

Propane Education & Research Council
July 12-13, 2016
Napa, California
MINUTES

Chairman Tom Van Buren called the meeting to order at 1 p.m. Pacific Daylight Time.

Mr. Van Buren announced that the Council would stand for the Pledge of Allegiance and pray before each Council meeting, starting today. He noted that at the last meeting the Council had a moment of silence and prayed for David Lugar of AmeriGas.

Mr. Van Buren, Ferrellgas (Overland Park, Kan.), welcomed the Council members in attendance:

Kasib Abdullah, BP (Houston)
Robert Barry, Bergquist (Toledo, Ohio) — *Secretary*
Gene Bissell (Gladwyne, Pa.)
Steven Breckon, Lone Star NGL (Houston)
Robert Chalmers, JP Energy Partners (Irving, Texas) — *Treasurer*
Drew Combs, CHS Inc. (Inver Grove Heights, Minn.) — *Vice Chairman, Marketers*
Daniel Dixon, AmeriGas (Florence, Ala.)
Randy Doyle, Blossman Gas (Ocean Springs, Miss.)
Roxanne Fowles, MarkWest Energy Partners LP (Friendswood, Texas)
Robert Freeman, Freeman Gas (Spartanburg, S.C.)
Robert Hemsworth, DCP Midstream (Houston)
Bruce Leonard, Targa (Southlake, Texas) — *Vice Chairman, Producers*
Doug Rinke (Tucson, Ariz.)
Richard Williams, Suburban Propane Partners LP (Whippany, N.J.)

Gregg Dighero, Encana Oil and Gas (Denver, Colo.); Sam Hawley, Enterprise (Houston); and David Wiseman, Williams Energy Resources LLC (Tulsa, Okla.), joined by telephone.

Chairman's Report

Approval of Minutes. Mr. Van Buren directed the councilors' attention to the minutes of the April 2016 Council meeting. Upon a motion duly made and seconded, the Council approved the minutes.

Executive Committee. Mr. Van Buren announced that the Executive Committee met before the Council meeting to discuss a variety of topics, including the process of updating the strategic plan, the 2017 budget, the Industry Outreach Committee, the NPGA-PERC partnership, and the CEO's succession planning and annual performance review.

Chairman Comments

Mr. Van Buren thanked the Budget and Finance Committee and the Executive Committee for their work on budget planning, industry engagement, and developing a new structure for the Advisory Committee. He also thanked the Advisory Committee chairs for participating in May luncheons with PERC staff leadership and councilors to discuss making adjustments to the structure and focus of the Advisory Committee going forward. He said the Advisory Committee working group chairmen will need to work on

putting more focus on market segmentation now that PERC's restriction on consumer education has been lifted. Mr. Combs will lead a new Council Strategy Task Force that will include PERC staff members, the chairman and the vice chairmen of each working group, and councilors, to work toward the goal of providing feedback at the February Council meeting about strategy and direction for the Council and how to optimize resources to grow gallons safely for the industry by working together with the states and NPGA.

Appointment of Advisory Committee Members. Mr. Van Buren urged councilors to attend an Advisory Committee meeting.

The list of Advisory Committee members are as follows:

To the Market Outreach and Training Working Group: Chairman Scott Brockelmeyer, Ferrellgas (Missouri); Vice Chairman Kirk McCullick, Growmark, Inc. (Illinois); Steve Ahrens, Missouri Propane Education and Research Council (Missouri); Harris Baker, Pinnacle Propane (Texas); Jay Christie of New Century FS, Collins, Iowa.; Kevin Cobb, Suburban Propane (Idaho); Gordon Cunningham, Cunningham Propane (Arkansas); Bill DeClerk, DeClerk LP Gas Inc. (Arkansas); Mark Dmochowski, Georgia Gas Distributors (Georgia); Adam Friedman, Superior Propane (Connecticut); Michael Gioffre, Paraco South (North Carolina); Deb Grooms of Iowa Propane Gas Association in Des Moines, Iowa.; Becky Hornblower, Growmark Inc. (Illinois); John Jessup, North Carolina Propane Gas Association (North Carolina); Brilynn Johnson, AmeriGas (California); Laurie Irish Jones, Irish Companies (New York); Christopher Kowalski, E. Osterman Inc. (Massachusetts); John Kraft, Plains Marketing LP (South Dakota); Matt Kumm, CHS Inc. (Minnesota); Bruce Leonard, Targa Liquids Marketing & Trade (Texas); Brian Mater, Ferrellgas (Kansas); Jenni McKeen, Georgia Propane Gas Association (Georgia); Shane McWhorter, Sequoia Gas (California); Bill Moore, Conger Gas (Georgia); Raymond Murray, Ray Murray Inc. (Massachusetts); Mollie O'Dell, National Propane Gas Association (Washington, D.C.); Paige O'Dell of AmeriGas Propane, King of Prussia, Penn.; Keith Onderdonk, Suburban Propane LP (New Jersey); Derek Rimko, Superior Energy Systems Ltd. (Ohio); Joe Rose, Propane Gas Association of New England (New Hampshire); Scott Seibert, Aux Sable Liquid Products (Illinois); Josh Simpson of Kamps Propane in Manteca, Calif.; Joe Trefethen, Palmer Gas/Ermer Oil (New Hampshire); Jim Van Uden, R H Foster Energy Inc (Maine); Brandon Wade, Wade Sales and Services, Inc. (Illinois); Ted West, Liberty Propane (Pennsylvania); Emily Willis, Blossman Gas (North Carolina); Mark Zimora, Energy Distribution Partners (Pennsylvania).

To the Research and Technology Development Working Group: Chairman David Reynolds, Blossman Gas (Mississippi); Vice Chairman Kenton Sonnenburg, CHS Inc. (Minnesota); Mike Alexander, Worthington Cylinders (Ohio); Robert Barry, Bergquist (Ohio); Dave Bertelsen, Matheson Trigas (Ohio); David Biggs, IPS Equipment (Michigan); Michael DeVoe, Paraco Gas (New York); Aaron DeWeese, Illinois Propane Gas Association (Illinois); Nathan Ediger, Ferrellgas (Kansas); Darren Engle, Blue Star Gas (Oregon); Marty Erne, Gas Processors Association (Oklahoma); Michael Faivre, Burkardt's LP Gas (Illinois); Donald Fernald, Superior Energy Systems (Ohio); Mark Goldsmith, Bay Gas Service (New York); Ken Green, Green's Oklahoma Liquefied Gas (Oklahoma); Roger Gruwell, AmeriGas (Iowa); Julie Johnson of Ted Johnson Propane in Baldwin Park, Calif.; David Kennedy, Alliance AutoGas (North Carolina); Sam McTier, Propane Technologies LLC (Illinois); Steve Moore, Expo Propane Inc. (California); Bill Platz, Delta Liquid Energy (California); Vince Rooney, Suburban Propane LP (New

Jersey); Kirk Saunders, White Mountain Oil & Propane (New Hampshire); Jay Sells, AmeriGas (Florida); Michael Sheehan, Sheehan's Gas Co. (Minnesota); Lynn Sheets, Key Cooperative (Iowa); Gary Shepherd, Stanford, LP Gas (Michigan); Bill Stewart, Blue Star Gas (California); Chuck Strawn, Red Seal Measurement Company (South Carolina); Bruce Swiecicki, National Propane Gas Association (Illinois); Tom Tarantin, Tarantin Industries, Inc. (New Jersey); Don Tomiello, Targa Resources (Texas); Bill Van Hoy, Texas Propane Gas Association (Texas); Erich Wolf, Cavagna North America (Ohio), Jim Zuck, Marshall Excelsior Company (Michigan).

To the Safety and Training Working Group: Chairman Randy Warner, Ferrellgas (Missouri); Vice Chairman Bruce Montroy, Bergquist (Michigan); Mark Anderson, Dead River Company (Maine); Doug Auxier, Auxier Gas Service Inc. (Ohio); John Barnett, U-Haul International (Arizona); Ron Batey, CHS Inc. (Minnesota); Byron Breda, PGANE (New Hampshire); Mike Calderera, National Propane Gas Association (Washington, D.C.); Joseph Carey, PE, Suburban Propane (New York); Keith Hanchett, PERS (Utah); Jay Hilliard, Revere Gas & Appliance (Virginia); John Kamps, Kamps Propane (California); Ray Kazakewich, RegO Products (North Carolina); John Ketchum, Gas Equipment Company (Missouri); Eric Kuster, National Propane Gas Association (Maryland); Paula Laney, OK LP Gas Research, Marketing, and Safety Commission (Oklahoma); Dave Latourell, Paraco Gas (New York); Tom Malek, Country Pride COOP (Nebraska); Jacque McCracken, National Propane Gas Association (Washington, D.C.); Ken Mueller, Nationwide Agri-Business Insurance (Illinois); Tom Mullaney, Rockhill Insurance Group (Arkansas); Barry Oden, MFA Oil Co. (Missouri); Dennis Patrick, Crystal Flash Energy (Michigan); Jeff Shaffer, Shaffer's Bottled Gas Corp. (Pennsylvania); Earl Slacum, Tri Gas & Oil Co. Inc. (Maryland); Matt Terry, JP Energy Partners LP (Texas); Christopher Wagner, AmeriGas (Pennsylvania); Mike Walters, Superior Energy (Ohio); Zoe Williams, Hawaii Gas (Hawaii).

Advisory Committee Report. David Reynolds, chairman of the Research and Technology Development Working Group, shared observations about the Advisory Committee and invited councilors to attend a meeting. He recognized the Safety and Training Working Group for their work developing cost effective programs, and for the work done by the working groups working together on programs such as the new HVAC and plumber training course and propane autogas vehicle technician training program in partnership with the National Alternative Fuels Training Consortium.

NPGA Report

NPGA Chairman-Elect Jerry Brick reported that the partnership between NPGA and PERC is strong, with personal involvement by officers in both organizations playing a role in its success. He noted that Stuart Weidie has made it a priority to integrate the two organizations and that PERC's research and commercialization work is an important part of the partnership.

NPGA President and CEO Rick Roldan said PERC's research program has worked well to save NPGA members millions of dollars. He asked for more funding to implement a rapid response analytics program, which NPGA is staffed to handle now, and to strengthen PERC and NPGA's communications programs, which is not part of the Partnership Agreement now.

Van Buren thanked Mr. Roldan and said that the grant funding initiatives with the Department of Energy are a great example of the two organizations working together to combine resources and do what is best for the industry.

Portfolio Review Subcommittee Report

The Portfolio Review Subcommittee is responsible for providing a high-level strategic review of PERC's project portfolio. Mr. Chalmers reported on the activities of the Budget and Finance Committee and how that work played a critical role to form the budget for 2017. That committee found that all of PERC's projects were adding value and being executed well.

He announced that Mr. Freeman will take over as chair of the Portfolio Review Subcommittee and that its function will be to continue to provide oversight on all PERC projects. He said that PERC staff is working to bring greater visibility by developing a new portal that will include detail on all projects.

Van Buren thanked Grace Willis and Mr. Chalmers for their critical work in this area and thanked Mr. Freeman for stepping up as chairman of the committee.

Industry Outreach Committee Report

Mr. Barry reported that the mission of the Industry Outreach Subcommittee is to increase the use and engagement of PERC tools by state associations and marketers with the ultimate goal of expanding consumer use of propane.

He noted that the committee made an amendment to the charter to report periodically on the rebate and Partnership with States dollars used by the states and how that spending fits into the Council's strategic initiatives and plan.

Upon a motion duly made and seconded, the Council approved the Industry Outreach Committee and charter as amended.

Chairman Comments

Mr. Van Buren said that consumer awareness of propane and the related campaign is a big initiative and thanked The Richards Group and PERC Chief Marketing Officer Dennis Vegas for their work, noting that the campaign commercials are airing on TV nationwide now.

Treasurer's Report

Mr. Chalmers reviewed the 2016 budget year surplus compared with the latest forecast and the investment management report.

Upon approval of a motion duly made and seconded, the Council adopted the treasurer's report and approved a proposal to close out 14 docket items comprising \$620,000, with the funds returning to the general treasury (as follows).

Docket: 19227 – \$35,000
Project: Crisis Communications 2013
Action: De-obligates the remaining balance of \$10,053 and returns these funds to the general treasury

Docket: 20206 – \$896,424

Project: 2015 Marketer Technology and Sales Training
Action: De-obligates the remaining balance of \$69,883 and returns these funds to the general treasury

Docket: **20272 – \$394,580**
Project: 2015 Propane Market Research Initiative
Action: De-obligates the remaining balance of \$1,849 and returns these funds to the general treasury

Docket: **20274 – \$1,319,500**
Project: 2015 Partnership Agreement between PERC, NPGA, and GPA
Action: De-obligates the remaining balance of \$117,703 and returns these funds to the general treasury

Docket: **17584 – \$552,500**
Project: Spark Ignition Direct Injection Engine Technology Investigation
Action: De-obligates the remaining balance of \$14,854 and returns these funds to the general treasury

Docket: **19180 – \$135,000**
Project: Optimizing Operating Parameters for Propane Fueled Air Cooled Engines
Action: De-obligates the remaining balance of \$285 and returns these funds to the general treasury

Docket: **20005 – \$326,229**
Project: 2014/2015 First Responder Training and Conferences
Action: De-obligates the remaining balance of \$38,457 and returns these funds to the general treasury

Docket: **20105 – \$200,000**
Project: Propane Emergency Scenarios Flash to HTML5 Conversion
Action: De-obligates the remaining balance of \$19,693 and returns these funds to the general treasury

Docket: **20576 – \$30,500**
Project: Taskforce on Feasibility of PERC to Develop Industry Refresher Training Course
Action: De-obligates the remaining balance of \$16,031 and returns these funds to the general treasury

Docket: **20508 – \$36,500**
Project: Rail Transportation for First Responders and Community Outreach – Phase 1
Action: De-obligates the remaining balance of \$9,169 and returns these funds to the general treasury

Docket: **20527 – \$25,000**
Project: Propane Driver Recruitment and Training – Phase 1
Action: De-obligates the remaining balance of \$20,493 and returns these funds to the general treasury

Docket: 19136 – \$379,500
Project: Propane Irrigation Engine Validation and Demonstration
Action: De-obligates the remaining balance of \$219 and returns these funds to the general treasury

Docket: 19200 – \$1,362,100
Project: 2014/2015 Propane Farm Incentive Program
Action: De-obligates the remaining balance of \$104,879 and returns these funds to the general treasury

Docket: 20198 – \$770,000
Project: 2015 Agriculture Market Outreach Program
Action: De-obligates the remaining balance of \$197,910 and returns these funds to the general treasury

Consent Calendar

Mr. Van Buren asked the councilors to turn their attention to the consent calendar in the briefing materials.

Upon a motion duly made and seconded, the Council approved the 12 funding requests that appear on the consent calendar (as follows).

Docket: 20159
Principal Contractor: PERC
Title: Energy Pod Builder Incentive Program
Amount Requested: \$250,000
Action: Approved

Docket: 20939
Principal Contractor: PERC
Title: Partner OEM Supplemental Incentive Program
Amount Requested: \$150,000
Action: Approved

Docket: 20882
Principal Contractor: PERC
Title: Propane Catalog (MaRC) Maintenance and Support
Amount Requested: \$236,745
Action: Approved

Docket: 20903
Principal Contractor: Logica3
Title: Development of Safety Talk Presentations for Propane Marketers
Amount Requested: \$65,000
Action: Approved

Docket: 20904
Principal Contractor: Logica3
Title: Propane Rail Transportation Community Outreach
Amount Requested: \$29,050

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| Action: | Approved |
| Docket: | 20778 |
| Principal Contractor: | National Alternative Fuels Training Consortium |
| Title: | Fundamentals of Propane Liquid Transfer |
| Amount Requested: | \$85,650 |
| Action: | Approved |
| Docket: | 20884 |
| Principal Contractor: | National Alternative Fuels Training Consortium |
| Title: | Propane Autogas Fuel Tank Purging and Decommissioning Video |
| Amount Requested: | \$59,650 |
| Action: | Approved |
| Docket: | 20888 |
| Principal Contractor: | National Alternative Fuels Training Consortium |
| Title: | Propane Autogas Conversion Repair and Service Facility Safety |
| Amount Requested: | \$39,650 |
| Action: | Approved |
| Docket: | 20665 |
| Principal Contractor: | Tecogen |
| Title: | Ultra-low Emission Propane Fork Truck |
| Amount Requested: | \$95,000 |
| Action: | Approved |
| Docket: | 20832 |
| Principal Contractor: | PERC |
| Title: | Autogas Aftermarket Support Strategy – Phase 2 |
| Amount Requested: | \$250,000 |
| Action: | Approved |
| Docket: | 20835 |
| Principal Contractor: | Roush CleanTech |
| Title: | Low NOx Ford 6.8L Engine Development |
| Amount Requested: | \$250,000 |
| Action: | Approved |
| Docket: | 20890 |
| Principal Contractor: | Gas Technology Institute |
| Title: | Propane Greenhouse Gas and Criteria Pollutant Emissions Comparative Analysis |
| Amount Requested: | \$116,850 |
| Action: | Approved |

Chief Executive Officer’s Report

PERC President and CEO Roy Willis talked about the foundation that the Council has to build on that includes hiring a new CMO and advertising agency and conducting baseline consumer research by Nielsen for the consumer campaign. He said it also

includes PERC's commercialization program that has invested \$42 million, producing 50 different products that will generate \$1.2 billion in value to the industry. He noted a recent white paper about how our industry could save \$200 million dollars by adopting propane autogas bobtails. He also mentioned the recent school bus campaign with Jenna Bush Hager, progress in California with the adoption of propane irrigation engines, a new course for plumbers and HVAC contractors, and PERC's safety materials and programs, among others, as all performing well. Mr. Willis added that as a result of PERC's digital strategy, we have seen a remarkable improvement in open rates for email communications to the industry.

Mr. Willis reported that he approved four no-cost change orders for time extensions under his presidential authority since the Council's last meeting (as follows).

Docket: 19135
Time Extension: May 31, 2018
Title: Autogas Aftermarket Support Strategy
Approved Amount: \$0

Docket: 20244
Time Extension: N/A
Title: Propane Irrigation Engine Market Development, Phase 2
Approved Amount: \$0

Docket: 20711
Time Extension: Feb. 1, 2017
Title: Propane Autogas Technician Training Outreach
Approved Amount: \$0

Docket: 20406
Time Extension: December 2016
Title: Supply and Infrastructure Study
Approved Amount: \$0

Mr. Willis reported that he approved a cost change order to **Docket 20695** (as follows).

Docket: 20695
Time Extension: Additional four weeks
Title: Life Cycle Analysis of Propane GHG
Approved Amount: \$13,000

Mr. Willis reported that he approved a cost change order to **Docket 10125** (as follows).

Docket: 10125
Time Extension: N/A
Title: Propane Exhibit at the National Museum of Industrial History
Approved Amount: \$20,000

2017 Budget

Mr. Van Buren asked for unanimous consent on the process to deliberate the budget, which included opening the floor for questions and discussion from the audience at any time during the 2017 budget presentation. After all presentations are given, the Council would vote on the motion to allow the publication of the budget for public comment.

Mr. Chalmers reported on the creation of the budget and highlights on the breakdown of funding.

PERC Chief Information Officer Kay Howell, Chief Business Development Officer Tucker Perkins, and Mr. Vegas provided an overview of projects funded in the proposed 2017 budget.

Mike Sloan of ICF International reported on propane market conditions and how they could affect the 2017 budget. He also reported that the 2017 budget is expected to generate an estimated 120 million gallons for the industry for that year, extending to 780 million gallons from 2017 to 2019.

PERC Chief Financial Officer Jim Harris reported on and compared the 2016 forecast with the 2017 budget.

Upon a motion duly made and seconded, the Council approved the publication of the 2017 budget plan for public comment before August 1, as required by law.

Mr. Dixon voted against the motion.

Upon a motion duly made and seconded, the Council approved an assessment rate of 0.45 cents per gallon, effective Nov. 1, 2016. It represents an increase of .05 cents.

Mr. Dixon voted against increasing the assessment rate.

Upon a motion duly made and seconded, the Council approved Brandon Wade as the new vice chairman of the Market Outreach and Training Working Group and Jay Hilliard as the new vice chairman of the Safety and Training Working Group.

The Council recessed at 5 p.m. PDT.

Proceedings of July 13.

Mr. Van Buren called the meeting to order at 8:30 a.m. PDT.

Chief Business Development Officer's Report

Mr. Perkins gave an overview of the start of a new technology in the residential and commercial space, updated the Council on a new tractor in the agriculture space, and business development strategy.

Upon a motion duly made and seconded, the Council approved **Docket 20896** (as follows).

Docket: 20896
Principal Contractor: PERC

Title: Off-Road Engine Development Stimulation Project
Amount Requested: \$515,000
Action: Approved

Upon a motion duly made and seconded, the Council approved **Docket 20905** (as follows).

Docket: 20950
Principal Contractor: Confidential
Title: High Efficiency, High Performance, Ultra-low NOx Medium Duty Engine
Amount Requested: \$1,000,000
Action: Approved

Chief Marketing Officer's Report

PERC Chief Marketing Officer Dennis Vegas offered an update on the consumer education campaign. PERC Director of Communications Gregg Walker and Trent Walters of The Richards Group were on hand to answer questions. Other representatives of The Richards Group joined the meeting by telephone.

Mr. Van Buren said it was important that councilors get feedback from marketers about the campaign and provide those ideas and recommendations to the Industry Outreach Committee. He said that the November Council meeting should include an update about next steps for years two and three of the campaign, including marketing specific propane applications.

Old Business

There was no old business.

New Business

Mr. Van Buren asked councilors who wanted to volunteer on the Council Strategy Task Force to follow up with him and Mr. Combs. The task force will provide feedback to the Council no later than the February meeting about strategic needs as they relate to the Council's strategic goals.

Mr. Van Buren announced the 2017 Council and Advisory Committee meeting dates and locations. He noted that the February conference call will be an in-person meeting.

April 20: Council meeting, Nashville.

May 10-11: Advisory Committee meeting, Detroit.

July 11-12: Council meeting, Denver, Colo.

September 19-20: Advisory Committee meeting, Scottsdale, Ariz.

November 2-3: Council Meeting, Tampa.

Mr. Van Buren announced that the 2017 proposed budget is open for public comment, and encouraged councilors to attend the Advisory Committee meeting in Las Vegas in September.

Mr. Van Buren announced that the Council will next meet on Nov. 2 and 3 in Naples, Fla.

By unanimous consent, the Council adjourned at 11:05 a.m. PDT.

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