

Propane Education & Research Council
October 13-14, 2011
Washington
MINUTES

Proceedings for October 13

Chairman Joe Armentano called the meeting to order at 12:58 p.m. Eastern Daylight 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*
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)
Doug Rinke (Columbia, Mo.)
Russ Rupp, Suburban Propane (Bonita Springs, Fla.)
Mike Sheehan, Sheehan's Gas (Bird Island, Minn.)
Charles Snelling (Fogelsville, Pa.)
Tom Van Buren, Ferrellgas (Overland Park, Kan.)
Jeff White, Aux Sable Liquid Products (Morris, Ill.)
Paula Wilson, AmeriGas (Valley Forge, Pa.) — *Vice Chairman, Marketers*

Tom Redd, Martin Midstream Partners (Kilgore, Texas), and Gregg Dighero, EnCana (Denver), joined the meeting by telephone.

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

Executive Committee. Mr. Armentano reported that since the July Council meeting the PERC officers met twice by conference call with the CEO, on August 1 and September 20, and that the Executive Committee also met with the officers of the National Propane Gas Association in Kansas City in early October. He noted that the joint meetings of PERC and NPGA officers are held twice a year to ensure that the two organizations coordinate their activities.

Mr. Armentano said the PERC Executive Committee met again, in person, this morning to discuss the status of the reengineering efforts and the CEO's staffing plan.

Mr. Armentano noted that on August 1 the officers approved the initial steps in the CEO's staffing plan, which included the elimination of the position of senior vice president and chief marketing officer.

Audit Committee

Mr. Armentano said that the Audit Committee had not met since July and does not have a report. He thanked T.J. Rinke for his leadership of the committee and noted that the Council has received 13 consecutive clean audits by independent certified public accounting firms. Mr. Armentano announced that he had appointed Mr. Jeffcoat and Mr. Sheehan to the Audit Committee. Mr. Armentano said that the next Audit Committee meeting will be held in December in conjunction with the Council meeting.

Chairman's Comments

Mr. Armentano provided an update on the previous 90 days since the July Council meeting held in Portland, Ore. Mr. Armentano thanked Mr. Willis and PERC staff for persevering through the reengineering process and for their continued hard work.

Mr. Armentano gave an update on the subsequent 90 days. Mr. Armentano said that he expected the re-engineering of PERC's staff, advisory committees, and grant process to be done by the December Council meeting. He noted that he has directed the staff to prepare for the Council an engine fuel strategy and a new communications strategy.

Mr. Armentano announced that the Council would soon begin work on a new strategic plan for PERC, noting that the last one was published in 2007. Mr. Armentano said that he and Mr. Willis plan to continue visiting marketers and others to discuss the changes at PERC.

Lastly, Mr. Armentano said that PERC would work with NPGA to develop a plan to discuss with the Commerce Department the propane price analysis that triggered a restriction of PERC activities in August 2009.

Mr. Armentano then gave the floor to Sam McTier. Mr. McTier gave an update on cabinet heaters.

Treasurer's Report

Mr. Misel provided highlights of the 2011 budget year compared with actual results. Mr. Misel said that PERC Chief Financial Officer Jim Harris had advised him that the 2011 forecast is a work in progress because of the re-engineering work now under way. Mr. Harris said that he expects the \$3.3 million in carry-forward that he reported in July to increase.

Upon a motion duly made and seconded, the Council adopted the treasurer's report and approved a proposal to close out 11 dockets, with the funds returning to the general treasury (as follows).

- Docket:** 15950 (Residential and Commercial) \$355,050
- Project:** 2009 Consumer Education Measurement and Evaluation: Core Initiatives
- Action:** De-obligates the remaining balance of \$133,456 and returns these funds to the general treasury

- Docket:** 16448 (Residential and Commercial) \$750,000
- Project:** 2010 Construction Professional Training
- Action:** De-obligates the remaining balance of \$74,486 and returns these funds to the general treasury

Docket: 16529 (Residential and Commercial) \$118,000
Project: Statler Nagle — Measurement and Evaluation Support
Action: De-obligates the remaining balance of \$19,000 and returns these funds to the general treasury

Docket: 15943 (Engine Fuel) \$1,766,200
Project: 2009-2010 EF Marketing Program (April 2009)
Action: De-obligates the remaining balance of \$1,465 and returns these funds to the general treasury

Docket: 16139 (Engine Fuel) \$1,397,703
Project: Blue Bird Propane Vision School Bus 8.1L Engine Finance Program
Action: De-obligates the remaining balance of \$753,502 and returns these funds to the general treasury

Docket: 16312 (Engine Fuel) \$915,600
Project: Development of Propane Outdoor Power Equipment
Action: De-obligates the remaining balance of \$9 and returns these funds to the general treasury

Docket: 16453 (Engine Fuel) \$130,000
Project: 2010 Kawasaki Dealer Outreach & Education Program
Action: De-obligates the remaining balance of \$15,200 and returns these funds to the general treasury

Docket: 12314 (Research and Development) \$724,826
Project: 10 RT Gas Engine Driven Heat-Pump Development Project — Phase 1
Action: De-obligates the remaining balance of \$39,776 and returns these funds to the general treasury

Docket: 12578 (Safety and Training) \$824,973
Project: Curriculum Alignment for CETP Courses; Appliance Startup & Installation and Residential & Small Commercial Vapor Systems
Action: De-obligates the remaining balance of \$1,307 and returns these funds to the general treasury

Docket: 15385 (Agriculture) \$60,220
Project: Reducing Soil Erosion through Thermal Pest Control
Action: De-obligates the remaining balance of \$14,601 and returns these funds to the general treasury

Docket: 16420 (Agriculture) \$496,704
Project: Temp-Air Thermal Remediation Program — Phase 2
Action: De-obligates the remaining balance of \$486,204 and returns these funds to the general treasury

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.

He noted that the Council would take up one funding request separately later in the meeting. It does not appear on the consent calendar.

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

Docket: 17385
Principal Contractor: Behlen Manufacturing Co.
Title: Commercialization of AFI's Four-Row Banded/Full Flamer
Amount Requested: \$251,000
Action: Approved

Docket: 17186
Principal Contractor: Logica 3
Title: Crane Operator Training Program
Amount: \$263,300
Action: Approved

Docket: 17376
Primary Contractor: J.J. Keller & Associates Inc.
Title: Transport Operator Training
Amount Requested: \$237,500
Action: Approved

Docket: 17377
Primary Contractor: Dashe & Thompson
Title: Converting 4.1 and 4.2 E-Learning Programs to SCORM Compliant Framework
Amount Requested: \$138,130
Action: Approved

President's Report

PERC President and CEO Roy Willis reported on the realignment of PERC's advisory committees and staff, noting that the proposed reorganization of the advisory committees would require an amendment of the PERC Policies, Rules, and Procedures and the publication of the amendment for public review and comment. Upon a motion duly made and seconded, the Council adopted the following resolution.

Resolved, the Council hereby amends Section 14 of the Policies, Rules, and Procedures manual to establish a singular advisory committee and directs the president to publish such amendment for industry and public comment. The amendment, including any modifications that may be made in response to comments, shall take effect after the December 2011 meeting of the Council.

Mr. Willis updated the Council on the PERC communications review that is nearing completion. Mr. Willis recommended, with the consultation of Jack Quarles and Q3 Strategies, that PERC issue a request for proposals to support the PERC communications program. The recommendation reflects the Council's requirement that the staff solicit bids every three years for any ongoing project or program exceeding \$1 million. Upon a motion duly made and seconded, the Council authorized the president to issue an RFP for communications program support.

Mr. Willis said that internal PERC staffing will be reorganized. Mr. Willis and PERC's Executive Management Team conducted a comprehensive assessment of PERC's current organization with the help of Excelsior, a human capital group. Mr. Willis asked for Council authority to make necessary staffing changes, including hiring new employees and shifting current employee roles and positions.

Charles Snelling moved to change an existing resolution of initial Council procedure, where staffing changes will become the purview of the Executive Committee.

Upon a motion duly made and seconded, the Council approved the motion to make staffing changes the purview of the Executive Committee.

Upon a motion duly made and seconded, the Council adopted the following resolution:

Resolved, the Council hereby approves the staffing plan submitted on October 13, 2011, by the president and authorizes all reasonable actions required to implement the plan. The president shall consult with the Executive Committee of the Council regarding implementation of the staffing plan.

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

Docket: 16081
Principal Contractor: Engine Distributors Inc.
Title: EPA and CARB Certification of Ford 4-Liter Industrial Engine
Amount Requested: No-cost change order
Action: Approved

Docket: 16935
Principal Contractor: Nexight Group
Title: 2011 R&D Outreach
Amount Requested: No-cost change order
Action: Approved

Docket: 16403
Principal Contractor: Klean Tech Fuel Solutions Inc.
Title: Develop and Commercialize Steam Disinfestation Technologies
Amount Requested: Cost-cutting change order
Action: Approved

Docket: 17297
Principal Contractor: National Propane Gas Association
Title: Substituting Master Meters for Volumetric Provers
Amount Requested: \$20,000
Action: Approved

Docket: 17386
Principal Contractor: Petral Worldwide Inc.
Title: 2011-2016 Propane Supply/Demand Forecast

Amount Requested: \$36,000
Action: Approved

Docket: 17412
Principal Contractor: PowerSteering
Title: PowerSteering Project Portfolio Management Tool
Amount Requested: \$55,000
Action: Approved

Chief Commercial Officer's Report

PERC Chief Commercial Officer Steve Wayne presented PERC's portfolio management, where he cited the Technology Development and Commercialization dashboard and introduced PowerSteering, a new graphical and interactive portfolio tool.

Mr. Wayne updated the Council on PERC's commercialization pipeline, listing applications that have been recently released to market and applications that are scheduled for release in 2012 and 2013.

Lastly, Mr. Wayne gave an update on Propane Challenge. Mr. Wayne said that Propane Challenge consists of three steps: generate awareness, create interest, and secure new ideas and project proposals. The goal for 2011 is to acquire 200 contacts and attract 50 idea submissions, including at least 10 projects that are worthy of referral to the PERC Propel system for funding consideration. Projects that satisfy the requirements of the Propel process will be eligible for funding.

By unanimous consent, the Council recessed for the day at 4:17 p.m. EDT.

Proceedings for October 14

Mr. Armentano called the meeting back to order at 8:38 a.m. EDT.

Operations Report

Propane Market Outlook. Mike Sloan with ICF International presented the 2011 Propane Market Outlook.

Agriculture. Mark Leitman, PERC director of agriculture programs, presented the Propane FEED Program.

Mr. Leitman introduced **Docket 17382**. Upon a motion duly made and seconded, the funding request was approved (as follows).

Docket: 17382
Principal Contractors: Osborn & Barr Communications and the Nexight Group
Title: Propane FEED Program
Amount Requested: \$650,000
Action: Approved

Safety and Training. Stuart Flatow, PERC vice president in charge of safety and training programs, presented the strategic direction of the safety and training program.

Industry and Public Comments

Mr. Armentano directed councilors' attention to a public comment on the proposed 2012 budget. He then invited industry and public comments.

Gregg Dighero said that the propane industry needs to get propane autogas in the public arena. Mr. Dighero mentioned that people's behaviors must be changed so that propane autogas can be used in private consumer cars and trucks and that the industry must make it a priority to improve public perception of propane autogas and emphasize its value compared with other fuels.

Tom Van Buren asked whether PERC had any safety guidelines or materials that speak to propane autogas and off-road applications such as commercial lawn mowers. Mr. Flatow said that a three-part best practices training course on propane autogas conversions is in progress.

Old Business

There was no old business.

New Business

There was no new business.

Mr. Armentano announced that Council will next meet in The Woodlands, Texas, on December 8 and 9. The Executive Committee will meet on the morning of December 8.

Upon a motion duly made and seconded, the Council adjourned at 10:15 a.m. EDT.