THE ANGUS ENERGY REPORT

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		HEATING OIL (JUN)	GASOLINE-RBOB (JUN)	NATURAL GAS (JUN)	CRUDE OIL (JUL)
Crude -------	HIGH	4.0080	3.4070	11.950	133.71
	LOW	3.8462	3.3210	11.600	130.16
Products ------	SETTLE	**3.8656**	**3.3960**	**11.857**	**132.19**
	CHANGE	*-.0887*	*+.0663*	*+.160*	*+1.38*
Natural Gas ---					
	14 DAY RSI	70	72	65	72
	5 DAY MA	3.8357	3.3326	11.503	130.37
	9 DAY MA	3.7578	3.2703	11.447	127.94
	14 DAY MA	3.6662	3.2257	11.400	126.41

-Happy Memorial Day.

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
05/19/08	3.6689	05/19/08	3.6751	05/19/08	3.7526
05/20/08	3.7688	05/20/08	3.7750	05/20/08	3.8726
05/21/08	3.9047	05/21/08	3.9084	05/21/08	4.0233
05/22/08	3.9533	05/22/08	3.9543	05/22/08	4.0819
05/23/08	3.8656	05/23/08	3.8656	05/23/08	3.9834

-As I sat to write the weekly newsletter this past week – after the release of the seemingly meaningless inventory data - I was wondering what words of wisdom to use to explain the 30-cent per gallon increase from the prior week. As I struggled to come up with a rationale explanation, some of the frustrations of owning a heating oil company in 2008 came screaming through. Needless to say, I pushed off the writing for a few days. We keep searching for some sort of logic, when there doesn't seem to be any. We keep trying to find a way to keep from putting out prices that will cause financial hardship to some customers, but there doesn't seem to be any. We keep hoping that there will be a "White Knight" to come save the day, but there doesn't seem to be any.

-There are a few things that I have been seeing over the past few months that, while noble, seem to be quite ill-advised. The first is the "my customers won't pay that price" argument. Hello?!? They ARE paying it. I heard that "my customers won't pay $3.50", then, "they won't pay $4.00", then, "they won't pay $4.50"... Unless your pockets are so deep that you plan to subsidize the cost of your customers' heating oil – in the belief that this will engender loyalty, and that they WON'T blame the high price of oil on you – why would you sell oil without getting your full margin??? If racks are about $4.00/gallon, and customers are paying more slowly, and the cost of carrying the receivables is increasing (along with a possibility of growing bad debt and conversions to natural gas), why do I keep hearing "well, I don't sell that much oil this time of year, so the smaller margins aren't that big a deal"? Was I mistaken when I thought that you were providing a service to your customers, and that you (and the customers) would expect that a profit should be earned on that service?

-I know that in some cases I might be preaching to the choir, but with the volatility of prices and the increasing costs of hedging pricing programs, now is the time to be looking at increasing margins, not being nervous about whether customers are going to be upset about prices. The answer to that question is a resounding "YES". They will be (and are) upset. However, two things need to be understood. Firstly, the high prices are not – in any way – your fault. The second is that if you think that they will be upset about a delivery price of $4.89 per gallon, but WON'T be upset about a price of $4.75 per gallon, you might be very mistaken. So many companies have spent the past few years playing defense, fearful of aggressive marketers stealing their customers, that margins have suffered from those fears. Many COD guys can't afford to fill up their trucks, let alone spend the time and money to get new customers. The same is true with many of the full-service dealers. For the most part, companies are focusing on keeping their customers informed, and keeping them as customers. "The other guy" isn't as aggressive as you think he is, and certainly less aggressive than in years past.

-Some companies who did not properly hedge their exposure to the pricing programs that they offered are really hurting right now. A number of those companies will end up being casualties of the current price-spike and end up closing their doors, and handing their keys to their banks, or selling out at a much lower (per gallon or EBITDA multiple) price than they might have hoped for. With that going on all around you, there are lessons to be learned about how the business has changed, and about how to try to deal with those changes. Imagine the receivables if you DIDN'T have a pricing program. Imagine the credit issues with your suppliers and banks if you HADN'T fixed some of your oil as part of your program.

- The costs of properly hedging have spiked higher, along with the cost of oil. These two are not independent of one another. Protection that cost about 12 cents per gallon a few years ago when prices were "only" $1.50 per gallon, then moved to about 18 cents per gallon as prices approached $2.00 per gallon, were closing in on 30 cents per gallon as we surpassed $3.00 per gallon. In the past month (actually about 3 weeks) prices for next winter have moved from as low as $3.19 per gallon (January) to almost $4.10 per gallon. This movement of about 30% in the price of oil has been matched (perhaps slightly exceeded) by the same increase in the cost of protection. Did anyone ever think that the cost of buying protection would be 40 cents per gallon? No. Does it make sense that it is so expensive? Unfortunately, given that heating oil prices have jumped by about $1.60 per gallon from the prices in late January, the answer is yes. No one likes it, but that is where they are. No one is being forced to offer a program to their customers, and if the cost of the protection cannot (not my opinion, but in the opinion of the dealer) be recouped from the customers, you are probably better off not offering the program. However, if the customers do expect to have a pricing program, and THEY are scared, don't be surprised if they start calling around. There are some customers that won't pay the cost to be in a program. You then need to assess whether they have the ability to pay the "street price" to you. If not, it might be time to not have those customers. It would be a shame – for the 93% (yes, I made up that percentage) of customers who, somewhat "get it" – to see their oil dealer in tough financial shape because of a miscalculation brought on by trying to please all of the people all of the time.

- Everyone's favorite, Mr. Boone Pickens, caused a furor in the markets last week by predicting that prices would head toward $150 per barrel. Considering that they were at $130 at the time, why was that such a stretch?....

- Another of my favorites from this past week is looking at the closing of the "Enron Loophole" Closing the loophole doesn't seem to have had the devastating effect on oil prices that some had predicted. Is it possible that there were "other" factors that drove prices higher (not just the non-reporting of positions)? However, not to be outdone, we now see Congress approving a motion to sue OPEC over high oil prices. We've seen a lot of "pandering to the audience" by some in our industry over the past few months, and we have seen Congress decide that one of the top issues that Americans are worried about is whether or not Barry Bonds lied about his personal steroid use. Now, the best of all worlds – let's sue the producers – imagine the attorneys fees that can be earned on that one!!

-One note about program offerings (or not). For those who struggle with the "charge a fee or don't charge a fee" question, you first need (not should, but NEED) to understand that whatever the cost of the protection, the customer MUST pay it one way or the other – whether in the form of a fee or in the inclusion of the cost in the sales margin (or a combination of the two). I am a big fan of charging the fee, as it helps with the cost of the protection that must be pre-paid by the oil dealer, that it gives a lower cap level (as the premium for the protection is a separate item, not included in the maximum price to be charged), and that it gives the customers some understanding of what it takes to make sure that prices won't go up another dollar, or two. If there is talk (probably only talk, but it is out there) that gasoline prices might be heading up to $6 or $7 per gallon, is it really too much for a customer to pay, say $249, to be sure that his or her price of heating oil can only go DOWN from current levels? Considering that retail heating oil prices have jumped about 90 cents per gallon in less than a month, it doesn't sound like the hardest thing to sell. And if it is, maybe those customers shouldn't have it.

-Sorry if the tone was a little harsh, but if you've been watching the Mets, you'll understand my need for a little venting.