

States Adjust to Life After Assessment Reductions

In 2009, the Propane Education & Research Council (PERC) had to stop spending funds on general consumer education activities after the U.S. Department of Commerce determined that propane prices had exceeded the threshold that had been established in the Propane Education and Research Act of 1996.

Immediately after receiving the Commerce Department's letter, PERC restricted its activities to research and development, training, and safety matters, as the law requires. Responding to the restriction and other factors, PERC later reduced its assessment fees to four-tenths of a cent per gallon of odorized propane sold to dealers. The reduction became effective April 1, 2010, and would reduce estimated rebate amounts to the states by some 15% (for additional information, see *BPN*, September 2009, p. 28; October 2009, p. 30; and January 2010, p. 20).

Now well into the assessment reduction period, *BPN* had two basic questions for state PERC representatives:

- How are your states dealing with reduction of the PERC assessment fee to 4/10 of a cent for the year 2010?
- What are you anticipating for 2011 along these lines?

The following direct responses from state PERC representatives give a quick take on what is happening at the state level:



Lesley Brown Garland
President and CEO
Western Propane Gas Association

"Because of the Department of Commerce restrictions on PERC and the reduced assessment, Western PERC took a hard look at all its programs this year to make sure it was wisely using the funds allocated to California. Most of the Western PERC programs already focused on safety, training, and technology, so we were only forced to abandon one project altogether because of the restrictions. The Western PERC board has been smart about funding good projects and keeping funds in reserves, so while we weren't excited about the reduced assessment, we also didn't have to make too many difficult cuts. PERC's revamped "Partnership Program," which provided us with matching funds on certain programs, almost completely made up for the shortfall. We've taken advantage of the matching funds this year with safe appliance installation rebates, vehicle and mower purchase incentive programs, and two propane

emergencies programs. Next year, we'll be using the matching funds for more consumer safety outreach, more Propane Emergencies outreach, and continuing our propane vehicle road shows.

"With the matching funds in place, Western PERC re-launched what was previously just a rebate program for the safe installation of water heaters and expanded it to include appliances throughout the home. The matching funds program also helped us launch incentive programs into two markets that are growing in California—propane vehicles and commercial mowers. We began these programs on September 1 and will continue them into 2011."



Baron Glassgow
Senior Director, Association
Management Services
National Propane Gas
Association/Interwest PERC

"Most of the states that I staff have been conservative about how they spend state PERC funds and have built up some reserves, so the effect of the assessment reduction has been mitigated somewhat. For those states that have spent all or most of their funds, the assessment reduction is going to be a challenge. In 2010, the first quarter was still at 5/10th of a cent, so 2011 will be the first full year at the reduced assessment. The full effect of the reduction will be more apparent next year and will no doubt force states to make some challenging decisions.

"All of my states use a significant amount of the rebate funds for CETP and other training classes. While the assessment is going down, the costs of these important training classes are going up. At the same time, there is an increasing use of electronic training such as the PERC-developed training DVDs. States will be reassessing which and how many training courses to offer.

"In 2010, we have also been doing fire training for volunteer fire departments in a number of states, and anticipate continuing that training on a limited basis in 2011.

"I also expect a number of safe appliance rebate projects to be launched in 2011.

"For many states, PERC's Partnership with States Program provides funding that offsets the reduced rebate dollars. Even though the partnership funds are restricted to specific uses, the program allows for an expansion of projects into areas for which state rebate funds might not other-

wise be spent. Extension of the partnership program beyond the current project year will be very important to my states.”



Joe Rose
President & CEO
Propane Gas Association of New England

“2010 was not so bad because we kept dollars for gallons through January, February and March—three biggest months of the year in our states... [The Partnerships with

States Program] started in July 2010 through July 2011—so through mid-2011, we’re fairly whole.

“PERC allocated \$2 million for six specific programs geared for external audiences—we have rebate requests for firefighting training, safe appliance installation rebates, training for builders/contractors, motor vehicle demonstrations... We had already been approved for these projects for 2011, so using this rebate money offsets some of the loss of rebate revenue in 2010.

“We’ll have \$125,000 less in 2011, so what we’ve decided to do is to cut everything across the board by about 20%, evaluate each program, and continue the ones that are producing the most bang for the buck.

“In terms of the Propane Gas Association of New England, we’ve had to re-think, re-focus what we’re doing. We’re going to go back to old-fashioned grass-roots legwork—meet potential customers one-on-one. Face-to-face marketing. And, you know, that’s not a bad thing at all.”

Larry Snodgrass
Arkansas Propane Education and Research Council

“Our efforts will be focused on making sure all dealers report gallons. Safety programs and regulator rebates will be our main focus.

“Smaller states, especially those without state PERC programs, will be most affected, but a cold winter will help. While programs will be cut back, we anticipate no major decrease in services since the state association will pick up the slack for the benefit of the dealers and the users of propane.”

David Rogers
Florida PERC, Florida Propane Gas Safety, Education and Research Council

“Florida is fortunate to have both a state PERC and a foundation to effectively carry out propane consumer education, safety, and research projects even with the reduction in [national PERC] assessments. Our Florida state-wide consumer education program is funded through state assessments, and FPERC uses TV, radio, trade magazine print ads, and tradeshow participation to promote “Propane—the Exceptional Energy.” The foundation uses

most of the available rebate funding for a propane water heater rebate program along with some funding for research and training. No doubt both programs will make adjustments next year to account for the reduction in [national PERC] funding available to us.

“The Florida foundation established a \$500,000 safety water heater rebate program for 2010, which began in July and will run until 2012 or until the funding expires. This rebate program has been well received by the industry to date, and the foundation hopes to continue some form of consumer rebates depending on future available funding.”

Jennifer L. McKeen
Executive Director
Georgia Propane Gas Association

“We are expanding our training programs and going to consider the commercial lawnmower incentive program PERC has already approved. We can use matching dollars for this program.

“We will continue our water heater and gas heat safe appliance program. We did a Clean Cities show in September, hoping to expand our gallons through ‘autogas.’

“Fortunately, the partnership program made us whole. Our loss of gallons impacts us more than the loss of the 1/10th of a cent assessment.”

Scot Imus
Executive Director
Indiana Propane Gas Association, Indiana Propane Gas Foundation

“Indiana will not request 2010 rebate funds from PERC until the 2011 calendar year. Once PERC determines the rebate amount we are able to receive, Indiana will plan accordingly.

“Indiana may be forced to reduce some of [its] current programs. For example, there may be a reduction in the number of courses we are able to offer emergency responders, or there may be a reduction in the number of rebates we are able to process.

“In 2010, Indiana focused on training for the industry by increasing the number of CETP courses offered. Indiana also chose to increase the number of courses offered to emergency responders in the event there is an accident involving propane. Additionally, Indiana launched an enhanced rebate program for the safe installation of a propane furnace or water heater that includes a leak check for the system.

“In 2011, we anticipate a continuance of these programs. Due to the reduction in the assessment, there may be a reduction in the number of rebates we are able to process and the number of courses we are able to offer.”

—Loren Faulkner

How are other states dealing with the assessment reductions? Read about it in an upcoming issue of **BPN**.