

**Propane Education & Research Council
October 9–10, 2008
New York, N.Y.**

MINUTES

Proceedings for October 9, 2008

Chairman Glenn Saunders called the meeting to order at 8:32 a.m. Mr. Saunders welcomed Council members in attendance: Mark Alexander, Joe Armentano, Doug Auxier, Paul Grady, Joe Gump, David Lugar, Sam McTier, Bill Platz, David Regan, Mike Sheehan, Charles Snelling, and Steve Williams. He also welcomed Council members Jay Weinheimer and David Wunch, who joined the meeting by telephone.

Approval of Minutes

Mr. Saunders, White Mountain Oil & Propane Inc. (North Conway, N.H.), directed the councilors' attention to the minutes of the July 2008 Council meeting. PERC President and CEO Roy Willis noted that the minutes of the July meeting would be corrected as follows: the word "recommendation" would be replaced with the word "action" in the descriptions of grant funding requests. Upon a motion duly made and seconded, the Council approved the minutes as corrected.

Chairman's Report

Mr. Saunders announced that he had appointed Ed LaCroix, BP (Houston, Texas), and Pat West, Heritage Propane (Helena, Mont.), to the Consumer Education Advisory Committee and Jeff Kaminski, Amerigas (Valley Forge, Pa.), to the Research and Development Advisory Committee.

Mr. Saunders reported that the Executive Committee of the Propane Education & Research Council (PERC) has met twice since the Council's last in-person meeting. In July, the PERC Executive Committee met jointly with the NPGA Executive Committee to discuss the propane price analysis to be conducted by the Commerce Department. Mr. Saunders said NPGA agreed to make modifying the price analysis methods and amending PERA two of its government-relations priorities.

Mr. Saunders said the executive committee also met October 8 and discussed, among other items, the president and chief executive's recommendations for strengthening PERC's internal resources to handle market development and commercialization. The committee expects to recommend changes in PERC staffing at the next meeting.

Market Development Task Force. David Lugar, AmeriGas Propane Inc. (Houston, Texas), immediate past chairman of PERC and chairman of the Market Development Task Force (MDTF), reported that the task force has been reviewing the Energetics recommendations and just received the deliverable from ICF International in mid-September. That report describes the regulatory environment in which commercialization projects would occur. He said the committee has not met since receiving that report and will come back to the Council with recommendations.

Audit Committee. Steve Williams, BP North America Gas & Power (Houston, Texas), reported that the committee has not met since the last Council meeting. He reported that the committee would meet later today, October 9, but would table most agenda items

until the next Council meeting in December, when the committee chairman would be present. Mr. Williams reported that the committee expected to consider one agenda item, the request for proposals for accounting services, and then discuss it by email.

Mr. Saunders reported that the National Propane Gas Association (NPGA) Fall 2008 Board of Directors and Related Committees Meetings earlier this week in Milwaukee, Wis., had been a success. He urged councilors to consider making presentations about PERC at regional and state association meetings.

Vice Chairman's Report — Marketers

Vice Chairman Joe Armentano, Paraco Gas (Rye Brook, N.Y.), reminded the Council about the NPGA/PERC Leadership Summit, which will convene in Washington in November. He invited councilors to share with him their ideas for improving the connection between PERC and the state associations. He also commended Colle+McVoy for their emphasis on industry engagement and stressed the importance of creating propane marketing programs that acknowledge regional challenges and opportunities.

Vice Chairman's Report — Producers

Vice Chairman Steve Williams had no report.

Treasurer's Report

Treasurer Bill Platz, Delta Liquid Energy (Paso Robles, Calif.), gave an overview of PERC's financial performance as of the end of July. The latest forecast for 2008 indicated a surplus of \$9.3 million, compared with the previous forecast of \$12.56 million presented at the July 2008 Council meeting. The change in the forecast was mostly attributed to the engine fuel program exceeding its budget as a result of the \$4.7 million Roush project to be presented in the engine fuel funding requests.

Mr. Platz noted that the performance of the Council's investment funds, managed by Morgan Stanley, is decreasing but that the returns — nearly 2 percent year to date (inflation is 3.27 percent) — were nevertheless better than one might expect in a volatile market. He said certificates of deposit represent about half of PERC's liquid assets.

Upon a motion duly made and seconded, the Council adopted the treasurer's report.

President's Report

Mr. Willis announced that he made a presidential grant of \$5,000 to the Dunlap Group, a firm that will help PERC develop a plan to obtain California Air Resources Board (CARB) certification for the propane-fueled 2008 Roush F-150 pickup.

Mr. Willis informed the Council that PERC had submitted a detailed document to the Commerce Department addressing changes to the price analysis that the department conducts in accordance with the Propane Education and Research Act of 1996 (PERA). In the document, PERC urged the Commerce Department to use its flexibility in a fairer way. Mr. Willis said PERC had enlisted the help of the Energy Department in its effort to advise the Commerce Department. He said PERC has also been working closely with NPGA, which has notified members of Congress of the propane industry's concerns and worked to enlist their support. Mr. Willis said amending PERA is on NPGA's list of legislative priorities.

Mr. Willis said the 2009 PERC budget is still a work in progress. PERC staff members are sorting through some outstanding issues regarding PERC's commercialization efforts and making sure PERC has the right personnel to carry out the new mission. He said PERC will submit recommendations to the Council before the December meeting.

Mr. Willis noted that PERC's mission managers have been working closely with Colle+McVoy, PERC's new lead communications agency, to develop a comprehensive strategic plan for PERC's commercialization mission. They have also been analyzing the housing market and PERC's research and development projects to identify gallon opportunities. These projections have not been adjusted for cost of service and other factors, he said, but they should give the Council a sense of the important trends as the Council prepares to commit resources in December.

Mr. Willis called on PERC Senior Vice President Kate Caskin to describe the progress PERC has made toward the transition to a new lead communications agency. Ms. Caskin said that PERC staff and Colle+McVoy have made significant progress toward each of PERC's five goals for the transition: develop an orderly management plan, engage the new agency in planning, transfer institutional knowledge, establish a comprehensive approach to program measurement, and develop a new agency compensation agreement.

She noted that Colle+McVoy had aligned its senior staff with PERC's mission areas to improve coordination between PERC and Colle+McVoy and had worked with PERC senior staff to develop a 17-month planning roadmap.

Ms. Caskin called on Colle+McVoy representatives to present an overview of their work since the last Council meeting. Phil Johnson of Colle+McVoy reported that the agency had already made considerable progress in its research into the world of propane and had been developing ways to help the propane industry shift its focus from serving markets to building markets. He explained that the agency plans to help create more opportunities to sell gallons by crafting proposals designed to address consumers at each point on the path to purchase. Mr. Johnson said Colle+McVoy would help the industry move its marketing goals from consumer awareness to consumer action, from emphasis on price to emphasis on value, and from rational appeals to emotional appeals.

David Denham of Colle+McVoy reported on the digging and plotting, or researching and planning, that the firm had done since winning the contract with PERC in July 2008. He said Colle+McVoy had interviewed many of PERC's other strategic partners, such as Harris Interactive and Hanley Wood, to gain insights into the target audience. Colle+McVoy representatives also attended state propane gas association meetings, trade shows, and the engine fuel media event in New York City in August, among other events, Mr. Denham said.

Ann Wiessner of Colle+McVoy presented a summary of the propane sales volume projections that PERC staff members and Colle+McVoy developed during their volume summit in Chicago in August. According to those projections, Ms. Wiessner said, engine fuel would be a major growth area for propane sales in 2009 and 2010, and Colle+McVoy recommended allocating resources accordingly. She reviewed some of the challenges facing the propane industry, including a weak housing market, a crowded and noisy field of energy producers and advocates, and propane marketers' generally

low level of engagement in marketing efforts. But she identified some hopeful signs, as well, including a surge in interest in alternative energy sources, advances in engine fuel technology, and regional growth opportunities for propane in various segments. She told the Council that the industry needed to act quickly to elevate its participation in the national dialogue about energy.

Ms. Wiessner emphasized the importance of engaging marketers in all aspects of PERC initiatives to increase their level of commitment and participation. She said the strongest markets are built from the ground upward, meaning market development should start with local marketers meeting local and regional needs. One of the keys to engaging the industry is to make marketing initiatives, such as rebate programs and the Propane Marketing Resource Catalog, simpler and easier to use.

Seth Pederson of Colle+McVoy presented the underpinning of the tactics and strategies Colle+McVoy would bring to the Council in December. He said PERC's business goal is to meet or exceed the projection of 395 million new gallons of propane sales in the next two years. He said Colle+McVoy and the industry would pursue four business strategies: to understand propane's competitive environment in a crowded energy field, to maximize the growth of gallons in promising market segments, to stem the loss of gallons in weaker segments, and to increase marketer engagement.

Mr. Pederson said consumer awareness of propane has risen sharply in the last 10 years, but that trend has not increased propane's prominence in the national debate about energy. Because the propane industry lacks the resources of other players in the energy debate, Colle+McVoy recommended concentrating on leveraging the money spent by other players and taking advantage of their good results.

Mr. Pederson said Colle+McVoy recommended four tactics to maximize the growth of gallons: emphasize engine fuel as a growth area, increase marketer engagement, switch the focus from national campaigns to regional campaigns, and help bring new propane-fueled products to market. To stem the loss of gallons in weaker segments, Mr. Pederson said, Colle+McVoy recommended increasing efforts to correct false impressions of propane that are limiting its growth. One such impression is that propane is unsafe. Lastly, Mr. Pederson said Colle+McVoy had advised PERC to dedicate funding and staffing to industry engagement.

Mr. Armentano said the industry must commit more resources to finding more research and development projects that can be brought to market soon. He said he advocated shifting the industry's investment in consumer awareness from PERC to the state organizations.

Charles Snelling (Fogelsville, Pa.) stressed the importance of participating in the national energy policy dialogue and said that educating policymakers is the key. That education would not happen, he warned, as a residual effect of marketing efforts to sell more engine fuel. It would happen only as the result of a focused lobbying effort.

Paul Grady, Heritage Operating L.P. (Florence, Ky.), said he supported efforts to improve industry engagement and regionalization, but he does not want to see the industry narrow its focus to engine fuel too much, as one of the exciting and attractive things about propane is that its uses are so diverse.

Mark Alexander, Suburban Propane Partners L.P. (Whippany, N.J.), said he does not want to see PERC shift too much attention to engine fuel but does agree that industry engagement is crucial, as is the shift from price focus to value focus. He reminded the Council that propane is an old, mature industry with talented people but no stomach for change.

Doug Auxier, Auxier Gas Inc. (Batavia, Ohio), said propane motor fuel is a risky proposition. There is growth potential there, he said, but it affects few marketers. Marketers fear motor fuel, where efforts have failed in the past. He acknowledged that it is tough to convince marketers to participate in PERC programs.

Mr. Platz reminded councilors that the motor fuel segment encompasses both on-road and off-road applications and is vital to the growth of propane markets, especially in propane's off-season. He noted that there are reports of researchers in China making synthetic propane for engine fuel and said that such a product could be an attractive option in the U.S. market as well. With residential markets facing a 6 percent decline, and with other propane markets, such as agriculture, being cyclical, the engine fuel segment represented the best opportunity to create significant year-round demand for propane.

Mr. Armentano said the industry's goal should be to develop alternative markets, not merely to settle for the best available market, whether that's engine fuel or some other category.

H. Joe Gump, ConocoPhillips (Lake Forest, Ill.), noted that few propane marketers have switched their fleets from conventional engine fuel to propane. Until they do, he said, their efforts to persuade other fleet managers to adopt propane engine fuel will be ineffective.

In response to councilors' concerns that the industry might pursue engine fuel opportunities at the expense of its core market, residential heating, Mr. Willis assured councilors that the residential market will remain an integral part of PERC's efforts. He reminded councilors that the volume projections described by Colle+McVoy indicated that PERC's mission managers expected the residential market to experience the largest growth in new gallons in 2009 and 2010.

Homebuilder Market Report

Mr. Saunders called on Mr. Willis to introduce a special guest speaker, Frank Anton, chief executive of Hanley Wood (Washington, D.C.). Mr. Anton reported that several metrics in the housing market that should go down are instead going up: foreclosures, inventory, and unemployment. Others that should go up are instead going down: home values, sales, consumer confidence, builder confidence, permits and starts, and credit. He noted that manufactured housing is not exempt from these trends, and he discounted regional variations in the housing metrics.

Mr. Anton said consumers who survive the slowdown will be affected by it, and their behaviors could present challenges and opportunities for the propane industry. Consumers in coming years will be less enthusiastic about the risks of buying a house, he said, and their preferences will likely drive a rise in the construction of rental units. Houses will get smaller; that means market share will become more important for propane.

Mr. Anton said consumers — and builders — will demand greener houses. To make sure propane is part of the conversation about green construction, he said, the propane industry should get to know the U.S. Green Building Council, an influential group whose Leadership in Energy and Environmental Design (LEED) Green Building Rating System could become the green standard. He predicted that close-in and urban development will rise, as will development in the exurbs. Retiring baby boomers will flock to college towns near larger cities.

Mr. Anton said he expected to see more consolidation in the building industry, as smaller builders fail at a higher rate. The dominance of bigger builders could represent a growth opportunity for propane. In what could be a significant development for propane, the remodeling market will grow, Mr. Anton said.

Mr. Anton distributed to councilors copies of a 2009 housing forecast produced by the National Association of Home Builders.

Partnership

Mr. Saunders called on the NPGA representatives in attendance to make a few comments. Joe Cordill, the 2008 chairman-elect of NPGA, said the NPGA Executive Committee had met with PERC officers to discuss the PERA price checks and had voted to pursue amending PERA, and the NPGA Board of Officers had later reinforced the importance of efforts to get the law changed. Mr. Cordill commended NPGA President and CEO Richard R. Roldan and NPGA staff for persuading Congress to include extensions of engine fuel tax credits and appliance-efficiency credits in the financial rescue bill signed into law on Oct. 3.

Mr. Cordill offered NPGA's help with marketer engagement. He also cautioned the Council to remember that anything the industry does must recognize the central importance of the home heating market. He acknowledged that the home heating market has slipped, but he urged the Council not to lose sight of its importance to smaller marketers in rural areas. Regarding engine fuel markets, he said smaller marketers are likelier to embrace off-road rather than on-road engine fuel applications. Mr. Cordill said he wants PERC to remain aware of the different priorities of suburban marketers and rural marketers.

Mr. Roldan said the green building standards developed by U.S. Green Building Council present an opportunity to put into place standards that acknowledge the realities of energy production. He noted that electricity producers, for instance, have lobbied successfully for standards that treat electricity as a green source of energy and overlook the fact that half of electricity comes from burning coal.

Mr. Saunders called on Mark Sutton, executive director of the Gas Processors Association (GPA), to comment on GPA's partnership with PERC. Mr. Sutton said GPA is using its PERC partnership dollars on two projects that are of interest to propane producers and could be of interest to propane marketers. One has to do with freeze valves and the other concerns the development of a computer model that could predict how much methanol must be added to the product stream during gas processing.

Mr. Sutton noted that GPA expects to fund two grant requests from ASTM International, a standards development organization, that concern the development of precision data

for gas processing standards. He reminded Council members and PERC staff that Kenny Wheat is GPA's new technical director, and he said GPA is considering its options regarding new appointments to the Council. Lastly, he said Mr. Willis will attend the next GPA board meeting to give an update on PERC and PERA.

Industry and Public Comments

Mr. Saunders opened the floor for industry and public comments. Hearing no comments, he called on Jim Harris, PERC's chief financial officer and vice president of operations, to report on grants management.

Grants Management

PERC Chief Financial Officer and Vice President of Administration Jim Harris proposed to close out 11 dockets, with the funds returning to the general treasury (as follows).

Docket: 12177 (Consumer Education) \$50,000
Project: 2007 Rural Hospitality Marketing Program
Action: De-obligates the remaining balance of \$11,610 and returns these funds to the general treasury

Docket: 12178 (Consumer Education) \$118,800
Project: 2007 Media Monitoring Program
Action: De-obligates the remaining balance of \$38,821 and returns these funds to the general treasury

Docket: 12332 (Consumer Education) \$150,000
Project: IBS 2008 Program
Action: De-obligates the remaining balance of \$698 and returns these funds to the general treasury

Docket: 11042 (Industry Programs) \$461,500
Project: Industry Program IT Initiative – Phase II
Action: De-obligates the remaining balance of \$6,573 and returns these funds to the general treasury

Docket: 12150 (Industry Programs) \$1,601,500
Project: 2007 Partnerships
Action: De-obligates the remaining balance of \$115,945 and returns these funds to the general treasury

Docket: 11535 (Research and Development) \$26,515
Project: NPGA Codes and Standards Research Consortium
Action: De-obligates the remaining balance of \$90 and returns these funds to the general treasury

Docket: 12170 (Research and Development) \$207,400
Project: 2007 Research and Development Oversight and Advisory Committee Support
Action: De-obligates the remaining balance of \$3,036 and returns these funds to the general treasury

Docket: 12337 (Research and Development) \$55,000

- Project:** LPG Genset with Solar Hybrid Power Station for WLPGF Display
Action: De-obligates the remaining balance of \$89 and returns these funds to the general treasury
- Docket:** **12198 (Agriculture) \$400,190**
Project: 2007 Agriculture Communications
Action: De-obligates the remaining balance of \$245 and returns these funds to the general treasury
- Docket:** **12410 (Agriculture) \$28,600**
Project: Research and Design of a Propane-Fueled Machine for Reducing the Weed Seed Bank
Action: De-obligates the remaining balance of \$28,600 and returns these funds to the general treasury

Upon a motion duly made and seconded, the Council voted to adopt the grants management reconciliation report.

Consumer Education

Consumer Education Advisory Committee (CEAC) Chairman Daryl McClendon, Ferrellgas (Hinsdale, Ill.), gave an overview of the CEAC report to the Council. Mr. McClendon pointed out to the Council that the volume projections developed by Colle+McVoy and PERC staff reflect a belief that the residential segment will experience significant growth in new propane gallons. He said the projections made clear that residential heating will remain a priority for the propane industry as it increases its efforts to develop other markets. Mr. McClendon invited Ms. Caskin to give an update on the national consumer education campaign now under way.

Ms. Caskin explained that the residential campaign is designed to reach both consumers and builders, and she noted that the campaign continues to promote an appliance in each quarter. In the third quarter just ended, the focus had been on propane generators and readiness for severe weather. Ms. Caskin reported that PERC has conducted a webinar for marketers in each quarter in an effort to help them take full advantage of the opportunities created by the national advertising campaign. In the third quarter, for example, the subject of the webinar was generators.

Ms. Caskin said advertising in all media has promoted a lifestyle rather than a fuel, and one part of that lifestyle could be called green living, which emphasizes efficiency. She said a green living survey revealed that consumers want to make their homes efficient, but most do not believe it is easy to do that. That belief creates a sales opportunity for propane marketers who are prepared to show homeowners and homebuilders how easily propane can improve energy efficiency, she said, and the national campaign has reinforced that message to consumers.

Ms. Caskin said the national campaign went beyond traditional advertising to embrace product placement. One example, she said, is a five-part television series about a propane-fueled basement remodeling project that is airing through November on the DIY network. In another outreach opportunity, Ms. Caskin appeared on camera for a segment about propane on public television's Ask This Old House. That segment will air in January on PBS and is also available on the show's website.

Ms. Caskin noted that new projections issued by the Department of Energy predict winter propane price increases of about 11 percent. Electricity prices are expected to rise by about 10 percent, and household expenditures on home heating oil are expected to rise an average of 23 percent. She said the extension of the tax credits for energy-efficient appliances could help offset the increase in the price of propane and make propane appliances more attractive.

Ms. Caskin said 572,000 visitors had been to usepropane.com this year, an increase of 51 percent compared with last year at the same point. She said that all of PERC's advertising and outreach leads to usepropane.com and buildwithpropane.com. Ms. Caskin said 42 percent of the visitors to the website use the Find a Propane Retailer feature.

Ms. Caskin introduced **Docket 15506**. Questions from the Council centered on the reasonableness of the price increases for Dan Warner, the actor who portrays Propane in the Energy Guys campaign, and PERC's liability for propane marketers' use of the Energy Guys after PERC's agreement with Warner and John Hemphill (Electricity) expires. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	15506
Applicant:	Propane Education & Research Council
Short Title:	Energy Guys Talent Payment
Amount Requested:	\$305,000
Action:	Approved

Ms. Caskin informed the Council that Harris Interactive will soon undertake an assessment of the value of the propane industry's branding equities, including the Energy Guys and *PROPANE Exceptional Energy®*. She noted that this assessment project will require no additional funding from the Council.

Ms. Caskin introduced a change order to **Docket 15350**. In response to questions from the Council, Ms. Caskin explained that PERC and Colle+McVoy originally underestimated the amount of work that the agency would have to take on in the early months of the partnership and that PERC asked Colle+McVoy to do more work this year than it expected. Mr. McClendon reminded the Council that the original grant funding request was drafted in July at the outset of the partnership, before any strategy meetings had taken place, and that staff had informed the Council that it was at best a rough estimate of how much funding it would take to get started on the transition to a new agency. Upon a motion duly made and seconded, the additional cost change order was approved (as follows).

Docket:	15350
Applicant:	Propane Education & Research Council
Short Title:	Communications Agency Transition and 2009 Planning
Amount Approved:	\$311,560
Additional Amount Requested:	\$412,350
Action:	Approved

Ms. Caskin introduced a change order to **Docket 12460**. In response to a question from the Council, Kelly Harris, programs manager with PERC, explained that the vendor (R2i) is bearing the costs that it failed to anticipate, and that the additional funding PERC is asking for here would cover only those costs that PERC failed to anticipate. Upon a motion duly made and seconded, the additional cost change order was approved (as follows).

Docket:	12460
Applicant:	Propane Education & Research Council
Short Title:	2008 MaRC/Catalog Website Merger
Approved Amount:	\$191,850
Additional Amount Requested:	\$40,000
Action:	Approved

Kate called on Tracy Burleson, director of residential trade outreach and partnerships, to offer an update on the builder outreach program. Ms. Burleson reminded the Council that the builder program also reaches architects, plumbers, and heating and cooling specialists, among others in the trades.

Ms. Burleson reported that PERC's partnership with Hanley Wood has grown in the past year to include magazine advertisements, magazine inserts, videos, email newsletters (The Propane Energy Update), and other promotional efforts, all designed to drive builders to buildwithpropane.com. Promotional materials in Hanley Wood publications reach about 300,000 subscribers, she said, and the ad materials are made available to marketers for local use.

Mr. Burleson reported that propane water heaters will be Energy Star rated, whereas electric water heaters will not be. She said PERC will highlight that competitive advantage in various promotional items directed at builders.

PERC and its partners have developed five new builder education courses about propane, Ms. Burleson said, and they are available for free online. About 800 architects have taken the courses.

Mr. Burleson said the propane industry is the exclusive energy sponsor of NAHB 20 Clubs. These builders typically use underground tanks already, she said, but they are eager to learn more about community tank systems.

Trade shows remain an important part of the propane industry's outreach to builders, Ms. Burleson said. One highlight of that effort is PERC's sponsorship of the Hanley Wood show home at the International Builders' Show.

Ms. Burleson introduced **Docket 15492**. Mr. Auxier asked Ms. Burleson to consider expanding the research to discover whether propane backup is worthwhile and what kind of tank is best. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	15492
Applicant:	Propane Education & Research Council
Short Title:	Comparative Analysis of Residential Heating Systems

Amount Requested: **\$148,412**
Action: **Approved**

Engine Fuel

Engine Fuel Advisory Committee (EFAC) Chairman Tucker Perkins, Inergy Propane (Kansas City, Kan.), reminded the Council that the committee focuses on the following market segments: forklifts, off-road and stationary equipment, and on-road vehicles. He said forklifts remain critically important to the propane industry, but other off-road propane applications, such as commercial mowing, could someday rival its fuel consumption. Nevertheless, he said today's presentation would focus on projects designed to stimulate the on-road market.

Mr. Perkins noted that PERC's efforts to develop the on-road market involve working with original equipment manufacturers (OEMs) and makers of aftermarket products. He said, PERC continues to cultivate relationships with OEMs, who as a group have hesitated to make a full commitment to propane engines. But they have been more supportive recently, he said. General Motors in particular has been helpful to CleanFuel USA and PERC during the development of the propane-fueled 8.1-liter engine. In another GM project, the 6.0-liter engine, PERC has been involved from the beginning of the engine's development, and the propane version of that engine is expected to be available in the first quarter of 2009, Mr. Perkins said. In response to a question from the Council, Mr. Perkins said Roush has been a good partner to PERC and has the inside pipeline to Ford. But he acknowledged that the committee is not completely satisfied with the outcomes of the Roush F-150 program and is working with Roush to make the program better.

Mr. Perkins said PERC would continue to work with aftermarket suppliers. Makers of aftermarket propane equipment face fewer constraints than OEMs have to contend with, he said, primarily because they have the flexibility to pursue local rather than national markets for their products. Mr. Perkins said aftermarket products are better than ever, and the committee expects to bring funding requests related to aftermarket products to the Council soon.

Mr. Perkins said that as an engine fuel group the committee hopes to capitalize on any success T. Boone Pickens has as he takes a natural gas vehicle campaign to a national audience. Should Pickens succeed in making natural gas vehicles a commercially viable consumer product, propane would be in a position to capture market share from natural gas for three reasons: propane and natural gas have the same environmental characteristics; propane fueling stations are considerably less costly to install than natural gas fueling stations; and propane engine fuel offers greater range in almost every kind of vehicle.

PERC Vice President Brian J. Feehan offered an overview of EFAC's work since its creation three years ago. He reviewed the committee's vision — recapture, retain, and expand propane's position in the engine fuel market — and summarized the process the committee uses to identify, create, and refine projects that can help make that vision a reality.

Mr. Feehan reviewed some of propane's challenges in the engine fuel segment and explained that the industry has overcome many of these challenges. He noted that industry efforts helped increase demand for propane forklifts.

Mr. Feehan reviewed some of PERC's successful partnerships in the engine fuel segment, including the Blue Bird Propane-Powered Vision school bus. He noted that Blue Bird has announced sales of about 500 propane buses through October 2008, exceeding its goal of 300 for the year. Mr. Feehan said the propane industry is engaging in the school bus program, and significant numbers of propane marketers are helping directly with the sale of buses. He said most school bus sales have been in California and Texas, where PERC and Blue Bird already have demonstration vehicles. Demonstration vehicles are now on the road in several other regions of the country.

Mr. Feehan showed councilors a Budweiser television commercial that featured a winner of the 2008 *PROPANE Exceptional Energy®* Fleet Award, the Wil Fischer Companies, a Budweiser distributor in Springfield, Mo. The advertisement is part of Anheuser-Busch's campaign promoting green practices throughout the Anheuser-Busch company and its partners. It aired on NBC during the Summer Olympics.

Mr. Feehan highlighted some of the propane industry's engine fuel outreach activities, such as a ride-and-drive event for business and automotive writers in New York City on August 20. That event led to positive coverage of propane engine technology in U.S. and Canadian newspapers that have a combined circulation of some 15 million.

Representatives from Roush Industries updated the councilors on the progress of the propane F-150 program. Their presentation covered new components, key selling points, development challenges (supply-chain issues), customers, media coverage, and marketing aimed at fleets. They reported that Roush sold 250 vehicles in the first six weeks.

The Roush representatives said fleet buyers tell them that they would like to see a long-term commitment to the propane truck program before they add the trucks to their fleets. Fleet managers need to know what's next, they said, and a multiyear program could help reassure them that the propane truck program is a serious venture. Other benefits of a multiyear commitment to the program include supply chain stability, production efficiencies, and marketing momentum.

The Roush representatives said the company has high hopes for the aftermarket version of its liquid propane injection system. Roush expects to sell 500 kits this year. In response to questions from the Council, the Roush representatives agreed that the \$10,000 sales price for the aftermarket kit is too high and said Roush is pursuing strategies to bring that cost down.

Mr. Feehan introduced **Docket 15494**. Mr. Armentano asked Mr. Feehan and Mr. Perkins whether any payouts to Roush would be contingent on the attainment of California Air Resources Board (CARB) certification for the propane F-150. He said that without CARB certification the truck cannot be sold and registered in California, New York, and several other states. He said he wanted to make CARB certification a milestone in the funding request.

Mr. Perkins explained how the money is scheduled to be released, should the Council approve the funding and should Roush achieve each milestone. He stressed the importance of program management and oversight, said the contract would tie payouts

to the accomplishment of clear milestones, and would include an exit strategy for PERC that could begin at any number of go-or-no-go points.

A motion to table the funding request until October 10 was made and seconded but rejected.

Upon a motion, duly made and seconded, the funding request was amended to stipulate that PERC will release no more than \$750,000 to Roush until the Ford F-150 receives CARB certification for 2008 and to stipulate that the committee will keep the Council informed about Roush's progress toward that milestone.

Upon a motion duly made and seconded, the funding request was approved as amended (as follows).

Docket: 15494
Applicant: Roush
Short Title: Roush Multi-year/Multi-model Propane Engine Fuel Program
Amount: \$4,760,725
Action: Approved

Mr. Feehan introduced **Docket 15532**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15532
Applicant: Dunlap Group
Short Title: California Air Resources Board (CARB) Certification Road Map
Amount: \$60,000
Action: Approved

Mr. Feehan asked the Council to authorize an RFP for a collective economic analysis of propane and electric forklifts. Upon a motion duly made and seconded, the authorization request was approved.

Safety and Training

In a report to the Council on the work of the Safety & Training Advisory Committee, PERC Vice President of Safety and Training Stuart Flatow confirmed that PERC has distributed 3,500 CETP E-Learning DVDs to industry customers. He explained that according to NPGA staff, online CETP certification tests have increased since the release of the CETP E-Learning programs.

Mr. Flatow introduced **Docket 15504**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15504
Applicant: Propane Education & Research Council
Short Title: CETP Vapor Distribution Systems Text and E-Learning (Phase 1)
Amount Requested: \$800,625
Action: Approved

Mr. Flatow introduced **Docket 15514**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	15514
Applicant:	Propane Education & Research Council
Short Title:	Static Electricity Education Program
Amount Requested:	\$113,400
Action:	Approved

Mr. Flatow presented to the Council a white paper that makes the case for making CETP E-Learning available on the Internet. He cited several advantages of doing so: it maintains quality, functionality, and user experience; it is always up to date; it makes it less expensive to update training materials; and it collects important data that can be used as a tool to gauge the program's effectiveness.

He noted that the initial cost would be \$600,000, and there would be annual maintenance costs of approximately \$50,000. The Council advised Mr. Flatow to distribute a request for proposals for this initiative as a means to obtain bids from other qualified vendors and to coordinate with NPGA, as appropriate.

The Council recessed for the day at 4:48 p.m.

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The meeting resumed at 8:33 a.m.

Research and Development

Director of Research and Development Greg Kerr offered a report on the work and plans of the Research and Development Advisory Committee (RDAC). PERC expects to receive bids before the end of the year on two projects: an analysis of the market for biopropane and a second phase of the demonstration program for distributed generation systems. He reported that a survey of marketer preferences regarding remote tank level monitoring systems had yielded 36 responses and would remain open for a few more weeks. Survey responses will help shape PERC's upcoming performance tests of remote tank level monitoring systems.

Mr. Kerr offered updates on other ongoing research projects, including two systems that will be reaching the market early in 2009. He said the freewatt micro-CHP (combined heat and power) system (**Docket 12199**) is a high-efficiency warm air furnace and power generator. The propane version will go on the market in April 2009.

The Aisin gas heat pump will be commercialized on propane in 2009. The unit will be featured prominently in a show house at the International Builders' Show in Las Vegas in January 2009. That installation will feature three systems and 23 air handlers.

Mr. Kerr said PERC's investigation of the durability of tank coatings has produced a final report and that RDAC is reviewing it now. Mr. Kerr offered to make the draft report available to Council members for their review and comment.

Mr. Kerr noted that a solar-propane hybrid system has gone on display outside the U.S. Botanic Garden in the shadow of the U.S. Capitol in Washington, D.C. The demonstration highlights propane's usefulness as a complement to power generation devices that run primarily on renewable energy.

Mr. Kerr introduced **Docket 15487**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15487
Applicant: Propane Education & Research Council
Short Title: Develop a Propane Distributed Generation Market Assessment
Amount Requested: \$165,000
Action: Approved

Mr. Kerr introduced **Docket 15489**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15489
Applicant: Propane Education & Research Council
Short Title: Testing Regulator Capacity at Different Operating Conditions
Amount Requested: \$83,009
Action: Approved

Mr. Kerr introduced **Docket 15490**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15490
Applicant: Propane Education & Research Council
Short Title: Premium Genset Development and Commercialization
Amount Requested: \$524,000
Action: Approved

Agriculture

Director of Agriculture Programs Mark Leitman reported on media outreach events at agricultural shows and media outreach to agricultural influencer groups, such as the Soil and Water Conservation Society. He said PERC and the Agricultural Advisory Committee have been leveraging the resources of research partners such as the U.S. Department of Agriculture and others.

Mr. Leitman said recent and ongoing PERC agricultural projects have been designed to help farmers cut costs by getting more efficient instead of cutting costs by reducing propane use or switching to a cheaper fuel. The propane industry is also working with farmers to help spread the word about propane. A new program will pay farmers to use particular propane-fueled equipment and then tell their peers about their success with propane applications on the farm.

Mr. Leitman introduced **Docket 15384**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15384
Applicant: JE Associates
Short Title: Disinfesting Food Processing Facilities with Heat
Amount Requested: \$137,500
Action: Approved

Mr. Leitman introduced **Docket 15385**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15385
Applicant: Propane Education & Research Council
Short Title: Reducing Soil Erosion through Thermal Pest Control
Amount Requested: \$60,220
Action: Approved

Mr. Leitman introduced **Docket 15451**. Mr. Leitman explained that this funding request is supplemental to **Docket 12582**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15451
Applicant: JE Associates
Short Title: Optimization of Propane Steam Generator for Soil Sanitation
Amount Requested: \$29,100
Action: Approved

Mr. Leitman introduced **Docket 15474**. Mr. Leitman disclosed that the request comes from a member of the Agricultural Advisory Committee. The grantee, Mike Welch of Welch Propane, proposes to develop and test a modification of the available unit. Mr. Willis reminded the Council that our standard funding agreement secures intellectual property rights for PERC. Mr. Leitman acknowledged that Mr. Welch could accept the grant only on those terms. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15474
Applicant: Welch Propane
Short Title: Flame Tiller for Sanitizing Litter in Poultry Houses
Amount Requested: \$62,955
Action: Approved

Mr. Leitman introduced **Docket 15505**. Mr. Leitman explained that he and PERC staff maintain control of the project. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 15505
Applicant: Osborn & Barr
Short Title: Agriculture Technology Demonstration and Validation Plan
Amount Requested: \$530,000
Action: Approved

Industry Programs

Industry Programs Director Martha Evans reminded Council members about the upcoming NPGA/PERC Leadership Summit, which will feature a PERC workshop called How to Maximize the Use of State Rebate Dollars and Grow Your Markets. She said state presidents have been invited to the summit. PERC looks forward to a productive conference, she said, and hopes to gain feedback from states and marketers to build our programs for 2009.

Ms. Evans reported that nationally there was a 71.9 percent response rate to the API survey. This compares with 62.4 percent in 2006 and 47.5 percent in 2005, she said. Over the summer, PERC made significant improvements in the survey, namely, auditing the mailing lists and increasing response rates. Ms. Evans offered some quick statistics: response rates increased in 39 states; 33 states had response rates of better than 80 percent; and only two states had response rates lower than 50 percent.

Ms. Evans said six states competed for the Milford Therrell Award, a \$25,000 prize that goes to the state that conducted the best rebate-funded program in the last year. She introduced the recommendation that PERC give the 2008 Milford Therrell Award to the New York Propane Gas Association. Upon a motion duly made and seconded, the recommendation was approved. Mr. Saunders congratulated the New York Propane Gas Association.

Ms. Evans directed the Council's attention to the replicated rebate requests listed in the notebook. Upon a motion duly made and seconded, the replicated rebates were approved.

Old Business

Concerning the schedule of upcoming meetings, councilors asked whether PERC could hold the July meeting somewhere other than Washington (perhaps Portland, Maine, or Bar Harbor), and whether it could have the fall PERC meeting before the NPGA board meeting.

New Business

Upon a motion duly made and seconded, the Council directed PERC staff to prepare an RFP to undertake a study of the site-to-source costs of propane and how clean and green propane really is.

Mr. Saunders announced that the next Council meeting will take place in Houston, Texas, on Dec. 4 and 5. The Executive Committee will meet Dec. 3.

Upon a motion duly made and seconded, the meeting adjourned at 10:25 a.m.