

**Propane Education & Research Council Meeting
November 10-11, 2021
Destin, FL**

MINUTES

Chairman Stuart Weidie called the meeting to order at 1:03 p.m. ET Nov. 10 with a prayer and Pledge of Allegiance.

He welcomed Council members in attendance via video conference call and noted the presence of a quorum:

Dave Bertelsen, Matheson Gas (Hamilton, OH)
Kevin Cobb, Suburban Propane Partners LP (Eagle, ID)
Casey Cramton, Dead River Co. (South Portland, ME) – Vice Chairman, Marketers
Chris DeFilippo, Superior Plus Energy (Wayne, PA)
Michael Dickinson, Williams (Tulsa, OK)
Mark Donahue, MarkWest Energy (Denver, CO)
Gary France, France Propane Service (Schofield, WI) – Secretary
Jay Furman, Enable Midstream Services (Houston, TX)
Jeff Kerns, ThompsonGas (Frederick, MD) – Treasurer
Duncan McGinnis, Aux Sable (Morris, IL) – Vice Chairman, Producers
Mike Garcia, Targa Resources (Naperville, IL)
Michael Heim (Houston, TX)
Brilynn Johnson, AmeriGas (Lincoln, CA)
Joe McGinn, Energy Transfer (Newtown Square, PA)
Chris Nevils, DCP Midstream (Houston, TX)
John Powell, Crestwood Energy Partners (Kansas City, MO)
Dan Richardson, Conger LP Gas (Tifton, GA)
Mark Sutton (Wagoner, OK)
Brian Wilkin, Enterprise Products Operating Co. (Houston, TX)
Leslie Woodward, Fairview USA (Wheatfield, NY)

Chairman's Report

Mr. Weidie welcomed new councilor Joe McGinn with Energy Transfer, who succeeds Nick Calabretti as a producer member.

Approval of Minutes. Mr. Weidie directed councilors' attention to the minutes of the July 2021 Council meeting. Upon a motion duly made and seconded, Council approved the minutes.

Executive Committee. PERC's Executive Committee met Nov. 10. Mr. Weidie reported that the Joint Task Force with NPGA had completed its work creating the newly launched PROPANE Energy for Everyone branding campaign. A new group will be appointed to carry out further messaging such as naming renewable propane and creating aspirational statements for the industry beyond 2022.

Chairman's Comments. Mr. Weidie said the industry is just beginning to realize the opportunities to use renewable propane to create additional demand to sell more traditional

propane. To meet that growing demand, PERC is looking to find additional sources to produce renewable propane beyond current suppliers.

He noted that PERC continues to support NPGA's work in codes and regulations by researching the facts needed to produce data and information for that work at the federal and state levels.

He commented on a new carbon intensity chart created to compare electric vs. propane factoring in individual grid generation data, noting that it provides a more effective summary for the industry to discuss full-fuel cycle emissions in the public arena.

Treasurer's Report

Mr. Kerns reported that the organization's financial picture is strong. Through Sept. 30, year-to-date assessment collections are \$4 million ahead of budget and administrative expenses are \$400,000 under budget, leaving a projected unrestricted reserve of \$17.3 million at year end.

Audit Committee Report

Mr. Cramton reported that the committee reviewed and approved IRS filings for 2020. It also has reviewed internal accounting policies and controls and found them to be adequate.

Producers Report

Mr. McGinnis reported that domestic propane production is back above pre-pandemic production levels, and imports from Canada are up. Exports also are up, especially to Asia and Europe. More than half of 2021 U.S. production has been exported, keeping Mt. Belvieu spot prices strong. Mt. Belvieu price hit a seven-year high in October at \$1.52/gallon and 80% WTI.

Year-over-year U.S. propane demand is generally flat. Continued strength in exports continues to support production increases throughout 2021. Warm October weather and low crop drying demand has helped build supply with inventories at 73.6 million barrels – 17% below same period five-year average levels. Winter forecast is for warmer than normal expectations based on NOAA forecasts for a La Nina winter. Periods of cold weather may result in regional price spikes much like 2020.

Chief Executive Officer's Report

PERC President and CEO Tucker Perkins reported that the rebranding campaign is being well received by all audiences being targeted, particularly the industry. Based on his presentations and discussions with industry groups, the industry appears ready and is embracing the campaign emphasis on environmental messaging. He said investment in regionalizing the campaign via state partnership program has been overwhelming. Those customized environmental messages are now going to shift to consumers in the various markets and will incorporate a larger market growth focus.

Mr. Perkins noted that the Executive Committee has discussed the organization's unrestricted cash reserve buildup and decided to evaluate the performance of the new brand campaign and several pending technology projects over the next six months before crafting a plan to spend those funds.

Mr. Perkins offered highlights of the ongoing work of the Environmental Thought Leadership group, including:

- Ongoing consumer perception studies show strong progress in how the industry's message and brand seem to be resonating.
- Outreach to National Association of State Energy Officials (NASEO) was a resounding success. In October, PERC took a major sponsorship as keynote presenter at NASEO's annual meeting to talk about propane playing a key role for resiliency and energy equity challenges and helping states to meet their clean energy goals in the transportation, industrial, buildings, and agricultural sectors.
- The Infrastructure and Investment Jobs Act identifies propane as having a seat at the table for powering on-road and off-road fleets that have historically run on diesel and gasoline – particularly school buses, transit and assorted port equipment.
- DOE announced \$4.4 million in funding for work on DME/propane injectors.

He spoke about headwinds regarding winter supply, demand and pricing prospects as well as the ongoing shortage of drivers and other workforce staffing.

He also noted the rapid advancement of California regulation to prohibit small engines in forklift, off-road and vehicle segments.

Mr. Perkins reported that he approved nine no-cost change orders for time extensions since the Council last met:

- **Docket 22718** — CETP Modularization Project Phase 2, March 31, 2022.
- **Docket 22786** — 2021 Integrated Marketing Communications, April 30, 2022.
- **Docket 22665** — Micro-Combined Cooling, Heat & Power, Dec. 31, 2021.
- **Docket 21600** — Light Commercial / Residential DG-enabled SmartWatt Boiler, July 31, 2022.
- **Docket 22618** — Ford 7.3L V8 LPG Industrial Engine, Dec. 31, 2021.
- **Docket 22104** — 2020 Agriculture Integrated Outreach Campaign, Sept. 30, 2021.
- **Docket 22623** — Ford 3.5L V6 on LPG, Dec. 31, 2021.
- **Docket 22214** — 2020 Advisory Committee and Program Support, April 30, 2022.
- **Docket 22932** — 2021 Industry Engagement, April 30, 2022.

He also approved one no-cost change order for a scope change and time extension:

- **Docket 22767** — Propane Utilization in Transportation and Power Generation: Review Paper, Jan. 31, 2022.

Communications and Marketing Report

Senior Vice President of Communications and Marketing Erin Hatcher provided an update on progress made in the rebrand project and offered highlights of fourth-quarter programming currently in specific market segments.

She reported that the rebranding goals are on schedule to be met, including the rebrand of the propane.com website, 28 PERC-hosted state websites, key assets, and The Learning Center.

Ms. Hatcher shared examples of propane marketer support, utilization in market verticals, a dashboard of public relations activity, social influencer campaign, plans for advertising buys in market segments, and social media activity. She noted that adjustment in campaign tactics and flighting for March thru December 2022 is expected based on Q4 performance results, and a docket to support that investment will be presented at the February 2022 council meeting.

Approval of 2022 Budget

Senior Vice President of Administration and Finance Michael Eason reviewed the 2022 budget plan totaling \$35,279,012 based on projected assessment revenues of \$42.2 million. Total program spending is \$32.6 million with \$8.4 million in rebates to states.

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

Market Research

Mr. Eason reported on upcoming changes in how the Annual Sales Report (2021) will be processed. PERC is switching from using a vendor to collect and analyze the data to a new data portal on the PERC website. The project carries a one-time portal development cost of \$100,000 and \$30,000 to build the database. Total cost for the annual research project using the new method beyond 2022 will not exceed \$150,000.

Upon a motion duly made and seconded, the Council approved Docket 23155: 2021 Annual Sales Report, \$242,500.

Industry Relations Report

Senior Vice President of Industry Relations Bridget Kidd gave a progress report on the Environmental Campaign with States program that provides matching funds for local media purchases that support the national environmental messaging campaign. She said 45 states participated at full match for a combined investment of \$3.3 million to deliver customized environmental and market growth messages that have generated more than 97 million impressions via digital audio, display banner ads and social media ads through the first six weeks of the campaign. The campaign landing page has seen 52,500 visits since the Oct. 1 launch.

Ms. Kidd presented plans to extend three market and industry training programs in 2022: Train-the-trainer for HVAC and plumbing professionals; How to talk about propane and the environment; and the workforce outreach digital ad campaign.

Upon a motion duly made and seconded, Council approved Docket 23163: 2022 Market and Industry Training, \$210,000.

Safety and Education Report

Senior Vice President of Safety, Education and Compliance Eric Kuster reviewed work done jointly with NPGA to prepare the industry for the implementation of new Federal Motor Carrier Safety Administration rules requiring entry-level driver training for all new Commercial Driver's License (CDL) and Hazard Materials Endorsement (HME) applicants beginning Feb. 7, 2022. To satisfy the mandate without having to send employees to an expensive or distant driving school for the theory portion, more than 30 interactive education modules are being created and will be available at no cost to industry professionals in The Learning Center by Jan. 1.

Mr. Kuster reported that the Learning Center Task Force made the following recommendations for utilization metrics through 2022:

- Increase number of new unique industry users to 55% by end of 2022 and 75% by end of 2023 based on total population of 65,000 possible users.
- Increase new non-industry users by 3,000 annually starting in 2022.
- Achieve quarterly user survey results with an average overall satisfaction rating of satisfied or higher of 85%.
- Increase number of non-safety programs used by 10% annually.

Mr. Kuster presented a proposal to partner with Cerritos College and the ATTE Center to bolster propane engine technician training to increase the number of trained service technicians competent in autogas. PERC will create an introductory course for service technicians in both a traditional academic and online educational format that covers theory, operation, general maintenance, safety procedures and protocols of propane fuel systems, and provide train-the-trainer outreach for the curriculum that is developed.

Upon a motion duly made and seconded, Council approved Docket 23033: Propane Engine Fuel Service Training Program, \$290,100.

Business Development Report

Mr. Perkins reviewed PERC's power generation project portfolio across the micro-CHP and large CHP spectrum with partners Aisin, Enviro Power, Axiom, Qnergy, and Rinnai. Partnerships with Brash and Sencera have been terminated.

He presented a proposal to participate in four research projects with the Utilization Technology Development (UTD) Consortium that represent opportunities to grow market share and combat exclusive electrification in residential and commercial markets. The projects include system integration with PV and storage, commercial heat pump water heating, and demonstrating that propane stoves do not have a negative impact on indoor air quality. PERC's contribution of \$145,000 is leveraged with other members of UTD, manufacturers and U.S. Dept. of Energy funding for a total project value of \$1,056,000.

Upon motions duly made and seconded, council approved:

Docket 23150: UTD Consortium 2021, \$145,000
Docket 23151: Axiom Energy Black Start Project, \$250,000 (loan)
Docket 23156: Propane Construction Incentive Program 2022, \$1,000,000
Docket 23173: 2022 Partnership with Industry Organizations, \$1,495,000

NPGA Report

NPGA President and CEO Steve Kaminski reported on efforts related to Biden administration initiatives including the United Nations Climate Change Conference 26, vaccine mandates during peak heating season, and supply chain coalition. He also reported on work done on Congressional projects including budget reconciliation for the Build Back Better Act, Infrastructure Investment and Jobs Act, and U.S. supply and logistics preparation.

GPA Midstream Report

GPA President and CEO Joel Moxley reviewed year-to-date upstream prices, crude production, rig counts and overall production. He noted that the ongoing “war on methane” is putting pressure on supply and will impact pricing for decades to come.

Mr. Weidie recessed the meeting at 5:02 p.m.

Mr. Weidie reconvened the meeting at 8:30 a.m. Nov. 11.

Strategic Plan Discussion

Council began discussions about the challenges and needs facing the industry as it considers goal setting for the organization’s strategic plan beyond 2022. It heard reports from each of the four task force chairmen on preliminary work to identify needs in the areas of national energy conversation, workforce engagement, autogas market growth, and commercialization/market growth.

Public Comments

There were no public comments.

Old Business

There was no old business.

New Business

There was no new business.

Mr. Weidie announced that the next Council meeting will be live with a virtual option Feb. 2 in Palm Springs, CA.

By unanimous consent, the Council adjourned at 10:15 a.m.