

**Propane Education & Research Council
July 19-20, 2007
Washington, DC**

MINUTES

Proceedings for July 19, 2007

Chairman Glenn Saunders called the meeting to order. Mr. Saunders welcomed Council members in attendance: Mark Alexander, Joe Armentano, Doug Auxier, Lynn Bourdon, Rosie Dzanski, George Koloroutis, David Lugar, Bill McAdam, Sam McTier, R.C. Mills, Bill Platz, David Regan, Charles Revere, Glenn Saunders, Ray Scholes, Mike Schwartje, Bruce Toellner, Jay Weinheimer, Steve Williams, and David Wunch. Mr. Saunders welcomed new councilors Joe Armentano, Lynn Bourdon, and David Regan.

President and CEO Roy Willis reported on the election results for PERC's 2007-2008 officers.

Chairman: Glenn Saunders, White Mountain Oil & Propane Inc. (North Conway, NH)
Vice Chairman Marketers: Charles Revere, Revere Gas & Appliance (Hartfield, VA)
Vice Chairman Producers: Bill McAdam, Aux Sable Liquid Products (Morris, IL)
Treasurer: Bill Platz, Delta Liquid Energy (Paso Robles, CA)
Secretary: David Wunch, SemStream, L.P. (Tulsa, OK)

Approval of Minutes

Mr. Saunders directed the councilors' attention to the April 2007 minutes. A motion to adopt the minutes was made, seconded, and approved.

Chairman's Report

Mr. Saunders reviewed advisory committee appointment procedures and referred councilors to the 2007-2008 advisory committee appointments in the Council meeting notebook.

The approved committee members are as follows:

To the Agriculture Advisory Committee: Chairman Robert Jacobs, Delta Liquid Energy (Paso Robles, CA); Denise Beach, National Propane Gas Association (Washington, DC); Dan Beauvais, Agland, Inc. (Lucerne, CO); Bryan Bradshaw, Heritage Propane (Avon, IN); Terry Davis, Country Propane (Milo, IA); Tod Griffin, Kentucky PGA (Frankfort, KY); Roger Gruwell, AmeriGas (Cedar Rapids, IA); Steve Jaeger, Railroad Commission of Texas (Austin, TX); Michelle Swertzic, Nebraska Propane Gas Association (Lincoln, NE); Kevin Williams, CHS Inc. (Inver Grove Heights, MN); Claude Zehnder, Bleyhl Farm Service Inc. (Grandview, WA).

To the Consumer Education Advisory Committee: Chairman Daryl McClendon, Ferrellgas (Hinsdale, IL); Steve Ahrens, Missouri Propane Gas Association (Jefferson City, MO); Andy Arendt, CHS Inc. (Inver Grove Heights, MN); Marty Baker, Cornerstone Propane (Owensboro, KY); Timothy Boulden, Boulden Propane (Newark, DE); Donnie Bullock, Williams Energy Group (Fayetteville, NC), Chris Cafarella, United Propane (Millersville, MD); Len Caric, McKnight Cylinder Corporation (Ruffs Dale, PA); Randy Chitty, Heritage Propane (Jacksonville, FL); Billy Cox, O'Nealgas, Inc. (Choudrant, LA);

Dave Donahue, Donahue Gas (Anderson, IN); Randall Doyle, Randall Doyle Consulting (Houston, TX); Darren Engle, Blue Star Gas (Central Point, OR); Mike Gioffre, Paraco Gas Corp. (Rye Brook, NY); Brian Grimm, Ferrellgas (Overland Park, KS); Jim Hitzemann, Ray Murray Inc. (Huntersville, NC); John Ketchum, Gas Equipment Company, Inc. (Earth City, MO); Frank Mapel, Pacer Propane (San Marino, CA); Shane McWhorter, Sequoia Gas Co. (Arcata, CA); Gerry Misel, Georgia Gas Distributors, Inc. (Atlanta, GA); Tom Nunan, Suburban Propane (Oceanside, CA); Jason Perry, DESA International (Bowling Green, KY); David Regan, Targa Resources, Inc. (Houston, TX); Ted C. Reilly, American Welding & Tank (Mechanicsburg, PA); John Simcox, Inergy (Mechanicsburg, PA); Rick Simpson, Manchester Tank (Franklin, TN); Scott Vreeman, Siouxland Propane Company (Ireton, IA); Paula Wilson, AmeriGas (King of Prussia, PA).

To the Engine Fuel Advisory Committee: Chairman Tucker Perkins, Inergy Propane (Ashland, VA); Mike Alexander, Worthington Cylinders (Columbus, OH); Heather Ball, Railroad Commission of Texas (Austin, TX); Mike Caldarera, National Propane Gas Association (Washington, DC); H.F. Rip Cannon, AmeriGas (Ambler, PA); Dave Glaser, Glaser Gas (Colorado Springs, CO); Jessie Johnson, Blossman Gas Inc. (Asheville, NC); Brian Kline, Ferrellgas (Vancouver, WA); Glenn Luce, Aux Sable Liquid Products (Morris, IL); Steve Moore, Expo Propane (Long Beach, CA); Robin Parsons, Clean Fueling Technologies (Georgetown, TX); Bob Myers (Boulder, CO); Wayne Register, Georgia Gas Distributors (Atlanta, GA); Joe Schnichels, CHS Inc. (St. Paul, MN); Mike Steward, Rutherford Equipment Co. (Apopka, FL); Tim Wood, Northwest Propane (Dallas, TX); T.D. Stikeleather, Heritage Propane (University Park, FL).

To the Research and Development Advisory Committee: Chairman Stuart Weidie, Blossman Gas Inc. (Asheville, NC); Robert Blackwell, Independent Propane Co. (Pine, CO); Ron Brunner, Gas Processors Association (Tulsa, OK); Tony Dale, Ferrellgas (Austin, TX); Donald Fernald, Superior Energy Systems (Columbia Station, OH); John Kamps, Kamps Propane (Manteca, CA); Dan Kelly, Texas Railroad Commission (Austin, TX); Michael Kelly, World LP Gas Association (Paris, France); Randy Kuzawa, BP (Houston, TX); Terry LeClair, SemStream, LP (Tulsa, OK); Michael G. Merrill, Suburban Propane (Whippany, NJ); Carey Monaghan, AmeriGas Propane Inc. (King of Prussia, PA); Bob Myers (Boulder, CO); Robert Nicholson, Eastern Propane Corp. (Oak Ridge, NJ); Kirk Saunders, White Mountain Oil & Propane Inc. (North Conway, NH); Bill Stewart, Blue Star Gas Co. (Garberville, CA); Bruce Swiecicki, National Propane Gas Association (Frankfort, IL); Don Tomiello, Targa Midstream Services, LP (Houston, TX); Mike Welch, Cass County Butane Co. Inc. (Linden, TX); Burl Williamson, Williamson LP Gas (Clinton, NC).

To the Safety & Training Advisory Committee: Chairman Mike Walters, Amerigas (Westlake, OH); Phil Applegate, Targa Resources, Inc (Houston, TX); Gary Bourne, CHS Inc (Grove Heights, MN); Mike Caldarera, National Propane Gas Association (Washington, DC); Philip Conty, AmeriGas (Ruffsedale, PA); Walter Cressman, Cress Gas Co. (Richlandtown, PA); Bill Glass, Oklahoma LP Gas Administration (Oklahoma City, OK); Keith Hanchett, PERS (Ogden, UT); John Kamps, Kamps Propane (Manteca, CA); Mike Konanz, Kamps Propane (Manteca, CA); Eric Kuster, Fairmont Specialty Group (Worton, MD); Roger Leider, Minnesota PGA (Princeton, MN); Paul Lindsey, Alliance Energy LLC (Lebanon, MO); Jerry Lucas, Heritage Propane Partners (Sallisaw, OK); Bruce Montroy, Bergquist, Inc. (Durand, MI); Ken Mueller, Nationwide Agribusiness (Chatham, IL); Thomas Petru, Railroad Commission of Texas (Austin, TX); Carlton Revere, Revere Gas & Appliance (Hartfield, VA); Lyndon Rickards, Eastern Propane

Gas, Inc. (Rochester, NH); Russ Rupp, Suburban Propane Partners LP (Whippany, NJ); Jeff Shaffer, Shaffer's Bottled Gas Corp (Hooversville, PA); Matt Stevens, Inergy (Essex Junction, VT); Randy Warner, Ferrellgas (Liberty, MO).

Mr. Saunders reported that the Executive Committee has not met since the last meeting, and will meet tomorrow.

Mr. Saunders requested authorization to amend the Council bylaw pertaining to membership of the Audit Committee that (1) at least one member shall be from the Executive Committee, (2) at least half of the members shall not be from the Executive Committee, and (3) the chairman is to be selected based on qualifications, with a non-Executive Committee member preferred. A motion to adopt the amended bylaw was made, seconded, and approved. Mr. Saunders announced that George Koloroutis has agreed to serve as the Audit Committee chairman. Councilors Bill Platz, Steve Williams, Lynn Bourdon, and Jay Weinheimer volunteered to serve on the committee.

Mr. Saunders said PERC's bylaws were written a decade ago and he recommended forming a Rules Task Force to see which bylaws could be improved. Councilors Bruce Toellner, David Lugar, Steve Williams, Doug Auxier, and Lynn Bourdon volunteered to serve on the task force. Mr. Saunders also proposed forming a Market Development Task Force to look at all market opportunities in the engine fuel, agriculture, residential, and research and development mission areas. The task force would offer strategic guidance in determining how much time and resources should be expended in each of these areas.

Strategic Plan Task Force. Mike Schwartje gave councilors an update on Strategic Plan Task Force activities. He said after the Advanced Strategy Lab in October, the task force formed a group of industry leaders, who have met to discuss the roles and goals of PERC, the National Propane Gas Association (NPGA), the Gas Processors Association (GPA), and state associations. He said during the last meeting that the industry group showed support for commercialization efforts and also expressed concerns about infrastructure. Mr. Schwartje directed councilors' attention to a draft document outlining industry roles and goals that was generated by the industry group. The task force will incorporate the outcome of these meetings into a PERC Strategy Draft. The task force will work with the Budget and Finance Committee and will present recommendations at the October Council meeting. The task force will incorporate the Council's feedback in October and will then send the strategic document out for industry comment.

Assessment Collections Task Force. Assessment Task Force Chairman Bill McAdam said the task force has concluded that sound management oversight is in place for PERC's assessment collections' process. PERC's collection efforts have been supported by a communication campaign as well as the development of system improvements resulting in nearly \$900,000 in added collections to date. The task force also found that collecting assessments on Canadian imports was not as significant a problem as was thought. The task force agrees that it is nearing the completion of its purpose and expects that a final report will be given to the Council in October. The report will include the task force's recommendation that governance over this important function be given to the Budget and Finance Committee.

Audit Committee. Audit Committee Chairman George Koloroutis said the committee is meeting today. It will receive two presentations by the outside auditor finalists from the

RFP process to select a firm to perform PERC's audits for the years 2007-2009. The committee will inform the Council of its decision.

Vice-Chairman's Report – Marketers

Vice Chairman Charles Revere did not have a report.

Vice-Chairman's Report – Producers

Vice Chairman Bill McAdam did not have a report.

Treasurer's Report

Treasurer Bill Platz presented the financial results as of May 31, 2007. The presentation included: the 2007 assessment budget compared to actual assessments, comparison of income to budget, and operating expenses. PERC has exceeded its financial budget performance and expects to end the fiscal year with over \$5 million in surplus. Chief Financial Officer and Vice President of Administration Jim Harris gave councilors an update on PERC's investments, which are overall performing well.

Grants Management

Chief Financial Officer and Vice President of Administration Jim Harris announced 21 dockets were proposed to be closed out, with the money returning to the general treasury.

Docket: 11575 Grant (Consumer Education) - \$305,000
Grantee: Propane Education & Research Council
Project: 2005 Manufactured Housing Initiative
Action: This action de-obligates the remaining balance of \$20,975 and returns these funds to the general treasury.

Docket: 11579 Grant (Consumer Education) - \$225,000
Grantee: Propane Education & Research Council
Project: 2005 Find a Propane Retailer and Fulfillment
Action: This action de-obligates the remaining balance of \$19,726 and returns these funds to the general treasury.

Docket: 11877 Grant (Consumer Education) - \$160,450
Grantee: Propane Education & Research Council
Project: 2006 Home Builder Market Research
Action: This action de-obligates the remaining balance of \$9,396 and returns these funds to the general treasury.

Docket: 11881 Grant (Consumer Education) - \$300,000
Grantee: Propane Education & Research Council
Project: 2006 Consumer Education Measurement and Evaluation Program
Action: This action de-obligates the remaining balance of \$24,849 and returns these funds to the general treasury.

Docket: 11882 Grant (Consumer Education) - \$94,355
Grantee: Propane Education & Research Council
Project: 2006 Media Monitoring and Reporting
Action: This action de-obligates the remaining balance of \$758 and

returns these funds to the general treasury.

Docket: **12045 Grant (Consumer Education) - \$130,000**
Grantee: Propane Education & Research Council
Project: 2006/2007 IBS Program
Action: This action de-obligates the remaining balance of \$55 and returns these funds to the general treasury.

Docket: **11887 Grant (Industry Programs) - \$61,750**
Grantee: Propane Education & Research Council
Project: 2006 Outreach to the States Strategy
Action: This action de-obligates the remaining balance of \$21,475 and returns these funds to the general treasury.

Docket: **11888 Grant (Industry Programs) - \$272,650**
Grantee: Propane Education & Research Council
Project: 2006 Industry Trade Shows and Conventions
Action: This action de-obligates the remaining balance of \$52,904 and returns these funds to the general treasury.

Docket: **11972 Grant (Engine Fuel) - \$330,000**
Grantee: Propane Education & Research Council
Project: 2006 Engine Fuel Marketing Program
Action: This action de-obligates the remaining balance of \$416 and returns these funds to the general treasury.

Docket: **11326 Grant (Safety & Training) - \$109,640**
Grantee: Propane Education & Research Council
Project: Dispensing Propane Safely
Action: This action de-obligates the remaining balance of \$517 and returns these funds to the general treasury.

Docket: **11451 Grant (Safety & Training) - \$25,000**
Grantee: Propane Education & Research Council
Project: Initial Strategic Support for Consumer Safety Communications Subcommittee
Action: This action de-obligates the remaining balance of \$11,413 and returns these funds to the general treasury.

Docket: **11689 Grant (Safety & Training) - \$138,660**
Grantee: Propane Education & Research Council
Project: Operations & Maintenance Manual
Action: This action de-obligates the remaining balance of \$20,227 and returns these funds to the general treasury.

Docket: **11987 Grant (Safety & Training) - \$15,000**
Grantee: Propane Education & Research Council
Project: Grants Management System - Support and Modifications
Action: This action de-obligates the remaining balance of \$15,000 and returns these funds to the general treasury.

Docket: 11870 Grant (Safety & Training) - \$50,000
Grantee: Propane Education & Research Council
Project: S&T Online Resource - 2006 Hosting and Support
Action: This action de-obligates the remaining balance of \$6,924 and returns these funds to the general treasury.

Docket: 11873 Grant (Safety & Training) - \$57,500
Grantee: Propane Education & Research Council
Project: 2006 Marketer Compliance Newsletter and Regulatory Updates
Action: This action de-obligates the remaining balance of \$20,941 and returns these funds to the general treasury.

Docket: 12050 Grant (Safety & Training) - \$2,500
Grantee: Propane Education & Research Council
Project: Consumer Safety Education Materials, Spanish Translation
Action: This action de-obligates the remaining balance of \$1,070 and returns these funds to the general treasury.

Docket: 11116 Grant (Agriculture) - \$305,201
Grantee: Oregon State University
Project: Environmentally Safe Orchard Heating for Frost and Freeze Protection
Action: This action de-obligates the remaining balance of \$10,910 and returns these funds to the general treasury.

Docket: 11831 Grant (Agriculture) - \$261,000
Grantee: Osborn & Barr Communications
Project: 2006 Ag Trade Show Communications Plan
Action: This action de-obligates the remaining balance of \$26 and returns these funds to the general treasury.

Docket: 11872 Grant (Agriculture) - \$99,000
Grantee: Propane Education & Research Council
Project: Agriculture Project Development, Oversight, and Advisory Committee Support
Action: This action de-obligates the remaining balance of \$4,488 and returns these funds to the general treasury.

Docket: 11885 Grant (Agriculture) - \$410,000
Grantee: Osborn & Barr Communications
Project: 2006 Agriculture Communications Plan
Action: This action de-obligates the remaining balance of \$55 and returns these funds to the general treasury.

Docket: 12139 Grant (Agriculture) - \$30,000
Grantee: Osborn & Barr Communications
Project: RFD-TV Broadcast focusing on Global Technology Conference
Action: This action de-obligates the remaining balance of \$66 and returns these funds to the general treasury.

Approval of the Grants Management Reconciliation Report was moved, seconded, and approved.

President's Report

President and CEO Roy Willis reported that PERC has been assessing its office space alternatives in preparation for its expiring sublease at the end of this year and its expiring prime lease at the end of February 2008. He said the D.C. market is one of the most expensive in the country, and staff has done due diligence in exploring various options. The decision is to keep the office at the current location and expand into neighboring office space.

Mr. Willis talked about the importance of the annual American Petroleum Institute (API) report, which determines how state rebates are allocated. He said it's critical to increase industry participation in the API Survey, and PERC will propose new analysis to get better information on gallons consumed by state. PERC would like to take extra steps and not solely rely on the API Survey for rebate allocation.

Mr. Willis reported that he authorized a presidential grant to the Railroad Commission of Texas to develop a prototype propane-fueled Class 2 lawnmower that will meet 2011 emissions standards.

Mr. Willis gave councilors an update on the Capital Action Plan (CAP), which included a series of advertisements geared toward decision makers in government agencies and on Capitol Hill. He said CAP activities constitute a large part of the NPGA/PERC partnership, and the groups have collaborated on projects such as the "Today's Propane" brochure and the monthly PropanE-News newsletter. Mr. Willis encouraged councilors to participate in Propane Days events, the industry's annual rally on Capitol Hill.

Mr. Willis explained the Roadmap to a Billion Gallons that PERC is creating to map out a strategy to increase propane use in the engine fuel market. He said PERC's role should be to make sure good technology and marketing are in place to increase propane demand. Mr. Willis explained the investment that is needed in marketing as well as research and development over the next several years to displace a billion gallons of gasoline by 2017. This billion gallon strategy will be presented to the newly created Market Development Task Force, which is expected to evaluate it and other technologies and products coming out of the three technology committees, as well as marketing plans for the housing market, and recommend funding levels needed to support these market development opportunities.

Partnership Report

Mr. Willis gave councilors an update on the Partnership Agreement, and said that the leadership at PERC, NPGA, and GPA have been working well together. This year's Propane Days was the best attended since the event began, and the timing was good as two major pieces of energy and the environment legislation were being debated that week. Propane Days also gave the industry a forum to discuss how new Department of Homeland Security (DHS) Chemical Security Regulations could affect propane customers.

Counsel's Report

Mr. Saunders called on Ed Newberry, Patton Boggs (Washington, DC) for the counsel's report. Mr. Newberry presented an overview of the councilors' responsibilities and risks. Mr. Newberry encouraged the Council to avoid any conflicts of interest and exercise due diligence in making financial decisions.

Councilors were asked to review and sign the Code of Conduct form distributed to them.

2008 Budget

Mr. Harris provided an overview on the development of the 2008 budget. The proposed 2008 budget starts with \$5.2 million in surplus, and adds: \$46.4 million in assessments, \$750,000 in investment income, and \$800,000 in anticipated de-obligations. Expenditures include \$9.3 million in rebates, \$5.3 million in operating expenses, \$2.7 million in program labor, \$500,000 in operating expenses for mission-related information technology support, \$1.6 million for partnerships, \$21.6 million in consumer education, \$3.3 million in safety and training, \$3.9 million in research and development, \$2.7 in engine fuel, \$1.9 million in agriculture, and \$1.3 million in industry programs. The ending budgeted surplus is \$1.6 million for 2008.

Mr. Willis said 2008 partnership activities will be based on current year's activities, and partnership agreement funding will remain at \$1.57 million. He said he will meet with NPGA's President and CEO Rick Roldan to review the progress and may bring changes to Council for the 2008 partnership funding request.

PERC CIO Kay Howell presented the Information Technology budget, saying that the 2008 budget reflects PERC's five major IT projects. She said new technology will be in place that is more stable and will save substantially in licensing and maintenance costs. The IT proposed capital project budget is \$660,000.

PERC Senior Vice President Kate Caskin presented the Consumer Education Advisory Committee (CEAC) budget, saying they are increasing the national campaign's focus on outreach to homebuilders. The proposed 2008 CEAC budget includes \$16,150,000 for residential advertising and outreach, \$3,805,000 for residential trades, \$50,000 for rural hospitality, \$970,000 to multi-audience and industry, and \$645,000 for research.

PERC Vice President, Safety & Training Stuart Flatow presented the Safety & Training Advisory Committee (STAC) budget, saying the focus for 2008 will continue to be on workplace training. The proposed 2007 is divided as follows: \$2,430,000 for CETP, \$89,000 for STAC oversight, \$50,000 for information technology, \$215,000 for Propane Emergencies, and \$510,000 for consumer safety education.

PERC Director of Research and Development Greg Kerr presented the proposed 2008 Research and Development Advisory Committee (RDAC) budget, which is divided as follows: \$120,000 for technology communication, \$75,000 for information technology, \$1,050,000 for distributed generation, \$1,600,000 for residential and commercial technology, \$550,000 for retail operations, \$285,500 for other initiatives, and \$250,000 for RDAC operations and oversight. Mr. Kerr said RDAC's goal is to expand market applications to increase off-season load, efficiency, reliability, and improve safety. The proposed \$3.9 million budget is a 30 percent increase from 2007.

PERC Managing Director of Engine Fuel Programs Brian Feehan presented the proposed 2008 Engine Fuel Advisory Committee budget, which is divided as follows: \$700,000 for consumer education, \$285,000 for agriculture, \$200,000 for safety and training, and \$1,546,000 for research and development. Mr. Feehan said there is an increased investment for research and development into on- and off-road engine fuel opportunities.

PERC Director of Agriculture Programs Mark Leitman presented the proposed 2008 Agriculture Advisory Committee budget, which is divided as follows: \$480,000 for communications, \$1,869,000 for research and development, \$160,000 for strategic partnerships, \$480,000 for validation and demonstration, and \$192,000 for data collection and benchmarking.

PERC Director of Industry Programs Martha Evans presented the proposed 2008 Industry Programs budget, which is divided as follows: \$62,000 for outreach to states, \$600,000 for the Market Metrics Initiative, \$25,000 for the Milford Therrell Award, \$215,000 for the API survey, \$201,000 for trade shows, and \$200,000 toward a contingency fund. Ms. Evans said this includes money for PERC staff to attend state meetings and other industry events. In addition, Industry Programs will be managing \$9.3 million in new state rebate funding in 2008.

In closing, Mr. Harris summarized the 2008 capital budget of \$928,000.

A motion was moved, seconded, and approved to distribute the draft 2008 budget for public comment.

Consumer Education

Consumer Education Advisory Committee (CEAC) Chairman Daryl McClendon gave an overview of the CEAC report to the Council. Senior Vice President Kate Caskin gave an overview of the consumer education campaign for 2006-2011, which has an increased focus on the builder market. She said the fall campaign includes national advertising with the Energy Guys, earned media efforts, and product placement with partners such as HGTVpro.com and the DIY network. Ms. Caskin showed councilors a short clip from the DIY show "Move It Outside," which will feature propane in a five-part series this fall.

Director, Residential Trade Outreach and Partnerships Tracy Burleson gave councilors an update on industry outreach to the builder market. She explained how the industry has increased its efforts in reaching out to developers, architects, builders, and installers. To reach developers, the propane industry began this year participating in conferences for land development and green building professionals. For architects, an online course was created through the American Institute of Architects Continuing Education System (AIA/CES) to promote understanding of the energy and environmental benefits of specifying propane into building projects. Ms. Burleson said they plan to reach out to plumbing and cooling professionals through a course as well. She said they are reaching builders through print and online advertising, at tradeshow, and through their partnership with the National Association of Home Builders (NAHB). She described outreach to builders at the NAHB 2007 International Builders' Show. Ms. Burleson said this fall PERC will also work with state associations on a pilot program at two NASCAR events.

Ms. Burluson introduced **Docket 12332** to support participation at the 2008 International Builders' Show. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12332
Applicant:	Propane Education & Research Council
Short Title:	2008 International Builders' Show
Amount Requested:	\$150,000
Action:	Approved

Mike Sloan of Energy and Environmental Analysis, Inc., an ICF International Company (EEA/ICF) (Arlington, VA), gave a report on the residential propane market. He said propane is being viewed as a premium fuel as a result of its increased use in more expensive homes. He said the propane share in new construction has been very healthy relative to other fuels, and the slow down in new residential construction has not yet had a significant impact on the propane market, but it is expected to. Overall, residential housing starts are down by more than 30 percent from 2005 peak levels, which is the lowest since 1998. Mr. Sloan said propane housing starts peaked in 2004-2005, and declined by 14 percent in 2006, primarily due to the slowdown in the housing market. Propane customer growth can be expected to slow down in 2007-2010, as the slow down in the housing market reduces the number of propane opportunities. He said a big part of the problem is the current high propane prices relative to electricity prices. Mr. Sloan said high propane prices are likely to continue to inhibit growth in propane markets, creating a challenging market.

Jean Statler and Scott Hawkins of Harris Interactive (Reston, VA) presented the results of the Mid-Year Consumer Education Campaign Review. Ms. Statler described the energy environment by saying oil and gas industries are flat despite record prices, the public is numb to higher gasoline prices, and the Democratic Congress is going after the oil industry in terms of taxes, royalties, etc.

Ms. Statler summarized the research method for the advertising tracking study conducted in May, saying a core set of questions was asked of 804 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. She said advertising and brand awareness are on the rise, as "Exceptional Energy" theme line recall and total advertising recall is at an all-time high. However, she said most metrics related to preference and behavior change remain flat. Ratings for favorability and strategic message elements of propane did not rise with awareness, which Ms. Statler said is unusual. Favorability and strategic message element ratings were not higher among those who reported seeing at least one of the four ads that ran during the last flight. She said favorability toward electricity is now higher than propane among propane users after three years of propane dominating.

Mr. Hawkins explained the campaign's goals to the Council. Awareness and recall of the "Exceptional Energy" theme line increased, however, propane's "favorability" declined. For strategic message elements, the gap between the perception of "Efficient" and "Reliable" widened in favor of electricity. The campaign met its goal for the "Good Value" message, there was no change in the message of "Trust," and there was an increased perception that propane is "Safe." Mr. Hawkins reported that unique visitors to

UsePropane.com and the Find a Propane Retailer are down from last year, in part because the Energy Savings Calculator was removed from the website.

Ms. Statler said PERC should consider a change in course, leveraging the gains already made through the national residential consumer campaign. PERC should take advantage of the fact that propane is becoming a premium fuel and sell it on good value rather than on price. She said it is important to evolve the campaign to better target builders and people who are in the process of making an energy decision.

One councilor said awareness of propane is up but the industry is not selling more propane. He said the industry needs to commercialize new uses for propane and leverage the great work that CEAC has done to increase awareness. Mr. McClendon said the new Market Development Task Force will look into this. Ms. Statler said the propane industry has the data to make an informed decision moving forward. One councilor said a market assessment is not enough, and that PERC should also look at the assumptions it has been making to guide its outreach campaigns.

Mr. Hawkins reported on new consumer research that has been conducted with consumers and builders, and said the final results of the survey will be delivered to PERC soon. He said they talked with more than 3,000 people who recently built, renovated, or converted off the natural gas line; who plan to build, renovate, or convert off the natural gas line in the next five years; and those who live in a propane zip code. He reported 75 percent of builders surveyed said they initiate the conversation about which energy sources to use in a home. According to the research, the most important factors when making an energy decision are as follows: energy efficiency (84 percent), customer preference (79 percent), long-term cost savings (78 percent), and product characteristics (76 percent). Mr. Hawkins said 87 percent of builders believe their recommendations impact customer energy decisions at least "a fair amount." He also reported that consumers turn to these sources when making an energy decision on a custom build: spouse (34 percent), family and friends (28 percent), contractor (26 percent), and energy sales representative (22 percent).

Councilors discussed the need to change the course of the consumer education campaign to adjust to market conditions. Mr. McClendon said some funds earmarked for residential outreach in 2007 and 2008 will probably be reallocated, especially to reach builders, renovators, contractors, and HVAC professionals.

Engine Fuel

Managing Director of Engine Fuel Programs Brian Feehan gave councilors an update on the latest engine fuel projects and the plan to develop a Roadmap to a Billion Gallons. Mr. Feehan announced that the first Blue Bird Vision school bus came off the line today, and talked about events planned to commemorate the roll-out of the first buses. He said they placed advertisements in three school bus trade publications. In order to penetrate the market, Mr. Feehan said they have created a kit to educate Blue Bird dealers, marketers, and potential customers. He noted the first 16 buses were sold to a school district in Texas.

Mr. Feehan gave an update on the Roush F-150 pickup truck and described marketing outreach efforts, including a dedicated website, advertising, and earned media in trade publications. He said they are developing marketing materials and are organizing webinars to educate Ford National Account Managers and Ford Government Account

Managers. Mr. Feehan also said they are looking into leveraging the technology for the F-150 to see if it can be used throughout the entire F series trucks. He said Roush has collected 422 orders to date.

Mr. Feehan talked about off-road propane-fueled vehicles, including the growth in the forklift market. He said two new ads have been produced and are being placed in forklift trade publications. He showed councilors coverage of the Dixie Chopper Tour and talked about opportunities in the commercial mowing market.

The Council recessed for the day at 4:10 p.m.

July 20, 2007

The meeting resumed at 8:15 a.m.

Safety & Training

Vice President, Safety & Training Stuart Flatow gave councilors an update on Safety & Training initiatives. Safety & Training Advisory Committee (STAC) Chairman Mike Walters unveiled the next two installments of the Certified Employee Training Program (CETP) E-Learning: "Propane Delivery Operations and Cylinder Delivery" and "Bobtail Delivery Operations." Councilors viewed an interactive segment on the meter creep test.

STAC member Walter Cressman provided councilors an update on the Consumer Safety Education Campaign. Mr. Cressman reviewed the timeline of the program since its inception in 2002 when the subcommittee was formed. He said since June 2006 the Propane Resource Catalog has sold 1.2 million copies of the "Propane Safety" brochure and 6 million copies of "Important Propane Safety Information for You and Your Family." Combined, both publications reach about 42 percent of propane homes. Mr. Cressman also reviewed other materials such as the Small Cylinder brochure, the Container Valve Shut-off Label, and the revised Carbon Monoxide brochure.

Scott Hawkins of Harris Interactive presented the results of a study of do-it-yourselfers (DIYers) and how they work with propane. He said the goals were to determine what motivates DIYers, understand these motivations, test communication messages, and provide guidance in starting a consumer safety campaign. Mr. Hawkins showed councilors a video clip of a focus group session included in the study. The research found that DIYers are highly motivated by saving money and time as well as a sense of accomplishment or independence. In the category of high-risk DIYers, Mr. Hawkins said they are generally extremely confident in their abilities and do not perceive gas repairs as particularly difficult or dangerous. He said low-risk DIYers exhibit a more cautious attitude toward potentially dangerous work, and that propane safety materials may be best received by this audience. The research also included responses to specific propane industry safety materials. Mr. Hawkins said lessons learned from this research will be integrated into consumer communications initiatives.

Mr. Flatow introduced **Docket 12330** to develop a brochure outlining the industry's safety and training initiatives. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12330
Applicant: Propane Education & Research Council
Short Title: Safety & Training Brochure
Amount Requested: \$14,000
Action: Approved

Mr. Flatow introduced **Docket 12316**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12316
Applicant: Propane Education & Research Council
Short Title: CETP Support
Amount Requested: \$52,500
Action: Approved

Mr. Flatow introduced **Docket 12333** to revise the first three CETP textbooks to reflect the e-learning program. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12333
Applicant: Propane Education & Research Council
Short Title: Revision of CETP Text Books:
(1) "Basic Principles & Practices,"
(2) "Propane Delivery Operations and Cylinder Delivery,"
and (3) "Bobtail Delivery"
Amount Requested: \$145,250
Action: Approved

Mr. Flatow introduced a change order to **Docket 11326** to cover vendor costs. Upon a motion made and seconded, the change order was approved.

Docket: 11326
Applicant: Propane Education & Research Council
Short Title: Dispensing Propane Safely
Amount Approved: \$145,250
Previous Change Order \$13,390 (2006)
Additional Amount Requested: \$10,000
Action: Approved

Mr. Flatow introduced a change order to **Docket 12166** for E&O insurance. Upon a motion made and seconded, the change order was approved.

Docket: 12166
Applicant: Propane Education & Research Council
Short Title: STAC Support
Approved Amount \$89,000
Additional Amount Requested: \$35,100
Action: Approved

Doug Auxier asked STAC to look into a checklist for jurisdictional systems.

Research and Development

Research and Development Director Greg Kerr explained the recent greenhouse gas emissions study that PERC sponsored. He said the study found that propane has fewer greenhouse gas emissions than other fuels across a wide range of applications, including irrigation pumps, forklifts, distributed generation equipment, light- and medium-duty pickup trucks, as well as residential space and water heaters. Mr. Kerr said that propane ranks very well against other fuels for on-site carbon emissions. He also discussed the marketing plan to communicate the findings of this study, and said that a two-page fact sheet is being developed. A copy of the report was distributed to councilors.

Dr. William Ryan of the University of Chicago (Chicago, IL) presented an update on propane gas cooling technologies. Recent gas cooling research looked at the economical and technical feasibility of propane-powered gas cooling technology, especially pertaining to smaller air conditioning systems for residential or small commercial applications. He talked about engine heat pumps, which are in use in Japan, and whether they have a future in North America. He described commercial roof-top engine-driven heat pumps, absorption heat pumps, and fuel-driven dehumidification. Dr. Ryan said fuel-driven dehumidification is an attractive option for vacation properties in humid climates. He said that at current propane and electric prices, propane-fired air conditioning does not reduce consumers' costs in any state. However, engine-driven propane heat pumps do reduce consumer costs in colder areas.

Mr. Kerr introduced **Docket 12314** to develop a gas engine-driven heat pump for commercial rooftop applications. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12314
Applicant:	Propane Education & Research Council
Short Title:	10 RT Gas Engine-Driven Heat Pump Product Development Project - Phase I
Amount Requested:	\$724,826
Action:	Approved

Mr. Kerr introduced **Docket 12335**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12335
Applicant:	Propane Education & Research Council
Short Title:	Investigation into bio-propane
Amount Requested:	\$19,000
Action:	Approved

Mr. Kerr introduced **Docket 12336**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12336
Applicant: Propane Education & Research Council
Short Title: Propane Distributed Generation Demonstration Program
Amount Requested: \$350,000
Action: Approved

Mr. Kerr introduced **Docket 12337**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12337
Applicant: Propane Education & Research Council
Short Title: LPG Genset w/ Solar Hybrid Power Station for 2007
WLPGF Display
Amount Requested: \$55,000
Action: Approved

Mr. Kerr introduced a change order to **Docket 12148** for increased testing fees. Upon a motion made and seconded, the change order was approved.

Docket: 12148
Applicant: National Propane Gas Association
Short Title: Evaluating Possible Extension of Propane Cargo Tank
Inspection Interval -- Phase 2
Original Amount \$424,000
Previous Change Order \$85,000 (2006)
Additional Amount
Requested: \$27,200
Action: Approved

Mr. Kerr requested approval for a request for proposals (RFP) to design and develop a handheld water detector, as a follow up to a methanol study (**Docket 11992**). Upon a motion duly made and seconded, the RFP was approved.

Agriculture

Director of Agriculture Programs Mark Leitman gave councilors an overview of the Agriculture Advisory Committee (AAC) meeting in May and reviewed priorities related to the AAC Roadmap that was created in May 2006. Mr. Leitman reviewed progress on **Docket 11732**, which provided a Batchen Stinger weed control machine to Lincoln High School in California. The project was featured at the U.S. Department of Agriculture's Natural Resources and Conservation Service's (NRCS) Conservation Innovation Grant Showcase in Tampa, FL, in July. Mr. Leitman also reviewed the National Farm Broadcasters Association's (NAFB) study on rural lifestyles and propane usage.

Mr. Leitman provided an update to **Docket 11730**. He said the project remains delayed while John Deere continues to search for new solutions to non-propane related engineering challenges. It is expected this project will become commercialized, but it could take a few more years. AAC has recommended continuing the active status of the project through 2008, and monitoring its progress on a semi-annual basis.

Mr. Leitman requested approval for a request for proposals (RFP) for an agricultural propane attitude and usage survey. Upon a motion duly made and seconded, the RFP was approved.

Mr. Leitman requested approval for a request for proposals (RFP) for an agriculture propane engine maintenance and training program. Upon a motion duly made and seconded, the RFP was approved.

Mr. Leitman presented **Docket 12331** to introduce combined heat and power technology at a dairy farm in Texas. This project is contingent upon receiving a \$75,000 grant from the U.S. Department of Agriculture. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12331
Applicant: Railroad Commission of Texas/AFRED
Short Title: Introducing 90% Efficient Micro-Trigeneration Technologies to Texas Dairy Farming
Amount Requested: \$77,900
Action: Approved

Mr. Leitman introduced **Docket 12315**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12315
Applicant: Propane Education & Research Council
Short Title: Propane Tankless Water Heater to Increase Energy Efficiency on a Dairy Operation
Amount Requested: \$31,850
Action: Approved

Mr. Leitman introduced **Docket 12342**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12342
Applicant: Eastern Shore Resource Conservation and Development Council
Short Title: Redesigning Propane Burners which Remove String and Plants from Tomato Stakes
Amount Requested: \$17,550
Action: Approved

Mr. Leitman introduced **Docket 12344**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12344
Applicant: WelchGas
Short Title: Poultry House Sanitation with Prototype Tiller
Amount Requested: \$5,200
Action: Approved

Mr. Leitman introduced **Docket 12339** to demonstrate and study use of a 5kW ecopower cogeneration unit in grape processing. This project is contingent on receiving a grant from the U.S. Department of Agriculture. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12339
Applicant: Autumn Wind Associates, Inc.
Short Title: Propane Cogeneration at a California Vineyard and Winery
Amount Requested: \$41,600
Action: Approved

Mr. Leitman introduced **Docket 12345**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12345
Applicant: Osborn & Barr Communications
Short Title: Propane Tractor Study
Amount Requested: \$11,000
Action: Approved

Mr. Leitman introduced **Docket 12340**. This project is contingent on co-funding through a grant from the Pennsylvania Energy Harvest Program. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12340
Applicant: John Emmitte
Short Title: Propane Cogeneration at a Pennsylvania Hydroponic Greenhouse
Amount Requested: \$ 36,400
Action: Approved

Mr. Leitman introduced **Docket 12343**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12343
Applicant: University of Nebraska-Lincoln
Short Title: Design and Optimization of Propane-Fueled Weed-Crop Flamer
Amount Requested: \$70,000
Action: Approved

Mr. Leitman introduced **Docket 12341** to demonstrate the propane-fueled Ford Roush F-150 pickup in target agriculture markets. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12341
Applicant: Propane Education & Research Council
Short Title: Propane Pick-up Truck Demonstration and Promotion in the Agriculture Market
Amount Requested: \$100,000
Action: Approved

Mr. Leitman introduced **Docket 12346**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12346
Applicant: The ADEPT Group Inc.
Short Title: LP Gas Incinerator Follow-On Work
Amount Requested: \$14,100
Action: Approved

Industry Programs

Industry Programs Director Martha Evans said this year PERC has been active in many industry events with presentations and promotions on the roll out of new fleet and agricultural technologies, including the Roush Ford F-150 pickup truck and Blue Bird school bus. At these events, PERC educated marketers on how to align their company's efforts with the national campaign using PERC's advertising and outreach tools in the homeowner and builder markets. She said PERC also gave live demonstrations of the new Certified Employee Training Program (CETP) E-Learning initiative.

Ms. Evans introduced **Docket 12334**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12334
Applicant: Propane Education & Research Council
Short Title: 2007 Milford Therrell Award
Amount Requested: \$25,000
Action: Approved

Ms. Evans introduced a no-cost change order to **Docket 12227** to widen the scope of the API Survey to include additional analysis. Upon a motion duly made and seconded, the no-cost change order was approved.

Ms. Caskin introduced **Docket 12338** to fund the Market Metrics Initiative through the end of 2007. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12338
Applicant: Propane Education & Research Council
Short Title: 2007 Market Metrics Initiative
Amount Requested: \$227,660
Action: Approved

Ms. Evans presented rebates from seven states totaling \$486,554 that were granted under a special provision in April 2006. Upon a motion duly made and seconded, the rebates under this exception provision were approved. Ms. Evans directed the Council's attention to the 30 requests from states for replicated rebates that were approved by staff. Upon a motion duly made and seconded, the replicated rebates were approved.

Old Business

There was no old business.

New Business

Mr. Willis talked about the roles of the Market Development Task Force, and said that the chairmen of the Consumer Education, Engine Fuel, Research and Development, and Agriculture advisory committees will also be involved. Councilors Steve Williams, Joe Armentano, Mike Schwartje, Bill McAdam, David Lugar, Doug Auxier, and George Koloroutis volunteered to serve on the task force.

Mr. Saunders announced the next in-person meeting will be held October 4-5 in Hot Springs, VA. He directed the Council's attention to a calendar of proposed 2008 meeting dates, including a February 14 conference call as well as face-to-face meetings on March 28 in Atlanta, on July 17-18 in Washington, DC, on October 9-10 at a location to be determined, and December 4-5 in Houston.

The meeting adjourned at noon.