



Commonwealth of Massachusetts
DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Jennifer D. Maddox, Undersecretary

LIHEAP Information Memorandum
IM 2023-01

TO: LIHEAP Program Directors
FROM: Edward Kiely, Community Services Unit Manager
SUBJECT: Increase to Margin-Over-Rack Price
DATE: October 11, 2022

This IM provides information about the increase of the set Margin-Over-Rack (MOR) price from 50 cents per gallon to 75 cents per gallon above the daily average price of oil as reported by the Oil Price Information Service (OPIS).

Background

Since the winter of 1991, Massachusetts has utilized a statewide MOR program that pays oil dealers the lesser of either a set margin per gallon or their regular retail prices on the date of the oil delivery. Under the MOR Program, for oil vendors participating in delivering to LIHEAP households, the MOR has been fixed at 50 cents per gallon; the oil dealer agrees to pay the lesser of either the set margin above the terminal price per gallon or their regular retail price on the date of the oil delivery.

As noted on page 128 of the FY2023 LIHEAP Administrative Guidance for Program Operators (Guidance), DHCD reserves the right to update the MOR section in the Guidance at any time during FY2023 as well as provide additional guidance with regard to the MOR through list-serves or Informational Memoranda (IM). Further, provision 5 of the *Margin-Over-Rack (MOR) Agreement for Delivery of Home Heating Oil to Certified Customers of the Massachusetts Low Income Home Energy Assistance Program* (MOR Vendor Agreement) provides that in the event of unusual oil market volatility resulting in significant changes in the wholesale pricing of #2 home heating oil, DHCD may, at its discretion, temporarily suspend and amend the MOR pricing method, in order to provide emergency relief to participating vendors. Such amendment may include, without limitation, an adjustment or change in the method of calculating the rack price to which the margin is added. Provision 9 of the MOR Vendor Agreement provides that the contract funds shall be expended in accordance with the Guidance as it may be reviewed or amended, and any other guidance that may be issued by DHCD.

Current Issue

The oil market price volatility that was triggered last year by the invasion of Ukraine has not stabilized. Local oil vendors continue to see the price per gallon fluctuate throughout the day. Last season, local administrating agencies fielded numerous calls from both participating oil vendors as well as current clients, both concerned about the increase in the oil prices. As a result, DHCD temporarily increased MOR from 50 cents to \$1 per gallon last season with the understanding that the MOR would reset back to 50 cents in FY23. However, the cost of living and inflation continue to climb. In addition,

energy prices for the coming winter season are expected to be higher than the previous season. The set MOR price was last increased in 2014.

Solution

DHCD has carefully reviewed the current situation, and received feedback from both local oil vendors and LIHEAP program directors. After careful review, the MOR of 50 cents per gallon has been increased to 75 cents per gallon. Additionally, DHCD is committed to reviewing the MOR pricing every two years going forward.

LAA Action Steps

Several previously released FY23 documents related to the MOR either now have an addendum issued by DHCD or have been updated. A supplement to the MOR Vendor Agreement will be issued through an additional IM. Agencies are instructed to provide both the MOR Vendor Agreement and the supplement to vendors who have not yet returned a signed MOR Vendor Agreement and to retain both in their vendor file. For those vendors that have already returned a signed MOR Vendor Agreement, agencies are instructed to please send the supplement to them for their information and retain it in the vendor file. Additionally, the *MOR Memo for Oil Vendors* has been updated to show the increase in MOR price.

Community Action Inc.'s (CAI's) separate bid process (apart from MOR) will not be affected by this MOR increase.

DHCD Action Steps

For the remainder of this program year, this IM will serve as guidance for the agencies. The Community Services Unit (CSU) will update section 12.6 of the FY2024 Program Operators' Guidance so that it will accurately reflect the increase to the MOR in the next program year.

DHCD has notified Community Software Group of this change. Changes have been made to the software and the automated MOR pricing to reflect the increase to MOR.

Questions

If you have any general questions concerning the automation of MOR pricing, please contact me at Edward.Kiely@state.ma.us.

Thank you.