

AGENDA Extras – for Kingsport Meeting for the December 2005 Meeting of the Partners and Stakeholders of the EAST TENNESSEE CLEAN FUELS COALITION

1. **2006 Healthy Living Expo!** - January 27-28 (Fri. & Sat.), 2006; Knoxville Convention Center
Do again this year? Karen Ray with Corporate Services & Events (who operates the Healthy Living Expo) has offered us as potential returning participants the same price we paid last year to be there. \$875 got us our booth space and an ad in the pull-out that was distributed with the News Sentinel (\$500 for space, \$375 for ad). Karen also wants us to do the ad again as part of the deal; ad goes to 140,000 homes in the Knoxville area so it seems to be cost effective. As I remember, we had a pretty good turn-out with questions, and as a two-day event it is a little easier to get volunteers for. *Do we want to participate in 2006?*

Yes, we will be doing this event. Need you all to keep your eyes and ears open for similar events in Tri-Cities!

2. **PERC Foundation Grant → See Proposal Handout**

The Propane Education & Research Council (PERC) and the Department of Energy Clean Cities (DOECC) have developed a program that provides funds for propane engine development projects, e.g. infrastructure, vehicle technology and fuel system technology. PERC and DOECC have each contributed \$100,000 to the program. This partnership has created an opportunity for the propane industry and Clean Cities to develop deployment programs to stimulate market growth.

Email covered this about a month ago. Anyone interested in propane projects?

3. **Final Quarterly and Annual Reports provided to TPO (\$60k) and SEO (\$20k)**

Discuss final numbers from the report provided to the TPO on local emissions reductions from biodiesel use growth. Central East TN biodiesel consumption in last 12 months (October '04 – September '05) =

B100 – 226,523 gallons; B20 – 1,132,614 gallons.

These exclude all biodiesel consumption in counties outside Knox and surrounding counties.

4. **Prepare to put together your fleet's alt fuels consumption numbers for calendar year 2005!**

This will be our first official year of providing information on our activities to the Clean Cities program and I'd like the process to go smoothly! I'll be filling out an online form that will probably take a week to complete considering the mass of information required so it will be helpful if fleets can help me by having their alt fuel consumption numbers and numbers of vehicles using alt fuels information organized and ready by the second week of January.

EXTREMELY IMPORTANT! Will need vehicle numbers and at fuel consumption numbers.

5. **Engine Manufacturer's & National Organization's Biodiesel Support Statements**

Caterpillar has recently increased their approved biodiesel portion to 30% (B30) in almost all their ACERT engines. Meanwhile, Detroit Diesel has reduced their support from 10% to 5%. Also, the American Trucking Association has recently (late October) revised their statements about biodiesel (not supporting it at all) to not only approving but advocating 5%. They're pushing it so far that they want to change the national diesel standard to include 5% biodiesel.

6. **Blending Biodiesel with Off-road Diesel: Dye Injection/Addition Update (From the NBB)**

The American Jobs Creation Act (JOBS Act) enacted in 2004 contained a provision that the tax exemption for dyed diesel fuel would not apply unless the fuel is dyed using a mechanical injection system. The IRS earlier this year published temporary and final regulations implementing this requirement. These regulations took effect October 24. Due to concerns that entities may not be able to comply with all requirements of the temporary regulations by October 24, the IRS has issued transition rules for blends up to B20.

We have reviewed the biodiesel related provisions and the following is our understanding. (Please note-- the following is for informational purposes only and should not be construed as tax advice. Consult a tax professional for specific advice related to this subject.) A mixture of diesel fuel or kerosene and biodiesel will be treated as being dyed by mechanical injection if all the following requirements are met:

- the blend contains at least 80 percent diesel fuel (i.e. blends up to and including B20);
- the diesel fuel or kerosene in the blend was dyed by a mechanical injection system;
- the blend is created at a facility that is not a terminal; and
- the dye concentration of the finished blend meets the federal requirement when it is removed from the facility where it was made.

If the blend does not meet the concentration requirement, then the blender must ensure it meets the federal requirement when it is removed from the facility where the blend was made. It would appear that the blender can bring the dye concentration up to specification by manual dyeing in these circumstances. Please note the limitations on this transitional rule; in particular the requirement the diesel fuel component must have

been dyed by mechanical injection. This means that a jobber cannot, for example, buy clear diesel fuel at a terminal (or elsewhere) and dye it manually.

The transition rule is silent on what mechanisms are allowable for use in adding dye to blends greater than B20 and up to the point at which the blend is no longer "diesel fuel" (i.e. the point at which the blend no longer contains 4 percent normal paraffin). B100 and blends containing less than 4 percent normal paraffin are considered "excluded liquids" by the IRS and do not require the addition of dye when used in tax exempt applications.

These transition rules are in effect until a date that is 180 days after IRS publishes final regulations in the Federal Register. The transition rules are contained in IRS Notice 05-80 (n-05-80). This Notice can be found on the IRS website at www.irs.gov/pub/irs-drop/n-05-80.pdf.

7. **Alcoa Foundation Grants**

a) We requested \$32,225 in late 2004 for a "Young Biodiesel Leaders" program grant. This grant was received, but reduced to \$13,400. The grant will focus on looking for student leaders to help in the effort to get Blount County school buses on biodiesel blends.

b) As of October 31, we have requested another \$10,000 for a separate program called the "You Can Use Biodiesel Too" signage campaign. The ETCFC cost shares another \$5,500 in the project for a total project cost of \$15,500. The program is to develop consistent signage, get participants on-board and get the signs printed and placed that say "(Co. X) uses biodiesel... and you can, too!" with a Web site listed where they can for information on where biodiesel is available locally (Web site costs are also included in the grant).