

NPGA Reports

The official weekly newsletter of the U.S. propane industry



Supply News

May propane build falls short of average

The Energy Information Administration's June 7 supply newsletter wrote that despite a late month surge in inventory gains, U.S. inventories of propane fell short of reaching the most recent 5-year average May build by nearly 29%.

The May 2006 build totaled about 6.7 million barrels (MMB), compared with the 5-year average for May of 9.4 MMB. With last week's 1.5-MMB gain, U.S. inventories of propane moved up to an estimated **41.2 MMB** as of June 2, 2006, a level that continues to track near the lower boundary of the average range for this time of year.

Inventories were up in all regions last week, with East Coast inventories posting a 0.1-MMB increase, while inventories in the Midwest and Gulf Coast areas reported respectively higher gains of 0.9-MMB and 0.4-MMB. The combined Rocky Mountain/West Coast regions reported a 0.1-MMB increase during this same time.

IRS releases alt fuel vehicle guidelines

ON June 2, the Internal Revenue Service finally issued guidelines for alternatively fueled vehicles to receive the tax credits found in the 2005 energy law.

IRS Notice 2006-54 outlines the procedures a vehicle manufacturer should use to certify that a vehicle meets certain requirements for the alternative fueled motor vehicle tax credit. It also sets forth procedures that manufacturer should use in certifying the amount of credit allowed for the vehicle. It also provides guidance for taxpayers regarding the conditions where they can use the manufacturer's certification for tax credits.



NPGA is studying the proposal to determine how new vehicles retrofitted with propane fuel systems qualify for the credit. In addition, it also appears that used cars which are converted to propane may also qualify for the tax credit. We will be publishing more about this credit in the weeks ahead, including a summary of the IRS notice. NPGA plans on issuing this summer a *NPGA Members Brief* fully explaining this tax credit to the membership.

In the meantime, the IRS notice can be found at www.npga.org, on the front page under "Energy Policy Act of 2005 Federal Tax Credits."

Board meeting next week

The NPGA Board of Directors will meet June 12 in San Antonio, Texas, in conjunction with Pinnacle for their summer 2006 meeting. A report on the Board elections will be in next week's *NPGA Reports*. A *Director's Update* will be issued later this month and will be available in the Members Only area of www.npga.org.

June 7, 2006

CARB finally approves forklift emission proposal

After a lengthy delay, the California Air Resources Board (CARB) late last month approved its staff proposal calling for state emission standards for forklifts and other large, spark-ignition (LSI) equipment.

The proposal as adopted contains three elements and remains largely the same as that reported in previous editions of *NPGA Reports*, with some minor changes. More importantly, the proposal remains favorable for the propane industry.

The first element of the proposal affects engine manufacturers and specifies that CARB standards will align with the more stringent EPA emission standards and test procedures that become effective in 2007 (2.0 g/bhp for HC+NOX and 3.3 g/bhp for CO). In 2010, manufacturers would then be required to meet a more stringent emission standard of 0.6 g/bhp HC+NOX. The proposal allows manufacturers the option to certify to lower emission standards in 2007 and 2010 to meet the expectation that demand for these lower emission engines will be created by the second element of the proposal, fleet average emission standards.

The second element of the CARB proposal specifies fleet-average emission standards for large fleets (> 26 units) and mid-size fleets (4-25 units) of LSI equipment to which fleet operators must comply beginning in January 2009. The fleet average becomes more stringent in 2011 and again in 2013. Small fleets (1-3 units) are exempt from the fleet average requirement. Fleet operators may use any combination of existing forklifts, retrofitted forklifts, or low-emission purchases to meet the fleet average emission levels.

The final element of the proposal includes a verification procedure for retrofit control systems that will be used primarily to modify uncontrolled LSI equipment, i.e. those in use prior to 2001 when CARB's initial LSI standards became effective,

World LP Gas Forum releases Chicago program

The World LP Gas Association has just published its preliminary 3-day conference program about the World LP Gas Forum. The Forum is being held in Chicago, Ill., on October 17-20, 2006.

You can find the program and information about the exhibition, social events and tours, as well as an online registration form, on the official 19th World LP Gas Forum Website found at

www.wlpgasforum2006.com/conference.htm.



PROPANE
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as well as some certified equipment. CARB has established various levels to which a retrofit system could be verified and also allowed for verification to be based on either a percent reduction (e.g., >75%) in emissions or an absolute emission level (3.0 g/bhp).

With regard to fuel quality, CARB stated that it is committed to working with industry in determining the adequacy of existing fuel specifications and that it continues to follow the activities of the propane industry regarding its efforts to address fuel quality concerns. However, the agency stopped short of requiring changes to the fuel specification or calling for increased enforcement of the existing fuel specification in California.

If you have any questions regarding the CARB proposal, please contact NPGA's Mike Caldarera at 202-466-7200.



NPGA's Window on Washington

For more news and regulatory information, visit NPGA on the Web at www.npga.org.

CONGRESS RETURNS – Congress returned this week for four weeks of work. It will next recess for the Fourth of July holiday. The House and Senate seek to complete an emergency supplemental spending bill for Iraq and Hurricane Katrina recovery, as well as a pension bill, immigration reform and a lobby overhaul package this summer. It must also pass the 13 annual Federal appropriations bills before adjourning for the year.

REFINERY BILL SURFACES AGAIN – The House is scheduled to vote later this week on a bill to expedite the permitting process for petroleum refinery expansions. The refinery bill is the same one that failed to pass the House on May 3 under a two-thirds vote rule, but garnered a majority vote of 237-188. The bill will be brought up June 7 or June 8 under normal House rules and is expected to pass.

House Energy and Commerce chairman Rep. Joe Barton (R-TX) met once with ranking committee Democrat Rep. John Dingell (D-MI) before Memorial Day to see if a deal could be reached on the bill, but they could not reach agreement. 13 Democrats voted for the earlier bill.

The floor debate is expected to give both sides another opportunity for a public and partisan battle over energy policy, one of the more contentious issues facing House Members in this fall's election.

SENATE ESTATE TAX REPEAL COMING UP – Senate Majority Leader Bill Frist (R-TN) filed a cloture motion on Tuesday, which will schedule a full Senate vote on a bill repealing the estate tax (H.R. 8). While Republicans appear to not have the 60 votes needed to pass the cloture motion, it still will allow a full debate on the proposal and perhaps open the door to a compromise. Sen. Jon Kyl (R-AZ) has been negotiating with Sen. Max Baucus (D-MT) on a compromise that would raise exemption limits to \$5 million per-spouse and lower the tax rate for remaining assets to 15%.

However, business groups which have been pushing for a full repeal vote see any Senate vote as an all-or-nothing strategy aimed to be an “on the record” vote that they can use this fall in Senate elections. The House voted 272-162 in April 2005 to approve this bill.

The estate tax is slowly being phased out and is expected to be fully repealed in 2010. It is presently 46%. However, because of Senate rules used to pass the 2001 tax repeal, the full repeal would only last one year and be reinstated at the original 55% rate in Jan. 2011. 30,276 estates were subject to the estate tax in 2004, according to the IRS.

CALIF. BILL TO REMOVE INDOOR GAS STOVES DEFEATED – A California state bill (AB 3018) to squeeze gas-fueled indoor stoves and ranges out of homes was defeated last week, 29-41. The bill, introduced by state Assembly Member Sally Lieber, was introduced over alleged concerns about the products of combustion leading to higher rates of child asthma cases. The bill would have allowed the state to set emission standards for indoor sources of air pollution. The legislation can be found at www.assembly.ca.gov.

Codes & Standards

Participate in a data acquisition project for appliances

NPGA, through a funding grant from PERC, is a member of the American Gas Foundation-sponsored Codes and Standards Research Consortium. NPGA participates in researching issues that share a common interest between the propane and natural gas industries and which can affect the development of codes and standards.

There is an opportunity for propane appliance installation and service companies to provide feedback on the performance of high efficiency (condensing) furnaces and flammable vapor ignition resistant (FVIR) water heaters.

In an effort to better understand the reliability and durability of these appliances, an effort is being undertaken to gather data from actual field service activities on this equipment. The contractor on the project (GARD Analytics of Park Ridge, Ill.) has developed a simple and innovative data gathering approach that relies on addressed, postage-paid cards that are completed by field service personnel who conduct service calls and repairs on high efficiency furnaces and FVIR water heaters.

The data gathering process requires that whenever a service technician completes a service call on an appliance in which service diagnosis and/or repairs have been performed, he or she fills out the data collection card and drops it into a mailbox. As a result, this approach minimizes the workload on service personnel in gathering and handling this additional service information.

The Consortium will help implement the data collection process by providing live support where requested and online support; a summary of data for all participating companies at the conclusion of the data collection activity; and send analytical reports produced at the project's conclusion to all participants.

Data collection is expected to begin summer 2006, focusing first primarily on the FVIR water heaters and then continuing into the heating season with furnaces. The data collection is scheduled to conclude at the end of February 2007. If your company is interested in participating in this project or to learn more about it, please contact Bruce Swiecicki at 815-806-9035 or bswiewicki@npga.org.

Adept Group survey request

You may be receiving a request from the Adept Group to participate in a survey of propane bobtail delivery vehicles used throughout the United States. Not all member companies will receive the survey; certain state association members are the primary recipients of the mailing.

NPGA is aware of this survey and endorses its distribution to the industry. If you received the survey, your participation in it is important to the industry's efforts to reduce the frequency of the required hydrostatic testing of bobtails. Currently, propane bobtails are required by the DOT regulations to be hydrostatically tested at least once every five years.

NPGA is working through a grant from PERC to determine whether an increase in the time period between required hydrostatic tests could be technically justified. Your response to the survey will contribute to our knowledge of what kinds of bobtails are being used by the industry. This database will then be used to support the industry's position during negotiations with the DOT regulatory officials.

Thank you for taking the time to complete and return the survey. If you need more information about the survey, please contact NPGA's Mike Calderera (mcaldarera@npga.org) or Bruce Swiecicki (bswiewicki@npga.org).