



JERRY PETROWSKI

WISCONSIN STATE SENATOR

Testimony in Support of Senate Bill 607 Propane Gas Safety and Assessment Program

Thank you, Mr. Chairman and members of the committee, for hearing testimony today on Senate Bill 607 (Assembly Bill 665), the creation of the Propane Gas Safety and Training Assessment Program. I appreciate the committee's time and consideration of this bill.

This legislation would authorize the Wisconsin Propane Education and Research Council to levy an assessment on propane gas sold by participating licensed distributors in Wisconsin. This bill is substantially similar to the current "check off" funding models being used by other commodity groups, such as the Milk Marketing Board, Cranberry Growers Association, Corn Growers Association, the Soybean Marketing Board, Beef and Pork Councils, and others. Wisconsin is one of the few states in the Midwest that does not have a state propane assessment program.

Once the bill is passed, the Wisconsin Propane Gas Association will have 120 days to hold a referendum of their propane retail members to grant the Council authority to levy the assessment. Should they vote to approve, a levy of two-tenths of one cent would be assessed per gallon of propane sold. This would amount to less than one penny for the size of tank used on a gas grill. Monies raised would allow the Council to fund educational, training and safety programs, public service announcements, emergency response programs, and offer appliance rebates.

Licensed propane retail marketers can opt out of the assessment at any time simply by submitting a letter to the Council. Additionally, the bill requires that the Council must notify each propane retailer annually on the assessment rate and inform them of the process for opting out of the program. Further, any potential future increases of the assessment exceeding one twentieth of one cent per gallon would need to be approved by a referendum among the participating retail members of the Wisconsin Propane Gas Association and then further approved by the Council's Board of Directors before being implemented.

Moreover, the bill explicitly prohibits the use of any funds raised by this assessment from going towards lobbying efforts, paying a lobbyist, or any type of political messaging. All funds raised as a result of this assessment must -- and I underscore must -- be used to help propane retailers train their employees, improve their businesses and educate their customers.

29TH SENATE DISTRICT

STATE CAPITOL: P.O. BOX 7882 • MADISON, WISCONSIN 53707-7882
SEN.PETROWSKI@LEGIS.WISCONSIN.GOV • TELEPHONE: (608) 266-2502 • FAX: (608) 282-3569

Currently, natural gas utilities use rate-payer assessments to pay for their safety and training, educational and consumer awareness, and the Focus on Energy program which provides rebates for energy efficient gas and electric appliances, but not for propane appliances or meter rebates. This legislation would remedy that disconnect and allow for propane retailers, through the assessment program, to offer appliance and meter rebates to their customers.

Again, thank you for your consideration of SB 607.

Propane Assessment FAQ's

During last session, members of the Wisconsin Propane Gas Association have contacted legislators more than 1,400 times on this issue.

Q: Why Do You Need This Bill to be in the State Statutes?

A: Every state that has an assessment program has passed legislation to ensure across the board compliance with the distributors at the terminal locations. There is NOT a voluntary program like this anywhere in the country. The WiPERC attempted to engage a voluntary program but distributors requested a program similar to other states. This bill creates the most efficient and consistent industry program as possible to benefit propane retailers in Wisconsin.

Q: What if a Propane Retailer Doesn't Want to Pay the Assessment?

A: If a propane retailer doesn't want to be assessed they can opt out of the program. The process to opt out is simple and only has to be done one time. The company simply sends in an opt out letter to WiPERC. Any money assessed from that company would then be refunded. Once a propane retailer has opted out of the WiPERC Assessment Program they will not qualify for rebates and incentives offered through WiPERC and will have to pay full price to attend any WiPERC produced training.

Q: How are the Funds Collected?

A: When a propane retailer purchases propane in bulk at the supplier's terminal, they are invoiced for the propane and the WiPERC assessment, which is based on the number of gallons purchased. The supplier collects the funds from all WI DSPS licensed propane retailers and then distributes the funds to the WiPERC. The supplier also collects funds for the national program using the same process. This is the same process in every state that has an assessment program.

Q: Is This a Tax?

A: No. The WiPERC assessment program is not a tax. It is funded by propane retailers. A propane retailer may opt out of the program, you can't opt-out of paying taxes. Further, there is no government involvement. Propane is a commodity and retailers compete in the free market.

Q: What Will the Funds Be Used For?

A: WiPERC is a nonprofit organization that produces education and safety programs for the propane industry and general public. This bill allows WiPERC to create more programs, including: consumer safety awareness, NFPA 54 & 58 training, hazmat & CDL training, leak check inspections, appliance rebates, regulator rebates, Department of Homeland Security Top Tier reporting training, vapor distribution training, cylinder requalification certifications, refueling training, training for volunteer fire departments, vehicle technology training and more!

Q: Can Funds be Used for Lobbying Or Other Activities?

A: No. WiPERC is a non-profit, 501(c)(3) organization that prohibits the use of funds for lobbying expenses, direct or indirect advocacy, or any political messaging, as specified in the by-laws, which were established in 2000. Further, all assessment funds must be used to help propane retailers train their employees, improve their businesses and educate their customers. All WiPERC programs are overseen by the WiPERC Board of Directors, which is made up of propane retailers, suppliers and a public member.

Q: Why Can't it be an 'opt-in' Program Instead of an 'opt-out'?

A: Creating an "opt-in" clause is far more complicated, cumbersome, expensive, and completely inefficient. It would force WiPERC to divert and spend its limited funds to drive a sign-up program as opposed to simply letting the two or three propane retailers in the state to "opt-out". The "Opt-Out" process is simple and only has to be completed once. Funds should be used for education and safety programs, not for recruitment.

Q: How do the Natural Gas Utilities Pay for Their Training, Safety Programs, Consumer Education and Other Programs? And What About Appliance Rebates?

A: Natural Gas Utilities are regulated by the Public Service Commission (PSC) and their rates are determined by the PSC. The rates that natural gas customers pay cover the costs of providing the fuel, overhead and other expenses such as training, safety and consumer education programs. In the propane industry, which as a commodity is not regulated by the PSC, retailers would pay into the WiPERC assessment program by contributing their own funds. Utilities across Wisconsin contribute to the Focus on Energy (FOE) program which provides rebates for household appliances. However, FOE does not offer any rebates for propane appliances or meters. Propane retailers, through the assessment program, would be able to offer appliance and meter rebates to their customers.

Please contact WPGA/WiPERC Executive Director Emma Corning 608-210-3307/ emma@wipga.org or Brandon Scholz 608-210-3305/ brandon@capgroupwi.com for further information.

Q: Are Only Members of the Wisconsin Propane Gas Association Assessed?

A: No, all licensed propane retailers in Wisconsin will be assessed, unless they submit an opt out letter to WiPERC. Propane retailers already participate in the national assessment program and want a state-level assessment program to expand on existing safety & education programs. Although a majority of propane retailers are already members of the WPGA, someone who is not a member will not be forced to join just to take advantage of the programs and benefits that the WiPERC Assessment Program. This is an industry wide program, not a Wisconsin Propane Gas Association program.

Q: Won't the Funds that Retailers Pay Into the Program be Passed on to Consumers?

A: Like all businesses, propane retailers calculate their expenses and develop a price for their product that hopefully produces a profit that keeps their company in business. The same holds true for Natural Gas Utilities who determine their expenses and calculate those costs as they develop a rate that the PSC approves and their customers pay. However, the propane industry is a competitive business and retailers need to develop a price that is competitive so that they don't lose their customers to other propane retailers.

Q: Why Does Wisconsin Need an Assessment Program?

A: Most commodities in Wisconsin have assessment programs including dairy, cranberries, corn, beef, pork and others. The propane assessment program will ensure consistent training, education and safety programs for propane retailers; promoting the use of propane; and educating consumers on safety and related matters. The program will also provide funding for propane appliance rebates as well as training for emerging markets such as propane powered vehicles and buses.