



July 8, 2010

The Honorable Jeff Bingaman, Chairman  
Committee on Energy & Natural Resources  
United States Senate  
Washington, DC 20510

The Honorable Lisa Murkowski, Ranking Member  
Committee on Energy & Natural Resources  
United States Senate  
Washington, DC 20510

The Honorable Max Baucus, Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Chuck Grassley, Ranking Member  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairmen Bingaman and Baucus and Ranking Members Murkowski and Grassley:

The undersigned organizations represent the U.S. home heating oil industry, including home heating fuel dealers, equipment manufacturers, retailers, service companies and technicians. **We write you in general support of the bipartisan Home Star Energy Retrofit Act of 2010 (S.3434)**, and to comment on how the bill might be strengthened to further protect small home energy contractors.

Please know that we strongly support the Home Star concept and especially those measures designed to encourage greater efficiency in homes that heat with fuel oil. If successful, this legislation should create jobs, put idle workers into the field and provide economic stimulus to local economies. This is especially true in states with home heating oil markets, such as those in the Northeast, Mid-Atlantic, Midwest and Pacific Northwest. Our industry is important to the economic health of these states, where we serve more than 8 million oil-heated homes and employ more than 50,000 people.

*Benefits to Home Heating Oil Consumers & Businesses*

Many oilheat consumers would benefit from a direct federal rebate, especially owners of equipment with an AFUE of less than 80. Such a rebate could be the critical incentive to improving their equipment and lowering fuel consumption and emissions. And unlike existing federal tax credits (IRS Section 25C credits), the more immediate benefits offered by rebates could serve as an extra incentive to homeowners who cannot afford to buy equipment and wait a year for a tax credit.

A rebate would also benefit senior citizens, the disabled and other Americans who would not necessarily qualify for a tax credit due to a low annual taxable income. These individuals, who may nonetheless desire home heating system upgrades and other retrofits, should not be discriminated against simply because they live on a low or fixed income.

The heating oil industry is particularly pleased with the bill's finding that **a system that meets 86 AFUE and is coupled with electronic improvements could yield significant energy savings**. Under Home Star, oilheat equipment is allowed to receive rebates if it meets an efficiency of 86 AFUE or greater, so long as oil furnaces are installed with an electrically commutated blower motor, or boilers are equipped with a temperature reset or thermal purge controls. Such systems would enjoy an efficiency equivalent to oilheat equipment standards required for the Section 25C tax credit, which requires 90 AFUE or greater for oilheat without an additional requirement for electronic controls.

**We would encourage Congress in any future consideration of the tax code to amend Section 25C to the Home Star standard.** Such a change would benefit domestic manufacturers who have used this technology to improve efficiency, in contrast to many overseas competitors that have developed boilers and furnaces with an AFUE of 90, and provide further incentive to oilheat consumers to make the investment in more efficient equipment.

**We are also pleased with is the inclusion of a \$250 Silver Star rebate for the installation of automatic water temperature controllers** on existing boilers (but not in conjunction with a new boiler). Many home heating contractors can easily install these affordable and cost-saving measures. Further, many of oilheat companies offer a number of other energy saving retrofits including air-conditioning systems, insulation and other measures eligible under the "Silver Star" program. Those that are eligible to conduct the necessary energy audits may also benefit from the valuable "Gold Star" rebates of up to \$8,000 for whole-home energy efficiency improvements.

#### *Further Protection of Small Contractors*

While we have endorsed the Home Star concept and are supportive of the legislation, we believe that there is room for further improvement. First, unlike the House-passed version of Home Star, **the value of the credit will be borne by the contractor, not the consumer**, until reimbursed by the Federal Government. Many of the companies that service oilheat homes are small businesses and forcing them to bear this burden may discourage them from participating in the Home Star program. Congress should consider appropriate changes that would address this concern.

Second, while the legislation currently requires the Secretary of Energy to report weekly via the public website the total number and amount of rebates processed, **the Secretary should also be required to report weekly on total program dollars remaining**. This may help prevent consumers and contractors from engaging in retrofits as funds near depletion, thereby missing the opportunity to obtain a desired rebate and causing unexpected financial burden on businesses floating what are virtually consumer loans with the expectation of being reimbursed by the federal government.

Our recommendations follow the lessons learned from the Consumer Assistance to Recycle and Save (CARS) Act of 2009, or "Cash for Clunkers." Under CARS, auto sales rebates were the responsibility of the auto dealers. When program funds were exhausted, some auto dealers' had not yet been reimbursed. Congress eventually made good on those rebates, but not before a contentious debate during a tight fiscal environment to authorize supplemental funding. **We are sincere in our desire to work with Congress to avoid any potential for duplicating that experience in Home Star.**

With these changes, we are confident that S.3434 will spur healthy growth within the American equipment manufacturing industry; put certified contractors and home heating oil technicians to work upgrading old systems and making other valuable home efficiency retrofits; help stimulate state and local economies; and encourage oilheat consumers to take advantage of a meaningful federal incentive to invest in the efficiency of their homes.

Thank you in advance for your consideration.

Sincerely,

Delaware Valley Fuel Dealers Association	<a href="http://www.dvfda.org">www.dvfda.org</a>
Empire State Petroleum Association	<a href="http://www.espa.net">www.espa.net</a>
Fuel Merchants Association of New Jersey	<a href="http://www.fmanj.org">www.fmanj.org</a>
Independent Connecticut Petroleum Association	<a href="http://www.icpa.org">www.icpa.org</a>
Maine Energy Marketers Association	<a href="http://www.maineenergymarketers.com">www.maineenergymarketers.com</a>
Massachusetts Oilheat Council	<a href="http://www.massoilheat.org">www.massoilheat.org</a>
Mid-Atlantic Petroleum Distributors' Association	<a href="http://www.mapda.com">www.mapda.com</a>
National Association of Oil Heating Service Managers	<a href="http://www.naohsm.org">www.naohsm.org</a>
New England Fuel Institute	<a href="http://www.nefi.com">www.nefi.com</a>
New York Oil Heating Association	<a href="http://www.nyoha.org">www.nyoha.org</a>
Oil Heat Council of New Hampshire	<a href="http://www.nhoilheat.com">www.nhoilheat.com</a>
Oil Heat Institute of Long Island	<a href="http://www.ohili.org">www.ohili.org</a>
Oil Heat Institute of Rhode Island	<a href="http://www.oilheatinri.com">www.oilheatinri.com</a>
Oilheat Association of Southern New Jersey	<a href="http://www.southjerseyoilheat.com">www.southjerseyoilheat.com</a>
Oilheat Manufacturers Association	<a href="http://www.oma-oilheat.org">www.oma-oilheat.org</a>
Pacific Northwest Oil Heat Council	<a href="http://www.pnwoilheat.com">www.pnwoilheat.com</a>
Pennsylvania Petroleum Marketers & Convenience Stores Assn.	<a href="http://www.ppmcsa.org">www.ppmcsa.org</a>
Petroleum Marketers Association of America	<a href="http://www.pmaa.org">www.pmaa.org</a>
Vermont Fuel Dealers Association	<a href="http://www.vermontfuel.com">www.vermontfuel.com</a>
Virginia Petroleum, Convenience and Grocery Association	<a href="http://www.vpcga.com">www.vpcga.com</a>
Washington Oil Marketers Association	<a href="http://www.waoil.org">www.waoil.org</a>

cc: Members of the Senate Committee on Finance  
Members of the Senate Committee on Energy & Natural Resources