consumers.

CECA applauds NORA for its efforts to promote energy efficiency through technological advancements and better equipment designs. NORA has helped to develop an oil-fired furnace with an efficiency in excess of 95 percent — a significant improvement in the state-of-the-art technology and now the most efficient unit on the market. This type of advancement has a direct, bottom-line benefit to consumers.

Additionally, through funding of collaborative studies, NORA has taken a leading role in improving the environmental performance of heating oil tanks and understanding advantages of low sulfur oil on efficiency, equipment performance, and environmental quality.

At a time when energy prices are on the rise and families are looking for ways to reduce their energy bills, NORA has undertaken a broad effort under its Gold Certification program to improve the technical education of the dealer community about many new technologies and techniques that can improve efficiency and consumer value. The dealers, in turn, are then able to discuss proper maintenance and other energy saving measures with their customer. One of the strongest advantages the heating oil industry has over its competitors is the positive personal relationship of heating oil dealers with their customers.

We applaud NORA for its diligence in working to improve oil heat for its consumers. CECA looks forward to a continued partnership in 2005 and the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ellen Berman', is written over a horizontal line.

Ellen Berman
President

NORA serves over **9,300 Oilheat retailers** who deliver product in twenty one states and the District of Columbia. These companies deliver heating fuel to over **9.5 million housing units.**



An estimated **22 million consumers** have been introduced to Oilheat as part of NORA's extensive consumer education outreach over the past four years. NORA's "Clearburn Science" serves as the link from refined product science to modern Oilheat technology and comfort.



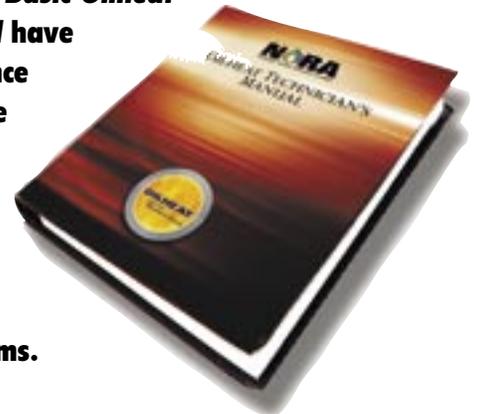
NORA by the numbers

Over **8,800** of the nation's Oilheat technicians are now enrolled in technical certification and continuing education activities administered by NORA's Technical Education Center.



NORA maintains **4 websites**, one as the industry resource, a second for public access to information about Oilheat, and a third serves the industry's own training purposes. In 2004, we brought the norastore.org online for the direct sale of educational and business products.

13,500 training books, videotapes, business aids, and marketing pieces were purchased from NORA in 2004. Over 10,500 of the *Basic Oilheat Technician's Manual* have been distributed since NORA published the updated version in 2002. NORA uses proceeds to fund development of new training and business service items.



Our 2004 Annual Report marks the end of a highly successful year for the National Oilheat Research Alliance (NORA). As you will recognize from the pages within this report, we met our objectives for 2004, including continuation of a major consumer education initiative, new research and technology programs, and a most impressive output of industry education and training materials. The Oilheat industry has reason to be proud of NORA's accomplishments.

While pleased with 2004, we enter 2005 facing a major challenge that we will reflect upon shortly in this letter. Let us comment, that in the years that we have worked in this industry, there have been a number of challenges. . . we as an industry have met them successfully each and every time.

On the positive: NORA clearly established and achieved the highest benchmark ever for educational dissemination to the Oilheat industry. We released several critical items in 2004, among them:

1) *Efficient Oilheat, An Energy Conservation Guide*. This book is designed to be the core of our Gold level technician certification program. It advises how to size equipment properly, how to improve efficiency for fuel conservation from installed systems, and low cost options to save energy for consumers.

2) *A Guide to Fuel Performance, Understanding Heating Oil Properties, Potential Problems and Remedies*. This book focuses on the product we sell. Unfortunately, heating oil is not a consistently uniform product. It may degrade, bacteria may grow in it, and its properties change depending on temperature. This book has assembled and presented the essential information about the fuel at a level both management and non-technical personnel can understand, and gives practical advice on how to improve fuel management.

3) *Heating Oil Storage Tanks – Guide for Quality Installation and Maintenance*. For the last twenty years, this industry has struggled with failing tanks. We have had problems with the environment should they leak, we have had bad fuel performance if water accumulates in the tank, we have oil that gels when it is outside. Fortunately, many of these problems can be solved by proper installation and maintenance. This book provides the critical information necessary to do everything that you can do to reduce the risks of tanks and improve the storage of fuel.

These major publications were supplemented with a Pocket Guide for Technicians. The knowledge in these books can improve the product that we provide to consumers. The effort underwritten by NORA is empowering the industry to have a better understanding of the fuel product we offer, and thus a better product offering.

In 2004, nearly 16,000 educational items were distributed through our online website store, www.noraed.org. Included were the basic manuals and videos. We make particular note that 100 instructor's guides for the *Basic Oilheat Technician's Manual* were ordered, which indicates that training and curricula are being standardized. This will aid manufacturers in introducing new products, and will ensure that new entrants to the industry can provide a uniform level of quality service to customers.

The aforementioned publications also signify the close relationship between research and development and education. One of the first issues that NORA began work on was fuel performance. This project involved the most comprehensive study of heating oil ever con-

ducted, and the results provided the foundation for the Fuel Performance book as well as the Heating Oil Storage Tanks book. As we developed these publications, we drew on the collective knowledge of the industry, evaluated the basis for that knowledge and applied research to ensure that we were providing quality information to the industry.

We have created the framework for an expanded technician certification program. Elements on tanks and fuel quality, different types of heating systems, controls as well as expanding into delivery systems, will be among the topics of advanced study, in addition to, and beyond Gold certification. Ensuring that our service professionals are well trained is essential to Oilheat's future.

We applaud the numerous accomplishments of the states and regional associations that comprise NORA representation on behalf of the nation's nearly 10,000 Oilheat dealers. Their initiative for programs that use NORA funds and respective oversight of those programs is critical to NORA's success. From the start, NORA has avoided a "one size fits all" approach. As we made progress over the last four years, we have witnessed diversity amongst the states: some emphasizing media outreach for consumer education, others technical education, and others outreach to affiliated industries. In each case, Oilheat dealers who care about their company and the future of the industry and their customers are investing time to ensure that the industry grows. That can continue with the support and effort of the industry and the collective efforts of NORA.

Our challenge: As we move forward in 2005, we are working to ensure that the lapse in NORA's statute does not disrupt operations and that we can continue to make progress. One of the most important projects for 2005 is to deliver more education about tanks, which remains the most important issue confronting our industry.

Almost every affiliated industry — real estate agents, bankers, home inspectors, and insurers — raise tanks as an issue. We need to address it effectively. Our recently published tank manual can serve as the foundation for an educational program. The first and easiest step is to ensure that new tanks are installed correctly. We must take measures, that as we either replace tanks, or gain new customers, we do not create a new generation of troubles. We must do the installations correctly.

The second step is to maintain the tanks that we have in the field. NORA's manual and video on the subject emphasize the need for continuous evaluation. The third and most important step is knowing when to replace a tank.

When we have resolved the tank issues, we will have a much healthier and more prosperous industry.

In its existence to date, NORA has provided a new and refreshingly progressive outlook for Oilheat. It represents a forum for us to work collectively for an improved Oilheat product as well as a source of funding to create that better product. Both the industry and consumers are best served by continuance of our programs and initiatives.

Don Allen, Chairman

John Huber, President

National Oilheat Research Alliance



A young girl with a pink flower in her hair is talking on a white mobile phone on a carpeted staircase. In the background, a woman in a green top stands near a white laundry basket. The scene is lit with warm, soft light.

clean
& warm

Communication



One of NORA's most extensive activities is consumer education. By creating innovative and informative broadcast messages and companion literature we have been able to present Oilheat's clean fuel and warm comfort advantages to the consuming public. We estimate that over 22 million consumers have received Oilheat communications in the past three years, either through NORA's national media effort or via broadcast and print materials produced locally by the associations representing NORA in Oilheat markets.

www.oilheatamerica.com is our website for consumers at large. It is a resource for practical information on the benefits of Oilheat. Over a quarter million visitors to the site to date have learned about oil-fired heating and hot water appliances, fuel efficiency and environmental improvements. The site also provides a historical overview and examples of noteworthy buildings that rely on Oilheat.

Companion to these efforts is NORA's publication of several detailed and highly illustrative reference materials. Our booklets for homeowners, realtors and home inspectors are very specific about the components of an Oilheat system and are helpful to all parties involved in the building of a new oil heated home or purchase/sale of an existing oil heated property.

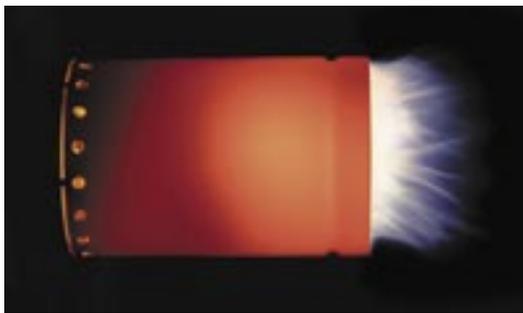
We also established a link to over 650 home and lifestyle editors and HVAC news media via news releases this past year, albeit mitigated by the media concentration on fuel price volatility. As clean fuels evolve in coming years from improved refining processes for heating oil, accompanied by manufacturer advances in heating technology, we will continue to focus on keeping consumers informed and updated via all appropriate channels.

NORA's most recent broadcast visuals employed the creative technique of transparent flows of heat to portray Oilheat comfort.

Research & Development

to create
modern, efficient,
reliable Oilheat





The National Oilheat Research Institute (NORI) functions as the independent research and development arm of the Alliance, underwriting several grants that have led to significant progress in Oilheat technology.

As we enter 2005, NORI is working toward establishing new and more accurate benchmarks to record the true seasonal efficiencies achievable by a new generation of heating equipment. The current AFUE standards on residential heating do not accurately measure seasonal efficiencies or the efficiencies of hot water and heating appliances common with Oilheat equipment. This lack of a standard has been recognized in commercial equipment. New standards have been adapted, but unfortunately not yet for residential heating.

This issue is of prime importance to NORA. The forthcoming generation of equipment will be more expensive to manufacture and therefore, needs a most accurate efficiency rating in order to sell the efficiency benefits to homeowners and allow salespeople to make a valid cost benefits analysis. Without this vital information, new technologies developed by NORI research and development programs may get lost on the shelf if the proper efficiency benefits are not communicated effectively to the consumer.

On the research front, condensing furnaces and boilers with indirect hot water heaters, tankless coils and stand-alone hot water heaters will be tested at Brookhaven National Laboratories under the direction of Dr. Tom Butcher. The New York State Energy Research & Development Authority (NYSERDA) has been asked to contribute to this third party analysis.

Advanced, High Efficiency Equipment

Funded by NORI, Brookhaven National Laboratory (BNL) is evaluating selected emerging technologies from Europe to determine the potential to adopt these concepts in the U.S. The focus is on two specific concepts — a modulating oil burner and a two-stage, wall hung condensing boiler.

The ability to modulate with a small oil burner has long been seen as very desirable. Such a burner could change the firing rate as needed by the demand in the home, providing very high efficiency for most of the year and the capacity for domestic hot water peak loads, recovery from setback, or extreme weather as needed.

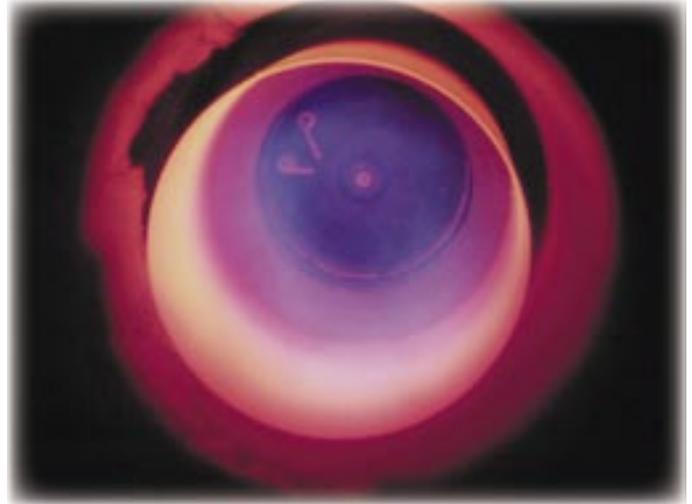
The device being tested is a burner recently developed by the German company Herrmann GmbH. It incorporates several advanced features including: variable frequency, pulsed piston fuel pump which modulates the oil flow and firing rate; a combustion air fan which maintains constant excess air and high efficiency over the 2/1 turndown ratio; a low-NO_x, blue flame combustion head; and a control which supervises the modulation and provides a communications interface to the service technician.

Impressively, the blue flame burner head, which is common in Europe, produces less than 60 ppm NO_x, about half the emissions from conventional U.S. burners. BNL has completed a series of lab tests on the burner and distributed a report which describes the technology and the test results which were very positive. A presentation on this work was made at the Oilheat Visions Conference in August 2004.

The second technology undergoing evaluation is a compact wall-hung, two-stage, oil-fired condensing boiler from MultiOil AG in Switzerland. It includes a conventional oil nozzle and a pump with dual outputs (high and low pressure) to achieve the two stages of firing.

The AG unit's air supply is a brushless DC blower and the system has a low-cost microprocessor control system adapted from European gas-fired modulating burners. Like the modulating burner, this unit has a blue flame, low NO_x combustion system and, in the lab, achieves excellent performance. Field tests are planned for the winter of 2005.

Besides improved efficiency, a modulating burner could dramatically reduce cycling rates and extend equipment life. Since much of a burner's emissions are linked to startup and shutdown, this approach can also reduce pollutants.



NORA and Fuel Performance

NORA is committed to achieving and maintaining the highest level of heating fuel quality. In 2004, it underwrote lab and field studies conducted by Brookhaven National Laboratory (BNL) to better understand the impact of condensation and water accumulation in storage tanks, and their cumulative effect on fuel quality. In coordination with the NORA Tank Task Force and Fuel Performance Committee, a field trial with a leading heating oil marketer was undertaken to assess the benefits of proactively monitoring specific problem tanks. The designated tanks were also retrofitted with a floating suction device to alleviate frequent service calls. These sites have since undergone continuous monitoring to provide homeowners with improved service and greater reliability of Oilheat performance.

The data on Fuel Performance gathered since the beginning of the project in 2002 have culminated in the development of the *NORA Fuel Quality Technical Manual*. This manual was produced with needs of the service manager, technician, and fuel marketer in mind. This manual has been available for distribution from the NORA online store since August 2004. The guide represents the most comprehensive source of information for the Oilheat industry with regard to understanding heating oil properties, potential

problems during storage, and the remedies that would ensure reliable delivery of oil to efficient heating systems.

Cooperation and open discussions with the Steel Tank Institute (STI) has led to cross-referencing of technical information in a parallel effort conducted by the STI in their development of “*Guide to Keeping Water Out of Your Storage System*,” a practical guide on preventive maintenance and operations of fuel storage tanks.

NORA and its Fuel Performance Committee have provided resources towards BNL’s participation in petroleum standardization by action of the ASTM International Committee on Burner Fuels. This effort has opened up discussions among heating industry members, refiners and other petroleum sector leaders on the importance of stability and sulfur content in heating oil. International communications with OWI (Hamburg, Germany) and OMV (Austria) has also provided BNL researchers the opportunity to share expertise in fuel technology and bio-based fuels for heating.

Technology transfer is a strong component of BNL’s effort under NORA’s auspices. This continues through presentation seminars at service manager associations and major industry venues, such as the Oilheat Visions Conference of 2004.



Field sampling of heating oil by representatives of Brookhaven National Laboratory at different sites has been a detailed and essential part of their studies funded by NORA R&D grants.

Education & Training

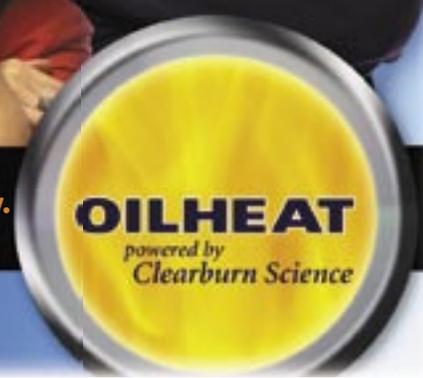
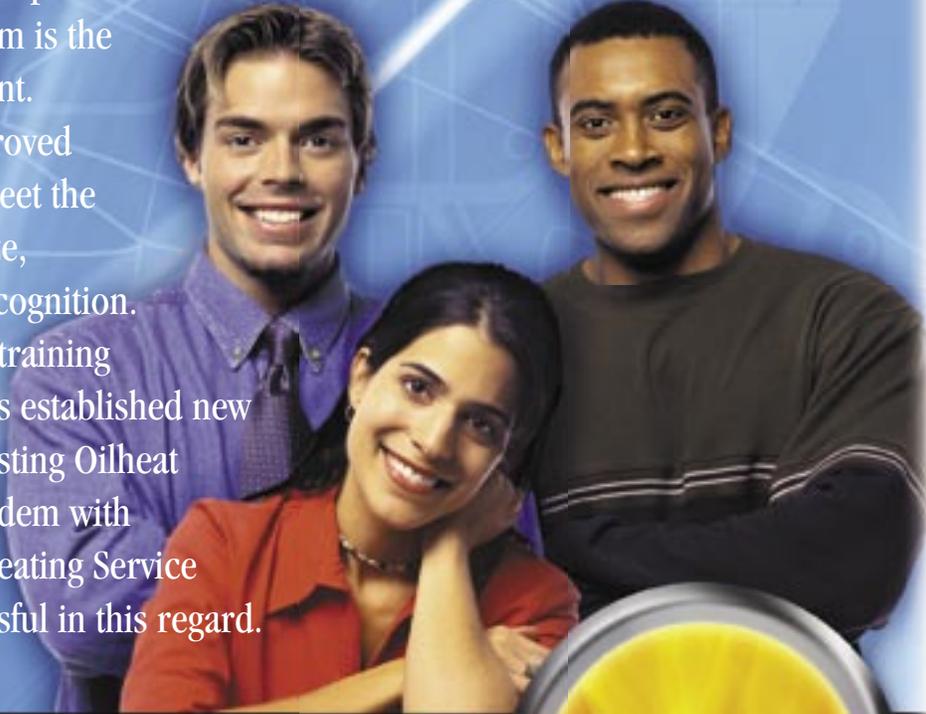
2004 was a very productive year for the NORA Education and Training Committee. NORA published three new industry education manuals, created three new videos and two booklets. All of these products, and others, are available for purchase online at the NORA store. Visit www.norastore.org.

It was also the best year on record for Oilheat Technician Certification. In 2004 NORA tested 1,690 technicians — a thirty-six percent increase from the prior year — made even more encouraging by the participation of nine hundred apprentice (Bronze level) technicians. To date, NORA has certified personnel in thirty states.

One of the most important components of the NORA Certification Program is the continuing education requirement. There are now 263 courses approved by NORA that award credits to meet the certification objectives for Bronze, Silver and eventual Gold level recognition.

Giving a further boost to our training efforts, a number of trade groups established new training centers or upgraded existing Oilheat schools and labs. Projects in tandem with the National Association of Oil Heating Service Managers have been very successful in this regard.

Better training to provide new opportunities for entrants to the Oilheat industry.



OILHEAT
powered by
Clearburn Science

Three new Oilheat training and information manuals were published by NORA in 2004.

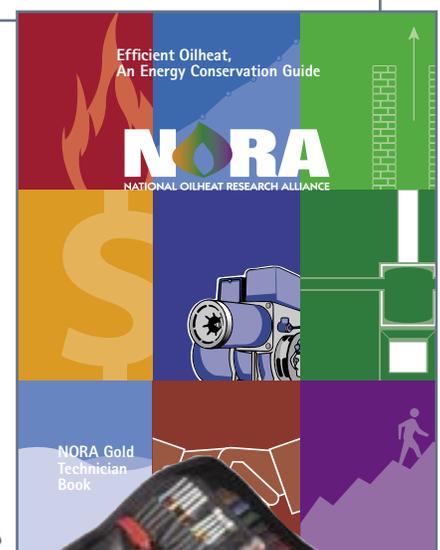
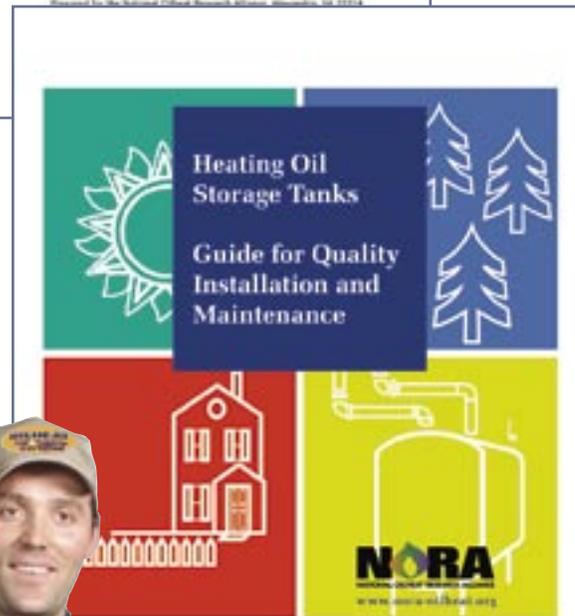
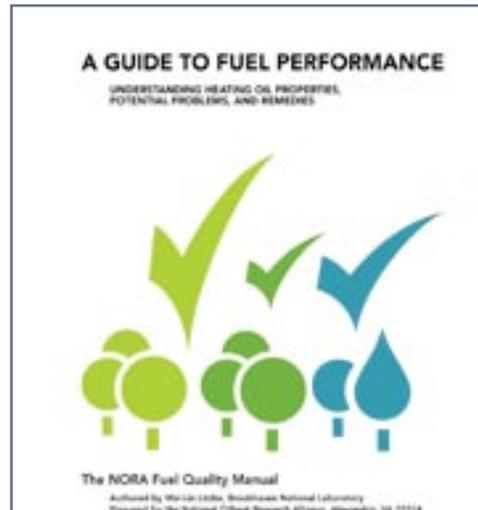
A Guide to Fuel Performance, Understanding Heating Oil Properties, Potential Problems, and Remedies is based on the findings from the NORA R&D Fuel Performance Project. It recommends that stored heating fuels be compatible in order to achieve the highest possible efficiency and clean combustion performance with minimal service requirements. The manual focuses on No. 2 heating oil — its performance, properties, sampling and testing. Its purpose is to provide proper guidelines for inspecting the product, maintaining good fuel quality, and the best practices for storage. Information is also provided on commercially available fuel additives, their appropriate use and limitations.

Research conducted during NORA’s R&D Fuel Performance Project indicated the need for increased awareness of the effect storage tanks have on fuel quality, service frequency and customer satisfaction.

Heating Oil Storage Tanks, Guide for Quality Installation and Maintenance addresses the installation, maintenance, and replacement of fuel oil storage tanks. Data was compiled from the Fuel Performance Study, manufacturer installation and maintenance instructions, NFPA regulations, as well as guidance from insurance companies to create the valuable recommendations and instructions contained in this manual. NORA also produced a handy pocket sized booklet as an accompaniment to this manual. It contains recommendations and procedures for service technicians to follow when troubleshooting common problems.

NORA’s third publication for 2004 was timely for its content and role as the study guide to achieve Gold level technical certification.

Efficient Oilheat, An Energy Conservation Guide is aimed at helping technicians ensure that a customer’s heating equipment is operating at peak efficiency, while maximizing safety, reliability, and comfort. The book covers how to evaluate energy conservation strategies, and how to advise customers if an investment in new energy efficient equipment is warranted. The book is also being used as a reference guide for equipment sales people.



Three new training videos join those already in distribution.

Oilheat and the Environment instructs delivery personnel and technicians how to avoid spillage. It also advises how to respond when a spill or leak does occur in order to minimize damage and expedite the clean up process. The additional two videos are about oil burner primary controls — mechanical primary controls and cad cell primary controls. NORA aims to produce videos on limit controls, fuel pumps, oil tanks, and venting in the future.

NORA recognizes the growing importance of home inspectors in the conduct of real estate transactions.

In 2004, NORA produced a guide to help professionals in this field better understand oil powered heating systems. *The Home Inspector's Companion to Oilheat* is a fact-filled introduction to heating oil, the services available from Oilheat professionals, and modern Oilheat equipment.

“Train the Trainer” and Management Workshops

Forty Oilheat instructors assembled in Baltimore in April 2004 to be introduced to content for the new study textbook for NORA Gold technician certification and the accompanying exam. Feedback on the objectives was most helpful to the education committee. The final book was presented to the industry at the August 2004 Oilheat Visions Conference.

NORA held its second annual Oilheat Management Workshop in Annapolis, Maryland in June 2004. Fifty-three people from Oilheat retailers around the nation attended this four-day case study management training.

NORA Establishes Advanced Technician Certification

The NORA Bronze and Silver technician certification programs are primarily about oil burners. The Gold achievement level provides energy conservation and heating equipment sales training. Beyond that, the Oilheat industry needs programs aimed at providing technical education about specific types of heating and home comfort systems.

Given the vast number of systems in place and the nuance specific to each, it would be difficult to package them all in one certification program. NORA's approach is to offer advanced certification in various specialties. NORA plans to make use of existing resources whenever possible.

The core educational program will provide for advanced certification in each of these specialty areas: air handling and distribution systems, hydronics (hot water, steam, and radiant units), burners, test equipment, hot water heating, electricity, controls, venting, fuel quality oversight, and customer service. The agenda will include textbook studies, hands-on training where applicable, followed by an exam and recognition by NORA.

NORA has consulted with the National Comfort Institute for training on warm air systems and duct design and installation; the Canadian training and Oilheat associations, TSSA and COHA, on a commercial oil burner book and certification; and the New England Fuel Institute on the design of a companion air conditioning course geared to those who already have Oilheat training.

Future plans include a course based upon the Hydronics Institute's book, *Residential Hydronic Heating*, The IBR Course Book and consultant Dan Holohan's *Pumping Away*.



Oilheat will again be prominently displayed at the Atlantic Builders Convention, the largest gathering of homebuilders on the East coast, from April 7-9, 2005, in Atlantic City, NJ. *Build With Oil* will demonstrate how oil fired heating and hot water can provide solutions to builders' needs. Oil-fired appliances, storage tanks, and other visuals comprise this display that enables builders to see chimneyless systems, warm air/hot water hybrids, cooling links to Oilheat such as hydro-air systems and modern approaches to fuel storage tanks.

Thanks in good part to NORA's involvement, since 2001 *Build With Oil* has become a collaborative effort among the Alliance, various equipment manufacturers, and industry representatives who volunteer their time and expertise at prominent builder showcases. Today, *Build With Oil* represents a major initiative on the part of Oilheat to have an annual home builder outreach that includes strategic messages before the building trades in custom home and related magazines.

Assistance to retail Oilheat dealers seeking to gain market share of new home and light commercial construction has been available for several years. Materials that help dealers advocate efficient oil-fired heating and hot water are available, as are referrals to inquiring builders at a newly revamped website.

Build With Oil



www.buildwithoil.com

BUILD WITH OIL

Oilheat's Chemburn Science is backed by thousands of independent oilheating contractors. Whether you need total system design or just the final system adjustments, today's oilheating contractor has the technology and products for trouble-free heating & hot water.

For more information, contact your local oil dealer or email: info@oilheating.com

OILHEAT
The Clear Choice!

Chemburn Science

The screenshot shows the homepage of the Build With Oil website. The layout includes a navigation bar at the top with links for 'SPEC', 'BUILD', and 'SOLD'. Below this is a main content area with several sections: 'Why Build With Oil?', 'Oilheat is the choice for heat and hot water for over 20 million homes and businesses in North America', and 'Oilheat's Chemburn Science'. There are also images of oilheating equipment and a 'CLEAR CHOICE' logo. The website is displayed on a computer monitor, with the URL www.buildwithoil.com visible in the address bar.

Your local oil heat dealer...

State Initiatives

Keeping New Hampshire warm.





The ingenuity of NORA's mode of operation can be found within the multitude of consumer outreach and industry training programs that the respective state and regional bodies have created and implemented over the last four years.

Activities range from use of NORA's nationwide Clearburn Science theme supporting public outreach, to locally devised media announcements. Informative print materials have been circulated via direct mail, at numerous home show, realtor and builder industry trade fairs, and by Oilheat marketer distribution to existing customers and prospects.

In addition to disseminating information about improvements in the fuel and equipment to consumers, the states have devoted significant attention and resources to bolstering education and training from within. Virtually every state organization has contributed to this effort by way of providing education materials to current technicians, physical upgrades to plant and equipment at training centers, establishing new training facilities, and awarding training scholarships.

There are reciprocal benefits to the states when purchasing educational texts and related materials created and produced by NORA. The funds used to purchase these materials for distribution to Oilheat companies stay within NORA's education and training resources — to be used to develop new materials based on industry need. This regenerative process to strengthen the technical capacity of Oilheat companies is in good part responsible for NORA's ability to meet the industry's ambitions.

The New Hampshire Better Home Heat Council employed a four-page brochure describing the benefits of Oilheat inserted into newspapers and magazines in 2004, as one of several outlets for consumer education.

2001
2002
2003
2004

State Activities

CONNECTICUT

Consumer Education

- Energy conservation education
- Participated in national “Clearburn Science” consumer education effort
- Oilheat consumer website
- Home Builder/Architect Oilheat education programs
- Established Tri State Oilheat Consumers Education Alliance
- Created “Operation Market Share” to encourage dealer capture of new sales opportunities and growth within traditional customer base
- Developed focus groups among home builders, HVAC contractors, plumbers, architects and utilized the “Build With Oil” builder outreach program and the Realtor outreach program
- Produces “Heating System Report Card,” for use by technicians to provide specific information about heating system with any recommendations to enhance performance and efficiency. Over 75,000 report cards shipped.

Education and Training

- Created public awareness of Oilheat employment opportunities
- Technician training scholarships

IDAHO

Consumer Education

- Supported “Clearburn Science” consumer education campaign

Education and Training

- Distributed NORA technical training videos and related collateral items to Idaho Oilheat marketers



INDIANA

Consumer Education

- “Clearburn Science” consumer education via NORA materials
- Maintained website listing Oilheat service companies
- Initiated toll free phone number for consumer inquiries
- Promoted Oilheat with presence at industry trade shows, provided education materials for attendees
- Press releases and media for consumer education activities
- Ensured Oilheat’s presence at four major consumer and HVAC and builder expositions

Education and Training

- Establishing framework for an Oilheat technician training program in Indiana
- Seminars and employee training using NORA education materials
- Lending library of technical education videos and materials for Indiana dealers



- ICPA begins effort to engage the Connecticut Dept. of Labor and other job placement/retraining agencies to attract non-traditional students

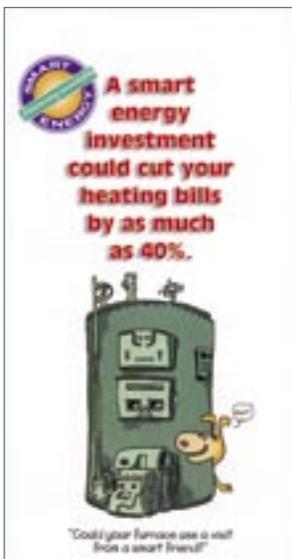
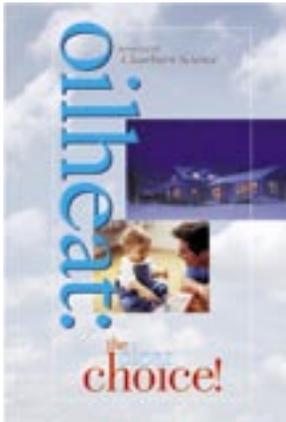
Research & Development

- Shows state task force that lower sulfur fuels coming to market, in tandem with increased efficiency of Oilheat equipment, can lead to genuine reduction in greenhouse gas emissions

KENTUCKY

Consumer Education

- Public communications using television, radio and print materials to increase public understanding of today's Oilheat
- Advisement to Kentucky Oilheat industry of the need to upgrade their technical knowledge to better serve the consumer
- Improved networking between Oilheat and HVAC/builder industries in the state
- Developed a "Find A Distributor" section on website that lists all Kentucky Oilheat industry contacts



MAINE

Consumer Education

- Public education for Oilheat via TV sponsorships and newspaper insertions; NORA-produced radio, print and television media combined with locally produced messages to further advancement of Oilheat
- Established statewide "Smart Energy Investment" program encouraging Oilheat operating efficiency; informed consumers of loans that are available to upgrade outdated and low-efficiency heating equipment
- "Smart Energy" print campaign for consumer education
- Distributed to consumers, "Getting Ready for Winter" Guide
- Published "Smart Energy" information weekly in Maine media

Education & Training

- Industry training and public education on the safe use and applications of Oilheat technology
- Sponsored thirty-five full scholarships to attend the MODA Oilheat technician courses
- Informed public school students through an outreach program about career opportunities as an Oilheat technician
- Developed a realtor and contractor outreach program
- Produced Oilheat safety manuals — printed and CD versions
- Constructing state-of-the-art Oilheat education facility to help provide new Oilheat job opportunities for Maine residents and educate current personnel
- Funding to regional community colleges to modernize their Oilheat training systems
- Public outreach campaign (eight seminars, video and brochures) to encourage people to become professional heating technicians and delivery drivers.
- Provided various stand-alone education courses for Maine Oilheat business owners, technicians, administrative staff, and the public.

MASSACHUSETTS

Consumer Education

- "Clearburn Science" public campaign with major media flights across state
- Direct mail marketing for Massachusetts Oilheat retailers
- Created an Oilheat-themed display for trade and consumers
- Assisted the "Build With Oil" program; promoted attendance at Oilheat Expos and home shows
- Supported consumer awareness of Oilheat by using the NORA television and radio campaign
- Developed sole state consumer awareness spot for Boston and Springfield TV markets

Education & Training

- Developing industry handbook to serve as business operations advisory; will cover federal/state regulations governing retail heating oil in the state
- Ambitious program recruits and trains new oil burner technicians; full scholarships awarded to fifty people from across the state to attend New England Fuel Institute's Technical Training Center
- Seventy-five scholarships for technician employees of Oilheat dealers to advance their training via a matching grant program
- Distributed the NORA "Model Insurance & Risk Management Policy" manual to all Oilheat dealers in the state

Research & Development

- Research and testing of an 80/20 heating oil/biodiesel blend to study combustion efficiency and air emissions reductions; evaluate as future augment to traditional heating oil supply

MID-ATLANTIC REGION DELAWARE, MARYLAND, WASHINGTON DC

Consumer Education

- Participated in national "Clearburn Science" consumer education program

Education & Training

- Outreach to high school and technical students to encourage careers in the Oilheat industry
- Management and other non-technical training programs; maintained technician training and apprentice programs
- Conducted burner service training programs throughout the region, including NORA Silver Technician Certification training; night training now established with 200 students through 2004
- Advanced technical training to over 100 technicians
- Conducted intra-industry "Pro Oil" seminars for 200 firms to educate office personnel, drivers and technicians on the benefits of heating with oil
- High-school outreach program to draw students to Oilheat industry
- Funds to votech high schools to upgrade Oilheat demonstration and classroom equipment. Results have encouraged other industry participants to donate equipment and services to this objective.
- Coordinated on-the-job training program for votech students with DELMARVA Oilheat Association member companies
- Realtor and home inspector outreach program under development
- Established facility link with community college that provides course credits for Oilheat technical training

NEVADA

Consumer Education

- Consumer education using a multimedia approach, including pamphlets, billboards, radio and cable TV; aired NORA-produced radio spots in northern Nevada
- Created website to educate consumers about Oilheat as a safe and efficient heating source; branch on website for real estate professionals and builders
- Conducted a survey of Nevada residents to determine their knowledge, attitudes and understanding of Oilheat as an energy source for commercial and residential heating
- Informed the real estate industry and home buyers and sellers about Nevada's storage program and how it can assist heating oil consumers
- Exhibit at state's major home show

Education & Training

- Expanded technician training to include yearly education offered to technicians, state energy auditors, home inspectors, and management and front office personnel in the Oilheat field

NEW HAMPSHIRE

Consumer Education

- "Clearburn Science" consumer campaign via NORA broadcast activity; education using website, printed publications, and group presentations
- Devised in-state television and radio broadcast campaign
- Statewide release of over 70,000 Oilheat information brochures
- "Build With Oil" booth at NH Homebuilders Home Show

Education & Training

- Full scholarships for a 160-hour Oilheat technician course and more than two hundred 50/50 scholarships (half BHHC-NH/half paid by the employer) for the 40-hour advanced technician training towards NORA certification
- Enhanced Oilheat education at the high school level; installed new Oilheat systems at the NH Vocational School
- Multiple training programs toward Silver and Gold Certification for technicians
- Management seminars for dealers, owners, and managers at the University of New Hampshire
- Assisted NH Community Technical College with an orientation program to familiarize students with HVAC training
- Established new heating technician programs at NH technical schools
- Adopted a proactive business model by holding Business Management Seminars for dealers, owners, and managers at the University of New Hampshire
- Distributed NORA's "Model Insurance and Risk Management Policy" manual to all Oilheat dealers in the state
- Voluntary technician certification passed by the NH legislature in the spring of 2000. NORA's technician certification program serves as the benchmark for this program.
- New Oilheat school in Claremont, NH aided by New England Fuel Institute who coordinated the donation and installation of equipment. Over \$35,000 in NORA full scholarships awarded.

NEW JERSEY

Consumer Education

- Supported "Clearburn Science" consumer education; participated in NORA national campaign
- Produced "storage tank facts" brochure to educate consumers
- Published and distributed "Energy Watch" consumer brochure
- Realtor education program; exhibit at a realtor convention

Education and Training

- Partnered with vocational high schools to offer Basic Oil Burner Technician training program; teaches basics of forced hot water, electrical and steam systems
- "Basic Oilheat Technician" education program at three county college facilities
- "Electricity and Controls for Oilheat Technicians" training at college facilities
- "Train the Trainer" program to teach Oilheat educators new curriculum and demonstration methods
- "Oil Burner 101" training for apprentices and novices
- Advanced training sessions for technicians
- Distributed NORA technical training manuals and videos throughout the state
- Extensive participation in the "PRO\$" Oilheat education program targeted to Realtors



NEW YORK STATE

Empire State Petroleum Association (ESPA) forwards the majority of NORA funding it receives to the localized and regional Oilheat associations in the state. The summary reports for NYC, Long Island, Central and Eastern region follow the ESPA summary.

Consumer Education

- Participated in NORA “Clearburn Science” consumer education
- Developed brochures, direct mail and website information to make residents aware of the benefits, efficiencies and modern characteristics of Oilheat
- Devoted resources toward advising Oilheat consumers on merits of energy conservation

Research & Development

- Assisted the New York State Energy Research & Development Authority (NYSERDA), a leading R&D center operated by the state of New York, in its efforts to bring higher quality and more efficient Oilheat technology to consumers and Oilheat providers

NY - LONG ISLAND

Consumer Education

- Participated in tri-state consumer Oilheat education alliance
- Cable TV and billboard used to increase consumer’s knowledge of Oilheat benefits

Education & Training

- Conducted training for NORA Silver level technician certification
- Organized Oilheat equipment donations to Suffolk Community College Foundation
- Developed partnership between Oil Heat Comfort Corp. (OHCC, a non-profit organization) and Suffolk Community College Foundation to establish a state-accredited HVAC Technical Training Center
- Began the process of establishing the first fully accredited, 2-year degree program in HVAC-R in the state of New York at Suffolk County Community College

NEW YORK CITY

Served by the New York Oil Heating Association (NYOHA), NYC

Consumer Education

- Extensive participation in NORA’s national “Clearburn Science” consumer education program; use of major media in the NY metro and adjacent regions
- Electronic billboard promotes Oilheat above Macy’s NYC
- Realtor outreach initiative entitled “The New York City Oilheat Realtor Partnership Program”

Education and Training

- Teamed with Westchester Chapter of the National Association of Oil Heating Service Managers to furnish \$14,000 in parts and controls to enhance Oilheat course at Saunders Trade and Technical High School
- Hosted seminar for terminal operators sponsored by the U.S. Environmental Protection Agency and the U.S. Coast Guard
- Provided new heating equipment for three technical/trade schools
- Provided several \$10,000 grants to adopted high schools
- Introduced NORA Bronze Apprentice Certification to New York City Public School System
- Distributed to all known NYC heating oil companies: the NORA *Oilheat Technician’s Manual*, technical training videos and a newsletter geared to consumers

CENTRAL NY (OFI-CNY)

Consumer Education

- Participated in national “Clearburn Science” consumer education program and local campaigns

Education & Training

- Funding for a technical training center in Troy, New York
- Development of a 160-hour curriculum for technician certification
- Helped fund mobile training lab
- Subsidized classes; tuition assistance
- Technician scholarship assistance at Auburn Technical Institute
- Helped establish new Oilheat laboratory
- Conducted Radiant Panel and Sizing/Estimating classes
- Initiated development of a CD training program for use by Oilheat dealers and service companies
- Hudson Valley Oilheat Council supported Oilheat training and education programs for the industry

EASTERN NY (OHI-ENY)

Education & Training

- Funded a training lab for use by the region’s current and prospective Oilheat personnel
- Provided Oilheat instruction through newsletters, direct mail, website, traveling instruction and lecturers at regional meetings

NORTH CAROLINA

Consumer Education

- Consumer information programs
- Outreach to the North Carolina Association of Realtors via their magazine and newsletters with an Oilheat emphasis
- Supported “Clearburn Science” with schedule of NORA television messages in all North Carolina markets
- Placed newsletter inserts and full color pages into the North Carolina Association of Realtors’ monthly magazine; link from their website to ours
- Created a speakers bureau on Oilheat and energy-related topics for media and civic clubs
- Exhibited at the North Carolina Heating & Air Conditioning Contractors Association expo
- Exhibited at home, builder, and trade shows throughout NC
- Printed a color brochure to provide to Realtors, home inspectors, builders and homeowners

Education & Training

- Upgraded oil-fired equipment at four campuses of North Carolina Community College System
- Provided scholarships to burner service schools
- Issued “Guide to Heating Oil Storage Tanks”
- Enhanced teaching aids in NCPMA teaching laboratory
- Trained 71 Oilheat technicians
- Presented each of ten North Carolina community colleges with HVAC training programs and a system featuring a combined oil furnace and a/c unit
- Sponsored Oilheat technical training classes for personnel
- Purchased combustion analyzers, test equipment, and burners for NC technical training center



OHIO

Consumer Education

- Radio and billboard coverage to inform the public about the benefits of Oilheat
- “Clearburn Science” materials issued to Ohio oil dealers for redistribution to public
- Outreach to homebuyers, Realtors and Home Inspectors. Oilheat personnel made presentations to more than 700 real estate professionals over two years with a positive Oilheat message and helped clear up misconceptions.
- Integrated program to target the existing 120,000 Oilheat homes in Ohio, property transfers, and current employees; mailed “Hot Stuff!” inserts to all Ohio Oilheat customers
- Started a program incorporating brochures and training to promote automatic delivery programs to consumers
- Realtors requested 12,000 “Real Estate Agent’s Guide to Oilheat” and “Homeowner’s Guide to Oilheat” pamphlets via a phone hotline and website
- Delivered Oilheat’s story via the Ohio State Buckeye Network (collegiate football and basketball). Continued education messages in the Ohio Home Builders and the Association of Realtors magazines.

Education & Training

- Outreach program for the industry involving public schools, contractors, Realtors and others to inform them about the benefits of the new, higher efficiencies of Oilheat equipment
- Training for Oilheat workers: NORA Silver Certification for technicians
- Conducted a series of “Oilheat Story” workshops for drivers, technicians and customer service representatives

OREGON

Consumer Education

- Supported “Clearburn Science” consumer education
- Television demonstration of the benefits of Oilheat to consumers in the Portland, Medford and Eugene areas
- Outreach program to Realtors

Education & Training

- Oilheat education seminar at the OPMA convention



PENNSYLVANIA

Consumer Education

- Developed a variety of consumer education programs to improve public knowledge of all aspects of Oilheat
- Supported the “Clearburn Science” consumer education program; participated in national NORA media campaign; NORA radio and television messages aired throughout the state
- Developed printed materials for builders, realtors and other organizations
- Realtor and builder outreach

Education & Training

- Expanding training programs for Oilheat technicians, drivers, and company staff
- Promoting NORA Silver and Gold technician certification programs; modernizing equipment and courses offered to increase both the quantity and quality of Pennsylvania’s Oilheat technicians
- New technical training center established at PPMCSA headquarters with a live-firing training lab and traditional classroom
- Supported training conducted by the Better Home Heat Council of Lehigh Valley



RHODE ISLAND

Consumer Education

- Supported “Clearburn Science” consumer education via participation in NORA national media campaign and 12-week local cable consumer program

Education & Training

- Public scholarships offered for “Basic” and Oilheat “Plus” training courses
- Supported a School-to-Career Training Program whereby junior and senior high school students are matched with a participating oil company and are paid to work part-time with an experienced, mentor Oilheat technician
- Provided full scholarships to School-to-Career students whose companies sponsored them to attend basic Oilheat training
- Basic Oilheat Technician training at the New England Institute of Technology (NEIT) in Warwick, RI in conjunction with New England Fuel Institute
- Developed new curriculum with NEIT for advanced course that meets RI state licensing requirements
- Established state apprenticeship
- Combustion air/power venting seminar and control seminars

Research and Development

- Contributed to Energy Research Center for research activities



VERMONT

Consumer Education

- Participated in “Clearburn Science” consumer education
- Used NORA’s “clean and warm” material on statewide media for consumer information

Education and Training

- Offered tuition grants to those seeking Oilheat training
- Expanded the training facility at White River Junction, Vermont (Hartford) Technology Center; secured additional equipment for the lab
- Funded technical training courses statewide for Oilheat technicians, including 160-hour course at Vermont Technical College
- Conducted training seminars toward NORA Silver and Gold technician certification
- Funded expansion of our HVAC training facilities, including installation and purchase of new oil heating system
- Created two new permanent training facilities at Bennington and Essex, VT
- Distributed NORA manuals and training videos throughout state

VIRGINIA

Consumer Education

- Joined NORA activities for “Clearburn Science” consumer education program; promoted cleaner efficiencies of contemporary Oilheat systems

Education & Training

- NORA Silver and Gold technician certification classes
- Conducted entry level and advanced burner schools
- Training for non-technical personnel
- Outreach programs at vocational educational centers
- Continued training for technicians in basic and advanced oil burner combustion and air conditioning technology
- Seminars on effective service management throughout the state; seminars on customer service and storage tank issues

WASHINGTON

Consumer Education

- Supported “Clearburn Science” consumer education using NORA radio/TV messages
- Radio messages in the Seattle market; sponsored CBS television weather reports in Seattle/Spokane/Yakima markets
- Assumed a yearly weather sponsorship with the local CBS affiliate, achieving high consumer recognition; weather sponsorship and Internet component in Spokane; weather cable news sponsorship over a three-state broadcast area

Education & Training

- Provided scholarships to the Oilheat Service Technician School
- Expanded program to educate real estate agents about the many virtues of Oilheat



WISCONSIN

Consumer Education

- Funded consumer education to Wisconsin consumers that will enhance knowledge of Oilheat
- Provided materials and services for outreach to present consumers, prospective home buyers, realtors, builders, and the media
- Exhibit at Wisconsin Realtor’s tradeshow; informed realtors about the benefits of Oilheat and how to list and sell with oil heated properties

Education and Training

- Oilheat personnel training
- Held training seminars in various regions of the state on heating oil storage, customer service, fuel quality and other topics
- Hosted free training seminars to deal with heating callback issues
- Regional dealer seminars and “No Heat” response technical training
- Introduced a “NORA Wisconsin Newsletter” that mails each quarter to all Oilheat dealers in Wisconsin
- Established relationships with several Wisconsin vocational colleges that offer instruction on oil-fired furnaces
- Supplied new manuals to Western Wisconsin Technical College



NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

EXHIBIT A: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

ASSETS	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,648,521	\$1,792,902
Assessments receivable	4,037,170	4,610,772
Prepays and other current assets	255,009	26,496
Total current assets	5,940,700	6,430,170
PROPERTY AND EQUIPMENT		
Office equipment	4,763	3,784
Computer equipment	4,035	4,035
Less accumulated depreciation	(6,300)	(3,598)
Total property and equipment	2,498	4,221
OTHER ASSETS		
	202,560	83,184
TOTAL ASSETS	\$6,145,758	\$6,517,575
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$35,191	\$28,341
Accrued tank insurance	25,000	—
Other accrued expenses	14,195	376,863
Grants payable	1,463,066	1,046,854
State grant obligations	2,613,689	2,826,774
TOTAL LIABILITIES	4,151,141	4,278,832
NET ASSETS		
Unrestricted net assets	365,321	609,447
Board designated net assets	1,629,296	1,629,296
Total net assets	1,994,617	2,238,743
TOTAL LIABILITIES AND NET ASSETS	\$6,145,758	\$6,517,575

EXHIBIT B: CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

REVENUE AND SUPPORT		
Assessment revenue - net	\$15,621,740	\$17,477,342
Interest income	34,518	43,120
Other income	232,818	337,051
Total revenue and support	15,889,076	17,857,513
EXPENSES		
Programs		
Consumer education production	490,496	2,254,292
Research and development	641,000	1,207,679
Education and training	641,000	707,679
State grants	12,951,662	12,027,305
Tank insurance	150,000	—
Total program expenses	14,874,158	16,196,955
GENERAL AND ADMINISTRATIVE		
Administrative costs	887,358	910,435
Collection costs	159,027	187,108
Publication costs	209,957	321,596
Depreciation	2,702	2,739
Total general and administrative expenses	1,259,044	1,421,878
Total expenses	16,133,202	17,618,833
CHANGE IN UNRESTRICTED NET ASSETS	(244,126)	238,680
NET ASSETS AT BEGINNING OF YEAR	2,238,743	2,000,063
NET ASSETS AT END OF YEAR	\$1,994,617	\$2,238,743

EXHIBIT C: CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	(\$244,126)	\$238,680
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation	2,702	2,739
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	573,602	(30,334)
(Increase) decrease in prepaids/deposits	(228,513)	14,761
(Increase) decrease in other assets	(119,376)	63,932
Increase (decrease) in accounts payable and accrued expenses	(330,818)	8,839
Increase (decrease) in grants payable and state grant obligations	203,127	202,380
Total adjustments	100,724	262,317
Net cash provided by (used in) operating activities	(143,402)	500,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(979)	(4,172)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(144,381)	496,825
CASH AND CASH EQUIVALENTS — BEGINNING OF THE YEAR	1,792,902	1,296,077
CASH AND CASH EQUIVALENTS — END OF THE YEAR	\$1,648,521	\$1,792,902

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

NOTE 1 - THE ORGANIZATION

The National Oilheat Research Alliance, Inc. (the Alliance) is a non-profit trade organization developed under the National Oilheat Research Alliance Act of 2000 (NORA), Public Law 106-469, legislation passed by the U.S. Congress and signed into law in November, 2000. The Alliance was created to educate consumers about the benefits of oil heat, to perform research and development, and technical training to provide better customer service. The Alliance's Board consists of members from the oil heat industry, retail markets, wholesale distributors, public members, and representatives from the states with the highest oil heat sales. The Alliance was incorporated on January 31, 2001.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Consolidation

The financial statements are prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles. The consolidated financial statements include the accounts of the Alliance and National Oilheat Research Institute (NORI), its wholly-owned subsidiary, after the elimination of all material inter-company transactions and balances.

Accounting Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amount of assets, liabilities, revenue and the disclosure of contingencies, if any at the date of the financial statements.

Assessment Revenue

The NORA law requires wholesale distributors of No. 1 distillate and No. 2 dyed distillate to remit an assessment of two-tenths of one cent per gallon at the point of sale. If the No. 1 distillate or No. 2 dyed distillate is imported after the point of sale, the assessment is to be made when the product enters the United States. The assessments are to be remitted to the Alliance quarterly.

Assessments Receivable

An estimate of assessments to be received, but not remitted to the Alliance at the end of the reporting period, are made based on industry statistics.

Property and Equipment

Property and equipment purchased in excess of \$1,000 are recorded at cost. Depreciation of furniture, office and computer equipment is computed by using the straight-line method over the estimated useful lives of the assets. Estimated useful lives by category are:

- Office equipment 5 years
- Computer equipment 3 years

Cash and Cash Equivalents

The Alliance considers all investments with original maturities of three months or less to be cash equivalents.

Consumer Education

Consumer Education costs are expensed as incurred. Consumer Education activities include direct communications with consumers through broadcast media (television and radio), direct mail, and outdoor advertising. Total costs for the years ended December 31, 2004 and 2003 were \$11,800,000 and \$9,000,000, respectively.

Concentrations of Credit Risk

The Alliance maintains cash deposits with Merrill Lynch in excess of federally insured limits of \$100,000. However, the Securities Investor Protection Corporation (SIPC) protects securities and cash in Merrill Lynch accounts for up to \$500,000 per client for securities (including up to \$100,000 for cash). Merrill Lynch has also obtained coverage in excess of the SIPC limits.

Interest Income

Interest income earned on the Alliance's cash deposits is not allocated to specific projects. When the budgeting and cash flow needs of the Alliance are more readily determinable, interest income will be utilized to advance the Alliance's programs.

NOTE 3 - INCOME TAX STATUS

The Alliance qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(6). Consequently, the Alliance is exempt from Federal and state income tax except for income tax on unrelated business income. There were no unrelated business activities in 2004 and 2003.

NOTE 4 - COMMITMENTS

Accounting Firm

The Alliance has contracted with an accounting firm to maintain the accounting records, prepare monthly and annual financial statements, assist in the preparation of the annual budget, and to monitor the collection of the Alliance assessment revenue. Approximately 80 percent of the firm's effort relates to collection activities. Therefore, a portion of the monthly fees are allocated to collection costs. The contract expires on August 1, 2005 and contains two automatic annual renewal options. The average monthly commitment is \$7,850.

Office Building

The Alliance entered an operating lease for office space. The lease calls for monthly payments of \$2,515, contains a term of twelve months and is renewable each year. Rent expense for the years ended December 31, 2004 and 2003 totaled \$33,783 and \$46,320, respectively.

NOTE 5 - ADMINISTRATIVE EXPENSE CAP

NORA, Public Law 106-469, requires that the Alliance limit expenditures for "Administrative" expenses to seven percent of gross revenue generated by assessment remittances.

NOTE 6 - PROGRAM SERVICES

Research and Development

The Alliance committed 4.15 percent in 2004 and 6.99 percent in 2003 of assessment revenue, net of collection costs and the Board designated reserve, for oil heat research and development grants. The 2004 commitment totaled \$641,000. The 2003 commitment totaled \$1,207,679.

Education and Training

The Alliance committed 4.15 percent in 2004 and 4.08 percent in 2003 of assessment revenue, net of collection costs and the Board designated reserve, for grants related to education and training. The 2004 commitment totaled \$641,000. The 2003 commitment totaled \$707,679.

Consumer Education Production

The Alliance committed 3.17 percent in 2004 and 13.17 percent in 2003 of assessment revenue, net of collection costs and the Board designated reserve, for grants related to consumer education. The 2004 commitment totaled \$490,496. The 2003 commitment totaled \$2,254,292.

Tank Insurance

The Tank Insurance Program was developed to formulate strategies to work in conjunction with the homeowners' insurance industry. The Alliance committed one percent of net assessments in 2004 for the Tank Insurance Program.

State Grants

The Alliance has committed 77.8 percent in 2004 and 70.6 percent in 2003 of net assessment revenue for state grants. In addition, the costs for the consumer education production program were incurred by the Alliance on behalf of the states. Thus, the total commitment for state grants was \$13,442,158 or 87.3 percent of net assessment revenue. The 2003 commitment totaled \$14,281,597.

The Alliance is mandated by law to establish a program coordinating the operation of the Alliance with the operator of any similar state or local program. Remittances to state programs are required to equal 15 percent of the assessment revenue collected in the state. During 2004, the Alliance is distributing 96 percent of its net assessment revenue as follows:

Assessment revenue	\$15,621,740
Less: collection costs	(159,027)
Net assessment revenue	\$15,462,713
Grants and state grants	(96.19 percent of net assessment revenue)
	\$14,874,158

NOTE 7 - GRANTS PAYABLE

The Alliance enters into various grant agreements which may require periodic payments of grant funds. The outstanding grant liability at December 31, 2004 and 2003 was \$1,463,066 and \$1,046,854, respectively.

NOTE 8 - BOARD DESIGNATED NET ASSETS

The Board has designated an amount equal to ten percent of annual assessments to be reserved in response to unpredictable weather patterns. The funds will be utilized in future years, with Board approval, to advance the Alliance's programs. The Boards' designated net assets at December 31, 2003 totaled \$1,629,296. The Board did not reserve any funds during 2004.

NOTE 9 - ASSESSMENT AND COLLECTION COSTS

Assessments and collection costs include the costs incurred to process annual assessments, to publicize the collection system and to ascertain compliance as stipulated by NORA law. Collection costs consist of the following:

Legal fees	\$77,506
Accounting fees	\$68,364
Other	\$ 13,157
Total	\$159,027

The Alliance has also developed an audit system for collections compliance, and has the legal authority to conduct audits to ensure member compliance.

NOTE 10 - NATIONAL OILHEAT RESEARCH INSTITUTE

The National Oilheat Research Institute (NORI) is a 501(c)(3) organization created by the Alliance for the purposes of conducting selected research projects. The Alliance has provided the majority of NORI's funding. Project funding, totaling \$598,000 and \$1,115,750, has been approved by the Alliance board for 2004 and 2003, respectively. Actual distributions of approved funding totaled \$490,687 in 2004 and \$759,427 in 2003.

NOTE 11 - ASSESSMENT REFUNDS

Assessment revenue excludes collections which will be returned as refunds. The Alliance collects assessments on all heating oil defined as dyed distillate. Under NORA's collections rules, any dyed distillate that is not certified as low sulfur (less than 500 ppm) is subject to assessment. Additionally, any distillate that is dyed that has less than 500 ppm is assessed if the product is labeled heating oil or distillate. Some of this fuel is used for non-heating applications and is refunded. The Alliance anticipates refunds will approximate \$2.1 million per year and has established the appropriate reserve. As actual refunds are paid, the reserve is adjusted. Refunds for the years ended December 31, 2004 and 2003 were \$2,102,716 and \$1,914,360, respectively.

NOTE 12 - CONTINGENCIES

The provisions of National Oilheat Research Alliance Act of 2000, Public Law 106-469, expired. The legislation allowed the Alliance to collect assessments and conduct its programs. As of April 12, 2005, the U.S. Congress had not renewed the law.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Oilheat Research Alliance, Inc.
Alexandria, Virginia

We have audited the accompanying consolidated statements of financial position of the National Oilheat Research Alliance, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of activities and cash flows and for the years then ended. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Oilheat Research Alliance, Inc. as of December 31, 2004 and 2003, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ROSS, LANGAN & MCKENDREE, L.L.P., CERTIFIED PUBLIC ACCOUNTANTS
McLean, Virginia 22101
April 12, 2005

Representing NORA

NATIONAL OILHEAT RESEARCH ALLIANCE

CONNECTICUT

Eugene Guilford, Jr.
Independent Connecticut Petroleum
Association (ICPA)
Phone: 860-613-2041
E-mail: gene@icpa.org
www.icpa.org

IDAHO

Suzanne Budge Schaefer
Idaho Petroleum Marketers & Convenience
Phone: 208-345-6632
E-mail: sbs@icehouse.net

INDIANA

Scot Imus
Indiana Petroleum Marketers Assn.
Phone: 317-633-4662
E-mail: simus@ipca.org
www.ipca.org

KENTUCKY

Richard Maxedon
Kentucky Petroleum Marketers Assn.
(KPMMA)
Phone: 502-875-3738
E-mail: kpma@kpma.net
www.kpma.net

MAINE

Jamie Py
Maine Oil Dealers Association (MODA)
Phone: 207-729-5298
E-mail: jamie@meoil.com
www.meoil.com

MID-ATLANTIC REGION: DELAWARE, MARYLAND, WASHINGTON DC

Peter Horrigan
Mid-Atlantic Petroleum Distributors
Association (MAPDA)
Phone: 410-349-0808
E-mail: petegwyn@aol.com
www.mapda.org

MASSACHUSETTS

Michael Ferrante
Massachusetts Oilheat Council (MOC)
Phone: 781-237-0730
E-mail: mferrante@massoilheat.org
www.massoilheat.org

NEVADA

Peter Krueger
Nevada Petroleum Marketers
Phone: 775-348-1888
E-mail: peter@amsgr.net
www.oilheatnevada.com

NEW HAMPSHIRE

Robert Garside
Oil Heat Council of NH
Phone: 603-895-3808
E-mail: ohcnh@nhoilheat.com
www.nhoilheat.com

NEW JERSEY

Eric DeGesero
Fuel Merchants Association of NJ (FMA)
Phone: 973-467-1400
E-mail: edegesero@fmanj.org
www.fmanj.org

NEW YORK STATE

Thomas Peters
Empire State Petroleum Association (ESPA)
Phone: 518-449-0702
E-mail: tpeters@espa.net
www.espa.net

NEW YORK - LONG ISLAND

Kevin Rooney
Oil Heat Institute of Long Island
Phone: 631-360-0200
E-mail: info@ohili.org
www.ohili.org

NEW YORK CITY

John Maniscalco
New York Oil Heating Association
Phone: 212-695-1380
E-mail: nyoilheating@nyoha.org
www.nyoha.org

NORTH CAROLINA

Gary Harris
North Carolina Petroleum Marketers
Association (NCPMA)
Phone: 919-782-4411
E-mail: gharris@ncpma.org
www.ncpma.org

OHIO

Roger Dreyer
Ohio Petroleum Marketers
& C-Store Assn. (OPMCA)
Phone: 614-792-5212
E-mail: rdreyer@opmca.org
www.opmca.org

OREGON

Steve O'Toole
Oregon Petroleum Marketers Association
(OPMA)
Phone: 503-670-1777
E-mail: steve@opma.net
www.opma.net

PENNSYLVANIA

John Kulik
Pennsylvania Petroleum Marketers & C-Store
Association (PPMCSA)
Phone: 717-902-0210
E-mail: jkulik@ppmcsa.org
www.ppmcsa.org

RHODE ISLAND

Peter Lombardi, Jr.
Oil Heat Institute of RI (OHI)
Phone: 401-464-8000
E-mail: plombardi@ohi.necoxmail.com

VERMONT

Shane Sweet
Vermont Fuel Dealers Association (VFDA)
Phone: 802-375-0000
E-mail: shanesweet@verizon.net
www.vermontfuel.com

VIRGINIA

Michael J. O'Connor
Virginia Petroleum, Convenience & Grocery
Association (VPCGA)
Phone: 804-282-7534
E-mail: mike@vpcga.com
www.vpcga.com

WASHINGTON

Lea Gaskill
Pacific Northwest Oil Heat Council
Phone: 206-463-2314
E-mail: lea@pnwoilheat.com
www.pnwoilheat.com

WISCONSIN

Robert Bartlett
Petroleum Marketers Association
of Wisconsin (PMAW)
Phone: 608-256-7555
E-mail: rbartlett@pmawwacs.org
www.pmawwacs.org

NATIONAL

John Huber
National Oilheat Research Alliance
Phone: 703-340-1660
Fax: 703-340-1661
E-mail: jhuber@nora-oilheat.org

NEW ENGLAND

Jack Sullivan
New England Fuel Institute
Phone: 617-924-1000
Fax: 617-924-1022
E-mail: nefi@nefi.com

National Oilheat Research Alliance



President: John Huber, National Oilheat Research Alliance, 600 Cameron Street, Suite 206, Alexandria, VA 22314

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R&D Committee: Richard Slifka, Global Companies LLC, Watermill Center, PO Box 9161, Waltham, MA 02454-9161

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Consumer Education: Jim Pierson, J.W. Pierson Co., 89 Dodd Street, East Orange, NJ 07017-3298

Education & Training: Bob Boltz, Vincent R. Boltz, Inc., 45 Guilford Street, Lebanon, PA 17046

Nominating: John Fuquay, Berico Fuels, PO Box 1111, Greensboro, NC 27402-1111



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Portsmouth, NH

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PETRO
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Townsend Oil
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Elizabethtown, PA

(5) Term Expires 12/05

(6) Term Expires 12/06

(7) Term Expires 12/07

*Member of Executive Committee

National Oilheat Research Alliance

600 Cameron Street, Suite 206, Alexandria, VA 22314

Ph: 703-340-1660 / Fx: 703-340-1661 / Em: info@nora-oilheat.org

Industry Website: www.nora-oilheat.org

Oilheat Education and Training: www.noraed.org

Consumer Education: www.oilheatamerica.com

Oilheat Industry Products: www.norastore.org



Topics In Review

Oilheat Visions 2004 Brings New Technology, Fuel Quality to Forefront

In just its second conference, Visions has rapidly grown to become the forum for presentation of new technology available to the Oilheat industry, as well as the leading focal point for Oilheat marketers to improve fuel operations and sustaining business profitability. The 2004 conference was highlighted by presentation of an ultra-high efficiency furnace whose development was advanced by a NORI (NORA's R&D affiliate) grant; seminars covering a broad range of fuel quality issues addressed by Brookhaven National Laboratory studies supported by NORA; and presentation of three key manuals in the areas of fuel quality, tank and storage management, and heating efficiency (NORA's new study text for Gold level technician certification). NORA participates in this conference in conjunction with other trade groups and industry organizations.



Low Sulfur Product Supported

NORA and other parties, including prominent heating equipment suppliers, advocate use of heating oil with low sulfur content. Its cleaner burning properties can lead to an improvement in environmental emissions and increase intervals between heat exchanger cleanings. NORA prepared a brochure encouraging conversion to .05% sulfur (code 151) heating oil that explains the benefits and virtues of this product. It is available via PDF download at www.nora-oilheat.org.



Bioheat Gaining Applications

As evidenced by reports in industry publications, the interest and actual deployment of a biofuel (biodiesel) component to heating oil continues to grow. NORA supported an earlier study by the Massachusetts Oilheat Council (MOC) that assessed using biofuel in greater measure in combination with low sulfur heating oil. The study is available on the Council's website via PDF download at www.massoilheat.org.

