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2021 PROPOSED BUDGET

PROPANE EDUCATION & RESEARCH COUNCIL Budget Plan for Calendar Year 2021

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 proposed budget to the Secretary of Energy and to the Congress.

This document constitutes PERC's proposed budget for calendar year 2021 and public comments are hereby sought.

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 2021 year.

The proposed 2021 Budget follows this memo.

Comments Encouraged. The propane industry and the public are invited to provide comments on this proposed budget plan. Comments may be sent to the following:

https://propaneeducationandresearchcouncil.formstack.com/forms/public_comment_proposed_2021_budget

Comments may also be mailed to:

Tucker Perkins, President and CEO
Propane Education & Research Council
1140 Connecticut Avenue NW, Suite 1075
Washington, DC 20036

Comments should be received no later than 5 p.m. EDT on **August 31, 2020**. All comments received by August 31 will be considered by the Council at its meeting scheduled for November 10-11, 2020 in Destin, Florida.

EXECUTIVE SUMMARY

Four strategic objectives guided the development of the 2021 Budget Plan:

- ❑ Develop professional, informed, and skilled workforce and trade allies through world-class safety and technical training.
- ❑ Increase propane's voice in the national energy conversation through data-driven, provocative, and assertive messaging.
- ❑ Grow the Autogas market through industry adoption, the development of certified applications, service networks, and commercialization support of applications in the market.
- ❑ Engage in commercialization efforts to create market growth opportunities.

Develop professional, informed, and skilled workforce and trade allies through world-class training.

Our workforce training will expand its use of technology and improved curriculum to increase ease of access and improved end user experience for sales and safety training. Emphasis on content, improved safety programs, and the value proposition of using the Learning Center and propane.com content will be key topics promoted in our outreach.

COVID-19 has impacted the methods used to engage with users of specific programs at the local level. To be more flexible and dynamic, PERC has shifted to using more digital and virtual tools to engage marketers and stakeholders, but outreach will continue to leverage in-person meetings and events held by state and regional entities.

Workforce outreach will continue to leverage the technical grant program and to support the incorporation of PERC curriculum and resources at the local level for state entities and marketers.

Increase propane's voice in the national energy conversation through data-driven, provocative, and assertive messaging.

The 2021 campaign is designed to increase propane's voice in the national energy conversation. It will build upon the foundation laid by the 2020 Thought Leadership program and will continue to promote a common, integrated theme across all markets (Propane Can Do That).

Thought leadership on clean energy continues to be important to Americans, and propane professionals have the expertise, the talent, and the clean energy to take the lead. We will provide a provocative clean energy message based on data and metrics to promote propane in a positive way featuring environmental media stories. PERC will engage influential propane ambassadors to shape the perception of propane as clean American energy.

The new thought leadership digital newsroom will be a trusted and go-to resource for information on clean energy, including renewable fuels. PERC will continue to provide marketers with updated environmental content and thought leadership material.

Grow the Autogas market through industry adoption, the development of applications, service networks, and commercialization support of applications in the market.

Propane Autogas for the on-road market, and engines across multiple markets, provides a growth opportunity for propane. A strategic priority is to develop technologies that the industry can use in their fleets, with crossover opportunities in other markets, including medium to heavy-duty vehicles, relevant engines, and aftermarket conversions; with a goal of increasing the adoption of autogas vehicles in the propane market and other markets. We will provide the tools and resources needed for marketers to successfully incorporate autogas customers into their business strategy. Additionally, the development of a service and maintenance training program is a priority.

Engage in appropriate commercialization efforts to create market growth opportunities.

Engagement and partnerships with allied industries is critical to the success of the propane industry. From face-to-face meetings, to tradeshow, to events; the PERC engages with manufacturers, distributors, dealers, and influencers such as regulators and researchers to advance propane use across the markets. Strategic priorities include developing partnerships and propane-fueled products used for power generation, water heat, outdoor living, manufactured housing, commercial markets, forklifts and other material handling equipment, mobile agricultural equipment, industry innovations, and renewables.

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 2021 budget.

Assessment Collections. Assessment revenues of \$41,950,000 are projected for 2021 based on an assessment rate of 0.5 cents per gallon, effective since October 1, 2017.

Investment Income. Investment income in 2021 is estimated at \$409,194. 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 to be returned to the general treasury are estimated at \$500,000.

PART II. GENERAL EXPENDITURES AND CAPITAL INVESTMENTS

Administrative Expenses. Administrative expenses in 2021 are budgeted at \$2,856,064. Under PERA, administrative expenses may not exceed 10 percent of funds collected during the year. The proposed administrative expenses are estimated at 7.00 percent of assessment funds the Council expects to collect for 2021. 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 \$90,000 in 2021. 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 no plans to make capital expenditures. Depreciation is estimated to be \$0 in 2021.

Capital Investments. PERC has no plans to make capital investments in 2021.

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 2021 is budgeted at \$8,390,000.

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 \$32.4 million budgeted in Program funding that includes \$26 million planned for docketed projects and program activities, as well as \$6.4 million estimated for program salaries, benefit cost and IT support costs.

The projects and initiatives described in the following sections are based on a recommendation from PERC's Budget and Finance Committee in collaboration with PERC's Executive Committee, the staff, and other sources. On July 23, 2020, the Executive Committee approved the distribution of the proposed budget for the limited purpose of soliciting public comment. While the descriptions to follow provide insight into the overall program plans of PERC, actual funding will be considered on a docket-by-docket basis for 2021.

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.

Homeowner Outreach

Total Budget: \$4,200,000

Communications

Budget: \$3,000,000

In 2021, we will continue to reach homeowners in propane country looking to build, remodel, or add and replace appliances using digital media. Messaging is targeted regionally and seasonally focused on propane's environmental, economic, reliability and efficiency benefits compared to other energy sources. The campaign will continue to use the integrated Propane Can Do That® message. In addition, a suite of materials for marketers and states is available to amplify the national campaign on a state and local level. Ongoing tracking and reporting allow the campaign to be optimized for best value

and potential consumer engagement for the industry and insights gleaned from the campaign can be shared with marketers and states looking to optimize marketing and messaging efforts on the state and local level.

The residential markets will continue to see modest overall growth as the economy stabilizes and buyer confidence increases coming out of COVID-19. It is expected that housing demand will continue to exceed supply through 2022, which will lead to higher remodeling activity. Additional factors that will positively affect this segment include availability of land for development beyond natural gas distribution lines, a normalization of mortgage rates, decreased unemployment rates, and increased consumer confidence. As one of the largest consumer segments, millennials will dominate renovation activity. While being generally priced out of the new construction market, they will be heavily engaged in the re-sale and remodeling market so targeting these influencers is critical.

Propane space heated households are beginning to rebound from the declines experienced from 2006 to 2012, where propane space heated homes slipped from 6.46 million to 5.54 million. In 2018, the last year for which information is available, that number is 5.8 million.

Thought Leadership

Budget: \$1,200,000

The 2021 corporate communications program is designed to increase propane's voice in the national energy conversation through data-driven, provocative, and assertive messaging.

Thought leadership content will be guided by an environmental benefits message platform, posted to a digital newsroom, and amplified through social media and paid digital ads to the target audiences. Key tactics of the program include creation of a podcast, creation of content by influencers writing on PERC's behalf, a targeted national media relations program, a social media campaign and an active Tier 1 speaker's program.

At the heart of the program is a provocative clean energy message featuring the benefits of propane based on data and metrics to position propane in a very positive way in the climate change, energy, and environmental conservation media stories. Our provocative tone in our messaging is a deliberate aim at soliciting a strong reaction to the use of and need for propane. Additionally, we promote positive, accurate propane stories through earned, owned (PERC digital channels) social media and paid media.

PERC will educate, create, recruit, cultivate, and engage with influential propane ambassadors (thought leaders, influencers, media, academia, and decision makers) to shape America's perception of propane as clean American energy. And we will integrate thought leadership activities, messages, and voices gathered from these influencers to enhance the larger Propane Can Do That® campaign. This clean American energy and clean environmental messaging (presented through the lens of our curated influencer stories) will be prominent on Propane.com in the new environmental thought leadership digital newsroom.

This thought leadership program amplifies and complements propane as clean American energy and the Propane Can Do That® campaign. The new thought leadership digital newsroom will be a trusted resource for information on clean energy, including renewable fuels. Content created for this initiative will amplify and reinforce the brand messaging used in the markets and provide additional resources to be leveraged to the consumer and business audiences.

PERC will continue to equip marketers with this updated environmental content and thought leadership material. The thought leadership content and environmental benefits will live in the digital newsroom and will be amplified via social media and paid digital ads to the target audiences.

Residential

Total Budget: \$1,855,000

Program Support

Budget: \$1,295,000

In the residential market outreach, we will put a strategic focus on partnering with market partners, as described below, while also building on a growing interest in outdoor living, which provides a growth opportunity not just with homeowners, but also renters. We are also focused on growing market share in the manufactured and modular housing markets.

Given the trends in the residential and commercial markets, it is more important than ever to target those individuals and organizations that are critical to the specification of propane and propane applications in homes, in commercial facilities, and on jobsites. These individuals and organizations include builders, general contractors, architects, engineers, plumbers, and HVAC contractors, among others. The program plans to include targeted outreach regarding zero net energy (ZNE) and propane's value in green building; national builder engagement and the use of propane in the major appliance areas in new construction specific to developments and communities; regional and custom builders outreach; electric water heater replacement – especially when there is already propane in the home; outdoor amenities in regions where extending the outdoor living season is reasonable; and regaining market share in manufactured and modular housing, along with other high-level priorities.

Market Research

Budget: \$5,000

The 2021 residential market research program will consist of a survey on industry members' use of Build With Propane (BWP) products.

Safety & Technical Training

Budget: \$130,000

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 existing courses for the residential market to comply with new codes and standards. The cost of the updates includes paid promotion to of the courses and encourage completion.

Strategic Partnerships

Budget: \$50,000

Partnerships in the residential market 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.

Product Development

Budget: \$375,000

To make an impact in the residential market, new products will be developed, demonstrated, and commercialized. The strategic emphasis is on next-generation water heating solutions and power generation solutions, including micro-combined heat and power.

Commercial

Total Budget: \$1,520,000

Program Support

Budget: \$940,000

The commercial market sector represents about 20 percent of all propane demand. Commercial demand is less affected by weather than residential demand, which helps explain why market share has remained somewhat stable during warm and cold winters alike. The commercial market has seen the most demand reduction as a result of COVID-19.

The commercial market, with varying types of infrastructure and associated needs, tends to be more diverse in customer type and decision maker. An increased effort to identify the explicit needs of each building type and address the decision maker audiences, along with combatting the competing energy sources in commercial buildings, will be an increased focus in 2021. Specific focus is given to the architect, engineer, and contractor segment of specifiers.

There were over 9.6 million commercial buildings in the U.S. in 2012, which is a 14 percent increase from 2003. Overall commercial fuel consumption increased 7 percent from 2003 to 2012. Over that period, buildings using electricity saw a total fuel usage increase of 19 percent, where buildings using propane saw their total fuel usage decline by 12 percent. However, the number of commercial businesses that use propane increased by 17 percent in that period.

Safety & Technical Training

Budget: \$130,000

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 for each the commercial market to comply with new codes and standards. The cost of the updates includes paid promotion to architects to notify them of the courses and encourage completion.

Strategic Partnerships

Budget: \$100,000

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 contacts and expand the reach and frequency of our message.

Product Development

Budget: \$350,000

To make an impact in the commercial market, new products will be developed, demonstrated, and commercialized. The strategic priority for the commercial market is micro-combined heat and power systems, other power generation opportunities, and commercial scale water heating solutions.

Agriculture

Total Budget: \$2,097,500

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.

Program Support

Budget: \$937,000

The Agriculture Market Outreach program has five areas of emphasis:

- **Consumer Education (Content and Marketing):** We continue to highlight the Propane Can Do That® campaign in our agriculture messaging, highlighting the versatility of our fuel. This approach to messaging allows us to highlight the versatility and reliability of propane, and the availability of new propane-powered equipment across the various ag applications and operations without continually developing new content or campaigns for each situation. The market outreach approach uses social media, case studies, photography, digital, video, print, and radio media. We will continue to 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. We are promoting lesson plans for ag educators and attending the national FFA convention. We are also focused on the continually emerging cannabis and hemp markets in agriculture.
- **Influencer Outreach:** 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 influencers so they can better represent our fuel to their customers, and ideally create champions for propane in agriculture. Our new industry e-newsletter communications tool, called *The Ag Post*, is a primary strategy to introduce influencers to propane in ag and how PERC supports their efforts.
- **Marketer Outreach:** We communicate with propane marketers who are interested in the agriculture market through *The Ag Post* and by way of PERC communications and presentations at propane industry events. We focus on improving marketers' understanding of the agricultural market and sharing resources that can help them take advantage of growth opportunities in the market.
- **Public Relations:** 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.
- **Trade shows:** We support trade show 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.

Strategic Partnerships

Budget: \$55,000

To aid in our efforts across the soil steaming market, we will partner with the newly formed American Soil Steaming Association (ASSA). Through this partnership we will

gain greater access to major players in the soil-steaming space. We also are a member of the Commodity Roundtable organization to collaborate with agricultural organizations, as required by the Propane Education and Research Act of 1996.

Product Development

Budget: \$1,105,500

The agriculture equipment development efforts are focused on mobile agriculture equipment replacing diesel fuel as prioritized in the Council Strategic Plan. We are also engaging with a number of tractor manufacturing companies around research, development, and commercialization of a tractor sized for large mowing and landscaping used by national parks, municipalities, and state roads department. These tractors are also commonly used in farms across the country.

Propane Autogas

Total Budget: \$3,570,000

Program Support

Budget: \$1,535,000

The Council's strategy plan calls for 25 percent growth in industry adoption of propane autogas in the industry fleet. Our efforts will focus on engagement with industry fleet managers, owners and operators, and body builders to build awareness on vehicle platforms currently available and help facilitate support after sale and in maintenance success through relationship building and development of a maintenance and service program leveraging existing assets. We will continue to offer commercialization support for products that fill a need in the industry fleet as well as other medium duty markets.

In 2021, school transportation will continue to be a 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. We plan to leverage opportunities to demonstrate that investments in propane provide the best return on that investment for emissions reduction and the savings benefits for the end user and the community. Tactics will include exhibiting, speaking, and sponsoring events where school transportation managers and decision makers are present (or virtually) both nationally and on a state level. Activities will include earned and paid media and training, education, and support activities for bus dealers.

School buses help the propane industry tout the environmental and economic benefits in the community through a vehicle familiar to most people. In other fleet markets, specifically medium duty, the competition is equally aggressive, but the effect of the favorable pricing environment increases the benefits of adopting existing propane technology. In this market we will be promoting existing technologies and priming the audience for products under development such as the high efficiency, heavy-duty Cummins engine. We will also promote a future vision by funding initial investments in

on-road technologies. These technologies will be critical to remain relevant in these markets.

Market Research

Budget: \$75,000

Market research is a vital component in the planning, execution, and assessment phases of all work within the autogas 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 2021, 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.

Safety & Technical Training

Budget: \$250,000

The 2020-22 Strategic Plan identifies a service and maintenance network of trained individuals as a strategic priority, with a goal to launch an Autogas service training program. Through partnerships with equipment suppliers, training providers, educational institutions, and others we will develop an Autogas service training program, beginning initially with an evaluation of the existing training partners and programs, identifying necessary changes and updates, and designing the program to be launched.

Strategic Partnerships

Budget: \$100,000

Strategic partnerships allow for PERC to further engage key stakeholders, including NTEA (the association for the work truck industry), the American Trucking Associations, and the National Star Route Mail Carriers Association in market development activities.

Product Development

Budget: 1,610,000

A strategic priority for the Council is to increase industry adoption of autogas vehicles. Activities to achieve this goal include supporting the commercialization of new products for the industry fleet, monitoring the support and success of existing products, providing the propane industry with the tools, resources and materials needed to successfully incorporate autogas customers into their business strategy. We will promote the benefits of adopting propane autogas-powered vehicles as compared to the costs associated with maintaining a diesel-powered fleet.

It is also important to capitalize on market growth opportunities in new and existing markets. We will continue to target key autogas vertical market segments, including transit and paratransit, food/beverage, pickup and delivery, package/parcels, parking shuttles, towing and recovery, and other class 3-7 vehicle weight classes. The propane industry will be supported through continued education, training, and engagement of the sales channels to increase awareness of the advantages propane autogas provides to both public and private fleets. We will do this through earned and paid media, conferences, webinars, trade shows and events, dealer engagement, training, and targeted outreach to key associations and stakeholders.

In the school bus market, propane autogas continues to maintain consistent annual growth as more fleets become repeat buyers, which helps to make our fuel and technology a more acceptable choice for other fleets interested in propane. Today, there are over 20,000 propane school buses transporting approximately 1.2 million students to school in more than 1,000 school districts in 48 states.

Continued low prices for diesel and gasoline, the accelerated move to replace diesel engines with gasoline engines (especially class 5-7 vehicles), and the rapid adoption of so-called clean diesel and electric vehicles are a challenge in this market. To counter these trends, we will execute a more sustained, year-round outreach initiative that will focus on increasing engagement with manufacturers, dealers, private contractors, and school district fleet managers. Other influencers include school boards and parents who have a vested interest in seeing that their children are safely transported to school in environmentally friendly, reliable buses, and the school business officials who can most directly see the value that propane brings to their school district.

Off Road/Power Generation

Total Budget: \$1,070,000

Program Support

Budget: \$670,000

The off-road market covers a large variety of partners and products, and the scope of our efforts in this market extend beyond what has been targeted in the past to include power generation, temporary heat, light-duty/compact construction, concrete finishing, material movers, aerial lifts, utility vehicles, landscaping equipment, and more. As such, the target audiences expand as well, to additionally include construction professionals, rental equipment suppliers, new equipment manufacturers, sales staff, and new influencers.

For 2021, we will target the segments of the off-road market with engagement, marketing, and communications to increase users and uses and grow propane market share. This includes direct engagement with the entire market sales channels (e.g., manufacturers, dealers/distributors, users, influencers) and aggressive, provocative marketing and communications campaigns for each submarket. Targeting of construction professionals and rental equipment suppliers are important growth opportunities.

There is a timely opportunity for propane in the off-road market as the market faces short-term financial uncertainty, labor shortages, and fluctuations in operational costs.

This renewed interest and demand represents a significant opportunity for propane and propane-powered equipment in the off-road marketplace.

Market Research

Budget: \$30,000

Market research is needed to get deeper understanding of customer needs, define market opportunities and growth, and develop data for outreach. This is particularly important in the off-road market as we identify the best opportunities for growth and the best partners for engagement.

Strategic Partnerships

Budget: \$70,000

Strategic partnerships within the off-road markets are important. This includes memberships to national trade associations/councils and 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. We will identify those partnerships that are most in line with the PERC strategic plan. 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.

Product Development

Budget: \$300,000

Propane equipment costs remain higher than comparable gasoline and diesel-powered units in most off-road markets, which can be a barrier to entrance for many newcomers to propane and alternative fuels in general. We will look for projects that can lower the cost barriers while leveraging economic and environmental advantages to grow users and uses. Per the strategic plan, the key priority for the off-road market is power generation.

Material Handling/Industrial (Forklift & Port Applications)

Total Budget: \$1,590,000

Program Support

Budget: \$880,000

The forklift market segment has grown by 32 percent since 2013; however, total forklift sales were down by 2 percent in 2019, while Class 1 and 2, electric sit-down riders, and

electric-motor narrow aisle lift truck applications reported modest gains. Class 4 sales declined by roughly 2 percent and Class 5 sales were down 10 percent in 2019.

Propane's market share within the North American factory-order forklift market, for classes 4 and 5, where propane competes, increased from 85.6 percent in 2013 to 88.9 percent in 2018, while diesel's market share declined by 1 percent to 10.8 percent and gasoline dropped to near zero in the same time period. Class 1 electric forklift market share, which directly competes against class 4 and 5, has remained stable at 17-18 percent.

For 2021, core activities in the material handling market will focus on aggressively marketing propane and propane-powered forklifts, educating key influencers and decision makers, engaging equipment dealers and distributors, and connecting marketers with equipment dealers. Direct and provocative marketing campaigns will increase the reach of propane messaging.

To complement the outreach campaigns, we will continue efforts to directly reach equipment dealers, including direct communications via PERC's dealer lists, as well as targeted engagement of key forklift manufacturers for co-marketing, technology development, and product launch activities.

Ports and terminals across the nation are under pressure to reduce emissions and grid load. These environmental challenges are often met with increased equipment and operational costs, as well as new complexities in equipment maintenance and daily operation. U.S. ports and terminals are actively seeking solutions to balance environment and economic demands, and yet the solutions used by ports, such as large material handlers and terminal tractors, are used in many other locations.

Engagement with the port and terminal sales channel will be an area of outreach in 2021. Targeted toward traditionally diesel-dominant equipment and port applications, efforts will focus on assessing the current marketplace, defining user needs, and approaching the market with equipment and campaigns that are direct, impactful, and lead to action. A sizeable key to the success in the port/terminal markets is building general propane and equipment equity through strategic relationships, marketing campaigns focused on telling the propane story, dispelling inaccurate perceptions, and directly comparing true emissions, operational costs, and the total cost of ownership.

Market Research

Budget: \$70,000

For 2021, PERC will utilize market data to better understand customer needs and define market opportunities. The data partnership we have with Industrial Truck Association is included in market research. New data around new opportunities in material handling is also included.

Strategic Partnerships

Budget: \$90,000

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).

Product Development

Budget: \$550,000

The threats to continued growth in the material handling space are driven by the continuously improving battery technology, frequency of pro-electric messaging, corporate-based carbon reduction goals, and electric-only local and regional regulatory mandates gaining traction nationwide. Additionally, most new forklift sales occur in heavy metropolitan and business districts where internal combustion engines are being targeted by regulators. Therefore, we will continue to work with equipment manufacturers to develop efficient, clean, affordable, and safe solutions for the present and the future. We will also continue to support the continued development and push toward commercialization of exhaust emissions catalyst and propane hybrid technologies.

For success in the port/terminal markets, propane must have reputable and reliable partners throughout the sales channel to develop equipment that is comparable in performance, but also superior in total cost of ownership and ease of use. Opportunities in the port/terminal markets exist in power generation, terminal tractors, heavy-duty forklifts, container handlers, light-duty vehicles, and refueling infrastructure.

Corporate Communications

Total Budget: \$1,636,000

Website Content (propane.com and state website)

Budget: \$680,000

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.

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.

Marketer-facing content on propane.com 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.

Agency Oversight and Communications Support

Budget: \$956,000

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 should be sufficient to cover agency oversight costs with outreach activity in all markets.

According to 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 and returns have been promising.

PERC outreach will continue to all markets with the common theme (Propane Can Do That®), on Propane.com. Homeowners, business owners, on-road and off-road fleet managers, growers, construction professionals, propane professionals, and energy influencers will see strategically integrated messages that are designed to promote safety, drive adoption of propane equipment, secure propane's place in the energy conversation, and position the propane industry as a good place to work.

Given its success, we plan to continue making a significant investment in the Propane Can Do That® outreach to help drive market growth, and we will increase investment in thought leadership outreach to energy influencers. The work outlined here complements and elevates PERC environmental thought leadership to the national level.

Business Development

Total Budget: \$1,300,000

Business Development Engagement and Program Services

Budget: \$600,000

The general business development budget is necessary to target new market opportunities, engage agencies, coordinate with international technology companies, support current markets, and ensure efficiencies of new products. Since new market opportunities are not covered by market dockets, this program supports those efforts. Agency engagement, including the departments of energy and clean energy organizations is covered through this program. This program is also used to engage with international technology suppliers and new suppliers who have solutions that will benefit the U.S. market. We also use select consultants in lieu of additional staff to aid PERC in these efforts, because of their technical knowledge and expertise in specific markets.

Technical Research

Budget: \$625,000

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.

Strategic Partnerships

Budget: \$75,000

We will partner with Carbon Management Information Center, a part of the Gas Technology Institute, to strengthen analysis capabilities accessible to PERC regarding carbon emissions.

Safety & Technical Training

Total Budget: \$3,315,000

Industry Workforce Training

Learning Center and CETP Certification Program

Budget: \$631,000

Workforce training has been identified by the council as a top priority. Funding in this category will provide operations, data storage, and support for the Learning Center through propane.com. The Learning Center has become the central point for the industry to access PERC's educational programs, providing on-line access and documentation of training anytime, anywhere. This funding also supports helpdesk activities for the Learning Center, operational support for the CETP Certification program, and program improvements to the Learning Center.

CETP Update and Outreach

Budget: \$2,034,000

The Certified Employee Training Program is the flagship resource for training the propane industry, and PERC will support and invest in safety, education, and technical training with the 2021 budget. A significant portion of the 2021 budget will be to support this program with updated CETP training and certification programs in a shorter, task-based methodology that improves the effectiveness of programs while offering users the ability to customize training and educational programs to fit the specific needs of employees and organizations. Additionally, new and improved safety and compliance programs like Propane Emergencies and Agriculture Safety programs are supported as part of this budget. These new resources will support safety and the safe use of propane products as core messaging platforms for each market.

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

Training Support and Workforce Development

Budget: \$400,000

The safety and technical training 2021 budget supports the various growth markets with educational and training programs as needed. Additionally, the budget continues to address ongoing programs to update propane emergencies and other core regulatory and compliance programs. Safety outreach programs like Train the Trainer, onsite training, and training at industry events will continue under the 2021 budget.

In 2021, safety and technical training programs will be leveraged to support workforce development efforts and to support educational outreach to industries that support the propane industry. This support will occur through interaction with post-secondary schools, driving schools, and workforce development organizations. PERC will use both newly developed and repurposed existing assets to customize programs to specifically support these efforts. Specifically, the Learning Center will be leveraged to support the four apprenticeship programs approved by the Department of Labor and administered by National Propane Gas Association (NPGA).

Safety Messaging

Budget: \$250,000

Safety and technical training will continue to enhance and produce consumer safety messaging and end-user safety programs. In 2021, we intend to use digital outreach and messaging tied to both the residential and commercial consumer audience. Comprehensive safety messaging, such as preparation for winter and adverse weather occurrences, will continue to be sent to customers by way of PERC state and regional propane organizations and by propane marketers. Additionally, consumer safety and safety messaging will continue to be leverage and will be disseminated through our existing channels, at no additional cost.

Industry Engagement

Total Budget: \$3,902,000

Marketer Companies

Sales and Marketing Training Program

Budget: \$621,250

The Sales and Marketing Training Program represents four projects that support sales and marketing training specific for the propane industry:

- 1) Marketer Propane Sales & CSR Training: The Propane Sales Training offering supports propane sales professionals and customer service representatives with fresh content to enhance both technical knowledge and the business acumen needed to leverage new markets and improve service to existing customers. Delivery of the content is via the Learning Management System. Having the training available online enables propane professionals to choose lessons that better fit job duties and company goals and eliminate the travel costs to out-of-town classroom sessions.
- 2) Marketer Propane Sales Summits: We plan to host in-person or virtual Propane Sales Summits in 2021. These events are regionally based for marketers of any level or company size to sharpen their sales skills and learn new insights about various propane markets. Partnering with state associations across the country, summits will focus on two to three of the most relevant markets to the local area, led by PERC market leads, and teach strategies from PERC's Propane Sales Training program, led by GP Strategies.

3) Can-Do Marketing Conference: The proposed Can-Do conference cancelled for 2020, will take place in Minneapolis, MN in August 2021. The event will educate marketers on digital marketing techniques and how to incorporate PERC's programs and resources to their marketing and growth plans. Employees of retail marketers across the country are the intended target of this program. Specifically, the management, operations, sales, and marketing personnel would be the primary benefactors of the program. This audience is key to positioning retail propane companies in the age of digital marketing and day-to-day contact with consumers across all market segments.

4) Train-the-Trainer Training for HVAC & Plumbing Professionals: PERC held Train the Trainer sessions from 2016-2019. The 2020 courses were cancelled due to Covid. Sessions are again planned for 2021, as they have been proven to be a huge success for instructors and plumbing/HVAC professionals. Each event focuses on the *Overview of Propane Distribution Systems for HVAC and Plumbing Professionals* course and teaching this audience the curriculum and how to use it in their own classrooms/training programs.

Industry Outreach

Budget: \$517,910

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.

Advisory committee and program support

Budget: \$491,840

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.

Workforce Outreach

Budget: \$420,000

The PERC 2020-2022 Strategic Plan identifies workforce outreach as a key priority. Specifically, the plan calls for PERC to develop professional, informed, and skilled workforce and trade allies through world-class safety and technical training. Meeting the objective will be completed through three key areas: Propane Industry Workforce Safety & Sales Training, Workforce Outreach, and External Market (trade allies) Training.

Propane Industry Workforce Safety and Sales Training

- Use technology to increase opportunities for training across multiple platforms
- World-class (online) workforce safety and sales training, incorporating marketing messages in both
- Audience: Operations, sales, service, delivery and customer service personnel
- Promote cross selling opportunities
- Support for vocational and technical school curriculum development
- Deployment of resources to assist marketers, state entities, and other industry members to address issues facing the workforce
- Support for technical schools to incorporate propane equipment for hands on training

External Market (Trade Allies) Training

- Drive awareness utilizing career and vocational education course curriculum development & packaging.
- Train influencers & allied trades with CEU accredited training & increase awareness on the benefits of propane applications
Assist states in the deployment of external audience training support (deployment) at the local level

To be successful in achieving the objectives set forth in the strategic plan, it is imperative to implement the Workforce Outreach plan industry-wide with reasonable consistency while building collaboration between the State Entities, PERC, and NPGA. This plan will aim to align current program activities with productive and meaningful outputs. As such, the plan will identify the best strategic initiatives to impact change at the intersection of cost, effort, and results. Strategies include:

- Provide a comprehensive overview and structure for priority industry workforce outreach activities
- Define positions and milestones in the career path for industry employees
- Address multiple states of careers and career advancement
- Build awareness of and deploy accessible and affordable educational programs and resources for use in classrooms, online, in labs, and through apprenticeship programs
- Integrate into military transition programs for veterans seeking employment
Facilitate State Associations and interested propane industry professionals working with each other to share ideas, best practices and resources

National Associations

Total Budget: \$1,020,000

In fulfillment of PERC's statutory obligation to coordinate its activities with those of the industry associations, PERC's partnership agreement with the GPA Midstream 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.

Market Research

Total Budget: \$831,000

2020 Propane Sales Survey

Budget: \$212,000

The propane sales 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.

Propane Market Research Initiative

Budget: \$619,000

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.

The budget for market research represents a consolidation of data acquisition, management, and visualization elements previously funded through market-based initiatives. The consolidated approach will provide data staff with greater clarity into market and performance data across the organization and leverage the data and insights for improved program performance and increased dissemination of market data to the industry.

Much of the analysis is done in-house, and where possible we seek to leverage government and credible publicly available data; but the proprietary nature of some data sources require investment to acquire access.

Additionally, the programs in which PERC conducts data collection, mainly the semi-annual perception study to measure the favorability of propane as a fuel and in an environmental context and the annual retail sales report, are also reflected in the 2021 budget as presented.

TOTAL PROGRAM INITIATIVES: \$26,055,500

2021 Proposed Budget Summary

SOURCES OF FUNDS

REVENUES

Assessment Collections	\$41,950,000
Investment Income	\$409,194
Fulfillment Operations	\$154,295
CTTP Certification / Learning Center	\$142,250
Other	\$12,000
TOTAL REVENUES	\$42,667,739

DEOBLIGATIONS **\$500,000**

BEGINNING SURPLUS **\$17,800,000**
Total Sources of Funds **\$60,967,739**

OPERATING EXPENDITURES

Administrative Expenses **\$2,856,064**

Other Expenses:

	\$90,000
Assessment and Collections	
Depreciation Expenses	\$0
Total Other Expenses	\$90,000

State Rebates (20 % of Assessment Collections) **\$8,390,000**

Programs:

	\$4,857,611
Program Salaries & Taxes	
Program Staff Benefits	\$883,200
IT Support	\$685,364
Research and Development	\$16,570,500
Consumer Education	\$6,150,000
Safety and Training	\$3,335,000
Total Program Funding	\$32,481,675

Total Distribution of Funds **\$43,817,739**

ENDING SURPLUS **\$17,150,000**

CAPITAL EXPENDITURES **\$0**

2021 Proposed Budget Program Detail

Agriculture	Product Development	\$1,105,500
	Program Support	\$937,000
	Strategic Partnerships	\$55,000
	Total	\$2,097,500
Autogas	Market Research	\$75,000
	Product Development	\$1,610,000
	Program Support	\$1,535,000
	Safety & Technical Training	\$250,000
	Strategic Partnerships	\$100,000
	Total	\$3,570,000
Residential	Incentive Programs	\$0
	Market Research	\$5,000
	Product Development	\$375,000
	Program Support	\$4,295,000
	Safety & Technical Training	\$130,000
	Strategic Partnerships	\$50,000
	Total	\$4,855,000
Commercial	Product Development	\$350,000
	Program Support	\$940,000
	Safety & Technical Training	\$130,000
	Strategic Partnerships	\$100,000
	Total	\$1,520,000
Material Handling/Industrial	Market Research	\$70,000
	Product Development	\$550,000
	Program Support	\$880,000
	Safety & Technical Training	\$0
	Strategic Partnerships	\$90,000
	Total	\$1,590,000
Off Road/Power Generation	Incentive Programs	\$0
	Market Research	\$30,000
	Product Development	\$300,000
	Program Support	\$670,000
	Strategic Partnerships	\$70,000
	Total	\$1,070,000
Propane Industry	Market Research	\$831,000
	Program Support	\$2,051,000
	Strategic Partnerships	\$420,000
	Technical Research	\$600,000
	Total	\$3,902,000
Corporate Communications	Digital Strategy & Analytics	\$680,000
	Program Support	\$956,000
	Thought Leadership	\$1,200,000
	Total	\$2,836,000
Presidential Discretionary	Program Support	\$0
	Total	\$0
Business Development	Program Support	\$600,000
	Strategic Partnerships	\$75,000
	Technical Research	\$625,000
	Total	\$1,300,000
Safety & Technical Training	Safety & Technical Training	\$3,315,000
	Total	\$3,315,000
Grand Total		\$26,055,500

2021 Proposed Program Budget Matrix

Market	Activity									
	Digital Strategy & Analytics	Incentive Programs	Market Research	Product Development	Program Support	Safety & Technical Training	Strategic Partnerships	Technical Research	Thought Leadership	
Agriculture	-	-	-	1,105,500	937,000	-	55,000	-	-	2,097,500
Autogas	-	-	75,000	1,610,000	1,535,000	250,000	100,000	-	-	3,570,000
Residential	-	-	5,000	375,000	4,295,000	130,000	50,000	-	-	4,855,000
Commercial	-	-	-	350,000	940,000	130,000	100,000	-	-	1,520,000
Material Handling/Industrial	-	-	70,000	550,000	880,000	-	90,000	-	-	1,590,000
Off Road/Power Generation	-	-	30,000	300,000	670,000	-	70,000	-	-	1,070,000
Propane Industry	-	-	831,000	-	2,051,000	-	420,000	600,000	-	3,902,000
Corporate Communications	680,000	-	-	-	956,000	-	-	-	1,200,000	2,836,000
Presidential	-	-	-	-	-	-	-	-	-	-
Business Development	-	-	-	-	600,000	-	75,000	625,000	-	1,300,000
Safety & Training	-	-	-	-	-	3,315,000	-	-	-	3,315,000
Total	680,000	-	1,011,000	4,290,500	12,864,000	3,825,000	960,000	1,225,000	1,200,000	26,055,500

Comments on this budget plan are due no later than August 31, 2020, and should be sent as follows:

By mail:

**Tucker Perkins, President & CEO
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1140 Connecticut Ave NW, Suite 1075
Washington, DC 20036
*By fax: 202-452-9054***

Online:

https://propaneeducationandresearchcouncil.formstack.com/forms/public_comment_proposed_2021_budget