

Propane Education & Research Council
December 8-9, 2011
The Woodlands, Texas
MINUTES

Proceedings for December 8

Chairman Joe Armentano called the meeting to order at 1:02 p.m. Central Standard Time.

Mr. Armentano, Paraco Gas (Rye Brook, N.Y.), welcomed the Council members in attendance:

Michael E. Barnes, BP Energy Co. (Houston)
Sharon Beemer, DCP Midstream (Houston)
Eric Benson, J.S. West & Co. (Modesto, Calif.) — *Secretary*
Gregg Dighero, EnCana (Denver)
Joe Gump, ConocoPhillips (Dacula, Ga.) — *Vice Chairman, Producers*
Sam Hawley, Enterprise Products Operating LLC (Houston)
Ted Jeffcoat, Inergy LP (Rutland, Mass.)
Sam McTier, Propane Technologies (Lake Forest, Ill.)
Gerry Misel, Georgia Gas Distributors (Sandy Springs, Ga.) — *Treasurer*
Bill Platz, Delta Liquid Energy (Paso Robles, Calif.) — *Immediate Past Chairman*
David Regan, Targa Resources (Houston)
Russ Rupp, Suburban Propane (Bonita Springs, Fla.)
Mike Sheehan, Sheehan's Gas (Bird Island, Minn.)
Tom Van Buren, Ferrellgas (Overland Park, Kan.)
Jeff White, Aux Sable Liquid Products (Morris, Ill.)
Paula Wilson, AmeriGas (Valley Forge, Pa.) — *Vice Chairman, Marketers*

Approval of Minutes. Mr. Armentano directed the councilors' attention to the minutes of the October 2011 Council meeting. Upon a motion duly made and seconded, the Council approved the minutes.

Executive Committee. Mr. Armentano reported that the Executive Committee held a conference call November 12, 2011, and also met in person December 7, 2011, at the Woodlands, Texas.

Audit Committee. Mr. Misel gave the Audit Committee report on behalf of Mr. T.J. Rinke.

The Audit Committee met December 8, before the Council meeting. Mr. Misel explained that the Audit Committee reviewed and accepted the 2011 Annual Report on Internal Controls, by PERC Chief Financial Officer Jim Harris.

The Audit Committee also reviewed a draft of the 2011 Annual Report to Council. The Committee approved the draft report, which will be issued to Council in April 2012.

Upon a motion duly made and seconded, the Council approved the Audit Committee report.

Chairman's Report

Mr. Armentano gave the chairman's report. He discussed his priority topics for the March 1 and 2 strategic planning meeting in San Diego, including portfolio management, industry engagement, PERC staffing and structure, developing strategy around communications and outreach, and strategy as it relates to state and regional propane gas associations, foundations, and research councils. Mr. Armentano announced that Mr. Van Buren had been appointed to the Audit Committee.

Mr. Armentano presented the three working groups that will make up the Council's new consolidated advisory committee. The working group volunteers will work with internal PERC staff members and others to help manufacturers bring products to market.

Upon a motion duly made and seconded, the Council approved the new advisory committee structure as well as the new chairmen of each working group, as follows:

- The working group on research and technology development will be led by Darren Engle, Blue Star Gas, Central Point, Ore., and Mike Taylor, Heritage Propane, Florence, Ky.
- The working group on market outreach and training will be led by Len Caric, AmeriGas, Monroeville, Pa., and Darin Hunhoff, CHS, Inver Grove Heights, Minn.
- The working group on safety and training will be led by Eric Kuster, Fairmont Specialty, Federalsburg, Md., and Randy Warner, Ferrellgas, Liberty, Mo.

Vice Chairmen's Reports

Ms. Wilson yielded the floor to Rick Roldan, president and chief executive officer of the National Propane Gas Association, who offered a report on PERC's partnership with NPGA. Mr. Roldan explained that the partnership between PERC and NPGA has evolved over six years from rigid role delineations to cooperative roles for the sake of the industry.

Mr. Gump yielded the floor to Mark Sutton, executive director of the Gas Processors Association, who gave the GPA partnership report. Mr. Sutton introduced Dan Lippe of Petral Worldwide, who made a presentation on the outlook for propane supply and demand in North America through 2016.

Treasurer's Report

Mr. Misel reviewed the budget forecast, noting that the projected carry-forward rose to \$8.8 million, and reported on the Council's investment operations.

Upon a motion duly made and seconded, the Council approved a proposal to return \$1.1 million to the general treasury from unused appropriations associated with the 22 dockets listed below.

Docket: 16583 (Residential and Commercial) \$ 38,572

Project: 2010 Construction Professional Media Outreach

Action: De-obligates the remaining balance of \$38,572 and returns these funds to the general treasury

Docket: 16745 (Residential and Commercial) \$29,308

Project: 2010 Commercial Market Research

Action: De-obligates the remaining balance of \$29,308 and returns these funds to the general treasury

Docket: 16456 (Industry Programs) \$8,792

Project: 2010 Industry Outreach Programs

Action: De-obligates the remaining balance of \$8,792 and returns these funds to the general treasury

Docket: 11655 (Engine Fuel) \$24,143

Project: PERC and the Dept of Energy

Action: De-obligates the remaining balance of \$24,143 and returns these funds to the general treasury

Docket: 12568 (Engine Fuel) \$30,000

Project: Engine Fuel Marketing Program (Mar 2008)

Action: De-obligates the remaining balance of \$30,000 and returns these funds to the general treasury

Docket: 15922 (Engine Fuel) \$180,000

Project: CARB Certification Process Development for Sequent Bi-Fuel System - PERC Phase 1

Action: De-obligates the remaining balance of \$180,000 and returns these funds to the general treasury

Docket: 15647 (Engine Fuel) \$5,000

Project: CARB Assistance for Roush Program

Action: De-obligates the remaining balance of \$5,000 and returns these funds to the general treasury

Docket: 16332 (Engine Fuel) \$279,190

Project: Type A School Bus NHTSA Self Certification Testing

Action: De-obligates the remaining balance of \$279,190 and returns these funds to the general treasury

Docket: 12569 (Research and Development) \$108,512

Project: Validation & Commercialization of NovelAire's Desiccant Dehumidifier (ComfortDry 400)

Action: De-obligates the remaining balance of \$108,512 and returns these funds to the general treasury

Docket: 15203 (Research and Development) \$2,884

Project: Testing of Pressure Relief Valves for Customer Tanks

Action: De-obligates the remaining balance of \$2,884 and returns these funds to the general treasury

Docket: 15625 (Research and Development) \$193,566

Project: Commercialization of Freewatt Micro-CHP System

Action: De-obligates the remaining balance of \$193,566 and returns these funds to the general treasury

Docket: 16112 (Research and Development) \$905

Project: Performance Testing of Remote Tank-Level Monitoring Systems
Action: De-obligates the remaining balance of \$905 and returns these funds to the general treasury

Docket: 12377 (Safety and Training) \$3,545

Project: Safety Information for Propane Industry Communication Vehicles
Action: De-obligates the remaining balance of \$3,545 and returns these funds to the general treasury

Docket: 12431 (Safety and Training) \$38,028

Project: CETP e-Learning, Vapor Distribution, Production
Action: De-obligates the remaining balance of \$38,028 and returns these funds to the general treasury

Docket: 12457 (Safety and Training) \$11,971

Project: Static Discharge Outreach
Action: De-obligates the remaining balance of \$11,971 and returns these funds to the general treasury

Docket: 16323 (Safety and Training) \$19,998

Project: Consumer Safety Education Outreach/Multi-Media CD
Action: De-obligates the remaining balance of \$19,998 and returns these funds to the general treasury

Docket: 16438 (Safety and Training) \$443

Project: Consumer Safety Education Research
Action: De-obligates the remaining balance of \$443 and returns these funds to the general treasury

Docket: 16441 (Safety and Training) \$8,876

Project: Dispensing Propane Safely 2nd Edition, Script and Text Development
Action: De-obligates the remaining balance of \$8,876 and returns these funds to the general treasury

Docket: 16480 (Safety and Training) \$20,135

Project: Curriculum Alignment for CETP Course(s); Plant Operations
Action: De-obligates the remaining balance of \$20,135 and returns these funds to the general treasury

Docket: 16753 (Safety and Training) \$8,116

Project: Initial OSHA/DOT Training Textbooks
Action: De-obligates the remaining balance of \$8,116 and returns these funds to the general treasury

Docket: 16294 (Agriculture) \$24,408

Project: Training Propane Marketers to Conduct Farm Energy Audits
Action: De-obligates the remaining balance of \$24,408 and returns these funds to the general treasury

Docket: 16907 (Agriculture) \$85,000

Project: Drying Separated Dairy Cow Bedding Sand Using Propane

Action: De-obligates the remaining balance of \$85,000 and returns these funds to the general treasury

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

2012 Budget

Mr. Harris presented the updated 2012 budget proposal. Mr. Harris cited added resources of \$6.6 million, \$5.5 million of these added resources being carry-forward funds from 2011.

Upon a motion duly made and seconded, the Council approved the 2012 budget.

Consent Calendar

Mr. Armentano directed councilors' attention to the consent calendar in their briefing materials and invited a motion to approve the funding requests on the consent calendar.

Upon a motion duly made and seconded, the Council approved the 11 funding requests that appeared on the consent calendar (as follows).

Docket: 17440
Principal Contractor: Power Solutions Inc.
Title: Prime/Mobile Industrial Propane Irrigation Engines
Amount Requested: \$149,000
Action: Approved

Docket: 17447
Principal Contractor: TBD
Title: Propane MaRC Upgrade
Amount: \$250,000
Action: Approved

Docket: 17511
Primary Contractor: PERC
Title: Industry Outreach- 2012 Regional Conventions
Amount Requested: \$80,000
Action: Approved

Docket: 17371
Primary Contractor: Gas Technology Institute
Title: Carbon Management Information Center Consortium 2012
Amount Requested: \$50,000
Action: Approved

Docket: 17458
Principal Contractor: Colorado PERC
Title: 2012 Colorado Cylinder Requalification CGA Pamphlets
Amount Requested: \$7,421.60
Action: Approved

Docket: 17461
Principal Contractor: Interwest PERC

Title: 2012 Nevada Cylinder Requalification CGA Pamphlets
Amount Requested: \$5,544
Action: Approved

Docket: 17488
Principal Contractor: Interwest PERC
Title: 2012 Idaho Cylinder Requalification CGA Pamphlets
Amount Requested: \$4,135.80
Action: Approved

Docket: 17494
Principal Contractor: Western PERC
Title: California Low-Emission Equipment Rebate 2012
Amount Requested: \$100,000
Action: Approved

Docket: 17501
Principal Contractor: Interwest PERC
Title: 2012 Montana Cylinder Requalification CGA Pamphlets
Amount Requested: \$6,365.45
Action: Approved

Docket: 17502
Principal Contractor: Interwest PERC
Title: 2012 Utah Cylinder Requalification CGA Pamphlets
Amount Requested: \$3,314.35
Action: Approved

Docket: 17503
Principal Contractor: Interwest PERC
Title: 2012 Wyoming Cylinder Requalification CGA Pamphlets
Amount Requested: \$4,605.20
Action: Approved

President's Report

PERC President and Chief Executive Officer Roy Willis gave a report on the re-engineering process and introduced the Council to the restructured PERC staff organizational chart. Mr. Willis presented a cross-functional approach to project implementation using the new reorganized staff plan and incorporating the roles of the new working groups. Mr. Willis presented a draft of the advisory committee charters as well as presented the new advisory committee appointments.

Mr. Willis introduced **Docket 17453**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 17453
Principal Contractors: Propane Education and Research Council
Title: 2011 Partnership Agreement between PERC, GPA, and NPGA
Amount Requested: \$1,311,000
Action: Approved

Mr. Harris introduced **Docket 17465**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 17465
Principal Contractors: Not Applicable
Title: 2012 Consolidated Advisory Committee and Program Support
Amount Requested: \$673,000
Action: Approved

Mr. Harris introduced **Docket 17454**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 17454
Principal Contractors: ICF International
Title: 2012 Propane Market Research Initiative
Amount Requested: \$424,580
Action: Approved

Mr. Willis reported to the Council that he had used his presidential authority to approve the following change orders and funding requests.

Docket: 17374
Principal Contractor: GOW-MAC Instrument Co.
Title: Transfer of Water Detection Technology for Commercialization
Amount Requested: \$13,000
Action: Approved

Docket: 17178
Principal Contractor: Bison Engineering
Title: Forklift Cage Engineering Testing and Analysis
Amount Requested: \$30,000
Action: Approved

Docket: 17412
Principal Contractor: PowerSteering
Title: PowerSteering Project Portfolio Management
Amount Requested: \$15,000
Action: Approved

PERC Business Processes Reengineering Report

PERC Chief Information Officer Kay Howell presented an overview of new business strategy and processes on new product development. Ms. Howell presented PERC's new matrix design template for PERC research and development projects, offering a step-by-step guide to the process of how a project begins and ends based on the reorganized structure and process.

By unanimous consent, the Council recessed for the day at 5:26 p.m. Central Standard Time.

Proceedings for December 9

Mr. Armentano called the meeting back to order at 8:08 a.m. Central Standard Time.

Market and Operations Reports

Mr. Armentano called on PERC staff members to offer reports on selected markets and programs.

Engine Fuel Strategy Overview. Alan McEwan, PERC programs manager, engine fuel, presented an overview of PERC's engine fuel strategy. The report included sales forecast projections, an overview of on-road and off-road engines, and a review of engine market opportunities for propane autogas introduction, including new technologies like gasoline direct injection.

Commercial Mower Market Update. Jeremy Wishart, PERC projects manager, engine fuel, presented an update on the commercial mower market. Mr. Wishart presented commercial mower sales figures, reviewed past PERC success in commercial market mower growth, and discussed future needs in this market.

Mr. Wishart introduced **Docket 16723**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 16723
Principal Contractors: Freightliner Custom Chassis
Title: 8.0L LPG Engine- Medium Duty Truck and Bus
Amount Requested: \$1,000,000 (\$4,000,000 approved in 2010; \$5,000,000 program total)
Action: Approved

Mr. Wishart introduced **Docket 16595**. Upon a motion duly made and seconded, the funding request was rejected (as follows).

Docket: 16595
Principal Contractors: The Sales Network
Title: Propane Options Partners
Amount Requested: No Cost (Original funding amount- \$200,240)
Action: Rejected

Mr. Wishart introduced **Docket 17443**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 17443
Principal Contractors: Propane Education and Research Council
Title: Commercial Mower Dealer Demonstration Program
Amount Requested: \$788,900
Action: Approved

Propane Challenge. Steve Wayne, PERC chief technology officer, presented an update on Propane Challenge. Mr. Wayne described the progress made since the program was announced and talked about his goals for the program.

Communications. Gregg Walker, PERC director of communications, discussed changes to the communications program that are designed to control costs and lead to more consistent branding and messaging and more effective measurement and evaluation.

Mr. Armentano announced that the Council would form a task force to collaborate with PERC staff on the ongoing search for communications support services. He appointed Ms. Wilson chairman of the task force, and Mr. Misel and Mr. Van Buren volunteered to serve as members. Mr. Armentano said that Mr. Caric and Mr. Hunhoff, the chairmen of the new advisory working group on market training and outreach, would also work with task force.

Mr. Walker introduced **Docket 17508**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket:	17508
Principal Contractor:	Hanley Wood
Title:	Stopgap Communications Program for Q1 2012
Amount Requested:	\$1,470,363
Action:	Approved

Direct Industry Outreach. Stuart Flatow, PERC vice president in charge of safety and training, presented a report on a new direct industry outreach program.

Fuel Quality Projects Overview. Greg Kerr, PERC director of research and development, announced that he would send Council members a white paper outlining 10 years of PERC research on fuel quality.

Industry and Public Comments

There were no industry and public comments.

Old Business

Mr. McTier gave an update on cabinet heaters.

Mr. Sheehan offered some thoughts on the threats and opportunities offered by liquefied natural gas.

New Business

Upon a motion duly made and seconded, the Council approved an amendment to Section 14 of the Policies, Rules, and Procedures in respect to the new advisory committee and structure that will now include three working groups: Research and Technology Development, Market Outreach and Training, and Safety and Training.

Mr. Armentano announced that Council will next meet by conference call on March 1.

Upon a motion duly made and seconded, the Council adjourned at 10:36 a.m. CST.