

**Propane Education & Research Council
December 7-8, 2010
The Woodlands, Texas**

MINUTES

Proceedings for December 7

Chairman Bill Platz called the meeting to order at 1:01 Central Standard Time.

Mr. Platz, Delta Liquid Energy (Paso Robles, Calif.), welcomed the Council members in attendance:

Joe Armentano, Paraco Gas (Rye Brook, N.Y.) — *Treasurer*
Michael E. Barnes, BP Energy Co. (Houston)
Eric Benson, J.S. West & Co. (Modesto, Calif.)
Gregg Dighero, EnCana (Denver)
Paul Grady, Heritage (Florence, Ky.) — *Vice Chairman–Marketeters*
Joe Gump, ConocoPhillips (Dacula, Ga.)
Sam Hawley, Enterprise Products Operating LLC (Houston)
Theodore Jeffcoat, Inergy (Rutland, Mass.)
Sam McTier, Propane Technologies (Lake Forest, Ill.)
Gerry Misel, Georgia Gas Distributors (Sandy Springs, Ga.)
Tom Redd, Martin Midstream Partners (Kilgore, Texas) — *Secretary*
David Regan, Targa Resources Inc. (Houston) — *Vice Chairman–Producers*
Doug Rinke (Columbia, Mo.)
T.J. Rinke, Conway NGL Storage & Fractionation, Williams Midstream (Tulsa, Okla.)
Russ Rupp, Suburban (Bonita Springs, Fla.)
Mike Sheehan, Sheehan's Gas (Bird Island, Minn.)
Tim Stauff, Aux Sable Liquid Products (Morris, Ill.)
Paula Wilson, AmeriGas (Valley Forge, Pa.)
David Wunch, SemStream LP (Tulsa, Okla.)

Charles Snelling (Fogelsville, Pa.) joined the meeting by telephone.

Mr. Platz asked the Council to observe a moment of silence for fallen members of the propane industry.

Approval of Minutes

Mr. Platz directed the councilors' attention to the minutes of the October 2010 meeting of the Council. Upon a motion duly made and seconded, the Council approved the minutes.

Chairman's Report

Mr. Platz announced that he appointed Bruce Leonard of Targa Resources Marketing & Trade (Southlake, Texas), to the Residential and Commercial Advisory Committee

Executive Committee. Mr. Platz said the Executive Committee met by conference call on November 19 to finalize the president's performance goals. The committee met again on the morning of December 7 with the president to go over those goals and to discuss action items for this meeting.

Audit Committee. Mr. Platz called on Audit Committee Chairman T.J. Rinke to make a report on the committee's work. Mr. Rinke said the committee reviewed and accepted the 2010 report on internal controls, prepared by PERC Chief Financial Officer and Vice President Jim Harris, and reviewed and accepted a draft of the committee's annual report to the Council. The approved report will be issued to the Council with the briefing materials before the April 2011 meeting of the Council.

Mr. Platz noted that each year at this time the Council considers the Partnership Agreement with National Propane Gas Association and the Gas Processors Association. He then called on the Council vice chairmen to introduce the staff leaders from NPGA and GPA and invite them to offer updates on their work under the agreement.

Report of the Vice Chairman–Marketers

Mr. Grady introduced NPGA President and CEO Rick Roldan, who offered an update on the association's work under the Partnership Agreement. Mr. Roldan drew councilors' attention to an NPGA report on the Partnership Agreement and asked the Council to note it in the record of this meeting.

Report of the Vice Chairman–Producers

Mr. Regan introduced GPA Executive Director Mark Sutton, who offered an update on the association's work under the Partnership Agreement. Kenny Wheat, GPA director of research programs, and Karl Gerdes, chairman of the GPA Research Committee, also made remarks.

Mr. Platz called on PERC President and CEO Roy Willis to introduce the grant funding request for the Partnership Agreement.

Mr. Willis introduced **Docket 17020**. Upon a motion duly made and seconded, the funding request was approved (as follows), with the stipulation that the president will seek a legal review of the Partnership Agreement to make sure it includes only unrestricted activities.

Docket:	17020
Principal Contractors:	National Propane Gas Association and Gas Processors Association
Short Title:	2011 Partnership Agreement between PERC, GPA, and NPGA
Amount Requested:	\$1,351,000
Action:	Approved

Treasurer's Report

Mr. Armentano reviewed the budget forecast, noting that the projected surplus rose to \$10 million, and reported on the Council's investment operations.

Upon a motion duly made and seconded, the Council approved a proposal to close out 10 dockets, with the funds returning to the general treasury (as follows).

Docket:	15952 (Residential and Commercial) \$1,447,050
Project:	FY 2009 Tradeshows and Conferences
Action:	De-obligates the remaining balance of \$596,524 and returns these funds to the general treasury

Docket: 15724 (Industry Programs) \$360,000
Project: 2009 Industry Outreach Programs
Action: De-obligates the remaining balance of \$102,402 and returns these funds to the general treasury

Docket: 15911 (Industry Programs) \$155,000
Project: U.S. Propane Infrastructure & Deliverability Study
Action: De-obligates the remaining balance of \$8,532 and returns these funds to the general treasury

Docket: 15267 (Engine Fuel) \$127,000
Project: Propane Lawn Equipment Project
Action: De-obligates the remaining balance of \$9,007 and returns these funds to the general treasury

Docket: 12116 (Research and Development) \$701,500
Project: Study of LPG Deposit Formation Mechanisms and Mitigation Methods
Action: De-obligates the remaining balance of \$1,286 and returns these funds to the general treasury

Docket: 12199 (Research and Development) \$25,000
Project: Climate Energy Propane Warm Air Micro-CHP System
Action: De-obligates the remaining balance of \$1,000 and returns these funds to the general treasury

Docket: 12428 (Safety and Training) \$163,715
Project: CETP Support for 2008
Action: De-obligates the remaining balance of \$6,662 and returns these funds to the general treasury

Docket: 15283 (Safety and Training) \$59,300
Project: Jurisdictional Propane Systems Outreach
Action: De-obligates the remaining balance of \$3,127 and returns these funds to the general treasury

Docket: 12293 (Agriculture) \$74,500
Project: Youth Educational Materials Development for Agriculture
Action: De-obligates the remaining balance of \$4,361 and returns these funds to the general treasury

Docket: 12409 (Agriculture) \$91,006
Project: Emission, Economic and Performance Analysis Propane-Fueled Mower
Action: De-obligates the remaining balance of \$14,297 and returns these funds to the general treasury

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

Consent Calendar

Mr. Platz directed councilors' attention to the consent calendar in their briefing materials, noting that the Council would consider the 16 grant funding requests and two state

rebate requests on the consent calendar en bloc rather than taking them up one at a time. He advised councilors that three funding requests — **Dockets 16958, 16961, and 16962** — had been pulled from the original consent calendar by councilors for discussion later in our meeting. Four other dockets that do not appear on the consent calendar — **Dockets 16896, 16959, 16939, and 17071** — would be considered later in the meeting. **Docket 17020** was approved earlier.

Upon a motion duly made and seconded, the Council the set a limit of \$500,000 on spending proposals that can be included on the consent calendar.

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

Docket: 16947
Principal Contractor: Stage-Gate International
Short Title: 2011 PERC Innovation Initiatives
Amount Requested: \$262,000
Action: Approved

Docket: 16960
Principal Contractor: Propane Education & Research Council
Short Title: Residential and Commercial Advisory Committee Oversight
Amount Requested: \$150,000
Action: Approved

Docket: 16966
Principal Contractor: Propane Education & Research Council
Short Title: 2011 EFAC Oversight & Operating Support
Amount Requested: \$160,000
Action: Approved

Docket: 16880
Principal Contractor: Progressive Agriculture Foundation
Short Title: Training Trainers and Youth on Propane Safety
Amount Requested: \$30,000
Action: Approved

Docket: 16902
Principal Contractor: Propane Education & Research Council
Short Title: 2011 Ag Oversight and Support
Amount Requested: \$150,000
Action: Approved

Docket: 16906
Principal Contractor: Osborn & Barr Communications; Nexight Group
Short Title: 2011 Agriculture Outreach Program
Amount Requested: \$325,000
Action: Approved

Docket: 16907
Principal Contractor: McLanahan Corp.
Short Title: Drying Separated Dairy Cow Bedding Sand Using Propane
Amount Requested: \$98,000
Action: Approved

Docket: 16909
Principal Contractor: Origin Engines
Short Title: Origin Engines 8-Liter and 10.3-Liter Industrial Engines
Amount Requested: \$212,000
Action: Approved

Docket: 16910
Principal Contractor: University of Nebraska
Short Title: Develop Training Manual for Weed Flaming and Conducting Field Demonstrations
Amount Requested: \$155,485
Action: Approved

Docket: 16726
Principal Contractor: Gas Technology Institute
Short Title: Direct Vent Fully Modulating Wall Furnace Performance Testing
Amount Requested: \$138,084
Action: Approved

Docket: 16935
Principal Contractor: Nexight Group
Short Title: 2011 R&D Outreach
Amount Requested: \$228,550
Action: Approved

Docket: 16901
Principal Contractor: Propane Education & Research Council
Short Title: 2011 RDAC Oversight and Advisory Committee Support
Amount Requested: \$230,000
Action: Approved

Docket: 16938
Principal Contractor: Propane Education & Research Council
Short Title: 2011 Safety & Training Advisory Committee Support
Amount Requested: \$156,500
Action: Approved

Docket: 16948
Principal Contractor: Dashe & Thomson
Short Title: CETP: Updated and Revised Courses and Support
Amount Requested: \$353,367
Action: Approved

Docket: 16946

Principal Contractor: Strategic Marketing Resources
Short Title: 2011 Industry Outreach
Amount Requested: **\$290,000**
Action: **Approved**

Docket: **16956**
Principal Contractor: SmartBrief Inc.; MasterPrint
Short Title: 2011 Industry Communications
Amount Requested: **\$400,000**
Action: **Approved**

Docket: **16924**
Principal Contractor: Western PERC
Short Title: California Low-Emission Equipment Rebate 2011
Amount Requested: **\$100,000**
Action: **Approved**

Docket: **16930**
Principal Contractor: Western PERC
Short Title: California Regulatory Guide for Propane Marketers
Amount Requested: **\$5,000**
Action: **Approved**

President's Report

Mr. Willis highlighted some specific achievements of PERC staff members in 2010.

Chief Commercial Officer's Report

PERC Chief Commercial Officer Steve Wayne offered a report on the Council's portfolio management strategy and reviewed the propane-fueled products in the research and development pipeline.

Chief Marketing Officer's Report

PERC Senior Vice President and Chief Marketing Officer Kate Caskin offered an update on the Council's market research and business planning programs.

Ms. Caskin introduced **Docket 16962**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: **16962**
Principal Contractor: ICF International
Short Title: 2011 Propane Market Research and Business Planning Initiative
Amount Requested: **\$646,580**
Action: **Approved**

Ms. Caskin introduced Jon DeWitt of the Artemis Consulting Group, who made a report on the findings of the consumer safety research study.

Ms. Caskin introduced Bruce Henning of ICF International, who made a report on energy markets and commodity prices.

The Council recessed for the day at 5:50 p.m. CST.

Proceedings of December 8

Mr. Platz called the meeting back to order at 8:07 a.m. CST.

Agriculture Market Update

PERC Director of Agriculture Programs Mark Leitman offered a report on selected propane agriculture projects.

Engine Fuel Market Update

Mr. Willis told the Council that the Energy Department has asked PERC to study the safety and security of propane vehicle conversions. He said he would work with the Council to form a task force on the topic. Mr. Misel volunteered to serve on the task force.

Mike Taylor, Heritage (Florence, Ky.), chairman of the Engine Fuel Advisory Committee, offered some remarks about the work of the committee and introduced Mr. Feehan.

Mr. Feehan introduced **Docket 16896**. Upon a motion duly made and seconded, the funding request was approved (as follows). Mr. Regan abstained.

Docket:	16896
Principal Contractor:	Capacity of Texas
Short Title:	8-Liter LPG Engine for Off-Road Terminal Truck Applications
Amount Requested:	\$2,000,000
Action:	Approved

Curtis Gorell and Anna Kirk, both of Bader-Rutter (Milwaukee), offered a report on the communications program in the engine fuel market, including efforts to rebrand on-road propane engine fuel as "propane autogas."

PERC Vice President Brian Feehan offered a report on a recent market feasibility study on propane applications in the golf equipment market.

Mr. Feehan introduced **Docket 17085**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	17085
Principal Contractor:	Kawasaki Engine & Power Products
Short Title:	2011 Kawasaki Dealer Outreach & Training
Amount Requested:	\$100,000
Action:	Approved

Residential and Commercial Market Update

PERC Director of Residential Programs Tracy Bureson offered a report on the results of PERC's training program for construction professionals in 2010 and the plans for the program in 2011.

Ms. Burlison introduced **Docket 16959**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 16959
Principal Contractor: Hanley Wood
Short Title: 2011 Residential Training
Amount Requested: \$3,747,000
Action: Approved

Research and Development Program Update

PERC Director of Research and Development Greg Kerr offered a report on recent developments in propane research and development, including a program designed to develop a market for propane-fueled cooling systems.

Tommy Young, chief technology officer and founder of IntelliChoice Energy (Phoenix), offered a report on an ongoing PERC-funded project to develop a cooling system that can run on either propane or natural gas. The project's partners include Blue Mountain Energy.

Mr. Kerr introduced **Docket 16939**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 16939
Principal Contractor: Blue Mountain Energy
Short Title: 11-Ton Rooftop Propane Packaged Engine-Driven Heat Pump
Amount Requested: \$1,991,469
Action: Approved

Mr. Kerr introduced **Docket 17071**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 17071
Principal Contractor: Battelle Memorial Institute
Short Title: Testing of Pressure Relief Valves for Customer Tanks
Amount Requested: \$297,800
Action: Approved

Safety and Training Program Update

PERC Vice President Stuart Flatow offered a report on the safety and training program.

Mr. Flatow introduced **Docket 16958**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 16958
Principal Contractor: Dashe & Thomson
Short Title: Curriculum Alignment and Textbook for CETP Course 4.4: Appliance Service
Amount Requested: \$746,628
Action: Approved

Industry Programs Update

PERC Director of Industry Programs Maryann Malesardi offered a report on programs that are designed to help the Council fulfill its statutory obligation to coordinate its work with other industry groups, including state associations and foundations, and with propane marketers.

Ms. Malesardi introduced **Docket 16961**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	16961
Principal Contractor:	Prime Consulting Group
Short Title:	2011 Marketer Technology Training
Amount Requested:	\$700,000
Action:	Approved

Industry and Public Comments

Mr. Platz directed the Council's attention to a public comment — submitted by an industry member on November 17 and included in the briefing materials — on the industry's need for a propane-fueled bobtail. Mr. Platz opened the floor for industry and public comments. None were offered.

Old Business

Mr. Willis directed councilors' attention to items in the briefing materials that describe proposed changes to the PERC Policies, Rules, and Procedures. The changes would give the PERC president the authority to approve spending proposals below a fixed limit and then bring a report of the approvals to the Council at its next meeting for ratification and inclusion in the minutes of the meeting. Spending proposals that exceed the limit would be considered and acted on by the Council or the Executive Committee in the usual way.

Upon a motion duly made and seconded, the Council passed a resolution that (1) amends the PRP by setting a cap on presidential spending approval authority at \$100,000 per item and \$500,000 cumulatively a year and recommends that as a matter of policy but without restriction that the Executive Committee have approval authority of up to \$250,000 per item and \$1 million a year cumulatively, and (2) authorizes the president to publish the changes for industry and public comment.

New Business

Mr. Platz announced that the Council would next meet on February 3, 2011, by conference call.

The Council adjourned at 11:30 p.m. CST.