

Propane Education & Research Council Budget Plan for Calendar Year 2017

On July 29, 2016, the Propane Education and Research Council (PERC) published its 2017 budget plan document for public comment in accordance with the Propane Education and Research Act of 1996 (PERA; Public Law 104-284). That budget plan, according to the Act, included the probable costs of all programs, projects, and contracts as well as a recommended rate of assessment sufficient to cover such costs. There were four public comments received with no recommendations to change the 2017 Budget. This document represents the 2017 budget that PERC approved at its November 2, 2016 Council meeting.

PERC has submitted this budget plan to the Secretary of Energy and to Congress. The Act provides that the Secretary may recommend programs and activities the Secretary considers appropriate.

In accordance with PERA, this budget includes functions to develop programs and projects that will result in entering into contracts or agreements for implementing the Act, including programs to enhance consumer and employee safety and training, to provide for research and development of clean and efficient propane utilization equipment, to inform and educate the public about safety and other issues associated with the use of propane, and to provide for the payment of the costs thereof with funds collected pursuant to this Act. Furthermore, this budget complies with that part of the Act requiring that issues related to research and development, safety, education, and training be given priority by the Council in the development of its programs and projects.

All resources and expenditures outlined in this budget plan will be audited by a certified public accountant shortly after said resources and expenditures are realized for the 2017 year.

Part I. **ASSESSMENTS, INVESTMENT INCOME, and OTHER RESOURCES**

The federally authorized assessment on odorized propane is the principal source of funding for PERC. PERC collects late payment fees and interest on assessments that are paid after the due date. PERC receives income from the investment of assessment funds pending their disbursement. PERC also may receive grants and other funds from government agencies and private organizations, but such resources have not been planned in the 2017 budget.

Assessment Collections. Assessment revenues of \$38,948,400 are projected for 2017 based on an assessment rate increase from 0.4 cents to 0.45 cents per gallon that took effect on November 1, 2016.

Investment Income. Investment income in 2017 is estimated at \$164,000. Investment income is affected by market conditions as well as the timing of assessment collections and funds disbursed for operating expenses, grants, projects, and state rebates. All funds are invested in accordance with PERA.

Deobligations. Unused funds from projects and specifically funded activities completed in 2017 to be returned to the general treasury are estimated at \$500,000.

Estimated Beginning Fund Balance. Funds available from 2016 are projected to be \$1,130,737.

Part II. **GENERAL EXPENDITURES AND CAPITAL INVESTMENTS**

Administrative Expenses. Administrative expenses in 2017 are budgeted at \$2,653,500. Under PERA, administrative expenses may not exceed 10 percent of funds collected during the year. The proposed administrative expenses along with administrative related depreciation expenses of \$64,200 are estimated at 6.95 percent of assessment funds the Council expects to collect for 2017. In accordance with PERA, no funds are used to compensate members of the Council, who all serve as unpaid volunteers. Of the 21 members of the Council, only the three public members may be reimbursed for travel expenses and only for attendance at Council meetings.

Assessment and Collections. PERC estimates its assessment and collection expenses to be \$82,000 in 2017. These costs are primarily based on an allocation of a portion of the costs incurred under a contract with PERC's outsourced accounting service that manages assessment collections.

Depreciation Expenses. PERC has made and is planning to make capital expenditures. Depreciation on these expenditures is estimated to be \$457,000 in 2017.

Capital Investments. PERC is planning capital investments of \$183,000 in 2017 primarily for as information technology program enhancements.

Part III. **STATE REBATES**

By operation of the law and the rules adopted by the Council, 20 percent of assessment collections are rebated to the states. If the budgeted assessment collections are realized, the total expenditure for the state rebate program in 2017 is budgeted at \$7,789,680.

Part IV. **PROGRAM AND PROJECT EXPENDITURES**

PERA requires PERC to *"develop programs and projects and enter into contracts or agreements for implementing this Act, including programs to enhance consumer and employee safety and training, to provide for research and development of clean and efficient propane utilization equipment, to inform and educate the public about safety and other issues associated with the use of propane. ..."*

There is \$29.5 million budgeted in Program funding that includes \$24.8 planned for docketed projects and program activities, as well as \$4.7 million estimated for program salaries, benefit cost and IT support costs.

The projects and initiatives described in the following sections are based on a recommendation from PERC's Budget and Finance Committee in collaboration with PERC's Executive Committee, the staff, and other sources. On July 12, 2016, the Council approved the distribution of the proposed budget for the limited purpose of soliciting public comment. While the descriptions to follow provide insight into the overall program plans of PERC, actual funding will be considered on a docket-by-docket basis for 2017.

Other requirements under PERA included in the program budget initiatives are as follows:

- Not less than 5 percent of the funds collected through assessments pursuant to the Act will be used for programs and projects intended to benefit the agriculture industry in the United States. The Council will coordinate its activities in this regard with agriculture industry trade associations and other organizations representing the agriculture industry.
- The Council shall coordinate its activities with industry trade associations and others as appropriate to provide efficient delivery of services and to avoid unnecessary duplication of activities.

CONSUMER CAMPAIGN

Total Budget: \$8,240,000

After seven years of being unable to talk with homeowners and other consumers about the generic benefits of propane, the Propane Council has moved quickly to take advantage of its recently restored consumer education authority with the *PROUDLY PROPANE Clean American Energy™* campaign featuring Blue the Dog and his owner, a bobtail driver. The campaign, set to launch in July 2016, is designed to raise consumer awareness of the benefits and applications of propane and increase the fuel's favorability among homeowners in propane country and beyond. According to research done by Nielsen earlier this year, just 64 percent of propane users say they have a very favorable view of propane. Among nonusers, just 24 percent say they have a very favorable view of propane. There is a real opportunity for improvement. Raising consumer familiarity of and favorability toward propane is indispensable to getting customers to use more propane and getting nonusers to switch to propane; and that is exactly what the consumer campaign is designed to do.

For 2017, the campaign budget will be reduced from \$10 million in 2016 to \$8.2 million. Of that, \$6.5 million will go to buying media (television, radio, print, and digital), \$1 million for agency-led research, analytics, copywriting, creative, strategy, contract management, social listening, talent relations, and \$700K for creative development. Tactics also include a website, proudlypropane.com, and social media. The budget will allow for the development of new creative materials (other than television commercials), refreshing the social media aspects of the campaign. Propane would expect to see a rise in familiarity and favorability scores as a result of the campaign.

Awareness campaign tracking

As noted above, research done by Nielsen earlier this year found that just 64 percent of residential propane users have a very favorable view of propane and among nonusers that favorability number falls to just 24 percent. The consumer education campaign is specifically designed to improve homeowners' familiarity with and favorability toward propane and move them consider switching one or more appliances to propane.

Ongoing research is necessary to evaluate the effects of the campaign on consumer familiarity and favorability, and this campaign tracking research represents part of that effort, budgeted at \$40,000. The tracking research will build on the baseline work done by Nielsen in 2016, yet will be smaller in scope with a smaller sample size (the number of homeowners surveyed) and an abbreviated survey instrument (fewer questions). In addition to measuring the effectiveness of the campaign, the research will give an up-to-date snapshot of consumer attitudes.

RESIDENTIAL & COMMERCIAL

Total Budget: \$2,394,800

The Residential and Commercial Program has two major components: the market outreach activities and product development activities.

Residential & Commercial Market Outreach

Budget: \$2,034,800

The residential and commercial markets will continue to see improvements over the next three years as the overall economy stabilizes. In 2016, according to Real Estate Economics, the US will create 3.2 million jobs, 1.22 million permits pulled, 1.18 million housing starts, and 1.1 million closings. In addition, remodeling and replacement activity will increase by 4.4 percent and reach a new high in 2016. By the end of 2016, the US housing market is expected to be undersupplied by 2.26 million homes. In 2017 and 2018, new construction housing will continue to improve with projected starts of 1.26 million and 1.35 million.

The 2017 Residential & Commercial Market Outreach program will continue to target those individuals and organizations that are critical to the specification of propane and propane applications in homes, commercial facilities, and on jobsites. These individuals and organizations include builders, general contractors, architects, engineers, plumbers, and HVAC contractors. This program will include targeted outreach to modular and manufactured home builders and a separate program for plumber/HVAC companies and votech schools to include the training program in their curriculum.

The key messages in the 2017 outreach program to builders and construction professionals will continue to focus on the features and benefits of building with propane. Like previous years we will have dedicated campaigns to support the Energy Pod and Energy Pod Builder Incentive Program, water heating with propane, and commercial standby power generation. This program will include dedicated campaigns for heating oil conversions, combatting geothermal installations, residential standby power, and outreach to plumbers/HVAC technicians/votech schools regarding the training program.

Other tactics in this market will include exclusive participation at the International Builders Show.

The two key websites and assets of this market, www.buildwithpropane.com and www.propanetrainingacademy.com, will be maintained to a smaller scale than previous years. No new courses will be developed or updated. The Propane Energy Pod Builder

Incentive program will continue to be funded consistent with prior years, but there will be no incentive programs in the 2017 for commercial products (CHP, mobile generator, water heating, GHP).

The 2017 outreach program will also include the renewal of the license to provide the Residential Opportunities Insight Report and the online portal. However, no funding will be included for additional promotion of the asset.

Residential & Commercial Product Development

Budget: \$360,000

To make an impact in the residential and commercial market, new products will be developed, demonstrated, and commercialized. Several products are in the development pipeline for heating, cooling, and power systems products for which development and testing will continue in 2017.

AGRICULTURE

Total Budget: \$1,947,420

PERC agriculture business development increases propane demand in the agriculture market with a combination of market development and product development. Market development includes outreach to end users, engagement with agricultural equipment distributors and dealers, and support for propane marketers. Product development involves partnering with equipment manufacturers to develop new products, or improve existing products, that will capture additional market share vs competing energy sources.

The agriculture market accounts for 10-12 percent of US propane demand. Because of the variety of applications for propane in agriculture operations, PERC uses a variety of approaches to support gallon growth across this market. A majority of the propane demand in agriculture can be attributed to two broad categories, heat and engines, while still significant amounts of propane are used by agricultural customers in other applications.

Historically, the most prevalent use for propane in agriculture operations is for heat, primarily crop drying and building heat. In addition, propane is used for water heat, orchard heat, a variety of flame/steam applications, plus other heating uses. For grain drying, our growth strategy is to promote the advantages of efficient grain dryers to encourage on-the-farm grain drying where propane is used about 80 percent of the time vs natural gas. For building heat, both animal heat and greenhouse heat, we promote the benefits of propane heating products, including the efficiency, reliability, and quality of propane heat, and the reliability of propane as a fuel. With the environmental pressures on agriculture operations, and the growth in organic agriculture, continued consumer education about flame and steam for pest control can increase consumer awareness and demand.

Historically, propane engines have played a role in agriculture operations for pumping fluids, powering mobile equipment, and other applications like wind machines and generators; however, market share for propane engines was lost in the 1970s. Engines are currently a key growth opportunity as tier regulations negatively impact diesel

engines and manufacturers improve the quality and efficiency of propane-powered engines. Propane-powered engines for irrigation, and other pumping applications remain a primary focus for agriculture growth. There is also a growing demand for propane generators for off-the-grid operations and in locations where electric rates are high. In addition, with the current range of engine offerings, and the expected increase in the range of horsepower nodes available, we'll work with equipment manufacturers to find new opportunities to utilize propane engines.

Beyond the more common agriculture uses for propane, there are a wide variety of other uses for propane in agriculture ranging from mobile bean roasters to fans for dairies and table grape production. Plus, agriculture operations use other propane-powered equipment, including vehicles, forklifts, mowers, generators, water heaters, and various residential equipment. As we communicate with agriculture operators and channel influencers, we are promoting the versatility of propane as an energy source and the reliability, convenience, environmental benefits, etc. of all propane equipment.

The market development and product development efforts within agriculture business development can be further categorized into Marketer Outreach, Outreach & Communications, Product Development, Research, and Incentive Programs.

Agriculture Market Outreach

Budget: \$816,000

Marketer Outreach: PERC provides education and materials; including case studies, videos, photography, advertisements, sales materials, presentations, event support, etc. to assist marketers who want to grow their business in the agriculture market. Outcomes include the launch of new support materials and attendance/presentations at propane marketer events.

Outreach & Communications: Outreach and communications to the agriculture market is an important activity with the agriculture business development strategy. This includes content & creative development, media buys, influencer communications, public relations, business development outreach with OEMs, and trade shows. Outcomes of these tactics include a new marketing campaign about the versatility of propane in agriculture to build a foundation for the marketing of propane-powered mobile equipment, a continued focus on promoting propane irrigation, effective public relations, continuation of the SalesLink communication to channel influencers, OEM outreach, and attendance & support of national, regional, and local tradeshow.

Agriculture Product Development

Budget: \$751,420

Priority product development projects include new projects to grow propane-powered engine demand in mobile equipment and stationary applications. Expected outcomes are two new projects to develop new engine options and to support the successful commercialization of a propane-powered tractor.

Agriculture Market Research

Budget: \$80,000

With the lifting of the restriction and the opportunity to do additional consumer education, there is value in conducting agricultural market research to better understand agriculture

customers' perceptions of propane and propane powered equipment to improve messaging. The outcome of this investment is additional research to make outreach and communications more impactful.

Incentive Programs

Budget: \$300,000

The Farm Incentive Program provides incentives towards the purchase of qualifying agriculture equipment and results in market feedback to further promote propane-powered equipment. With the lifting of the consumer education restriction, PERC intends to reduce the outreach and advertising program's emphasis on incentives in the agriculture market, while maintaining the program as marketers and supply channel participants continue to express support for the program and we receive valuable applied research results. Outcomes include 100 new installations of irrigation engines, generators, and heating applications with updated usable claims for effective consumer education.

AUTOGAS

Total Budget: \$2,903,000

Autogas Outreach and Communications

Budget: \$1,303,000

In 2016, PERC made significant investments in the inaugural Back to School Campaign and the return on investment was immediate. This landmark event surpassed our overall expectations. This campaign increased awareness through the education of the general public, school transportation professionals and key decision makers in numerous on-road markets about the benefits of propane powered school buses. In addition, PERC recognized school districts for adopting propane as a fuel of choice and provided indisputable proof that propane autogas is safe, affordable, sustainable and will provide lifetime savings for fleets of all types. The momentum established by PERC in a key strategic market produced tangible benefits not only for school transportation markets, but all on-road markets.

In 2017, school transportation will once again be PERC's highest priority for marketing outreach and communications efforts. Our primary objective is to continue capitalizing on the substantial opportunity for growth in this market, and through this successful tactic, will continue to assist in securing the attention of key OEM and certified aftermarket vertical segments also primed for propane autogas deployments – pick-up & delivery, beverage, bakery, linen, paratransit, and law enforcement, and other municipal fleets. PERC staff will continue to promote our Total Cost of Ownership (TCO) strategy which has proven to be invaluable in combatting low gasoline and diesel prices while showcasing the lifetime benefits of propane autogas performance, reduced maintenance requirements and repair costs.

In 2017, PERC tactics include the continued education, training, support and engagement of the sales channel, support network and potential customers in all markets. PERC will increase awareness and support for all markets through (1) the Back to School Campaign and the Adopt a Classroom partnership, (2) dealer education through sales and technician training through business-to-business outreach and our

affiliation with National Alternatives Fuels Training Consortium (“NAFTC”), (3) the continuance of propane marketer outreach and training for all propane autogas markets, (4) targeted outreach to key associations and market benchmarking groups; and (5) the continued promotion of propane-powered OEM vehicles and certified aftermarket conversion systems.

Autogas Product Development

Budget: \$1,500,000

Propane autogas continues to be a strong long-term growth opportunity for the propane industry. Over the past six years, the successful commercialization of new product development strategies deployed by the Council has developed a diverse portfolio of OEM vehicle options as well as certified conversion systems. Outside of the OEM dedicated type C school bus market, where Blue Bird is the leader, the OEM vehicles have not achieved a substantial market share. While the number of OEM platforms for light & medium duty fleet applications are impressive; the most significant overall growth of propane autogas has occurred in the aftermarket. This success is due to a number of factors which include the lower cost to convert existing vehicles to propane autogas and the elimination of driving range anxiety that dedicated fuel systems have difficulty in overcoming.

In 2017, product development in the on-road markets will be restricted to one major project – High Efficiency – Heavy Duty (HEHD) OEM Engine. This diesel based propane autogas engine is a top priority for Class 7-8 vehicles operating within the propane industry, as well as other markets where propane autogas has grown market share or is making significant in-roads. After an analysis of on-road market needs for 2017 and beyond, this project must take precedent over other needs; unfortunately, this project will consume most, if not all, of PERC’s allocated funding for 2017. As a result, PERC will not have sufficient funding available at the 0.4 cent assessment level to participate in the development and commercialization of new technologies like direct injection, cannot develop new products or vehicles for the school transportation market or provide funding for EPA and CARB certifications for aftermarket conversions.

Propane autogas was the only alternative fuel which maintained or increased market share in 2016. PERC investments increased (1) awareness of the social, environmental and economic benefits of propane autogas; (2) research and development of required technologies; and (3) maintained a presence in key markets events and activities which established stronger relationships with strategic partners, end-users and associations.

Unfortunately, funding reductions in both 2016 and 2017 will have a detrimental impact on the momentum of past investments for years to come. PERC’s visibility at some national and regional shows, Clean Cities events and trade shows will be reduced. Media placements and collateral material development will be reduced at a time when exposure and coverage is most needed. *There is a reasonable concern that these reductions will negatively impact overall growth in key strategic on road markets.*

Autogas Technician Training

Budget: \$100,000

Growing the number of qualified propane autogas technicians is critical for the sustained growth of the autogas market.

In 2016 PERC began providing three-day autogas technician courses. The initial rollout included only three courses but demand grew and thus six courses are being offered in 2016. PERC is promoting this course to propane marketers who have or want a stake in the autogas market, as well as to automotive technical schools in states across the country to help them implement and integrate the course into their existing automotive programs.

PERC will continue the partnership with the NAFTC to provide six additional courses in 2017. The courses provide classroom and hands-on skills on identifying and troubleshooting propane autogas systems, while also adding to the media coverage associated with the benefits of propane autogas. The courses are coordinated among propane state associations, Cleans Cities organizations, propane marketers and technical automotive colleges.

LAWN, LANDSCAPE, & GOLF

Total budget: \$1,557,500

Professional Landscape

Budget: \$1,392,500

For 2017, much of the work in this market will be dedicated to user marketing, channel training, and sales support. This will be done through a scaled down end-user incentive program, branding and awareness campaigns, as well as dealer-focused sales and technical training to build awareness and confidence in the sales of propane mowers.

PERC will continue working with OEM and aftermarket equipment manufacturers to commercialize product and directly target professional grounds maintenance contractors with a suite of propane-powered products and/or certified conversions. Unlike previous years, PERC will no longer dedicate budget funds to specific product research, development, and commercialization. Instead, PERC will rely on our manufacturing partners and industry demand to dictate the focus and speed of product development.

In 2017, PERC's mission will be to support, educate, and engage the numerous levels of the sales channels and potential customers. PERC will support the professional landscape market through (1) channel education and training through business-to-business outreach, (2) the continuance of propane marketer outreach and training, (3) a reduced end-user incentive program, (4) targeted outreach to market benchmarking groups, and (5) promotion of propane-powered equipment and aftermarket conversions. Finally, PERC will dedicate a limited amount of resources to provide opportunities for demonstrations, trade shows, dealer field days, and key media placements.

Golf

Budget: \$165,000

PERC has made a significant investment in the demonstration of professional golf and turf maintenance equipment to build market awareness and capture real-world user data. This demonstration program, which ended in mid-2016, has been very successful in building interest and awareness in a new market area. Moving into 2017, PERC will capitalize on momentum developed by the demo program by launching a targeted and highly focused marketing, branding, and training campaign specific to course

superintendents, owners/managers, and municipalities. As we have seen with the ongoing work in the professional landscape market, we must continue with efforts to drive awareness of propane and identify key opportunities that not only spur potential user inquiry, but develop user demand and equipment manufacturer action.

In 2017, PERC will support the professional golf and turf maintenance markets through (1) channel education and training through business-to-business outreach, (2) targeted outreach and training to course superintendents and equipment operators, (3) support commercialization of OEM products, and (4) propane marketer outreach, engagement, and training campaigns.

MATERIALS HANDLING (FORKLIFT & PORT APPLICATIONS)

Total Budget: \$700,000

Propane continues to be a preferred fuel for many material handling applications requiring larger lift capacities or multi-shift settings. This is because of propane's 100 percent power guarantee, lower acquisition cost, and long history of reliability to reduce emissions, increase operational efficiency, and reduce costly warranty or maintenance needs over the equipment's lifespan. Additionally, advancements of electric and hybrid models, as well as electric's zero maintenance and on-site emissions perception, have helped to displace propane forklifts in traditional warehousing operations in the past decade.

In 2017, PERC will focus on defending, maintaining, and expanding propane's position in the material handling market by focusing on (1) fleet manager/operator awareness and targeted marketing campaign, (2) dealer/distributor marketing and training programs, (3) research emissions reduction and onboard fuel filtering technologies, and (6) the continue to strengthen relationships with strategic industry partners to further propane's agenda. To increase market penetration of propane technologies, PERC will refresh market-specific sales training and collateral, including outdated equipment operator training and propane marketer materials. PERC will also continue technical and market research, including research on the health, safety, and environmental benefits of propane-fueled materials handling equipment compared with equipment of other fuel types.

OTHER OFF-ROAD ENGINES

Budget: \$780,000

For 2017, the focus of work in this market will be dedicated to channel marketing, training, and sales support for current and future products in a multitude of industries that fall under the off-road umbrella (e.g., construction, forestry, ports, auxiliary power units, refrigeration, etc.). This will be done through partnerships with equipment manufacturers to target various levels of the sales channel with (1) vocation specific marketing and branding campaigns, (2) product specific co-marketing opportunities, (3) market specific sales support and collateral, and (4) focused market specific training updates and collateral development.

Opportunities continue to develop in small spark ignited engine development programs (sub 2.0L) that target the 45 to 125+ horsepower mobile off-road applications. Products utilizing these engines may include tractors, utility vehicles, refrigeration, mining, light towers, de-barkers, light-duty construction equipment, and other off-road mobile applications affected by Tier 4 emissions regulations. For 2017, PERC will commit limited resources to engine and product development where consistent market demand and positive return-on-investment opportunities exist. PERC will continue to support and promote the adoption of current products, utilizing a multi-tiered promotion campaign that focuses on propane's ability to positively impact three main areas – environment, economics, and worker/workplace safety.

Propane engines hold distinct advantages in numerous off-road mobile applications and industries. Tier 4 emissions regulations have introduced an era of extremely complex and expensive diesel engines and equipment, which now has many equipment and fleet owners looking for lower cost complaint options to meet their needs. With continued commitment and a highly focused approach to the off-road mobile marketplace, propane stands to benefit in the near future.

CORPORATE COMMUNICATIONS

Total Budget: \$980,000

Marketer email program

Budget: \$100,000

According to some estimates, there are 3,500 propane companies employing 50,000 people nationwide. Overwhelmingly, the owners and managers of those companies tell us that email is the best way to reach them. That's why our digital strategy to increase marketer engagement, begun in 2015 with the help of a firm called Blue State Digital ("BSD"), which relies on email campaigns to get the right news to the right marketers at the right time. Email is an opportunity to collect information about marketers that helps us segment the marketer audience to send people the information that they're most interested in. PERC sends two or three dedicated campaigns a month to all or some marketers in the database (roughly 12,000 contacts), and returns have been promising. In 2017 the effort will continue entirely in-house, saving hundreds of thousands of dollars on agency fees while continuing to reach more marketers with more news they can use.

For 2017, PERC will send two email campaigns to select marketers each month and develop a series of automated follow-up messages to marketers who take specific actions, such as open an email, click a link in an email, visit a PERC website, click a website link, download a product from the online catalog, watch a video, and so on. The follow-up messages would be designed to get them to take the next step on their user journey. Potential returns include higher engagement with PERC initiatives, greater use of PERC materials, and higher industry approval ratings of PERC and its programs.

Routine industry communications (e.g., PERC Update, Propane Daily News)

Budget: \$100,000

According to some estimates, there are 3,500 propane companies employing 50,000 people nationwide. Our database of marketer contacts, about 12,000 strong, includes many of the men and women who run those companies. Overwhelmingly, they tell us that email is the best way to reach them. They are also active on social media, especially Facebook. For that reason, our routine marketer communications rely heavily

on email and social media, though other tactics are included. Performance has been improving in recent years, but we're not satisfied. Too many marketers tell us that they do not know enough about PERC programs, projects, and products and do not know how to get involved. There is opportunity for growth across the board in reach, frequency, and impact.

The performance of our flagship email newsletters, *The PERC Update*, which comes out every Friday, and Propane Daily News, which comes out every business day, bears out the industry's preference for email. Both newsletters have open rates of around 25 percent and click rates of 15 percent, well above the average for email newsletters sent by nonprofits. PERC's research shows about 80 percent of propane companies use Facebook for business, and Facebook has become an important part of our routine communications. PERC expects to refine and improve these products in 2017 without increasing spending.

Website content (state websites and propane.com)

Budget: \$230,000

The PERC websites, propane.com and the two dozen state websites, support the Council's B2B and B2C outreach, helping to move current and prospective users of propane in the various markets through multimedia content on propane.com and the state websites PERC manages. Our media strategy is designed to promote these websites and drive current and potential customers, including prospective adopters of new propane-fueled products, to the sites. Funding will support development of new content to be consumed on the websites including, videos, white papers, and information about products and incentives, to provide important visibility throughout digital channels, including digital ads, Facebook, and YouTube. The Council's website, propanecouncil.org, is our primary vehicle for providing information about the Council's programs and resources to marketers, and making PERC's products and resources available to marketers through the Propane Catalog.

Agency oversight and communications support

Budget: \$400,000

As part of PERC's reorganization in 2011 and subsequent hiring of a lead communications agency to replace several agencies working in silos, we achieved significant savings on agency activities like strategic planning, account oversight, and status calls. Since then we have protected those savings by budgeting for, and tracking the costs under the corporate communications docket each year.

The current budget estimate for agency oversight, \$400,000, should be sufficient to cover agency oversight costs with outreach activity in all markets.

Safety Communications

Budget: \$150,000

Safety communications initiatives include continuing PERC's Safe Grilling/Grilling for Heroes, and the "Leave it to a Pro" campaigns, that provide information to consumers on safe grilling practices and persuading would-be do-it-yourselfers to leave the repair and installation of gas appliances to qualified professionals, respectively. These safety communications programs seek to provide propane consumers with persuadable

information on how to use propane and propane appliances safely and thus reduce incidents and accidents.

The Safe Grilling campaign will include on-line safety messages for propane marketers to place on their websites and Facebook pages, as well as sending them directly to their customers as well as downloadable collateral.

Funding for the “Leave it to a Pro” will allow PERC to continue campaign place information and a video about the potential negative results of not hiring a qualified technician to conduct propane appliance system and appliance repairs and installations, as well as providing a portal for consumers to submit their DIY project to PERC whereby they can be put in touch with a qualified technician to perform those activities, albeit at a reduced visibility over the 2015 & 2016 campaigns.

Also in 2017, PERC seeks to develop four consumer safety videos for propane marketers to place on their websites and/or send directly to customers. The consumer safety videos will educate consumers on such topics as “how to read a tank gauge”; “how to turn your propane tank on and off”; “small cylinder safety”, etc. The videos will commend consumers for making the correct choice about using propane accompanied with some safety tips. The videos will be available for use by state associations and propane marketers on their websites and social media pages to expand their reach. Under the 4/10ths budget, funding will allow for the development of four such videos.

PROPANE INDUSTRY

Total Budget: \$5,335,500

CETP Maintenance, Updates, Help Desk

Budget: \$140,000

This project will provide maintenance and support for the 14 CETP textbooks and seven e-learning programs, including Help Desk support to marketers and instructors using the PERC E-Learning programs, a bi-monthly Trainer Newsletter and a monthly Industry Feedback call to review industry comments, suggestions and edits to the current CETP books and e-learning programs. The helpdesk now includes a monthly audit process to ensure that marketers are receiving service and a Frequently Asked Questions (FAQ) phone tree is now active when a marketer calls. The goal is to move helpdesk services to the new Learning Management System (LMS) provider to help marketers use CETP E-Learning on-line.

The next update to NFPA 58 will occur in 2017 and the next edition of NFPA 54 will be occur in 2018. The increase in funding in this area for 2017 reflects the regulatory updates that will occur per the NFPA 58 update. The impact of not funding the CETP Maintenance, Updates, Help Desk project, will put the industry at an unnecessary risk of using out dated training materials. To avoid this risk, it is recommended to fund this project so the necessary regulatory updates can be made.

CETP Online and Outreach

Total Budget: \$100,000

Per the Safety & Training Working Group Digital Strategy work, the roadmap indicates taking the current training programs and placing them on-line for industry use. The current program is in a pilot stage and will continue to grow with outreach to the industry

and includes offering a combination of on-line and classroom training known as “blended learning”.

Expanding the reach of training to the propane industry is a strategic priority for the Safety & Training Working Group. The Working Group is suggesting a methodical approach to this new initiative and is working with the MTST group to utilize/combine resources. The potential return would include increasing the use of CETP e-learning on-line as both stand-alone and blended learning formats resulting in cost saving for propane marketers without sacrificing appropriate training needs.

Marketer Technology & Sales Training (MTST):

Budget: \$700,000

MTST remains a vital component of PERC’s commercialization process by transferring marketplace knowledge, data and benefits associated with new propane-fueled equipment to propane marketers through classroom training. State propane associations, propane marketers, propane wholesalers, and propane equipment distributors can choose to host specific training modules to align with market potential and propane marketer interest in each state. Classes support PERC’s consumer education, safety, and commercialization efforts by enhancing marketer’s understandings of new propane applications and ongoing marketing initiatives. In-class sales exercises help marketers effectively target energy decision-makers using real-life scenarios that provide direct exposure to supporting PERC resources. Newly developed digital training modules will provide marketers a “deeper dive” into the most recent market developments and tools to leverage growth opportunities delivered straight to their computers.

Industry Outreach:

Budget: \$340,000

Heightening awareness and understanding of PERC efforts to expand market opportunities demands a concerted effort beyond print and digital outreach to industry professionals. PERC’s presence at major industry conventions and trade shows (Southeast Expo, Western Convention, North-Central, and Northeast) provide prime opportunities to display the fruits of PERC’s R&D initiatives and showcasing new commercialization efforts to expand the use of propane. Those same venues provide ideal opportunities for PERC staff to address large audiences and explain PERC strategies, goals, accomplishments and challenges. Equally important, meeting with state associations fosters ongoing personal relationships and facilitates direct feedback from the front lines. In 2017 PERC will enhance that dialog with visits to each state exec and their leadership team.

Website content (propanecouncil.org and state websites)

Budget: \$ 170,000

Marketer-facing content on propanecouncil.org and the state websites represents an important part of our industry communications work. Propanecouncil.org is, or soon will be, home to the online catalog of PERC products, so its importance as an online

destination for marketers will rise in 2016 and beyond, especially as marketers begin to visit the site to download consumer campaign materials.

The goal for the recently re-designed Council website is to be recognized by marketers as the go-to source for information, engagement, interaction and networking with PERC staff. PERC will also develop content for use on the two dozen state sites to provide state- and region-specific information for their marketers. Funding for the Council and state websites will support development of content to promote awareness and use of products and services, marketer training, and applications to support marketer input and feedback on programs and resources. For all websites, funding will support assessing, revising, and upgrading content and other components and tracking and reporting on site performance.

First Responder Outreach

Budget: \$100,000

Through outreach and the funding of training programs, the propane industry continues to enjoy a positive relationship with our nation's first responder communities. This is critical not only in terms of safety but also for market growth for new propane technologies including propane autogas.

In 2017, PERC's outreach to first responder communities will continue in a variety of options, (1) maintaining our relationship with International Association of Fire Chiefs (IAFC), through which several Propane Emergencies courses are made available through their training portal, (2) sponsor and present at first responder conferences, (3) develop a dedicated training portal for first responders on propane basics and responding to autogas incidents, and (4) fund additional Industry Responder Conferences. The potential returns on any of these tactics will serve to maintain and increase the propane industry's positive relationship with the first responder community and reduce incidents and accidents.

Consumer Safety Materials Subsidy

Budget: \$226,000

Every year propane marketers deliver millions of PERC's consumer safety pamphlets and brochures to its customers. In 2015, PERC reduced the cost of four of its most popular consumer safety materials resulting in a \$223,000 expenditure. The good news is that usage trends of those materials continues to increase with sales of \$4.6 million copies of the "Propane Safety for and you and Your Family" pamphlet sold in 2015.

Program Support

Budget: \$1,045,000

Advisory Committee and Program Support: This initiative supports all advisory committee functions as well as the project administration of various programs. Key activities will include: logistics for advisory committee meetings, as well as travel expenses to support business development and product commercialization efforts.

Professional Services Support: In order to serve our current focus markets, efficiently identify new markets and opportunities, and ensure efficiencies of new products, additional professional support is required. PERC utilizes consultants in lieu of additional staff to aid PERC in these efforts because of their technical knowledge and expertise in

a specific market. Professional service contractors are responsible for assisting in the development of approach strategy, coordinating efforts with partners, representing PERC as speakers/presenters, and identifying and locating key event participation opportunities.

2016 API Survey: The API survey allows PERC to accurately reflect and analyze the amount of propane gallons sold, be compliant with the Propane Education and Research Act, and properly distribute rebate funds to states.

Partnership with NPGA & GPA

Budget: \$1,394,500

In fulfillment of PERC's statutory obligation to coordinate its activities with those of the industry associations, PERC's partnership agreement with the Gas Processors Association and the National Propane Gas Association aligns the strategies of the three nonprofit groups and expands collaboration on activities and initiatives such as federal agency outreach, regulatory compliance updates, and the Certified Employee Training Program — all to protect and promote the interests of the industry, consumers, and the public.

Technical and/or Market Research

Budget: \$1,110,000

Technical research is fundamental in nature and supports PERC's strategic goals. It will include areas such as fuel composition, safety, emissions, equipment performance, or research to support regulatory compliance initiatives. Actual fuel composition is of interest to our OEM partners as they develop fuel systems for propane utilization equipment. Regarding emissions, the propane industry requires accurate emissions information for propane consuming equipment in order to position propane against competing fuels.

The Propane Market Research Initiative fulfills PERC management goals as follows:

- Provides the Propel (stage-gate) process with adequate, reliable, and independent data for "gate" decision-making;
- Provides the annual and long-term planning process with market knowledge and insights, business analysis, and information for effective planning;
- Provides the measurement and evaluation process with metrics by which to judge the performance of programs and tools, as well as business outcomes. These goals are accomplished by collecting market intelligence data followed by an assessment of the data.

In past years, this program included \$50,000 for an annual Market Outlook report. At the request of Council and industry members, this report will be produced on a tri-annual basis and the budget has been reduced accordingly.

TOTAL PROGRAM INITIATIVES: \$24,838,220

CAPITAL BUDGET

The 2017 Capital Budget primarily represents information technology (IT) program initiatives that support our consumer education campaign, market and technology development objectives, safety and training outreach, measurement and evaluation activities, enhance industry engagement, and improve organizational efficiency.

Capital Budget: \$183,000

Part V.
2017 BUDGET SUMMARY

SOURCES OF FUNDS

REVENUES

Assessment Collections	\$38,948,400
Investment Income	<u>\$164,000</u>
TOTAL REVENUES	\$39,112,400

DEOBLIGATIONS

\$500,000

BEGINNING BALANCE

\$1,130,737

Total Sources of Funds

\$40,743,137

DISTRIBUTION OF FUNDS

Administrative Expenses

\$2,653,500

Other Expenses:

Assessment and Collections	\$82,000
Depreciation Expenses	<u>\$457,000</u>
Total Other Expenses	\$539,000

State Rebates (20 Percent of Assessment Collections)

\$7,789,680

Programs:

Program Salaries	\$3,685,000
Program Staff Benefits	\$538,000
IT Support	\$447,000
Operating Program funding	<u>\$24,838,200</u>
Total Program Funding	\$29,508,200

Total Distribution of Funds

\$40,490,380

Uncommitted funds for 2017

\$252,757

2017 CAPITAL EXPENDITURE Budget

\$183,000