PETROLEUM MARKETERS ASSOCIATION OF AMERICA

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LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

PMAA members market 90 percent of the heating oil sold in the United States. Heating oil is used predominately in Northeast states and many lower income households also use oil to heat their homes. Heating oil marketers have a unique relationship with their customers and communities that electric and natural gas utilities cannot provide. Heating oil dealers are mostly small, second and third generation family-owned businesses who provide both fuel supply and service for heating oil equipment for tens of thousands of customers.

Rising energy prices have made the cost of home heating an increasingly heavy burden to bear. Our nation's low-income families and the elderly are hit the hardest. Sometimes they are faced with the choice between paying their heating bills and providing other essentials such as food, medicine, and warm clothing. The Low Income Home Energy Assistance Program (LIHEAP) has been critical in helping those citizens who need it most.

SUPPORT ADEQUATE FUNDING FOR LIHEAP

Until recently, Congress failed to fully appropriate LIHEAP as established under the Energy Policy Act of 2005 (EPAct) authorizing $5.1 billion. As part of the FY 2010 Omnibus spending bill, Congress appropriated $5.1 billion for LIHEAP matching the same funding level the program received last year. <u>President Obama's FY 2011 budget provides $3.3 billion for LIHEAP while creating a new trigger mechanism to provide automatic increases in energy assistance whenever there is a spike in energy costs. The administration expects the trigger to provide roughly two billion dollars in additional assistance in 2011 and $6.5 billion over 10 years. PMAA urges Congress to increase LIHEAP funding to the $5.1 billion mark this year.</u>

PROPOSED CHANGES TO LIHEAP

As part of the 1990 LIHEAP reauthorization bill, Congress included language encouraging states to "leverage" better prices for customers participating in LIHEAP. States which are able to leverage better energy prices would, in turn, qualify for more federal LIHEAP dollars. In several Northeast states, leveraging programs targeting the heating oil industry have surfaced due to insufficient LIHEAP funding. These programs vary, but most are discount of margin-over-rack (MOR) or discount-off-retail (DOR).

Utility energy providers are able to build the costs of these leveraging activities into their rate bases. By applying a minimal rate increase across their entire customer base, they are able to pass the costs along to their customers. Heating oil marketers and dealers are not utility vendors.

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Heating oil marketers cannot pass these costs along and because of aggressive state leveraging programs, many heating oil dealers have had to withdraw from state energy assistance programs to the detriment of their predominately low-income customers.

LIHEAP is the only welfare program that offers such a leveraging incentive. There is no leveraging program for food stamps, for example, where low-income customers can pay less for their groceries at the expense of other, higher income customers.

"THE ASK"

As Congress moves to reauthorize LIHEAP, we urge legislators to increase funding to $5.1 billion and reform the existing federal leveraging statute. Several proposals for reform include but are not limited to:

- Remove the leveraging requirement completely;
- Exempt heating oil, Bioheat®, kerosene and propane from the leveraging requirement;
- Restrict leveraging programs to only state regulated utilities that engage in cost recovery through public utility ratemaking procedures;
- Prevent states from essentially creating special classes of customers;
- Allow and encourage state fuel agencies to use the numerous and available pre-buy, cap and fixed price programs or other measures found in the marketplace, which dealers use to cut consumer costs;
- Discourage margin-over-rack (MOR) programs, which are causing a decline in fuel dealer participation in LIHEAP, and thus, hurt low-income Americans;
- Encourage leveraging options that are not prejudicial to dealers with long-standing customer relationships. For example, attempts by state programs will sometimes "bid out" the LIHEAP block of fuel sales. This interferes with dealer-customer relationships that are, in many cases, decades old. Because LIHEAP does not pay the entire household fuel bill, such practices will place more than one fuel supplier into the household energy mix, and as a result, increases the chance of supply problems, including overfilling of fuel tanks and resultant spill cleanups.

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