

Propane Education & Research Council Budget Plan for Calendar Year 2016

On July 30, 2015, the Propane Education and Research Council (PERC) published its 2016 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 no public comments received. This document represents the 2016 budget that PERC approved at its November 5-6, 2015 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.

A 2009 restriction on the Council's consumer education program, triggered by a government price analysis and unrelated to PERC activities, was lifted in April 2015. The Council now has unrestricted authority "to inform and educate the public about safety and other issues associated with the use of propane," one of the Council's priority functions under the Propane Education and Research Act of 1996.

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 2016 year. Since PERC's inception, all audits have resulted in an unqualified (clean) opinion from the certified public accounting firms. These audits included the reasonableness testing of all key financial matters under PERA.

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 2016 budget.

Assessment Collections. Assessment revenues of \$36,343,000 are projected for 2016.

Investment Income. Investment income in 2016 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 2016 to be returned to the general treasury are estimated at \$750,000.

Estimated Beginning Fund Balance. Funds available from 2015 are projected to be \$10,374,400.

Part II.

GENERAL EXPENDITURES AND CAPITAL INVESTMENTS

Administrative Expenses. Administrative expenses in 2016 are budgeted at \$2,651,500. 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 \$54,000 are estimated at 7.41 percent of assessment funds the Council expects to collect for 2016. 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. 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 \$355,000 in 2016.

Capital Investments. PERC is planning capital investments of \$455,000 in 2015 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 2016 are budgeted at \$7,268,600.

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. ..."*

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 15, 2015, 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 plans of PERC, actual funding will be considered on a docket-by-docket basis for 2016. In addition to requesting public and industry comments on the budget plan, PERC routinely solicits comments as part of its evaluation process for individual projects.

There are \$30.9 million in program budget initiatives for 2016. 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.

RESIDENTIAL

Residential Market Outreach and Training

The residential market remains vital to the economic wellbeing of the propane industry. New home construction and consumer spending on remodeling is expected to grow over the next several years, creating a new normal for residential construction. The key opportunities in 2016, similar to 2012-2015, exist in new construction, renovations and expanding the use of propane with existing homeowners.

Since 2008, PERC has provided training courses to construction professionals and the propane marketers who do business with them. The residential and commercial market outreach program in 2016 will continue to focus on the builders and construction professionals by providing research and training on the benefits of propane, commercializing new products and the deploying incentive programs. However, in 2016, newly available data should allow PERC to reach prospects in a more targeted and intensive manner for construction professionals and homeowners. In 2016, there will be a continued emphasis on engaging the propane industry and our OEM partners in the effort to expand the use of propane in the residential and commercial market, understanding that the defense and potential growth of the residential market. The strategy to renew emphasis on marketer engagement and sales training in the

residential market will continue in 2016. Outreach and training tactics include appearances and training opportunities at national and regional trade shows, road shows and demonstrations, digital advertising, direct outreach to builders and construction professionals, and communications support for PERC incentive programs.

Residential & Commercial Research & Development

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 2016.

Builder Incentive Program

As part of its effort to research, develop, and demonstrate the effectiveness of propane technology, PERC is offering a monetary incentive to qualifying and select builders who build new homes that follow the Propane Energy Pod model and include propane equipment for space heating, water heating, cooking, and other heating and power applications. PERC has funded and published independent third-party research that enumerates the projected increase in energy efficiency, performance, comfort, and carbon-emission reductions of Pod homes when compared with all-electric counterparts. The Propane Energy Pod Builder Incentive Program is designed to promote the construction of Pod homes within the United States. Eligible builders will receive up to \$1,500 for building using the full Propane Energy Pod in the Full Comfort and Efficiency Package (space heating, water heating, cooking, and two other appliances), \$1,000 for the Essential Needs Package (space heating, water heating, cooking, and one other appliance), or \$750 for the Strategic Application Package (water heating, cooking, and two other appliances), in exchange for information regarding the installation, specification, marketing and sale of homes built using this model.

Residential Budget: \$1,937,000

COMMERCIAL

Commercial Market Outreach and Training

The commercial market accounts for about 20 percent of the demand for odorized propane in the United States, according to research done for PERC, and it offers opportunities for growth. The commercial market outreach program in 2016 will be designed to capitalize on those opportunities, and the communications investment in this area reflects the Council's desire to drive new demand for propane in commercial propane applications. The 2016 strategy will use the research developed in 2015 that identified decision makers, institutions, and influencer organizations to assist in focusing PERC's commercial outreach. Outreach and training tactics include appearances and training opportunities at trade shows, a public relations campaign that focuses on direct engagement with commercial audiences, road show and demonstration efforts, and communications support at PERC incentive programs aimed at buyers of commercial propane products. The 2016 strategy includes an expanded emphasis on engaging propane marketers through sales training, use of collateral, and outreach to decision makers.

Commercial Outreach for Rental Equipment

In 2015, PERC conducted research with rental yards and construction equipment manufacturers to identify opportunities to increase the number of propane units

manufactured and incorporated as rental options for construction equipment. Primarily, the 2016 program will aim to implement a modest outreach plan for the rental market to include these items as well as other construction equipment, material handling equipment, and lawn and landscape equipment. Secondly, the Outreach for Rental Equipment program will allow PERC to work more closely with OEMs and the propane industry to bridge the gap between providing fuel, equipment and service to end-users of construction rental equipment.

Commercial Budget: \$741,000

AGRICULTURE

PERC agriculture programs promote the use of propane in the agriculture sector through product development and market development. Market development includes outreach to end users, increasing engagement with agricultural equipment distributors and dealers, and updated education and materials for marketers about the opportunities in agriculture and how to capitalize on those opportunities. There are a number of product categories used in agricultural operations where we are working to increase demand for propane.

Grain Drying: Propane is used in over 80 percent of all agricultural operations for grain drying. Natural gas is the primary competition in this market and the lack of availability for natural gas in rural areas is our main competitive advantage. Our market strategy for grain drying is to encourage “distributed” on-the-farm grain drying versus “central” grain drying at a central elevator where natural gas supplies are more readily available. PERC is working with grain dryer companies to make grain drying equipment more efficient, and thus more economical for on-farm use, while promoting the value of on-farm grain drying to end users and agriculture industry influencers including propane marketers, equipment dealers, and industry consultants.

Building Heat: Building heat, including greenhouses and animal housing, is an important market for propane in agriculture. PERC has invested in the development of efficient new heating systems in recent years and is promoting the value of propane for heating systems to end users and marketers. Engaging building heating system manufacturers and dealers is an important market development strategy in 2016.

Irrigation Engines: PERC has made considerable investments in the last five plus years in a new generation of industrial engines that compete extremely well against the current generation of tier 4F diesel engines. There is also an opportunity to compete against electricity in some irrigation markets. Market development, with regional emphases in key irrigation states, is an important activity in this market in 2016, as there is a good window of opportunity to capture market share as agriculture producers look to place irrigation engines and are faced with the complexity and costs associated with diesel engines. Engaging irrigation engine distributors and retailers is an important strategy for these engines. Product development for higher horsepower engines is a market opportunity we are exploring with equipment manufacturers.

Flame Weed Control: PERC has made considerable investments in the development of products that use heat in the form of flame or steam to control weeds. The opportunity for flame weeding units remains small relative to grain drying, building heat, and irrigation; however, this is a growing opportunity as organic agriculture expands and the

cost of herbicides increases. Our primary tactic for this technology is market development through consumer education.

Mobile Ag Implements: Propane has played a role in powering agricultural equipment in the past; however, there are few implements that currently run on propane. PERC is currently working with a leading equipment manufacturer to develop a tractor that operates on propane. Initial testing and market research will be complete in 2015, and additional testing and market research could be conducted in 2016. The potential for propane to be used in agricultural mobile applications is a growth opportunity in this market.

Equipment from Other Markets: Agriculture operations can use many different propane-powered equipment, including vehicles, mowers, generators, water heaters, and other residential equipment. As we communicate with agriculture operators and industry influencers, we are promoting the value of propane and all propane equipment.

Agriculture Budget: \$1,817,000

ENGINE FUEL

PROPANE AUTOGAS

Propane Autogas Outreach

The autogas market has experienced steady growth during the past five years, particularly through the increased adoption of propane-fueled school buses and EPA certified aftermarket bi-fuel conversions. To build on this momentum and capitalize on the opportunity to increase year-round propane demand, PERC will focus on business-to-business outreach to school districts and private contractors and medium duty vertical market segments with the potential to purchase large fleets of propane-fueled vehicles. Key to market growth is outreach and training to the propane industry to provide information and skills needed to drive increased adoption of propane autogas powered vehicles. To further expand propane's reach in the market, PERC partners will be bringing to market several new products, including direct injection engines and Class 7 trucks.

To support the primary activities of business-to-business outreach, product development, and marketer outreach in the autogas market segment, PERC will also fund activities such as first responder training focused on improving market safety, external audience training (e.g., in conjunction with the National Alternative Fuels Training Consortium), and technical and market research that could inform codes and standards development and that will enable emissions comparisons of propane-fueled vehicles to vehicles of other fuel types.

Key to the success of these programs will be the continued effort to put this new technology in front of potential customers and show them the benefits of propane autogas' total cost of ownership without sacrificing performance or reliability. Again in 2016, PERC will make a considerable effort to provide hands-on opportunities for end-users to experience propane autogas vehicles through trade shows, dealer training events, key media placements, and Clean Cities outreach.

Propane Autogas Product Development

In autogas product development, PERC will focus its investment in five key areas: aftermarket bi-fuel systems, explore OE engine development, continue to investigate direct injection technology and vehicle platforms with strong market growth potential, and development of shuttle application to be used in National Parks and other shuttle markets.

In 2014 aftermarket bi-fuel systems sales accounted for approximately 68 percent of the propane autogas sales in the United States. This trend is continuing in 2015 and is expected to continue into 2016. After the pricing and supply concerns from the winter of 2013 subsided, bi-fuel systems sales have increased primarily due to the flexibility provided to the end user to use either propane autogas or a conventional fuel which, in turn, reduces their fuel pricing and availability concerns.

Introduced in 2014, the Aftermarket Stimulation Program required time to establish participation through increasing the interest by our supplier partner companies. The propane industry is beginning to experience a solid return on investment through the documented sales of hundreds of certified bi-fuel systems. PERC should maintain the momentum created up to this point by reinstating the program in 2016. The primary objectives of the program are to (1) provide support for aftermarket partners and (2) increase the number of current EPA certified bi-fuel systems available for high demand vehicles which in turn increases sales of propane autogas gallons.

It became evident working with the National Park Services, NREL and DOE recently to increase the presence of on road and off road propane autogas technologies in our national parks system. While working with Acadia National Park recently to secure a propane autogas shuttle bus chassis necessary to replace older autogas shuttles, PERC staff realized there is a need to assist our supplier partners by offsetting the costs for Altoona testing and certification. Altoona certification is required by the Federal Transit Authority that in turns pays for approximately 80 percent of procurement, operation and maintenance costs for the end user. NPS and their contractors' replacement vehicle volumes are insufficient to create interests by the OEM or body manufacturers; yet fuel consumption warrants the propane industry offsetting the costs for Altoona testing and certification. In the end, the propane industry will benefit through an increased number of available FTA and Altoona certified chassis which are required for use in a large number of national parks which in turn will increase our national exposure as well as increase the annual sales of propane autogas.

Propane Autogas Budget: \$2,271,800

PROFESSIONAL LANDSCAPING

Commercial Mowing

In the past decade, PERC has worked with original equipment manufacturers to develop a suite of professional grounds maintenance products, including more than 135 models of propane-fueled mowers from 17 manufacturers. For the last three years, PERC has invested substantial dollars and resources in incentives and data capture programs aimed squarely at the professional landscape market. Those efforts have helped propane continue a steady rise to become a legitimate fuel option for the

commercial mowing market. While we have built market share in specific product categories (such as the 60-72" zero-turn rider), the overall numbers have not yet yielded significant market share compared with the commercial mowing marketplace.

With the appropriate resources and a highly focused effort, PERC intends to capture at least 10 to 15 percent overall market share in the next three years. Unlike previous years, where product development was the lead strategy, much of the work in 2016 will be dedicated to training and sales support. This will be done through dealer and distributor channel support, technical training, and promotion to build awareness to support sales of propane mowers.

In 2016, PERC will support the commercialization and sales of products, such as: (1) channel education and training through business-to-business outreach, (2) propane marketer outreach and training, (3) external audience campaigns (i.e., end users) (4) promotion of new OEM products such as new EFI propane engines, (5) promotion of new EPA certified conversion kit partners, and (6) product line extensions into other engine driven equipment (e.g., seeders and spreaders). Key to the success of these programs will be the continued effort to put this new technology in front of potential customers and show them the benefits of propane, both economic and environmental, without sacrificing performance or reliability. Again in 2016 PERC will make a considerable effort to provide hands-on opportunities for end-users to experience propane mowers via demonstration units, trade show appearances, dealer field days, key media placements, and end user and dealer incentive programs that encourage early trial and adoption.

Golf

In mid-2015, PERC made a significant investment in the demonstration of professional golf and turf maintenance equipment to build market awareness and capture real-world user data. While the demonstration program will carry into the next budget year, in 2016 PERC will add highly focused marketing, branding, and training campaigns specifically targeted at superintendents, course owners, and municipalities. Similar to the early work in the professional landscape market, we will continue with efforts to drive awareness of the products and opportunities that ultimately lead to customer inquiry and demand.

In 2016, PERC will support the professional golf and turf maintenance markets through (1) channel education and training through business-to-business outreach, (2) propane marketer outreach and training, (3) support and commercialization of OEM products, and (4) branding and co-marketing campaigns.

Professional Landscaping Budget: \$2,450,000

MATERIAL HANDLING (FORKLIFT & PORT APPLICATIONS)

Propane continues to be a preferred fuel for many material handling applications, because of its power, low relative first-cost, and clean-burning attributes. However, propane applications such as forklifts are under constant regulatory and fleet operator pressure to become even more clean-burning and energy efficient. Additionally, advancements of battery-electric and hybrid models have displaced propane forklifts in some traditional warehousing operations in recent years.

In 2016, PERC will focus on maintaining and expanding propane's position in the material handling market by focusing on (1) conducting outreach to businesses that can benefit from propane-fueled equipment, (2) addressing areas in forklift and port applications where propane can displace more complex and expensive options like tier 4 diesel and CNG, and (3) continuing commercialization support of new and advanced propane-fueled technologies such as the 8.8L and 4X engine platforms specifically developed for the material handling marketplace. To increase market penetration of these technologies, PERC will update sales training and collateral, refresh operator training for new equipment and provide propane marketers with materials and training that inform them about these new propane-fueled products and their operation. PERC will also conduct continued technical and market research, including research on the health, safety, and environmental benefits of propane-fueled material handling equipment compared with equipment of other fuel types.

Material Handling Budget: \$490,000

OTHER OFF-ROAD ENGINES

For 2016, PERC's focus will cover three key areas in the off-road engine markets: channel education and training, which includes equipment dealers, the propane industry, and end users; small engine product development and promoting the adoption of current products, with a focus on market demand and speed to market; and engagement in supporting safety-building activities and technical market research.

Substantial opportunities exist in small heavy-duty spark ignited engine development programs that target the 50 to 75+ horsepower mobile off-road applications. Products using 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 diesel emissions regulations. Propane engines hold distinct advantages due to low equipment acquisition costs compared to Tier 4 compliant options without added complexities of complicated emissions control devices.

Other Off-Road Engines Budget: \$895,000

Engine Fuel Budget: \$6,106,800

TECHNOLOGY INNOVATION/OPERATIONAL RESEARCH

Innovation will contribute to PERC's technology commercialization goals by working with organizations and researchers that can contribute to the development of possible breakthrough technologies and new markets that would enable propane to win against competitive fuels and establish new product groups for industry growth. It could include regional forums to showcase new technologies and innovations.

Operational research is fundamental in nature and supports PERC's strategic goals. It will include areas such as fuel composition, safety, emissions, equipment performance, sensing, or research to support regulatory compliance initiatives.

Technology Innovation/Operational Research Budget: \$1,280,000

SAFETY & TRAINING

Safety Communications

This safety initiative includes refinement of existing consumer safety communication as needed, as well as informing the propane industry about the value and availability of all PERC Safety & Training programs and initiatives.

Among PERC's ongoing consumer safety communications projects are a safe grilling campaign, Grilling for Heroes, and a campaign designed to persuade would-be do-it-yourselfers to leave the repair and installation of gas appliances to qualified professionals. Marketers can take part in Grilling for Heroes by sharing the safe grilling tips with their customers, by encouraging customers to make a charitable donation to Hope For The Warriors, a military charity, and by sharing their own stories of military service with us on Facebook. They can take part in the Leave It to a Pro campaign by putting a link to diysafety.org on their website and encouraging DIYers to watch the video before tackling any gas-related home-improvement project.

Safety communications will also provide funding to develop a propane industry community outreach document and PowerPoint on the safety of propane rail transportation propane marketers could use to talk to their communities about rail and rail terminal safety.

Workforce Training

The 2016 workforce training program funding will include the development of an NFPA 58-compliant refresher training program and one CETP textbook, to be determined by the Safety & Training Working Group. All of which will be supported and maintained through industry outreach and an e-learning help desk, as well as content updates due to code changes.

Funds will also be used to expand PERC's CETP online pilot program with willing state associations. The pilot programs offer a "blended learning" approach that combines online learning with classroom learning that reduces the time needed to attend CETP classroom training. Blended learning be an effective means to reduce the time and cost of classroom training without sacrificing the need to educate propane professionals on some complex tasks associated with propane delivery, plant operations, equipment maintenance, and installation of appliances.

A safe driver training course will also be developed in various formats and delivery methods. This training is aimed at advancing workforce driver safety as well as to be used as a recruitment tool for prospective new drivers.

Autogas Technician Training and Certification

In 2016 PERC will develop additional stand-alone training materials to support key maintenance topics in the Autogas market, such as the proper means in which to conduct autogas tank purging. Additionally, PERC will begin a pilot program with the

Automotive Service Excellence (ASE) as a step towards developing ASE certification for propane autogas technicians.

NAFTC Autogas Technician Training Support and Outreach

In 2016 PERC will roll out an autogas technician training program developed with the National Alternative Fuels Training Consortium (NAFTC) and reviewed by 20 NAFTC member technical colleges. While NAFTC will reach out to its fifty member technical schools to adopt the new program, a broader roll out requires additional PERC support to promote the new course to technical schools in states across the country, to help them implement and integrate the course into their existing automotive programs as well as to obtain feedback from schools and various PERC stakeholders on the efficacy of the program. This feedback will be used to measure the program's success as well as identify any needed changes

First Responder Training & Conferences

In 2016, funds will be used to conduct 3 or more Industry Responder Conferences where PERC will partner with various state associations to bring firefighters, propane marketers and other stakeholders together for two-day training and networking sessions.

Marketer Technology & Sales Training (MTST)

Classroom MTST remains a crucial component of PERC's commercialization process: 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 specific training modules to align with market potential and propane marketer interest in each state. Classes are designed to support PERC's training, safety, and R&D efforts by enhancing marketers' understanding of new propane applications. Marketers benefit from in-class sales exercises involving real-life situations as well as direct exposure to supporting PERC resources.

Total Safety & Training: \$2,848,000

CONSUMER OUTREACH CAMPAIGN

Consumer Outreach Campaign

The restoration of the Council's public education authority, after nearly six years of restriction, provides an opportunity to engage propane consumers with a purposeful, targeted and sustained approach. The proposed 2016 budget includes funds to execute a consumer outreach campaign in multiple market segments, including residential/commercial, Autogas, landscaping, and agriculture. The campaign will use diverse media to educate targeted consumers about the benefits of using propane to fuel a variety of appliances, equipment and vehicles. The campaign will encourage grassroots engagement through a digital strategy to reach propane retailers with useful market intelligence and other resources through the Marketer Technology and Sales Training program, and through the Partnership with the States matching funds program.

Consumer Outreach Campaign Budget: \$9,800,000

INDUSTRY PROGRAMS

Industry Communications

Digital communications will continue to be the corporate focus in 2016, as PERC prepares to resume consumer education activity and align the online presence with the research and development, safety, and training programs, including the GallonGrowers toolkits, Marketer Technology and Sales Training, and product-launch initiatives. PERC will also refine and expand the market research program, collecting information about prospective users of new propane-fueled products in all markets in a way that can help shape corporate communications in the years to come. Projected costs associated with strategic communications planning and account services at our agency of record, Swanson Russell, are reflected here.

Thought Leadership National PR

To promote the safe, effective use of propane, as Congress directs it to do in the Propane Education and Research Act of 1996, PERC must act to make propane part of the national energy conversation. The thought leadership program is designed to make propane, the propane industry, and PERC bigger players in the nation's pursuit of clean, domestic energy.

Digital Strategy for Industry Engagement

PERC proposes to undertake a digital strategy designed to help propane marketers and other industry members help create, take part in, and get the full benefits of PERC programs. The digital strategy would consist of redesigning the Council's marketer-facing website, propanecouncil.org, and merging it with a redesigned and rebranded online catalog (today known as the Propane MaRC) to create a seamless experience for marketers; carrying out an email communication campaign designed to give marketers more of the information they want, and less of what they don't want while helping them get involved in consumer education activities, the adoption and promotion of new products and more; and delivering ongoing brand and communications support.

Partnership with States

The Partnership with States program continues to support joint efforts with the states with shared funding for consumer safety, end user training, and market development projects. The program is aligned with national priorities in an effort to maximize the industry's reach and introduction of new products and training programs to potential customers at the state and local levels. Partnership activities target external audiences such as residential consumers, builders, farmers, landscapers, fleets and the fire service. Programs available under the partnership will be evaluated and modified in collaboration with the states to align with the restored consumer education function.

Industry Partnerships

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 and consumers.

Industry Programs Budget: \$4,894,500

PROGRAM SUPPORT INITIATIVES

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.

Propane market research initiative

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

- Provides the Propel process with adequate, reliable, and independent data for 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.

2015 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 of 1996, and properly distribute rebate funds to states.

Program Support Initiatives Budget: \$1,504,900

CAPITAL BUDGET

The 2016 Capital Budget is \$455,000 and compares to \$411,000 for 2015. The budget primarily represents information technology (IT) program initiatives that will support our market and technology development objectives, measurement and evaluation activities, enhance industry engagement, and improve organizational efficiency. Major activities include: enhancements to the PERC contacts database and management system to improve access from mobile devices and provide improved reporting tools; software upgrades to the state association websites to support new content that is planned for 2016; modifications to the Councilors' website to improve document archival; the addition of an advisory committee website or similar shared space to support document and meeting information sharing; server upgrades to support the PERC websites; and database upgrades to support enhancements to the Find a Propane Retailer application.

Capital Budget: \$455,000

Part V.
2016 BUDGET SUMMARY

SOURCES OF FUNDS

REVENUES

Assessment Collections	\$36,343,000
Investment Income	<u>\$164,000</u>
TOTAL REVENUES	<u>\$36,507,000</u>

DEOBLIGATIONS

\$750,000

BEGINNING BALANCE

\$10,374,400

Total Sources of Funds

\$47,631,400

DISTRIBUTION OF FUNDS

Administrative Expenses

\$2,651,500

Other Expenses:

Assessment and Collections	\$82,000
Depreciation Expenses	<u>\$355,000</u>
Total Other Expenses	<u>\$437,000</u>

State Rebates (20 Percent of Assessment Collections)

\$7,268,600

Programs:

Program Salaries and Taxes	\$3,617,000
Program Staff Benefits	\$526,500
IT Support	\$621,000
Operating Program funding	<u>\$30,929,200</u>
Total Program Funding	<u>\$35,693,200</u>

Total Distribution of Funds

\$46,050,300

FUND RESERVE FOR 2016

\$1,581,100

2015 CAPITAL EXPENDITURE Budget

\$455,000