

Propane Education & Research Council
July 20, 2006
Washington, DC

MINUTES

Chairman John Gawronski called the meeting to order. Mr. Gawronski welcomed Council members in attendance: Mark Alexander, Doug Auxier, Vincent DiCosimo, Ken Green, George Koloroutis, David Lugar, R.C. Mills, William Platz, Glenn Saunders, Michael Schwartzje, Bruce Toellner, and David Wunch. Participating via conference call were Rosie Dzanski, Bill McAdam, Charles Revere, Ray Scholes, and Steve Williams.

Mr. Gawronski welcomed Mr. DiCosimo to the Council.

PERC President and CEO Roy Willis announced that because the nominations for officers were uncontested, no formal elections were needed. The following councilors will serve through June 2007:

- Chairman, John Gawronski.
- Vice chairman, marketers, Charles Revere.
- Vice chairman, producers, David Wunch.
- Treasurer, Michael Schwartzje.
- Secretary, Ken Green.

Approval of Minutes

Mr. Gawronski directed the councilors' attention to the June 2006 minutes. A motion to adopt the minutes was made, seconded, and approved.

Chairman's Report

Mr. Gawronski directed the Council's attention to a proposed amendment to Section 7.08 of the Council's bylaws that would allow additional members on the Audit Committee. A motion to adopt the amendment was made, seconded, and approved as follows:

Section 7.08 Audit Committee. The Audit Committee shall be composed of not fewer than three members of the Council, one of whom shall be selected by the Council Chairman from among the members of the Executive Committee, excepting the Council Chairman and Treasurer. The Executive Committee member of the Audit Committee shall chair the Audit Committee. Other members of the Committee shall be selected by the Council Chairman from among those Council members who are not members of the Executive Committee. The Audit Committee shall meet at least two times per year.

Mr. Gawronski announced that Mike Walters, Amerigas (Westlake, OH) was nominated as the chairman of the Safety & Training Advisory Committee following the resignation of Cliff Slisz, Ferrellgas (Liberty, MO). A motion to elect Mr. Walters as the chairman was made, seconded, and approved.

Mr. Willis said the Executive Committee requested authorization to amend the bylaws to allow advisory committees to have vice chairmen appointed by the same process as the

committee chairman. A motion to adopt the amendment was made, seconded, and approved.

Mr. Gawronski reported the Executive Committee met the prior day. He said the information technology committee will be a steering committee instead of an advisory committee. Mr. Gawronski requested councilors volunteer any information technology experts from their staff to the new committee.

Assessment Task Force. Bill McAdam, chairman of the Assessment Task Force, asked PERC Chief Financial Officer and Vice President of Administration Jim Harris to summarize a task force study on the state of assessments. Mr. Harris said an Energy and Environmental Analysis, Inc., report showed that PERC is collecting 91 percent of total odorized propane sales in the United States. For each 1 percent improvement in collection performance, the Council's revenue will increase about \$440,000. EEA's report showed that potential holes in the current assessment process included imports of odorized propane from Canada, a lack of education and follow-up on assessment requirements, the impacts of mergers and acquisitions, and the need to police companies who are avoiding remittance. The proposed strategies to improve assessment collections include implementing an industry education campaign, increasing the percentage of terminal operators submitting voluntary activity reports to Apex, updating a terminal/remitter database, increasing collections efforts, and improving the tracking of Canadian imports. Mr. Harris said the investment is expected to increase the assessment collections from 91 percent in 2006 to 95 percent in 2010, resulting in an incremental revenue return of six to one. Mr. Harris said the task force anticipated further discussing new policies and procedures at the Council's October meeting. Mr. Harris said the task force requested an additional \$75,000 in 2006 for Apex and EEA to implement improvements to the assessment process. A motion was made, seconded, and approved for the funding.

Audit Committee. The audit committee report did not have a report.

Vice-Chairman's Report - Marketers

Vice Chairman Glenn Saunders did not have a report.

Vice-Chairman's Report - Producers

Vice Chairman David Wunch did not have a report.

Treasurer's Report

Treasurer Michael Schwartz reported on the 2006 assessment collection versus budget, 2006 budget, and a comparison of income to budget. Mr. Schwartz said assessments are 10-12 percent below budget. A motion was made, seconded, and approved to accept the financial statements.

President's Report

Mr. Willis reported he continued to work on a proposal to obtain the archives of Walter Snelling from his son, Charles.

Mr. Willis requested the Council's participation in a strategic planning session before the October Council meeting. The planning session would be computer enabled, with all the information synthesized into a final report. The Council agreed to participate in this beginning October 4.

Mr. Willis directed the Council's attention to a white paper on the partnership plan with the National Propane Gas Association (NPGA) and Gas Processors Association (GPA). Mr. Willis said the goal was to use PERC, NPGA, and GPA resources in the most effective manner to benefit the industry and avoid duplicating services and programs. Mr. Willis said NPGA and GPA representatives would attend PERC meetings and advisory committee meetings.

NPGA President Rick Roldan said he anticipated bringing the partnership plan to the NPGA Board of Directors in October.

Mr. Willis summarized the funding for the partnership agreement. Of \$1.8 million, \$570,000 will go to NPGA and \$205,000 will go to GPA.

Some councilors asked for clarification on why the funding to NPGA was being increased. Mr. Willis explained that the funding was not significantly increasing but was instead being transferred from docket-by-docket basis to a single funding request that would be easier to coordinate.

Mr. Willis summarized the staffing expansion plan, recommending a CETP manager for safety and training and an administrative assistant for research and development. He also said in discussions with the executive committee, the new information technology jobs will not be filled until the chief information officer is hired, then specific recommendations will be brought to the Council.

Mr. Willis announced he awarded a presidential grant of \$2,500 for the translation of consumer safety education materials into Spanish.

NPGA/GPA Comments

Mr. Gawronski invited comments from NPGA and GPA representatives present. There were none.

Industry/Public Comments

Mr. Gawronski invited public comments from the audience. There were none.

Consumer Education Mid-Year Assessment

Jean Statler, Harris Interactive (Reston, VA) discussed the overall energy environment, directing the Council's attention to a Harris report on energy published in May. Ms. Statler said the difficult energy environment began in summer 2004, with significant drops in public opinion towards energy starting last fall. Oil and natural gas favorability was 71 in 1998 and has gone down to the 40s.

Ms. Statler summarized the research method for the PERC campaign, saying 802 homeowners and prospective homeowners who are residents of C and D counties, between 25-54 years old, and have access to cable or satellite television were asked the core set of questions.

Bill Dalbec, Harris Interactive (Reston, VA), said while awareness measures have increased, it has not translated into improved favorability and agreement with the strategic message elements. Non-users moving to "don't know" had a significant impact on the strategic message elements measures. Also, the impact of the current energy

environment is evident in many of the questions asked. However, the campaign does drive people to usepropane.com and visitors are using the find a propane retailer tool.

Mr. Dalbec said recall of propane news and advertising was at 32 percent in November 2005 and is now at 28 percent. Unaided advertising awareness was 29 percent in November and was 23 percent in May. Total advertising awareness was 73 percent in November and was 78 percent in May. Recall of the PROPANE Exceptional Energy theme line was 14 percent in November and is now at 17 percent. Favorability ratings for electricity increased from 70 to 74, while natural gas went from 63 to 61, propane went from 55 to 56, and home heating oil went from 37 to 35.

Mr. Dalbec summarized the strategic message elements for propane. "Efficient" is holding at 76, "reliable" went from 81 to 78, "good value" went from 51 to 50, "trust" went from 71 to 69, and "safe" went from 70 to 65.

The interest in obtaining information metric is measured using the number of visits to www.usepropane.com and the number of searches on the Find a Propane Retailer (FPR) tool. The 2006 goal is to have 323,000 unique visitors to usepropane.com, and through June, the site received 231,083 visitors. The 2006 FPR goal is 167,500 searches, and through June there were 91,401 searches.

Mr. Dalbec recommended redefining the current insecurity that is coloring the energy environment as an opportunity to position propane as something you can count on (reliable), an energy source you can trust. In this changing environment, the tone of the communications needs to be more compassionate, reassuring, and authoritative, almost "We're in this together." The good value message needs to permeate all campaign communications across all mediums. There is a need to evaluate how propane fits in the energy environment and to assess the decision making and sales processes.

Mr. Dalbec discussed the findings of a survey to understand FPR users. The intercept survey, held from May 2005 until June 2006, collected more than 1100 responses. Sixty-six percent of respondents requested contact through FPR. Twenty-one percent said they did not, but of that group, 71 percent said they were going to contact a retailer themselves. Of people planning to start service, 49 percent say within the next month, and 39 percent say within six months. When considering adding propane to the house, 84 percent say cost is the most important factor. Mr. Dalbec said FPR is effective in that 81 percent of people accessing the site expect to be contacted by a retailer. Use of internet as a marketing tool is optimal in getting qualified leads into hands of marketers. Follow-up research will help understand search engines.

Mr. Dalbec said the Partnership With States program survey showed that people who live in markets that are exposed to partnership advertising have a more favorable attitude and higher trust of propane.

Consumer Education Advisory Committee Chairman Daryl McClendon, Ferrellgas (Hinsdale, IL) said the mid-year evaluation helps focus advertising. The ads will focus on propane's reliability and be more compassionate, reassuring, and authoritative.

2007 Budget

Treasurer Michael Schwartje said the proposed 2007 budget is more conservative. Mr. Willis said all mission managers were asked to look at their budgets and identify a 5

percent savings in their activities, and all reported the 5 percent reduction could be accomplished without sacrificing strategic programs.

Mr. Harris presented a summary of the 2006 comparison of forecast to budget, saying a \$4.2 million surplus would remain at the end of the year. The proposed 2007 budget would begin with the \$4.2 million in surplus, \$44.5 million in assessments, and \$600,000 in investment income. Expenditures include \$1.2 million in program salaries/taxes/benefits, \$8.9 million in rebates, \$3.5 million in operating expenses, \$600,000 in information technology projects, \$1.8 million for the partnership initiative, \$1.8 million in agriculture, \$21.6 million in consumer education, \$600,000 in industry programs, \$2.9 million in research and development, \$2.7 in engine fuel, and \$3.2 million in safety and training. The 2007 year is expected to end with a \$1.9 million surplus.

PERC Senior Vice President Kate Caskin presented the Consumer Education Advisory Committee budget, saying the recommendation is to continue the work started in 2006 within the new five-year strategy. The proposed 2007 CEAC budget includes \$17,570,000 for residential homeowner advertising and outreach, \$2,335,000 for residential trades, \$50,000 for rural hospitality, \$945,000 to multi-audience and industry, and \$720,000 for research. Ms. Caskin said \$40,000 from CEAC's multi-audience budget will be moved to the NPGA/GPA partnership initiative to support crisis communications.

PERC Vice President, Safety & Training presented the Safety & Training Advisory Committee budget, saying the focus for 2007 is on workplace training. The proposed 2007 is divided as follows: 63 percent goes to CETP, 3 percent to STAC oversight, 9 percent to information technology, 3 percent to regulatory compliance, 6 percent to Propane Emergencies, and 16 percent to consumer safety education. STAC member Walter Cressman, Cress Gas (Richlandtown, PA), said the committee's proposed budget will need another \$103,000 to complete projects.

PERC Director of Agriculture Programs Mark Leitman presented the proposed 2007 Agriculture Advisory Committee budget, which is divided as follows: 15 percent to communications, 20 percent to thermal agriculture, 15 percent to crop/food conditioning, 10 percent to power, 15 percent to nutrient management, 5 percent to strategic partnerships, 15 percent to validation and demonstration, and 5 percent to data collection and benchmarking. Mr. Leitman said no agriculture funds would be transferred to the partnership plan.

PERC Managing Director of Engine Fuel Programs Brian Feehan presented the proposed 2007 Engine Fuel Advisory Committee budget, which is divided as follows: 37 percent on consumer education, 10 percent on agriculture, 12 percent on safety and training, and 41 percent of research and development. Mr. Feehan said no engine fuel funds would be transferred to the partnership plan.

PERC Director of Research and Development Greg Kerr presented the proposed 2007 Research and Development Advisory Committee budget, which is divided as follows: 4 percent on technology communication, 3 percent to information technology, 24 percent in distributed generation, 29 percent in residential and commercial technology, 31 percent to other initiatives, and 9 percent to RDAC operations and oversight. Mr. Kerr

said \$100,000 of RDAC funds would be moved to the partnership plan for the Global Technology Conference.

PERC Director of Industry Programs Martha Evans presented the proposed 2007 industry programs budget, which is divided as follows: 11 percent for outreach to states, 45 percent to Market Metrics Initiative, 5 percent to the Milford Therrell Award, and 39 percent to the API survey. Ms. Evans said \$300,000 for industry trade shows and \$625,000 for the Capital Action Program will be moved from industry programs to the partnership plan.

Mr. Harris summarized the capital expenditures in the 2007 budget, which includes \$49,500 for increased staffing, \$138,200 for information technology operations, and \$800,000 in future information technology capital.

Mr. Willis requested authorization to enter into a contract with NPGA on the parameters of the partnership plan and implement it on a pro rata basis. A motion to authorize the action was moved, seconded, and approved, with Mr. Alexander and Mr. Di Cosimo voting in opposition.

A motion was moved, seconded, and approved to distribute the draft 2007 budget for public comment. Mr. Alexander voted in opposition.

Consumer Education Advisory Committee

PERC Communications Manager Tracy Burleson reviewed the results of the builder market research and follow-up information from Avant Marketing. According to the research, more safety concerns are related to above-ground tanks than underground tanks. Also, 36 percent of the builders nationwide had been contacted by propane marketers, with 41 percent of builders in California being contacted.

Ms. Burleson introduced **Docket 12044**. The funding request included authorization for a request for proposals to be issued to identify a vendor to develop a builder website. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12044
Applicant:	Propane Education & Research Council
Short Title:	2006 Homebuilder Advertising and Outreach
Amount Requested:	\$357,000
Action:	Approved

Ms. Burleson introduced Docket 12045. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12045
Applicant:	Propane Education & Research Council
Short Title:	2007 International Builders' Show
Amount Requested:	\$130,000
Action:	Approved

Safety & Training Advisory Committee

Vice President, Safety and Training Stuart Flatow introduced Docket 12051. The original request was for \$9,500, but Mr. Auxier said the committee wanted to earmark an additional \$10,000 in the event the cabinet heater issue moved forward before the

Council met in October. The funding request also included authorization to issue a request for proposals for an expanded communication plan. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12051
Applicant: Propane Education & Research Council
Short Title: Cabinet Heater Communications Plan, Phase 1
Amount Requested: \$19,500
Action: Approved

Mr. Flatow introduced Docket 12052. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12052
Applicant: Propane Education & Research Council
Short Title: Composite Cylinder/Fire Service Education Program
Amount Requested: \$14,500
Action: Approved

Mr. Flatow introduced a change order to **Docket 11509**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 11509
Applicant: Propane Education & Research Council
Short Title: CETP E-Learning Initiative
Original Amount \$5,294,300
Approved:
Additional Amount \$465,000
Approved:

Mr. Flatow introduced **Docket 12062**. He said the content management system would align content across all safety and training programs. Following the assessment, a request for proposals (RFP) would be issued to develop the content management system. Mr. Flatow said the RFP would not be issued until the new chief information officer was hired. Upon a motion duly made and seconded, the funding request was approved (as follows), with Mr. Auxier voting in opposition.

Docket: 12062
Applicant: Propane Education & Research Council
Short Title: Content Management System Needs Assessment
Amount Requested: \$10,000
Action: Approved

Agriculture Advisory Committee

Director of Agriculture Programs Mark Leitman introduced Docket 12046. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12046
Applicant: New West Technologies
Short Title: Mid-Atlantic Propane Assisted Biodigester Project

Amount Requested: \$70,000
Action: Approved

Mr. Leitman introduced **Docket 12048**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12048
Applicant: Kissler Machine and Fabrication Inc.
Short Title: Electronic Ignition System for Propane Orchard Heaters
Amount Requested: \$178,400
Action: Approved

Mr. Leitman introduced **Docket 12049**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12049
Applicant: Nebraska Propane Education & Research Council
Short Title: Economic Analysis and Demonstration of Propane Irrigation Engines
Amount Requested: \$54,514
Action: Approved

Research and Development Advisory Committee

PERC Director of Research and Development Greg Kerr provided an overview of recent committee activities, including preparations for the August 30-31 RDAC meeting in Asheville, NC and preparations for the October 17-20 World LP Gas Forum in Chicago. Mr. Kerr also discussed details of the Global Technology Conference, which will be held in conjunction with the World LP Gas Forum.

Engine Fuel Advisory Committee

Managing Director, Engine Fuel Programs Brian Feehan introduced the Council to two new consultants working with EFAC, including Skip Miller of Clean Air Vehicles and Greg Zilberfarb of ASG Renaissance. Mr. Feehan updated the Council on a number of projects, including the Roush F-150. Mr. Feehan said Roush is testing the propane engine, and by October, the concept vehicle will have the propane engine installed.

Old Business

There was no old business.

New Business

PERC Meetings Manager Anna Gaboton directed the Council's attention to a calendar of proposed 2007 meeting dates, including a February 15 conference call as well as face to-face meetings on April 13 in Atlanta, on July 19-20 at a location to be determined, on October 4-5 at a location to be determined, and December 6-7 in Houston. Ms. Gaboton said she would send location options for the July and October meetings to the councilors.

Mr. Willis said he was discussing with NPGA and other companies about the need for infrastructure economic research and an economic analysis on propane transportation costs on markets and consumers. Mr. Willis said he would likely bring a proposal for the research to the executive committee before the October meeting.

Following the announcement of the next meeting, scheduled for October 5-6 in Jackson Hole, WY, to be preceded on October 4 by a planning session, the Council adjourned at 3:40 p.m.