

Propane Education & Research Council
October 4-5, 2007
Hot Springs, VA

MINUTES

Proceedings for October 4, 2007

Chairman Glenn Saunders called the meeting to order at 8:30 a.m. Mr. Saunders welcomed Council members in attendance: Mark Alexander, Joe Armentano, Doug Auxier, Lynn Bourdon, Rosie Dzanski, David Lugar, Bill McAdam, Sam McTier, David Regan, Charles Revere, Glenn Saunders, Mike Schwartz, Charles Snelling, Jay Weinheimer, and David Wunch. Ray Scholes joined the meeting via telephone.

Approval of Minutes

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

Chairman's Report

Mr. Saunders announced that Joe Gump, ConocoPhillips (Dacula, GA) and Rob Kirkpatrick, Aux Sable Liquid Products (Morris, IL) were appointed to the Engine Fuel Advisory Committee. Darin Hunhoff, CHS Inc. (Inver Grove Heights, MN) and Tim Rice, Quality Oil and Gas, (Laurinburg, NC) were appointed to the Agriculture Advisory Committee. Jim Taranovich, Proctor Gas (Proctor, VT), Don Crowder, Corken Inc. (Oklahoma City, OK), and Matt Terry, Mission Gas (San Antonio, TX) were appointed to the Safety & Training Advisory Committee.

Mr. Saunders reported that in July the Executive Committee approved a change order to Consumer Education **Docket 12171** to reduce homeowner advertising by \$2.2 million to increase outreach to builder markets (**Docket 12173**) by \$500,000 during the second half of 2007. He said the Executive Committee met yesterday to review and approve the President's goals and to talk about propane supply logistics. The Executive Committee also met yesterday with National Propane Gas Association (NPGA) officers to discuss partnership programs and other joint activities.

Strategic Plan Task Force. Mike Schwartz gave councilors an update and overview of Strategic Plan Task Force activities. He said the draft strategic plan focuses on PERC's mission statement, strategic objectives, and tactics. Councilors discussed the Council's current mission statement and voted to modify it: "To promote the safe, efficient use of odorized propane gas as a preferred energy resource through consumer and employee education and technology development and commercialization." After a motion was duly made and seconded, the Council approved the revision to the PERC mission statement.

Councilors discussed making the strategic plan available for industry comment. After the industry comment period, the Strategic Plan Task Force will present a final strategic plan to be voted on at the December Council meeting. After a motion was duly made and seconded, the Council voted to distribute a modified version of the draft strategic plan for industry comment.

Assessment Collections Task Force. Assessment Collections Task Force (ACTF) Chairman Bill McAdam provided councilors with a concluding report on the task force. He said PERC's annual assessment collection performance has increased by \$1.3 million using 2004 as a base year. He said the task force believes that additional progress should be expected as management continues to enhance its collection tracking systems, elicits feedback on procedures and forms, and communicates to the industry. In order to maintain the Council's governance over assessment collections, the ACTF recommended that the Council move this oversight function to the Budget and Finance Committee. After a motion was duly made and seconded, the Council approved that ACTF functions be moved to the Budget and Finance Committee.

Market Development Task Force. Market Development Task Force Chairman David Lugar gave councilors an overview of task force activities. He said the role of the task force is to review the most recent data on propane market trends, analyze the work being undertaken by the industry in each market segment, consider the current allocation of PERC's resources, and recommend action plans and priorities to maximize PERC's impact on increasing the use of propane. Mr. Lugar said there is a need for PERC to take a more active role in commercialization of propane technologies, but also maintain a national consumer education campaign. The task force is scheduled to meet tomorrow, October 5.

Rules Task Force. Mr. Saunders said the Rules Task Force has not met yet. PERC President and CEO Roy Willis said staff has reviewed current rules and identified changes that need to be made.

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

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

Chief Financial Officer and Vice President of Administration Jim Harris presented the financial results as of July 31, 2007. The presentation included: the 2007 assessment budget compared to actual assessments, comparison of income to budget, and operating expenses. The latest surplus forecast is \$6.2 million in reserves to be expected by the end of 2007. Mr. Harris gave councilors an update on PERC's investments, which are overall performing well. Approval of the Treasurer's Report was moved, seconded, and approved.

Grants Management

Mr. Harris announced 22 dockets were proposed to be closed out, with the money returning to the general treasury. In addition, Mr. Harris noted that \$2.2 million from the proposed de-obligation of **Docket 12190** (Engine Fuel) was not included in the \$6.2 million surplus forecast presented in the Treasurer's Report. Mr. Harris stated that the Engine Fuel budget will have been exceeded by \$750,000 by the end of 2007, but that surplus will not be compromised because of the \$2.2 million de-obligation of **Docket 12190**.

Docket: 11879 Grant (Consumer Education) - \$690,000
Project: 2006 Industry and Multi-Audience Communications Plan
Action: This action de-obligates the remaining balance of \$16,355 and returns these funds to the general treasury.

Docket: 11877 Grant (Consumer Education) - \$25,150
Project: 2006 Vehicle Branding Trade Show Outreach
Action: This action de-obligates the remaining balance of \$546 and returns these funds to the general treasury.

Docket: 11970 Grant (Industry Programs) - \$205,000
Project: 2005 API Survey
Action: This action de-obligates the remaining balance of \$37,868 and returns these funds to the general treasury.

Docket: 11973 Grant (Engine Fuel) - \$200,000
Project: 2006 Engine Fuel Advisory Committee Professional Support Services
Action: This action de-obligates the remaining balance of \$29,159 and returns these funds to the general treasury.

Docket: 12190 Grant (Engine Fuel) - \$2,200,000
Project: Development, Demonstration, and Commercialization of a 0.2 gram NOx Propane Engine for Heavy-Duty Vehicles
Action: This action de-obligates the remaining balance of \$2,199,978 and returns these funds to the general treasury.

Docket: 10954 Grant (Research and Development) - \$35,000
Project: Demonstration of Feasibility of Propane in 2nd Generation CHP Systems
Action: This action de-obligates the remaining balance of \$20,000 and returns these funds to the general treasury.

Docket: 11073 Grant (Research and Development) - \$400,000
Project: Performance, Durability, and Service Life of Low Pressure Propane Vapor Regulators
Action: This action de-obligates the remaining balance of \$59,315 and returns these funds to the general treasury.

Docket: 11298 Grant (Research and Development) - \$377,000
Project: Modeling the Performance of ASME Propane Tanks in Fires
Action: This action de-obligates the remaining balance of \$397 and returns these funds to the general treasury.

Docket: 11726 Grant (Research and Development) - \$133,800
Project: Extending Bobtail Requalification Period Phase 1
Action: This action de-obligates the remaining balance of \$11,730 and returns these funds to the general treasury.

Docket: **11777 Grant (Research and Development) - \$17,794**
Project: All-Propane Off-Grid Residential Demonstration by the Delaware County Electric Cooperative, Inc. and Mirabito Fuel Group
Action: This action de-obligates the remaining balance of \$2,359 and returns these funds to the general treasury.

Docket: **11793 Grant (Research and Development) - \$145,000**
Project: Technical Communications Services to PERC's R&D Advisory Committee
Action: This action de-obligates the remaining balance of \$22,040 and returns these funds to the general treasury.

Docket: **11826 Grant (Research and Development) - \$92,400**
Project: 2006 Global Technology Conference
Action: This action de-obligates the remaining balance of \$970 and returns these funds to the general treasury.

Docket: **11865 Grant (Research and Development) - \$190,000**
Project: 2006 Research and Development Oversight and Advisory Committee Support
Action: This action de-obligates the remaining balance of \$154 and returns these funds to the general treasury.

Docket: **12117 Grant (Research and Development) - \$66,533**
Project: Sensors for LPG Contaminants. Phase I: Gas Detection Tube Proof of Concept
Action: This action de-obligates the remaining balance of \$595 and returns these funds to the general treasury.

Docket: **11540 Grant (Safety & Training) - \$9,670**
Project: Development of CETP Industrial, Commercial & Agricultural (ICA) Liquid Transfer Systems Manual: Phase I
Action: This action de-obligates the remaining balance of \$9,670 and returns these funds to the general treasury.

Docket: **11562 Grant (Safety & Training) - \$89,250**
Project: S&T Online Resource - 2005 Support, Upgrades, and Hosting
Action: This action de-obligates the remaining balance of \$53,589 and returns these funds to the general treasury.

Docket: **11868 Grant (Safety & Training) - \$71,663**
Project: 2006 Consumer Safety Education Action Plan Meeting
Action: This action de-obligates the remaining balance of \$13,855 and returns these funds to the general treasury.

Docket: **11869 Grant (Safety & Training) - \$202,573**
Project: 2006 Safe Grilling Campaign
Action: This action de-obligates the remaining balance of \$28,142 and returns these funds to the general treasury.

Docket: 11884 Grant (Safety & Training) - \$228,500
Project: 2006 NPGA Management Contract Activities
Action: This action de-obligates the remaining balance of \$29,200 and returns these funds to the general treasury.

Docket: 11984 Grant (Safety & Training) - \$14,100
Project: 2006 Communications Plan for Propane Incident Data Report
Action: This action de-obligates the remaining balance of \$6,492 and returns these funds to the general treasury.

Docket: 12081 Grant (Safety & Training) - \$86,900
Project: Propane Emergency Training
Action: This action de-obligates the remaining balance of \$11,407 and returns these funds to the general treasury.

Docket: 12027 Grant (Agriculture) - \$45,000
Project: Anaerobic Biodigester Utilizing Propane as Fuel Supplement
Action: This action de-obligates the remaining balance of \$11 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 on the process of developing and implementing a commercialization strategy, and provided a timeline of activities. At the December Council meeting, he noted that councilors will vote on the final 2008 budget recommendation, dockets to support the 2008 consumer education activities, and an authorization to issue a request for proposals (RFP) for communications and market development support. At the March 2008 meeting, councilors will receive an update on the RFP process, which is unlikely to be completed at that point. He said that by the July 2008 meeting, a recommendation should be expected. Mr. Willis said PERC will need to develop a management process to support the new commercialization strategy.

Industry/Public Comments

There were no public comments.

2008 Budget

Mr. Harris said there were no industry comments on the 2008 budget, and that an updated proposed budget would be presented for approval at the December 2007 Council meeting.

Consumer Education

Consumer Education Advisory Committee (CEAC) Chairman Daryl McClendon gave an overview of CEAC activities, including the recent committee meeting September 13-14 in Austin, TX. He said CEAC is discussing ways to reduce expenditures in the homeowner area to increase outreach to builders, HVAC professionals, and plumbers. Senior Vice President Kate Caskin said that since the last Council meeting, CEAC has been evaluating the campaign to see what adjustments should be made. She said the Executive Committee approved a change order to reduce the overall campaign

investment in 2007 by \$2.2 million to create a more targeted campaign in the builder market.

Director, Residential Trade Outreach and Partnerships Tracy Burleson reported on an integrated program to reach professionals in new home construction. The program's objectives are to increase industry awareness of underground tanks, tankless water heaters, and stand-by generators, as well as to tell the "propane story" through an integrated marketing and research program with media partner Hanley Wood. Included in the Hanley Wood partnership is an eight-page insert that will be published in six builder-focused magazines reaching more than 300,000 builders. Ms. Burleson also gave updates on CEAC's online marketing efforts, trade publication advertisements, builder and developer shows, education courses, and upcoming NASCAR events.

Ms. Burleson introduced **Docket 12389** to support participation at the Hearth, Patio & Barbecue EXPO. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12389
Applicant:	Propane Education & Research Council
Short Title:	2008 Hearth, Patio & Barbecue EXPO
Amount Requested:	\$100,000
Action:	Approved

Jean Statler and Scott Hawkins of Harris Interactive (Reston, VA) presented the results of the quantitative study designed to understand how and when homeowners and builders make energy decisions. Ms. Statler described the research objectives and strategic imperatives of the study.

Mr. Hawkins presented the study's key findings and he said propane has transitioned over the past ten years and is now perceived as a premium fuel with the same equities of natural gas. These equities can be leveraged in communications to builders. He said data confirms the importance of the builder in the residential energy decision, and that the propane discussion should focus on value rather than price. Propane has many perceived benefits over electricity that can be leveraged in a value-based campaign. He said key segments in the builder and future decision maker audiences have been identified and represent new opportunities to increase gallons sold in a competitive residential construction market.

Mr. Hawkins discussed the propane market and trends, and described propane's target market. He said cooking and water heating represent opportunities for propane as future decision makers indicated that propane is the top choice for cooking and is tied with electricity for water heating.

Mr. Hawkins said 67 percent of builders surveyed said making an energy decision is very important and 89 percent of future decision makers put it at the top of their list. The results confirm that builders have a significant influence when a consumer is choosing an energy source, and that it's important that builders know, and can sell, the value of propane. Mr. Hawkins also described what informational sources consumers turn to when making an energy decision. Mr. Hawkins presented a segmentation analysis to target builders and future decision makers.

Ms. Statler said in communicating strategic messages about propane, “good value” far surpasses all other strategic message elements. She said “good value” includes costs, efficiency, reliability, and environmental friendliness.

Andy Ferrin of Porter Novelli (Washington, D.C.) gave a brief overview of the history of the consumer education campaign, and said PERC has shifted strategic messages throughout its history. Mr. Ferrin presented residential market implications, which include developing cohesive cross-mission brand messaging, emphasizing product sales with a vertical approach, and applying a closed-loop mindset to guide marketing investments. He talked about customizing the marketing mix, and to leverage campaign awareness with those who will be making an energy choice. He recommended continuing partnerships with networks such as the DIY network, HGTVpro, and to develop new partnerships as well as customize content on Usepropane.com.

Safety & Training

Safety & Training Advisory Committee (STAC) Chairman Mike Walters gave councilors an update on projects that are expected to be brought to the Council in December, including static discharge and CETP E-Learning Vapor Distribution.

Vice President, Safety & Training Stuart Flatow introduced **Docket 12378** to develop a cathodic protection program, including a video and manual. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12378
Applicant:	Propane Education & Research Council
Short Title:	Cathodic Protection Program – Video and Manual
Amount Requested:	134,265
Action:	Approved

Mr. Flatow introduced **Docket 12377**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12377
Applicant:	Propane Education & Research Council
Short Title:	Safety Information for Propane Industry Communication Vehicles
Amount Requested:	\$17,200
Action:	Approved

Engine Fuel

Engine Fuel Advisory Committee (EFAC) Chairman Tucker Perkins provided a strategic overview of engine fuel projects. Mr. Perkins briefly reviewed discussions with the Department of Energy on the “One Billion Gallon Roadmap” to displace gasoline with propane. Mr. Perkins also gave a summary of the Cummins Westport project (**Docket 12190**) that the committee recommended not to pursue to the contract phase. He also reported on discussions with Roush about expanding propane into the Ford F-250 and F-350 truck platforms.

Managing Director of Engine Fuel Programs Brian Feehan reported on the Texas Roadshow in late September, where the propane Roush F-150 truck, Blue Bird Vision

school bus, and GM 8.1L medium-duty engine toured through Austin, Dallas-Fort Worth, Houston, San Antonio, and El Paso. He also gave an update on the F-150 program: EPA certification should be completed by October 28, 2007 and the first production job is scheduled for December 10, 2007. Mr. Feehan showed councilors the Roush e-newsletter and talked about future programs, including a possible expansion into the F-250 and F-350 series.

Mr. Feehan requested approval for a request for proposals (RFP) to develop a small propane engine for use in primarily hand-held lawn applications. Upon a motion duly made and seconded, the RFP was approved.

Mr. Feehan requested approval for an RFP to develop and commercialize an aftermarket fuel system for the passenger car, light- and medium- duty vehicle markets. Upon a motion duly made and seconded, the RFP was approved.

Mr. Feehan introduced a no-cost change order to **Docket 12290**. The \$15,000 resale value of an F-150 truck was originally planned to be returned to PERC, however, a request has been made to donate it as a giveaway at the 2008 International Builders' Show. Upon a motion made and seconded, the change order was approved.

Mr. Feehan presented market research on shares of fleet van sales by manufacturer. He also discussed market opportunities for 6.0L propane fleet vehicles.

Mr. Feehan introduced **Docket 12413**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12413
Applicant:	CleanFuel USA
Short Title:	GM 6.0L LPG Engine Emissions Certification & Durability Development
Amount Requested:	\$1,071,975
Action:	Approved

Mr. Feehan introduced a change order to **Docket 12195** for the acquisition of a medium-heavy duty test engine to be used to test and validate propane injection technology being developed. Upon a motion made and seconded, the change order was approved.

Docket:	12195
Applicant:	Mississippi State University (MSU)
Short Title:	Performance Evaluation of Propane Injection for Diesel Engines
Amount Approved:	\$20,000
Additional Amount Requested:	\$75,000
Revised Total:	\$95,000
Action:	Approved

Mr. Feehan discussed the ground service advertising campaign that EFAC launched this fall, which to date has had almost 40,000 impressions. Mr. Feehan detailed the outreach events they have participated in, including the National Association of Fleet Administrators, Ford Fleet Preview, Clean Cities Regional meetings, and the School

Transportation News Conference. They plan to continue their participation in Clean Cities and alternative fuel events. Mr. Feehan showed councilors the latest print advertisements that highlight energy tax credits available for using propane forklifts.

Research and Development

Research and Development Director Greg Kerr gave councilors an update on current Research and Development Advisory Committee (RDAC) projects. He said the Comboflair (**Docket 11110**) design is complete, and they are working with the manufacturer on a commercialization plan. The Eco-Power micro-CHP received its Underwriters Laboratory certification and is now commercially available.

Mr. Kerr said the greenhouse gas emissions study was released September 28, and showed that propane has fewer greenhouse gas emissions across a wide range of applications. They will target communications to government, the propane industry, and consumers, and it will be a part of the 2008 Capital Action Program.

Mr. Kerr provided councilors with an update on recent requests for proposals (RFPs), including the development of a premium propane genset for solar hybrid applications, the design a portable handheld water detector for propane, and a distributed generation demonstration program. Within the "Consumer Reports"-style testing program, RFPs have been released for research into pressure relief valves and underground propane tank coatings.

Mr. Kerr introduced **Docket 12380**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12380
Applicant:	Propane Education & Research Council
Short Title:	Propane Industry Component/System Testing Program Management
Amount Requested:	\$100,000
Action:	Approved

Mr. Kerr introduced **Docket 12408**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	12408
Applicant:	Railroad Commission of Texas/AFRED
Short Title:	Reducing LP Gas Fleet Emissions, Fuel Waste, and Operating Costs and Enhancing Employee Health and Safety through use of the Maximus™ Overfill and Detection Instrument (ODI)
Amount Requested:	\$38,220
Action:	Approved

Mr. Kerr requested approval for an RFP to evaluate of methods for determining contaminant content in propane. Upon a motion duly made and seconded, the RFP was approved.

Mr. Kerr introduced **Docket 12379**. Upon a motion duly made and seconded, the funding request was disapproved.

Docket: 12379 (click here)
Applicant: Adept Science & Technologies, LLC
Short Title: Operating Cost Assessment of Forklift Fleet Heavy-Ends Decontamination Unit
Amount Requested: \$58,885
Action: Disapproved

Mr. Kerr announced that the next RDAC meeting will be held November 6-7 in Houston, TX.

The Council recessed for the day at 3:20 p.m.

October 5, 2007

The meeting resumed at 9:09 a.m.

Agriculture

Director of Agriculture Programs Mark Leitman gave councilors an overview of Agriculture Advisory Committee (AAC) projects that were represented at the Texas Technology Forum in September. He said a two-row thermal defoliator was recently tested with positive results; they plan to test a six-row defoliator this fall. PERC has partnered with Purdue University to test the efficiency of the Temp Air – Heat Sanitation unit. He said it is proving to be an effective method to control pests in grain storage and processing facilities. Mr. Leitman said PERC is testing a sanitizer to control pathogens in dairy beds, and this project will investigate whether or not propane can help producers fight mastitis. Mr. Leitman also presented results on recent tests with the poultry house sanitizer.

Mr. Leitman reported on outreach efforts on agriculture initiatives. He discussed coverage on agwired.com and showed a clip on irrigation technology filmed at the Husker Harvest Days in Nebraska.

Mr. Leitman introduced a change order to **Docket 12339** to fully fund the project as USDA co-funding of \$41,400 was not approved. Upon a motion made and seconded, the change order was approved.

Docket: 12339
Applicant: Autumn Wind Associates, Inc.
Short Title: Introducing 80% Efficient Micro-CHP Technology to California Viniculture
Amount Approved: \$28,900
Additional Amount Requested: \$41,600
Revised Total: \$70,500
Action: Approved

Mr. Leitman introduced **Docket 12410**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12410
Applicant: The Nature Conservancy (TNC) and Oregon State University (OSU)
Short Title: Research and Design of a Propane Machine for Reducing the Weed Seedbank
Amount Requested: \$28,600
Action: Approved

Mr. Leitman introduced **Docket 12409**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12409
Applicant: University of Tennessee
Short Title: Emission, Economic, and Performance Analysis Propane-Fueled Mower
Amount Requested: \$91,006
Action: Approved

Mr. Leitman introduced **Docket 12411**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12411
Applicant: Osborn and Barr Communications
Short Title: Agricultural Research and Technology Demonstrations and Validation Plan
Amount Requested: \$380,000
Action: Approved

Mr. Leitman introduced **Docket 12412**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 12412
Applicant: California State University, Fresno
Short Title: Investigation of the Effects of Thermal Pest Control Technology on Common Insect and Fungal Diseases and Yield/Quality Parameters in California Grapes, Tomatoes, and Lettuce
Amount Requested: \$143,000
Action: Approved

Industry Programs

Industry Programs Director Martha Evans asked the Council to award this year's Milford Therrell Award to the Kentucky Propane Education & Research Council for converting kitchens in 11 state parks from electricity to propane. Upon a motion duly made and seconded, the award was approved.

Ms. Evans reported to councilors the progress that an industry task force has made in increasing the response rate of the annual American Petroleum Institute (API) Survey. She said 45 states have a response rate of 50 percent or higher and that 13 states had at least an 80 percent response rate for the 2006 Survey.

Ms. Evans gave councilors an overview of the State Rebate Program and the process in which states apply for rebates. The Council discussed auditing procedures for grants and rebates. A motion was made and seconded for PERC staff to research and recommend auditing procedures for PERC's grants and rebates to be reported to the Council in a future meeting. The motion was passed.

Ms. Evans directed the Council's attention to the 37 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

Sam McTier asked councilors to support efforts to certify cabinet heaters and composite cylinders with Underwriters Laboratories and the American National Standards Institute.

New Business

The meeting adjourned at 10:26 a.m.