



## AGENDA

Board of Directors

August 21, 2006

2:00 P.M. – 4:00 P.M.

Dial In #: 866-886-5735 Participant Code: 8816810

- I. Introduction
- II. Approval of Minutes
- III. Financial Review
  - a. Proposed Amendment on 2007 Budget
  - b. Financials Through 2<sup>nd</sup> Quarter 2006
  - c. State Allocations
- IV. Consumer Education Activities – Larry Scuder
  - a. Presentation by Martin
  - b. Internet Consumer Education
  - c. Revisions to Oilheat America
- V. Education and Training Report – Bob Boltz
  - a. Status of Certification Program
  - b. Revisions to Website
  - c. Manual
- VI. NORI Report – Peter Carini
- VII. Tank and Insurance Activities
  - a. Proposal on Remediation
  - b. Tank Education Activities and Revisions
- VIII. Grants to States
  - a. Virginia
  - b. Maryland
- IX. Special Items
  - a. Brookhaven Program and NORA
  - b. Small State Project
- X. NORA Reauthorization
  - a. Permanent Status
  - b. Rate Change
- XI. Unfinished Business
- XII. New Business
- XIII. Next Meeting
- XIV. Adjourned

## **What can NORA do to help its low market share states?**

There are several states in the NORA family that have limited market share. As a result the funds are generally limited, and the need to use the funds efficiently is paramount. Additionally, in these states, the staff of the local association may be small, and may be required to spend a substantial amount of time and effort on motor fuels issues.

The following NORA states have less than 12% Oilheat Market share: Idaho, Indiana, Kentucky, Michigan, Nevada, Ohio, Oregon, and Washington. Wisconsin has 14.6%. At these low concentration levels NORA's approach for larger market share states is not as effective. The cost of advertising is based primarily on the number of people who are exposed to it. It may not be cost effective to buy 100% of the population to only talk to 10%. However, the need to outreach is very important as the customers are more isolated, and thus subject to pressures to convert. In the 1990 to 2000 census there was a correlation between loss of market share and market size. The smaller the market share, the faster market share diminished. Thus, it is crucial that in these states we work to stop any further attrition.

The two primary tools to prevent attrition are a strong marketing and outreach campaign and education. Elements of both are necessary to maintain share. Thus, in utilizing the funds, it is necessary to look at education and marketing, develop budgets, and make appropriate allocations.

### **Marketing Approaches**

The best marketing approach for them may be to directly reach out to their existing customers and to people who influence home buying and heating system decisions: Realtors, Home Inspectors, Builders and Remodelers, and probably the most important- HVAC and Plumbing Contractors. A grass roots campaign may be the best way to reach these person. However, unlike traditional advertising, a grassroots campaign takes continuous effort, and active involvement. As a result, strong grassroots campaigns have not been a leading edge for NORA or those states. This must be a grass roots campaign. A good grass roots campaign need not require very much money but it is

a great deal of work. The issue is who will do all the work required to make this a success?

Most of the low market share states have very lean associations, generally the Association Executive and maybe a part time assistant, or in some cases a more extensively staffed organization that is focused on government affairs. In either case they do not have the people power or expertise to do the work required for a wide scale grass roots campaign.

The Oilheat companies in these states also have problems pulling together enough resources and expertise to make this happen. Very few heating oil marketers in the low market share states have a service department. Most sell less than 2 million gallons a year. This is why developing a relationship with HVAC and Plumbing Contractors in these states is so important. A good place to start in the search for people servicing and installing Oilheat equipment is plumbing and heating supply houses and heating equipment manufacturers. We can call upon OMA to help get this rolling.

The challenge for NORA is how can we help these NORA States invest their NORA funds in order to maximize the value for heating oil marketers and their Oilheat Customers. Up until now we have offered them a rather extensive arsenal of tools to do the job. We have assumed they have the resources and expertise to take maximum advantage of these tools. Many of the Association Executives and dealers have indicated they would like a more cooperative effort. They need NORA to be more proactive in making suggestions and helping them develop and implement programs.

Since Oilheat holds such a low market share in these areas, it generates very little word of mouth referrals, and there is very low awareness of Oilheat as a viable option. We must educate customers and influencers of the advantages of Oilheat.

We will need to educate all the Oilheat employees about the benefits of Oilheat and how to talk to customers about them. This will probably be the most powerful and effective component of the campaign. We need to inspire everyone drawing a paycheck from the Oilheat Industry to work to keep Oilheat customers happy with Oilheat, and teach them how to do it.

The next task is to develop a database of the people we need to talk to. I am not suggesting we collect the names of Oilheat

customers. It will be the heating oil dealers' job to organize their customer list in a way that they can communicate with their customers quickly and easily. We should then work to have the right messages delivered. A secondary list should be of the influencers

Another cost effective, labor-intensive strategy is to develop a Speakers Bureau. This is a group of volunteers who are willing to talk to Service Clubs, Chambers of Commerce, Church Groups, Book Clubs, City and County Realtor Association Meetings, Home Inspector Meetings, and Builders Groups. NORA could conduct a Speaker's Workshop and create a Power Point Presentation to give the volunteers the expertise and confidence they need to get this started. NORA, the State Association, and the Speakers themselves could work to get these people opportunities to make presentations. We have found that groups like Realtors often prefer to hear from a local Oilheat Dealer, and in many cases it is impossible to have a professional reach these people because of the remoteness.

Another problem faced by our low market share states is that one of NORA's strongest partners in Oilheat Education, NAOHSM, has little or no presence in these states. Oilheat Companies in these states suffer from all the issues Northeast States do. They just do not have as many organizations to turn to for help. They are struggling with the problem of finding, and training Oilheat Technicians. NORA needs to work with the states to develop technician training opportunities.

NORA should plan to present a modified version of the Oilheat Management Workshop somewhere in the Midwest and West next spring. The dual focus would be how to do grass roots marketing and how to take responsibility for your customers' comfort by either starting a Service and Installation Department, or developing a relationship with one or more sub-contractors.

Implementing this program will come through multiple steps.

- 1) A conference call will be initiated with the states. Ideas, challenges and approaches will be discussed.
- 2) From this a template will be developed for each Participating state that reflects their budget, their concerns, and local resources.
- 3) This plan will be reviewed with the state association executive or other appropriate party in the state.

- 4) It will then be presented to the appropriate governing council in the state for approval and necessary modifications.
- 5) The program will then be implemented.
- 6) NORA will convene yearly meetings with appropriate persons from these states, (Seattle and Chicago) to review the plans, and their implementation. This will improve cross fertilization and efficiency.

We anticipate that the guidance, meetings, and planning documents will be developed out of NORA's central budget. Implementation of the plan will generally come from state NORA resources, however, NORA staff and consultants will help execute the plans when possible, and within budget.

National Oilheat Research Alliance  
May 3, 2006  
Atlantic City, New Jersey  
Convention Center  
8:30am to 10:30am

I. Introduction

Mr. Don Allen called the meeting to order at 8:30am and directed Mr. John Huber to call the roll. Mr. Huber called the roll and the following members of the Board were Present. At 8:40 am a quorum was established.

|                |                   |
|----------------|-------------------|
| Don Allen      | Peter Carini      |
| John Fuquay    | Bob Greenes       |
| Allison Heaney | Richard Slifka    |
| Jack Sullivan  | James Townsend    |
| Ray Albrecht   | Debbie Baker      |
| Richard Baran  | Carl Benker       |
| Donnie Burch   | Tom Butcher       |
| Ralph Carlo    | Rusty Chrisoff    |
| Steve Clark    | Bob Durham        |
| Bill Ermer     | Don Farrell       |
| Daryl Hackman  | Chris Keyser      |
| Will Lawes     | Bud McClintock    |
| Ed Noonan      | Richard Phelps    |
| Michael Romita | Tom Santa         |
| Edward Scott   | Larry Scuder      |
| Frank Sestito  | Donald Steward    |
| Denny Trautman | Rob Van Varick    |
| Gene Waldman   | Norm Woolley, Sr. |
| Doug Woosnam   |                   |
|                |                   |
|                |                   |

II. Approval of Minutes

Mr. Allen moved the approval of minutes of the meeting held on February 22, 2006 as submitted to the Board of Directors.

The following motion was moved, seconded, and approved by voice vote.

**The Board of Directors of the National Oilheat Research Alliance approves the minutes of the meeting held in February as submitted to the Board of Director.**

III. Financial Review

Mr. Peter Carini reported on 2005 & 2006 financial report, and introduced the 2007 proposed budget, and reviewed the new procedures regarding bonding.

The Statement of Financial Position was reviewed by John Maniscalco, Treasurer. He then turned to the Statement of Activities. John Maniscalco indicated that the statement of activities was being revised to better reflect activities within the Alliance.

The 2007 Recommended Budget was presented for discussion. A question about the Internet Communications expense of \$1,000,000 was raised as to whether it would be an annual expense. Mr. Allen responded that the Board approved the one million this year and next year they same proposal is in the budget.

The following motion was moved, seconded, and approved by voice vote.

**The Board of Directors of the National Oilheat Research Alliance approved the 2007 Budget and to be posted for Public Comment.**

IV. Bioheat Report

Mr. Joe Jobe outlined the progress and activities of the National Biodiesel Board.

The following motion was moved, seconded, and approved by voice vote.

**The Board of Directors of the National Oilheat Research Alliance and the National Biodiesel Board will enter into an agreement to sublease the BioHeat Trademark.**

As a result of the agreement, NORA and its Dealers may now use the BioHeat trademark. NORA will now develop a simple sublicense agreement for dealers that will ensure that NORA can meet its obligations under the agreement with NBB. NORA intends that these sublicenses will be issued without fees to the retailers.

V. Consumer Education Activities

Mr. Jim Pierson opened his report by thanking everyone on the board to a challenging but great experience. He feels secure to sit down and have Mr. Larry Scuder take his place.

Mr. Allen appointed a focus group to complete the 2006 Marketing Campaign. Since our last meeting Mr. Huber and Mr. Townsend have traveled to 5 different locations to share the Intelligent Warm Campaign. The Campaign will focus on Print, Billboards, Radio, and TV will be redone. The internet program will still continue but will proceed with caution.

VI. Education & Training Report

Mr. Bob Boltz and Mr. John Levey reported on the Training Developments and the areas where it is lacking. NORA through its consultants, John Levey and Bob Hedden, have developed a protocol for developing an education and training program in a state. The program is designed to be a Turn-Key.

Properly implemented, a targeted training & education program will significantly enhance employee performance thereby improving profitability while advancing the public's perception of the Oilheat industry

A typical initial curriculum would include: Basic troubleshooting, Basic electricity, Combustion, Primary controls. As the class develops in popularity, the progress would progress to Bronze/Silver/ Gold/ Tank certification, control wiring, individual burner classes, water heating, and other topics suggested by the attendees.

Mr. Boltz and Mr. Levey suggested 20 courses for the Turn-Key Education.

VII. Tanks and Insurance Activities

Mr. Levey reported the importance of educating drivers and technician to remedy the remediation of tanks. The solution is to get the message out of what a "healthy" tank is that can be delivered to safely and what a "non-deliverable" tank is. A primary cause of leaking tanks is improperly installation. The information needs to be available to all Oilheat and service company to make an impact.

The following motion was moved, seconded, and approved by voice vote.



**The Board of Directors of the National Oilheat Research Alliance will make all Education and Training material available to the State Associations to disburse to members and non members.**

The Tank book is being revised by Mr. Levey. He is focusing on brighter pictures and diagrams for better comprehension.

VIII. Collection Changes

Mr. Huber explained the at the time of first imposing the fee in March 2001 NORA made a strategic decision to not collect on “dyed low sulfur diesel fuel” while collection on “high sulfur diesel fuel” which was dyed and not allowed to be used in vehicles.

Since that time the Brookhaven field test and study, sponsored by NORA, showed the benefits of using low sulfur heating fuel. Wisconsin and New York state governments have transportation documentation regulations regulation restricting “low sulfur heating oil”. This has resulted in reduced fee collection even if the fuel ultimately went to heating purpose.

The following motion was moved, seconded, and approved by voice vote.

**The NORA collection system should be altered to impose the fee on all low sulfur dyed distillate (#1 or #2) regardless of sulfur content. This change should begin October 1, 2006 to provide adequate notice.**

IX. Grant to States

NORA distributes most of its funds to the states for action. Pursuant to this, the following grants have been posted for public comment, and have received no adverse comment. The following resolutions were presented to the Board and submitted for approval.

Mr. John Huber discussed the Grant resolution 1-8. Mr. Huber noted that Grant Resolution 8 submitted by Connecticut contained \$200,000.00 advertising the education center which cannot be approved. Additionally, they have a Builder outreach program that should be carefully implemented.

The Indiana Petroleum Marketers and Convenience Store Association have submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Be it therefore resolved: That the NORA Board approve a grant to the Indiana Petroleum Marketers and Convenience Store Association for \$36,186, of which \$32,082.43 will be used for consumer education, and \$4,103 will be used for education and training. These sums include an administrative fee within the Board specified amount.

#### RESOLUTION G -2

The Kentucky Petroleum Marketers Association has submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Be it therefore resolved: That the NORA Board approve a grant to the Kentucky Petroleum Marketers Association for \$159,814, of which \$120,028.36 will be used for consumer education, and \$39,785 will be used for education and training. These sums include an administrative fee within the Board specified amount.

#### RESOLUTION G-4

The Ohio Petroleum Marketers Association and Convenience Store Association have submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in

using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Be it therefore resolved: That the NORA Board approve a grant to the Ohio Petroleum Marketers Association and Convenience Store Association for \$345,648, of which \$276,518 will be used for consumer education, and \$69,130 will be used for education and training. These sums include an administrative fee within the Board specified amount.

#### RESOLUTION G-5

The Fuel Merchants Association of New Jersey has submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Be it therefore resolved: That the NORA Board approve a grant to the Fuel Merchants Association of New Jersey for \$1,040,484 of which \$822,338.91 will be used for consumer education, and \$218,145 will be used for education and training. These sums include an administrative fee within the Board specified amount.

#### RESOLUTION G-6

The North Carolina Petroleum Marketers Association has submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Be it therefore resolved: That the NORA Board approve a grant to the North Carolina Petroleum Marketers Association for \$429,853 of which \$365,375 will be used for consumer education, and \$64,477.95 will be used for education and training. These sums include an administrative fee within the Board specified amount.

#### RESOLUTION G-7

The New York Oil heating Association has submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Be it therefore resolved: That the NORA Board approve a grant to the New York Oil heating Association for \$788,742 of which \$706,785 will be used for consumer education, and \$81,956 will be used for education and training. These sums include an administrative fee within the Board specified amount.

#### RESOLUTION G-8

The Independent Connecticut Petroleum Association has submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oil heating industry.

Included in the Connecticut grant request under consideration were two items. The first, was an advertising expense for the ICPA Technical Education Center which NORA's counsel found to be excluded by the statute. Connecticut has resubmitted a grant request excluding that payment which has not yet received comment. The Finance Committee and Executive Committee will review that amendment. Additionally, Connecticut has a builder program which states that ICPA will join homebuilder associations. ICPA should ensure that this does not violate specific exclusions of the statute and complies with the objectives of the statute.

Be it therefore resolved: That the NORA Board approves a grant to the Independent Connecticut Petroleum Association for \$909,056 of which \$765,933 will be used for consumer education, and \$88,414 will be used for education and training, and 54,709 will be used for research and development. These sums include an administrative fee within the Board specified amount.

The following motion was moved, seconded, and approved by voice vote.

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X. Unfinished Business

Mr. John Huber took this opportunity to express his gratitude for all the work Mr. Jim Pierson has accomplished over that last 5 years. The Consumer Education committee was truly benefited for having Mr. Jim Pierson as a leader.

XI. New Business

There was no new business.

XII. Next Meeting

The next Board meeting will be August 21, 2006 in Providence, Rhode Island

XIII. Adjourned

The meeting was adjourned at 10:40am

Respectfully Submitted,

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Jack Sullivan  
Secretary

ational Oilheat Research Alliance  
Recommended by Finance Committee

2006 Revised (MIMay Board Budget Finance Committee Recommendation  
2007 Revision 2007

Net Assets - January 1

0

COLLECTION REVENUES, NET:

|                                     |              |              |              |
|-------------------------------------|--------------|--------------|--------------|
| Collection Revenues, net of refunds | \$15,638,154 | \$14,387,102 | \$14,187,102 |
| Less: Assessments and Collection    | (240,000)    | (180,000)    | (180,000)    |
| Weather Reserve                     | 0            | 0            | 0            |
| Net Collection Revenue              | 15,398,154   | 14,207,102   | 14,007,102   |

Net Allocable Revenues

Grants and State Rebates:

|                         |            |            |            |
|-------------------------|------------|------------|------------|
| State Rebates           | 11,502,558 | 10,825,072 | 10,733,674 |
| Internet Communications | 1,000,000  | 1,000,000  | 900,000    |
| Total                   | 12,502,558 | 11,825,072 | 11,633,674 |

Total Grants and State Rebates

Project Accounts

|                                    |           |           |           |
|------------------------------------|-----------|-----------|-----------|
| Web Site                           | 40,000    |           |           |
| Printing Annual Report & Other     | 40,000    | 40,000    | 40,000    |
| Research Allocation -              | 637,862   | 584,415   | 580,114   |
| Postage and Mailings               | 40,000    |           |           |
| Michigan Referendum                | 6,672     |           |           |
| Professional Travel                | 20,000    |           |           |
| Education Allocation               | 662,862   | 649,415   | 645,114   |
| 2005 Consumer Education Production | 858,000   | 568,000   | 568,000   |
|                                    | 2,305,396 | 1,841,830 | 1,833,228 |

OPERATING EXPENSES:

Administrative Expenses:

|                               |         |         |         |
|-------------------------------|---------|---------|---------|
| Salaries and Consultants      | 300,000 | 290,000 | 290,000 |
| Employee Taxes                | 11,000  | 11,000  | 11,000  |
| Health Insurance              | 15,000  | 15,000  | 15,000  |
| Retirement Plan               | 19,200  | 19,200  | 19,200  |
| Rent and Telephone            | 30,000  | 30,000  | 30,000  |
| Office Supplies               | 15,000  | 15,000  | 15,000  |
| Equipment Maintenance         | 5,000   | 5,000   | 5,000   |
| Insurance (D & O, L)          | 30,000  | 30,000  | 30,000  |
| Dues and Memberships          | 15,000  | 15,000  | 15,000  |
| Subscriptions                 | 5,000   | 5,000   | 5,000   |
| Public and Staff Travel       | 45,000  | 5,000   | 5,000   |
| Meeting Expense               | 35,000  | 35,000  | 35,000  |
| Legal                         | 50,000  | 50,000  | 50,000  |
| Accounting Fees               | 50,000  | 50,000  | 50,000  |
| Total Administrative Expenses | 625,200 | 575,200 | 575,200 |

Other (Income)/Expenses:

|                               |          |          |          |
|-------------------------------|----------|----------|----------|
| Interest Income/Expense       | (40,000) | (40,000) | (40,000) |
| Depreciation and Amortization | 5,000    | 5,000    | 5,000    |
| Other Income                  |          |          |          |
| Total Other Expenses          | (35,000) | (35,000) | (35,000) |

TOTAL OPERATING EXPENSES

|         |         |         |
|---------|---------|---------|
| 590,200 | 540,200 | 540,200 |
|---------|---------|---------|

TOTAL EXPENDITURES

|            |            |            |
|------------|------------|------------|
| 15,398,154 | 14,207,102 | 14,007,102 |
|------------|------------|------------|

INCREASE/(DECREASE) IN NET ASSETS

|     |       |       |
|-----|-------|-------|
| \$0 | (\$0) | (\$0) |
|-----|-------|-------|

## **Budget Resolution**

Earlier this year, the Finance Committee presented a budget to the Board that anticipated receipts of \$14,387,102. However, as the winter progressed and prices continued to rise, concerns developed that this budget would not be met, and that the revenue figure should be downgraded to accommodate conservation associated with the high prices.

To accommodate this, the Finance Committee and the Executive Committee accepted a reduction in revenue of \$200,000.

The expense side will be similarly reduced, and reductions will come from the internet, research and development, education and training, and state grants.

### **Therefore be it resolved:**

That the proposed and revised budget be accepted, and be presented for final action at the fall Board meeting.

National Oilheat Research Alliance  
Statement of Financial Position  
June 30, 2006

2006

ASSETS

CURRENT ASSETS:

|  |                |
|--|----------------|
| Cash and cash equivalents                | \$8,131,969.59 |
| Assessments receivable, net of allowance | 3,099,689.00   |
| Prepaid expenses                         | 13,616.52      |

|                      |               |
|----------------------|---------------|
| Total current assets | 11,245,275.11 |
|----------------------|---------------|

|                             |          |
|-----------------------------|----------|
| PROPERTY AND EQUIPMENT, Net | 3,940.47 |
|-----------------------------|----------|

|              |            |
|--------------|------------|
| Other assets | 410,544.26 |
|--------------|------------|

|                         |            |
|-------------------------|------------|
| Total noncurrent assets | 410,544.26 |
|-------------------------|------------|

|              |                 |
|--------------|-----------------|
| TOTAL ASSETS | \$11,659,759.84 |
|--------------|-----------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

|                  |           |
|------------------|-----------|
| Accounts payable | (\$0.00)  |
| Accrued expenses | 29,242.39 |

|                           |           |
|---------------------------|-----------|
| Total current liabilities | 29,242.39 |
|---------------------------|-----------|

OTHER LIABILITIES:

|   |              |
|---|--------------|
| Accrued state rebates                     | 5,312,573.81 |
| Accrued grants - research and development | 1,710,892.29 |
| Accrued grants - education and training   | 209,732.73   |
| Accrued grants - consumer education       | 38,659.00    |
| Accrued tank insurance                    | 13,952.70    |
| Accrued Internet Communications           | 500,000.00   |

|                         |              |
|-------------------------|--------------|
| Total Other Liabilities | 7,785,810.53 |
|-------------------------|--------------|

|                   |              |
|-------------------|--------------|
| Total liabilities | 7,815,052.92 |
|-------------------|--------------|

UNRESTRICTED AND RESTRICTED NET ASSETS:

|                             |              |
|-----------------------------|--------------|
| Unrestricted net assets     | 2,215,410.92 |
| Board designated net assets | 1,629,296.00 |

|                  |              |
|------------------|--------------|
| Total net assets | 3,844,706.92 |
|------------------|--------------|

|                                  |                 |
|----------------------------------|-----------------|
| TOTAL LIABILITIES AND NET ASSETS | \$11,659,759.84 |
|----------------------------------|-----------------|



**National Oilheat Research Alliance**

Statement of Activities

For the Month Ending June 30, 2006

|  | YTD<br>2006      | %              | YTD<br>2006 Budget | %              |
|--|------------------|----------------|--------------------|----------------|
| <b>COLLECTION REVENUES, NET:</b>             |                  |                |                    |                |
| Remittance Revenue *                         | 8,632,893        | 101.15%        | 9,382,893          | 101.30%        |
| Less: Assessments and Collection             | (98,395)         | (1.15%)        | (120,000)          | (1.30%)        |
| Cash Available for 2006                      | 8,534,498        | 100.00%        | 9,262,893          | 100.00%        |
| <b>Total 2006 Revenue for Allocation</b>     | <b>8,534,498</b> | <b>100.00%</b> | <b>9,262,893</b>   | <b>100.00%</b> |
| <b>Projects and State Rebates:</b>           |                  |                |                    |                |
| Research and Development-Tanks               | 318,931          | 3.74%          | 318,931            | 3.44%          |
| Education and Training                       | 331,431          | 3.88%          | 331,431            | 3.58%          |
| State Rebates                                | 6,148,564        | 72.04%         | 6,148,564          | 66.38%         |
| Consumer Education Production                | 449,000          | 5.26%          | 449,000            | 4.85%          |
| Internet Communications                      | 500,000          | 5.86%          | 500,000            | 5.40%          |
| <b>Total Grants and State Rebates</b>        | <b>7,747,926</b> | <b>90.78%</b>  | <b>7,747,926</b>   | <b>83.64%</b>  |
| <b>OPERATING EXPENSES:</b>                   |                  |                |                    |                |
| <b>Administrative Expenses:</b>              |                  |                |                    |                |
| Salaries and Consultants                     | 154,431          | 1.81%          | 150,000            | 1.62%          |
| Employee Taxes                               | 10,057           | 0.12%          | 5,500              | 0.06%          |
| Health Insurance                             | 9,817            | 0.12%          | 7,500              | 0.08%          |
| Retirement Plan                              | 9,600            | 0.11%          | 9,600              | 0.10%          |
| Rent and Telephone                           | 14,805           | 0.17%          | 15,000             | 0.16%          |
| Office Supplies                              | 3,369            | 0.04%          | 7,500              | 0.08%          |
| Equipment Maintenance                        | 210              | 0.00%          | 2,500              | 0.03%          |
| Insurance (D & O, L)                         | 18,614           | 0.22%          | 15,000             | 0.16%          |
| Dues, Memberships & Subscriptions            | 7,429            | 0.09%          | 10,000             | 0.11%          |
| Public and Staff Travel                      | 21,804           | 0.26%          | 22,500             | 0.24%          |
| Meeting Expense                              | 13,864           | 0.16%          | 17,500             | 0.19%          |
| Legal  | 18,286           | 0.21%          | 25,000             | 0.27%          |
| Bank Fees                                    | 1,563            | 0.02%          | 0                  | 0.00%          |
| Accounting Fees                              | 50,618           | 0.59%          | 50,000             | 0.54%          |
| Professional Travel                          | 2,031            | 0.02%          | 10,000             | 0.11%          |
| <b>Total Administrative Expenses</b>         | <b>336,498</b>   | <b>3.94%</b>   | <b>347,600</b>     | <b>3.75%</b>   |
| <b>Special Studies and Mailings</b>          |                  |                |                    |                |
| Printing Annual Report & Other               | 39,687           | 0.47%          | 20,000             | 0.22%          |
| Postage/Special Mailings                     | 14,153           | 0.17%          | 20,000             | 0.22%          |
| <b>Total Special Studies &amp; Mailings</b>  | <b>53,840</b>    | <b>0.63%</b>   | <b>40,000</b>      | <b>0.43%</b>   |
| <b>Other (Income)/Expenses:</b>              |                  |                |                    |                |
| Interest Income/Expense                      | (161,649)        | (1.89%)        | (20,000)           | (0.22%)        |
| Depreciation and Amortization                | 951              | 0.01%          | 2,500              | 0.03%          |
| Other Income                                 | (45,309)         | (0.53%)        | 0                  | 0.00%          |
| Other Expense                                | 36,682           | 0.43%          | 0                  | 0.00%          |
| <b>Total Other Expenses</b>                  | <b>(169,325)</b> | <b>(1.98%)</b> | <b>(17,500)</b>    | <b>(0.19%)</b> |
| <b>TOTAL OPERATING EXPENSES</b>              | <b>221,013</b>   | <b>2.59%</b>   | <b>370,100</b>     | <b>4.00%</b>   |
| <b>TOTAL EXPENDITURES</b>                    | <b>7,968,939</b> | <b>93.37%</b>  | <b>8,118,026</b>   | <b>87.64%</b>  |
| <b>INCREASE/(DECREASE)<br/>IN NET ASSETS</b> | <b>\$565,559</b> | <b>6.63%</b>   | <b>\$1,144,867</b> | <b>12.36%</b>  |

\* Net of Refunds

State Allocations

|    | JULY 05<br>TO<br>JUNE 06 | JULY 04<br>TO<br>JUNE 05 | TOTAL         | 2007<br>REVISED<br>% OF TOTAL | 2006  | Change 2006 -<br>2007 | Change as<br>Percent of<br>Allocation | Allocation for<br>2007 |
|----|--------------------------|--------------------------|---------------|-------------------------------|-------|-----------------------|---------------------------------------|------------------------|
| CT | 1,376,939.16             | 1,074,859.14             | 2,451,798.30  | 9.46%                         | 9.62  | -0.16%                | -1.71%                                | 1,001,296.88           |
| DC | 18,778.34                | 16,017.79                | 34,796.13     | 0.13%                         | 0.19  | -0.06%                | -44.25%                               | 14,210.49              |
| DE | 99,341.77                | 76,455.60                | 175,797.37    | 0.68%                         | 0.81  | -0.13%                | -19.74%                               | 71,794.39              |
| ID | 13,547.42                | 12,646.72                | 26,194.14     | 0.10%                         | 0.10  | 0.00%                 | -3.57%                                | 10,697.50              |
| IN | 32,142.39                | 135,646.97               | 167,789.36    | 0.65%                         | 0.32  | 0.33%                 | 50.85%                                | 68,523.97              |
| KY | 268,134.78               | 97,945.81                | 366,080.59    | 1.41%                         | 1.40  | 0.01%                 | 0.51%                                 | 149,504.69             |
| MA | 1,525,659.69             | 1,326,352.73             | 2,852,012.42  | 11.00%                        | 11.95 | -0.95%                | -8.66%                                | 1,164,741.46           |
| MD | 509,367.26               | 344,350.23               | 853,717.49    | 3.29%                         | 3.46  | -0.17%                | -5.03%                                | 348,652.11             |
| ME | 751,251.77               | 783,879.30               | 1,535,131.07  | 5.92%                         | 6.04  | -0.12%                | -2.06%                                | 626,936.54             |
| MI | 49,756.04                | 39.91                    | 49,795.95     | 0.19%                         | 0.19  | 0.00%                 | 6.33%                                 | 146,200.00             |
| NC | 665,568.34               | 463,021.92               | 1,128,590.26  | 4.35%                         | 3.78  | 0.57%                 | 13.20%                                | 460,908.19             |
| NH | 422,525.65               | 396,202.78               | 818,728.43    | 3.16%                         | 3.33  | -0.17%                | -5.50%                                | 334,362.83             |
| NJ | 1,421,571.50             | 1,135,147.65             | 2,556,719.15  | 9.86%                         | 9.15  | 0.72%                 | 7.25%                                 | 1,044,145.80           |
| NV | 9,812.70                 | 6,793.77                 | 16,606.47     | 0.06%                         | 0.06  | 0.00%                 | 6.33%                                 | 6,781.96               |
| NY | 3,039,585.46             | 2,325,897.85             | 5,365,483.31  | 20.70%                        | 21.52 | -0.82%                | -3.98%                                | 2,191,224.99           |
| OH | 483,230.51               | 328,729.47               | 811,959.98    | 3.13%                         | 3.04  | 0.09%                 | 2.98%                                 | 331,598.64             |
| OR | 74,088.44                | 54,609.96                | 128,698.40    | 0.50%                         | 0.39  | 0.11%                 | 21.23%                                | 52,559.51              |
| PA | 2,272,849.66             | 1,669,225.07             | 3,942,074.73  | 15.21%                        | 14.76 | 0.45%                 | 2.93%                                 | 1,609,915.11           |
| RI | 380,103.40               | 379,048.61               | 759,152.01    | 2.93%                         | 2.93  | 0.00%                 | 0.02%                                 | 310,032.25             |
| VA | 555,492.78               | 415,895.01               | 971,387.79    | 3.75%                         | 4.03  | -0.28%                | -7.46%                                | 396,707.82             |
| VT | 262,596.07               | 207,514.41               | 470,110.48    | 1.81%                         | 1.72  | 0.09%                 | 4.93%                                 | 191,989.76             |
| WA | 109,171.76               | 77,524.94                | 186,696.70    | 0.72%                         | 0.62  | 0.10%                 | 13.27%                                | 76,245.60              |
| WI | 203,745.14               | 101,458.84               | 305,203.98    | 1.18%                         | 0.76  | 0.42%                 | 35.34%                                | 124,643.12             |
|    | =====                    | =====                    | =====         | =====                         |       |                       |                                       |                        |
|    | 14,545,260.03            | 11,429,264.48            | 25,924,729.51 | 100.00%                       |       | 0.19%                 |                                       | 10,733,673.61          |

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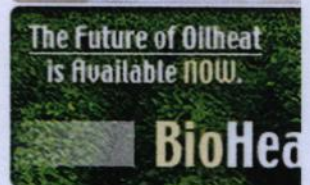
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## **Tank Resolution**

One of the issues affecting insurance affordability is the expenses associated with remediating and responding to heating oil releases. At several meetings of the Tank Committee this was highlighted as concern.

The Tank Committee tasked Jim Rocco of Sage Risk Solutions to prepare a proposal to respond to these problems. The proposal envisions a review of the science and literature on heating oil chemical properties and their fate in the environment, a constructive working relationship with states that are efficiently remediating oilheat sites so that a comprehensive document that is risk based that could be acceptable in the states could be developed. The proposed document will include the following elements:

- The three components (i.e., release preventions, release detection, and corrective action) for effective risk management of heating oil tank and piping systems,
- Summarize release prevention technologies and methodologies and identify sources of information for each technology,
- Summarize release detection technologies and methodologies and identify sources of information for each, and
- Summarize the risk-based corrective action methodology developed for NORA.

It is anticipated that the cost of this program will be less than \$60,000.

Be it resolved: That NORA be authorized to expend \$60,000 for this project, and that the funds be appropriated from the funds allocated to research and development on tanks.



June 20, 2006

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

Re: Proposal for the Development of a Risk-Based Corrective Action and Management Program for Heating Oil Tanks

Dear John:

I appreciate this opportunity to provide a proposal to develop a risk-based approach for the management and corrective action of heating oil tank systems. As I understand from our discussions, NORA would like to develop a comprehensive program for corrective action that can be shared with regulatory agencies and other interested parties. The program needs to be detailed enough to be used to assist regulatory agencies in the development of rules and technical guidance documents regarding the risk-based corrective action for heating oil tanks. Further, the program needs to provide a consistent approach that will allow insurers and other interested parties to gauge the potential liability associated with a release from a heating oil tank system.

In addition, as I mentioned at the committee meeting, we are also proposing to include an overall risk management program for heating oil tank systems that incorporates NORA research and technical standards. This program can be used to assist NORA and other interested parties in encouraging a comprehensive approach that minimizes releases and the impacts of releases from heating oil tanks.

The following sections provide our proposal. Section 1.0 provides an overview of the objectives and strategy for the work. Section 2.0 describes the proposed development of the risk-based corrective action guidance document. Section 3.0 describes the proposed development of the risk management program guidance document. Section 4.0 discusses the logistics and schedule for implementing the work proposed here. Section 5.0 provides a brief summary of Sage's qualifications to implement this work. Section 6.0 describes the expected costs for the preparation of the two proposed guidance documents.

## 1.0 Introduction

The implementation of an effective corrective action program for fuel oil releases presents a unique challenge. Heating oil is used to heat many private homes as well as small commercial businesses. Heating oil at private residences and commercial businesses is stored in

underground and aboveground storage tanks in volumes generally less than 1000 gallons. Typically, regulations related to the installation and operation of heating oil storage and handling are found in state fire and building codes. For the most part; however, federal and state regulations do not specifically address corrective action for releases from heating oil storage tanks. In some cases, when corrective action is needed for a release of heating oil, complex regulatory processes are applied that can be financially devastating to a homeowner or small business. For this reason, NORA has identified the need for a risk management approach to address the storage, handling, and corrective action for releases of heating oil from storage tank systems at residential and commercial properties.

An effective risk management approach requires a combination of release prevention (e.g., corrosion protected or non-corrosive tanks and piping) and release detection (e.g., periodic inspections of the tank and piping system), and corrective action. NORA has made considerable progress in addressing technology and methodology for release detection and release prevention. The potential financial and physical uncertainties associated with corrective action however, present a unique challenge and need to consider the specific and unique circumstances associated with the potential financial impacts on homeowners and small businesses.

A corrective action program for heating oil should incorporate the concepts of structured risk-based decision making (e.g., ASTM RBCA concepts), providing a process that progresses from simple to more complex evaluations as the circumstances warrant. The program should be simple and understandable, cost sensitive and effective, and reflect the severity of the release, the environmental media (e.g., soil and groundwater) affected, and potential human health and ecological impacts. In addition, the program should focus on the specific composition (e.g., low percentage of chemical components with known health effects such as benzene) and characteristics (e.g., low to moderate volatility and low dissolution in groundwater) of heating oil and take advantage of natural attenuation processes, where appropriate, in remedial action decisions.

The work proposed here would address two objectives. The primary objective is to develop a risk-based corrective action guidance document that provides a consistent and cost efficient framework for conducting corrective action for releases of heating oil from tank and piping systems that is protective of human health and the environment. The second is to outline in a guidance document an overall risk management program that incorporates corrective action with release prevention and detection technologies and methodologies.

It is anticipated that there will be two drafts of each document provided for review and comment prior to the completion of the final documents. In addition, it is anticipated that we will need to attend at least two meetings; one to update the NORA committee on the progress of the documents and the second to present the final documents to the NORA committee. The development of the technical guidance document will proceed as follows:

- An conference call will be held with you and members of the appropriate NORA committee to discuss this proposal, identify expectations, and refine the requirements for the guidance documents. Following this initial discussion, we will provide you with a summary of the agreed changes for your final approval.
- State regulatory agency rules and policies will be reviewed and annotated outlines of the risk-based corrective action guidance document and the risk management guidance

document will be prepared for review and comment by NORA. Each outline will describe the organization of the document and identify issues that may need to be addressed by NORA.

- Based on each agreed annotated outline, initial drafts of the risk-based corrective action and the risk management guidance documents will be developed and provided to NORA for review and comment.
- Changes to the initial draft guidance documents will be made based on the NORA review and revised drafts will be provided for review and comment by NORA. Our understanding is that you would also include individuals from state regulatory agencies. Such as Vermont and Virginia in the review of at least one draft of the risk-based corrective action guidance document.
- Presentation of the final documents to the NORA committee.

Work on the two guidance documents is expected to be conducted concurrently; however, the completion of the draft and final risk management guidance documents will be staggered behind those for the risk-based corrective action document. This is necessary in order to make sure the risk management guidance document accurately reflects the final risk-based corrective action document.

## 2.0 Risk-Based Corrective Action Guidance Document

The risk-based corrective action program for heating oil tanks will be developed in accordance with the framework outlined in the ASTM E-1739-02 Guide for Risk-Based Corrective Action (RBCA) Applied at Petroleum Release Sites. The RBCA process integrates exposure and risk assessment practices with the traditional components of corrective action of site assessment and remedial action. The goals of the program will be to provide a consistent, technically-defensible, and resource-efficient process that is protective of human health and the environment. The program will incorporate a tiered analytical approach based on the identified technical policy decisions necessary to implement the process. A technical guidance document will be prepared describing the risk-based corrective action process for heating oil tank systems. The guidance document will focus on small residential and commercial heating oil tank systems and provide a comprehensive program that can be used by state regulatory agencies or other interested parties to guide corrective action for a release from these systems.

The document will describe the following:

- Technical policy decisions necessary to implement the RBCA process. This will include recommendations for values and policies appropriate for heating oil releases including:
  - chemicals of concern,
  - exposure pathways,
  - environmental media,
  - algorithms to calculate screening and site-specific target levels, and
  - physical and chemical characteristics, toxicity values, and exposure parameters.
- Risk-based Screening Levels (RBSL) for heating oil chemicals of concern, environmental media and exposure pathways will be calculated. Generic exposure



scenarios and soil and groundwater conditions will be identified for use in the RBSL calculations.

- Site assessment requirements and procedures including an initial site assessment to determine if a release has occurred and subsequent site assessment for tier evaluation.
- Initial and interim response actions that may be warranted.
- Tier evaluation requirements and procedures.
- Remedial action requirements including the applicability of remediation by natural attenuation.
- References, as appropriate, to support policies and values outlined in the document.

As part of the development of this guidance document, we will review the regulatory and policy requirements for heating oil tank system corrective action for the States of Vermont and Virginia and other northeastern states identified by NORA that have specific requirements for heating oil tank system corrective action. Information from these states will be used to help frame the procedures and policies outline in the guidance document.

### 3.0 Risk Management Program Document

NORA has and continues to conduct significant research into the prevention and detection of releases from heating oil tank and piping systems. As mentioned above, corrective action is only one, albeit significant, component of a comprehensive risk management program for heating oil tanks. When developing corrective action programs for heating oil, states may also want to consider programs to address the installation and operation of tanks and piping. In addition, for new installations or upgrades to existing installations, tank owners, contractors, and their suppliers should consider all aspects of risk management when designing the heating oil tank and piping systems.

A risk management guidance document will be developed that describes the three components of a risk management program for heating oil tank and piping systems and the available technologies and methodologies to address each component. The technologies and methodologies will include NORA research, technical standards such as NFPA and IFC, and other appropriate sources. The development of a risk management program will also require an understanding of the current applicable statutory, regulatory, and policy issues. Heating oil specific programs from a select number of states will be reviewed and best practices and potential pitfalls identified.

The document will describe:

- The three components (i.e., release preventions, release detection, and corrective action) for effective risk management of heating oil tank and piping systems,
- Summarize release prevention technologies and methodologies and identify sources of information for each technology,

- Summarize release detection technologies and methodologies and identify sources of information for each, and
- Summarize the risk-based corrective action methodology developed for NORA.

The document would be designed as a user-friendly, easy-to-read summary of options for managing heating oil tank and piping systems patterned after the USEPA MUSTs for USTs document.

#### 4.0 Logistics and Schedule

It is anticipated that development of the guidance documents will proceed as follows:

- An initial conference call will be held with you and members of the appropriate NORA committee to discuss the proposal, identify expectations, and refine the requirements for the guidance document.
- Following this initial discussion, we will provide you with a summary of the agreed changes for your final approval. This summary of agreed changes will be provided 1 week after the initial conference call.
- State regulatory agency rules and policies will be reviewed and the annotated outlines of the guidance documents will be prepared for review and comment by NORA. The annotated outlines will describe the organization of the documents and identify issues that may need to be addressed by NORA. The annotated outlines will be provided within 30 days after final approval based on the summary of agreed changes.
- Based on the agreed annotated outline for the risk-based corrective action guidance document, an initial draft of the document will be developed and provided to NORA for review and comment. The initial draft risk-based corrective action guidance document will be provided for review within 60 days after the comments are received on the annotated outline.
- Based on the agreed annotated outline for the risk management guidance document, an initial draft will be developed and provided to NORA for review and comment. The initial draft risk management guidance document will be provided for review within 45 days after the submittal of the draft risk-based corrective action guidance document.
- If you desire, a meeting or conference call can be held with you and members of the committee to address questions and discuss comments before revised draft documents are developed.
- Changes to each of the draft guidance documents will be made based on the NORA review and revised drafts will be provided for final review and comment by NORA. Revisions to the draft guidance documents will be provided within 45 days after the comments are received, or after a review meeting is held to resolve the path-forward on comments.
- The final guidance documents will be provided to NORA within 30 days after the comments are received on the revised drafts.

- Presentation of the final documents to the NORA committee can be made after the final documents are issued.

## 5.0 Qualifications

Sage Risk Solutions LLC is uniquely qualified to develop the risk-based corrective action guidance document and the risk management guidance document. Jim Rocco and Lesley Hay Wilson, the principals of Sage, have extensive experience in the management of environmental risks in the petroleum industry, the development and implementation of risk-based corrective action programs, and legislative and regulatory development and negotiations including the development of risk-based corrective action programs and voluntary action programs in Ohio and other states. Lesley Hay Wilson chaired the ASTM RBCA task group through the development of the final E2081 Standard Guide for risk-Based Corrective Action and has led projects to develop other standards for ASTM and the American Petroleum Institute. Jim Rocco serves as a consultant to the Ohio Petroleum Marketers and Convenience Store Association (OPMCA) and the Petroleum Marketers Association of America (PMAA) in environmental regulatory negotiations and technical support. He has also been a member of the Ohio Petroleum Underground Storage Tank Release Compensation Board since its inception in 1988 and has served as its chair since 1996. Detailed resumes can be provided upon request.

## 6.0 Cost

Sage will provide the professional services described in this proposal at a rate of \$125.00 per hour for professional services plus reimbursement of extraordinary expenses such as airfare, overnight travel costs, and editing and formatting for document preparation. The professional services to be provided will not exceed \$35,000 for the development of the risk-based corrective action technical guidance document and \$15,000 for the risk management guidance document unless prior approval is received from you. Editing and formatting will not exceed \$3,000. Travel expenses will be invoiced at actual cost. Work will be invoiced on a monthly basis for hours worked during the month until the project is complete.

If you have any questions or would like additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Jim Rocco". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

## RESOLUTION G-1

The Virginia Petroleum, Convenience & Grocery Association has submitted a grant application to cover both consumer education and education and training. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oilheating industry.

Be it therefore resolved: That the NORA Board approve a grant to the Virginia Petroleum, Convenience & Grocery Association for \$458,007, of which \$373,276 will be used for consumer education, and \$84,731 will be used for education and training. These sums include an administrative fee within the Board specified amount.

## RESOLUTION G -2

The Mid-Atlantic Petroleum Distributors Association has submitted a grant application to cover consumer education. This grant has been reviewed by the Finance Committee and was found to provide sufficient detail to meet the requirements of the law, that there is commitment to comply with the title in using the requested funds, that the grant has been made public and not received adverse comments, and will directly benefit the Oilheating industry.

Be it therefore resolved: That the NORA Board approve a grant to the Mid-Atlantic Petroleum Distributors Association for \$507,820.00, of which \$507,820 will be used for consumer education.

To: John Huber, President  
NORA

From: F. Peter Horrigan, President  
Mid-Atlantic Petroleum Distributors Association (MAPDA)  
NORA Committee Executive Director

Re: Consumer Education Grant Request, Attachments 1 - 5

Date: July 11, 2006

Name of Applicant: NORA Committee of MAPDA  
1517 Ritchie Highway  
Suite 206  
Arnold, MD 21012  
Attn: F. Peter Horrigan, President, Executive Director  
Email: [petegwyn@aol.com](mailto:petegwyn@aol.com)  
Web Site: [www.mapda.org](http://www.mapda.org)  
NORA Committee Chairman: Rick Phelps  
Federal ID: 521135842

Summary of Project: This is a consumer education project developed to execute public Communication efforts and programs designed to enhance the favorable Public knowledge of oilheat in a manner consistent with the NORA statue and by-laws.

Funding Sought: Request for 2006 Consumer Education funds.

Total estimated  
Cost of Project: \$508,820

Type of funding  
Request: Grant

Classification: Consumer Education

This document constitutes attachments 1 – 5 to the Application of the Mid-Atlantic Petroleum Distributors Association ( MAPDA), the qualified state association for the states of Maryland, Delaware and the District of Columbia. This application is to serve as the request for funds for Consumer Education covering the period January 1, 2006 through December 31, 2006

**Consumer Education Grant Request: \$ 507,820**

1. Statement of project: Consumer Education funds will be used in the continuous and on-going projects of the Consumer Education Committee of the NORA Committee to develop and execute public communications efforts and programs designed to enhance the favorable public knowledge of oilheat in a manner consistent with the NORA statute and by-laws.

The programs will include but are not limited to:

- The participation in an industry-wide public education campaign
- Public awareness programs focused on energy conservation
- Further development of the MAPDA web site to provide consumer information
- A program to educate home builders, real estate agencies and architects about the benefits of building new homes heated with oil
- Other on-going public awareness initiatives

2. Timeline for project: Consumer education is an on-going project. NORA Committee will work with the industry, other state and regional Associations and NORA to help develop and distribute consumer education information in a cost-effective and timely manner. This application covers the time period, January 1, 2006 through December 31, 2006.

3. Budget and Statement of Costs: The direct costs of this proposal shall be paid from all funds received from NORA collections and directed by NORA Committee to Consumer Education. These funds are estimated to be \$507,820.

The funds received will be employed in a variety of ways to ensure that the consumer education project is adequately developed and distributed to the general public including printed and electronic media materials. The NORA Committee will continuously monitor and evaluate the proper methods for communicating in a cost- effective manner.

Any funds not used within the time-line will be held over for future NORA Committee projects.

4. Benefit analysis: NORA Committee area consumers will benefit from being made aware of the beneficial attributes of oilheat and also benefit from increased awareness of conservation methods and initiatives.

5. Evaluation Statement: NORA Committee will use tracking surveys and other methods of evaluating the impact of these on-going consumer education campaigns and will make all findings available to NORA in a timely manner.

**Verification**

I verify that I am authorized to make this application, and that the statements made herein, including all attachments and exhibits, are true and correct to the best of my knowledge.

---

Date

---

Signature of Contact Individual

---

F. Peter Horrigan

---

Printed Name

7/12/06

TO: John Huber, President  
National Oilheat Research Alliance (NORA)

FR: Michael J. O'Connor, VPCGA

RE: 2006 NORA Funding

NORA has indicated the estimated allocation of funds for Virginia is \$458,007 for the grant year of 2006. VPCGA is proposing to divide these as follows:

|                                 |                  |
|---------------------------------|------------------|
| A. Consumer Education- 78.5%    | \$359,535        |
| B. Education & Training – 18.5% | \$ 84,731        |
| C. Program Support – 3%         | <u>\$ 13,741</u> |
| Total                           | \$458,007        |

A) Consumer Education:

VPCGA will continue to make residents of the Commonwealth of Virginia aware of the benefits, efficiencies and modern characteristics of oil heat for their homes, and to continue the industry's education of oil heat consumers on energy conservation measures that will help them reduce fuel use through increased efficiencies with their heating systems. In addition, the industry will continue its efforts to assist consumers in the proper planning and budgeting for their heating needs. This will include, but not be limited to, brochures, direct mail, and website information. This will also include consumer education on the new tax credit for energy efficient appliances that take effect in 2007.

**Total Consumer Education \$ 359,535**

B) Education & Training:

VPCGA will continue the ongoing training and education of the owners and employees of petroleum marketing companies in Virginia. Specifically, the training of oil heat technicians and other industry professionals is paramount to providing proper service and effective maintenance to heating systems. These professionals also serve as ambassadors for oil heat companies as they educate the oil heat consumer on the safe and proper operations of their heating systems. Manner of instruction will be principally hands-on training.

**Total Education & Training \$ 84,731**

C) Program Support:

Through out the year VPCGA coordinates the industry education activities with volunteer leaders across Virginia and plans and executes comprehensive training seminars across the state.

**Total Program support \$13,741**



## **What can NORA do to help its low market share states?**

There are several states in the NORA family that have limited market share. As a result the funds are generally limited, and the need to use the funds efficiently is paramount. Additionally, in these states, the staff of the local association may be small, and may be required to spend a substantial amount of time and effort on motor fuels issues.

The following NORA states have less than 12% Oilheat Market share: Idaho, Indiana, Kentucky, Michigan, Nevada, Ohio, Oregon, and Washington. Wisconsin has 14.6%. At these low concentration levels NORA's approach for larger market share states is not as effective. The cost of advertising is based primarily on the number of people who are exposed to it. It may not be cost effective to buy 100% of the population to only talk to 10%. However, the need to outreach is very important as the customers are more isolated, and thus subject to pressures to convert. In the 1990 to 2000 census there was a correlation between loss of market share and market size. The smaller the market share, the faster market share diminished. Thus, it is crucial that in these states we work to stop any further attrition.

The two primary tools to prevent attrition are a strong marketing and outreach campaign and education. Elements of both are necessary to maintain share. Thus, in utilizing the funds, it is necessary to look at education and marketing, develop budgets, and make appropriate allocations.

### **Marketing Approaches**

The best marketing approach for them may be to directly reach out to their existing customers and to people who influence home buying and heating system decisions: Realtors, Home Inspectors, Builders and Remodelers, and probably the most important- HVAC and Plumbing Contractors. A grass roots campaign may be the best way to reach these person. However, unlike traditional advertising, a grassroots campaign takes continuous effort, and active involvement. As a result, strong grassroots campaigns have not been a leading edge for NORA or those states. This must be a grass roots campaign. A good grass roots campaign need not require very much money but it is

a great deal of work. The issue is who will do all the work required to make this a success?

Most of the low market share states have very lean associations, generally the Association Executive and maybe a part time assistant, or in some cases a more extensively staffed organization that is focused on government affairs. In either case they do not have the people power or expertise to do the work required for a wide scale grass roots campaign.

The Oilheat companies in these states also have problems pulling together enough resources and expertise to make this happen. Very few heating oil marketers in the low market share states have a service department. Most sell less than 2 million gallons a year. This is why developing a relationship with HVAC and Plumbing Contractors in these states is so important. A good place to start in the search for people servicing and installing Oilheat equipment is plumbing and heating supply houses and heating equipment manufacturers. We can call upon OMA to help get this rolling.

The challenge for NORA is how can we help these NORA States invest their NORA funds in order to maximize the value for heating oil marketers and their Oilheat Customers. Up until now we have offered them a rather extensive arsenal of tools to do the job. We have assumed they have the resources and expertise to take maximum advantage of these tools. Many of the Association Executives and dealers have indicated they would like a more cooperative effort. They need NORA to be more proactive in making suggestions and helping them develop and implement programs.

Since Oilheat holds such a low market share in these areas, it generates very little word of mouth referrals, and there is very low awareness of Oilheat as a viable option. We must educate customers and influencers of the advantages of Oilheat.

We will need to educate all the Oilheat employees about the benefits of Oilheat and how to talk to customers about them. This will probably be the most powerful and effective component of the campaign. We need to inspire everyone drawing a paycheck from the Oilheat Industry to work to keep Oilheat customers happy with Oilheat, and teach them how to do it.

The next task is to develop a database of the people we need to talk to. I am not suggesting we collect the names of Oilheat

customers. It will be the heating oil dealers' job to organize their customer list in a way that they can communicate with their customers quickly and easily. We should then work to have the right messages delivered. A secondary list should be of the influencers

Another cost effective, labor-intensive strategy is to develop a Speakers Bureau. This is a group of volunteers who are willing to talk to Service Clubs, Chambers of Commerce, Church Groups, Book Clubs, City and County Realtor Association Meetings, Home Inspector Meetings, and Builders Groups. NORA could conduct a Speaker's Workshop and create a Power Point Presentation to give the volunteers the expertise and confidence they need to get this started. NORA, the State Association, and the Speakers themselves could work to get these people opportunities to make presentations. We have found that groups like Realtors often prefer to hear from a local Oilheat Dealer, and in many cases it is impossible to have a professional reach these people because of the remoteness.

Another problem faced by our low market share states is that one of NORA's strongest partners in Oilheat Education, NAOHSM, has little or no presence in these states. Oilheat Companies in these states suffer from all the issues Northeast States do. They just do not have as many organizations to turn to for help. They are struggling with the problem of finding, and training Oilheat Technicians. NORA needs to work with the states to develop technician training opportunities.

NORA should plan to present a modified version of the Oilheat Management Workshop somewhere in the Midwest and West next spring. The dual focus would be how to do grass roots marketing and how to take responsibility for your customers' comfort by either starting a Service and Installation Department, or developing a relationship with one or more sub-contractors.

Implementing this program will come through multiple steps.

- 1) A conference call will be initiated with the states. Ideas, challenges and approaches will be discussed.
- 2) From this a template will be developed for each Participating state that reflects their budget, their concerns, and local resources.
- 3) This plan will be reviewed with the state association executive or other appropriate party in the state.

- 4) It will then be presented to the appropriate governing council in the state for approval and necessary modifications.
- 5) The program will then be implemented.
- 6) NORA will convene yearly meetings with appropriate persons from these states, (Seattle and Chicago) to review the plans, and their implementation. This will improve cross fertilization and efficiency.

We anticipate that the guidance, meetings, and planning documents will be developed out of NORA's central budget. Implementation of the plan will generally come from state NORA resources, however, NORA staff and consultants will help execute the plans when possible, and within budget.

## **BIOHEAT® LICENSE AGREEMENT**

The National Oilheat Research Alliance (NORA) and \_\_\_\_\_, hereinafter referred to as Licensee hereby enter into a License agreement for the use of the term Bioheat®. NORA acknowledges consideration in that Licensee will market Bioheat® which will benefit NORA and the heating oil industry. Both parties acknowledge that NORA's rights to the term "Bioheat®" and the right to License that term are derived from an agreement between the National Biodiesel Board (NBB) and NORA executed in May of 2006. (Exhibit A). Licensee acknowledges that this License is limited to NORA's rights in Exhibit A. The definitions of terms defined in Exhibit A are incorporated into this Agreement by reference. They include "Trademark," "Blended Fuel," and "Territory."

### **1. ACKNOWLEDGMENT OF TRADEMARK OWNERSHIP.**

The Parties acknowledge that NBB is the owner of all rights in the Trademark as used in association with fuel oil. NBB shall, during the entire Term and thereafter, retain ownership of the Trademark as well as any modifications made to the Trademark by NORA or its Licensees. Licensee acknowledges that all goodwill associated with the Trademark and any additional goodwill generated in the Trademark pursuant to this Agreement shall inure to the benefit of NBB. Neither NORA nor any Licensee shall obtain any rights to the Trademark except the specific, non-exclusive, limited license granted hereunder during the Term hereof. NBB shall seek, obtain and, during the Term, maintain in its own name and at its own expense, appropriate protection for the Trademark.

### **2. LICENSE GRANT**

NORA hereby grants to Licensee, for the term of this Agreement and subject to the Termination provisions below, a non-exclusive license to use the Trademark in the Territory in connection with Blended Fuel.

### **3. ROYALTIES.**

There shall be no royalties paid for Licensee's use of Trademark. NORA's consideration received for grant of this License shall consist of Licensee's compliance with the terms of this Licensee, which shall, if fully complied with, promote the success of heating oil within Licensee's service area.

### **4. QUALITY REQUIREMENTS**

The Blended Fuel used in connection with the Trademark must be a blend of pure biodiesel with conventional high or low sulfur home heating oil. The heating oil used in the production of the Blended Fuel must meet ASTM D 396, and the biodiesel used in the production of the Blended Fuel must meet ASTM D 6751. The Blended Fuel must contain a minimum two percent (2%) Biodiesel by volume.

NORA is now conducting tests on different levels of biodiesel blends with heating oil. NORA may upon six months' written notice to Licensee, limit Licensee's use of the term "Bioheat" to UL and/or ASTM approved limits.

## **5. WARRANTIES AND OBLIGATIONS.**

A. NORA represents and warrants that it has the right and power to grant the License granted herein and that there are no other agreements with any other party in conflict.

B. Licensee represents and warrants that:

1. Licensee will, commence no later than 90 days after execution offer for sale as continuously as possible, Bioheat® Blended Fuel meeting the requirements of this agreement.
2. The Blended Fuel which Licensee will sell in connection with the mark “Bioheat®” will meet the Quality Requirements stated above.
3. The Blended Fuel Licensee will sell in connection with the mark “Bioheat®” will include all appropriate legal notices as required by NORA on all promotional, packaging, and advertising and all material related thereto;
4. Licensee will use its best efforts to successfully promote and market the Blended Fuel.
5. Licensee will be solely responsible for the manufacture, production, sale, and distribution of the Blended Fuel and will bear all related costs.

**6. HOLD HARMLESS AND INDEMNIFY.** In consideration of the grant of this License, Licensee agrees to hold NORA and NBB harmless from and indemnify NORA and NBB (“Indemnitees”) for any claims, demands, costs, or judgments resulting from Licensee’s use of Trademark in violation of this Agreement. Indemnitee shall notify Licensee in writing within seven days by certified mail of any claim made against Indemnitee arising from Licensee’s use of Trademark. This clause shall survive the termination of this Agreement.

## **7. QUALITY ASSURANCE.**

Either NORA or NBB may demand to inspect the facilities where the Blended Fuel is manufactured and packaged and to take samples; may demand that Licensee submit samples for testing; and/or may demand that Licensee have samples taken and tested as directed and submit the test results to both NORA and to NBB. Licensee shall comply within seven calendar days of the demand. Either NORA or NBB may take any other steps reasonably necessary to maintain the nature and quality of the Blended Fuel licensed under this Agreement for use in association with the Trademark.

## **8. TERM AND TERMINATION**

This Agreement shall continue in effect until terminated by operation of this clause or by Notice of Termination as provided herein:

- A. Termination Without Notice. This Agreement shall terminate without notice:
1. Five calendar days after the National Oil Heat Research Alliance should for any reason cease to exist.
  2. Immediately upon the termination or expiration of the Agreement between NBB and NORA found at Exhibit A.
  3. Immediately should Licensee for any reason cease to exist or cease to conduct business as a heating oil distributor.

B. Termination Upon Written Notice. This Agreement shall terminate immediately upon the receipt by Licensee of written notice by NORA for any of the causes stated herein. NORA may under its own motion revoke any License; and NORA shall immediately revoke any license under this Agreement upon receipt of a written request by NBB for such revocation, upon:

(1) Licensee's continuous failure to sell Blended Fuel for six (6) consecutive months; or

(2) Licensees' sale of Blended Fuel in violation of the Quality requirements of this Agreement; or

(3) Licensee's breach of any of the other provisions of this Agreement.

## **9. POST TERMINATION RIGHTS**

A. Upon the expiration or termination of this Agreement, all of the rights Licensee under this Agreement shall forthwith terminate and immediately revert to NORA and NBB. Licensee shall immediately discontinue all use of the Trademark at no cost whatsoever to NORA.

B. Upon termination of this Agreement for any reason whatsoever, Licensee agrees to immediately return to NORA all material relating to the Trademark including, but not limited to, all artwork, color separations, prototypes and the like, as well as any market studies or other tests or studies conducted by NORA with respect to the Trademark, at no cost whatsoever to NORA.

## **10. RESTRICTIONS**

A. This license is non-exclusive;

B. This license is geographically restricted to the Territory;

C. Licensee shall not promote, market, or sell biodiesel via the use of deceptive, misleading, or fraudulent marketing practices;

D. Licensee will in all of its respective uses of the Trademark on fuel oil indicate clearly that Trademark is registered with the U.S. Patent and Trademark Office by using the "®" designation;

E. Licensee will submit, within 5 days of NBB's request, one exemplar of each of Licensee's current uses of the Trademark, together with a description of its use

F. Licensee shall not interfere with the use of the Trademark by NBB or NORA or any known member of NBB or NORA; and

G. Both NORA and NBB have the right at its own expense to inspect and test all material sold in connection with the Trademark.

## **11. JURISDICTION AND DISPUTES**

This Agreement shall be governed in accordance with the laws of the State of Iowa.

## **12. AGREEMENT BINDING ON SUCCESSORS**

The provisions of this Agreement shall be binding on and shall inure to the benefit of the Parties hereto, and their heirs, administrators, successors and assigns.

**13. ASSIGNABILITY.**

The license granted hereunder is personal to NORA and to Licensee and shall not be assigned by either Party unless in connection with a transfer of substantially all of the assets of the party or with the consent of NBB. NBB will notify NORA in advance of any assignment of its rights to Trademark.

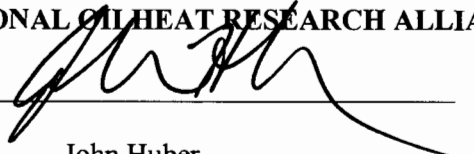
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IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

**LICENSEE**

**NATIONAL OIL HEAT RESEARCH ALLIANCE**

By: \_\_\_\_\_

By:  \_\_\_\_\_

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