

Budget 2016 - 2017

July 2015

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. Due to 2014 being the year of reenactment, it is necessary to have a biennial budget in 2015. 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 **\$9,382,519 in 2016**. This is based on the complete year of collections from May 1, 2014 through May 2015. This figure was then normalized to account for the cold winter in the states where NORA operates, and then was reduced by 2 percent to accommodate for conservation and loss of customers. Similarly, the 2017 revenue from collections was placed at **\$9,194,869**. This figure utilized the 2016 number, and then reduced it by 2 percent to accommodate conservation and loss of customers. At the conclusion of the 2015 collection year, and the 2016 collection year, some adjustments to the budget may be necessary to respond to weather and other factors. It should also be noted that in 2015, collections from 2014 exceeded budget. To ensure the appropriate allocations to the accounts established by Congress, NORA allocated the overages into state accounts for research and development, education and training and consumer education and energy efficiency. This ensures that with the central budget and the state budget, Congressional allocations are followed.

The Alliance expects to receive interest of \$1,000 in 2016 and \$5,000 in 2017. Additionally, sales revenue in both years is expected to be \$100,000 and represents primarily sales of the NORA basic Oilheat Technician's Manual, the Silver Book. Revenue from this book is largely

offset by cost of goods sold, as NORA prices the manual to recover printing costs and shipping and handling, and does not make a profit on sales.

NORA will also be making it a priority to work with other organizations and provide services that benefit the oilheating industry. NORA anticipates that partnerships with organizations such as the National Biodiesel Board and New York State Energy Research and Development Authority (NYSERDA) may provide as much as \$200,000 per year in 2016 and 2017.

Part II. General Expenditures and Capital Investments

Administrative Expenses in 2016 are anticipated to be \$ 225,000 and include salaries and other expenses related to administering the program, insurance, accounting fees and rent. This figure will be maintained at this level in 2016. The expenditures will thus be approximately 2.4% and 2.5% of the program's collections in those years. Thus, they will be within the statutory cap of 5%.

Assessments and Collections.

The Alliance anticipates expenditures of **\$170,000** for collection expenses in 2016 and 2017. 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. These expenses have increased to reflect the actual expenses incurred in 2014, and the necessity of maintaining an efficient system for collection and speedy refunds.

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 2016, this is anticipated to be \$6,453,519, and in 2017, it will be \$6,264,869. The states will use these funds to accomplish many of the goals described herein, and will be within the statutory directives and their spending will match congressional allocations.

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.

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 \$2,814,755 in 2016 and \$2,758,460 in 2017. Of these expenditures the Alliance is proposing to budget \$325,000 to be administered by the national office in each year. The national office will be producing and maintaining an online training center with these funds. In-person training is often the preferred method of training; however, many technicians are in remote areas and have limited access to training. Having a training center that can provide training, maintain student records and outreach to students is critical. NORA transitioned its existing learning site in 2015, and will enhance and add content in the next two years. NORA will also be working on improvements to its tank education program.

The states affiliated with NORA will be provided with \$2,489,755 for 2016 and \$2,758,460 in 2017. The states will develop internal budgets based on these allocations. 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.

This program is operated in house, and will be part of the new website, learning.noraweb.org

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.

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.

Several of the states operate full time training facilities used by the industry. These include Maine, Vermont, Connecticut, New York, and Pennsylvania. The remaining states use the funds to do periodic training at temporary facilities.

Additionally, the states may allocate a portion of this to traditional consumer education activities using traditional media such as broadcast television and radio, and a limited amount of internet communications. 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 \$2,814,757 being directly allocated to research and development activities in 2016, and \$2,758,462 in 2017. Of this, \$2,200,000 will be directly funded by the central office. Additionally, there will be rebates to the states of \$1,407,378 in 2016 and \$1,379,230 that can be used by the states for either research and development or energy efficiency programs. At a minimum, the research and development program will be 30% of the budget, and may approach 45 percent of total collections.

NORA is currently developing a research and development laboratory in New York. NORA will be furnishing that lab, providing staffing and developing projects. Additionally, NORA will continue to fund and develop new projects based on its research review meeting which established priorities for the industry, including biofuels, controls, novel burner technologies, and new appliances.

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 is also a core function of research and development in the act. It is likely that the states will use their funds to facilitate these two objectives.

NORA anticipates the continued use of Brookhaven National Laboratory for much of its research, and will continue to work with the New York State Energy Research and Development Authority.

NORA completed its report to Congress on biofuels in 2015, and will use that 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 requirement on “Heating Oil Efficiency and Upgrade Program. The Alliance has budgeted \$1,407,378 in 2016 and \$1,379,230 in 2017. This program allocates \$100,000 for development of the program at the central level in both years.

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 to the maximum extent practicable 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.

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, \$2,041,630 in 2016, and \$1,993,717 in 2017. These funds will only be available for research, development and demonstration and home energy efficiency.

Central Office Expenses

The budget provides for \$355,000 to be spent on the management of the Alliance and compliance with specific program objectives in 2016, and \$356,000 in 2017. These include the provision of the Annual report, and the verification of said report.

NORA has allocated \$225,000 to all accounting, salaries, insurance, and rent, as expenses that may not be allocated to specific programs in 2016 and 2017. 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. Budget Summary

The following pages provides an income statement for 206 2017, and also provide the appropriate state allocations for 2016 and 2017. The board has directed that the allocations to the states be adjusted annually based on the collections in the prior year. This is a formulaic adjustment and will occur in the spring of 2016, which will be implemented in 2017.

	2015	2016	2017
Collections and Assessments			
Collections	8,750,000.00	9,382,518.98	9,194,868.60
Collection Costs	95,000.00	170,000.00	170,000.00
Net Collections	8,655,000.00	9,212,518.98	9,024,868.60
In Kind Contributions			
Sales Revenue	75,000.00	100,000.00	100,000.00
Other Revenue (Grants, etc)	25,000.00	200,000.00	200,000.00
Total Income	8,755,000.00	9,512,518.98	9,324,868.60
Consumer Education and Training (Max 30%)	2,625,000.00	2,814,754.69	2,758,459.58
Central States	300,000.00	325,000.00	325,000.00
States	2,325,000.00	2,489,754.69	2,433,459.58
Research Development and Demonstration (Min. 30%)	2,625,000.00	2,814,756.69	2,758,461.58
Central States	2,000,000.00	2,200,000.00	2,200,000.00
Demonstration	625,000.00	614,756.69	558,461.58
Central States			
Home Energy Efficiency Program (Min 15%)	1,312,500.00	1,407,377.85	1,379,230.29
Central States	100,000.00	100,000.00	100,000.00
States	1,212,500.00	1,307,377.85	1,279,230.29
State Rebates (Unallocated Funds)	-	2,041,629.75	1,993,717.15
Research and Development			
Home Energy Efficiency			
Salaries and Consulting (Admin)	75,000.00	75,000.00	75,000.00
Accounting (Admin)	100,000.00	100,000.00	100,000.00
Insurance (Admin)	10,000.00	15,000.00	16,000.00
Taxes	20,000.00	7,000.00	7,000.00
Postage	5,000.00	1,000.00	1,000.00
Web Pages (not consumer ed or training)	100,000.00	50,000.00	50,000.00
Annual Report	15,000.00	15,000.00	15,000.00
Rent (Admin)	15,000.00	20,000.00	20,000.00
Legal		30,000.00	30,000.00
Travel	10,000.00	12,000.00	12,000.00
Meetings		15,000.00	15,000.00
Other (Telephone, Supplies, Maintenance, Computer)(Admin)	15,000.00	15,000.00	15,000.00
Total Unallocated Expenses	365,000.00	355,000.00	356,000.00
Cost of Goods Sold	60,000.00	80,000.00	80,000.00
Interest	(5,000.00)	(1,000.00)	(1,000.00)
Total Other Expenses	55,000.00	79,000.00	79,000.00
		0.00	0.00

2016

		Education	Research	Energy Efficiency	Rebate
		2,489,754.69	614,756.69	1,307,377.85	2,041,629.75
Connecticut	10.43%	259,712.85	64,126.89	136,376.02	212,967.76
District of Columbia	0.05%	1,286.13	317.56	675.35	1,054.64
Delaware	0.65%	16,060.48	3,965.57	8,433.41	13,169.79
Idaho	0.04%	904.78	223.40	475.10	741.93
Indiana	0.18%	4,357.69	1,075.98	2,288.24	3,573.36
Kentucky	1.11%	27,515.59	6,794.00	14,448.52	22,563.13
Massachusetts	12.25%	305,090.06	75,331.18	160,203.73	250,177.64
Maryland	3.45%	85,858.35	21,199.68	45,084.48	70,404.91
Maine	6.25%	155,491.34	38,393.08	81,648.98	127,504.83
Michigan	1.99%	49,633.17	12,255.15	26,062.53	40,699.82
North Carolina	3.08%	76,728.79	18,945.46	40,290.52	62,918.56
New Hampshire	4.29%	106,724.03	26,351.72	56,041.12	87,515.03
New Jersey	7.45%	185,458.82	45,792.48	97,385.00	152,078.53
New York	19.49%	485,136.12	119,787.17	254,746.47	397,817.64
ESEA	10.00%	48,513.61	11,978.72	25,474.65	39,781.76
OHILI	25.11%	121,817.68	30,078.56	63,966.84	99,892.01
NYOHA	28.89%	140,155.83	34,606.51	73,596.26	114,929.52
HVOHC	13.32%	64,620.13	15,955.65	33,932.23	52,989.31
UNYEA	22.68%	110,028.87	27,167.73	57,776.50	90,225.04
Nevada	0.02%	423.48	104.56	222.37	347.26
Ohio	3.00%	74,576.82	18,414.10	39,160.52	61,153.92
Pennsylvania	13.87%	345,268.05	85,251.71	181,301.32	283,124.09
Rhode Island	2.60%	64,788.51	15,997.23	34,020.64	53,127.38
South Carolina	1.20%	29,886.07	7,379.31	15,693.27	24,506.95
Virginia	3.41%	84,941.90	20,973.39	44,603.25	69,653.41
Vermont	2.35%	58,406.78	14,421.48	30,669.58	47,894.28
Washington State	0.27%	6,697.26	1,653.65	3,516.75	5,491.84
Wisconsin	2.60%	64,807.81	16,001.99	34,030.78	53,143.21

2017

		Education	Research	Energy Efficiency	Rebate
		259,712.85	64,126.89	136,376.02	212,967.76
Connecticut	10.43%	259,712.85	64,126.89	136,376.02	212,967.76
District of Columbia	0.05%	1,286.13	317.56	675.35	1,054.64
Delaware	0.65%	16,060.48	3,965.57	8,433.41	13,169.79
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Maine	6.25%	155,491.34	38,393.08	81,648.98	127,504.83
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OHILI	25.11%	121,817.68	30,078.56	63,966.84	99,892.01
NYOHA	28.89%	140,155.83	34,606.51	73,596.26	114,929.52
HVOHC	13.32%	64,620.13	15,955.65	33,932.23	52,989.31
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Virginia	3.41%	84,941.90	20,973.39	44,603.25	69,653.41
Vermont	2.35%	58,406.78	14,421.48	30,669.58	47,894.28
Washington State	0.27%	6,697.26	1,653.65	3,516.75	5,491.84
Wisconsin	2.60%	64,807.81	16,001.99	34,030.78	53,143.21