

THE NATIONAL OILHEAT RESEARCH ALLIANCE

The collaborative serving the nation's Oilheat dealers who provide heating comfort to over 8.5 million homes and businesses across America.



National Oilheat Research Alliance

600 Cameron Street, Suite 206, Alexandria, VA 22314

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2008 was a year of dramatic transformation in the global political and economic environment, one that also presented the nation with a new focus on global climate change. In July of 2008 the price of oil reached as high as \$145.00 per barrel and by late December a widely used index for the spot price for crude oil had fallen to \$30.28 per barrel.

While these events have understandably affected activities undertaken by NORA, they've also served to make our research projects and plans more relevant and important to meet the needs of over 8.5 million homeowners and businesses who rely on our product and services for heat and hot water.

As we issue this report, energy costs appear to have stabilized, with the economy providing economic relief for some and stress for others. Many analysts see eventual business and labor recovery in the USA occurring over a 4- to 5-year period during which time it's hoped that energy resources will revert to past levels of stability and normalcy in terms of their retail cost to consumers. This would not diminish the need for higher efficiency and more advanced systems, but perhaps allow some "breathing space" for this equipment to be fully developed and introduced to consumers.

At the same time, the Obama administration has made it clear that carbon emissions are a significant element of their policy agenda. Plus, a number of states have banded together to resolve regional emissions and climate issues.

In light of all these developments, liquid-fueled appliances will need to be more efficient to reduce carbon emissions today and energy costs tomorrow; more economical to purchase and install; and, able to perform well with increasing amounts of sustainable liquid fuel blends.

While the country addresses the dramatic changes experienced in 2008, NORA recognizes there will be increasing demand for sustainable and economic solutions to the nation's energy portfolio. This will require constructive actions with respect to all forms of energy supply and end-use technologies.

While the respite from fuel price volatility is welcome, its duration is unknown and investment in the next generation of liquid fuels and technology continues to grow in importance. NORA's research and development are designed to parallel that growth and enhance the attractiveness of liquid fuels as a heating fuel resource. Our activities in the realms of consumer information and industry education and training reflect the industry's commitment to demonstrating that an effective and environmentally sustainable fuel is being brought to market.

*Robert Boltz, Chairman
John Huber, President
National Oilheat Research Alliance*



Liquid Fuels Research Center (LFRC)

LFRC's mission is to conduct scientific research in the field of liquid fuel and fuel blend storage, local delivery and end-use to provide homes and commercial enterprises with economically and environmentally sustainable energy solutions. The LFRC will conduct NORA-guided research and work with other entities, such as the New York State Energy Research and Development Authority (NYSERDA), who are interested in advancing liquid fuels for use by the nation's homes, businesses, commercial enterprises and institutional buildings.

Advanced Burners:

Research is ongoing for the development of advanced burners that are economical in cost, provide lower emissions, and have advanced features such as modulation and low firing rates for specific applications. During the past year, these efforts resulted in the development and UL listing of the new Heat-Wise LW-80 two-stage burner.

The Carlin Econox burner has been applied to four appliances (Bock, Buderus, Olsen and Thermodynamics). Cycle testing and formatting of the cycles have been modified to fully test any possible field condition. Field testing is now underway and UL certification is also in process. NORA has contracts in place for \$490,000 for development of advanced burners.



Advanced Appliances During 2008:

The Kerr advanced condensing furnace underwent field testing and is expected to enter the market this fall. This furnace will meet the high efficiency requirements for the \$1,500 homeowner Federal tax credit as does the Peerless Pinnacle boiler developed under a previous NORA grant. Grants amounting to \$313,000 have been allocated for the development of advanced furnaces.

In 2008, LFRC launched another condensing furnace development project to continue its work in providing high efficiency liquid fuel-based appliances. The contract for this effort is \$326,000.

Thermo Pride has developed a new roof top unit (RTU) using a research grant from the Alliance. These RTUs can be easily mounted on the roofs of convenience stores and other commercial buildings. They use heating oil in heat mode and provide warm, efficient comfort. The 3.5 - 5 ton cooling 13 SEER model is on a larger footprint and chassis. This grant was for \$148,000.

Thermo Pride has indicated that some models of their residential Heatpak qualify for the \$1,500 federal efficiency tax credit.

Energy-Kinetics continued work on developing a condensing boiler/water heater and is looking to field test this unit in 2009. The amount of the grant was \$143,000.

Research & Development

NYSERDA co-funded LFRC research on the impact of reducing heating oil sulfur levels to low (15-500 ppm) and ultra low (<15 ppm) levels on appliance operation and design. This work is being started in 2009 and may present manufacturers with new opportunities to develop and market very high efficiency appliances for oil, with reduced cost. The Alliance is now developing contracts with NYSERDA for \$70,000.



As shown by these earlier photos from Brookhaven National Laboratory, the positive effect on heating chambers achieved by low sulfur fuel vs. conventional product is exceptional. The lowest sulfur content shown here is at .04%, yet ultra low fuel is refined at .015%, enhancing the prospects for Oilheat as heating exchangers are introduced to market to accommodate the cleaner fuel. Each photo tracked No. 2 heating oil sulfur content by weight.

New Applications:

Research in support of the development of new, economical liquid-fired equipment comes under this category. Brookhaven National Laboratory's (BNL) initial success in developing and testing a liquid-fueled burner/combustion chamber for the Robur heat-pump (5 RT cooling and 120,000 Btuh heating) has led to second generation burner and combustion chamber testing. Complete unit testing is expected in mid-2009 with full product development later in the year. Development of this unit would allow heating efficiencies to exceed 100 percent, and enable liquid-fuels to reduce electric demand and take pressure off the electrical grid. NORA has dedicated \$100,000 to this effort, has proved the concept, and will next consider what other research must occur in support of this project.

NYSERDA and LFRC are also co-funding development of a self-powered thermo-photovoltaic (TPV) liquid-fueled technology to operate in residential hydronic boiler applications. If successful, this would enable a boiler to generate sufficient electricity to operate the heating system without electric utility power. Work is expected to begin in 2009. NORA has committed \$100,000 to these projects to date.

Advanced Venting:

The scarcity of low cost venting systems that can handle mid- and low-temperature flue gas and reliable design guidelines remain an impediment to the widespread use of higher efficiency appliances. In response, NYSERDA's and LFRC's joint venting project will begin in 2009. NORA has agreed to dedicate \$150,000 to this effort.

With this approach, flue gas is diluted with ambient air, reducing its temperature and then the mixture is vented using low cost, condensate-resistant plastic pipe. With the addition of the ambient air, dew point is lowered relative to the mix temperature, and potential for downstream condensation is lowered. The application of dilution venting to oil-fired boilers and furnaces could resolve venting problems that exist even with conventional equipment and promote higher efficiency appliances with lower system cost and safer venting.

The first phase of this project will study international approaches to this problem. Researchers will next design a dilution air transition piece (from the appliance vent to the appropriate plastic venting), fabricate the initial prototype and test it in the laboratory. They will then retest and perform one initial field study. This is an important area of research and NORA believes that improved venting technologies are essential to efficiency advances. Additional study will be necessary.



Advanced Fuels:

LFRC research continues on storage, handling, and combustion of future fuels such as sustainable biodiesel blends. LFRC has sponsored the following research to date at BNL:

BNL completed testing in Toyotomi and Monitor space heaters using ultra low sulfur diesel (ULSD). Both of these are vaporizing “pot” type burners and the key technical question is the fouling of these with coke in long-term operation. The Toyotomi is specified for use with both kerosene and No. 2 oil and includes a daily high temperature burn off cycle for the coke collected on the hot surface igniter. In both situations there were frequent problems with blockage of the very fine strainer at the inlet of the heaters. Fuel was supplied from very clean, 5-gallon containers during this test and BNL feels that there was fuel degradation leading to gum formation; \$40,000 was spent on these activities.

Significantly, BNL has located a source for coal-to-liquid test fuel (CTL). The target fuel is a diesel-like product produced by a Fischer-Tropsch process from gasified coal. NORA is working on contract arrangements with the fuel supplier. An alternative is the same product produced by a Fisher-Tropsch process from natural gas (GTL). Development of this fuel and its production in the United States would lead to a virtually limitless supply of clean burning, “no sulfur fuel” produced in the United States. President Obama has been a strong advocate of this fuel and the heating oil industry is encouraged by his administration’s role to encourage development of this important domestic resource.

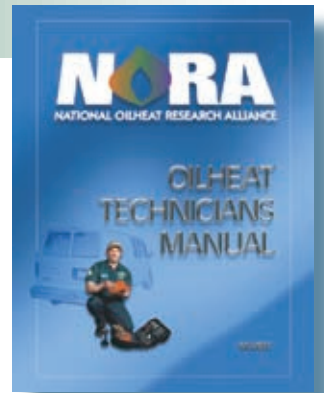
Fuel Quality:

LFRC research continues to focus on maintenance cost and customer service issues associated with fuel quality. In 2008, \$87,000 was spent on these activities. To date, NORA has spent \$738,000 on these activities.

Technology Transfer:

NORA is a member of the German IWO, which conducts research on advanced appliances in Europe. To facilitate technology transfer, NORA also supports the travel of scientists to participate in international conferences. These modest expenses of \$12,000 per year ensure technology transfer between the countries and lead to the exposure of many American manufacturers to new products.

Klaus Lucka, left, talks in an OWI laboratory with U.S. executives during an earlier visit; left to right, Kevin Beckett, Thomas Butcher and John Huber.



Technician Certification

Over 2,400 copies of the new NORA Silver Book, *The Oilheat Technicians Manual*, were sold from the date of its release in April 2008 to January 2009. New Silver and Bronze certification exams are based on the book and the analyses of results to date indicate the test is valid and fair to those who have taken the requisite training in order to take the exam. Over 1,400 technicians took NORA certification exams last year.

Tank Certification

Over 165 technicians at different sites around the country participated in training and certification for installation and maintenance of storage tanks in 2008, an important factor in retaining consumer confidence in the security and safety of Oilheat. Industry personnel who have tank certification and their respective employers will be recognized on the public access portion of NORAed.org.

New Videos, Online Access and Training

NORA released four new training videos last year and launched a new website whereby all of our training videos can be downloaded free of charge.

The new videos are:

- V12 - Above Ground Fiberglass Tank Installation
- V13 - Combustion Efficiency Testing
- V14 - Fuel Savings Analysis Calculator
- V15 - Support For Customers In Changing Markets

In September NORA launched a new website, www.noraedvideo.org that allows technicians and others to view all the NORA training videos online, with the option of downloading each title to their computer. It is a user friendly, content-based website geared towards technicians. The respective DVDs can still be ordered from NORASTore.org at \$4.00 each, but this site now allows for anytime access to pertinent training.



Customer Service Seminars

NORA representatives traveled around the country in the fall presenting a Customer Service Seminar based on the NORA Customer Service video, *Supporting Your Customer in the Face of Rising Oil Prices*. They delivered the "How Much a Gallon?" presentation to over 650 customer service representatives.

HVACR & Plumbing Instructor Workshop

NORA made presentations at the HVACR & Plumbing Instructors Workshop earlier in the year in Lansdowne, Virginia. The Workshop is a jointly sponsored event designed to provide instructors and administrators of apprentice and secondary/post secondary vocational programs with technical information and new training methods. Having visibility at this event is valued because it allows NORA to get the Oilheat message out to a large contingent of heating and mechanical contractors who provide services apart from Oilheat companies. Other national organizations at this event included Air Conditioning Contractors of America (ACCA), the Air-Conditioning, Heating and Refrigeration Institute (AHRI) HARDI, and the Plumbing Heating Cooling Contractors Educational Foundation. NORA sessions covered topics such as educational opportunities and new training tools, plus the NORA Fuel Savings Analysis (FSA) Calculator. Piping procedures for oil storage tanks and trouble shooting for oil-fired appliances also received attention.

NORA Participated in The National Fire Protection Association (NFPA) Meeting of the Technical Committee on Liquid Fuel Burning Equipment

The National Fire Protection Association (NFPA) held a meeting of the Technical Committee on Liquid Fuel Burning Equipment at NFPA headquarters in Quincy, Mass., to consider proposed revisions to *NFPA 31, the Standard for the Installation of Oil-Burning Equipment*. Several representatives of the Oilheat industry currently serve on the committee including NORA president John Huber.

Although several proposals were acted upon, there was a general consensus that both chapters seven and eight of the NFPA 31 standard should be thoroughly evaluated and updated (rewritten) due to new procedures and technology in several areas. A Task Group was established to address the necessary changes and subsequent rewrite.

New NORASTore.org Site Opens



The NORA store, an on-line purchasing center where customers can buy NORA business products and training aids via online credit card transactions has a new, user friendly website.

The menus have been redesigned to provide immediate access to educational products geared toward technicians, homeowners, trainers, Realtors and a variety of other audiences. Searches have been custom-tailored to user preferences. The newly remodeled NORA store opened online in November.

NAOHSM/NORA Train-the-Trainer

NORA teamed up with the National Association of Oil Heating Service Managers (NAOHSM) to deliver Train-the-Trainer courses in Baltimore, MD, New Hampshire and Pennsylvania in 2008. These courses are designed for trainers from schools, the industry, and manufacturing companies and were presented by Harry Johnson, a professor from Penn State University, assisted by NORA instructor representatives.

This intensive workshop was designed to enhance the teaching skills of Oilheat industry trainers by focusing on techniques best suited for teaching adults. Each registrant was provided with the materials in advance to prepare for this three-day workshop that included presentations on how adults learn, how to prepare for class, developing audiovisual materials and class evaluation. The workshop featured hands-on exercises, ensuring that participants learned the proper methods and how to apply them to their own situations. Participants received constructive feedback from workshop instructors/coaches and benefited by having peers share their own techniques.

NORA Fuel Savings Analysis Calculator

One of NORA's most critical R&D projects has been the evaluation of the efficiency of oil powered heating systems. Working with NYSERDA and Brookhaven National Laboratory, NORA has created a protocol and computer software to measure the annual efficiency of combined space and water heating systems. The software tool is called the Fuel Savings Analysis (FSA) Calculator. NORA's video team has created the FSA Calculator Tutorial video to explain how to download the FSA to a computer and how to operate the program. To view the video, log to www.NORAedvideo.org and view or download title V-14.



Conservation Initiatives

August 2008, NORA Energy Conservation Summit Meeting

NORA's Energy Conservation Analysis Initiative was launched in early August 2008 in Albany, NY. Meeting attendees were Oilheat industry leaders, representatives from the Building Performance Institute (BPI), testing equipment manufacturers and the state and regional associations who are members of the Alliance.

The summit was the direct result of the Strategic Planning Initiative held last June in Princeton, NJ. After participants explained the strong relationship Oilheat dealers enjoy with their customers, it was asked whether "Delivering heating oil is all we could think of to do with our extraordinary customer relationships? What do we know that could be useful to customers? Given our core competencies, what other services can we provide to our customers?"

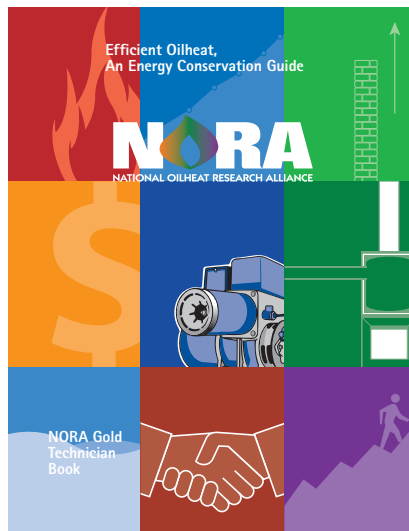
A "packaged solution" to those questions could be an energy audit of the customer's home. However, there already are many tradespeople performing energy audits and a new era of building performance contractors has evolved over the last few years — heightened of late due to the changes in the overall economical outlook here in the U.S. NORA was seeking a new focus for its initiative.

Looking at the services currently available, it appears that the majority of effort is being devoted to reducing the heat loss of the structure. No comparable attention has been given to heat creation and distribution (an exception being the NORA Gold Certification Program), thus providing an entry for Oilheat dealers at large.

NORA's role would be to launch this initiative focusing on heat creation and distribution and to present this concept to the industry and help them offer it to their customers. NORA will offer the training needed to make this happen by working with manufacturers to bundle products, services, and training tools and software to provide turn-key conservation evaluation services.

Thus, NORA's objective is not to compete with energy auditors and building envelope contractors, but to have Oilheat dealers coexist and benefit from government stimulus packages by focusing on our core competencies, namely the heating and comfort systems to a home and their respective efficiencies.

To that aim, NORA is cooperating with BPI which offers nationally-recognized training, certification, accreditation and quality-assurance programs. BPI's efforts are recognized as The Home Performance with ENERGY STAR program (a nationwide initiative co-sponsored by the U.S. Environmental Protection Agency and the U.S. Department of Energy to bring about a systematic improvement to the performance of the nation's 120 million homes).





NORA's Energy Conservation Analysis Initiative

Frequent volatility in energy markets has customers concerned about the future. Customers turn to Oilheat companies for solutions, in good part attributable to the long-term relationship as their energy providers. More than ever before, our industry recognizes we must be part of their solution, not part of the problem. We must remain a trusted energy use adviser as well as supplier.

The NORA Energy Conservation Analysis (NECA) Seminar teaches participants how to guide customers to smarter energy solutions. The heart of NECA describes a Home Energy Audit protocol for Oilheat technicians and equipment salespeople. Participants learn how to be sure the heating system is working at maximum efficiency.



An important component of this program is to provide what advice dealers and technicians can appropriately give customers about free or low cost, "do-it-yourself" projects that can help lower energy costs. The program also covers how to identify potential problems with a building and recognize when it is advisable for customers to call in building shell and insulation experts.

NORA's goal for this program is to ensure that oil-heated buildings use energy as efficiently as possible without compromising safety, reliability or comfort. Customers would thus benefit the most from what they spend to heat and cool their buildings. The program will also show customers that energy conservation is the correct solution for protecting the environment.

NECA is designed as a one-day seminar, similar to the NORA Tank Installation and Maintenance Program. Participants receive the NORA Energy Conservation Analysis Certification upon successful completion of a test at the end of the program. Certified companies will be listed on a NORA website that consumers will have access to.

Though designed for managers and technicians, an individual need not be NORA Bronze, Silver, or Gold certified to become NECA Certified; however, the NECA Course will count as CEUs toward NORA Technician Certifications. The NECA seminar was presented in 2008 to 168 Oilheat technicians, equipment sales people and managers.

Additionally, NORA has also created a seminar for Energy Auditors to teach them when it is time to call in a heating professional. Presented several times in 2008, this seminar is due to be offered more extensively in the coming year.

Affiliations To Serve The Oilheat Marketplace

NORA Presents at Institute for Business and Home Safety (IBHS) Annual Conference

This is the second year of NORA participation in the conference. Our session, entitled “Reducing Losses Related to Oilheat Systems,” was well received by representatives of home insurance underwriters.

Many attendees were enthusiastic about the Certified Company (tank and technician certifications) lookup function on the NORA Education website and had a special interest in NORA’s Static Test Process for underground storage tanks.

NORA and IBHS have worked together on several projects, most recently the development of tank inspection procedures and distribution of a primer on the Oilheat industry that informs insurance personnel about the values, benefits, and intricacies of Oilheat that are pertinent to their evaluations. (This 20-minute Flash™ file presentation is available for viewing and downloading at nora-oilheat.org.) Video and print materials have been distributed to insurance companies, enabling them to understand how the Oilheat industry functions.

NORA’s relationship with IBHS has enabled homeowners and insurance carriers to have an open dialogue with one another, benefiting consumers, the Oilheat companies that service them, and insurance carriers and agents.

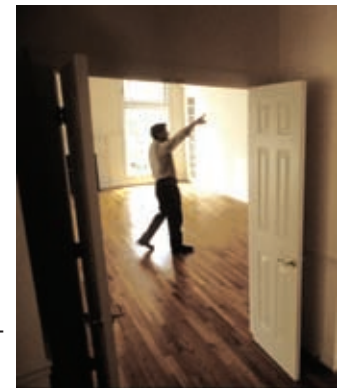


NORA Partners with the American Society of Home Inspectors

In September, 2008, the Alliance was pleased to announce a partnership with The American Society of Home Inspectors (ASHI), the largest and most respected national professional organization of home inspectors in the nation.

ASHI Associates work their way to Certified Inspector status by meeting rigorous standards, 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. Through this partnership, customers of Oilheat companies will gain access to this trusted network of home inspectors.

Partnering with ASHI affirms NORA’s commitment to bringing consumers and professionals together to enable both groups to take action and make more informed decisions about home heating.

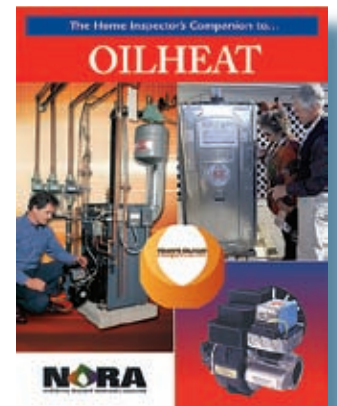


NORA Hosts 2008 Workshop Conducted By MIT Management Professor

Dr. Arnoldo C. Hax held this workshop June 2-6, 2008 in Princeton, NJ. He is the Alfred P. Sloan Professor of Management Emeritus at the Sloan School of Management of the Massachusetts Institute of Technology. Dr. Hax introduced key concepts relevant to strategic management, helped attendees gain a solid understanding of the current capabilities of Oilheat companies and suggested products and services to be added in order to serve customers even more effectively.

Participants were asked to define conditions under which the industry is operating and identifying challenges they face. By building on core competencies and partnering with complementary businesses, it’s thought that Oilheat dealers may be create a seamless total solution package for our mutual customers.

This workshop was the start of an ongoing process that led to the NORA Energy Conservation Analysis (NECA) Initiative and will help the Alliance to shape future agenda.



Consumer Outreach and State Reports

Our approach to the public in 2008 was to align the forward-thinking properties of Oilheat (efficiency, environmental awareness, digital technology) with other properties of modern, progressive homes. Today's consumers have a fascination with home and interior design and home makeovers — and we aimed to capitalize on that trend. The print and billboard campaign focused on architectural elements, and paints a picture of Oilheat being part of cutting edge, green and efficient home design. So when people think of the snapshot of the quintessential cool, smartly designed home — we want Oilheat to be a part of that.

TRENDY PRINT AND BILLBOARDS



The Alliance produces outreach materials each year which are made available to state and regional association members of the collaborative for their respective use. The associations can apply to use NORA's materials within media of their selection, or they can apply for grants to produce items specific to their region, as displayed in the state activities section of this report.

The funds spent on production emanate from NORA's use of a relatively small portion its budget which is derived from assessments received on distillate fuel destined for heating use within NORA states. The current assessment is .002 cents per gallon of qualifying heating oil. The majority of funds derived from assessments (85%) are granted to the state and regions based proportionally on the consumption of Oilheat within their state in a given year. The associations can apply for grants for consumer information projects, industry education and related initiatives.

The Oilheat industry educates and trains a broad cross section of marketers and workers, and informs homeowners, and businesses who use Oilheat, as well as the public at large. The following pages summarize how the state and regional members of the Alliance put their respective grant monies to use during the 2008 operating year; data is provided in alphabetical order by state.

Connecticut

Independent Connecticut Petroleum Association (ICPA)

ICPA operates and maintains its own Technical Education Center (TEC) using NORA funds to support the training of HVAC technicians. In 2008, ICPA worked with the state's Dept. of Labor and other job placement agencies to attract non-traditional students. Over 700 students attended various license classes. NORA funding helped lower the cost of tuition.

ICPA TEC staff attended 56 career fairs at high schools around the state, conducted 18 on-site training tours with high schools and met with or provided materials to all of the state's high schools. A new online course venture started in 2008 at TEC: Basic Electricity and Codes & Building Trade Safety. These efforts focus on introducing the energy industry and ICPA TEC's programs to a new generation of potential energy conservation technicians. A total of \$349,267 was spent on 2008 educational activities.

On the consumer education front

ICPA expended \$673,203 in 2008, promoting high efficiency equipment, using an advertisement viewable on the ICPA website.

A companion television message focused on marketers' strength as local energy providers, as did messages promoting biofuel. The highlight was a year-long participation in an NBC affiliate channel's "Going Green" campaign on TV and the web promoting energy efficiency and biofuel.

ICPA continued its Realtor outreach with the goal of communicating Oilheat's value to more than 12,000 realtors in the state. Other efforts included cooperative radio messaging with the tri-state NY-NJ-CT group on energy conservation and Oilheat technology; producing and distributing material to HVAC contractors and plumbers. Also during 2008, ICPA joined four Connecticut builder associations and provided educational material to the major building groups regarding the benefits of high efficiency Oilheat equipment.

Research and Development: ICPA produced a report for the Connecticut Clean Energy Fund/Greenhouse Gas Initiative in 2008. Since various state initiatives are being undertaken for alternative fuels development ICPA believes it is important to disseminate information about global warming and the role the heating oil industry plays in addressing greenhouse gas emissions; \$5,332 was spent on R&D initiatives in 2008.



Idaho

Idaho Petroleum Marketers and Convenience Store Association (IPMCSA)

IPMCSA devoted all of its efforts in the area of service technician education in 2008. All NORA funds went toward holding classes, certifying service technicians, certifying a proctor, administering NORA certification exams and conducting CEU certified classes. IPMCSA contracted instructors and meeting locations for service technician training classes, acquiring training materials such as the NORA Silver Manual, the NORA Tank Manual, and various training videos and DVDs through NORA's online store; \$6,313 was used for this activity in 2008.



Indiana

Indiana Petroleum Marketers & Convenience Store Association

In the area of technical education, the association purchased and distributed NORA education items to dealers and technicians; \$6,005 was used for these activities in 2008.

For consumer and contractor information, Indiana promoted the "Build With Oil, the Clear Choice" message to builders and contractors by inserting "clear choice" units in respective trade publications. Through a partnership with *Oilheating Journal*, issues of the magazine were sent to Indiana contractors. This proved to be a good means to reach out to independent contractors that service or replace oil heating equipment. A fall meeting was held to keep Oilheat marketers updated on industry activities; \$4,878 was used for these projects in 2008.

Indiana supported research in the area of cold flow properties of Bioheat® through funds provided to Brookhaven National Laboratory that amounted to \$510 in 2008.



Kentucky

Kentucky Petroleum Marketers Association

NORA funds in Kentucky were used for consumer information and education in 2008. Due to the rural nature of Kentucky, radio has proven to be the best method to inform consumers of the benefits of Oilheat. NORA pre-produced radio ads were used and were broadcast via a station that has statewide coverage; \$77,300 was used for the information activities in 2008.

The extensive 2008 program concentrated on educating industry members on the latest developments in the fuel, advantages of using Bioheat® and how to service modern heating equipment. Professional instructors conducted training seminars throughout the state on topics such as Oilheat service techniques and best practices when using above ground and underground oil storage tanks. The Association supports the Kentucky Clean Fuels Coalition, an organization that educates the public on the use of clean fuels and evolving fuel technologies; \$68,080 were used for these educational activities in 2008.

Maine

Maine Oil Dealers Association (MODA)

NORA education funds have enabled many future technicians

to be trained at six campuses of the Maine Community College System. Many courses are conducted at the Maine Oil Dealers Association Technical Education Center. As a result of NORA funding, more students are able to afford tuition. Offering basic and advanced education for technicians ultimately helps the consumer by increasing the level of professionalism and quality of service the technicians provide. Staying up-to-date on operating efficiency is the key to ensuring safety, comfort, and lowest operating costs for the consumer. Total funds spent in 2008 were derived from the 2007 and 2008 grant, and totaled \$264,838.

MODA communicates the benefits of Oilheat throughout the year, relying on a “This Little Box” campaign to inform consumers of the benefits of heating with oil, as well as the new and improved high efficiency equipment and fuels that are available to them. Consumers in Maine are surveyed periodically to assess any change in attitude towards Oilheat.

MODA produced TV messages specific to Maine households and also used NORA-provided national TV/radio media materials; \$419,708 was spent on this effort in 2008.



Video Scripts: ▼

Energy Conservation “Lower the cost”

We took a hard look at how we could lower the cost of heating our home. We’ve already noticed a decrease in our consumption of oil just by installing the indirect hot water heater. Adding a sophisticated boiler control can save 10%, and adding programmable thermostats — all three of those things, you can save 20% or more. It worked great for us, it absolutely did. That’s the way you’re going to lower your bill this winter. Less fuel burned equals money saved. I love saving money. Who doesn’t?

Energy Conservation “Tune-up”

People are getting serious about cutting their home heating costs and there are ways in which you can reduce that price. It’s like your car. Why tune up your car if your car isn’t running efficiently... then you get poor mileage. It’s very important to have an annual check up, a preventative maintenance plan, and then ultimately your machine, whether it’s your boiler or your car, is going to run more efficiently and actually consume less oil, which means savings to me.

Maryland, Delaware, District of Columbia

Mid-Atlantic Petroleum Distributors Association (MAPDA)

Education and Training: Employing NORA funds carried over from 2007 along with funds for 2008, MAPDA was able to run several training programs for owners and employees of heating oil companies. Courses included: basic Oilheat training, an advanced Oilheat course, NORA Silver and Gold review and certification classes, heating oil storage tank certification class, and business/technical practice seminars. A total of \$9,785 was expended for these activities in 2008.

In 2008 MAPDA devoted a significant portion of its NORA funds to consumer education in 2008.

Radio messages provided by NORA were used to increase public awareness of the value of heating homes with oil and focusing on energy conservation practices. MAPDA also launched a new website, tabbed “Smart Heating Choices” to provide information on the positive attributes of heating with oil, historical pricing of oil, FAQs, tips for saving money on heating by increasing efficiency and the coming age of Bioheat®; \$370,652 was applied to these activities in 2008.

A new Oilheat medium was introduced in the Mid-Atlantic region, as MAPDA improved its website presence to keep pace with consumers’ growing referral to the Internet for energy information.



Massachusetts

Massachusetts Oilheat Council (MOC)

In 2008, the Council (MOC) began educating the industry on the emergence of BIOHEAT by conducting a highly detailed webinar on the subject, supplemented with materials from the National Biodiesel Board.

MOC continued its highly successful Realtor Partnership Program statewide, whereby realtors attend half-day sessions on all aspects of oil heating to obtain a better understanding of the fuel as well as the industry. The goal is to help realtors become more successful at selling oil heated homes and avoid incorrect descriptions of Oilheat technology and services.

MOC awarded 25 train-to-work scholarships to New England Fuel Institute’s Basic Oil Burner Course; many graduating students have found employment with Massachusetts retailers. During 2008, \$158,781 was allocated to education and training.

Consumer Education: MOC used its 2008 NORA grant to fund a statewide consumer information radio campaign, along with a powerful internet advertising campaign. MOC also created and distributed direct mail pieces for dealers to send to their customers, including the *Energy Watch* newsletter, and pamphlets and brochures on energy pricing, energy supply, Oilheat technology and the services provided by retail heating oil dealers; \$1,021,855 was spent on consumer outreach activities.



Michigan

Michigan Petroleum Association
Michigan Association of Convenience Stores

Consumer Education: Visibility before the public was the mainstay of Michigan activities in 2008. “Michigan Energy Watch Newsletters” were provided to all Oilheat dealers in the state for redistribution as bill inserts or direct mail to consumers. The publication provided information on the benefits of Oilheat technology and equipment upgrades, conservation tips and detailed information on Michigan’s weatherization programs; \$71,472 was used for this activity in 2008.

Michigan also continued its outreach programs with Realtors, home inspectors and HVAC contractors, appearing at the Realtors trade show as a major sponsor — providing information about Oilheat and the Michigan-specific guide to Heating Oil Storage Tanks. Oilheat messages also appeared in several Michigan Realtor publications and speakers from our industry appeared at the Realtor trade group’s annual trade show and management conference; \$19,367 was spent for these efforts in 2008.

Nevada

Nevada Petroleum Marketers & C-Store Association

Nevada used its 2008 NORA funds to purchase television time on the most prominent station in the Reno area, to air consumer information spots. This provides the best outreach to Oilheat consumers in the state, most of whom reside in the northern regions of the state; \$6,346 supported this activity in 2008. Education expenditures amounted to \$811.

New Hampshire

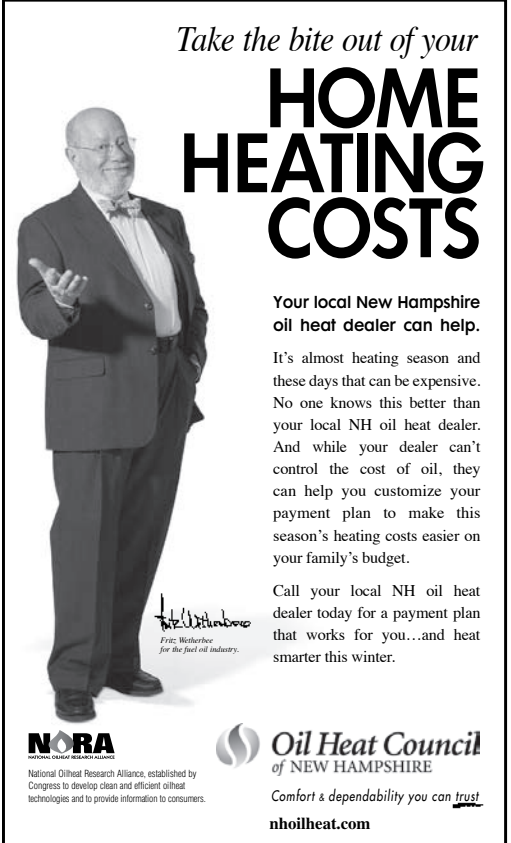
Oil Heat Council of New Hampshire

In the area of education, New Hampshire was able to provide 20 full Oilheat technician scholarships and 90 NORA Gold and Silver certification scholarships. This will improve the availability of trained, certified service technicians; \$74,365 was spent on these initiatives.

For consumer outreach the Oil Heat Council of New Hampshire primarily used television, newspaper, and radio promotions with their official spokesperson for the NH fuel oil industry Fritz Wetherbee, a well-known television personality in that state. In a recent survey of most recognizable people, Fritz came out ahead of New Hampshire’s governor, John Lynch.

Consumer education funds were also used last year when prices were fluctuating to accurately explain the facts on how oil is priced, how pricing contracts work and how these factors affect dealers and consumers. NORA funds allowed the association to communicate to many consumers in the state what the pricing facts were and to dispel misconceptions.

An Oilheat consumer brochure was distributed promoting “Heat Smart,” a program that was developed to provide customers with information on oil conservation, home energy efficiency, and customized budget payment options that may be available from their Oilheat dealer. New Hampshire also invested in reconstructing www.nhoilheat.com to make it more user-friendly and provide better access to information for dealers and consumers in the state. Collectively, \$297,768 was dedicated to these activities.



Take the bite out of your
HOME HEATING COSTS

Your local New Hampshire oil heat dealer can help.

It's almost heating season and these days that can be expensive. No one knows this better than your local NH oil heat dealer. And while your dealer can't control the cost of oil, they can help you customize your payment plan to make this season's heating costs easier on your family's budget.

Call your local NH oil heat dealer today for a payment plan that works for you...and heat smarter this winter.

Fritz Wetherbee
Fritz Wetherbee
for the fuel oil industry.

NORA
National Oilheat Research Alliance, established by Congress to develop clean and efficient oilheat technologies and to provide information to consumers.

Oil Heat Council
of NEW HAMPSHIRE
Comfort & dependability you can trust
nhoilheat.com



Introducing
HEAT SMART
the latest way your oil heat dealer is making heating costs easier on your family's budget.



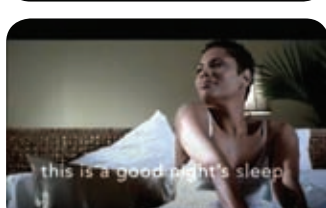
Oil Heat Council
of NEW HAMPSHIRE
Comfort & dependability you can trust
603.895.3808
info@nhoilheat.com
nhoilheat.com



Oil Heat Council
of NEW HAMPSHIRE
Your local OIL HEAT dealer wants to help take the bite out of your home heating costs.

A short video was produced in 2008 by NORA and made available to state and regional associations for use in their respective markets. It emphasizes the comfort virtues of Oilheat for the home.

FOCUSED TV/INTERNET VIDEO



The sleep that comes from knowing your family has state-of-the-art Oilheat, the heating system that's both comfortable and environmentally friendly. Learn more at intelligentwarmth.com

New Jersey

Fuel Merchants Association of NJ (FMANJ)

The Fuel Merchants Assn. of NJ helped state regulators gain a better understanding and appreciation for Oilheat in 2008.

FMANJ joined with the New Jersey Dept. of Environmental Protection (NJDEP) and the state's Board of Public Utilities to develop practical ways to reduce global warming gases, as well as strategies that encourage the replacement of inefficient heating systems. FMANJ will continue these initiatives in 2009.

FMANJ presented many educational seminars during 2008 including NORA certification for service technicians, hazardous materials handling training, NJ remediation standards, and others. Home inspectors received high-level training to become more adept at dealing with Oilheat systems during a home inspection. A total of \$333,348 was spent for all education programs in 2008.

Realtors and Homebuyers: FMANJ continued outreach to Realtors, home buyers and home sellers. The Partnership for Realty and Oilheat Success (PRO\$) gained momentum by educating more Realtors, and in turn, buyers and sellers about Oilheat, heating systems, tanks, insurance, fuel pricing and more. Over 525 agents attended office presentations and more than 500 agents visited the FMANJ booth at conventions across the state. PRO\$ was also a presenter at the largest real estate convention on the East Coast.

Home Inspectors play an important role in home transactions, as their observations and analysis can mean the difference between a home that gets sold and one that languishes on the market. NORA funds were allocated to have over 100 home inspectors attend a 6-hour Oilheat course. Attendees represented approximately 30% of the licensed home inspectors in the state.

New Jersey Tank Grant Program:

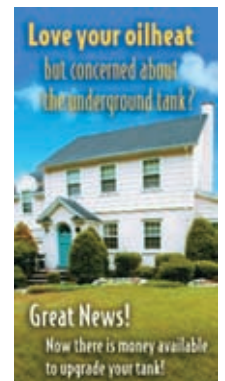
FMANJ is a major supporter of the Petroleum Underground Storage Tank Remediation, Upgrade and Closure Program (PUSTRUCP), which provides New Jersey homeowners with grants to remove existing underground storage tanks and replace with new tanks.

Through the PRO\$ Realtor Program and Oilheat dealers, more than 20,000 grant program brochures were distributed in the state. The efforts to support homeowners and promote the NJ Tank Grant Program are an important factor behind the 4,000 properties upgraded since the program began. All consumer outreach activities were supported in 2008 with \$713,293 grant funds from NORA.



www.newtanksnj.org is the website for the New Jersey Tank Grant Program program, receiving about 40 visitors per day.

In the consumer education arena, New Jersey continued its support for the radio campaigns in Philadelphia and New York City that reach New Jersey consumers. The amount spent on these activities was \$812,193.



New York State

Empire State Petroleum Association (ESPA)

While ESPA does conduct programs of its own, many New York state projects come about via distribution of NORA funding grants to New York City, Long Island, and other regional NORA affiliates.

Education and Training: ESPA continued its ongoing training and education of the owners and employees of petroleum marketing companies in New York state. The manner of this instruction included newsletters, direct mail, web site information, classroom training, on-road instruction and guest lecturers at regional and state meetings; \$52,983 was spent in 2008.

Consumer Education: ESPA continued to make residents of New York state aware of the benefits, efficiencies and modern characteristics of Oilheat for their homes through the use of brochures, direct mail and web site information. Part of ESPA's consumer education program included statewide distribution of a consumer billing insert twice a year; \$126,000 was spent on these activities in 2008.

New York, Hudson Valley

Hudson Valley Oil Heat Council

Education and Training: The Hudson Valley Oil Heat Council again promoted service technician training, holding classes in the off-season on various topics for area oil dealers. In addition, the Council has funded equipment as requested by local schools to provide hands-on classes for students entering the technician field. Education and training costs were \$14,100 in 2008.

Consumer Education: The Council supported the tri-state Oilheat information campaigns and also produced its own TV infomercial that ran locally promoting Oilheat and giving conservation advice to homeowners. In addition, the Council utilized its website and newsletters to advocate Oilheat before Realtors and consumer audiences. The 2008 expense was \$307,519.

New York, Capitol Region

Oil Heat Institute of Eastern NY (OHIENY)

Education and Training: OHIENY continued to offer Oilheat technical training through the Hastings Technical Training Center and through NORA certification classes conducted by qualified educators; \$93,430 was devoted to these activities in 2008.

Consumer Education: OHIENY used radio and television materials developed by NORA and purchased media time within the network media markets that service eastern New York state. In addition, the Institute maintained the Oilheat-Realty Partnership Program from the previous year to advise Realtors and consumers about the benefits of oil-heated homes. The amount on consumer oriented activities in 2008 was \$176,014.



The advertisement features a central circular logo with a red border containing the text "OILHEAT-REalty PARTNERSHIP PROGRAM". Inside the circle is a photograph of a real estate transaction with a "SOLD" sign and a "FOR SALE" sign. Below the logo, the headline reads "Empower Yourself And Sell More Homes." followed by a sub-headline: "Join this FREE partnership between OHI-ENY and local real estate professionals, which has empowered hundreds of real estate professionals with the 'selling power' of Oilheat." A bulleted list of benefits includes: "As a member of the OHI-ENY Oilheat-Realty Partnership, you'll:", "Get to know the 'selling points' of today's clean, safe, economical Oilheat through FREE programs, events and literature", "Team up with local Oilheat dealers who can help you meet your clients' pre- and post-purchase needs", and "Receive FREE exposure to thousands of potential clients as a 'Preferred Realty Company' on the OHI-ENY website, www.oilheat-ny.com". At the bottom, it says "Contact OHI-ENY today and discover how Oilheat knowledge can help you sell more homes." with the phone number "1 (800) 796-3342" and website "www.oilheat-ny.com". Logos for OHI and NORA are also present.

Western New York State

Empire State Petroleum Association — Western New York Region

Education and Training: ESPA/Western offered Oilheat technical training and NORA-certified classes to cover topics most in need of updated information.

Consumer Education: ESPA/Western used the radio and television messages developed by NORA for broadcasts with the same media strategy as the previous year; i.e., the dominant broadcast outlets that service Western New York State; \$130,542 was spent on these actions in 2008.

Central New York State

Oil Fuel Institute of Central NY (OFICNY)

Education and Training: OFICNY promoted both technical and non-technical training for field and office personnel through several resources in 2008. OFICNY offered an array of seminars to improve the level of service available to local residents. In addition, the Institute offered scholarships for a number of classes and programs, including those offered at Rood's Technical Training Center in Auburn, NY. OFICNY is also working to establish an Introduction to Oilheat Program to replace a program that has been scaled back in the Binghamton BOCES (Board of Cooperative Educational Services) curriculum. The aim is to produce a customized technical education program that will be available to local students interested in careers in Oilheat. This program will also be available to other BOCES centers and technical colleges throughout central New York state. These cumulative activities were paid for with the 2007 grant of \$54,316.

OFICNY provides consumer information throughout the region through the use of NORA-produced television and radio spots. In addition, their media partners enabled OFICNY to sponsor weather broadcasts on local TV and radio stations.

Development of a new consumer focused website at www.heatny.com provides energy conservation information, money saving tips and other valuable data to consumers in the area through a link to OilheatAmerica.com. The website is also used to coordinate technical education and training programs that bring NORA approved seminars to service providers throughout the territory; \$119,586 was spent on consumer outreach activities in 2008.

Long Island, New York

Oil Heat Comfort Corp., Inc. (OHCC)

OHCC continued to provide extensive training opportunities at their training center at the Grant Campus of Suffolk Community College in Brentwood, LI. All introductory programs are conducted in the evenings to allow participants to continue working full time while they prepared for a career in Oilheat.

OHCC offered spring and fall sessions of the NORA approved 80-hour introduction to Oilheat program. Those who successfully completed the program earned Bronze certification. OHCC also held a summer session of the 16-hour "Introduction to Commercial Burners" class and an 80-hour "Air Conditioning for Oilheat Techs" program so qualified service technicians could learn air conditioning and service skills.

Other activities included NORA certification review and testing sessions for Gold and Silver Service Technicians and Advanced Tank Degree. OHCC conducted 2- to 4-hour daytime continuing education classes for service technicians, including manufacturer-sponsored classes covering topics such as basic and advanced electricity, schematic reading, trouble shooting and NORA static test procedures for inground tanks.

In addition, five "How Much a Gallon?" sessions were held that clearly explained the reasons for this year's wide fluctuation in oil prices and helped front line personnel understand the importance of providing excellent customer service in the marketplace. The entire grant of \$172,516 was applied to these activities.

Consumer Education: OHCC, in concert with other associations in the New York Metro area, used the radio, television, print and "out-of-home" advertising creative materials developed by NORA for its information campaigns. OHCC also expanded upon the comprehensive Realtor outreach and home inspector education programs previously initiated on Long Island; \$472,551 was used for these activities.

REALTY Spring 2008
An Association for Oilheat Professionals and Home Inspectors in Long Island
NORA

Register Now for Our Next Event

Oilheat is the most popular home heating fuel on Long Island, yet many real estate professionals are uneducated and unable to answer basic questions about Oilheat. Do you want to set yourself apart from the crowd and be the one with the answers?

You can become an Oilheat expert by attending a Long Island Oilheat-Ready Partnership seminar led by David A. Hines, a respected authority on Oilheat and real estate. David gives an outstanding, informative presentation that has attracted the attention of hundreds of Realtors® throughout the Northeast.

The Long Island Oilheat-Ready Partnership regularly holds workshops around Nassau and Suffolk counties. The details of our next workshop are listed below, and you can find future dates by visiting www.oilheatcomfort.com and clicking on "Ready Programs." The site also provides helpful information about Oilheat.

Please plan on attending our next seminar on June 26, 2008, at Taborville in Hampton Bays. For more information, visit www.oilheatcomfort.com.

With Oilheat, Homeowners Can Get It All!

Home and many things to heat. Oilheat is the most popular home heating fuel on Long Island, yet many real estate professionals are uneducated and unable to answer basic questions about Oilheat. Do you want to set yourself apart from the crowd and be the one with the answers?

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Home Care: Full-service companies have teams of highly trained home care technicians that are available 24 hours a day, 7 days a week. Your technician will come to the job in the AM, and their equipment will be on-site, a technician will get it up and running.

Home Inspections: Customers can relax and trust their Oilheat company to keep their system at energy with automatic, industry-leading equipment. The company trains a technician to inspect and check the system when their next service call.

Price Protection: Customers don't usually get customers the ability to see it. They price the system before the system is installed. The price for doing the system, these

price customers can relax and when the pressure goes off, when Long Island Oilheat makes the offer a regular price program, when quality service reflects for a fixed price when allowing the customer to stop the amount of the price tags during the season.

Repaired: Other companies treat their customers right. The reality is simple: in the nation of handy business, many of today's companies are run by the grandfathers and great-grandfathers of the business, and they place a premium on customer service, honesty and repair.

Equipment: Oilheat customers get what they need, they get a full-service company. The companies making efficiency reports will not use a better, gas conversion equipment and most energy-saving equipment.

Reliable Equipment Replacement: Full-service companies will not install modern, high-efficiency equipment, and they usually do it with their own equipment. This means that accountability belongs to the customer that will only one company.

Full-Service Professionals Agree: Their Seminars Are Great!

Oilheat professionals agree that the seminars are a great way to learn more about oilheat and how to sell it. The seminars are a great way to learn more about oilheat and how to sell it. The seminars are a great way to learn more about oilheat and how to sell it.



New York City

New York Oil Heating Research Alliance (NYOHRA), Division of New York Oil Heating Association, Inc.

Education and Training: NYOHRA continued to support three vocational high schools (located in Brooklyn, Bronx and Yonkers) by purchasing oil heating equipment to upgrade their heating laboratories and by testing graduating students for NORA Bronze Certification. This and other training programs used \$87,261 in 2008.

Consumer Education: During 2008, NYOHRA placed substantial radio and external out-of-home campaigns throughout the New York Metro Designated Marketing Area (DMA) using materials developed by NORA. Due to its high cost, NYOHRA decided not to utilize television as part of its consumer education outreach. The out-of-home displays were highly visible to the many residents who walk or take mass transit to work.

To supplement radio, the Association has produced several NORA-sanctioned newsletters to promote the positive images of Oilheat to both the New York City consuming public and the Realtor community.

A consumer newsletter called "Hot Ideas!" provided valuable energy tips for consumers, along with timely commentary on energy issues. A second newsletter entitled "The NY Realtor" is a realtor/home inspector oriented publication designed to assist these professionals in understanding Oilheat, a fuel that is used to heat hundreds of thousands of homes in our area. As part of this effort, NYOHRA has also joined five local realty-oriented associations and has had a presence at several Realtor trade shows; \$546,250 was applied to consumer activities during 2008.



Some of the coolest homes are also some of the warmest.

Homeowners who have an eye for detail, and an eye for quality, often have their eye on oilheat. For its exceptional warmth, environmental awareness and its friendly service. Now that's cool.



© 2008 NATIONAL OILHEAT RESEARCH ALLIANCE



The "Big Apple" turned green in 2008 as New York City Oilheat marketers introduced Bioheat® to Realtors via website and printed material and to consumers via an information campaign. The "first steps" message shown on page 22 appears in the NY METS yearbook among other periodicals.

Subway and mass transit cards continue to inform a wide audience about the values of "Today's Oilheat."



Add a little warmth to your cool home.





Introducing The Next Generation Of Oilheat

We're making great strides in the future of home heating fuels.



Oilheat – it just gets better and better.

What is now an extremely clean and eco-friendly fuel, promises to be even cleaner, greener and kinder to Mother

Earth. Introducing Oilheat's "natural" next step – Bioheat[®], a blend of heating oil and biodegradable, organic materials such as soybean oil. Made in the U.S.A., Bioheat[®] helps support our nation's farmers, so it reduces our demand for foreign oil. And as its use becomes more widespread, Bioheat[®] will conserve millions of gallons of traditional heating oil and reduce greenhouse emissions even more. Bioheat[®]. It's a smart way to keep paces ahead of a changing world.

BIOHEAT.

*I'm comfortable
with that.™*

www.bioheatonline.com



www.nyoha.org

This message is brought to you by the New York Oil Heating Association and your local Oilheat dealer, reminding you that Bioheat[®] is coming soon.

BIODIESEL

NORA
NATIONAL OILHEAT RESEARCH ALLIANCE

North Carolina

North Carolina Petroleum and
Convenience Marketers Assn. (NCPCM)

Education and Training: NCPCM provided 39 Oilpak™ combination heating/AC units — one for every community college offering the HVAC curriculum and related courses in the state of North Carolina. This contribution allowed HVAC students to train on a new, state-of-the-art oil furnace and air conditioning unit. These donated units were manufactured by Thermo Pride in Denton, N.C, and have high oil efficiency ratings. NORA funds provided the means for this successful partnership between industry and education. There were 1,797 students enrolled in HVAC programs in N.C. last year, far fewer than the industry needs. It's hoped this new equipment may help attract students to the program; \$66,943 was devoted to these activities in 2008.

Consumer Education: North Carolina furthered its relationship with the NC Association of Realtors through realtor presentations and information in display space units within several realty publications.

The association also conducted sessions for homeowners who enter into agreements with independent HVAC contractors to maintain an Oilheat system. NCPCM continued to offer statement stuffers for fuel oil marketers to distribute to their customers; \$367,872 was dedicated to consumer outreach in 2008.

Research and Development: North Carolina continued its field-engineering project in cooperation with Thermo Pride to develop a hybrid oil/electric heat pump, which would be more attractive to consumers due to the high cost of fossil fuels. A unit was installed in a test home and operational data collected to provide NORA with a report on system performance and cost. The pilot project was successful despite some initial difficulty with defrost controls/sensors. Cost calculations show that the hybrid oil/heat pump package unit was more economical to operate than standard air-to-air heat pumps or a standalone heating oil application at current energy/fuel pricing in North Carolina.



Ohio

Ohio Petroleum Marketers
& Convenience Store Assn. (OPMCA)

For technical education, OPMCA teamed up with a burner manufacturer to present training sessions for technicians on their latest equipment throughout the state; \$43,371 was spent in 2008.

In 2008, OPMCA used consumer education materials they have developed in recent years. Customer billing inserts/brochures with concise Oilheat messages were distributed free of charge to all Oilheat marketers in the state. Ohio also used the NORA radio spots on “RadiOhio” a.k.a. the Ohio News Network in conjunction with Ohio State football games.

OPMCA uses the “PRO\$” realtor outreach program to keep in contact with real estate agents in the state. The Association has found this to be an effective way to communicate the positive aspects of selling homes heated with oil. Presentations are made to groups of agents where they learn about Oilheat and can have questions answered by an expert. The agents also receive printed educational materials and are provided with follow up support via a dedicated PRO\$ website and outreach at the local Realtor tradeshow; \$162,593 was used to support these activities in 2008.

Oregon

Oregon Petroleum Association (OPA)

OPA industry education efforts in 2008 reached out to young people considering careers at the Northwest Youth Careers Expo to inform them of the job opportunities available as Oilheat service technicians. The expenditure was \$391.

On the consumer information front, OPA used local resources to arrange the following PR activities: radio show participation on “Around the House” with local radio personality, two 90 minute discussions with Molly Brady, Oregon Oilheat dealer; who also appeared on “Good Day Oregon’s” Home and Garden segments Sunday programming. (These radio and television appearances can be viewed at www.oregonoilheat.com.)

Additional publicity efforts resulted in a newspaper article “Tips to Stay Warm Without Going Broke,” published in “The Oregonian” newspaper; press release “Oregon Heating Oil Customers Get Price Relief as Economy Falters” distributed to news outlets throughout the state and nationally; \$26,789 was expended for consumer activities in 2008.

Pennsylvania

Pennsylvania Petroleum Marketers & Convenience Store Assn. (PPMCSA)

PPMCSA conducts industry training throughout the year at their Education Center in Harrisburg and at the Lehigh Valley Association Training Center. NORA funds help present courses at both locations that educate employees and management on topics such as basic and advanced Oilheat training, business practices, hazmat awareness, NORA Silver and Gold certification courses, etc. Funds received have also been used to purchase educational materials and hire instructors. Expenditures of \$336,960 were made for these activities in 2008.

Making use of the consumer information materials provided by NORA, Pennsylvania utilized the television and radio media buys in heavily populated areas of the state as well as billboards in more rural territories. The bulk of the funds were allocated to radio messages that covered eight regional media centers, finding that radio provides the most effective reach to consumers. A newsletter was produced informing readers about heating oil’s history of reliable service, overall benefits of using heating oil and ways and means for homeowners to improve energy efficiency; \$1,226,616 was used to support these activities in 2008.

get cozy
(THE NEW OIL HEAT)

A Newsletter From Your Local Heating Oil Company Get Cozy / Fall 2008

Straight Talk On The Price of Heating Oil

There is no beating around the bush. Home heating oil prices have gone way up. In fact, you may have received a mailer from the natural gas industry, trying to convince you to switch. But there are excellent reasons for sticking with oil heat, even as prices continue to fluctuate.

First, it's not just home heating oil prices that are going up. Nationwide, prices for natural gas, electricity, and propane heating have risen rapidly. According to the Energy Information Administration, the average American household will pay 20% more in home heating bills than they did last year.

Second, it's common for home heating oil prices to fluctuate more than natural gas or electricity since heating oil is tied not only to crude oil prices but also to the capacity of our domestic refineries. What you don't often hear is that since the mid-90s, the average price for heating oil nationally has been lower than natural gas. In addition, there are concerns in the energy sector that future rates of natural gas production may not keep up with demand, which will certainly drive prices for natural gas upwards. The bottom line is that cost comparisons have equalized enough to make it financially unwise to convert to electricity, natural gas or propane.

Third, consider the long term costs. Conversion to a natural gas system is an expensive and time consuming process that can cost thousands of dollars. Oil furnaces also last significantly longer than other options, averaging 30 years compared to 15 years for a typical gas furnace. Moreover, a gallon of home heating oil produces more heat compared to a comparable amount of natural gas. In other words, your home heats up faster and stays warmer longer—which will keep you comfortable this winter until oil prices stabilize.

Finally, when you choose oil heat you have the comfort of being served by local companies, often family owned, that value your business, are responsive to your needs and believe in service above all else. We are not a nameless, faceless public utility—we are your neighbors, and we look forward to serving you well into the future.

Questions about bioheat? Thinking about converting to a different heating system? Before you do anything, log onto the website of Oregon Oil Heat, your number one resource for news and information about oil heat. Visit www.oregonoilheat.com.

Relief for Low Income Households

The Low Income Home Energy Assistance Program (LIHEAP) helps pay the winter heating bills or summer cooling bills of low-income and elderly people. During extreme weather conditions, people living in poverty and low-income elderly should not have to choose between buying fuel to heat or cool their homes and buying food for themselves and their families. The good news is that the House of Representatives just passed a resolution to double LIHEAP funding over last year. If passed by the Senate and signed by the President, the bill would make an additional \$2.5 billion available to low income households throughout the country.

To see how to qualify, visit www.oregon.gov (type "LIHEAP" into the search tool). You can also call the National Energy Assistance Referral (NEAR) project toll-free at 1-866-674-6327.

NORA (stay cozy)



Rhode Island

Oil Heat Institute, Inc. of Rhode Island (OHI RI)

The Institute sent several students to the New England Fuel Institute's campus for the 160-hour Basic Oilheat Technical Training required for technical licensing in Rhode Island and a 130-hour Pipefitter II course, required in Rhode Island for the second level of licensing needed for installation work. OHI RI also conducted several seminars: spring and fall hazmat classes; Understanding One-Pipe Systems; Technical Training for Non-Technical People; and a Riello burner course. Total funds expended on these projects were \$85,947.

Consumer Education:

OHI RI employed the new NORA television spot for the 2008 information campaign in conjunction with a radio effort of 12 weeks duration in the summer; \$192,270 was spent for this outreach.

Vermont

Vermont Fuel Dealers Association (VFDA)

VFDA operates an extensive education

program for Oilheat technicians and takes its education program "on the road," delivering a variety of classes across the state at technical education centers, hotel conference rooms, supply warehouses and VFDA member-owned buildings. Thanks to this network, VFDA is able to provide a convenient, comprehensive and cost effective education program; \$62,554 was spent on this initiative in 2008.

VFDA used television and radio messages developed by NORA for a consumer oriented campaign

to emphasize the reliability and technological advantages of Oilheat and the emergence of Bioheat® as a "new, alternative fuel of the future." In-state campaigns are fairly straightforward and relatively economical given Vermont's small and mostly rural population. The strategy used two local news stations with some target audience placement on cable news and home improvement shows.

VFDA has joined with other NORA state associations to reach independent contractors who work on and sometimes replace oil heating equipment, because they may be unaware of the advances made by Oilheat. VFDA has collaborated with the Vermont Home Builders and Remodelers Association to spread that message and will sponsor a new contractor magazine that is distributed to that associations' 600+ member companies. A similar effort is underway with the Vermont Association of Realtors with a positive advertising campaign combined with efforts to educate this influential group on the positive qualities of Oilheat when it comes to reliability, cost and the environment. Expenditures for this effort amounted to \$47,890.

In January 2008, VFDA began two distinct survey projects with the shared goal of developing a greater understanding of Vermont's Oilheat industry and the attitudes and opinions of Vermont consumers regarding Oilheat. For the first survey, VFDA contracted with an accounting firm to determine the size and economic impact of Vermont Oilheat companies. The survey has proved critically important in showing Vermont lawmakers how important the Oilheat industry is to the state's overall economy. The second survey was conducted in collaboration with the Vermont Energy Partnership, gathering responses from 250 business leaders, and concluding that Vermont businesses are very concerned about energy issues including reliability, cost, and ramifications of energy prices, as well as the environmental impact of energy proposals; \$4,431 was spent to support these efforts.



Vermont advocated increased use of Bioheat®, as did a number of state and regional dealer organizations in 2008.

Virginia

Virginia Petroleum, Convenience, and Grocery Association (VPCGA)

VPCGA continued training programs for the owners and staff of petroleum marketing companies in the state. Emphasis was placed on accelerating training to Oilheat technicians and other service professionals to assure proper operation and effective maintenance of heating systems. Instruction consists of both classroom and hands-on training with the recognition that these personnel are largely responsible for educating consumers about the safety of Oilheat systems and how they operate. These professionals serve as Oilheat ambassadors for their companies and the industry, so the training program is highly valued; \$74,138 was used on these activities.

Consumer Education: Using several pamphlets, billboards, and publicity venues, VPCGA's outreach to Virginia residents served to create awareness of the benefits and efficiencies of Oilheat for their homes. They followed proven industry methods for communicating energy conservation measures to help consumers reduce fuel use. The Association continued assisting consumers in the proper planning and budgeting for their heating needs through production and distribution of brochures, direct mail pieces and website information; \$93,704 was used for these activities in 2008.

Washington

Pacific Northwest Oil Heat Council (PNOC)

The Council used the services of a public relations firm to promote the benefits of Oilheat and Bioheat® to consumers, builders, real estate agents and legislators throughout Washington state. This led to an educational campaign employing newspapers, magazines, radio and television to schedule NORA-based messages. The Council issued a new "Warm Regards" newsletter which is now distributed to 16,000 consumers in the state and developed two direct mail pieces that were sent to 6,000 realtors and real estate office managers educating them on the advantages of buying and selling a home heated with oil. Press releases addressing marketplace situations and fuel conservation were issued during the course of the heating season; \$59,822 was used for the aforementioned activities in 2008. Additionally, \$9,817 was used to support technical education classes in the state.

Wisconsin

Wisconsin Petroleum Marketers & Convenience Store Assn. (WPMCA, Inc.)

In the area of education and training, WPMCA provided a working oil-fired furnace to the HVAC Training Center in Butler, Wisconsin. Students are now able to learn how to maintain and service warm air units in particular; \$12,446 was used for education and training in 2008.

For consumer education activities, WPMCA used media other than radio and TV during 2008 to reach Oilheat consumers and homeowners at large. Marketers were provided with customized newsletters that they redistributed to their customers. The newsletters provided information about the efficient use of Oilheat and directed consumers to the information available online at www.oilheatwisconsin.org.

Newsletters were also sent to affiliated professionals such as home inspectors, realty personnel and heating/cooling contractors. Communications to these professionals help to increase awareness and achieve a more enlightened view of Oilheat among these groups. The consumer outreach expenditure for 2008 was \$107,157.

The screenshot shows a website page for WPMCA (Wisconsin Petroleum Marketers & Convenience Store Assn.) titled "Consumers - Wisconsin Bioheat®". The page features a navigation menu on the left with links for "Real Estate Professionals", "HVAC Professionals", "Home Inspectors", and "Consumers". The main content area includes a header with the WPMCA logo and a photo of a family, followed by text describing Bioheat as a clean-burning, renewable heating option. A list of five benefits is provided, including efficient burning, clean burning, domestic production, longer heating systems, and economic savings. The page also includes a search bar, a date "Wisconsin, Today to Saturday, Nov 01, 2008", and a footer with the Oilheat America logo and website URL.

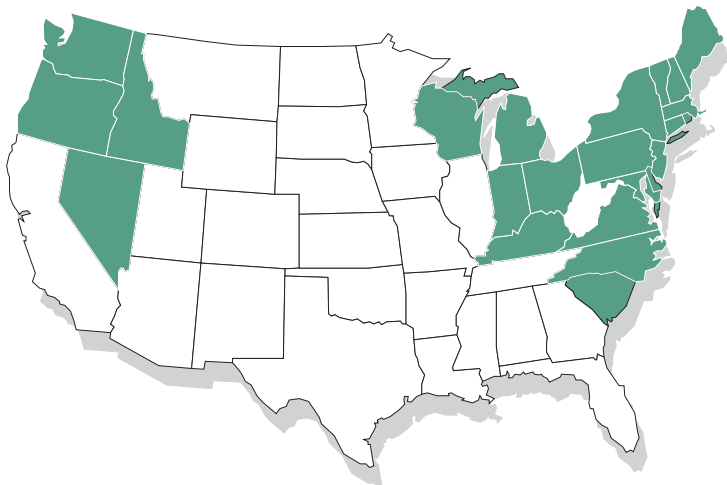
National Oilheat Research Alliance
GRANT STATUS — 2008 (For the Twelve Months Ending December 31, 2008)

	\$ APPROVED	\$ DISBURSED IN 2008		\$ APPROVED	\$ DISBURSED IN 2008		\$ APPROVED	\$ DISBURSED IN 2008
CONNECTICUT			NEW HAMPSHIRE			NEVADA		
R & D '07 Grant	48,562.90	41,706.30	CONS-ED '07 Grant	269,496.43	91,877.81	E & T '02 thru '08 Grants	7,706.40	764.96
CONS-ED '07 Grant	709,919.49	173,789.73	E & T '07 Grant	64,866.39	18,461.84	CONS-ED '07 Grant	6,442.86	431.60
E & T '07 Grant	242,814.47	67,542.89	CONS-ED '08 Grant	264,070.23	209,496.11	CONS-ED '08 Grant	5,907.78	5,915.00
R & D '08 Grant	41,820.21	7,465.12	E & T '08 Grant	68,119.08	52,297.99	TOTALS	20,057.04	7,111.56
CONS-ED '08 Grant	611,351.16	522,024.75	TOTALS	397,055.70	280,255.94			
E & T '08 Grant	209,101.06	160,918.09						
TOTALS	1,863,569.29	973,446.88	NEW JERSEY			OHIO		
			CONS-ED '07 Grant	782,420.99	265,225.49	CONS-ED '07 Grant	275,226.87	137,290.34
IDAHO			E & T '07 Grant	261,725.00	76,962.89	E & T '07 Grant	58,323.53	24,173.53
CONS-ED '07 Grant	16,695.49		CONS-ED '08 Grant	663,976.37	546,968.08	CONS-ED '08 Grant	194,003.29	24,984.20
E & T '07 Grant	16,829.27	39.88	E & T '08 Grant	218,569.19	134,814.21	E & T '08 Grant	39,735.61	19,197.98
CONS-ED '08 Grant	235.41		TOTALS	1,926,691.55	1,023,970.67	TOTALS	567,289.30	205,646.05
E & T '08 Grant	7,611.64	6,273.83						
TOTALS	41,371.81	6,313.71	ESPA (NEW YORK)			OREGON		
			CONS-ED '07 Grant	262,620.05	184,000.00	CONS-ED '07 Grant	48,559.51	17,189.53
INDIANA			E & T '07 Grant	174,612.47	90,977.53	E & T '07 Grant	4,000.00	4,000.00
2008 - Unassigned	7,436.77		CONS-ED '08 Grant	107,100.00	1,046.50	CONS-ED '08 Grant	31,780.68	25,589.23
CONS-ED '07 Grant	56,000.77	1,932.03	E & T '08 Grant	30,260.00	16,336.56	E & T '08 Grant	2,391.90	391.86
R & D '08 Grant	8,500.00	510.88	TOTALS	574,592.52	292,360.59	TOTALS	86,732.09	47,170.62
CONS-ED '08 Grant	6,164.95	2,945.93						
E & T '08 Grant	6,471.22	6,005.27	NYOHRA (NEW YORK CITY)			PENNSYLVANIA		
TOTALS	84,573.71	11,394.11	CONS-ED '07 Grant	596,612.51	365,802.51	CONS-ED '07 Grant	1,264,615.11	712,044.44
			E & T '07 Grant	82,949.87	34,960.57	E & T '07 Grant	345,300.00	245,300.00
KENTUCKY			CONS-ED '08 Grant	514,741.81	180,447.96	CONS-ED '08 Grant	957,891.20	555,915.45
CONS-ED '07 Grant	94,187.95	4,709.40	E & T '08 Grant	83,793.00	49,421.05	E & T '08 Grant	370,005.00	82,002.64
E & T '07 Grant	55,316.74	44,627.15	TOTALS	598,534.81	630,632.09	TOTALS	2,937,811.31	1,595,262.53
CONS-ED '08 Grant	69,939.79	67,538.21						
E & T '08 Grant	41,075.74	29,063.88	EASTERN (NEW YORK)			RHODE ISLAND		
TOTALS	260,520.22	145,938.64	CONS-ED '07 Grant	195,824.02	158,014.64	CONS-ED '07 Grant	197,032.25	87,107.90
			E & T '07 Grant	90,112.00	21,481.76	E & T '07 Grant	113,000.00	12,202.75
MASSACHUSETTS			CONS-ED '08 Grant	142,427.70	20,000.00	CONS-ED '08 Grant	168,250.00	143,870.84
CONS-ED '07 Grant	917,450.46	36,196.37	E & T '08 Grant	47,475.90	5,000.00	E & T '08 Grant	110,549.77	109,636.26
E & T '07 Grant	247,291.00	139,754.50	TOTALS	475,839.62	204,496.40	TOTALS	588,832.02	352,817.75
CONS-ED '08 Grant	796,058.35	796,058.35						
E & T '08 Grant	239,220.01	169,317.32	WESTERN (NEW YORK)			VIRGINIA		
TOTALS	2,200,019.82	1,141,326.54	CONS-ED '07 Grant	292,324.35	130,542.72	E & T '06 Grant	68,476.72	32,381.22
			E & T '07 Grant	186,124.68		CONS-ED '07 Grant	355,829.83	38,804.72
MARYLAND (MID-ATL)			CONS-ED '08 Grant	69,942.25		E & T '07 Grant	171,747.71	24,581.76
CONS-ED '07 Grant	389,656.70	133,244.35	E & T '08 Grant	23,313.80		CONS-ED '08 Grant	238,203.93	55,000.00
E & T '07 Grant	45,000.00	8,164.82	TOTALS	571,705.08	130,542.72	E & T '08 Grant	54,070.83	17,175.21
CONS-ED '08 Grant	359,936.38	237,408.40				TOTALS	888,329.02	167,942.91
E & T '08 Grant	12,750.00	1,620.28	CENTRAL (NEW YORK)			VERMONT		
TOTALS	807,343.08	380,437.85	CONS-ED '07 Grant	119,680.00	23,880.00	E & T '06 Grant	90,002.69	30,002.69
			E & T '07 Grant	51,291.00	51,291.00	R & D '07 Grant	5,000.00	1,532.21
MAINE			CONS-ED '08 Grant	100,886.50	92,809.40	CONS-ED '07 Grant	126,989.76	61,813.71
CONS-ED '07 Grant	322,808.08	95,355.51	E & T '08 Grant	43,236.95		E & T '07 Grant	61,314.83	34,914.83
E & T '07 Grant	304,128.46	111,533.55	TOTALS	315,094.45	167,980.40	R & D '07 Grant	3,145.00	1,431.36
CONS-ED '08 Grant	343,542.72	249,505.20				CONS-ED '08 Grant	73,975.64	
E & T '08 Grant	255,000.00	224,565.02	HUDSON VALLEY (NEW YORK)			E & T '08 Grant	78,667.05	17,656.09
TOTALS	1,225,479.26	680,959.28	CONS-ED '07 Grant	241,954.76	114,727.30	TOTALS	439,094.97	147,350.89
			E & T '07 Grant	35,491.46	30,190.32			
MICHIGAN			CONS-ED '08 Grant	188,818.15	148,833.09	WASHINGTON		
CONS-ED '07 Grant	49,094.00	32,929.00	E & T '08 Grant	7,867.60	6,201.56	CONS-ED '07 Grant	70,145.95	33,433.98
E & T '07 Grant	97,106.00	48,738.03	TOTALS	474,131.97	299,952.27	E & T - '07 Grant	11,619.65	9,816.90
CONS-ED '08 Grant	66,572.78	2,269.80				CONS-ED '08 Grant	47,120.67	25,298.11
E & T '08 Grant	112,512.80	3,456.32	LONG ISLAND (NEW YORK)			E & T '08 Grant	8,315.41	568.44
TOTALS	325,285.58	87,393.15	CONS-ED '07 Grant	420,387.00	242,016.72	TOTALS	137,201.68	69,117.43
			E & T '07 Grant	140,800.00	72,278.00			
NORTH CAROLINA			CONS-ED '08 Grant	357,292.40	175,703.44	WISCONSIN		
CONS-ED '07 Grant	396,381.05	139,423.29	E & T '08 Grant	115,770.00	56,931.60	CONS-ED '07 Grant	94,417.16	93,908.91
E & T '07 Grant	64,527.14	16,404.87	TOTALS	1,034,249.40	546,929.76	E & T '07 Grant	30,225.96	13,792.56
CONS-ED '08 Grant	320,428.55	232,828.59				CONS-ED '08 Grant	80,523.35	2,278.90
E & T '08 Grant	47,880.13	45,484.13	TOTALS: NY STATE	4,044,147.85	1,872,131.15	E & T '08 Grant	58,310.02	3,369.38
TOTALS	829,216.87	434,140.88				TOTALS	263,476.49	113,349.75



2009 Allocations To State Grants by the National Oilheat Research Alliance

State	2009 Percentage	\$ Amount
Connecticut	9.34	895,352.72
District of Columbia	0.79	7,563.64
Delaware	0.88	78,932.00
Idaho	0.08	8,510.07
Indiana	0.22	21,434.16
Kentucky	1.65	158,107.70
Massachusetts	11.10	1,063,297.87
Maryland (Mid-Atlantic)	2.97	284,573.59
Maine	5.66	542,977.77
Michigan	3.05	292,208.13
North Carolina	3.16	302,770.85
New Hampshire	4.82	461,920.30
New Jersey	8.52	816,614.16
New York	20.79	1,991,766.64
Nevada	0.04	4,594.13
Ohio	2.82	271,069.10
Oregon	0.40	39,198.04
Pennsylvania	13.52	1,295,791.52
Rhode Island	3.12	299,228.48
South Carolina	0.47	45,371.66
Virginia	2.82	270,954.63
Vermont	1.97	188,960.86
Washington State	0.60	58,419.72
Wisconsin	1.86	179,055.98
TOTAL	100.00	9,578,673.72



National Oilheat Research Alliance 2009 Budget

COLLECTION REVENUES, NET:	
Collection Revenues, net of refunds	12,104,036.70
Less: Assessments and Collection	(180,000.00)
Weather Reserve	TBD
Net Collection Revenue	11,924,036.70

NET ALLOCABLE REVENUES

GRANTS AND STATE REBATES:

State Rebates	9,578,673.72
Internet Communications	750,000.00
Total	10,328,673.72

PROJECT ACCOUNTS

Printing Annual Report & Other	56,000.00
Research Allocation	777,114.00
Education Allocation	300,000.00
Consumer Education Production	160,000.00
Total	1,293,114.00

OPERATING EXPENSES:

ADMINISTRATIVE EXPENSES:

Salaries and Consultants	280,000.00
Employee Taxes	11,000.00
Health Insurance	17,000.00
Retirement Plan	19,200.00
Rent and Telephone	30,000.00
Office Supplies	10,000.00
Equipment Maintenance	5,000.00
Insurance (D & O, L)	30,000.00
Dues and Memberships	15,000.00
Subscriptions	5,000.00
Public and Staff Travel	5,000.00
Meeting Expense	35,000.00
Legal	50,000.00
Accounting Fees	80,000.00
Total Administrative Expenses	592,200.00

OTHER (INCOME)/EXPENSES:

Interest Income/Expense	(170,000.00)
Depreciation and Amortization	5,000.00
Other Income	
Total Other Expenses	(165,000.00)

TOTAL OPERATING EXPENSES	427,200.00
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TOTAL EXPENDITURES	12,048,988.00
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INCREASE/(DECREASE) IN NET ASSETS	(\$124,951.02)
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TREASURER'S REMARKS FOR OPERATING YEAR 2008

The Finance Committee of the National Oilheat Research Alliance (NORA) is comprised of Chairman Sean Cota, and Messrs. Carini, Devine, Maniscalco, Noonan and Romita, and Boltz in an Ex-Officio capacity. The Committee's responsibilities include oversight with respect to:

- the quality and integrity of NORA's financial statements;
- the independent auditor's qualifications;
- the performance of NORA's internal accounting function; and,
- the compliance with all accounting and regulatory requirements.

Also included within the purview of the Finance Committee is the preparation of all reports required to be included in NORA's Annual Report as stipulated in the National Oilheat Research Alliance Act of 2000, Public Law 106-469.

In reference to 2008's Program Services, which included Research and Development, Education and Training, Consumer Education Production and State Grants, NORA allocated a total of \$11,655,879. In 2007 NORA allocated \$13,426,902.

Grants involving 2008 Consumer Education, which included Production and Internet Communications, totaled \$10,233,651, as compared to \$12,201,674 in 2007. Research and Development was allocated \$777,114 in 2008 as compared to \$580,114 in 2007, and Education and Training was allocated \$645,114 in 2008, which was the same dollar amount allocated in 2007.

NORA's total administrative expenses for 2008 amounted to \$591,931 as compared to 2007's total administrative expenses of \$556,266. The change in unrestricted net assets has resulted in an increase in net assets of \$16,166 for 2008, reversing 2007's decrease in net assets of (\$159,997).

After factoring in the beginning of the year's total net assets of \$1,889,537, NORA ends calendar year 2008 with total net assets amounting to \$1,905,703, categorized as \$685,612 in unrestricted net assets and \$1,220,091 in Board designated net assets.

Respectfully submitted,

John D. Maniscalco, Treasurer
National Oilheat Research Alliance



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the National Oilheat Research Alliance, Inc. (NORA) as of December 31, 2008 and 2007, and the related statements of activities and cash flows and for the years then ended. These financial statements are the responsibility of NORA'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 audits 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, 2008 and 2007, and the changes 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
MAY 14, 2009

National Oilheat Research Alliance, Inc.

EXHIBIT A: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$4,577,198	\$5,576,235
Assessments and other receivables	3,970,736	4,136,579
Publications inventory	88,740	158,139
Total current assets	8,636,674	9,870,953
PROPERTY AND EQUIPMENT		
Office equipment	8,134	8,134
Computer equipment	7,234	7,234
	15,368	14,396
Less accumulated depreciation	(14,085)	(11,917)
Total property and equipment	1,283	3,451
TOTAL ASSETS	\$8,637,957	\$9,874,404
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$101,454	\$31,523
Grants payable	1,602,450	1,982,054
State grant obligations	5,028,350	5,971,290
TOTAL LIABILITIES	6,732,254	7,984,867
NET ASSETS		
Unrestricted net assets	685,612	470,666
Board designated net assets	1,220,091	1,418,871
Total net assets	1,905,703	1,889,537
TOTAL LIABILITIES AND NET ASSETS	\$8,637,957	\$9,874,404

EXHIBIT B: CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007

REVENUE AND SUPPORT		
Assessment revenue – net	\$12,495,762	\$14,001,145
Interest income	114,408	314,418
Other income	129,882	146,496
Total revenue and support	12,740,052	14,462,059
EXPENSES		
Programs:		
Consumer education production	1,110,000	1,468,000
Research and development	777,114	580,114
Education and training	645,114	645,114
State grants	9,123,651	10,733,674
Total program expenses	11,655,879	13,426,092
Administrative expenses:		
Administrative costs	589,763	554,098
Depreciation	2,168	2,168
Total administrative expenses	591,931	556,266
General and special projects:		
Special projects	57,977	51,194
Collection costs	191,164	180,000
Publication costs	226,935	407,694
Total general and special projects	476,076	638,888
Total expenses	12,723,886	14,622,056
CHANGE IN UNRESTRICTED NET ASSETS	16,166	(159,997)
NET ASSETS AT BEGINNING OF YEAR	1,889,537	2,049,534
NET ASSETS AT END OF YEAR	\$1,905,703	\$1,889,537

EXHIBIT C: CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$16,166	(\$159,997)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	2,168	2,168
Changes in assets and liabilities:		
(Increase) decrease in assessments and other receivables	165,843	(274,101)
(Increase) decrease in other assets	–	2,066
(Increase) decrease in publication inventory	69,399	240,320
Increase (decrease) in accrued expenses	69,931	(442,537)
Increase (decrease) in grants payable and state grant obligations	(1,322,544)	1,635,133
Total adjustments	1,015,203	1,163,049
Net cash provided by (used in) operating activities	(999,037)	1,003,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	–	(972)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(999,037)	1,002,080
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	5,576,235	4,574,155
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$4,577,198	\$5,576,235

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

NOTE: The expenditures associated with the state reports reflect those sums reported to NORA by the state associations. These are sums actually spent in the year 2008.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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

The financial statements are prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles.

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.

Cash and Cash Equivalents

The Alliance considers all highly liquid investments available for current use with a maturity date of three months or less to be cash equivalents. Cash and cash equivalents consists of cash held in a bank account and temporary cash investments in broker-managed money market accounts.

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.

Publications Inventory

Inventory consists of publications and is recorded at average cost.

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

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 at least quarterly.

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, internet and outdoor advertising. Total costs for the years ended December 31, 2008 and 2007 were \$8,020,104 and \$8,105,063, respectively.

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.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 3 - INCOME TAX STATUS

The Alliance received a determination letter from the Internal Revenue Service that it has been granted an exemption from federal income taxes and that it qualifies under Section 501(c)(6) of the Internal Revenue Code. The Alliance believes that its operations are consistent with the nature of their exemption granted by the IRS. There is no current liability for income taxes on unrelated business income and no temporary differences resulting in deferred taxes as of December 31, 2008 and 2007.

NOTE 4 - COMMITMENTS

The Alliance entered into an operating leases for office space. The leases stipulates of monthly payments of \$1,950 plus expenses and expires May 31, 2009. Rent expense for the years ended December 31, 2008 and 2007 totaled \$24,360 and \$25,210, respectively. Future minimum payments under the lease are \$9,750 in 2009.

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 6.3 percent in 2008 and 4.1 percent in 2007 of assessment revenue, net of collection costs and the Board designated reserve, for oil heat research and development grants. The Alliance provides for research, development, and demonstration of clean and efficient Oilheat utilization equipment with these grants. The 2008 commitment totaled \$777,114. The 2007 commitment totaled \$580,114.

Education and Training

The Alliance committed 5.2 percent in 2008 and 4.6 percent in 2007 of assessment revenue, net of collection costs and the Board designated reserve, for grants related to education and training. The Alliance seeks to enhance consumer and employee safety and training with these grants. The 2008 commitment totaled \$645,114. The 2007 commitment totaled \$645,114.

Consumer Education Production

The Alliance committed nine percent in 2008 and 10.4 percent in 2007 of assessment revenue, net of collection costs and the Board designated reserve, for grants related to consumer education. The Alliance engages in consumer education through internet and other means to communicate that Oilheat is an efficient and economical energy source. The 2008 commitment totaled \$1,110,000. The 2007 commitment totaled \$1,468,000.

State Grants

The Alliance has committed 74.1 percent in 2008 and 76.7 percent in 2007 of net assessment revenue for state grants. The states develop detailed plans for use of the grant funds to do consumer education production, education and training, and/or research and development. 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 \$10,233,651 or 83.2 percent of net assessment revenue in 2008. The 2007 commitment totaled \$12,201,674.

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 2008, the Alliance is distributing its net assessment revenue as follows:

Assessment revenue	\$12,495,762
Less: collection costs	(191,164)
Net assessment revenue	\$12,304,598
Grants and state grants	
(94.7 percent of net assessment revenue)	\$11,655,879

NOTE 7 - GRANTS PAYABLE

The Alliance enters into various grant agreements which may require periodic payments of grant funds. The outstanding grant liability is as follows:

	December 31, 2008	2007
Research and development	\$1,252,436	\$1,291,007
Education and training	80,946	336,562
Consumer education	25,963	9,424
Internet communications	243,105	345,061
TOTAL	\$1,602,450	\$1,982,054

NOTE 8 - BOARD DESIGNATED NET ASSETS

The Board has designated an amount equal to up 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, 2008 and 2007 totaled \$1,220,091 and \$1,418,871 respectively.

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:

	December 31, 2008	2007
Legal fees	\$97,500	82,500
Accounting fees	81,640	85,834
Other	12,024	11,666
TOTAL	\$191,164	\$180,000

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 - 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 or blends are subject to assessment. Some of this fuel is used for non-heating applications and is refunded. The Alliance anticipates refunds will approximate \$1.5 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, 2008 and 2007 were \$1,803,235 and \$1,810,330, respectively.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Alliance maintains cash deposits with Merrill Lynch in excess of federally insured limits of \$250,000. 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. On December 31, 2008, the Alliance had \$4,178,182 in excess of federally insured limits.

NOTE: The sums reported as disbursed are monies either spent directly by NORA in support of the grant in a state, or monies disbursed to the state either as reimbursement for activities that have occurred, or as prepayment for activities that have not been billed.



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Liquid fuels have a lot to offer as a component to the domestic energy portfolio in the years ahead.

- Economic fuel supply
- High efficiency end-use technologies
- Domestic use of sustainable biofuels
- Proven storage, blending and local distribution
- Gas-to-liquids potential
- Low NO_x and particulate emissions using an ultra low sulfur fuel

The National Oilheat Research Alliance is dedicated to the advancement of liquid fuels that can attain the aforementioned characteristics and meet the need to provide new and efficient fuel choices for the American consumer.

Our websites:

- NORA-oilheat.org serving the industry
- OilheatAmerica.com serving the public
- NORAed.org and NORAedvideo.org meeting educational needs
- NORAstore.org providing business products and technical manuals