

Budget 2010

The National Oilheat Research Alliance Act of 2000 (Public Law 106-469) requires the National Oilheat Research Alliance (the Alliance) to publish a budget for public comment each year. 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.

The budget presented is prepared in the alternative. Currently the NORA statute expires early in 2010. However, Congress is actively considering legislation to extend the statute. Thus, this budget document is prepared with two scenarios, one with no extension, and the other with a timely extension. In the document, all figures will be denoted as nonrenewal (NR), and renewal (R)

Part I. Assessment Rate and Income

The Alliance has two 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.

Assessment Collections

The Alliance estimates that revenues from assessments will be R\$11,982,996 NR \$2,299,767. This income number is reduced from 2009 to accommodate efficiency improvements

The Alliance estimates interest to be R\$20,000, and NR\$15,000. This number is reduced from 2009 to accommodate the lower level of cash that will be retained by NORA, and the lower yields on Treasury bills. .

Part II. General Expenditures and Capital Investments

Administrative Expenses by statute are not to exceed 7 percent of assessment revenue in any year. NORA has traditionally characterized all national office expenses as administrative for financial simplicity. Even with this characterization, the administrative costs did not exceed 7 percent. However, given the much lower threshold of administrative costs, NORA will more appropriately characterize administrative costs as direct overhead costs. Items that will be characterized as administrative will include rent and telephone, office supplies, insurance, equipment maintenance, meeting expenses, legal and accounting fees, dues, memberships and subscriptions, and travel. Additionally, NR\$15,000 and R\$45,000 will be allocated to salary.

Assessments and Collections.

The Alliance anticipates expenditures of R\$180,000 or NR\$45,000 for collection expenses. These costs include processing of collections, publicizing the collection system, and providing attorney's fees to ensure that the system is effective. These expenditures pay for an evergreen contract with Halt Buzas and Powell for accounting services, and a subcontract with Anybill for refund processing.

Depreciation Expenses. The Alliance anticipates depreciation expenses for furniture and equipment to be \$5,000.

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. The statute also requires that at least 15 percent of the assessment funds be returned to the state, and that all Alliance activities be coordinated with existing organizations. 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 2010, the Alliance will rebate NR\$2,988,267. This is in excess of assessments, and the additional funds will be derived from reserves which had been allocated as a weather allowance. Alternatively, the Alliance will allocate R\$8,825,796. This number has been reduced from 2009 to accommodate reduced collections due to efficiency, and increasing expenditures on research and development. Each of the state rebates is provided in accordance with an executed contract.

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 the proper mix of consumer education, research and development and education and training to benefit consumers.

The Alliance has established three advisory committees to develop programs in research and development, education and training, and consumer education and review any proposals developed independently. All funding decisions are subject to the approval of the Alliance; however, the Executive Committee has limited authority to initiate expenditures.

The programs described below are programs that have been developed by the advisory committees and are currently in process. 2009 will be the sixth full year of operation for the Alliance, and its major challenge will be ensuring that the projects which have been developed and prepared in previous years are utilized by the industry to improve consumer value.

Education and Training.

The Act requires the Alliance to enhance consumer and employee safety and training. The Education and Training Advisory Committee has met on a number of occasions to accomplish this goal. The following describes the goals and tasks that are envisioned to occur over the next eighteen months.

It is anticipated that the central office will spend R\$350,000 for education or NR\$150,000. The largest percentage of this is for an evergreen contract with the New England Fuel Institute (NEFI) for administration of the certification program. Additional funds will be expended with Oilheat Associates for development of education resources. This has been reduced from former years as much of the primary materials have been developed. The states have typically dedicated 25 percent of their grant to education activities, or R\$2,210,199, NR\$743,000 for a total expenditure of R\$2,560,199 and NR\$893,000.

The Alliance is exploring and developing multiple training approaches for technicians that include video, developed seminars and classroom instruction. Of particular interest is the development and distribution of commercial burner materials, new videos on installing equipment, and in-person training. NORA will continue to provide these materials on-line. In a non-renewal scenario, NORA anticipates that the certification program will have curtailed growth.

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.

In 2001, the Alliance entered into a long-term agreement with the New England Fuel Institute to administer the technical education programs, specifically the Silver and Gold Technician Certification Program. In 2002, NEFI established an online resource for this program which provides technicians and companies the ability to track the education that they have received. NEFI will continue to serve as a repository and distributor for all of our educational offerings, as well as a primary provider of training. In 2010, the Bronze Certification Program will be extended, and will become the primary method of certifying new technicians.

NORA has revamped its website for technician training. It now is a central repository for all training records. It will also be used for training publicity, and will link to educational offerings. Additionally, the site will be made available to the public to find training activities.

NORA has added an Energy Conservation Analyst, and is now working with the National Association of Oilheat Service Managers (NAOHSM) to develop a certification for vocational students in high school. A manual was completed in 2009, and thus fully implementing the testing and certification will be priorities in 2010.

New Training Materials.

The Alliance will continue to develop training materials and course materials for the industry. NORA will continue to develop training videos and NORA will continue to conduct Train-the-Trainer programs for the Gold and Silver program.

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.

Training Videos

The Alliance believes that developing new video training materials will enhance training in the industry. NORA expects to develop DVDs on a number of topical areas including controls, and efficiency measures. NORA will continue to dedicate substantial resources to ensuring that heating oil tanks are safe.

Technician Recruiting

Technician recruiting is a major challenge for our Industry and is necessary to ensure that customers have good service that improves safety. A CD was widely distributed in 2001. The Alliance will continue its efforts in this area to ensure that potential workers understand this career choice. Additional outreach to vocational schools and other training centers will occur in 2009. NORA has placed equipment at several vocational schools and training centers which will allow existing educational providers to address Oilheat.

Advanced Programs

NORA has advanced programs in hydronics, tanks, air conditioning, and air-handling. We will continue to develop these programs. Additionally, we have added a component on home energy auditing.

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 are currently developing detailed plans for these expenditures that will be subject to public notice, consideration of the Board, and contractual stipulations.

NORA estimates that R\$2,210,799 and NR\$743,000 will be spent on improving education in the Oilheat industry. These expenditures will include development of technical training facilities, and purchases of equipment. Additionally, the need to recruit technicians will be enhanced by lowering the cost of training through scholarships.

Additionally, the states will use the funds provided to increase recruitment of technicians through communications with vocational and trade schools, public schools and other sources of qualified applicants.

| | No Renewal | Renewal | |
|-------------------------|---------------|-----------|----------|
| Connecticut | 281,450 | 831,214 | |
| District of Columbia | 3,516 | 10,384 | |
| Delaware | 21,156 | 62,482 | |
| Idaho | 2,561 | 7,564 | |
| Indiana | 6,963 | 20,563 | |
| Kentucky | 36,236 | 107,017 | |
| Massachusetts | 337,920 | 997,989 | |
| Maryland | 96,974 | 286,397 | |
| Maine | 195,368 | 576,984 | |
| Michigan | 58,455 | 172,635 | |
| North Carolina | 120,218 | 355,043 | |
| New Hampshire | 107,376 | 317,115 | |
| New Jersey | 288,068 | 850,757 | |
| New York | 598,277 | 1,766,906 | |
| Nevada | 1,928 | 5,695 | |
| Ohio | 76,294 | 225,320 | |
| Oregon | 11,154 | 32,942 | |
| Pennsylvania | 433,433 | 1,280,067 | |
| Rhode Island | 91,002 | 268,758 | |
| South Carolina | 10,000 | 30,000 | Estimate |
| Virginia | 95,400 | 281,747 | |
| Vermont | 50,850 | 150,176 | |
| Washington State | 18,095 | 53,439 | |
| Wisconsin | 45,316 | 133,833 | |

It is also expected that the states will continue their efforts to provide consumers information about oilheat and equipment. The states have invested significant sums to educate consumers about the need to maintain equipment, the advantages that come from improving efficiency and how to use oilheat safely. These efforts will continue in 2010. It is anticipated that the funds for this effort will be R\$6,615,021 and NR\$2,257,507.

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 R\$1,100,000 and NR\$200,000 for research and development activities in 2010.

In 2010, the Alliance will continue to focus on efficiency improvements. At high price levels it is particularly important to develop more efficient equipment, to better understand what affects efficiency and how customers make decisions. In 2005, the Alliance began an extended study of sulfur in fuel.

NORA anticipates developing a liquid fuels research center in coordination with the New York State Energy Research and Development Authority with a long term renewal. This lab will be a successor to the oilheat research program that has been conducted at Brookhaven National Laboratory which was defunded by the Department of Energy.

NORA will also do projects in conjunction with NYSERDA. They will include a venting study; work on thermal photo-voltaics and material compatibility with low sulfur equipment. Additionally, NORA is now developing a joint project with the state of Pennsylvania on controls on boilers.

NORA has developed a five year research agenda which is currently undergoing review and prioritization. That agenda is attached as Attachment A. It is expected that this document will be reviewed by an Advisory committee and then presented to the Board for further review. Upon completion of this process, NORA will develop a strategic implementation plan.

Consumer Education

The Act authorizes the Alliance to engage in consumer education as Congress found Oilheat to be an efficient and economical energy source. The Alliance will use a variety of techniques for consumer education.

In 2010, the Alliance will continue with its consumer education campaign that was initiated in 2003. The campaign will continue to inform consumers that improvements to the equipment allows them the opportunity to use less oil, to have a greater contribution to the environment and that they should consider taking steps to improve the oilheating equipment that in their residence. One of the goals will be to highlight the tax credit provided by Congress in the American Recovery and Reinvestment Act of 2009.

The Alliance expects to utilize the internet in 2009. The internet provides a unique opportunity to educate consumers and provide them information when they are seeking it. In addition to the internet, the states are expected to spend approximately R\$6,615,021 and NR\$2,257,507. The central office anticipates spending R\$150,000 on development of consumer materials if renewed, and an additional \$750,000 on outreach with the internet.

Part V. Allowance

The Alliance in its budget development recognizes that there is significant variability in fuel consumption related to weather events. However, the Alliance at this time believes that it will be unnecessary to fund this allowance in 2010, as the fund is currently full and there are unrestricted net assets that could be used in case of warmer than normal weather.

Part VI. Asset Write-down

It is anticipated that in the event of non-renewal, many manuals and supplies that have been distributed and are available to the industry will need to be sold. This may result in a recognized loss of \$40,000.

Part VI. Budget Summary

Revenues:

| | Renewal | Non Renewal |
|-------------------------------|---------------------|--------------------|
| Assessment Collections | \$11,982,996 | \$2,299,767 |
| Interest Income | 20,000 | 15,000 |

Expenditures

| | | |
|------------------------------------|-------------------|-------------------|
| Administrative Expenses: | \$ 300,000 | \$ 160,000 |
| Annual Report | 50,000 | 20,000 |
| Depreciation | 5,000 | 5,000 |
| Assessments and Collections | 180,000 | 45,000 |
| Research and Development | 1,100,000 | 200,000 |
| Education and Training | 350,000 | 150,000 |

| | | |
|---|---------------------|------------------|
| Consumer Education | 150,000 | 0 |
| Grants to States | 8,825,796 | 2,988,268 |
| Internet Communications | 750,000 | 0 |
| Central Office Expenses in Support | | |
| Of Programs (non-administrative) | 292,200 | 312,200 |
| Asset Write-down | | 40,000 |
| Total Expenditures | \$11,802,996 | 3,860,468 |