

PROPANE EDUCATION & RESEARCH COUNCIL Budget Plan for Calendar Year 2018

The Propane Education and Research Act of 1996 (Public Law 104-284) (PERA) requires the Propane Education & Research Council (PERC) to publish a budget plan for public comment for the coming calendar year before August 1 of each year. That budget plan, according to the Act, shall include the probable costs of all programs, projects, and contracts as well as a recommended rate of assessment sufficient to cover such costs. After public review and comment, and approval by a majority of Council members, PERC must submit the budget to the Secretary of Energy and to the Congress. This document constitutes PERC's budget for calendar year 2018.

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 2018 year.

The updated 2018 Budget has been completed and follows this memo. Based on discussion from the July Council meeting, this updated budget contains the following changes:

- 2018 IT capital expenditures were reduced from \$645,000 to \$68,620 as PERC re-evaluates its IT strategy. As a result, depreciation expense over the next three years is reduced by \$168,328. This includes funding for new projects, including web and dashboard enhancements.
- 2018 IT support costs were reduced from \$600,000 to \$444,000. This reduction included the postponement of the single sign-on project and other system redesign projects pending the development of propane.com. The reduction in capital spending also lowers the requirement for increased license fees.
- Administrative expenses have been increased by \$4,000 to accommodate office systems & security services.

The net impact of these changes is a \$320,328 reduction in costs over the original 2018 budget. This amount has been reappropriated to the 2018 budget for operating programs.

EXECUTIVE SUMMARY

In developing the 2018 budget we began with 5 key objectives in mind:

1. Strengthen outreach programs to marketers, decision makers, suppliers, dealers, and end-users in all markets.
2. Invest in the next generation safety and training programs.
3. Support the product development work underway.
4. Propose an integrated program to support growth in the residential homeowner market.
5. Confirm the investments are consistent with the strategic plan survey results.

The 2018 budget represents an integrated approach to create market growth in the residential and commercial sector, with a balanced effort targeted to consumers, professional trades, and propane marketers. The 2018 budget also represents a strategic shift from the existing advertising-focused branding campaign. While the campaign in effect for the past two years has exceeded the target metrics, the intent of the new campaign is to build on the increased awareness through a coordinated campaign to builders, professional trades, and consumers. Of equal importance is to create a program that the propane marketers support, one that conveys a brand message the industry widely adopts, and a campaign that has more tangible metrics.

Working with the Market Outreach and Training Working Group of the Advisory Committee and the State Associations, our goal is to build a program that supports the residential market through appliance rebates directed to residential and light commercial markets, augments the B2B outreach to HVAC and plumbers, and strengthens our relationships with appliance manufacturers who would also benefit from such a program. While appliances installed will be the ultimate metric, the bulk of the effort will be in messaging to users, influencers, and decision makers about the benefits of propane appliances. Coordination with the State Executives and their marketer members is a key component to success in this program, and involves a strategic shift in how Partnership with States funds are currently deployed.

Beyond the marketing and communications shift, this budget also provides considerable support for the development and planning of task-based and online safety and training materials. It also supports the work we have underway in technology development for all facets of the industry. While much of the investment is dedicated to a high efficiency, high horsepower engine, other areas of product development and technical research include emissions research, which provides the data that feeds directly into the claims made through our B2B outreach efforts to the markets.

The 2018 budget offers tactics that directly support the priorities of the Council and will deliver an industry-focused integrated approach to growing gallons and maintaining propane's position in new and established market segments. With additional funding provided by the assessment increase, we will have sufficient funds to drive industry focused programs aimed at increasing marketing skills, product development, and a robust digital campaign and appliance incentive program integrated with the State Associations through the Partnership.

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 2018 budget.

Assessment Collections. Assessment revenues of \$40,977,900 are projected for 2018 based on an assessment rate increase from 0.45 cents to 0.5 cents per gallon effective October 1, 2017.

Investment Income. Investment income in 2018 is estimated at \$140,000. 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 2018 to be returned to the general treasury are estimated at \$500,000.

Estimated Beginning Fund Balance. Funds available from 2017 are projected to be \$600,000.

PART II. GENERAL EXPENDITURES AND CAPITAL INVESTMENTS

Administrative Expenses. Administrative expenses in 2018 are budgeted at \$2,755,900. Under PERA, administrative expenses may not exceed 10 percent of funds collected during the year. The administrative expenses along with administrative related depreciation expenses of \$51,277 are estimated at 6.82 percent of assessment funds the Council expects to collect for 2018. 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 \$83,500 in 2018. 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 \$316,672 in 2018.

Capital Investments. PERC is planning capital investments of \$68,520 in 2018. The 2018 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.

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 2018 is budgeted at \$8,195,600.

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. ..."*

There is \$30.2 million budgeted in Program funding that includes \$25.2 planned for docketed projects and program activities, as well as \$5.3 million estimated for program salaries, benefit cost and IT support costs.

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 2018.

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 AWARENESS

Total Consumer Awareness Budget: \$13,237,709

HOMEOWNER

Total Budget: \$5,595,909

Communications

Budget: \$5,095,909

With the help of members of the Market Outreach and Training Working Group (MOT) of the Propane Council's Advisory Committee and the largest independent agency in the U.S., The Richards Group, PERC launched the *PROUDLY PROPANE Clean American Energy®* campaign featuring Blue the dog in July 2016. The budget for 2016 was \$9.8 million, including \$7 million for media.

With a 90-day consumer media buy in July, August, and September 2016, the campaign helped drive gains in both familiarity and favorability. Familiarity among homeowners using something other than propane or natural gas who saw the ads was up 16 percentage points. Favorability was up 17 points

among current propane users who saw the advertising. Current propane users' willingness to consider buying new propane appliances rose 13 percentage points after they saw the ads. Research by Nielsen showed that by February 2017, after the campaign had been off the air for four months, familiarity and favorability had slipped but remained stable.

In 2017, the campaign budget was reduced by \$1.6 million overall to \$8.2 million, with \$6.5 million for media. Acting on the recommendation of the MOT and the agency, PERC resumed advertising across multiple platforms for 90 days from March through May of 2017 with a media investment of \$5 million. This investment was designed to protect the gains made in 2016, to coincide with tank setting season, and to reach homeowners as they made their plans to build and renovate homes, replace appliances, and install outdoor rooms during warm weather.

Based on the updated strategic priorities of the Council, we will evolve from a large-scale national consumer brand campaign and to focus on reaching consumers closer to the point of purchase. The current campaign achieved the goals of raising favorability and familiarity over three months in 2016 with a media investment of about \$7 million. It would be virtually impossible to replicate those results with significantly less funding available for 2018.

Attempting a national campaign at the funding levels available would reduce the reach and frequency of our message, reduce visibility to marketers, and limit the production of new creative elements. These impacts would be compounded by the unlikely ability to demonstrate measurable impact using current metric standards.

Without additional funding for a brand campaign, we recommend investing the funding in a national appliance rebate program. The approach will be challenging, but we will work closely with the Market Outreach and Training Working Group of the Advisory Committee and the state associations to develop an effective campaign that integrates the work of the states through the Partnership with States program to reach consumers closer to purchase consideration.

Thought Leadership

Budget: \$500,000

The industry that makes and delivers propane has a good story to tell about its clean, affordable, abundant product, and about PERC, a one-of-a-kind energy checkoff program that has invested in the development of innovative propane-fueled products that are helping Americans save money, cut their emissions, and contribute to America's pursuit of energy security. Yet key influencers and decision makers among the nation's equipment buyers remain unaware of propane's ability to help them meet their sustainability goals. The propane story has been largely overlooked by local, regional, and national news media in their coverage of energy and sustainability. In the absence of a larger branding campaign, it remains imperative to carry our message to homeowners and decision makers.

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 a 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 emerging opportunities like the VW settlement and clean, domestic energy.

RESIDENTIAL & COMMERCIAL

Total Budget: \$2,093,800

Communications

Budget: \$1,503,800

The residential and commercial markets will continue to see modest improvements over the next three years as the overall economy stabilizes. In 2018, the US is expected to see over 1.2M housing starts pulled and in 2019 should see closer to 1.35M, according to Real Estate Economics. This level of growth is slower than previous predictions, but with demand exceeding supply through 2022, the smaller housing starts will lead to significantly higher remodeling activity with quarter over quarter improvements through 2019 Q2. Additional factors that will positively impact this segment include availability of land for development, a normalization of mortgage rates, decreased unemployment rates (around 4.7%), and increased consumer confidence. While being generally priced out of the new construction market, they will be heavily engaged in the re-sale and remodeling market. Targeting these influencers will be critical.

The 2018 Residential & Commercial Market Outreach program, identified by the council as a top-level strategic priority, 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 job sites. These individuals and organizations include builders, general contractors, architects, engineers, plumbers, and HVAC contractors. With the additional funding afforded by the assessment rate increase, this program will include targeted outreach regarding sustainability including zero net energy and other above code standards.

The key messages in the 2018 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. Additionally, regular communications to residential influencers will be maintained from the 2017 budget with no funding allocated to the creation of new video content. In 2018 this program could include participation at 2018 American Rental Association and the 2018 Green Build International Show. Each of these presents unique opportunities to support commercialization and training efforts to close the loop between consumers, construction professionals, and the propane marketers.

Incentive Programs

Budget: \$275,000

The Propane Energy Pod Builder Incentive Program provides builders of new construction an incentive for placing propane-powered appliances in homes. The specific appliances correspond with the Energy Pod concept, which includes space heating, water heating, cooking, clothes dryers, and fireplaces. The level of incentive is based on the type and amount of propane powered technology installed. The program has two main goals, encourage builders to install propane appliances and to equip propane marketers with a tangible program that can help empower partnerships with builders. In 2018, the Propane Energy Pod Builder Incentive program will continue to be funded, with additional funding from previous years to reflect the current application rate.

Market Research

Budget: \$290,000

The 2018 outreach program will also include the renewal of the license to provide the Residential Opportunities Insight (ROI) Report and the online portal, www.residentialmarketgrowth.com. The ROI program provides market-specific reports of homeowner data, key insights, propane sales trends, local builder information, and where available, insights into local media consumption. This budget will include additional funding for the promotion and adoption of this data at the market level.

Strategic Partnerships

Budget: \$25,000

Partnerships in the residential and commercial markets include those with the National Association of Home Builders, The American Institute of Architects, the United States Green Building Council, and the National Association of the Remodeling Industry. Partnership with these organization allows PERC to certify our courses for Continuing Education Units in their various professional designations, expanding the reach and credibility of these programs and our messages. Additional partnerships in the commercial market include, but are not limited to, the Building Owners and Managers Association, American Hotel and Lodging Association, Associated General Contractors of America, Association for Learning Environments, and the American Society for Healthcare Engineers. Partnerships in the commercial market allow us to grow our database and expand the reach and frequency of our message.

AGRICULTURE

Total Budget: \$1,550,000

The agriculture market is the third largest propane market in the United States, accounting for approximately one billion gallons or 10% of US propane demand. There are a variety of applications for propane in agriculture and the types of operation that use propane vary greatly. These include grains, oilseeds, fruits, vegetables, vineyards, greenhouses, and animal operations. It is our goal to communicate the value proposition of propane in agriculture to these different operations as effectively and efficiently as possible within a reasonable budget.

We have two primary consumer awareness programs in agriculture: Communications and the Propane Farm Incentive Program. These two programs support one another and improve propane demand in agriculture.

Communications

Budget: \$1,100,000

The Agriculture Market Outreach program has five areas of emphasis: Consumer Education (Content and Marketing), Influencer Outreach, Marketer Outreach, Public Relations, and Tradeshows.

In Consumer Education, we have launched a new ag market campaign using the tagline “Propane Can Do That” across all outreach. This campaign allows us to highlight the versatility and benefits of using propane and propane-powered equipment across the various ag applications and various ag operations without continually developing new content or campaigns for each situation. This campaign will use case studies, photography, digital, video, print, social, and radio media with a microsite at www.PropaneCanDoThat.com where we have high quality educational content. We will update and create sales-oriented collateral to educate audiences who develop, purchase, and influence the use of propane equipment about the advantages of propane in agriculture.

Influencer Outreach is a key compliment to the general consumer education efforts. We will continue to communicate with equipment manufacturers, distributors, dealers, and other market influencers including ag extension agents and ag cooperatives about the advantages of propane. Our goal is to educate these influences so they can better represent our fuel to their customers and ideally create champions for propane in agriculture. Our new email communications tool, called the Ag Propane SalesLink, is a primary strategy to introduce influencers to propane in ag and how PERC supports their efforts.

For propane marketers who are interested in the agriculture market, our communication with them will be like our communication with other influencers, including the Ag Propane SalesLink emails. We will also communicate via PERC communications and presentations at propane industry events to improve



marketers' understanding of the agriculture market and how to take advantage of growth opportunities in the market. Additionally, we will continue to attend industry and marketer events.

Our approach with tradeshow in agriculture is to support tradeshow exhibits for state associations and marketers to encourage direct interaction between marketers and consumers. PERC staff attends these events when feasible to communicate with propane and agriculture industry colleagues.

Public relations is earned media to improve the perception of propane among consumers and influencers. We use press releases, media interviews, and byline articles to share information about propane in ag as we position PERC as a leader in the ag energy discussion.

Incentive Programs

Budget: \$450,000

The Farm Incentive Program provides incentives towards the purchase of qualifying agriculture equipment and results in applied research results and market feedback, which we use in Agriculture Market Outreach to promote propane-powered equipment. The PERC Advisory Committee recently showed support in continuing to offer the program. We have recently streamlined the program to reduce the number of steps for consumers, engaged the ag equipment sales channel in promoting the program, and have reduced costs to analyze the data from the program. With the agriculture commodity market poised for a rebound, we intend to increase the amount obligated to incentives while promoting engines and new product installations.

PROPANE AUTOGAS

Total Budget: \$1,303,000

Communications

Budget: \$1,083,000

Propane Autogas Consumer Awareness has been identified by the Council as a high priority for 2018. In 2016 and 2017, PERC made significant investments in Back to School PR campaigns and the return on investment was immediate -- in the fourth quarter of 2016 alone, an additional 500 propane powered school buses were sold. Today, nearly 13,000 propane powered school buses are transporting over 750,000 kids safely to and from school each day. The back to school campaign has surpassed our overall expectations and has proven to be an effective way to educate school transportation managers, school boards, superintendents, and parents about the value propane brings to the community using messages of lowest total cost of ownership, emissions reductions, and safety through noise and emission reduction with propane powered school buses. The momentum established in the school bus market produced tangible and translatable benefits to other on road markets, including transit, paratransit, beverage, bakery, linen, and police.

In 2018, school transportation will once again be PERC's highest priority for propane autogas marketing, outreach, and communications efforts. Our primary objective is to continue capitalizing on the substantial opportunity for growth in this market and leverage opportunities to secure Volkswagen Settlement dollars by demonstrating that investments in propane provide the best return on that investment for emissions reduction and benefit to the end user/community and continue to further market growth. Tactics will include a 2018 Back to School campaign, exhibiting, speaking, sponsoring events where school transportation managers and decision makers are present both nationally and on a state basis, earned media, paid media and bus dealer training, education and support activities. PERC will also focus on other vertical segments, including transit/paratransit, beverage, bakery, pick-up & delivery, police, and the propane industry through continued education, training, support and engagement of the sales channel. PERC will increase awareness of the advantages propane autogas provides to fleets both public and private through earned and paid media, tradeshow and events, dealer engagement, training (including technician training through our affiliation with NAFTC), and

targeted outreach to key associations and stakeholders. A key focus in 2018 is that we will be communicating to the propane industry the autogas market opportunity and providing the propane industry with the tools and materials needed to successfully incorporate autogas customers into their business strategy and plan. Also, key to our outreach efforts is communicating the benefits of adopting propane autogas power vehicles in the propane industry fleet compared to the costs associated with maintaining a diesel-powered fleet.

Market Research

Budget: \$70,000

Market research is a vital component in the planning, execution, and assessment phases of all work within the general autogas and school transportation market. Good market data and analysis allows the industry to explore market opportunities and gauge customer willingness to adopt more propane autogas powered vehicles. Market research provides the foundation for the work conducted in both product development and marketing and outreach. For 2018, PERC will continue to engage in market research activities to better understand customer needs and define market opportunities and growth that will be used in the development of marketing campaigns and targeted outreach to key stakeholders.

Strategic Partnerships

Budget: \$150,000

Strategic partnerships allow for PERC to further engage key stakeholders – such as Clean Cities Coalitions and National Labs --in market development activities. Working with National Renewable Energy Laboratory (NREL) we will hold the 4th annual Propane Autogas Technology Forum in 2018. This forum has created an opportunity for propane marketers, fleet managers of both current and prospective users, and federal agency officials to engage in a dialog about the benefits of propane and how it fits into their individual company's and our nation's alternative transportation strategy.

OUTDOOR POWER EQUIPMENT

Total Budget: \$1,475,000

Communications

Budget: \$950,000

Outdoor Power Equipment (OPE) encompasses a diverse spectrum of market segments and equipment including commercial mowers, golf/turf, utility vehicles, light-duty construction, and more. Each OPE market provides the propane industry with counter-seasonal sales opportunities and, unlike other new markets, requires minimal capital investment on the part of individual retailers. Growth and success in the numerous OPE markets, like the autogas market, requires a consistent strategic vision and measured patience to allow the market to catch up with industry expectations. In OPE markets, propane solves business challenges by lowering total cost of ownership, virtually eliminating spillage and shrinkage, increasing productivity, and improving corporate image and employee satisfaction – all factors that have and will continue to drive market growth.

PERC investments into the propane-powered outdoor power equipment marketplace began in 2013 with commercial mowers and have continued since. In that time, PERC efforts to market and train internal and external audiences have grown the market significantly, averaging more than 4,000 mowers sold each year since 2013. Propane commercial mowers now account for 5% of the market in the 36 to 72-inch deck commercial mower yearly sales figures. The opportunity to increase market share in commercial mowing, as with the other OPE markets, largely depends on PERC's continued focus and strategy to engage each channel within the marketplace.

For 2018, work in the OPE markets will be dedicated to end user marketing, equipment dealer engagement, distribution channel training, product sales support, and fostering organic market growth



across all outdoor power equipment segments. The common tactics utilized in all OPE markets include branding and awareness campaigns to targeted audiences, elevating environmental messaging across all OPE markets; end user and equipment dealer technical training; end user and sales incentives; and targeting allied small-engine market segments.

PERCs mission in 2018 will be to support, educate, and engage the numerous levels of the sales channel and potential customers. PERC will support the professional landscape market through (1) channel education and training through business-to-business outreach, (2) continued propane marketer outreach and training, (3) promotion of PERC developed collateral and sales tools, (4) targeted outreach to market benchmarking groups, and (5) promotion of propane-powered equipment and aftermarket conversions in other small engine markets. Finally, PERC will dedicate a limited amount of resources to provide opportunities for equipment demonstrations and dealer field days.

As was the case last year, PERC will not dedicate 2018 budget funds to specific product research, development, and commercialization. However, PERC will continue working with OEM and aftermarket equipment manufacturers to commercialize product and directly target end users with a suite of propane-powered products and/or certified conversions through co-marketing and product awareness campaigns across all OPE markets.

Incentive Programs

Budget: \$375,000

The Propane Mower Incentive Program provides incentives towards the purchase of qualifying commercial mowing equipment and results in market feedback to further promote propane-powered equipment. Since the 2013 launch of the mower incentive program, more than 4,500 propane-powered commercial mowers have been placed into the market, accounting for more than 4.5M gallons annually and over 31.5M gallons over the useful life of the equipment. In keeping with previous years, PERC intends to reduce the total amount of available incentives in the commercial mowing market while maintaining the program as marketers and supply channel participants continue to express support for the program and we receive valuable user insights and continue to build a customer database. Outcomes include over 500 new placements of propane mower applications with updated usable claims for effective end user education.

Market Research

Budget: \$80,000

Market research is a vital component in the planning, execution, and assessment phases of all work within the OPE markets. From enabling PERC to explore potential market opportunities to gauging favorability and awareness levels across equipment dealers and distributors, market research provides the foundation for the work conducted across all market segments. Additionally, market research also provides the industry with valuable insights into emissions comparisons, total cost of ownership, and the competitive landscape across the small engine marketplace. For 2018, PERC will continue to engage in market research activities to better understand customer needs, define market opportunities and growth, as well as develop supported claims and data that will be used in the formulation of marketing campaigns and targeted outreach to key stakeholders.

Strategic Partnerships

Budget: \$70,000

Strategic partnerships within the Outdoor Power Equipment market is an important business development activity and strategy within each market segment. This includes memberships to national trade associations/councils and key market specific user groups. These organizations are made up of equipment manufacturers, professional landscape contractors, golf course owners/operators, superintendents, municipalities, fleet administrators/managers, parks and recreation directors, concrete construction professionals, etc. The targeting of these organizations and their constituents is important for two distinct reasons: (1) those individuals are the leaders and key decision makers within their

respective industries and (2) those same individuals hold enormous influence within equipment manufacturers in terms of current product needs and future product development.

MATERIAL HANDLING (FORKLIFT & PORT APPLICATIONS)

Total Budget: \$470,000

Communications

Budget: \$410,000

Propane forklift market share has remained relatively stable over the past five years. Propane continues to be a preferred fuel for many material handling applications requiring larger lift capacities or multi-shift settings where propane's 100% power guarantee, lower acquisition cost, and long history of reliability offer clear advantages to electric. However, renewed efforts to reduce emissions, increase operational efficiency, and reduce costly warranty or maintenance needs over the equipment's lifespan is continuing to negatively impact propane forklift market share in the overall material handling marketplace. 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 2018, 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, (4) updated branding focused on current and future propane technology advancements, and (5) to 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.

Market Research

Budget: \$30,000

Within the material handling market and, more specifically, within the forklift market, research is a vital component in the real-world assessment, planning, execution, and measurement of campaign and/or program impacts. As within other markets, research conducted in the material handling marketplace enables PERC to explore potential opportunities, accurately track user favorability, and better understand the needs and requirements of customers utilizing propane forklifts. Material handling market research also provides the industry with valuable insights into emissions comparisons, total cost of ownership, and the real-world threat to propane in the forklift market. For 2018, PERC will continue to engage in market research activities to better understand customer needs and define market opportunities, as well as develop supported claims and data that will be used in the formulation of marketing campaigns and targeted outreach to key stakeholders.

Strategic Partnerships

Budget: \$30,000

Strategic partnerships within the material handling market are an important business development activity and strategy. This includes memberships to national trade associations/councils and key market specific user groups, such as the Industrial Truck Association (ITA). The targeting of these organizations and their constituents is important for three key reasons: (1) those individuals are the leaders and key decision makers within their respective industries; (2) those same individuals hold enormous influence within equipment manufacturers in terms of current product needs and future product development; and (3) the participation in these organizations enables the propane industry to remain proactive to trends and changes facing the material handling marketplace.

CORPORATE COMMUNICATIONS

Total Budget: \$750,000

Website Content (propane.com and state website)

Budget: \$350,000

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 for stronger and deeper engagement. 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.

In 2018, working with the market based communications teams, we will look to redesign the propane.com website to allow for it to be more synergistic when it comes to our brand, more interactive, and more accessible than the existing site. Given that most of our outreach efforts drive consumers to that source, it is essential that the information housed there be as clear and interactive as possible. Find a Propane Retailer will remain an important part of the site, and we will continue looking for ways to improve the FPR user experience and the quality of search results.

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.

PRODUCT DEVELOPMENT

Total Product Development Budget \$4,580,594*

**assumes an Ag carry forward of \$751,483 from 2017*

PROPANE AUTOGAS

Budget: \$1,515,216

Identified by the Council as a high-priority strategy, propane autogas product development continues to be a strong long-term growth opportunity for the propane industry. Over the past seven 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. 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. A limited budget is allocated to product development to support OEM or aftermarket efforts.

In 2018, much of the product development funding and effort in the on-road markets will be allocated to one major project, the High Efficiency, High Performance (HEHP) 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.

AGRICULTURE

Budget: \$1,250,378 *assumes an Ag carry forward of \$751,483 from 2017

The benefits of using propane in agricultural applications, the positive propane supply outlook, competitive propane prices, a rebounding ag economy, and environmental regulations are all positive for propane growth in agriculture market. Equipment manufacturers continue to show interest in fueling their equipment with propane. We look at opportunities with an industry-wide view to identify opportunities to leverage our ag product development investments to benefit our agricultural customers while benefiting all markets.

Engine development projects continue to be a high priority for numerous reasons:

- Continued regulatory changes that improve propane's position relative to diesel and electricity from an emissions and cost standpoint.
- An interest in developing additional off-season propane demand, which applications like irrigation, dewatering, pumping, and prime-power provide.
- Opportunities for growth with CHP and CCHP in agricultural heat and cooling in some cases.
- Power-node gaps in high horsepower (>200HP continuous) applications.
- Opportunities for improved efficiency across all power nodes with new technologies.
- The high-durability, high-efficiency engine development project will benefit the agriculture market. Agricultural funding of this project makes sense and allows us to make additional investments in autogas development, which also benefits our agricultural consumers.

There are also opportunities to grow year-round propane demand with mobile engine applications in agriculture. To compete in this space as an industry, we need good mobile refueling solutions. Early efforts on this front will be primarily focused on clarifying and possibly improving code and regulations.

Other applications, such as on-farm grain drying, older-technology structure and water heating, and flame weeding, are not as high of a priority, and yet we will stay abreast of developments with these products. When breakthrough technologies are apparent, we will consider what PERC's role may be in the commercialization process.

Additional efforts may include both CHP/CCHP projects or mobile refueling development should opportunities be available in 2018.

RESIDENTIAL & COMMERCIAL

Budget: \$200,000

Several products are in the development pipeline for heating, cooling, and power systems products for which development and testing will continue in 2018. To make an impact in the residential and commercial market, new products will be developed, demonstrated, and commercialized.

MATERIAL HANDLING (FORKLIFT & PORT APPLICATIONS)

Budget: \$250,000

Product development in the material handling market is primarily focused on two key technologies currently being developed – lowering emissions through exhaust after-treatment and hybridization of the traditional propane mobile industrial engine. Both projects will continue into 2018 and require PERC resources to aid in OEM integration and market adoption across numerous segments.

OFF-ROAD ENGINES

Budget: \$600,000

Opportunities continue to develop in small spark ignited engine development programs that target the 25 to 150+ horsepower mobile off-road applications. Products utilizing these engines may include utility tractors, utility vehicles, refrigeration, mining, light towers, forestry equipment, light-duty construction equipment, and other off-road mobile applications affected by Tier 4 emissions regulations.

In 2018, we will again commit limited resources to engine and product development where consistent market demand and positive return-on-investment opportunities exist. It is anticipated that additional research will be needed in propane direct injection engines to gauge the durability of components such as pumps and injectors.

TECHNICAL RESEARCH

Budget: \$765,000

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 to position propane against competing fuels. This will likely include comprehensive in-use emissions testing. If needed, research to support renewable propane would also be accommodated through the technical research investment.

SAFETY & TECHNICAL TRAINING

Total Safety & Technical Training Budget: \$1,526,000

INDUSTRY WORKFORCE TRAINING

Total Budget: \$555,000

CETP Maintenance, Updates, Help Desk

Budget: \$225,000

Workforce training has been identified by the council as a top priority. The Certified Employee Training Program is the flagship resource for training the propane industry. Funding in this category 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 Trainer Newsletter, and monthly Industry Feedback calls 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. In 2018 we will promote use of the CETP E-Learning on-line services in lieu of the DVD-based CETP E-Learning Program. Since most of the CETP helpdesk calls are related to issues with installing and using the DVD program, this should lead to a reduction in helpdesk calls and greater use and adoption of CETP E-Learning online.

The next update to NFPA 58 will occur in 2017 and the next edition of NFPA 54 will be released in 2018. The increase in funding in this area for 2018 reflects the regulatory updates that will need to be made based on the NFPA 58 update.

CETP Online and Outreach

Budget: \$150,000

The Advisory Committee's Safety & Training Working Group supports efforts to bring the existing CETP programs online for industry use and promotion of blended learning for industry training. Blended learning combines online and classroom education to reduce employee time out of the office while expanding the knowledge they need to do their jobs safely and effectively. 2018 funds will support selecting and licensing software to support delivery of CETP E-Learning online industry-wide. The current software tools would be replaced by a more modern, off the shelf solution, with shared costs from NPGA.

The potential return to the industry includes increasing the use of CETP e-learning online as both stand-alone and blended learning formats resulting in cost saving for propane marketers without sacrificing appropriate training needs.

Task Based Training Roadmap

Budget: \$150,000

Streamlining workforce safety training that addresses specific job tasks is an important means to lowering the barriers associated with providing workforce training, not only in time and cost savings, but also allows for greater focus on specific employee training needs.

In 2018, PERC plans to start the process of reformatting PERC's Safety & Training courses into task-based formats. This will be a complex multi-year task that requires a clear set of strategies, tactics, and outreach. As such, PERC plans to retain an expert in task-based training and the nexus between technical schools, trade associations and employers to facilitate a Task-Based Training Roadmap.

Funds will be deployed to develop a roadmap to 1) update the content and delivery of task-based training, 2) update the tasks and competencies encompassed in the Certified Employee Training Programs (CETP), 3) implement strategies that align with the roadmap and align with the needs of the state associations, 4) re-position the propane industry as a valuable career pathway, 5) involve communications and industry outreach, and 6) create an understanding on how to successfully utilizes the updated training delivery formats.

Trainers Conference

Budget: \$30,000

In 2018, PERC plans to develop a National Trainer's Conference to educate propane industry safety trainers on various best practices of successful trainers. The conference will attract safety & training professionals nationwide as well as those that serve technical training needs. The conference will serve as an excellent venue to for attendees to learn about PERC training tools such as Blended Learning, Refresher Training, and Safety Presentations. Trainers that are up-to-date on new training technologies and styles are critical for employee learning and thus help to fulfill PERC's Safety & Training missions.

EXTERNAL AUDIENCE TRAINING

Total Budget: \$611,000

Autogas Technician Training

Budget: \$100,000

In partnership with the National Alternative Fuels Training Consortium, we will continue to provide autogas technician training to those with a current working knowledge of diagnosing and maintaining, propane autogas systems. This effort will also include continued outreach to NAFTC-member schools to encourage the adoption of the automotive technician course as part of their overall automotive technician curriculum.

In 2018, we plan to build on the success of 2016 and 2017 by offering up to six courses. These courses could include our "traditional" 3-day course as well as a new advanced 2-day course that focuses mainly on diagnostic procedures for propane autogas vehicles. We will also look to host a 3-day NAFTC Professional Development Conference that focuses on the autogas technician course to encourage the adoption of that course as part of their overall automotive technician curriculum.

Propane Forklift Training

Budget: \$95,000

Critical to the future success of the propane forklift market is the renewed effort to update the outdated propane forklift operator training curriculum and encourage widespread utilization of PERC developed

market-specific collateral. Therefore, in 2018 PERC will work with key stakeholders, such as the Industrial Truck Association and others in the forklift market, to update and launch a technical training program squarely aimed at forklift fleet operators, drivers, and maintenance technicians.

This program will specifically target several key areas: (1) safe handling and refueling, (2) troubleshooting and maintenance respective to current propane engine technology, (3) safety requirements, (4) driver training, and (5) regulatory compliance. These tactics serve a dual purpose of providing the training and tools required to maintain the forklift of today and tomorrow while, simultaneously, positively impacting owner/operator and equipment dealer awareness.

This program will assist in the safety and compliance training of propane forklift operators in the commercial and industrial sectors and will be designed to help marketers educate their forklift customers with a variety of tools, including a multi-media training presentation, safety booklet, and on-site posters and fact sheets.

First Responder Outreach

Budget: \$85,000

In 2018, working with the National Alternative Fuels Training Consortium (NAFTC) and the International Association of Fire Chiefs (IAFC) we plan to develop a self-paced online training course of approximately four hours in length to educate first responders on how to safely respond to potential incidents involving propane autogas. The online course will also provide a “blended-learning” opportunity for those taking an autogas technician training course that will allow them to learn the propane basics online and thus reduce the number of days in the classroom from three to two days.

Construction Professional/HVAC Training

Budget: \$331,000

Funding in this category supports the exclusive participation at the International Builders Show and the Heating Ventilation Air Conditioning and Refrigeration (HVACR) Educators Conference in March 2018 to promote the Plumber/HVAC Technical Training program. Promotion of this program is an addition over the 2017 budget as there was not adequate funding to support the adoption and promotion of the course once completed in 2016. Also included in this category is the maintenance of www.propanetrainingacademy.com, as well as the creation of one new Continuing Education course and the update of two existing courses to comply with new codes and standards.

SAFETY MESSAGING

Total Budget: \$360,000

Consumer Safety Materials

In 2017, the Council approved the first year of a two-year program to update PERC’s *Propane Safety for you and your Family* brochure, *Propane Safety* booklet, and *Carbon Monoxide* brochure. This category represents the remaining funding to support the material update, as well as the promotion of the new materials to the industry.

With the availability of additional funds afforded through additional assessment funding, we will seek to develop safety materials for commercial and industrial applications. Currently, few resources exist to help marketers inform, train, or educate these customers on propane, propane safety, and employer compliance issues.

INDUSTRY ENGAGEMENT

Total Industry Engagement Budget: \$5,254,500

MARKETER COMPANIES

Total Budget: \$1,360,000

Communications

Budget: \$200,000

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, the owners and managers of those companies 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.

That's why our digital strategy to increase marketer engagement, which began in 2015 with the help of a firm called BSD, 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.

For 2018, 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 continue their engagement with PERC programs and resources. Potential returns include higher engagement with PERC initiatives, greater use of PERC materials, and higher industry approval ratings of PERC and its programs.

The performance of our flagship email newsletter, *The PERC Update*, which comes out every Friday, bears out the industry's preference for email. The PERC Update has an open rate of around 25 percent and click rates of 15 percent, well above the average for email newsletters sent by nonprofits. PERC expects to further refine and improve the industry communications products in 2018 through a marketing automation platform.

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. 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.

Marketer Technology & Sales Training (MTST):

Budget: \$550,000

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 training, safety, and R&D efforts by enhancing marketers' understanding 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 allow us to reduce the overall cost of the program while providing marketers a "deeper dive" into the most recent market developments and tools to leverage growth opportunities delivered straight to their computers.

Marketer Engagement Program

Budget: \$100,000

Through the Marketer Engagement Program, launched in January 2017, PERC has met directly with marketer companies through in-person meetings with the senior leadership, marketing, and sales teams to allow for PERC to create and strengthen engagement with PERC offerings and PERC staff. Through this avenue, we hear directly from marketer companies about their opportunities and challenges to business growth, their attitudes and usage of PERC's resources, ultimately strengthening relationships and building advocates for the programs we develop. This initiative allows for PERC to be more responsive to the needs of marketers when developing future programs and collateral.

Key learnings are being reported and shared with PERC staff for future planning and program development and immediate actions are being taken to address specific requests from marketers. These actions include help with program execution, usage of collateral materials and training needs. Marketer Engagement meetings also allow for PERC to engage latent marketers with PERC and highlight the opportunities where PERC programs align with their business goals.

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) provides prime opportunities to display the fruits of PERC's R&D initiatives and showcase new commercialization efforts to expand the use of propane. Equally important, meeting with state associations fosters ongoing personal relationships and facilitates direct feedback from the front lines. State association meetings provide ideal opportunities for PERC staff to address large audiences and explain PERC strategies, goals, accomplishments and challenges.

STATE ASSOCIATIONS, FOUNDATIONS, & PERCS

Total Budget: \$2,500,000

Partnership with States

Since the restriction was implemented in 2010, Partnership with States program has supported joint efforts with the states through shared funding for specific safety, training, and market development projects targeting external audiences. In 2018, we will look to revamp the program to more closely align with our messages to construction professionals by providing consumer rebates for residential and light commercial appliances. The program would be administered at the national level, relieving the state associations of the administrative burden associated with the existing appliance rebate programs.

Program infrastructure, promotion, and integration would be executed at the national level through the homeowner consumer awareness investment.

NATIONAL ASSOCIATIONS

Total Budget: \$1,394,500

Partnership with NPGA & GPA

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. The 2018 budget does not include funding to support the Benchmarking Council, however additional funding has been added to support the 2018 World LP Gas Forum in Houston, TX.

ADMINISTRATIVE

Total Administrative Budget: \$1,395,000

MARKET RESEARCH

Total Budget: \$585,000

Propane Market Research Initiative

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

- Provides the industry an analysis of propane size, demand, consumption, and forecasting for each market segment
- 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.

Inventory & Trends Analysis

Since the winter of 2013/2014, the National Propane Gas Association (NPGA) formed a Task Force to study the factors that precipitated the tight market, and to develop a system that could potentially provide advanced warnings of similar problems in the future. One recommendation of the task force was to develop a monthly report that provides estimates to the industry regarding current regional propane inventories and a forecast of future inventories. The first three years of this work was funded through a PERC grant which comes to an end October 2017. This funding allows us to continue the program through 2017 and 2018. With future considerations to be made in advance of the 2019 budget.

2017 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.

PROGRAM SUPPORT

Budget: \$810,000

Advisory committee and program support

This initiative supports all advisory committee functions as well as the project administration of various programs. Key activities include: logistics for advisory committee in-person meetings and other activities to support the advisory committees and working groups, as well as travel expenses to support business development and product commercialization efforts, and travel for necessary program support staff to attend Council Meetings.

Professional Services Support

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.

TOTAL PROGRAM INITIATIVES: \$25,242,320

**PROPANE EDUCATION & RESEARCH COUNCIL
2018 BUDGET FOR APPROVAL**

		2018 Original Budget Proposal	2018 Revised Budget Proposal	Variance Favorable (Unfavorable)	Explanation of Variances
REVENUES:					
Assessment Collections		\$ 40,977,911	\$ 40,977,911	\$ -	
Less State Rebates		\$ (8,195,582)	\$ (8,195,582)	\$ -	
Net Assessment Revenue		\$ 32,782,329	\$ 32,782,329	\$ -	
Investment Income		\$ 140,000	\$ 140,000	\$ -	
Fulfillment		\$ -	\$ -	\$ -	
Total Revenues		\$ 32,922,329	\$ 32,922,329	\$ -	
EXPENDITURES:					
	Expenses				
Administrative Expenses		\$ 2,751,867	\$ 2,755,867	\$ 4,000	Office System admin & security services (ISI)
Other Expenses:					
Assessment & Collections		\$ 83,500	\$ 83,500	\$ -	
Depreciation Expenses		\$ 485,000	\$ 316,672	\$ (168,328)	Reduced capital expenditures
Total Other Expenses		\$ 568,500	\$ 400,172	\$ (168,328)	
Total expenses		\$ 3,320,367	\$ 3,156,039	\$ (164,328)	
	Program Funding				
Operating programs		\$ 24,921,991	\$ 25,242,320	\$ (320,328)	Capital and IT support reductions redirected to programs
Program Labor		\$ 4,112,604	\$ 4,112,604	\$ -	
Program Benefits		\$ 567,366	\$ 567,366	\$ -	
IT Support		\$ 600,000	\$ 444,000	\$ 156,000	Postponed single sign-on and redesign projects
Total Program Funding		\$ 30,201,961	\$ 30,366,290	\$ (164,328)	
TOTAL EXPENDITURES		\$ 33,522,328	\$ 33,522,329	\$ 0	
Increase/(Decrease) in Net Assets		\$ (600,000)	\$ (600,000)	\$ 0	
Beginning Surplus		\$ 600,000	\$ 600,000	\$ -	
Add De-obligations		\$ 500,000	\$ 500,000	\$ -	
Ending Surplus		\$ 500,000	\$ 500,000	\$ 0	
Capital Budget:		\$ 645,000	\$ 68,520	\$ 576,480	Reduced capital requests pending IT strategic review

2018 Program Budget Detail

Market	Activity Type	Project/tactic	2017 Budget	2018 Budget	Variance	
Agriculture	Communications	Marketing	\$440,000	\$704,000	\$264,000	
		OEM/Distributor/Dealer/Influencer Outreach	\$76,000	\$125,000	\$49,000	
		PR	\$100,000	\$120,000	\$20,000	
		Trade Shows & Events	\$120,000	\$111,000	(\$9,000)	
		Incentive Programs	Incentive Program	\$300,000	\$450,000	\$150,000
		Market Research	Agriculture Market Research	\$80,000	\$0	(\$80,000)
		Marketer Outreach	Communications: Marketer Outreach	\$40,000	\$40,000	\$0
		Product Development	Ag Carry Forward		(\$751,483)	(\$751,483)
			Heat/Engine Project	\$0	\$843,478	\$843,478
			Product Development	\$791,420	\$406,900	(\$384,520)
	Total		\$1,947,420	\$2,048,895	\$101,475	
Autogas	Communications	Back to School Campaign	\$130,000	\$130,000	\$0	
		Content & Creative Development	\$100,000	\$100,000	\$0	
		Content Marketing & Media Buy	\$90,000	\$90,000	\$0	
		Dealer Training & Open House Event Support	\$25,000	\$25,000	\$0	
		Medium Duty Market Outreach - Vertical Targeting	\$50,000	\$50,000	\$0	
		PR	\$156,000	\$156,000	\$0	
		Program Support	\$10,000	\$10,000	\$0	
		Pupil Transportation Mtgs, State School Board Assn Mtgs.	\$25,000	\$25,000	\$0	
		Social Media Outreach	\$35,000	\$35,000	\$0	
		State & Regional Event Support	\$10,000	\$10,000	\$0	
		Tradeshows	\$390,000	\$390,000	\$0	
		External Audience Training	NAFTC Autogas technician training maintenance and outreach	\$100,000	\$100,000	\$0
		Market Research	Market Data Support - TSN	\$30,000	\$30,000	\$0
			Medium Duty Truck Sales data	\$20,000	\$20,000	\$0
			School Transportation Data	\$15,000	\$15,000	\$0
			Step Van Chassis Sales Data	\$5,000	\$5,000	\$0
		Marketer Outreach	Market specific communication and messaging to propane marketer audience	\$50,000	\$50,000	\$0
			Public Infrastructure Communication campaign	\$12,000	\$12,000	\$0
		Product Development	OEM Engine Development	\$1,500,000	\$1,265,216	(\$234,784)
			Product Development	\$0	\$250,000	\$250,000
		Strategic Partnerships	Key association memberships	\$10,000	\$10,000	\$0
			Strategic Partnerships, Clean Cities Coalition Outreach	\$40,000	\$40,000	\$0
Strategic Partnerships, National Labs	\$100,000		\$100,000	\$0		
	Total		\$2,903,000	\$2,918,216	\$15,216	
Corporate Communications	Communications	Routine industry communications (e.g., PERC Update, Propane Daily News)	\$100,000	\$100,000	\$0	
		Website content (propane.com & state websites)	\$230,000	\$350,000	\$120,000	
	Marketer Outreach	Marketer email program	\$100,000	\$100,000	\$0	
	Program Support	Agency oversight and communications support	\$400,000	\$400,000	\$0	
	Safety	Consumer Safety Material Update	\$0	\$110,000	\$110,000	
		Consumer Safety Videos	\$75,000	\$0	(\$75,000)	
		Grilling for Heroes	\$20,000	\$0	(\$20,000)	
		Leave It to a Pro	\$55,000	\$0	(\$55,000)	
		Total		\$980,000	\$1,060,000	\$80,000

Material Handling	Communications	Content & Creative Development	\$130,000	\$130,000	\$0	
		Dealer/Distributor Marketing	\$50,000	\$50,000	\$0	
		OEM Co-Marketing	\$100,000	\$100,000	\$0	
		PR	\$30,000	\$30,000	\$0	
		Product Sales support	\$70,000	\$70,000	\$0	
		Tradeshows	\$5,000	\$5,000	\$0	
		External Audience Training	Propane Forklift Training	\$0	\$95,000	\$95,000
		Market Research	Market Sales/Shipment Data	\$30,000	\$30,000	\$0
		Marketer Outreach	Market Branding & Awareness Campaign	\$25,000	\$25,000	\$0
		Product Development	Forklift Commercialization	\$175,000	\$250,000	\$75,000
		Safety	Safety & Compliance Reviews	\$25,000	\$0	(\$25,000)
			Updated Forklift Cylinder & Refueling Safety Collateral	\$30,000	\$0	(\$30,000)
			Strategic Partnerships	\$30,000	\$30,000	\$0
	Total	\$700,000	\$815,000	\$115,000		
Off-Road	Communications	Communications	\$345,000	\$0	(\$345,000)	
		Product Development	\$200,000	\$100,000	(\$100,000)	
			Product Development	\$75,000	\$500,000	\$425,000
		Safety	Safety Collateral & Compliance Reviews	\$50,000	\$0	(\$50,000)
		Strategic Partnerships	Strategic Partnerships	\$80,000	\$0	(\$80,000)
		Market Research	Market Sales/Shipment Data	\$30,000	\$0	(\$30,000)
	Total	\$780,000	\$600,000	(\$180,000)		
Outdoor Power Equipment	Communications	Annual Roundtable Mtg	\$30,000	\$30,000	\$0	
		Content Development	\$145,000	\$145,000	\$0	
		Content Marketing & Trade Advertising	\$150,000	\$150,000	\$0	
		Dealer/Distributor Marketing	\$200,000	\$200,000	\$0	
		GIE+ Expo	\$100,000	\$100,000	\$0	
		Incentive Program Promotion	\$75,000	\$75,000	\$0	
		PR	\$155,000	\$155,000	\$0	
		Tradeshows	\$25,000	\$25,000	\$0	
		Incentive Programs	Incentive Program (End User)	\$500,000	\$375,000	(\$125,000)
		Market Research	Market Sales/Shipment Data	\$30,000	\$30,000	\$0
			VOC Research	\$0	\$50,000	\$50,000
		Marketer Outreach	Golf & Turf Market Branding & Awareness	\$20,000	\$20,000	\$0
			Professional Landscape Market Specific Communication	\$32,500	\$50,000	\$17,500
		Safety	Safety Collateral Development	\$25,000	\$0	(\$25,000)
		Strategic Partnerships	Large Regional Landscape Benchmarking Groups	\$20,000	\$20,000	\$0
			National Association of Golf Course Owners	\$25,000	\$25,000	\$0
	OPEI Partnership	\$25,000	\$25,000	\$0		
	Total	\$1,557,500	\$1,475,000	(\$82,500)		
Propane Industry	External Audience Training	Trainers Conference	\$0	\$30,000	\$30,000	
		Internal Audience Training	CETP Maintenance, Updates, Help Desk	\$100,000	\$100,000	\$0
			CETP NFPA 54 & 58 - 2017 Updates	\$0	\$125,000	\$125,000
			CETP Online and Outreach	\$140,000	\$150,000	\$10,000
			Task Based Roadmap	\$0	\$150,000	\$150,000
		Market Research	API Report	\$185,000	\$185,000	\$0
			Inventory Trend Analysis	\$0	\$60,000	\$60,000
	Propane Industry Market Research	\$345,000	\$340,000	(\$5,000)		

Propane Industry	Marketer Outreach	Industry Outreach	\$340,000	\$340,000	\$0
		MaRC Maintenance	\$10,000	\$0	(\$10,000)
		Marketer One-on-ones	\$0	\$100,000	\$100,000
	Partnership with States Program Support	Website content (propanecouncil.org and state websites)	\$170,000	\$170,000	\$0
		Partnership with States	\$1,500,000	\$2,500,000	\$1,000,000
		Professional and Support Services	\$370,000	\$320,000	(\$50,000)
		Program Support & Industry Oversight	\$490,000	\$490,000	\$0
	Safety	Consumer Safety Products Price Subsidy	\$226,000	\$0	(\$226,000)
		First Responders Outreach	\$100,000	\$85,000	(\$15,000)
	Sales Training	Marketer Technology & Sales Training	\$700,000	\$550,000	(\$150,000)
	Strategic Partnerships	Partnership with NPGA and GPA	\$1,394,500	\$1,394,500	\$0
	Technical Research	Carbon Management Information Consortium	\$50,000	\$50,000	\$0
		Emissions - Engine emissions/Renewable Propane	\$615,000	\$615,000	\$0
Fuel Quality - Fuel sampling		\$100,000	\$100,000	\$0	
	Total		\$6,835,500	\$7,854,500	\$1,019,000
Residential & Commercial	Communications	Campaigns (Energy Pod, Water Heating, Geothermal, Heating Oil, etc.)	\$163,300	\$238,300	\$75,000
		Influencer Outreach	\$165,000	\$165,000	\$0
		Media	\$201,000	\$201,000	\$0
		Propane Energy Update - Commercial	\$76,000	\$76,000	\$0
		Propane Energy Update - Residential	\$146,000	\$146,000	\$0
		Resource Development	\$60,000	\$60,000	\$0
		Tradeshows	\$175,000	\$225,000	\$50,000
		www.buildwithpropane.com	\$236,000	\$236,000	\$0
		Agency Support/Technical Support/Travel	\$134,000	\$134,000	\$0
		External Audience Training	CEU Updates	\$0	\$30,000
	HVAC training promotion		\$0	\$100,000	\$100,000
	Tool updates		\$19,000	\$19,000	\$0
	www.propanetrainingacademy.com		\$182,000	\$182,000	\$0
	Incentive Programs	Propane Energy Pod Builder Incentive Program	\$225,000	\$275,000	\$50,000
		Market Research	Home Innovation Research Lab Sales Data	\$30,000	\$30,000
	MetroStudy/ROI Promotion		\$0	\$60,000	\$60,000
	MetroStudy/ROI Renewal		\$175,000	\$175,000	\$0
	VOE Feedback/Relationship Maintenance		\$0	\$25,000	\$25,000
	Marketer Outreach	Campaigns (Energy Pod, Water Heating, Geothermal, Heating Oil, etc.)	\$22,500	\$22,500	\$0
	Product Development	Product Development	\$360,000	\$200,000	(\$160,000)
	Safety	Consumer Safety Materials for Commercial and Industrial Markets	\$0	\$250,000	\$250,000
Strategic Partnerships	Membership dues (AIA/USGBC/Builder Partnerships)	\$25,000	\$25,000	\$0	
	Total		\$2,394,800	\$2,874,800	\$480,000
Residential Consumer	Communications	Consumer education campaign media buy: Digital	\$6,500,000	\$3,895,909	(\$2,604,091)
		Consumer education campaign: Agency fees (research, analytics, media buying, copywri	\$1,000,000	\$450,000	(\$550,000)
		Consumer education campaign: Creative Development and Talent Fees	\$700,000	\$750,000	\$50,000
		Thought Leadership PR	\$0	\$500,000	\$500,000
	Market Research	Awareness Campaign Tracking	\$40,000	\$0	(\$40,000)
	Total		\$8,240,000	\$5,595,909	(\$2,644,091)
Grand Total			\$26,338,220	\$25,242,320	(\$1,095,900)

Propane Education & Research Council
IT Mission Related Programs Budget
2018 Planning

Non-general admin expenses. Expenses for PERC websites, state websites, Rebates and Grants mgmt system, Councilors/Advisory Committee website, marketers and contacts database and email outreach tools and services; server admin/network security services, server and software licenses, etc. Also includes the requirements and design phase costs for Capital projects.

	2017 Approved	2018 Original Budget Proposal	2018 Revised Budget Proposal	Increase (Decrease)	Comments
State Websites: Propane Web Services (24 websites)					
Database SQL Licenses	\$ 1,080	\$ 1,800	\$ 1,800	\$ -	
Content Management Software License	\$ 5,200	\$ 7,500	\$ 5,200	\$ (2,300)	
Online Registration Software License	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	
Website Support & Maintenance	\$ 29,400	\$ 26,000	\$ 30,000	\$ 4,000	10 hrs/yr per each of 24 websites
PWS E-mail Exchange / Anti-Spam Services	\$ 7,200	\$ 7,200	\$ 7,200	\$ -	\$25/mo per each of 24 websites
PWS state collection (\$500 per state)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ -	
Total State Websites	\$ 32,380	\$ 32,000	\$ 33,700	\$ 1,700	
Contacts Management (CRM)					
Database SQL Licenses	\$ 1,080	\$ 1,080	\$ 1,080	\$ -	
SalesForce License	\$ 80,000	\$ 80,000	\$ 80,000	\$ -	
Support & Maintenance	\$ 59,400	\$ 62,800	\$ 50,040	\$ (12,760)	
Total CRM	\$ 140,480	\$ 143,880	\$ 131,120	\$ (12,760)	
PERC Websites (propane.com, propanecouncil.org, buildwithpropane.com)					
Database SQL Licenses	\$ 1,080	\$ 1,800	\$ 1,800	\$ -	
Content Management Software License	\$ 5,200	\$ 22,500	\$ 5,200	\$ (17,300)	
Support & Maintenance	\$ 19,600	\$ 22,000	\$ 12,000	\$ (10,000)	
Add tools to provide more personalized content on homepage, recommendations & popups			\$ 18,000	\$ 18,000	License for a product such as personize.com \$3k, plus est. \$14.8k to develop strategy, add page tags for analytics, design popups, and webpage design changes to accommodate popups
PERC Websites Total	\$ 25,880	\$ 46,300	\$ 37,000	\$ (9,300)	
Councilors'/ Advisory Committee Websites					
Database SQL Licenses	\$ 800	\$ 800	\$ 800	\$ -	
Content Management Software License	\$ 750	\$ 1,000	\$ 750	\$ (250)	
Maintenance & Support	\$ 1,700	\$ 1,700	\$ 1,440	\$ (260)	
Total Councilors' and AC Websites	\$ 3,250	\$ 3,500	\$ 2,990	\$ (510)	
Find a Propane Retailer					
Database SQL Licenses	\$ 1,080	\$ 2,000	\$ 2,000	\$ -	
Maintenance & Support	\$ 4,200	\$ 6,000	\$ 6,000	\$ -	Includes some requirements/design expenses related to CIP expense to enhancements for FPR
Total Find a Propane Retailer	\$ 5,280	\$ 8,000	\$ 8,000	\$ -	

	2017 Approved	2018 Original Budget Proposal	2018 Revised Budget Proposal	Increase (Decrease)	Comments
Grants & Rebates Management System					
Hosting Fee - Altum	\$ 8,952	\$ 8,952	\$ 8,952	\$ -	
EasyGrants license & maintenance - Alutm	\$ 31,000	\$ 31,000	\$ 31,000	\$ -	
Support & Maintenance	\$ 1,250	\$ 1,250	\$ 1,250	\$ -	
Total GMS	\$ 41,202	\$ 41,202	\$ 41,202	\$ -	
Dashboards/BPI/Portfolio Analysis					
Licensing (Tableau) for PERC staff	\$ 22,500	\$ 22,500	\$ 22,500	\$ -	
Licensing (Tableau) for Councilors, AC, and States		\$ 2,400	\$ 2,400	\$ -	
Consulting Support	\$ 21,000	\$ 42,000	\$ 10,000	\$ (32,000)	
Total GMS	\$ 43,500	\$ 66,900	\$ 34,900	\$ (32,000)	
Disaster Recovery & Cybersecurity (Business Continuity Planning)					
DNS cache maintenance; monthly patch updates/verification	\$ 15,625	\$ 15,625	\$ 18,625	\$ 3,000	additional server for accounting/invoicing/docuware integration (2 hrs/mo @ \$125)
Servers backup; image restore testing/online backup services	\$ 32,000	\$ 32,000	\$ 33,500	\$ 1,500	additional server for accounting/invoicing/docuware integration (1 hr/mo @ \$125)
Network/servers security: intrusion, exploit, SQL injection scans services	\$ 41,000	\$ 41,000	\$ 44,000	\$ 3,000	additional server for accounting/invoicing/docuware integration (2 hr/mo @\$125)
Total Disaster Recovery	\$ 88,625	\$ 88,625	\$ 96,125	\$ 7,500	
Other					
(GoToMeeting/GoToWebinar)	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	
Contact Data base verification/updates	\$ -	\$ -	\$ -	\$ -	
Digital Asset Library - assume this is in Comms budget	\$ -	\$ -	\$ -	\$ -	
Hardware Ops (reqmts/planning for upgrades)	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	
Productivity/Collaboration Software & Support (Replicon, Adobe Connect)	\$ 9,200	\$ 9,200	\$ 9,200	\$ -	
Propel Project Mgmt Software License (Powersteering)	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	
Domain Subscriptions + BWP CMS license	\$ 1,000	\$ 1,000	\$ 6,200	\$ 5,200	added BWP CMS license
Email Campaign Mgmt Software License (Pardot); was \$19,700 for 2017	\$ 6,300	\$ 20,000	\$ -	\$ (20,000)	Pardot licensing to be covered in the Comms 2018 budget
Blue Hornet Email Campaign Tools	\$ 6,000	\$ -	\$ -	\$ -	will not need in 2018
Training, Reference Books	\$ 12,000	\$ 12,000	\$ 12,000	\$ -	
Misc Software/Equipment Repairs	\$ 1,200	\$ 1,200	\$ 1,200	\$ -	
MS Master Data Services License (manage data assets across the enterprise)	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	
Single Sign-On Implementation and maintenance	\$ -	\$ 96,000	\$ -	\$ (96,000)	
Totals	\$ 446,797	\$ 600,307	\$ 444,137	\$ (156,170)	
Note: CMS annual license is \$16,300, apportioned to PWS, propane.com, propanecouncil.org, BWP, and Councilor website					

Propane Education & Research Council

Capital Expenditures Budget

2018 Planning

	2017 Approved Budget	2018 Original Budget Proposal	2018 Revised Budget Proposal	Increase (Decrease)	2018 Activities Comments
A) IT Hardware Operations					
Servers and backup systems	\$5,000	\$4,000	\$4,000	\$0	New VM host servers (retire our oldest), equipped with SSDs;
Memory Upgrades	\$1,000	\$1,000	\$1,000	\$0	Add to memory to support SQL upgrade + BI tools
	\$6,000	\$5,000	\$5,000	\$0	
B) IT Program Developments					
Contacts Relationship Management System (CRMS)	\$7,000	\$30,000	\$0	(\$30,000)	
PWS Web Sites	\$18,000	\$35,000	\$0	(\$35,000)	
PERC Web Sites	\$25,000	\$360,000	\$6,040	(\$353,960)	Upgrade Council website's search functionality with the MS FAST plugin. This upgrade will allow users to more thoroughly and readily find products and related content. MS FAST is a free product, cost is for management and implementation time from Swanson Russell and 1/0.
AC collaborative workspace	\$2,000	\$63,000	\$0	(\$63,000)	Replatform the Councilor website; add an AC portal.
Grants & Rebates Mgmt System	\$5,000	\$5,000	\$5,000	\$0	Upgrade to new software release will require modifications to PERC customizations to this leased software to support replicated rebates

	2017 Approved Budget	2018 Original Budget Proposal	2018 Revised Budget Proposal	Increase (Decrease)	2018 Activities Comments
Dashboards, System Monitoring and Problem Tracking tools	\$15,000	\$62,000	\$0	(\$62,000)	
Productivity/Collaboration Software/Tools	\$3,000	\$5,000	\$0	(\$5,000)	
Find a Propane Retailer Application	\$7,000	\$35,000	\$22,480	(\$12,520)	Estimate for customer interface enhancements to incorporate incentives and rebates into the interface; include PERC ads; better integration with propane.com & state websites
Database Software Upgrade	\$50,000	\$0	\$0	\$0	
	\$132,000	\$595,000	\$33,520	(\$561,480)	
C) Office Capital Fund	\$45,000	\$45,000	\$30,000	(\$15,000)	technology refresh of desktop systems, laptops, printers
				\$0	
				\$0	
Total	\$183,000	\$645,000	\$68,520	(\$576,480)	