

Budget 2014 - 2015

July 2014

The National Oilheat Research Alliance Act of 2000 (Public Law 106-469) as amended by P.L. 113-79 requires the National Oilheat Research Alliance (the Alliance) to publish a biennial budget for public comment before August 1st of 2014 and every two years thereafter. That budget shall include the probable costs of all programs, projects, and contracts and other agreements.

Following public review and comment, the Alliance is required to submit a proposed budget to the Secretary of Energy and to the Congress.

Part I. Assessment Rate and Income

The Alliance has two primary sources of income. The federally authorized assessment on Oilheat sold in the states participating in NORA at \$.002 per gallon. In addition the Alliance receives interest income on the investment of assessment funds. Additionally, the Alliance realizes revenue from the sale of books and other educational resources, and expects to receive revenue from the provision of studies.

Assessment Collections

The Alliance estimates that revenues from assessments will be **\$5,160,000 in 2014**, representing a partial fiscal year as collections began in April. The Alliance estimates assessments will be **\$8,750,000** in calendar year 2015. The estimates for these assessments are derived from the Alliance's historic collections in 2009 and recent statistics published by the Energy Information Administration. The Alliance has factored in a reduction from gallons per year between 2014 and 2015 due to continuously improving efficiency and conversions to natural gas. At the conclusion of 2014, it may be appropriate to amend the 2015 revenue figure.

The Alliance expects to receive interest of \$2,000 in 2014 and \$5,000 in 2015. Additionally, sales revenue in both years is expected to be \$25,000 and represents primarily sales of our basic Oilheat Technician's Manual, the Silver Book.. Currently, NORA has a contract with the Department of Energy to assess the use of biofuels in heating oil. This contract is for \$50,000 and is expected to be earned over the next two years, and is thus allocated equally between 2014 and 2015.

Part II. General Expenditures and Capital Investments

Administrative Expenses in 2014 are anticipated to be \$ 200,000 and include salaries and other expenses related to administering the program, insurance, accounting fees and rent. This figure will rise slightly to \$215,000 in 2015 as a full year of administration will be in place. Accounting fees, rent and insurance should remain stable. The administrative costs in 2014 will be approximately 3.9 percent of the budget, well within the statutory cap of 5 percent. These administrative costs will fall to 2.5 percent of budget in 2015 as a full year of collections is realized.

Assessments and Collections.

The Alliance anticipates expenditures of **\$70,000** for collection expenses in 2014 and **\$95,000** in 2015. These costs include processing of collections, publicizing the collection system, maintaining lists, and providing attorney's fees to ensure that the system is effective. It also includes expenses

associated with refunds, and audit costs. Audit costs will be allocated to 2014 as an accrued expense, even though no audits will occur until 2015.

Part III. State Rebates

The Alliance has endeavored to ensure that the funds generated benefit consumers and the oilheat industry. The limitation on Administration contained in the Act and the current status of the industry also indicates that allowing local decision-making is the best way to maximize value. To that end, the Alliance therefore intends to return a substantial portion of the funds for use in the state where they are generated. In 2014, this is anticipated to be \$3,077,000 and in 2015, it will be \$5,935,000. The states will use these funds to accomplish many of the goals described herein, and will be within the statutory directives.

Part IV. Program and Project Expenditures

The Act requires the Alliance to develop programs, and projects and enter into contracts or other agreements with other persons and entities for implementing this title.

The Act is designed to benefit consumers of Oilheat by allowing the industry to develop appropriate programs of consumer education, energy efficiency, research and development and education and training to benefit consumers.

This budget document will determine all spending. The Executive Committee of the Alliance and the Alliance will be responsible for reviewing contracts and approving them as appropriate and implementing this budget.

The programs described below are programs that have been developed by the Alliance and are currently in process, but significantly scaled down from 2009. 2014 marks the beginning of NORA after no funding from 2010 to 2014. This will present a challenge of reinstating many programs that lapsed in those ensuing years, and beginning a new round of research

Education and Training and Consumer Education.

The Act requires the Alliance to enhance consumer and employee safety and training and provide consumer education. The total expenses available for these activities are \$1,548,000 in 2014 and 2,625,000 in 2015. Of these expenditures the Alliance is proposing to budget \$300,000 to be administered by the national office in each year. The national office intends to produce 6 training manuals covering steam, hydronics, energy efficiency, venting, advanced controls, and air distribution for warm air heating. Additionally, the national office will continue to administer and improve its website for technician certifications which provide a resource for the industry and its consumers. Finally, the central office will develop educational programming through videos to support the books described above.

The states affiliated with NORA will be provided with \$1,248,000 for 2014 and \$2,325,000 in 2015. The states are currently developing budgets based on these rebates. The states will focus most of their funding on basic technician education. Extended management training to improve overall service and improve the oilheat consumer experience will also be developed and used.

Technician Certification Program

The Alliance will continue to improve its Technician Certification program. Recognizing excellence is a vital part of improving employee training which leads to improved consumer value and safety. To this end, the Alliance assumed the Technician Certification Program previously operated by the Petroleum Marketers Association of America.

Currently, this program is operated in house. However, NORA is considering an upgrade to its certification software and may enter into a contract to manage the site, and to help expand the reach of the program. NORA is also working to develop a turnkey educational platform that can be implemented in participating states.

New Training Materials.

The Alliance will continue to develop training materials and course materials for the industry. NORA will continue to conduct Train-the-Trainer programs for the Gold and Silver program. NORA expects to do DVDs in the subject areas of its expanded gold program, steam, hydronics, venting, advanced controls, air flow for warm air systems, and energy efficiency.

Catalog and Calendar

The Alliance will continue to maintain a catalog of Oilheat Education resources, however, it will now be part of our training database and will be available for editing by trainers and schools.

State Rebates

A significant portion of the Alliance generated funds will be returned to the states in conformance with the law to accomplish the objectives of the Act. The states will implement many of the programs described above. Providing in field training for technicians is critical.

Additionally, the states may allocate a portion of this to traditional consumer education activities using traditional media such as broadcast television and radio. Using broadcast media allows the industry to provide a small bit of information to consumers which might help them make decisions regarding oilheat fuel. These consumer education activities will also provide information on energy efficiency and improvements to the equipment.

Research and Development

The Act requires the Alliance to provide for research, development, and demonstration of clean and efficient oilheat utilization equipment. The Alliance anticipates expending approximately \$1,548,000 in 2014 and 2,625,000 in 2015. A significant portion of state rebates \$248,000 in 2014 and \$625,000 will be allocated to research and development.

Under the revised statute, there are additional responsibilities which include the transition and facilitation of the entry of energy efficient heating systems into the marketplace. A report on biofuels in oilheat fuel utilization equipment, and the development of consumer education materials describing the benefits of using biofuels in oilheat fuel.

The Alliance will be having a planning meeting in the summer and will begin developing projects to fulfill the requirements of this section. High priority areas for research are expected to be fuel quality, biofuels, high efficiency appliances, advanced controls, combustion and

advanced burners, and documentation and evaluation of field performance, and new advanced technologies.

NORA anticipates the continued use of Brookhaven National Laboratory, and will continue to work with the New York State Energy Research and Development Authority. NORA's preliminary planning is to establish a full service laboratory for the industry. Currently, NORA is investigating the type of research facility and potential locations. A substantial portion of the funding provided for the research funding will be used to develop and staff this laboratory.

The research and development project also includes a requirement to transition and facilitate the entry of energy efficient heating systems into the marketplace. This new task is likely to include an effort to provide more information to every aspect of the industry including the managers of retail oil companies, the service professionals, and its consumers.

Techniques for doing this are likely to include the internet and personal contacts.

NORA will also begin developing a report on biofuels and oilheat utilization equipment, including the economic benefits and technical limitations. As directed by the research and development section, NORA will work with the National Biodiesel Board to develop and distribute consumer education materials related to biofuels.

Energy Efficiency

The Act also includes a new section "Heating Oil Efficiency and Upgrade Program. The Alliance has budgeted \$774,000 for this program in 2014 of which \$674,000 is to be spent by the states, and \$100,000 by the central office. In 2015, the Alliance expects to spend \$1,312,000, of which \$100,000 will be spent by central office, and \$1,212,500 by the states.

There are three main tasks under this section, and at least 15 percent of the assessments shall be used to assist consumers to

- 1) Make cost effective upgrades to more fuel efficient modifications to an existing heating system or otherwise make cost-effective modifications to an existing heating system to improve the efficiency of the system.
- 2) To improve energy efficiency or reduce energy consumption through cost-effective energy efficiency programs for consumers, or
- 3) To improve the safe operation of the system

In carrying out this section, the Alliance shall to the maximum extent practicable coordinate, develop and implement the programs and activities of the Alliance in conjunction with an existing state energy efficiency program administrator.

The amount of funding in states will limit the amount of planning that is likely to occur. NORA believes that developing a series of programs that meets the goals of this section will be essential, and then each state affiliate will be able to work with its state energy efficiency administrator to develop the best plan for that state. Preliminary discussion have indicated that better understanding of efficiency and appropriate tools to measure and improve efficiency in the home, tune-ups of existing equipment, and setback thermostats may all be invaluable in fulfilling this task.

The \$100,000 allocated to the central office will be used to develop the initial plans, and then to work with the states to have appropriate plans and to implement those plans.

State Rebates

NORA's Board has indicated a continued desire to utilize the state resources to implement the program. Thus, funds not specifically allocated to programs in accordance with this budget will be subject to the decision making of the states. Currently, \$922,000 is allocated to the states in 2014 and \$1,787,500 in 2015. These funds will only be available for research, development and demonstration and home energy efficiency.

Central Office Expenses

The budget provides for \$335,000 to be spent on the management of the Alliance and compliance with specific program objectives. These include the provision of the Annual report, and the verification of said report.

NORA has allocated \$185,000 to all accounting, salaries, insurance, and rent, as expenses that may not be allocated to specific programs in 2014. In 2015, this account will be increased to \$200,000 to account for the full year. NORA would note that OMB Circular A-122 would allow a percentage of these expenses to be allocated to program categories. However, as this budget is developed, these expenses will be preliminarily described as administrative.

Part V. Allowance

In previous budgets, the Alliance developed an allowance to respond to variables in weather. The Alliance will discontinue this practice and will make necessary budget adjustments as receipts and collections occur. If assessments vary from the budget, adjustments will be made to ensure all statutory requirements are met, and further adjustments as necessary will be made to the state rebates account.

Part VI. Budget Summary

The following pages provides an income statement for 2014 and 2015, and

Income		2014	2015
Collections and Assessments			
	Collections	5,160,000.00	8,750,000.00
	Collection Costs	70,000.00	95,000.00
	Net Collections	5,090,000.00	8,655,000.00
In Kind Contributions			
	Sales Revenue	60,000.00	75,000.00
	Other Revenue (Grants, etc)	25,000.00	25,000.00
Total Income		5,175,000.00	8,755,000.00

Program Expenses

Consumer Education and Training (Max 30%)		1,548,000.00	2,625,000.00
	Central	300,000.00	300,000.00
	States	1,248,000.00	2,325,000.00
Research Development and Demonstration (Min. 30%)		1,548,000.00	2,625,000.00
	Central	1,300,000.00	2,000,000.00
	States	248,000.00	625,000.00

50% Matching Required Demonstration

Central

States

Home Energy Efficiency Program (Min 15%)	774,000.00	1,312,500.00
	Central	100,000.00
	States	674,000.00
State Rebates (Unallocated Funds)	907,000.00	- 1,772,500.00

Research and Development

Home Energy Efficiency

Office Unallocated Expenses

Salaries and Consulting (Admin)	60,000.00	75,000.00
Accounting (Admin)	100,000.00	100,000.00
Insurance (Admin)	10,000.00	10,000.00
Taxes	20,000.00	20,000.00
Postage	5,000.00	5,000.00
Web Pages	100,000.00	100,000.00
Annual Report	15,000.00	15,000.00
Rent (Admin)	15,000.00	15,000.00
Travel	10,000.00	10,000.00
Other (Telephone, Supplies, Maintenance, Computer)(Admin)	15,000.00	15,000.00
Total Unallocated Expenses	350,000.00	365,000.00

Other Expenses/ (income)

Cost of Goods Sold	50,000.00	60,000.00
Interest	(2,000.00)	(5,000.00)
Total Other Expenses	48,000.00	55,000.00

Net Revenue/(Expense)	0.00	0.00
------------------------------	------	------

2014

		CE and ET	R and D	Energy Efficiency	Rebate
Connecticut	9.35	217,291.25	58,411.63	113,318.55	165,655.37
District of Columbia	0.08	1,835.60	493.44	957.28	1,399.40
Delaware	0.82	19,155.85	5,149.42	9,989.88	14,603.76
Idaho	0.09	2,089.78	561.77	1,089.83	1,593.18
Indiana	0.22	5,201.81	1,398.34	2,712.77	3,965.68
Kentucky	1.65	38,370.85	10,314.74	20,010.60	29,252.62
Massachusetts	11.10	258,049.68	69,368.19	134,574.30	196,728.20
Maryland	2.97	69,062.81	18,565.27	36,016.63	52,651.11
Maine	5.67	131,774.21	35,423.18	68,720.96	100,460.13
Michigan	3.05	70,915.42	19,063.28	36,982.77	54,063.48
North Carolina	3.16	73,478.87	19,752.38	38,319.62	56,017.76
New Hampshire	4.82	112,102.53	30,135.09	58,462.07	85,463.12
New Jersey	8.52	198,182.49	53,274.86	103,353.24	151,087.51
New York	20.79	483,377.95	129,940.31	252,084.20	368,510.72
Nevada	0.05	1,114.94	299.72	581.45	849.99
Ohio	2.83	65,785.23	17,684.20	34,307.35	50,152.40
Oregon	0.41	9,551.10	2,567.50	4,980.95	7,281.43
Pennsylvania	13.53	314,473.11	84,535.78	163,999.42	239,743.48
Rhode Island	3.12	72,640.92	19,527.13	37,882.63	55,378.94
South Carolina	0.49	11,296.41	3,036.67	5,891.14	8,611.99
Virginia	2.83	65,757.45	17,676.73	34,292.86	50,131.22
Vermont	1.97	45,858.54	12,327.57	23,915.48	34,960.97
Washington State	0.61	14,182.03	3,812.37	7,396.00	10,811.89
Wisconsin	1.87	43,454.75	11,681.38	22,661.88	33,128.40
		2,325,003.58	625,000.96	1,212,501.87	1,772,502.73

		2015			
		CE and ET	R and D	Energy Efficiency	Rebate
Connecticut	9.35	217,291.25	58,411.63	113,318.55	165,655.37
District of Columbia	0.08	1,835.60	493.44	957.28	1,399.40
Delaware	0.82	19,155.85	5,149.42	9,989.88	14,603.76
Idaho	0.09	2,089.78	561.77	1,089.83	1,593.18
Indiana	0.22	5,201.81	1,398.34	2,712.77	3,965.68
Kentucky	1.65	38,370.85	10,314.74	20,010.60	29,252.62
Massachusetts	11.10	258,049.68	69,368.19	134,574.30	196,728.20
Maryland	2.97	69,062.81	18,565.27	36,016.63	52,651.11
Maine	5.67	131,774.21	35,423.18	68,720.96	100,460.13
Michigan	3.05	70,915.42	19,063.28	36,982.77	54,063.48
North Carolina	3.16	73,478.87	19,752.38	38,319.62	56,017.76
New Hampshire	4.82	112,102.53	30,135.09	58,462.07	85,463.12
New Jersey	8.52	198,182.49	53,274.86	103,353.24	151,087.51
New York	20.79	483,377.95	129,940.31	252,084.20	368,510.72
Nevada	0.05	1,114.94	299.72	581.45	849.99
Ohio	2.83	65,785.23	17,684.20	34,307.35	50,152.40
Oregon	0.41	9,551.10	2,567.50	4,980.95	7,281.43
Pennsylvania	13.53	314,473.11	84,535.78	163,999.42	239,743.48
Rhode Island	3.12	72,640.92	19,527.13	37,882.63	55,378.94
South Carolina	0.49	11,296.41	3,036.67	5,891.14	8,611.99
Virginia	2.83	65,757.45	17,676.73	34,292.86	50,131.22
Vermont	1.97	45,858.54	12,327.57	23,915.48	34,960.97
Washington State	0.61	14,182.03	3,812.37	7,396.00	10,811.89
Wisconsin	1.87	43,454.75	11,681.38	22,661.88	33,128.40
	100.00	2,325,003.58	625,000.96	1,212,501.87	1,772,502.73