

Blue Skyways Collaboration
Fuels Subcommittee
October 26, 2006

Meeting Summary

[These notes also contain information not presented during the call due to the length of the agenda.]

Participants:

US EPA Region 6 – Sandra Rennie, Rexene Hanes
US EPA Region 7 – Alan Banwart
National Ethanol Vehicle Coalition – Curtis Donaldson
US Army Installation Management – Sally Jo Hahn
Johnson County, KS – Betsy Betros, Jennifer Logan
Mid-America Region Council – James Joerke
Wyandote County/Kansas City – Rollin Sachs
Missouri Soybean Assoc. – J.P. Dunn
City of Houston – Karl Pepple
Indian Nations COG, Tulsa – Nancy Graham
CenSARA – Kathryn Burke

CenSARA was awarded \$225,000 in grant funds from EPA Regions 6 & 7 to put out a Request For Proposals for Blue Skyways projects that would reduce diesel emissions within our member states, tribes, or local agency areas. We asked for suggestions from this Subcommittee on research/study topics for projects that CenSARA could list in the RFP as topics of interest to the BSC to be considered for funding. Rexene ran us through the details. In summary here are the requirements/restrictions:

1. Only states/locals/tribes are eligible for this funding. If you are not a "legal " entity partner with one or contact me and I will try to match you up.
2. Must be a proposal for "research, investigations, experiments, demonstrations, surveys, and studies." In other words, it must somehow generate new knowledge that is useful for the states/locals in implementing their responsibilities under the Clean Air Act section 103. This does not mean that it has to be a major research project, only that it produce some new insight into some aspect of reducing diesel emissions, i.e., showing that by tweaking some proven technology in a particular way reduces emissions by so much, or cuts costs to make it a feasible alternative control strategy, or is more acceptable to the regulated community, etc.
3. The Office of General Counsel has determined that "demonstrations generally must involve **new or experimental** technologies, methods, or approaches, where the results of the project will be disseminated so that others can benefit from the knowledge gained in the demonstration project. A project that is accomplished through the performance of routine, traditional, or established practices, or a project that is simply intended to carry out a task rather than transfer information or advance the state of knowledge, however worthwhile the project might be, is not a demonstration."
4. Must **NOT** be primarily an implementation project, *i.e.*, **may not be** a straight retrofit, or construction of an E-85 station, or purchase of hybrid vehicles, etc.

5. Preferably regional in scope or with impacts across jurisdictions, or transferable, leverages resources, has an evaluative component, and achieves real, measurable results.

Project ideas are needed no later than first thing Monday morning, Oct. 30. Call or email ideas to Sandra.

Fuels Subcommittee status reports:

OTAQ – Fact Sheets on ethanol (E85), biodiesel, Alternative Fuels. All the fuels fact sheets are being revised and should be out shortly. No fact sheets were on the website yesterday. EPA has drafted a policy statement on Stage II Vapor Recovery on E85 pumps. This should also be out shortly (hopefully).

NEVC – Curtis Donaldson reported on the following: Status of E85 pump certification, and the price of ethanol and futures. We will cover GPS software (on-board or other) to show E85/alternative fueling stations on a future call.

The price of ethanol had been going down but within the last few days it has begun to go up again. We are months away from an adequate supply of ethanol in the market place to bring the price back down again. Based on new facilities coming on-line the best estimate at this time is that prices may start coming down again next summer. Until that time the 10% ethanol gasoline market keeps absorbing the excess. Another factor controlling the price is the excise tax credit and the way it is applied in the ethanol industry. Unlike the CNG and Propane industry where the excise tax credit goes to the customer, the excise tax credit for ethanol goes to the blender and must be passed along to the customer. Government fleets have been able to take advantage of this credit. Otherwise it is up to the retailer to pass it along. Meier's in Michigan and Kroger and H-E-B in Texas are selling E85 for \$0.30 less than regular gasoline. They report strong business. Any area thinking about implementing E85 in the future should ask the NEVC to connect them up with a producer now (especially the new facilities in their area). This will facilitate easier implementation in the future.

Regarding the UL certification issue, the bottom line is that 5 states' Fire Marshalls have come forward allowing an extension until 2008-2009 for UL retesting and recertification of E85 pump equipment and parts. These are IA, MN, IL, NY, and MI. Previously UL had certified all pump components for E85 use. There have not been any failures reported. Issues were raised when one pump system company found out that they were not the First One that would be certified. UL had not published the testing protocol they were using. Some politicians managed to get into the fray. Next week there is a meeting at UL with many stakeholders and their technical experts to review what has taken place and decide what to do for the future. By next Thursday, 11/02/06, UL should arrive at an interim solution. DOE's NREL is helping to broker a solution. This should alleviate concerns from insurance carriers for companies that want to install the equipment. Since many states have not yet weighed in on the discussion, there may be inquiries about this issue. NEVC has prepared outreach materials that will explain what is taking place. These can be obtained from Curtis Donaldson. (512) 942-8312 or email curtis@cleanfuelusa.com.

H-E-B Update – Susan Ghertner sent a message reporting that in the first half of 2007 they will be installing E-85 at their new stores in Kyle, Laredo, and Mission, TX. The

cost to install at a new store is about half of what it costs at an existing store. Sales have been strong (better than expected) for the five stations opened this summer. The most sales have been at the North Austin store.

Region 6 – E85/alt. fuel road/highway signs. Texas is on-board to put E85 and biodiesel on new highway signs starting in January. Although we obtained use of the logos for both, it was decided that the logos were too small to read from a distance, so the words would be used instead. (Sandra)

-- US Army E85 Challenge. Sally Jo Hahn reported that they did not have their new budgets to project where they might focus renewable fuel stations at their posts. Because of the time crunch, Sandra and she will talk off-line about what steps to take next.

-- E85 updates from Tulsa, KC, other. Nancy Graham was interested in talking to NEVC about contacting the new ethanol plant in Olathe, KS. Betsy reported that there were some problems with the UL certification issues in Kansas City.

-- Hydraulic Hybrid Commercialization. Sandra arranged for OTAQ to participate in a stakeholder meeting in Texas that focused on the strategy needed to push ahead the commercialization of this technology. Over 40 attended. We will keep you apprised of the progress being made on this technology. The focus is on service vehicles of one type or another rather than on light duty passenger vehicles.

Region 7 – Alan Banwart reported that starting next week he and Karen Flournoy will begin a series of visits to states' agriculture community representatives. The purpose is to tell them about the Blue Skyways Collaborative and encourage Biodiesel activities in the farm community. They may also visit the National Biodiesel Board while they are in Jefferson City.

-- Sandra reported that planning has begun for a series of workshops to train farmers and ranchers on how to effectively fill out the applications for USDA Rural Development grant or loan funds for energy efficiency or renewable energy projects. The first one will be in Texas. Agencies sponsoring this workshop are EPA, USDA, DOE/NREL, Texas State Energy Conservation Office, and the Texas General Land Office. Eventually there will be ten of these workshops, one in each state of the Collaborative.

Other – New activities

- Next full BSC meeting – The next full meeting the BSC will take place in February. We will be presenting our successes and mapping out where we want our committee to go in the following year. Be thinking about that. All the Subcommittees will be given separate times to meet at the full meeting.

Next Steps/Meeting/Call – Sandra will keep you informed by email of the latest developments on the UL certification issue and any other hot topics that may come up. We will have another call before the end of the year, for sure. We will need to start planning for the February meeting.

Thank you all for your participation on this Subcommittee!!