

Propane Education and Research Council, Inc.

Proposed Budget for 2024



Propane Education and Research Council, Inc. Budget Plan for Calendar Year 2024

The Propane Education and Research Act of 1996 (Public Law 104-284) (PERA) requires the Propane Education and Research Council, Inc. (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 Congress.

This document constitutes PERC's proposed budget for the calendar year 2024 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 2024 year.

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_budget

Comments should be received no later than 5 p.m. EDT on August 31. All comments received by August 31 will be considered by the Council at its meeting scheduled for November 29-30, 2023 in San Antonio, Texas.

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EXECUTIVE SUMMARY

The Proposed 2024 Budget for the Propane Education and Research Council, Inc. (“PERC” or the “Organization”) is grounded in the Organization’s mission as outlined by the Propane Education and Research Act of 1996 (“PERA”) to “enhance consumer and employee safety and training, to provide for research and development of clean and efficient propane utilization equipment, to inform and educate the public about safety and other issues associated with the use of propane.” The Proposed 2024 Budget continues to build on successful programs and introduces new initiatives that prioritize the Four Strategic Pillars of the 2023-2025 Strategic Plan:

- Increase propane’s voice in the national energy conversation, educate consumers about propane’s environmental benefits and its role as an alternative energy in the nation’s wide path to zero emissions.
- Implement a market strategy that partners propane with counter-seasonal demand for BTUs and grow the total propane market share.
- Develop professional industry and allied partner employees through world-class safety training and education.
- Educate the propane industry about available propane Autogas equipment, grow the service network, and facilitate the sale of units.

The Summary Proposed 2024 Budget is presented below:

| | <u>2024 Proposed Budget</u> |
|-------------------------------------|--|
| <u>Revenues</u> | |
| Gross Assessment Revenue | \$ 47,200,000 |
| Allocation to State Rebates | <u>(9,440,000)</u> |
| Net Assessment Revenue | \$ 37,760,000 |
| Investment Income and Other Revenue | <u>\$ 2,591,000</u> |
| Total Revenue | <u>\$ 40,351,000</u> |
| <u>Expenses</u> | |
| Administrative Expenses | \$ 2,454,483 |
| Program Expenses | <u>44,723,993</u> |
| Total Expenses | <u>\$ 47,178,476</u> |
| Decrease in Net Assets | <u>\$ (6,827,476)</u> |

The Proposed 2024 Budget provides incremental resources for programming to grow Technical Research, continue the commitments to the Technical School Grant Program, and deploy a Propane Engine Training Grant Program. The plan for 2024 also prioritizes the Organization’s Safety and Training, and Research and Development efforts. Additional resources have been targeted to continue

development of updated, current and relevant safety content delivered in a flexible module based online format. Technical research efforts are responding to the changing engine landscape with new research focused to understand the emissions and performance differences between propane and electric powered engines, and fuel quality research aimed at informing the standard setting process for propane fueling.

The budget is primarily funded with a \$0.005 assessment on each gallon of odorized propane, and this level of assessment remains steady since the last increase was effective on October 1, 2017. We have estimated that in 2024 the Organization will receive \$47.2 million in assessment revenue of which 20% will be allocated to the State Rebate Program. The budget receives supplemental funding from its investment income generated on cash balances from government securities and certificates of deposit, in addition to services revenue generated from certain program support provided to the state level propane foundations authorized under PERA, and other income.

The planned expenses in 2024 are expected to exceed these revenue sources by approximately \$6.8 million which will be funded from reserves and reduce the net assets of the Organization in 2024. However, this reduction in general cash reserves will not reduce the Council designated reserve fund or adversely impact the solvency of the Organization.

The 2024 Proposed Budget continues 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 while continuing to evolve and respond to the opportunities of a changing marketplace in the Propane Industry.

STRATEGIC BUDGET ALIGNMENT

The 2024 Proposed Budget derives its prioritization of activities from the 2023-2025 Strategic Plan and the underlying strategic pillars that support that plan. Those pillars and the supporting initiatives that support each pillar are summarized as follows:

- Increase propane’s voice in the national energy conversation, educate consumers about propane’s environmental benefits and its role as an alternative energy in the nation’s wide path to zero emissions.
 - Operate an integrated messaging approach across all market segments as part of a broader consumer education program promoting propane’s role in a wide path to zero emissions.
 - Train propane industry members on proper messages.
 - Assertively challenge incorrect data about the short and long-term feasibility and costs of an all-electrification philosophy through the use of data-focused and rapid response communication efforts.
 - Engage thought leaders who are propane advocates to share the benefits of propane with their followers through the Environmental Through Leadership and social influencers campaign.
 - Leverage resources and partnerships with state entities, public voices, and business allies to positively impact the perception of propane as a low-carbon solution.

- Implement a market strategy that partners propane with counter-seasonal demand for BTUs and grow the total propane market share.
 - Assess current projects to calculate demand projections to identify gaps and priorities.
 - Align commercialization pipeline strategy to achieve counter-seasonal demand goals.
 - Commercialization of the Propane Low NOx Certified 6.7L Engine.

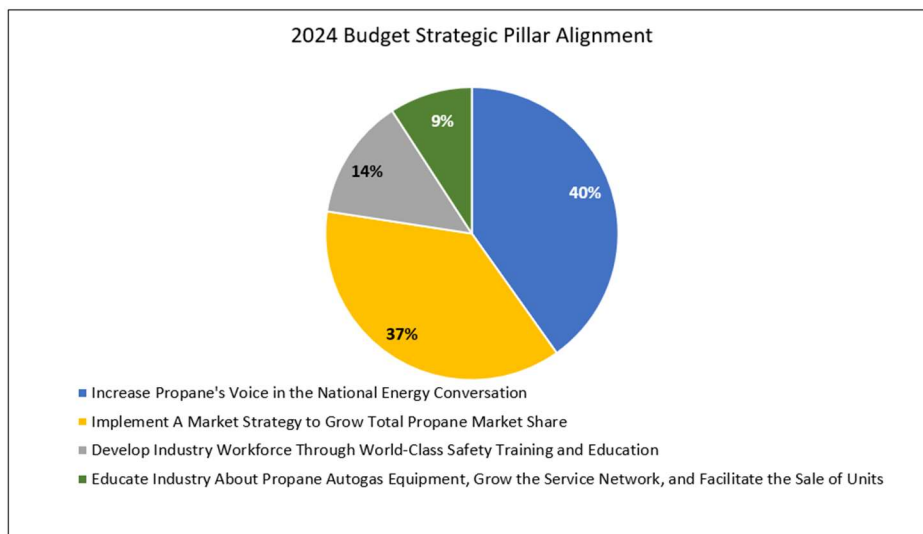
- Develop professional industry and allied partner employees through world-class safety training and education.
 - Quantify the total number of employees in the propane industry and establish a projection for needs in the next two to five years.
 - Boost awareness of propane career opportunities and deliver 500 viable candidates for job openings in 12 months.
 - Establish a pipeline of educated job candidates who could become industry employees - or advocates for propane in their careers - by placing propane-based curriculum in 25 schools with trained instructors within 12 months (may include Autogas training in year two).
 - Continue to leverage historical investments in technology to deliver safety and training programs at reduced cost and increased reach. Supplement relevant content in The Learning Center and evaluate user satisfaction and outcomes.
 - Conduct research to identify/quantify industry workforce needs.
 - Implement strategy to incorporate curriculum into established industry and related programs.
 - Continue awareness campaigns to drive potential employees to employers.

- Educate the propane industry about available propane Autogas equipment, grow the service network, and facilitate the sale of units.
 - Identify a qualified service company to service each engine platform in each of the eight PERC regions.
 - Commercialization of the Propane Low NOx Certified 6.7L Engine.
 - Form partnerships with truck body builders.
 - Develop a network for service and outreach.
 - Establish criteria for identifying qualified dealers around the country and determine strategies to help dealers increase propane sales.
 - Identify existing propane providers using Autogas vehicles in their fleet and leverage their support to increase confidence among other industry members.
 - Drive awareness through external market (trade allies) training.

The 2024 Budget Plan takes this strategic plan and its supporting initiatives to prioritize the direct program related spending elements of the budget. This includes all direct expenditures in support of program initiatives, excluding program salaries, wages and benefits and totals approximately \$38.6 million under the 2024 Proposed Budget. These direct program expenditures are primarily targeted with 60% of the expenditure to support the safety, training and research and development initiatives within the strategic plan and specifically the following pillars:

- Develop professional industry and allied partner employees through world-class safety training and education.
- Implement a market strategy that partners propane with counter-seasonal demand for BTUs and grow the total propane market share.
- Educate the propane industry about available propane Autogas equipment, grow the service network, and facilitate the sale of units.

The remaining direct program expenditures are allocated in support of the fourth pillar, to increase propane’s voice in the national energy conversation, educate consumers about propane’s environmental benefits and its role as an alternative energy in the nation’s wide path to zero emissions.



PROPANE MARKET AND ACTIVITY BUDGET IMPACT

The Budget Plan for 2024 includes \$38.6 million in funding for direct program expenditures. This represents a \$2.3 million and 6.2% increase in the direct program expenses compared to the 2023 budget, as detailed in the Program Activity Budget Report in Appendix II on page 19. A summary of these changes by market is presented below:

| | 2023 Approved Budget | | 2024 Proposed Budget | | Budgeted Change | |
|-------------------------------------|----------------------|-------------------|----------------------|-------------------|---------------------|-------------|
| | \$ | | \$ | | \$Change | %Change |
| Cross Market | \$ | 14,733,855 | \$ | 16,640,854 | \$ 1,906,999 | 12.9% |
| Residential | | 7,574,601 | | 8,272,309 | 697,708 | 9.2% |
| Industry | | 3,188,479 | | 2,993,363 | (195,116) | -6.1% |
| On Road | | 3,100,103 | | 2,871,520 | (228,583) | -7.4% |
| Agriculture | | 2,619,129 | | 2,359,480 | (259,649) | -9.9% |
| Off Road | | 2,501,458 | | 2,284,740 | (216,718) | -8.7% |
| Commercial | | 1,491,053 | | 1,710,839 | 219,786 | 14.7% |
| Material Handling | | 1,083,030 | | 1,418,403 | 335,373 | 31.0% |
| Total Direct Program Expense | \$ | 36,291,708 | \$ | 38,551,508 | \$ 2,259,800 | 6.2% |

The total change in direct program expense included in the 2024 Proposed Budget is \$2.3 million which is primarily attributable to an increase in the Cross Market category of \$1.9 million for increased technical research of \$1.0 million, increased Industry Supporting Activities of \$0.8 million, and \$0.2 million for increased market research. The Residential and Commercial Markets account for the balance of the increase in spending driven by \$0.4 million in co-funded technical research. The technical research increase is attributable to the changing engine landscape with new research focused to understand the emissions and performance differences between propane and electric powered engines, and fuel quality standards relating to fuels in cross market engine refueling infrastructure. The increase in Industry Supporting Activities relates to 2024 funding of the commitments made under the Technical School Grant Program, continuing support of the Train the Trainer Program and development of the Propane Engine Training Grant Program. The market research increase is primarily related to supporting the next round of the propane likelihood to specify research in May 2024.

The other notable individual market variances are primarily driven by changes within the allocation of the product development budget which shifts from year to year based on the availability and timing and prioritization of projects that support the commercialization efforts of propane utilization equipment. Changes within the markets are also impacted by the allocation of communication resources in support of each market based on the strategic communication priorities and opportunities. The most notable market changes with context for the change are provided below:

- Residential Market increase of \$697,708 is primarily due to an increase in co-funded residential product development and technical research, and an updated estimate on the timing and amount of residential construction incentives.
- Material Handling Market increase of \$335,373 is primarily due to the identification of incremental product development projects focused on port tractor engine development.
- Agriculture Market decrease of \$259,649 is due to a combination of product development project timing and a re-allocation of communications resources out of the market.

- On-Road Market decrease of \$228,583 is primarily due to changes in product development budget based on expected change in the mix of projects and timing of resources.

The change in budgeted activities across all markets are summarized in the following table:

| | 2023 Approved | 2024 Proposed | Budgeted Change | |
|-------------------------------------|----------------------|----------------------|------------------|-------------|
| | Budget | Budget | \$Change | %Change |
| Environmental Partnership Campaign | \$ 6,410,000 | \$ 6,310,000 | \$ (100,000) | -1.6% |
| Communications - Consumer | 6,350,000 | 5,915,000 | (435,000) | -6.9% |
| Communications - Business | 4,633,000 | 4,943,000 | 310,000 | 6.7% |
| Product Development | 3,725,000 | 3,850,000 | 125,000 | 3.4% |
| Industry Supporting Activities | 2,723,600 | 3,401,100 | 677,500 | 24.9% |
| Safety & Technical Training | 3,158,550 | 3,295,000 | 136,450 | 4.3% |
| Business Development | 3,412,050 | 2,991,425 | (420,625) | -12.3% |
| General & Admin / IT Allocations | 1,903,808 | 1,944,963 | 41,155 | 2.2% |
| Technical Research | 320,000 | 1,708,000 | 1,388,000 | 433.8% |
| Incentivized Research | 1,250,000 | 1,450,000 | 200,000 | 16.0% |
| Thought Leadership | 1,200,000 | 1,325,000 | 125,000 | 10.4% |
| Market Research | 525,700 | 738,020 | 212,320 | 40.4% |
| Digital Strategy & Analytics | 680,000 | 680,000 | - | 0.0% |
| Total Direct Program Expense | \$ 36,291,708 | \$ 38,551,508 | 2,259,800 | 6.2% |

The most significant changes in budgeted program activities are within the Technical Research and Industry Supporting Activities, and as detailed in the market discussion above, are driven by incremental research projects and an expansion of training and grant programs. Safety and Technical Training continues to benefit from technology investments made historically to reduce production and distribution costs related to training materials allowing for decreased costs and increased distribution and reach of the programs.

Product development related activities are budgeted with a modest increase between 2023 and the proposed 2024 budget due to shifts within the markets based on the timing of current projects and opportunities. The Product Development activities remain primarily focused on the development and commercialization of the Propane Low NOx Certified 6.7L Engine. Significant additional Product Development efforts are targeted at engine development in the Material Handling and Off Road markets, and the soil steaming project continues to be a significant focus in the Agriculture market.

The communications categories (including communications to business and consumer audiences, thought leadership and digital strategy and analytics) were budgeted flat on a combined basis with any individual category change from a re-allocation within the communications group.

Business Development activities have been intentionally budgeted for each dedicated market. The decrease between the 2023 budget and 2024 proposed budget primarily relates to activities in the Cross Market classification which have not been historically realized and with no specific plans for these activities in 2024 it is appropriate to reduce planned spend within this activity to align with the 2024 plan.

The remaining changes in activity budgets are driven by relatively minor changes in the scope of activities or projects planned for 2024 relative to the 2023 approved budget.

DETAILED LINE-ITEM BUDGET

The Detailed Line-Item Budget Report is provided in Appendix II. Budget Reports on page 15. This perspective of the budget breaks down the material individual line items of the Proposed 2024 Budget and provides comparison to the 2023 year-end forecast as of May 31, 2023 and the December 31, 2022 audited results.

Proposed 2024 Revenue Budget

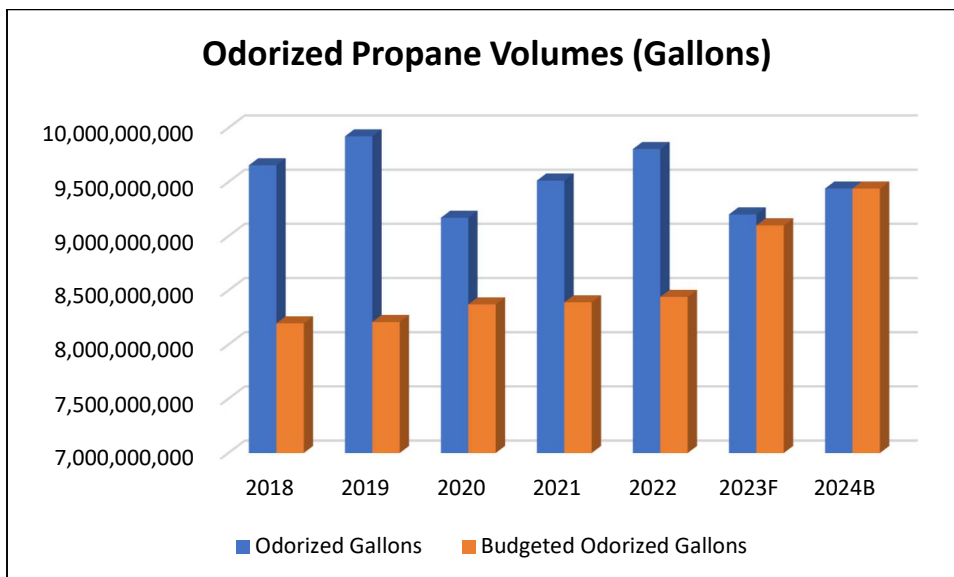
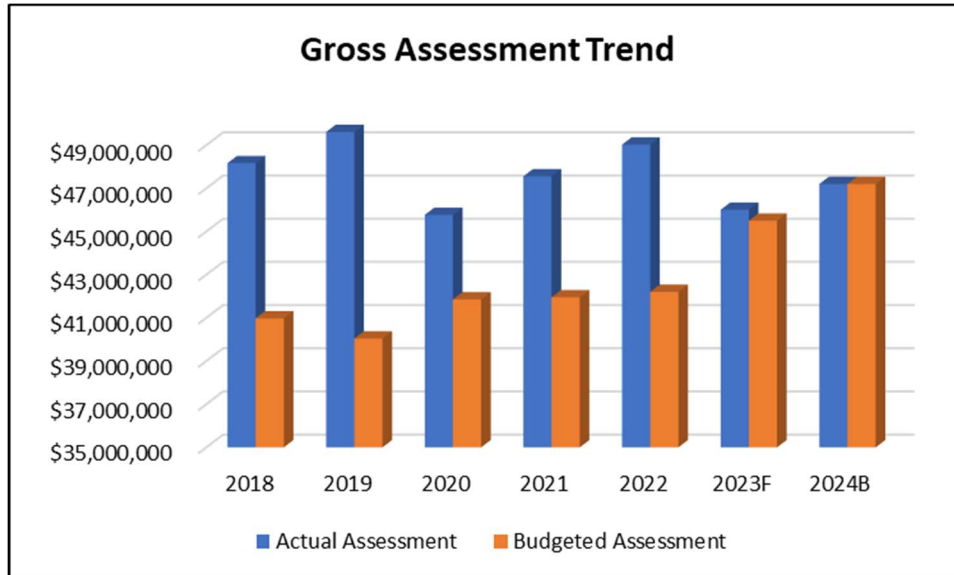
The 2024 Proposed Budget estimates total revenues of \$40,351,000 sourced from net assessment revenue \$37,760,000 (gross assessments, less 20% allocation to fund State Rebate Programs in accordance with PERA), and \$2,591,000 in other revenues which are primarily sourced from investment income and program support services provided to state PERC foundations. The budgeted revenues are detailed in the following schedule:

| | <u>2022 Audited</u> | <u>2023 Forecast</u> | <u>2024 Proposed Budget</u> | <u>2023F V. 2024B \$Variance</u> | <u>%Variance</u> |
|------------------------|-------------------------|--------------------------|---------------------------------|--------------------------------------|------------------|
| REVENUES | | | | | |
| Assessment Revenue | \$ 49,022,832 | \$ 46,005,865 | \$ 47,200,000 | \$ 1,194,135 | 2.6% |
| State Rebates | (9,804,566) | (9,201,174) | (9,440,000) | (238,826) | 2.6% |
| Net Assessment Revenue | <u>\$ 39,218,266</u> | <u>\$ 36,804,691</u> | <u>\$ 37,760,000</u> | <u>\$ 955,309</u> | <u>2.6%</u> |
| Investment Income, Net | \$ 517,863 | \$ 2,037,228 | \$ 1,750,000 | \$ (287,228) | -14.1% |
| State Campaign Revenue | 1,015,064 | 750,000 | 750,000 | - | 0.0% |
| Sublease Income | 231,206 | 228,151 | 229,000 | 849 | 0.4% |
| Fulfillment, Net | (357,321) | (143,389) | (150,000) | (6,611) | 4.6% |
| Other Revenue | 69,799 | 25,436 | 12,000 | (13,436) | -52.8% |
| TOTAL REVENUES | <u>\$ 40,694,877</u> | <u>\$ 39,702,117</u> | <u>\$ 40,351,000</u> | <u>\$ 648,883</u> | <u>1.6%</u> |

Gross Assessments in the 2024 Proposed Budget are \$47.2 million and assume 9.4 billion gallons of odorized propane in the upcoming year. This estimate is a conservative estimate looking over the trailing 5 years of assessments and the current trend in 2023. The following patterns are evident from the trailing 5 years of history:

- The 2024 Proposed Budget is less than the actual collections in four of the last five completed years.
- The minimum assessment over the last five completed years has been \$45,769,645 with 9,170,651,758 gallons of odorized propane, the average assessment over the same time period is \$48,024,348 and 9,613,121,800 gallons of odorized propane, the maximum assessment over the last five completed years is \$49,608,343 in 2019 with 9,921,668,546 odorized gallons of propane. The 2024 Proposed Budget Assessment is approximately 2% less than the trailing 5 year average and approximately 5% below the maximum assessment over the past 5 completed years.
- In 2023, PERC implemented a new estimation methodology designed to close the gap between actual assessments and budgeted assessments in order to facilitate better planning. Based on the results through May 31, 2023 and the annual forecast, this methodology has achieved

improved accuracy with a 1.1% favorable variance. This result has been realized with no widespread demand events in 2023 to result in an abnormal increase in volumes. This is confirmed by the following visualizations of the Gross Assessment and odorized propane volumes over the last 5 completed years and 2023 Forecast.



The State Rebates are 20% of the gross assessment and are set aside for funding requests from the state and regional PERC foundations.

Investment income is budgeted at \$1.75 million for the 2024 Proposed Budget. This income stream represents the interest income the Organization receives from investments of its reserves in cash, U.S. Government Securities and FDIC insured certificates of deposit. The interest rate forecast in 2024 calls

for a decline in rates and accordingly this income stream has been budgeted down from the 2023 forecast of approximately \$2 million.

State Campaign Revenue has been estimated at \$750,000 in the 2024 Proposed Budget consistent with the 2023 forecast. This represents income earned by PERC for services contracted in the State Environmental Campaign.

Sublease income represents the amount that the Organization receives from the National Propane Gas Association under an arm's length transaction for the sublease of a portion of PERC's office space located in Washington, D.C. This sublease expires in August 2025. The amount included in the 2024 Proposed Budget of \$229,000 is an estimate based upon the combined lease and expense reimbursement for common area charges and is consistent with the 2023 forecast.

The Fulfillment, net, income line represents the net earnings from the fulfillment operation which sells training references, marketing materials and other products primarily to propane industry members. This has been presented in the 2024 Proposed Budget consistent with the 2023 forecast at \$150,000. The losses of this operation have been reduced with the price increase implemented at the end of 2022.

Other revenue represents miscellaneous services and income primarily derived from providing services to the state and regional PERC foundations. This has been estimated for the 2024 Proposed Budget at \$12,000 for the services currently contracted.

Proposed 2024 General & Administrative Expense Budget

The 2024 Proposed Budget includes \$2,454,483 for general and administrative expenses. These expenses are subject to a 10% cap in accordance with PERA and the current budgeted expenses are in compliance comprising approximately 5% of gross assessment revenue. The general and administrative expense budget proposed for 2024 is as follows:

| | <u>2022 Audited</u> | <u>2023 Forecast</u> | <u>2024 Proposed Budget</u> | <u>2023F V. 2024B \$Variance</u> | <u>%Variance</u> |
|--------------------------|-------------------------|--------------------------|---------------------------------|--------------------------------------|------------------|
| G&A Expenses | | | | | |
| Salaries & Payroll Taxes | \$ 1,066,374 | \$ 1,271,280 | \$ 1,226,748 | \$ (44,532) | -3.5% |
| Benefits | 192,791 | 185,681 | 187,205 | 1,524 | 0.8% |
| Other G&A Expenses | 851,994 | 910,076 | 1,040,531 | 130,455 | 14.3% |
| Total G&A Expenses | <u>\$ 2,111,159</u> | <u>\$ 2,367,037</u> | <u>\$ 2,454,483</u> | <u>\$ 87,446</u> | <u>3.7%</u> |

The general and administrative expenses increase for the 2024 Proposed Budget is primarily due to the increased costs related to office space and increased professional service consulting fees.

Proposed 2024 Program Expense Budget

The 2024 Proposed Program Expense Budget includes \$6,172,485 for personnel salaries, payroll taxes and benefits related to supporting PERC's program activities. These costs have increased as a result of several vacant program positions being filled and a shift in allocations towards the program activities reflecting the increased active headcount supporting program activities in 2023 and the 2024 Proposed Budget.

The Other Program Expenses represent the direct program expenses which are discussed and analyzed in detail in the Propane Market and Activity Budget Impact section on pages 5 and 6 of this document. The full program expense line item 2024 Proposed Budget is presented below and compared to the 2023 forecast and 2022 audited results:

| | <u>2022 Audited</u> | <u>2023 Forecast</u> | <u>2024 Proposed Budget</u> | <u>2023F V. 2024B \$Variance</u> | <u>%Variance</u> |
|----------------------------------|-------------------------|--------------------------|---------------------------------|--------------------------------------|------------------|
| Program Expenses | | | | | |
| Personnel Program Expenses | | | | | |
| Program Salaries & Payroll Taxes | \$ 4,432,677 | \$ 5,019,295 | \$ 5,297,274 | \$ 277,979 | 5.5% |
| Program Benefits | 578,723 | 767,338 | 875,211 | 107,873 | 14.1% |
| Total Personnel Program Expenses | <u>\$ 5,011,400</u> | <u>\$ 5,786,633</u> | <u>\$ 6,172,485</u> | <u>\$ 385,852</u> | <u>6.7%</u> |
| Other Program Expenses | | | | | |
| Residential Market | \$ 7,545,668 | \$ 7,741,395 | \$ 8,272,309 | \$ 530,914 | 6.9% |
| Industry | 4,063,956 | 3,153,596 | 2,993,363 | (160,233) | -5.1% |
| Cross Market | 13,736,478 | 14,733,855 | 16,479,204 | 1,745,349 | 11.8% |
| Commercial Market | 1,572,241 | 1,491,053 | 1,710,839 | 219,786 | 14.7% |
| On Road Market | 3,519,975 | 3,119,523 | 2,876,815 | (242,708) | -7.8% |
| Off Road Market | 1,593,353 | 2,501,458 | 2,301,686 | (199,772) | -8.0% |
| Material Handling | 641,080 | 1,083,030 | 1,407,812 | 324,782 | 30.0% |
| Agriculture | 2,345,574 | 2,619,129 | 2,359,480 | (259,649) | -9.9% |
| CETP Agreement | 150,000 | 150,000 | 150,000 | - | 0.0% |
| Total Other Program Expenses | <u>\$ 35,168,325</u> | <u>\$ 36,593,039</u> | <u>\$ 38,551,508</u> | <u>\$ 1,958,469</u> | <u>5.4%</u> |
| Total Program Expenses | <u>\$ 40,179,725</u> | <u>\$ 42,379,672</u> | <u>\$ 44,723,993</u> | <u>\$ 2,344,321</u> | <u>5.5%</u> |

2024 Proposed Budget Change in Net Assets

The planned expenses in the 2024 Proposed Budget of \$47.2 million are expected to exceed the net revenues of \$40.4 million resulting in a decrease in net assets of \$6.8 million which will be funded from PERC’s existing reserves in 2024. This reduction in general and undesignated cash reserves will not reduce the Council designated reserve fund or adversely impact the solvency of the Organization.

APPENDIX I. PROGRAM AND ACTIVITY DESCRIPTIONS

Propane Education and Research Council (PERC) Programs

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

The projects and initiatives described in the following sections are based on a recommendation from PERC's Budget and Finance Committee in collaboration with PERC's Executive Committee, the staff, and other sources.

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 percentage of funds collected through assessments pursuant to this Act to be used for projects relating to the use of propane as an over-the-road motor fuel shall not exceed the percentage of the total market for odorized propane that is used as a motor vehicle fuel, based on the historical average of such use over the previous 3-year period.
- 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.

Agriculture Market Activities

The Council supports the agriculture market by advancing research and development efforts, consumer awareness, and the adoption of propane-fueled agricultural applications to increase the efficiency of farming operations and promote environmentally clean practices.

On Road Market Activities

The Council supports the on road or Autogas market through research and development projects, consumer awareness, business development initiatives to grow the application of propane-fueled vehicles, and a robust service network and refueling infrastructure necessary to provide a viable and environmentally clean alternative to other on road energy sources.

Residential Market Activities

The Council supports the safe operation of propane appliances and the development of new uses of propane in the residential market offering programs for homeowners, home-builders and residential professionals that provide consumer awareness, research and development and product development within the market.

Commercial Market Activities

The Council supports new users and uses of propane in the commercial sector by offering consumer awareness, and research and development programs for business owners and commercial construction professionals targeting the safe installation, operation and maintenance of propane appliances, including the deployment of new technologies in the market.

Material Handling/Industrial Market Activities

The Council supports research and development, consumer awareness and product development programs in the material handling market to develop and commercialize propane-fueled solutions for handling industrial materials, emissions treatments, and propane hybrid technologies. These technologies include power generation, terminal tractors, heavy-duty forklifts, container handlers, light-duty vehicles and refueling infrastructure.

Off-Road Market Activities

The Council supports research and development, consumer awareness and business development programs to foster the use of propane as a preferred energy for fixed engine applications other than agricultural engines.

Cross Market Activities

Cross Market activities support safety, training, consumer awareness and research and development programs that provide benefits to multiple market segments which benefit consumer and industry professionals.

Industry Market Activities

The Council engages with propane marketers and supporting professionals to collectively provide critical industry research, training, and workforce development to help the propane industry adjust to fast-changing competitive dynamics and capitalize on new opportunities to better serve propane consumers.

APPENDIX II. BUDGET REPORTS

Propane Education and Research Council, Inc.
2024 Proposed Budget
Summary Budget Report

| | 2022 Audited | 2023 Forecast | 2024 Proposed Budget | 2023F V. 2024B | |
|-----------------------------------|------------------------------|------------------------------|---------------------------------|------------------------------|---------------------|
| | | | | \$Variance | %Variance |
| Gross Assessment Revenue | \$ 49,022,832 | \$ 46,005,865 | \$ 47,200,000 | \$ 1,194,135 | 2.6% |
| Allocation to State Rebates | (9,804,566) | (9,201,174) | (9,440,000) | (238,826) | 2.6% |
| Net Assessment Revenue | <u>\$ 39,218,266</u> | <u>\$ 36,804,691</u> | <u>\$ 37,760,000</u> | <u>\$ 955,309</u> | <u>2.6%</u> |
| Net Investment Income | \$ 517,863 | \$ 2,037,228 | \$ 1,750,000 | \$ (287,228) | -14.1% |
| State Campaign Revenue | 1,015,064 | 750,000 | 750,000 | - | 0.0% |
| Fulfillment, Net | (357,321) | (143,389) | (150,000) | (6,611) | 4.6% |
| Other Revenue | 301,005 | 253,587 | 241,000 | (12,587) | -5.0% |
| Total Revenues | <u>\$ 40,694,877</u> | <u>\$ 39,702,117</u> | <u>\$ 40,351,000</u> | <u>\$ 648,883</u> | <u>1.6%</u> |
| General & Administrative Expenses | \$ 2,111,159 | \$ 2,367,037 | \$ 2,454,483 | \$ 87,446 | 3.7% |
| Program Expenses | 40,179,725 | 42,379,672 | 44,723,993 | 2,344,321 | 5.5% |
| Total Expenses | <u>\$ 42,290,884</u> | <u>\$ 44,746,709</u> | <u>\$ 47,178,476</u> | <u>\$ 2,431,767</u> | <u>5.4%</u> |
| Change in Net Assets | <u>\$ (1,596,007)</u> | <u>\$ (5,044,592)</u> | <u>\$ (6,827,476)</u> | <u>\$ (1,782,884)</u> | <u>35.3%</u> |

Propane Education and Research Council, Inc.
2024 Proposed Budget
Detail Budget Report

| | 2022 | 2023 | 2024 Proposed | 2023F V. 2024B | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|
| | Audited | Forecast | Budget | \$Variance | %Variance |
| REVENUES | | | | | |
| Assessment Revenue | \$ 49,022,832 | \$ 46,005,865 | \$ 47,200,000 | \$ 1,194,135 | 2.6% |
| State Rebates | (9,804,566) | (9,201,174) | (9,440,000) | (238,826) | 2.6% |
| Net Assessment Revenue | <u>\$ 39,218,266</u> | <u>\$ 36,804,691</u> | <u>\$ 37,760,000</u> | <u>\$ 955,309</u> | <u>2.6%</u> |
| Investment Income, Net | \$ 517,863 | \$ 2,037,228 | \$ 1,750,000 | \$ (287,228) | -14.1% |
| State Campaign Revenue | 1,015,064 | 750,000 | 750,000 | - | 0.0% |
| Sublease Income | 231,206 | 228,151 | 229,000 | 849 | 0.4% |
| Fulfillment, Net | (357,321) | (143,389) | (150,000) | (6,611) | 4.6% |
| Other Revenue | 69,799 | 25,436 | 12,000 | (13,436) | -52.8% |
| TOTAL REVENUES | <u>\$ 40,694,877</u> | <u>\$ 39,702,117</u> | <u>\$ 40,351,000</u> | <u>\$ 648,883</u> | <u>1.6%</u> |
| EXPENSES | | | | | |
| G&A Expenses | | | | | |
| Salaries & Payroll Taxes | \$ 1,066,374 | \$ 1,271,280 | \$ 1,226,748 | \$ (44,532) | -3.5% |
| Benefits | 192,791 | 185,681 | 187,205 | 1,524 | 0.8% |
| Other G&A Expenses | 851,994 | 910,076 | 1,040,531 | 130,455 | 14.3% |
| Total G&A Expenses | <u>\$ 2,111,159</u> | <u>\$ 2,367,037</u> | <u>\$ 2,454,483</u> | <u>\$ 87,446</u> | <u>3.7%</u> |
| Program Expenses | | | | | |
| Personnel Program Expenses | | | | | |
| Program Salaries & Payroll Taxes | \$ 4,432,677 | \$ 5,019,295 | \$ 5,297,274 | \$ 277,979 | 5.5% |
| Program Benefits | 578,723 | 767,338 | 875,211 | 107,873 | 14.1% |
| Total Personnel Program Expenses | <u>\$ 5,011,400</u> | <u>\$ 5,786,633</u> | <u>\$ 6,172,485</u> | <u>\$ 385,852</u> | <u>6.7%</u> |
| Other Program Expenses | | | | | |
| Residential Market | \$ 7,545,668 | \$ 7,741,395 | \$ 8,272,309 | \$ 530,914 | 6.9% |
| Industry | 4,063,956 | 3,153,596 | 2,993,363 | (160,233) | -5.1% |
| Cross Market | 13,736,478 | 14,733,855 | 16,479,204 | 1,745,349 | 11.8% |
| Commercial Market | 1,572,241 | 1,491,053 | 1,710,839 | 219,786 | 14.7% |
| On Road Market | 3,519,975 | 3,119,523 | 2,876,815 | (242,708) | -7.8% |
| Off Road Market | 1,593,353 | 2,501,458 | 2,301,686 | (199,772) | -8.0% |
| Material Handling | 641,080 | 1,083,030 | 1,407,812 | 324,782 | 30.0% |
| Agriculture | 2,345,574 | 2,619,129 | 2,359,480 | (259,649) | -9.9% |
| CETP Agreement | 150,000 | 150,000 | 150,000 | - | 0.0% |
| Total Other Program Expenses | <u>\$ 35,168,325</u> | <u>\$ 36,593,039</u> | <u>\$ 38,551,508</u> | <u>\$ 1,958,469</u> | <u>5.4%</u> |
| Total Program Expenses | <u>\$ 40,179,725</u> | <u>\$ 42,379,672</u> | <u>\$ 44,723,993</u> | <u>\$ 2,344,321</u> | <u>5.5%</u> |
| Total Expenses | <u>\$ 42,290,884</u> | <u>\$ 44,746,709</u> | <u>\$ 47,178,476</u> | <u>\$ 2,431,767</u> | <u>5.4%</u> |
| Change in Net Assets | <u>\$ (1,596,007)</u> | <u>\$ (5,044,592)</u> | <u>\$ (6,827,476)</u> | <u>\$ (1,782,884)</u> | <u>35.3%</u> |

Propane Education and Research Council, Inc.
2024 Proposed Budget - IT Budget
Program IT Budget

| | 2023 Approved Budget | 2024 Proposed Budget | Var |
|------------------------------------|-------------------------------------|-------------------------------------|------------------|
| Website Related | \$ 226,073 | \$ 233,932 | \$ 7,859 |
| Customer Relationship Management | 86,000 | 77,500 | (8,500) |
| Dashboards/Grant Management System | 185,258 | 222,105 | 36,847 |
| Professional IT Services | 246,000 | 246,000 | - |
| Misc Software/Hardware Repairs | 17,000 | 17,000 | - |
| Total IT Program Expenses | \$ 760,331 | \$ 796,537 | \$ 36,206 |

Propane Education and Research Council, Inc.
2024 Proposed Budget
Program Budget Detail Report

| | | FY23 Budget | FY24 Draft Budget | |
|--------------------------|-------------------------------|--------------------|--------------------|--------------------|
| Market | Activity | Total | Total | Variance |
| Agriculture | | | | |
| | Business Development | \$285,000 | \$230,095 | (\$54,905) |
| | Marketing / Communications | \$1,000,000 | \$900,000 | (\$100,000) |
| | Product Development | \$1,045,000 | \$920,000 | (\$125,000) |
| | Incentivized Research | \$200,000 | \$200,000 | \$0 |
| | G&A / IT Allocation | \$89,129 | \$109,385 | \$20,256 |
| | Total | \$2,619,129 | \$2,359,480 | (\$259,649) |
| On Road | | | | |
| | Business Development | \$800,950 | \$776,700 | (\$24,250) |
| | Marketing / Communications | \$985,000 | \$985,000 | \$0 |
| | Product Development | \$1,080,000 | \$745,000 | (\$335,000) |
| | Technical Research & Training | \$85,000 | \$250,000 | \$165,000 |
| | G&A / IT Allocation | \$149,153 | \$120,115 | (\$29,038) |
| | Total | \$3,100,103 | \$2,876,815 | (\$223,288) |
| Residential | | | | |
| | Business Development | \$496,375 | \$545,500 | \$49,125 |
| | Incentivized Research | \$1,050,000 | \$1,250,000 | \$200,000 |
| | Marketing / Communications | \$5,710,000 | \$5,815,000 | \$105,000 |
| | Product Development | \$10,000 | \$155,000 | \$145,000 |
| | Technical Research & Training | \$95,000 | \$305,000 | \$210,000 |
| | G&A / IT Allocation | \$213,226 | \$201,809 | (\$11,417) |
| | Total | \$7,574,601 | \$8,272,309 | \$697,708 |
| Commercial | | | | |
| | Business Development | \$301,625 | \$367,130 | \$65,505 |
| | Marketing / Communications | \$938,000 | \$1,043,000 | \$105,000 |
| | Product Development | \$10,000 | \$120,000 | \$110,000 |
| | Technical Research & Training | \$140,000 | \$115,000 | (\$25,000) |
| | G&A / IT Allocation | \$101,428 | \$65,709 | (\$35,719) |
| | Total | \$1,491,053 | \$1,710,839 | \$219,786 |
| Material Handling | | | | |
| | Business Development | \$333,500 | \$333,500 | \$0 |
| | Marketing / Communications | \$675,000 | \$500,000 | (\$175,000) |
| | Product Development | \$20,000 | \$530,000 | \$510,000 |
| | G&A / IT Allocation | \$54,530 | \$44,312 | (\$10,218) |
| | Total | \$1,083,030 | \$1,407,812 | \$324,782 |
| Off Road | | | | |
| | Business Development | \$313,500 | \$313,500 | \$0 |
| | Marketing / Communications | \$550,000 | \$500,000 | (\$50,000) |
| | Product Development | \$1,560,000 | \$1,380,000 | (\$180,000) |
| | G&A / IT Allocation | \$77,958 | \$108,186 | \$30,228 |
| | Total | \$2,501,458 | \$2,301,686 | (\$199,772) |
| Industry | | | | |
| | Market Research | \$308,400 | \$308,400 | \$0 |

| Market | Activity | FY23 Budget | FY24 Draft Budget | Variance |
|---------------------|------------------------------------|---------------------|---------------------|--------------------|
| | | Total | Total | |
| | Industry Supporting Activities | \$2,523,600 | \$2,381,100 | (\$142,500) |
| | G&A / IT Allocation | \$356,479 | \$303,863 | (\$52,616) |
| | Total | \$3,188,479 | \$2,993,363 | (\$195,116) |
| Cross Market | | | | |
| | Business Development | \$881,100 | \$425,000 | (\$456,100) |
| | Digital Strategy & Analytics | \$680,000 | \$680,000 | \$0 |
| | Industry Supporting Activities | \$200,000 | \$1,020,000 | \$820,000 |
| | Marketing / Communications | \$1,125,000 | \$1,115,000 | (\$10,000) |
| | Market Research | \$217,300 | \$429,620 | \$212,320 |
| | Environmental Partnership Campaign | \$6,410,000 | \$6,310,000 | (\$100,000) |
| | Safety & Training | \$3,158,550 | \$3,295,000 | \$136,450 |
| | Technical Research & Training | \$0 | \$1,038,000 | \$1,038,000 |
| | Environmental Thought Leadership | \$1,200,000 | \$1,325,000 | \$125,000 |
| | G&A / IT Allocation | \$861,905 | \$991,584 | \$129,679 |
| | Total | \$14,733,855 | \$16,629,204 | \$1,895,349 |
| Grand Total | | \$36,291,708 | \$38,551,508 | \$2,259,800 |

Propane Education and Research Council, Inc.
2024 Proposed Budget
Program Activity Budget Report

| FY24 Draft Budget Matrix | Incentivized Research | Product Development | Business Development | Technical Research | Communications - Business | Communications - Consumer | Digital Strategy & Analytics | Thought Leadership | Industry Supporting Activities | Market Research | Environmental Partnership Campaign | Safety & Technical Training | General & Admin / IT Allocations | Market Total |
|---------------------------------|-----------------------|---------------------|----------------------|--------------------|---------------------------|---------------------------|------------------------------|--------------------|--------------------------------|-----------------|------------------------------------|-----------------------------|----------------------------------|-------------------|
| Agriculture | 200,000 | 920,000 | 230,095 | - | 900,000 | - | - | - | - | - | - | - | 109,385 | 2,359,480 |
| On Road | - | 745,000 | 776,700 | 250,000 | 985,000 | - | - | - | - | - | - | - | 114,820 | 2,871,520 |
| Residential | 1,250,000 | 155,000 | 545,500 | 305,000 | 1,015,000 | 4,800,000 | - | - | - | - | - | - | 201,809 | 8,272,309 |
| Commercial | - | 120,000 | 367,130 | 115,000 | 1,043,000 | - | - | - | - | - | - | - | 65,709 | 1,710,839 |
| Material Handling | - | 530,000 | 333,500 | - | 500,000 | - | - | - | - | - | - | - | 54,903 | 1,418,403 |
| Off Road | - | 1,380,000 | 313,500 | - | 500,000 | - | - | - | - | - | - | - | 91,240 | 2,284,740 |
| Cross Market | - | - | 425,000 | 1,038,000 | - | 1,115,000 | 680,000 | 1,325,000 | 1,020,000 | 429,620 | 6,310,000 | 3,295,000 | 1,003,234 | 16,640,854 |
| Industry | - | - | - | - | - | - | - | - | 2,381,100 | 308,400 | - | - | 303,863 | 2,993,363 |
| Activity Total | 1,450,000 | 3,850,000 | 2,991,425 | 1,708,000 | 4,943,000 | 5,915,000 | 680,000 | 1,325,000 | 3,401,100 | 738,020 | 6,310,000 | 3,295,000 | 1,944,963 | 38,551,508 |

| FY23 Budget Matrix | Incentivized Research | Product Development | Business Development | Technical Research | Communications - Business | Communications - Consumer | Digital Strategy & Analytics | Thought Leadership | Industry Supporting Activities | Market Research | Environmental Partnership Campaign | Safety & Technical Training | General & Admin / IT Allocations | Market Total |
|---------------------------|-----------------------|---------------------|----------------------|--------------------|---------------------------|---------------------------|------------------------------|--------------------|--------------------------------|-----------------|------------------------------------|-----------------------------|----------------------------------|-------------------|
| Agriculture | 200,000 | 1,045,000 | 285,000 | - | 1,000,000 | - | - | - | - | - | - | - | 89,129 | 2,619,129 |
| On Road | - | 1,080,000 | 800,950 | 85,000 | 985,000 | - | - | - | - | - | - | - | 149,153 | 3,100,103 |
| Residential | 1,050,000 | 10,000 | 496,375 | 95,000 | 485,000 | 5,225,000 | - | - | - | - | - | - | 213,226 | 7,574,601 |
| Commercial | - | 10,000 | 301,625 | 140,000 | 938,000 | - | - | - | - | - | - | - | 101,428 | 1,491,053 |
| Material Handling | - | 20,000 | 333,500 | - | 675,000 | - | - | - | - | - | - | - | 54,530 | 1,083,030 |
| Off Road | - | 1,560,000 | 313,500 | - | 550,000 | - | - | - | - | - | - | - | 77,958 | 2,501,458 |
| Cross Market | - | - | 881,100 | - | - | 1,125,000 | 680,000 | 1,200,000 | 200,000 | 217,300 | 6,410,000 | 3,158,550 | 861,905 | 14,733,855 |
| Industry | - | - | - | - | - | - | - | - | 2,523,600 | 308,400 | - | - | 356,479 | 3,188,479 |
| Activity Total | 1,250,000 | 3,725,000 | 3,412,050 | 320,000 | 4,633,000 | 6,350,000 | 680,000 | 1,200,000 | 2,723,600 | 525,700 | 6,410,000 | 3,158,550 | 1,903,808 | 36,291,708 |

| FY24 Budget v FY23 Budget Variances | Incentivized Research | Product Development | Business Development | Technical Research | Communications - Business | Communications - Consumer | Digital Strategy & Analytics | Thought Leadership | Industry Supporting Activities | Market Research | Environmental Partnership Campaign | Safety & Technical Training | General & Admin / IT Allocations | Market Total |
|--|-----------------------|---------------------|----------------------|--------------------|---------------------------|---------------------------|------------------------------|--------------------|--------------------------------|-----------------|------------------------------------|-----------------------------|----------------------------------|------------------|
| Agriculture | - | (125,000) | (54,905) | - | (100,000) | - | - | - | - | - | - | - | 20,256 | (259,649) |
| On Road | - | (335,000) | (24,250) | 165,000 | - | - | - | - | - | - | - | - | (34,333) | (228,583) |
| Residential | 200,000 | 145,000 | 49,125 | 210,000 | 530,000 | (425,000) | - | - | - | - | - | - | (11,417) | 697,708 |
| Commercial | - | 110,000 | 65,505 | (25,000) | 105,000 | - | - | - | - | - | - | - | (35,719) | 219,786 |
| Material Handling | - | 510,000 | - | - | (175,000) | - | - | - | - | - | - | - | 373 | 335,373 |
| Off Road | - | (180,000) | - | - | (50,000) | - | - | - | - | - | - | - | 13,282 | (216,718) |
| Cross Market | - | - | (456,100) | 1,038,000 | - | (10,000) | - | 125,000 | 820,000 | 212,320 | (100,000) | 136,450 | 141,329 | 1,906,999 |
| Industry | - | - | - | - | - | - | - | - | (142,500) | - | - | - | (52,616) | (195,116) |
| Activity Total | 200,000 | 125,000 | (420,625) | 1,388,000 | 310,000 | (435,000) | - | 125,000 | 677,500 | 212,320 | (100,000) | 136,450 | 41,155 | 2,259,800 |