

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on January 27, 2003, in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research Department
 Amy VanHouse, Legislative Research Department
 Gordon Self, Revisor of Statutes Office
 Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Ed Mader, Chairman, Kansas Soybean Commission
Ron Westerveldt, Past President, Kansas Soybean Association
Kenlon Johannes, Administrator, Kansas Soybean Commission, and CEO, Kansas Soybean Assn.
Leslie Kaufman, State Director, Governmental Relations, Kansas Farm Bureau
Justin Holstin, Executive Vice President, Propane Marketers Association of Kansas
Representative Joe Shriver
Greg Noll, District Manager, Ferrellgas, Topeka
Stanley Odle, Safety Compliance Director, Farmway Coop, Inc., Beloit
Ron Davis, Owner, Ruralgas Co., Inc., Nortonville
Donald Sutton, President, Tri State Tank, L.L.C., Kansas City, Kansas
Diane Gruver, Executive Assistant, Kansas Cooperative Council
Karl McNorton, Director, Fire Prevention Division, Kansas State Fire Marshal's Office
Pat Lehman, Kansas Fire Service Alliance
Chris McVey, General Manager, Kanoma Co-op Association, Coffeyville (written only)
Rick Payne, Operations Manager, Propane Central, L.L.C. (written only)

Others attending: See attached list

Chairman Johnson called for introduction of committee bill requests. Representative Powell requested introduction of a committee bill that would make leases for wind generators a matter of public record. Seconded by Representative Dahl, the motion carried.

Representative Thimesch requested introduction of a committee bill concerning permitting of water structures. Seconded by Representative Faber, the motion carried.

Minutes of the January 22 meeting were distributed. Members were asked to notify the committee secretary of any corrections or additions prior to 5:00 p.m. January 29, or the minutes will be considered approved as presented.

Hearing on HB 2036 - Motor fuel labeled as bio-diesel required to contain at least 2% esters derived from vegetable oil or animal fat.

Chairman Johnson opened the hearing on **HB 2036**. Raney Gilliland explained that this bill would amend the Kansas Consumer Protection Act to make it a deceptive act or practice for a supplier to represent that diesel fuel is or contains soydiesel or biodiesel unless at least 2% of the mixture is mono-alkyl esters derived from vegetable oil or animal fat as determined by the American Society of Testing and Materials.

Ed Mader, Chairman, Kansas Soybean Commission, appeared in support of **HB 2036** discussing the performance, economic, energy security, and environmental benefits of biodiesel. (Attachment 1)

Ron Westerveldt, Past President, Kansas Soybean Association, testified in support of **HB 2036** explaining the role farmers and farm fuel distributors play in building biodeisel demand and availability. (Attachment2)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE at 3:30 p.m. on January 27, 2003, in Room 423-S of the Capitol.

Kenlon Johannes, Administrator, Kansas Soybean Commission, and CEO, Kansas Soybean Association, testified in support of **HB 2036** further defining biodiesel and its benefits. ([Attachment 3](#))

Leslie Kaufman, State Director, Governmental Relations, Kansas Farm Bureau, appeared in support of **HB 2036**. She stated that the provision of the bill establishing a 2% ester threshold for diesel fuel to be marketed as biodiesel, soydiesel, or renewable fuel is compatible with KFB policy positions, but noted that KFB resolutions do not speak to whether this should be accomplished through the Kansas Consumer Protection Act or some other avenue. ([Attachment 4](#))

Staff reported that violation of this provision of the Kansas Consumer Protection Act would result in civil penalties of not more than \$10,000 for each violation. It was noted that this bill would have no discernible fiscal effect.

There were no opponents. The hearing on **HB 2036** was closed.

Hearing on HB 2038 - Creating the Kansas propane education and research council.

Chairman Johnson opened the hearing on **HB 2038**. Raney Gilliland explained that this bill would establish a nine-member Propane Education and Research Council charged with developing programs and projects concerning the enhancement of safety, research and development, efficiency of use, and environmental aspects of propane. The council would be funded by monies collected through an assessment on odorized propane that is to be no greater initially than 0.2 cent per gallon. The assessment could not be raised more than 0.1 cent per gallon in any one year, with a cap of 0.5 cent per gallon. It was noted that this bill would have no direct fiscal tie to state government and would not be considered a state agency.

Justin Holstin, Executive Vice President, Propane Marketers Association of Kansas, testified in support of **HB 2038** that would create the Kansas Propane Education and Research Council (KanPERC) to provide uniform safety education for employees of the propane industry, those who work with propane, fire fighters, and the public which will help reduce property damage and personal injury. He reported that such councils have proven to be highly effective in at least 30 other states including Nebraska, Missouri, Oklahoma, Colorado, and Texas. ([Attachment 5](#))

Representative Joe Shriver, a former firefighter/paramedic with the Arkansas City Fire Department, appeared in support of **HB 2038**. He believes KanPERC would enhance propane safety, education, and training for propane consumers and employees; improve propane technology; and develop programs to educate the public about safety, environmental aspects, and uses of propane. ([Attachment 6](#))

Greg Noll, District Manager, Ferrellgas, Topeka, testified in support of **HB 2038** to implement a 0.2 cent per gallon assessment on odorized propane to fund a safety and education program. Mr. Noll served as chairman of the Propane Marketers Association of Kansas' Kansas Propane Education and Research Council Committee. ([Attachment 7](#))

Stanley Odle, Safety Compliance Director, Farmway Coop, Inc., Beloit, appeared in support of **HB 2038** to provide extra funding to assist propane marketers with safety education of their employees, customers, and communities. ([Attachment 8](#))

Ron Davis, Owner, Ruralgas Co., Inc., Nortonville, and Vice President of the Propane Marketers Association of Kansas, testified in support of **HB 2038** that would allow all marketers, regardless of size, to enhance propane safety, educate customers, and train employees. By pooling funds, he believes a broader coverage and more constant message can be delivered throughout the state. ([Attachment 9](#))

Donald Sutton, President, Tri State Tank, L.L.C., Kansas City, Kansas, and President of the Propane Marketers Association of Kansas appeared in support of **HB 2038**. As a builder of propane delivery units, refined fuel delivery units, and vacuum tank units marketed in every state and exported to countries around the world, he said this bill will benefit Kansans throughout the state because he has seen it work in neighboring states. ([Attachment 10](#))

CONTINUATION SHEET

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Diane Gruver, Executive Assistant, Kansas Cooperative Council, appeared in support of **HB 2038**. The Council believes that KanPERC would be a great resource to the cooperatives that have propane businesses in Kansas. (Attachment 11)

Karl McNorton, Director, Fire Prevention Division, Kansas State Fire Marshal's Office, testified in support of **HB 2038** to create the Kansas Propane Education and Research Council. The state fire marshal's office asked that the bill be amended in Section 3 to make the state fire marshal or his/her designee a permanent member of this council. (Attachment 12)

Pat Lehman, Kansas Fire Service Alliance, endorsed **HB 2038**. He believes the Kansas Propane Education and Research Council will work well with the Kansas Fire Service Training Commission to further training for firefighters in Kansas. (Attachment 13)

Chris McVey, General Manager, Kanoma Co-op Association, Coffeyville, submitted written testimony in support of **HB 2038**. (Attachment 14)

Rick Payne, Operations Manager, Propane Central, L.L.C., provided written testimony in support of **HB 2038**. (Attachment 15)

There were no opponents. The hearing on **HB 2038** was closed.

The meeting adjourned at 5:55 p.m. The next meeting is scheduled for January 29, 2003.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 27, 2003

NAME	REPRESENTING
Godd Johnson	KLA
Andy Shaw	PMCA
Pat Lehman	KS Fire Service Assoc.
Nan Hutchins	KFC
Steve Johnson	KGS
Dave Wareham	Ks. Grain & Feed Assn. Ks. Agribusiness Retailers Assn.
Greg Noll	PMAK - Ferrellgas
Row Davis	PMAK - Ruralgas Co. Inc
RON WESTERVELT	KANSAS SOYBEAN ASSN.
Kenton Johannes	Kansas Soybean Commission & Association
Ed Mader	Ks Soybean Commission
Tom PALACE	PMCA OF KANSAS
Karl Mc Norton	Ks Fire Marshal Dept 11
JOE SHRIVER	St. Rep. #79
Carole Jordan	KDA
Tom Whitaker	KS MOTOR CARRIERS ASSN
Stanley Odee	PMAK
Lyn Klein	WESTLAND ENERGY LLC
Kenny Atkinson	P.M.A.K

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 27, 2003

NAME	REPRESENTING
Jelen N Davis	Ruralgas Co Inc - Nortonville
Cody K Wray	Fairbank Equipment - White
Chris Klein	Westland Energy - Hays
Deane Shrews	Kansas Co op Council
Bruce GRAHAM	KEPCO
Bob Kuehbiel	KIOGA
Twila Drybread	DOB
DONALD SUTTON	PMAK
Sustin Holstin	Propane Marketers Assn of KS



USDA Vehicle Fueled by B20



National Biodiesel Board
800-841-5849
www.biodiesel.org



NJDOT Runs on Biodiesel

Biodiesel 2002

Indicators that the Biodiesel Industry is Growing and Poised to be a Significant Contributor to the U.S. Alternative Fuels Market

Recent achievement of three major long-term objectives: Because of the following 3 long-term achievements, biodiesel has become one of the fastest (if not the fastest) growing alternative fuels in the country.

1. **ASTM:** In December 2001, the American Society of Testing and Materials (ASTM) issued a specification (D 6751) for biodiesel fuel. ASTM is the premier standard-setting organization for fuels and additives in the U.S. This development is crucial in standardizing fuel quality for biodiesel in the U.S. market and increasing the confidence of consumers and engine makers.
2. **Health Effects:** In May 2000, biodiesel became the only alternative fuel in the country to have successfully completed the EPA's Tier I *and* Tier II Health Effects testing under Section 211(b) of the Clean Air Act. The Tier I testing conclusively demonstrated biodiesel's significant reductions in most currently regulated emissions as well as most unregulated emissions—especially those associated with cancer and lung disease. Tier II testing demonstrated biodiesel's non-toxic effect on health.
3. **EPACT:** Effective November 1998, B20, a blend of 20% biodiesel and 80% petroleum diesel, was approved by Congress as an EPAct (Energy Policy Act of 1992) compliance strategy. The legislation allowed EPAct fleets to meet their alternative fuel vehicle purchase requirements simply by buying 450 gallons of pure biodiesel and burning it in new or existing diesel vehicles in at least a 20% blend with diesel fuel. The Congressional Budget Office and the Department of Defense have confirmed that the biodiesel option is the lowest cost alternative fuel option for meeting the federal government's EPAct compliance requirements.

Current Industry Progress and Initiatives:

- ◆ **Biodiesel Use Is Increasing Significantly.** In January of 1999, there were only a few fleets buying and using biodiesel. By January 2002 there were well over 100 major fleets that had implemented biodiesel programs across the country including federal fleets such as US Postal Service, the US Air Force, the US Army, the US Department of Energy, NASA; state fleets such as Ohio, Iowa, Virginia, Missouri, Delaware and New Jersey; city buses such as Cincinnati Metro and Bi-State in St. Louis; and major public utility fleets such as Commonwealth Edison, Florida Power and Light, Duke Energy, Georgia Power, Alabama Power and others.
- ◆ **Ultra Low Sulfur Diesel.** In January of 2001, the EPA finalized a rule that will require that sulfur levels in diesel fuel be reduced from 500 ppm to 15 ppm, a 97% reduction, by 2006. The EPA, the petroleum industry, and equipment manufacturers all recognized during the rulemaking process that the refinery changes necessary to meet this requirement will also dramatically reduce lubricity of the fuel. Lubricity is the characteristic in diesel fuel necessary to keep diesel fuel systems properly lubricated. Fuel that lacks lubricity can cause premature wear or malfunction. Biodiesel is uniquely positioned to address ultra low-sulfur diesel fuel because it has no sulfur and currently meets the 2006 standard. Moreover,

biodiesel offers superior lubricity even in very low blends. For example, a 1% blend of biodiesel can improve lubricity by as much as 65% according to tests done by Stanadyne Automotive Corp.

- ◆ **Political and Public Support is Increasing Significantly:** The US Congress is considering two bills that would increase biodiesel use to help meet national energy goals while contributing to a healthier environment. One establishes national goals for the use of renewable fuels such as biodiesel and ethanol; the other would provide partial excise tax exemption for biodiesel similar to ethanol. Biodiesel is now included in major state and nationwide legislative efforts, which are providing a mechanism to quantify the benefits of the fuel and make it a cost-competitive option for achieving many national and statewide goals. In 2001, 15 states passed legislation favorable to biodiesel, including Missouri, Arizona, Hawaii, Iowa, Montana, Nevada, North Dakota, South Dakota and Oregon. In 2002, Minnesota enacted the first ever statewide law requiring the state's diesel fuel be comprised of 2% biodiesel.
- ◆ **Low Blend Development:** Low blends of biodiesel (5% and lower) have become increasingly popular. The fuel's excellent lubricity offers a performance benefit. Low blends are also popular with farmers, and an increasing number of diesel distributors are making low blends available for farm use. Iowa alone has 80 locations making biodiesel available. Additionally, since 1997, eight companies have released premium additive packages containing biodiesel as a lubricity additive. These products have had commercial success and demonstrated biodiesel's effectiveness as a lubricity additive.
- ◆ **Military:** The National Biodiesel Board has entered into a Cooperative Research and Development Agreement (CRADA) with the Tank, Automotive and Armament Command (TACOM) of the U.S. Army to assist them in their effort to incorporate biodiesel into the procurement provisions for the military.
 - ◆ Most branches of the military have now committed to using biodiesel.
 - ◆ The Defense Logistics Agency (DLA) is streamlining the biodiesel procurement process for both the military and individual federal agencies.
 - ◆ The Department of Defense has issued guidance to all branches of the military for biodiesel use that is favorable to the purchase of the fuel.
 - ◆ Biodiesel blends have been included in the 21st Century Truck Initiative, being spearheaded by TACOM and the National Automotive Center as a leading alternative fuel for heavy-duty trucks because other alternatives to fossil fuels are not able to deliver the power and performance demanded by the heavy-duty sector.
- ◆ **OEMs:** Most major diesel engine manufacturers have affirmed that use of B20 in their equipment will not void their warranties and are actively working with industry on research and development activities. Moreover, fuel injection equipment manufacturers have identified biodiesel as a renewable lubricity additive. In fact, Stanadyne Automotive, Inc., the largest fuel injection equipment manufacturer in the US, submitted comments to the EPA, which stated that biodiesel is a superior solution to lubricity loss in low and ultra low-sulfur diesel fuel because of its effective lubricity enhancement and because it eliminates the inherent variability of using additives.
- ◆ **Future Market Dynamics Show Promise:** As the EPA and fuel and equipment industry groups move to improve performance and emissions of diesel technology, it is clear that diesel will continue to be the preferred platform for heavy-duty applications for the foreseeable future. Furthermore, global warming and greenhouse gases will continue to gain attention. Because biodiesel is compatible and complimentary to these goals and future technology, biodiesel is uniquely positioned to provide benefits in all these areas, which will further increase the fuel's economic competitiveness. Biodiesel offers fleet managers an immediate and "seamless" ability to transform their diesel fleets into cleaner-burning alternative fuel fleets, without requiring any capital investment.



BENEFITS OF BIODIESEL

Environmental Benefits

In 2000, biodiesel became the only alternative fuel in the country to have successfully completed the EPA-required Tier I and Tier II health effects testing under the Clean Air Act. These independent tests conclusively demonstrated biodiesel's significant reduction of virtually all regulated emissions, and showed biodiesel does not pose a threat to human health.

Biodiesel contains no sulfur or aromatics, and use of biodiesel in a conventional diesel engine results in substantial reduction of unburned hydrocarbons, carbon monoxide and particulate matter. A U.S. Department of Energy study showed that the production and use of biodiesel, compared to petroleum diesel, resulted in a 78.5% reduction in carbon dioxide emissions. Moreover, biodiesel has a positive energy balance. For every unit of energy needed to produce a gallon of biodiesel, 3.24 units of energy are gained.

Energy Security Benefits

With agricultural commodity prices approaching record lows, and petroleum prices approaching record highs, it is clear that more can be done to utilize domestic surpluses of vegetable oils while enhancing our energy security. Because biodiesel can be manufactured using existing industrial production capacity, and used with conventional equipment, it provides substantial opportunity for *immediately* addressing our energy security issues.

If the true cost of using foreign oil were imposed on the price of imported fuel, renewable fuels, such as biodiesel, probably would be the most viable option. For instance, in 1996, it was estimated that the military costs of securing foreign oil was \$57 billion annually. Foreign tax credits accounted for another estimated \$4 billion annually and environmental costs were estimated at \$45 per barrel. For every billion dollars spent on foreign oil, America lost 10,000 – 25,000 jobs.

Economic Benefits

Increased utilization of renewable biofuels results in significant microeconomic benefits to both the urban and rural sectors, and the balance of trade. A study completed in 2001 by the U.S. Department of Agriculture found that an average annual increase of the equivalent of 200 million gallons of soy-based biodiesel demand would boost total crop cash receipts by \$5.2 billion cumulatively by 2010, resulting in an average net farm income increase of \$300 million per year. The price for a bushel of soybeans would increase by an average of 17 cents annually during the ten-year period.

In addition to being a domestically produced, renewable alternative fuel for diesel engines, biodiesel has positive performance attributes such as increased cetane, high fuel lubricity, and high oxygen content, which may make it a preferred blending stock with future ultra-clean diesel.



BENEFITS OF BIODIESEL

Quality Benefits

Biodiesel is registered as a fuel and fuel additive with the EPA and meets clean diesel standards established by the California Air Resources Board (CARB). B100 (100 percent biodiesel) has been designated as an alternative fuel by the U.S. Department of Energy and the U.S. Department of Transportation. Moreover, in December 1998, the American Society of Testing and Materials (ASTM) issued a provisional specification (PS 121) for biodiesel fuel. This development was crucial in standardizing fuel quality for biodiesel in the U.S. market.

The National Biodiesel Board, the trade association for the biodiesel industry, has formed the National Biodiesel Accreditation Commission (NBAC) to audit fuel producers and marketers in order to enforce fuel quality standards in the US. NBAC issues a 'Certified Biodiesel Marketer' seal of approval for biodiesel marketers that have met all requirements of fuel accreditation audits. This seal of approval will provide added assurance to customers, as well as engine manufacturers, that the biodiesel marketed by these companies meets the ASTM standards for biodiesel and that the fuel supplier will stand behind its products.

EPAct Benefits

Effective November 1998, Congress approved the use of biodiesel as an Energy Policy Act (EPAct) compliance strategy. The legislation allows EPAct-covered fleets (federal, state and public utility fleets) to meet their alternative fuel vehicle purchase requirements simply by buying 450 gallons of pure biodiesel and burning it in new or existing diesel vehicles in at least a 20% blend with diesel fuel. The Congressional Budget Office and the U.S. Department of Agriculture have confirmed that the biodiesel option is the least-cost alternative fuel option for meeting the Federal government's EPAct compliance requirements. Because it works with existing diesel engines, biodiesel offers an immediate and seamless way to transition existing diesel vehicles into a cleaner burning fleet.



Farmer Use

Why do farmers want to use biodiesel?

Biodiesel is a perfect opportunity for farmers to create demand for the crops they grow through on-farm use. Farmers' commitment to biodiesel is reflected in their \$25 million investment in the product through checkoff dollars. This demonstrates the tremendous potential farmer demand for soy biodiesel.

What benefits does soy biodiesel offer farmers?

Farmers recognize that soy biodiesel is a high-quality product to use in their farm equipment. Even low blends of biodiesel like B2 (2%) and B5 (5%) offer:

- ◊ Exceptional lubricity
- ◊ Longer equipment life
- ◊ Lower maintenance costs and less equipment downtime
- ◊ A cleaner-burning fuel that is friendlier to the user and the environment

How much do farmers stand to gain from biodiesel's potential to improve soybean prices?

Soybean demand is key to increasing soybean prices, and the United Soybean Board says biodiesel represents the largest potential industrial use of soybeans. Several recent studies have quantified economic and social benefits of the commercialization of biodiesel in the U.S. The economic benefits of using biodiesel are shown to accrue to farmers, local communities, end users and the nation as a whole.

- ◊ A study conducted by AUS Consultants shows that realizing a national goal of 4 percent renewable fuel use by 2016 would increase soybean production from 51 million bushels in 2002 to 318 million bushels by 2016. Soybean prices would increase an average of 68 cents per bushel, or 11.8 percent of the baseline.
- ◊ A study completed in 2001 by the U.S. Department of Agriculture's Office of Energy Policy and New Uses in conjunction with the Economic Research Service (ERS) found that an average annual increase of the equivalent of 200 million gallons of soy-based biodiesel demand would boost total crop cash receipts by \$5.2 billion cumulatively by 2010, resulting in an average net farm income increase of \$300 million per year.

Does biodiesel use void the warranty of farm equipment?

The use of biodiesel does not void the warranty of any major engine manufacturer.

How can farmers get biodiesel?

Farmers should ask their local fuel distributor to carry biodiesel. Petroleum distributors are increasingly making it available to their customers. A map with state by state distributors and a list of wholesale biodiesel suppliers is available at the NBB Web site, www.biodiesel.org



BIODIESEL PERFORMANCE

Successful alternative fuels fulfill environmental and energy security needs without sacrificing operating performance. Operationally, biodiesel performs very similar to low sulfur diesel in terms of power, torque, and fuel without major modification of engines or infrastructure.

Biodiesel offers similar power to diesel fuel One of the major advantages of biodiesel is the fact that it can be used in existing engines and fuel injection equipment with little impact to operating performance. Biodiesel has a higher cetane number than U.S. diesel fuel. In over 15 million miles of in-field demonstrations biodiesel showed similar fuel consumption, horsepower, torque, and haulage rates as conventional diesel fuel.

Biodiesel provides significant lubricity improvement over petroleum diesel fuel Lubricity results of biodiesel and petroleum diesel using industry test methods indicate that there is a marked improvement in lubricity when biodiesel is added to conventional diesel fuel. Even biodiesel levels below 1 percent can provide up to a 65 percent increase in lubricity in distillate fuels.

Compatibility of biodiesel with engine components The recent switch to low sulfur diesel fuel has caused most OEMs to switch to components suitable for use with biodiesel, but users should contact their OEM for specific information. In general, biodiesel will soften and degrade certain types of elastomers and natural rubber compounds over time. Using high percent blends can impact fuel system components (primarily fuel hoses and fuel pump seals), that contain elastomer compounds incompatible with biodiesel. Manufacturers recommend that natural or butyl rubbers not be allowed to come in contact with pure biodiesel. Biodiesel will lead to degradation of these materials over time, although the effect is lessened with biodiesel blends. If a fuel system does contain these materials and users wish to fuel with pure biodiesel, replacement with compatible elastomers is recommended.

Biodiesel in cold weather Cold weather can cloud and even gel any diesel fuel, including biodiesel. Users of a 20 percent biodiesel blend will experience an increase of the cold flow properties (cold filter plugging point, cloud point, pour point) of approximately 3 to 5° Fahrenheit. Precautions employed for petroleum diesel are needed for fueling with 20 percent blends. Neat (100 percent) biodiesel will gel faster than petrodiesel in cold weather operations. Solutions for winter operability with neat biodiesel are much the same as that for low-sulfur #2 diesel (i.e., blending with #1 diesel, utilization of fuel heaters, and storage of the vehicle in or near a building). These same solutions work well with biodiesel blends, as do the use of cold flow improvement additives.



Environmental Impact in Kansas

Biodiesel is a clean burning fuel for diesel engines made from domestically produced, renewable oils such as soybean oil. Biodiesel has no sulfur or aromatic compounds and already meets the new Environmental Protection Agency (EPA) ultra low sulfur diesel fuel proposed for introduction in 2006. Biodiesel can be used in existing diesel engines without modification. Biodiesel burns substantially cleaner than petroleum based diesel fuel, and is a powerful option for improving our environment.

Biodiesel can also be blended with diesel fuel as a fuel additive or extender. Burning 2% biodiesel in the 600 million gallons of diesel fuel used in Kansas each year will have significant positive environmental impacts. Burning just a 2% biodiesel blend in Kansas diesel fuel will curtail harmful tailpipe emissions. Annually, it will:

- Reduce poisonous carbon monoxide emissions by more than 600 thousand pounds.
- Reduce ozone forming hydrocarbon emissions by almost 68 thousand pounds.
- Reduce hazardous diesel particulate emissions by almost 53 thousand pounds.
- Reduce acid-rain causing sulfur dioxide emissions by more than 53 thousand pounds.

In its recently released low-sulfur diesel ruling for 2006 and beyond, EPA also states that certain compounds in diesel exhaust called polycyclic organic matter (POM) can have significant negative effects on reproductive, developmental, immunological and endocrine (hormone) systems in both humans and wildlife. These POMs are found in diesel exhaust as gases as well as in deposits on particulate matter. EPA states that reducing particulate matter would reduce the health effects of harmful POM that ends up in lakes and streams—natural resources that are extremely important to Kansas. Not only does biodiesel reduce particulate matter as stated above, but burning just 2% biodiesel in Kansas would have the following additional impact on the 12 million gallons of diesel fuel it would replace:

- Reduce harmful and cancerous POM impacts to streams, wildlife and humans by more than 80% compared to diesel fuel.

Biodiesel has been appropriately characterized as "liquid solar energy." Biodiesel is produced from renewable sources grown and harvested each year such as soybeans in what experts call a closed loop carbon cycle—carbon dioxide is taken up by soybeans as they grow and is released back into the air when biodiesel is burned. In a joint study, the US Departments of Energy and Agriculture found biodiesel reduces Carbon Dioxide 78% over its entire life cycle compared to petrodiesel and has a positive energy balance of 3.2 to 1 (3.2 units of energy are produced for every one unit of energy needed for biodiesel production, while diesel is 0.83 to 1). Therefore, burning 2% biodiesel in Kansas would result in:

- Reducing Life Cycle Carbon Dioxide emissions more than 190 million pounds annually.
- Extending the fossil diesel supply almost four-fold for every gallon of diesel replaced by biodiesel.



HEALTH EFFECTS TESTING

HISTORY

In June 2000, representatives of the U.S. Congress announced that biodiesel had become the first and only alternative fuel to have successfully completed the Tier I and Tier II Health Effects testing requirements of the Clean Air Act Amendments of 1990. The biodiesel industry invested more than two million dollars and four years into the health effects testing program with the goal of setting biodiesel apart from other alternative fuels and increasing consumer confidence in biodiesel.

TESTING

The first tier of health effects testing was conducted by Southwest Research Institute and involved a detailed analysis of biodiesel emissions. Tier II was conducted by Lovelace Respiratory Research Institute, where a 90-day sub-chronic inhalation study of biodiesel exhaust with specific health assessments was completed.

RESULTS

Results of the health effects testing concluded that biodiesel is non-toxic and biodegradable, posing no threat to human health. Also among the findings of biodiesel emissions compared to petroleum diesel emissions in this testing:

- The overall ozone (smog) forming potential of the speciated hydrocarbon exhaust emissions from biodiesel is 50% less.
- The exhaust emissions of *carbon monoxide* (a poisonous gas and a contributing factor in the localized formation of smog and ozone) from biodiesel are 50% lower.
- The exhaust emissions of *particulate matter* (recognized as a contributing factor in respiratory disease) from biodiesel are 30% lower.
- The exhaust emissions of *sulfur oxides and sulfates* (major components of acid rain) from biodiesel are completely eliminated.
- The exhaust emissions of *hydrocarbons* (a contributing factor in the localized formation of smog and ozone) are 95% lower.
- The exhaust emissions of *aromatic compounds* known as PAH and NPAH compounds (suspected of causing cancer) are substantially reduced for biodiesel compared to diesel. Most PAH compounds were reduced by 75% to 85%. All NPAH compounds were reduced by at least 90%.

SIGNIFICANCE

The health effects testing results provide conclusive scientific evidence using the most sophisticated technology available to validate the existing body of testing data. The comprehensive body of biodiesel data serves to demonstrate the significant benefits of biodiesel to the environment and to public health. This will lead to increased consumer confidence and increased use of biodiesel. Since the majority of biodiesel is made from soybean oil, a promising new market is materializing for soybeans.

U.S. Biodiesel Production Capacity

There are presently more than twelve companies that have invested millions of private dollars into the development of biodiesel manufacturing plants and are actively marketing biodiesel. The question of available biodiesel production capacity must be answered in two parts. First, there is dedicated production capacity. This is the production capacity from dedicated biodiesel plants operating in the US. Current dedicated production capacity is estimated to be between 60 and 80 million gallons per year. This capacity is mostly modular, and can be doubled or tripled in a short time frame (less than 12 months). Moreover, a number of firms, mostly in the Midwest, have reported their plans to construct dedicated biodiesel plants to become operational during calendar year 2002. These intentions are dependent upon regional demand prospects.

In addition to dedicated production capacity, there is available production capacity for fuel grade methyl esters within the oleochemical industry. Mono-alkyl esters (the chemical name for biodiesel) are produced from a simple chemical process called transesterification, which separates out the glycerin in the natural fat or oil. Esters are a commonly used industrial chemical utilized widely in solvent, surfactant, and adjuvant applications. Currently, excess capacity exists within the oleochemical industry. Although few estimates are available to document this surplus capacity, it has been reported that up to 200 million gallons of production capacity are available through long-term production agreements with existing biodiesel marketing firms. These resources could also be utilized to supply new market developments for biodiesel.

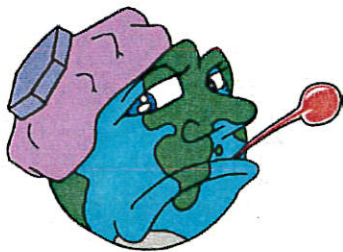
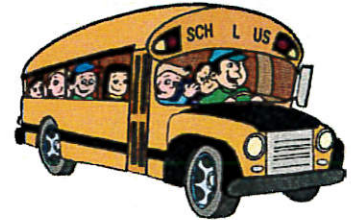


What is Biodiesel?

Biodiesel is a fuel for trucks, buses and tractors. It is usually made from soybeans, a crop grown by farmers.

Who Uses Biodiesel?

There are about 200 fleets that use biodiesel. Some city buses use it, some national parks use it for their trucks and buses, and some government fleets use it. Many school buses run on biodiesel—does yours?

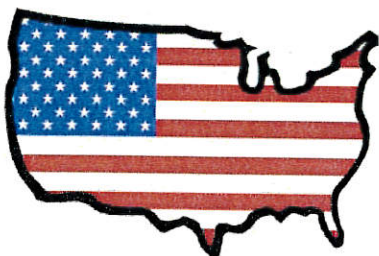
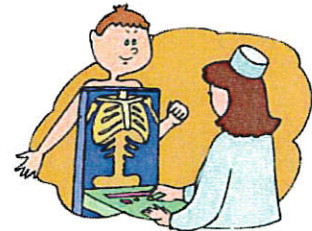


Is Biodiesel Good for the Earth?

Yes. Biodiesel has fewer harmful emissions compared to petroleum diesel. That means it keeps our air cleaner and helps stop global warming.

Is Biodiesel Better for our Health?

Yes. Breathing in biodiesel is better for our lungs and hearts. When it comes out the exhaust pipe, it even smells better than diesel smoke. Biodiesel smells like french fries!



Why is Using Biodiesel Important for the USA?

Biodiesel is renewable, which means we can always make more. Petroleum diesel comes from crude oil, a fossil fuel, and some day it may run out. Since biodiesel is made in the USA, it can help our country become energy independent.



Biodiesel Myths and Facts

Myth: Biodiesel causes degradation of engine gaskets and seals.

Fact: The recent switch to low-sulfur diesel fuel has caused most Original Equipment Manufacturers (OEMs) to switch to components that are also suitable for use with biodiesel. In general, biodiesel used in pure form can soften and degrade certain types of elastomers and natural rubber compounds over time. Using high percent blends can impact fuel system components (primarily fuel hoses and fuel pump seals) that contain elastomer compounds incompatible with biodiesel, although the effect is lessened as the biodiesel blend level is decreased. Experience during the last seven years with B20 has found that no changes to gaskets or hoses are necessary.

Myth: No objective biodiesel fuel formulation standard exists.

Fact: The biodiesel industry has been active in setting standards for biodiesel since 1994 when the first biodiesel taskforce was formed within the American Society for Testing and Materials (ASTM). ASTM approved a provisional standard for biodiesel (ASTM PS 121) in July of 1999. The final specification (D-6751) was issued in December 2001. Copies of specifications are available from ASTM at <http://www.astm.org>.

Myth: Biodiesel does not have sufficient shelf life.

Fact: Most fuel today is used up long before six months, and many petroleum companies do not recommend storing petroleum diesel for more than six months. The current industry recommendation is that biodiesel be used within six months, or reanalyzed after six months to ensure the fuel meets ASTM specifications (D-6751). A longer shelf life is possible depending on the fuel composition and the use of storage-enhancing additives.

Myth: Engine warranty coverage would be at risk.

Fact: The use of biodiesel in existing diesel engines does not void parts and materials workmanship warranties of any engine manufacturer.

Myth: The U.S. lacks the infrastructure to prevent shortages of the product.

Fact: There are 13 companies that have invested millions of dollars into the development of the biodiesel manufacturing plants actively marketing biodiesel. Based on existing dedicated biodiesel processing capacity and long-term production agreements, more than 200 million gallons of biodiesel capacity currently exists. Many facilities are capable of doubling their production capacity within 18 months.

Myth: There is no government program to support development of a biodiesel industry.

Fact: The U.S. Department of Agriculture announced in January 2001 the implementation of the first program providing cost incentives for the production of 36 million gallons of biodiesel. Bills supporting the use of biodiesel and ethanol were also introduced to the U.S. Congress in 2001, including one that would set a renewable standard for fuel in the U.S. and one that would give biodiesel a partial fuel excise tax exemption. More than a dozen states have passed favorable biodiesel legislation.



Biodiesel Myths and Facts

Myth: Biodiesel is an experimental fuel and has not been thoroughly tested.

Fact: Biodiesel is one of the most thoroughly tested alternative fuels on the market. A number of independent studies have been completed with the results showing biodiesel performs similar to petroleum diesel while benefiting the environment and human health compared to diesel. That research includes studies performed by the U.S. Department of Energy, the U.S. Department of Agriculture, Stanadyne Automotive Corp. (the largest diesel fuel injection equipment manufacturer in the U.S.), Lovelace Respiratory Research Institute, and Southwest Research Institute. Biodiesel is the first and only alternative fuel to have completed the rigorous Health Effects testing requirements of the Clean Air Act. Biodiesel has been proven to perform similarly to diesel in more 40 million successful road miles in virtually all types of diesel engines, countless off-road miles and countless marine hours. Currently more than 100 major fleets use the fuel.

Myth: Biodiesel does not perform as well as diesel.

Fact: One of the major advantages of biodiesel is the fact that it can be used in existing engines and fuel injection equipment with little impact to operating performance. Biodiesel has a higher cetane number than U.S. diesel fuel. In more than 30 million miles of in-field demonstrations, B20 showed similar fuel consumption, horsepower, torque, and haulage rates as conventional diesel fuel. Biodiesel also has superior lubricity and it has the highest BTU content of any alternative fuel (falling in the range between #1 and #2 diesel fuel).

Myth: Biodiesel doesn't perform well in cold weather.

Fact: Biodiesel will gel in very cold temperatures, just as the common #2 diesel does. Although pure biodiesel has a higher cloud point than #2 diesel fuel, typical blends of 20% biodiesel are managed with the same fuel management techniques as #2 diesel. Blends of 5% biodiesel and less have virtually no impact on cold flow.

Myth: Biodiesel causes filters to plug.

Fact: Biodiesel can be operated in any diesel engine with little or no modification to the engine or the fuel system. Pure biodiesel (B100) has a solvent effect, which may release deposits accumulated on tank walls and pipes from previous diesel fuel use. With high blends of biodiesel, the release of deposits may clog filters initially and precautions should be taken to replace fuel filters until the petroleum build-up is eliminated. This issue is less prevalent with B20 blends, and there is no evidence that lower-blend levels such as B2 have caused filters to plug.

Myth: A low-blend of biodiesel in diesel fuel will cost too much.

Fact: Using a 2% blend of biodiesel is estimated to increase the cost of diesel by 2 or 3 cents per gallon, including the fuel, transportation, storage and blending costs. Any increase in cost will be accompanied by an increase in diesel quality since low-blend levels of biodiesel greatly enhance the lubricity of diesel fuel.



COMMONLY ASKED QUESTIONS

What is biodiesel?

Biodiesel is the name of a clean burning alternative fuel, produced from domestic, renewable resources. Biodiesel contains no petroleum, but it can be blended at any level with petroleum diesel to create a biodiesel blend. It can be used in compression-ignition (diesel) engines with no major modifications. Biodiesel is simple to use, biodegradable, nontoxic, and essentially free of sulfur and aromatics.

Is biodiesel used as a pure fuel or is it blended with petroleum diesel?

Biodiesel can be used as a pure fuel or blended with petroleum in any percentage. B20 (a blend of 20 percent by volume biodiesel with 80 percent by volume petroleum diesel) has demonstrated significant environmental benefits with a minimum increase in cost for fleet operations and other consumers.

Is it approved for use in the US?

Biodiesel is registered as a fuel and fuel additive with the Environmental Protection Agency (EPA) and meets clean diesel standards established by the California Air Resources Board (CARB). Neat (100 percent) biodiesel has been designated as an alternative fuel by the Department of Energy (DOE) and the US Department of Transportation (DOT).

How do biodiesel emissions compare to petroleum diesel?

Biodiesel is the only alternative fuel to have fully completed the health effects testing requirements of the Clean Air Act. The use of biodiesel in a conventional diesel engine results in substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter compared to emissions from diesel fuel. In addition, the exhaust emissions of sulfur oxides and sulfates (major components of acid rain) from biodiesel are essentially eliminated compared to diesel.

Of the major exhaust pollutants, both unburned hydrocarbons and nitrogen oxides are ozone or smog forming precursors. The use of biodiesel results in a substantial reduction of unburned hydrocarbons. Emissions of nitrogen oxides are either slightly reduced or slightly increased depending on the duty cycle of the engine and testing methods used. Based on engine testing, using the most stringent emissions testing protocols required by EPA for certification of fuels or fuel additives in the US, the overall ozone forming potential of the speciated hydrocarbon emissions from biodiesel was nearly 50 percent less than that measured for diesel fuel.

Can biodiesel help mitigate "global warming"?

A 1998 biodiesel lifecycle study, jointly sponsored by the US Department of Energy and the US Department of Agriculture, concluded biodiesel reduces net CO² emissions by 78 percent compared to petroleum diesel. This is due to biodiesel's closed carbon cycle. The CO² released into the atmosphere when biodiesel is burned is recycled by growing plants, which are later processed into fuel.

Is biodiesel safer than petroleum diesel?

Scientific research confirms that biodiesel exhaust has a less harmful impact on human health than petroleum diesel fuel. Biodiesel emissions have decreased levels of polycyclic aromatic hydrocarbons (PAH) and nitro PAH compounds that have been identified as potential cancer causing compounds. Test results indicate PAH compounds were reduced by 75 to 85 percent, with the exception of benzo(a)anthracene, which was reduced by roughly 50 percent. Targeted nPAH compounds were also reduced dramatically with biodiesel fuel, with 2-nitrofluorene and 1-nitropyrene reduced by 90 percent, and the rest of the nPAH compounds reduced to only trace levels.

Does biodiesel cost more than other alternative fuels?

When reviewing the high costs associated with other alternative fuel systems, many fleet managers have determined biodiesel is their least-cost-strategy to comply with state and federal regulations. Use of biodiesel does not require major engine modifications. That means operators keep their fleets, their spare parts inventories, their refueling stations and their skilled mechanics. The only thing that changes is air quality.

Do I need special storage facilities?

In general, the standard storage and handling procedures used for petroleum diesel can be used for biodiesel. The fuel should be stored in a clean, dry, dark environment. Acceptable storage tank materials include aluminum, steel, fluorinated polyethylene, fluorinated polypropylene and teflon. Copper, brass, lead, tin, and zinc should be avoided.

Can I use biodiesel in my existing diesel engine?

Biodiesel can be operated in any diesel engine with little or no modification to the engine or the fuel system. Biodiesel has a solvent effect that may release deposits accumulated on tank walls and pipes from previous diesel fuel storage. The release of deposits may clog filters initially and precautions should be taken. Ensure that only fuel meeting the biodiesel specification is used.

Where can I purchase biodiesel?



COMMONLY ASKED QUESTIONS

Biodiesel can be made available anywhere in the US. The National Biodiesel Board (NBB) maintains a list of registered fuel marketers. A current list is available on the biodiesel web site at www.biodiesel.org or by calling the NBB at (800) 841-5849.

Who can answer my questions about biodiesel?

The NBB maintains the largest library of biodiesel information in the US. Information can be requested by visiting the biodiesel web site at www.biodiesel.org, by emailing the NBB at info@biodiesel.org, or by calling NBB's toll free number (800) 841-5849.

**Kansas Soybean Association
2003 Adopted Resolution**

The Kansas Soybean Association believes that all sales of biodiesel blends should have as a minimum blend of at least two percent biodiesel and the Kansas Soybean Association encourages all distributors and marketers of biodiesel to feature a minimum of at least two percent blended fuel. Any distributor of biodiesel that fails to feature a blended fuel containing at least the minimum of two percent biodiesel derived from soybean oil should not make the claim that the fuel is soybean oil based biodiesel, and therefore should not advertise, promote, or otherwise market the product as being biodiesel, and having the full benefits of biodiesel.

Fuel Your Future Kansas Biodiesel Workshops

Poised for Growth

This is an exciting time for the biodiesel industry. With ten years of testing and sixty million successful road miles behind us, the U.S. biodiesel industry is poised for growth. Derived from domestically produced feedstocks such as soybean oil, biodiesel can help enhance farm prices, improve the U.S. economy, increase energy security and provide dramatic performance benefits – all with a renewable resource.

Tomorrow's Solution, Available Today

The need for energy security has our country reaching for alternatives in a way that has not been seen since the 1970s. Biodiesel has its own American Society of Testing and Materials standard to ensure consistent quality, and is compatible with existing vehicle technology. It offers clear performance advantages, including excellent lubricity. These advantages and agricultural roots position biodiesel as an ideal choice to solve energy and value-added agriculture needs.

Farmers are the Foundation

Farmers are the foundation for biodiesel expansion – based on their investment in biodiesel development and their strong fuel consumption. That expansion is accelerating, as a variety of stakeholders begin to champion biodiesel. A number of states are pursuing biodiesel legislative initiatives, and major federal legislation is pending. Fuel distributors have also strongly supported biodiesel. For them, biodiesel can expand their customer base and increase customer loyalty.

The Soybean Checkoff Role

For many years, Kansas farmers have furthered biodiesel development through their checkoff dollars and their commitment to using biodiesel in their operations. Together, Kansas and U.S. farmers have invested checkoff dollars totaling nearly \$30 million.

Your Role

Farmers and farm fuel distributors play key roles in building biodiesel demand and availability. Help fuel our future by joining us for meetings across the state:

Date	Consumer Meetings	Fuel Distributor Meetings	Location for Both Meetings (Registration is free)
Jan. 13	9:00 a.m.	2:00 p.m.	Ft. Hays State University, Hays
Jan. 14	9:00 a.m.	2:00 p.m.	Quality Inn, Colby
Jan. 15	9:00 a.m.	2:00 p.m.	B.W. Wheat Lands Hotel, Garden City
Jan. 16	9:00 a.m.	2:00 p.m.	Holiday Inn, Great Bend
Jan. 20	9:00 a.m.	2:00 p.m.	Emporia State University, Emporia
Jan. 21	9:00 a.m.	2:00 p.m.	Holiday Park Motel, Chanute
Jan. 22	9:00 a.m.	2:00 p.m.	B.W. Airport Red Coach Inn, Wichita
Jan. 23	9:00 a.m.	2:00 p.m.	Best Western Heart of America, Salina
Jan. 24	9:00 a.m.	2:00 p.m.	Holiday Inn/Holidome, Lawrence

Visit our web site at www.kansassoybeans.org, email information@kansassoybeans.org or call (800) 328-7390 for details. *Sponsored by the Kansas Soybean Commission, the Kansas Soybean Association, the Kansas Corporation Commission, Kansas Farm Bureau, and the United Soybean Board.*

Kansas Biodiesel Retail Outlets

2% or Higher Blends Available

Last update 01-17-2003

	<u>Off road biodiesel offered for delivery</u>	<u>Contact</u>
Hampel Oil 3727 S. West St. Wichita, KS 67217 316-529-1162 316-530-5848	All	Ken Hampel Ed Hampel John McQuery
Hampel Oil Garden Plains, KS 316-648-7241	2%	Dan Quaney
Hampel Oil 503 West Street Iola, KS 66749 620-365-3621	2%	Jay Wescloh
Hampel Oil 921 N. Main Pratt, KS 67124 620-672-3743 877-479-3343	2%	Richard Risley
Hampel Oil 2121 W. Mary Garden City, KS 67846 620-275-7777 877-430-4774	2%	Fred Gundlack
Hampel Oil 659 E. 4 th Ave. St. John, KS 67576 620-549-3324	2%	Sam Hayden
Hampel Oil 2920 Fairfax Trafficway Kansas City, KS 66115 913-321-0139	2%	Mike Long
J. J. Oil P.O. Box 811 Colby, KS 67701 785-425-7152	2%	

D&G Oil 108 W. 2 nd Minneapolis, KS 67467 785-392-3031	2%	Wayne Reed
Dark Oil 333 S. Main Attica, KS 67009 620-254-7266	2%	Eric Dark
Leiszler Oil 635 W. Crawford Clay Center, KS 67432 785-632-5648	2%	George Leiszler
Turnbull Oil Co. P.O. Box 367 Plainville, KS 67663 785-434-4629	2%	Jeff Turnbull
Bridgman Oil 109 Clay Hutchinson, KS 67501 620-665-6811	2%	Brad Thompson
Midwest Fertilizer Box 177 Thayer, KS 66776 620-839-5251	2%	Larry Reed
Burns Oil R 4, Box 175A Fredonia, KS 66736 620-378-3226	2%	Ron Burns
Hale Petroleum 430 E. Oak Columbus, KS 800-794-1710	2%	
Doue Oil P.O. Box 486 Arma, KS 66712 620-347-8508	2%	Roger Doue

Robinson Oil 710 N. VFW Road Garden City, KS 67846 620-275-4237	2%	Charlie Robinson
Volz Oil Co. 1000 E. Kansas Greensburg, KS 67054 620-723-2652	2%	Norm Volz
Vahshottz 416 S. 5 th Herington, KS 67449 785-258-2498	2%	Dennis Vahshottz
Fuel Unlimited 1315 Beverly Drive Salina, KS 67401 785-823-2331	2%	Bonnie Tillman Troy Ditto
Shamburg Oil Co. Hwy. 24, Box 45 Beloit, KS 67420 785-738-5181	2%	Mike Shamburg
Murphy Oil P.O. Box 116 Moline, KS 67353 620-647-3585	2%	Mike Murphy
Moeder Oil Co. Inc. 2302 Railroad Ave. Great Bend, KS 67530 620-792-1203	2%	
Capitol City Oil, Inc. 911 SE Adams St. Topeka, KS 66607 785-233-8008	All	Marvin
Carter Petroleum Products, Inc. 600 Metcalf Avenue, Suite 200 Overland Park, KS 66202 913-643-2300	All	Lori June Tim Prawitz

On road biodiesel offered at the pump

Contact

Bosselman Travel Center
1944 North 9th
Salina, KS 67401
Interstate 70, Exit 252
785-825-6787

2% Public Pump

Jeff Chaney

Bird Express #203
1000 Main Street
Great Bend, KS 67530
620-792-7579


2% Public Pump

For more information contact:


Kansas Soybean Association
2930 SW Wanamaker Drive
Topeka, KS 66614-4116
Phone: 800-328-7390
<http://www.kansasoybeans.org>
information@kansasoybeans.org

or the:

National Biodiesel Board
Phone: 888-BIODIESEL
<http://www.biodiesel.org>
info@biodiesel.org




What is Biodiesel?

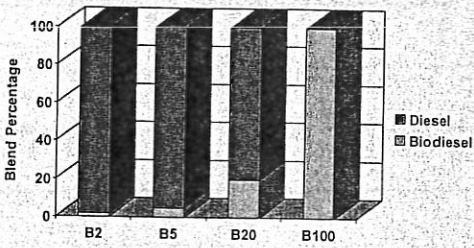


Biodiesel Defined

- * Biodiesel, n. -- a fuel comprised of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, designated B100, and meeting the requirements of ASTM D 6751.
- * Biodiesel blend, n. -- a blend of biodiesel fuel meeting ASTM D 6751 with petroleum-based diesel fuel designated BXX, where XX is the volume percent of biodiesel.



Biodiesel Blends



Example: B2 is 2% biodiesel & 98% diesel fuel

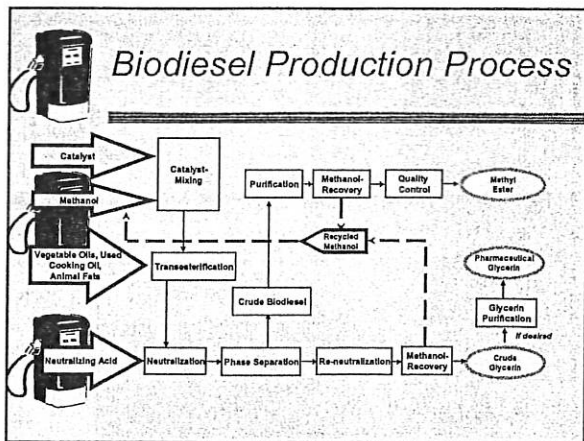
Biodiesel Raw Materials


Oil or Fat	Alcohol	Catalyst
Soybean	Methanol	Sodium hydroxide
Corn	Ethanol	Potassium hydroxide
Canola		
Cottonseed		
Sunflower		
Beef tallow		
Pork lard		
Used cooking oils		

The Biodiesel Reaction

In the presence of a catalyst


Combining	Yields
Vegetable Oil or Animal Fat (100 lbs.)	Biodiesel (100 lbs.)
+ Methanol or Ethanol (10 lbs.)	+ Glycerine (10 lbs.)





Biodiesel Physical Properties

- * High Cetane
 - (>50 vs. 42)
- * Flash Point
 - (260° F vs. 150° F)
- * Virtually Zero Sulfur
 - Meets 2006 ULSD rule
- * No Aromatic Content
- * Superior Lubricity






B2 Performance Properties





B2 has Similar Performance to Petrodiesel:

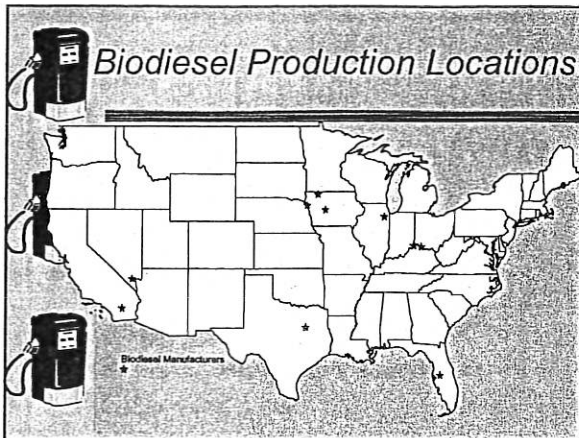
- * Torque
- * Horsepower
- * Mileage
- * Range
- * BTU Content

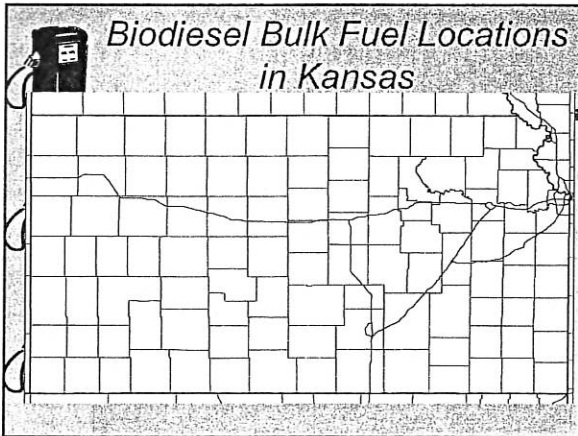



B2 Handling Characteristics



- * During winter, handle B2 just like #2 diesel
 - add pour point depressants
 - store vehicles indoors
 - or use block heaters
- * Shelf life for B2 is same as #2 diesel
- * Integrates into existing petroleum infrastructure










What Does Biodiesel Cost?




- * Biodiesel blends typically cost more than #2 diesel fuel.
- * Key Determinants of Price
 - Fat and oil prices
 - Distance from your supplier
 - Quantities purchased
- * As a general rule, B2 blends cost about 3 to 6 cents more per gallon.






Legislative Update

- Energy Bill left undone when 107th Congress Adjourned
 - Partial Excise Tax Exemption
 - Renewable Fuels Standard
 - Changes in EPA Act Provisions
 - Blenders Tax Credit
- Legislation in 108th Congress could come in many different forms.
 - Energy Bill
 - Transportation Bill
 - Revenue Bill
- State Legislation is important in short term


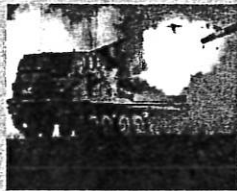
Why Use Biodiesel?

How is Biodiesel being used?

- As a pure fuel (B100)
 - Marinas
 - Environmentally sensitive areas
- As a blending stock with petrodiesel (B20)
 - Federal, state, and alternative fuel providers
 - EPA Act and Executive Order Compliance
 - Emissions Reductions
- In low levels with petrodiesel (B2)
 - Lubricity and Ultra Low Sulfur Diesel Fuel
 - Terminal locations primarily throughout the Midwest


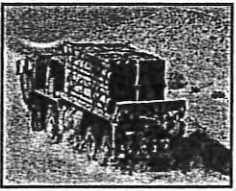
Energy Security

- * Petroleum imports are projected to meet 62% of U.S. petroleum demand in 2020
 - up from 52% in 2000
- * U.S. now consumes 20 million barrels of oil a day
 - 10+ million imported

Source: USDOE

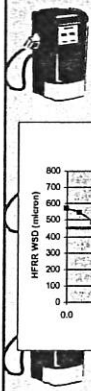
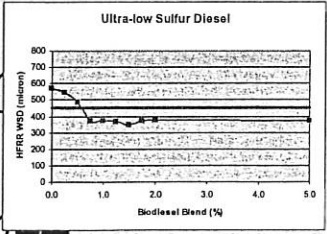
Energy Security


- * Top 10 Sources of US Imported Crude Oil:
 - Saudi Arabia
 - Mexico
 - Canada
 - Venezuela
 - Nigeria
 - Angola
 - Norway
 - Kuwait
 - United Kingdom
 - Colombia

Source: USDOE

Enhanced Lubricity





- * Superior lubricity
 - B2 has up to 66% more lubricity than #2 Diesel
- * EPA requires sulfur reduction in 2006
- * No overdosing concerns




Cleaner Emissions

- * On average, biodiesel reduces almost all major pollutants:
 - Particulate Matter (PM)
 - Unburned Hydrocarbons (HC)
 - Carbon Monoxide (CO)
 - Polycyclic Aromatic Hydrocarbons (PAH)
 - Nitrogen Oxides (NOX) unchanged or up slightly
- * Emissions are curvilinear with concentration
 - B2 or B20 has less impact than B100




Cleaner Emissions


Emission Type	B100	B20	B2
Unburned Hydrocarbons	-67%	-20%	-2.2%
Carbon Monoxide	-48%	-12%	-1.3%
Particulate Matter	-47%	-12%	-1.3%
Oxides of Nitrogen (NO _x)	+10%	+2%	+2%



Health Benefits


- * Reduces particulate emissions
- * Reduces targeted compounds thought to cause cancer: PAH, nPAH
- * Biodiesel blends did not generate any unexpected new hydrocarbon species







Environmental Attributes


- * **Energy Balance** - for every one unit of energy needed to produce biodiesel, 3.2 units of energy are gained.
- * **Biodegradable and Non-Toxic** - Tests sponsored by the United States Department of Agriculture confirm that biodiesel is safer than diesel and biodegrades as fast as dextrose, a test sugar.
- * **Greenhouse Gases** - A 78% life cycle decrease in CO₂ according to a USDA and DOE study.



Economic Development

- * **Economic Impacts:**
 - Increased Employment
 - Sales of Product(s)
 - Income
 - Tax Revenues
 - School Enrollment
- * Economic impacts measured as direct, indirect, or induced effects

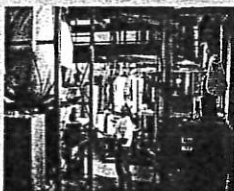







Economic Development

5 Million Gallon Per Year Soybean Crushing and Biodiesel Plant

- * 183 jobs (40 direct and 143 indirect and induced)
- * ~ \$51 million in associated labor income





If Every Farmer Used B2


- * Nationally, we could utilize
 - 71.6 million gallons of biodiesel annually
 - 51.1 million bushels of US Soybeans
- * In Kansas, we could utilize
 - 3.1 million gallons of biodiesel annually
 - 2.2 million bushels of Kansas soybeans annually

If Every Trucker Used B2







- * Nationally, we could utilize
 - 664 million gallons of biodiesel annually
 - 474 million bushels of US Soybeans
- * In Kansas, we could utilize
 - 7.3 million gallons of biodiesel annually
 - 5.2 million bushels of Kansas soybeans annually

Biodiesel Call to Action




- * Ask fuel suppliers and retailers to carry biodiesel blends
- * Use biodiesel blends on the farm





Purchasing Biodiesel...

- * Specify that biodiesel meets ASTM D 6751



- * Biodiesel Fuel Accreditation Program
 - Winter 2002 launch
- * Use a biodiesel supplier that will stand behind their fuel



Additional Information

- * Kenlon Johannes, Kansas Soybean Commission
 - 800-328-7390
 - www.kansassoybeans.org
- * National Biodiesel Board
 - 888-BIODIESEL
 - www.biodiesel.org






Kansas Farm Bureau

2627 KFB Plaza, Manhattan, Kansas 66503-8508 • 785.587.6000 • Fax 785.587.6914 • www.kfb.org
800 S.W. Jackson, Suite 817, Topeka, Kansas 66612 • 785.234.4535 • Fax 785.234.0278

PUBLIC POLICY STATEMENT

RE: HB 2036 – making it a violation of the Kansas Consumer Protection Act to represent diesel fuel with less than 2% esters is “biodiesel”.

January 27, 2003
Topeka, Kansas

Presented by:
Leslie Kaufman, State Director
KFB Governmental Relations

Chairman Johnson and members of the Committee, thank you for the opportunity to appear today to support the concept of defining “biodiesel” or “soydiesel” as a fuel containing at least 2% esters.

Promoting and increasing the use and production of agricultural-based fuels is one of our organization’s focus areas. County Farm Bureau’s are active in ethanol promotions, such as ethanol rallies, across the state. This past year, Farm Bureau and Kwik Shop sponsored a racecar rally at the state fair featuring ethanol-fueled cars.

Farm Bureau supports increased efforts to develop, promote and utilize products derived from crops and livestock produced by our nations’ farmers and ranchers. We support consumer education, promotion efforts and incentives -- including retailers’ incentives -- to expand the production and use of agricultural-based alternative fuels. We agree, that “biodiesel blend” fuels should contain at least 2% methyl esters.

The provision of HB 2036 establishing a 2% ester threshold for diesel fuel to be marketed as “biodiesel”, “soydiesel”, or “renewable” fuel is compatible with our policy positions, but we would also note our KFB resolutions do not speak to whether this should be accomplished through the Kansas Consumer Protection Act or some other avenue.

We appreciate the opportunity to comment today and look forward to working with the legislature and others to increase agricultural-based fuel use in Kansas and across the nation. Thank you.

House Agriculture Committee
January 27, 2003
Attachment 4

House Bill 2038
House Agriculture Committee
January 27, 2003
Presented By Justin Holstin
Propane Marketers Association of Kansas

Thank you Mr. Chairman, members of the committee. My name is Justin Holstin and I am the Executive Vice President of the Propane Marketers Association of Kansas or PMAK. The Propane Marketers Association of Kansas represents about 200 members in all aspects of the propane industry including retail, wholesale, transportation, production, and manufacturing of propane and propane related equipment. The propane industry serves more than 98,000 households in Kansas, not including barbeque grills, heaters, agricultural implements and application, and motor vehicles. Each year over 192 million gallons of propane are consumed in Kansas.

Today we are here to address the legislation before you, which has been requested by the propane industry in Kansas that creates the Kansas Propane Education and Research Council, or in short KanPERC. At this point, I would like to take a moment to introduce some propane industry members that have made the trip to Topeka to be here during their busiest season. Seated behind me are _____. Additionally, I would submit to you written testimony from members of the industry that were unable to join us today from _____.

Over ten years ago, the propane industry had the vision that is presented and embodied in this KanPERC legislation. As you will learn today, KanPERC can create great opportunities for education and the promotion of safety for the employees of the propane industry, those who work with propane, fire fighters, and the public. KanPERC allows us, as an industry, to gather resources to provide uniform safety education and

information programs that would otherwise be unavailable for many businesses and consumers in the state. In the end, KanPERC will help lower property damage and insurance claims, and hopefully save lives through educational and outreach programs. State propane education and research councils have proven to be highly effective in at least 30 other states including Nebraska, Missouri, Oklahoma, Colorado, and Texas.

In 1999, we presented similar legislation that, as now, did not use any state funds. However, the difference now is that other state perc programs are in place and working well and we are able to take an industry-wide look at how we would be able to apply a similar program in Kansas. We now have the answers, clear goals, and understanding that we can convey to you.

KanPERC is a council made up of members of the propane industry who will oversee and direct programs related to the education and safety of the propane industry, propane users, and those who deal with propane. Many of the classes and programs have been or are in developmental stage across the country that Kansas will offer.

As I said, thirty other states have a state perc, and all have proven to be highly successful at educating the public and industry members about the proper and safe use and application of propane. As you will see in the information packet that I have provided, the ability to have one centrally located educational council, such as KanPERC, will allow all companies' access to innovative information and classes including handouts, mailings, and seminars.

The propane industry in Kansas prides itself on being safety conscious and centered on protecting the public. However, accidents do happen, unfortunately. According to Fire Marshal, figures there were 1,800 propane related incidents in the past 2 years. Many of these, if not all, were easily preventable. Some occur through common misunderstandings as simple as not recognizing the smell of gas (smell the brochure). By the way, ethyl mercaptan is the odorant in propane and holds the record for the smelliest substance in the Guinness Book of World Records. Others accidents are through misapplication or improper installation of appliances or systems of propane. If it were available, and with KanPERC all customers could receive safety information, these users could be made aware of simple things as notifying their propane supplier when a change has been made to a household system such as an addition or change in water heaters or other appliances. These sad occurrences should not happen, and the propane industry is proactive to stop these problems. In short, KanPERC would give the tools and resources to every company to increase the awareness and safety of propane users in Kansas, as have occurred in other states.

KanPERC will allow the propane industry in Kansas to create and distribute uniform safety information to the public (see page 6). In addition, as I mentioned before, we would be able to increase the amount of propane related classes in Kansas including Certified Employee Training Programs (CETP pronounced C-TEP). Currently we offer two basic classes a year as an introduction class for propane employees. However, talking with my counterparts in states that have a perc, we are at a distinct disadvantage educationally. These other states offer up to 12 classes per year that educate hundreds of

employees, whereas Kansas with limited resources can only reach about 100 employees. With KanPERC, we can offer more classes and provide refresher courses in local areas so that employees can have the latest information available.

Additionally, a large part of KanPERC is reaching out to the fire fighters in the state. Specifically, we would offer "Propane Emergencies" classes seen on page 5 of the handout. This will be a class offered around the state for rural fire departments to train them how to handle propane emergencies. As you may know many of the local departments don't have the financial ability to attend classes, KanPERC would allow us to provide this school free of charge, letting them spend their money elsewhere but have the proper training to handle a propane situation.

KanPERC is different in many ways from other programs that would be traditionally considered "check-off" programs. Most importantly, these programs strive to promote an industry or product. Many of these "check-offs" have been challenged with mixed results in court. However, the emphasis and push for our program is not the promotion of propane, but rather the education and safety of propane.

At the first meeting, the Chairman said not to bring any ideas forward that cost the state money. Well, this does not cost money to the state or to the public. This is a self-created and self-funded program supported by the industry that will be paying the assessment. This also does not create any state agencies or require state agencies to do extra work.

However, the Fire Marshal's office will play an important roll in determining the education and application of programs, as will many other interested parties.

From an assessment of 2/10 of a cent, the KanPERC program will raise an estimated \$385,000 per year. KanPERC must be statutorily created in order to give the Council the power to capture funds from those transporters that work in Kansas. The assessment is collected at the point in which odorized propane is first offered for sale, such as when it is pulled from underground storage and transported to your local company. In order to create equity between members of the industry, everyone must take part, so that everyone reaps the benefits that KanPERC provides.

I realize that there is concern that this is a "hidden tax" or that it will be "passed through to consumers." However, after talking with many industry members, this is simply not the case. Instead, it will be treated merely as a business expenses that, once the programs are fully established and operating, will replace another business expense. For example, a company now might be paying for education and safety mailings to customers, with KanPERC that business cost would be replaced by the assessment.

Due to the competitive nature of the propane industry, the KanPERC assessment will not be passed through to customers. The cost per gallon per customer on average is so minimal, that it is just not necessary to pass on the cost directly to the customer. For example, a normal residential customer may use about 1,200 gallons of propane per year, which would amount only to \$2.40 a year, or 20 cents per month. With normal business behavior, if these companies were able to pass the cost on, it is presumable that they

could already raise their prices. This is not happening, pricing, for the most part are staying level with fluctuations based loosely on supply and weather. With a tax you may not see what you just purchased, however with the KanPERC programs, industry members and the public will be able to see the direct results in classes, materials, and information.

I would like to draw your attention to some key points in the packets including the proposed budget, on the first page that is based on the activities of many other states, which has proven very successful. Page 6 is an example of the types of safety literature that other states have been able to produce through their own perc programs for the industry members and the public. Page 10 is a bullet list of what KanPERC will do for Kansas.

Please give the industry the tools and resources to increase education, increase awareness, and increase safety in the public and industry and reduce property damage and personal injury. The 2/10 of a cent assessed per gallon pales in comparison to the value of one human life. Please act favorably on HB 2038, and thank you for allowing me to come before the committee and talk about such an important program. I would be glad to answer any questions you may have.

KanPERC

The Kansas Propane Education & Research Council

KanPERC—Can Work for Kansas

KanPERC

- To Educate the Public
- To Educate Emergency Responders
- To Educate the Industry
- To save lives, property, the environment and money.

Propane Marketers Association of Kansas
Justin Holstin, Executive Vice President
214 S.W. 6th Ave., Suite 305
Topeka, KS 66603
(785) 354-1749

KanPERC Fast Facts

WHAT IS KANPERC?

KanPERC: Kansas Propane Education and Research Council or the Council. KanPERC will be modeled after the national PERC (Propane Education and Research Council) and other state's programs.

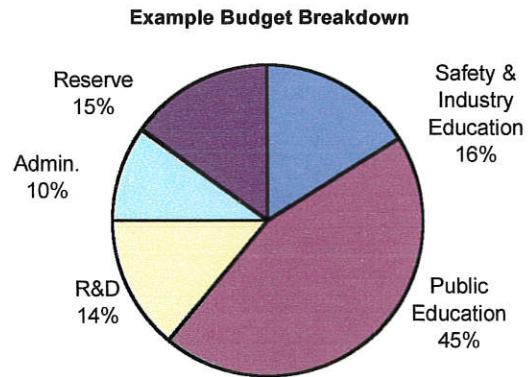
WHAT IS THE PURPOSE OF KANPERC?

To enhance propane safety, education, and training for propane consumers and employees; to improve existing propane technology; to increase the efficiency of propane; and to develop other programs to educate the public about the safety, environmental aspects, and uses of propane.

HOW WOULD KANPERC BE FUNDED?

The KanPERC programs would be self-funded by the propane industry with an assessment of \$.002 (2/10 of a cent) per gallon submitted to the KanPERC Council by the owner of propane when it is odorized or imported into the state.

The KanPERC Council would decide at open meetings what types of programs would be created in Kansas to help to better educate the public and industry about propane and its safe uses.



KanPERC Example Budget with a \$.002 (2/10 cent) assessment

Public Education & Awareness Consumer Education, Tradeshows, State Fair booth, Press Releases, Radio/T.V. Spots, rebates programs, Emergency/First Responder Training & Information programs, etc.	45%	\$172,800
Safety & Industry Education Certified Employee Training Program (CETP), safety information programs, etc.	16%	\$61,440
Research & Development	14%	\$53,760
Administration of Programs	10%	\$38,400
Reserve	15%	\$57,600
	Total	\$384,000

The KanPERC Council would present a yearly budget for public comment that would present the past year's spending and the proposed programs for the next year. The industry and the public would always be invited to attend these meeting and present new ideas on how to better educate the public and the industry about how safe and efficient propane is if handled correctly.

WHAT WOULD BE THE KANPERC'S FIRST PRIORITY?

SAFETY! SAFETY! SAFETY! Safety issues would receive first priority in the development of all programs and projects funded by the Council. This would focus on the safety of consumers and anyone who deals with propane including firefighters, plumbers, marketers, and the public.

WHO WOULD BE ON THE KANPERC COUNCIL?

This would not establish a government bureaucracy but an independent Council. Council membership would be composed of nine members, appointed by the Governor, of nominees submitted by industry members as necessary: four representing retail marketers; two representing wholesalers; two representing manufacturers and distributors; and one public member.

TO WHOM WOULD KANPERC BE RESPONSIBLE?

The Council would be under the scrutiny of the industry and consumers, be required to prepare an annual budget and provide for public comment, and make available to the public an annual report detailing the previous year's activities.

COULD THE MONEY BE USED FOR LOBBYING?

No, money submitted to the Council may only be used for the purposes listed above and not for activities intended to influence legislation or political campaign contributions.

COULD THE PROGRAM BE TERMINATED AT ANYTIME?

Yes. Establishing legislation would provide for a referendum to terminate or suspend the assessment if requested by retail marketers representing 35% of the total of odorized propane sold at retail in the state; and that referendum approved by 50% of the same class of marketers.

ARE THERE ANY OTHER BENEFITS FOR CONSUMERS BESIDES SAFETY?

Yes. The lower or no cost incurred by marketers to provide the mandated employee training and consumer safety information will reduce operating costs, which can help them in lowering or stabilizing the consumer's cost of propane. It is also possible that the high cost of the marketer's liability insurance may decrease after increased safety standards are established. Additionally, investment in improved and new technology will result in appliances and equipment that are more efficient and economical, saving the consumer on the amount of propane he/she will be required to use. Moreover, of course, everyone benefits in saving the environment by using a clean fuel such as propane with only carbon dioxide and water as by-products.

DO OTHER STATES HAVE SIMILAR PROGRAMS?

Yes, over 30 states have state Propane Education & Research Council programs including all of our neighboring states of Missouri, Oklahoma, Colorado and Nebraska. Those states with a state Propane Education & Research Council have created great opportunities for the public to better understand and safely use propane. The Kansas Council can learn from the experiences of these established programs in other states by networking, sharing ideas and materials in developing uniform safety and education programs.

HOW DOES THE KANPERC DIFFER FROM OTHER INDUSTRY PROGRAMS?

The KanPERC program differs from other industry programs because the focus of the KanPERC program is safety, information and education for the public and industry to better protect the public and property. Through better education personal injuries and property damage due to misuse of propane and propane systems can be reduced. Education is the key. Every consumer, every company and the public will benefit from an increased

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awareness of safety and information about propane. As an example first responders, volunteer fire departments, homeowners, and industry workers will benefit through specific programs structured to provide each group will pertinent information about propane safety. Fire departments will benefit from a cutting edge educational emergency response program that will be provided free of cost so that those departments can use their financial resources elsewhere.

WILL THIS COST THE PUBLIC AND BUSINESSES MORE?

Yes and No. Due to the small size of the assessment per customer, the assessment will be absorbed by the local companies and **not passed on to the public**. The business cost created by KanPERC would be zeroed out because of the decreased costs of other areas of ding business including education and customer mailings The cost to local companies would be outweighed by the collective benefits that an increased centralized education and training program and increased safety and awareness would create. By pooling resources and funds, an individual company and the public can benefit from new programs that they otherwise would be unable to afford or develop.

KANPERC WILL INCREASE consumer education, training of emergency personnel and propane employees, and safety information distribution.

KANPERC WILL CREATE centralized training resources and a uniform safety system.

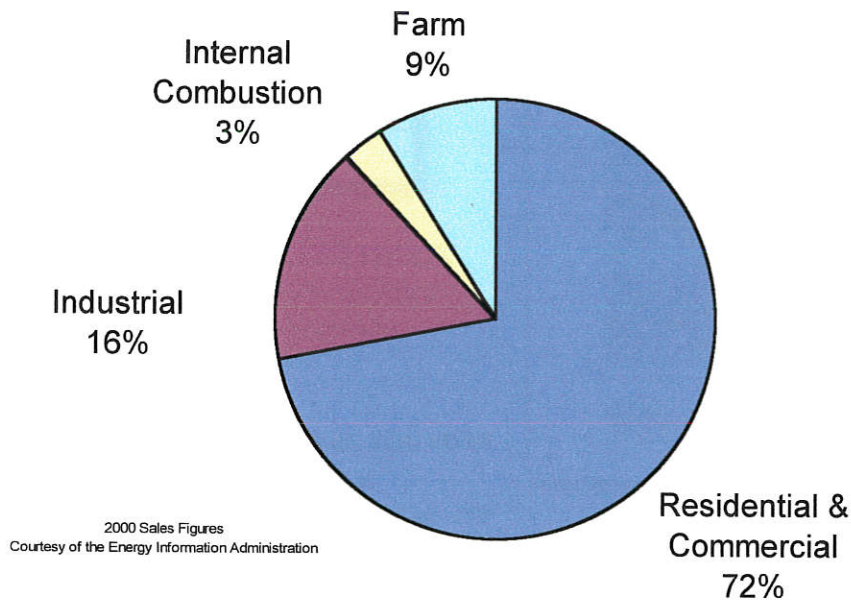
KANPERC WILL REDUCE personal injuries, property damage, and insurance claims.

Propane in Kansas

Over 192 million gallons of propane are used in Kansas annually!

- Propane is used in many applications in Kansas including residential, commercial, farming and ranching applications, recreation and industrial applications;
- 140 million gallons are used for commercial and residential applications including the heating of homes and to produce hot water;
- 18 million gallons are used in farming and ranching production to provide heat for livestock, hot water, crop drying and thermal cultivation;
- Almost 31 million gallons are used in industry including forklifts and other applications;
- 6 million gallons are used as motor fuels.

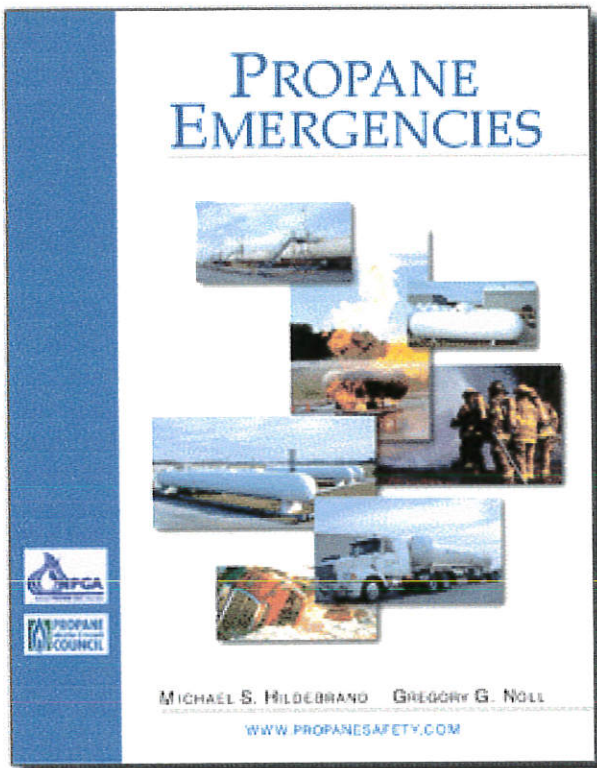
Propane Demand by Sector in Kansas



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Propane Emergencies

For Emergency Responders

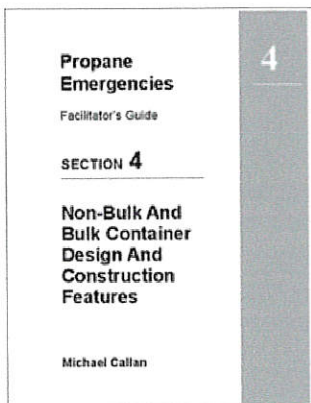
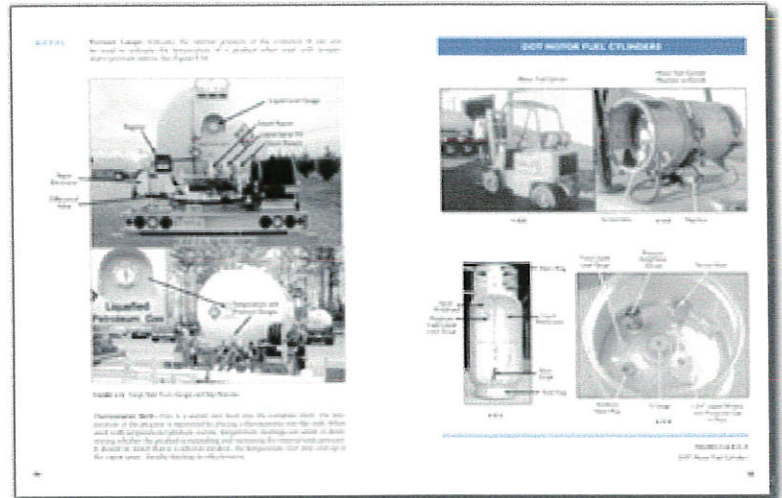


KanPERC will help provide classes focused on educating emergency responders about propane.

One of the goals of the KanPERC program is to educate those who encounter propane. One such group that would benefit from KanPERC would be emergency responders through the *Propane Emergencies* educational program offered around the state. This class, probably at a minimal fee or free, would help fire fighters, both rural and urban, receive the needed in-depth training, while not expending the departments limited resources.

**THE PROPANE EMERGENCIES TEXTBOOK
THIS HEAVILY ILLUSTRATED BOOK IS ABOUT
HOW TO SAFELY RESPOND TO PROPANE
EMERGENCIES.**

**AS A FUEL SOURCE, PROPANE CAN BE FOUND IN
HOMES, IN THE WORKPLACE, IN BULK
TRANSPORTATION IN CARGO TANK TRUCKS OR
RAIL CARS, AND AS A FUEL FOR MOTOR VEHICLES. ESSENTIALLY, THIS BOOK COVERS A WIDE RANGE OF
PROPANE EMERGENCIES FROM BULK PLANTS TO THE HOME.**



FOR EXAMPLE, THE CLASSES WILL COVER TOPICS SUCH AS:

- **STANDARDS, CODES AND REGULATIONS**
- **PHYSICAL PROPERTIES AND CHARACTERISTICS OF PROPANE**
- **CONTAINER & BULK TRANSPORTATION DESIGN AND CONSTRUCTION FEATURES**
- **BULK PLANTS AND BULK STORAGE TANKS**
- **GENERAL EMERGENCY RESPONSE PROCEDURES**
- **TACTICAL RESPONSE GUIDELINES FOR PROPANE EMERGENCIES**
- **PRODUCT REMOVAL, TRANSFER, AND RECOVERY OPERATIONS**
- **ADDITIONALLY, THE CLASSES MAY BE ABLE TO INCLUDE LIVE BURN EXERCISES.**

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EXAMPLES OF EDUCATIONAL & SAFETY MATERIALS PRODUCED BY STATE PERC PROGRAMS

Don't get caught Out of Gas!

Don't get caught OUT OF GAS!



You've learned to keep a close eye on your car's gas gauge. Running out of gasoline is not just an inconvenience. It could place you and your loved ones at risk. You watch the gauge and fill your tank to avoid being stranded. What you might not know is you should also watch the gauge on your propane tank at home.

Did you know?

The State of Oklahoma has adopted the National Fire Protection Association's requirements regarding out-of-gas situations. These regulations require anyone delivering propane to an out-of-gas customer or new customer to perform a complete system check. This leak or safety check includes an inspection of all lines, appliances, regulators and control valves. A thorough safety check can take as long as an hour to complete and most dealers will charge an additional fee for this service. It may be inconvenient, but the propane customer is required to be home at the time of the inspection.



Why is this inspection necessary on out-of-gas calls?

Propane is an extremely safe energy source when used properly. These strict out-of-gas regulations were enacted by The State of Oklahoma and NFPA to protect your family and property. Convenience, comfort, cost and safety... these are four good reasons to avoid out-of-gas situations.

We're here to help.

Your propane dealer wants to make sure that you always have all the heat you need. You never run out of propane.

Propane Users Safety Guide

Review this information with your family and retain in case of emergency.

Controlling A Propane Emergency

Handbook For Workers at the Scene of a Propane Emergency

PGANE

June 2002

IT'S THE LAW

OPD

OVERFILLING PREVENTION DEVICE

Missouri Propane Education and Research Council, Inc.

How's your nose...

... and the noses of others in your home?

That's an important question!

Please take a minute to read this pamphlet - and find out why.

WHAT IS AN OPD?

Overfill Prevention Devices (OPDs) are now required in Missouri. This national fire and safety standard is designed to make the use of propane even safer. An OPD is a safety feature that prevents small propane cylinders from being overfilled.

Who requires OPDs?

The National Fire Protection Association (NFPA) develops standards that are utilized nationwide for the storage, handling and use of propane and other fuels. The Missouri Department of Agriculture, Division of Weights and Measures has adopted the 2001 Edition of NFPA which requires OPDs in Missouri. Propane companies and others who fill cylinders may not legally fill cylinders without OPDs.

Why have an OPD?

There are limits on how much propane can be put into a cylinder. A properly filled cylinder will have a vapor space left in the top of the cylinder to allow for expansion of the liquid due to a change in temperature. An Overfilling Prevention Device is a means of ensuring that cylinders are not overfilled.

What can happen when a cylinder is overfilled?

An overfilled cylinder may not have enough space left in the liquid propane expands when exposed to warmer temperatures. This can cause an increase in cylinder pressure and create potentially hazardous conditions, such as:

- The pressure relief valve may open, discharging propane from the cylinder.
- Propane liquid could enter the piping system, resulting in higher than normal pressures to appliances.

How does an OPD work?

During the refilling process, a valve inside the cylinder closes when the proper level of propane is reached. Since the OPD in use measures the volume of propane in the cylinder, the weight of propane will vary depending upon its temperature.

When will OPD-equipped cylinders be available?

After October 1, 1998, all new cylinders with capacities of 4 pounds up to 40 pounds must have OPD valves.

Will my old cylinder need an OPD valve?

Yes. If your cylinder is inspected for qualification before April 1, 2002, an OPD valve will be installed at that time. All cylinders must be inspected for qualification every 12 years. However, even if your cylinder is not inspected before April 1, 2002, it must be equipped with an OPD by that date.

Take 30 seconds to read this for your protection. Avoid problems if you have a gas leak.

WARNING! WARNING!

It has come to our attention that manufacturers of Methamphetamine (Meth) in Missouri are the number 1 state for manufacture and sale are using 20 lb. cylinders to process Anhydrous Ammonia. As you are aware this product in an unauthorized container will cause numerous safety and health hazards for you, your employees and your customers if a cylinder should inadvertently get past your inspection. **BE ALERT!** If a cylinder looks different, such as having a blue cap or valves, do a fitness test to be sure it is not Anhydrous. **DO NOT USE!**

If you have a question, call your local propane dealer for further information:
 Missouri Propane Education and Research Council Inc.
 P.O. Box 105832
 Jefferson City, MO 64110
 (573) 893-8258

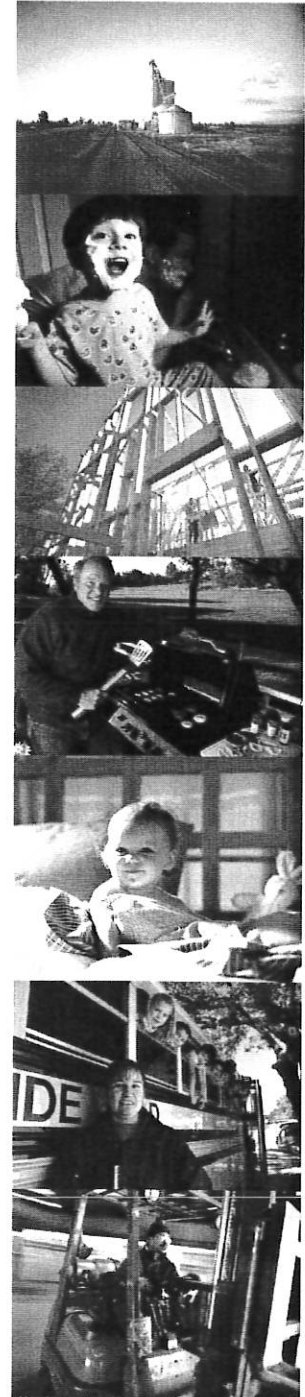
Meth!

New educational and informational materials will be developed and distributed to industry members, the public, firefighters, and any who deal with propane.

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WHAT KANPERC WILL DO FOR KANSAS

1. **Increase** consumer education about the safe uses of propane and how to recognize potential hazards;
2. **Increase** training of first responders and emergency personnel of how to handle propane in emergency situations;
3. **Increase** training of those not directly involved in the propane industry including heating & air-conditioning specialist about the necessity of proper installation and maintenance of propane systems;
4. **Increase** safety information distribution about propane and propane safety at public events such as fairs and festival, tradeshow, and the state fair;
5. **Create** centralized training resources for all propane companies to use to better educate employees;
6. **Create** a uniform safety system for propane businesses that can be utilized by propane companies to insure an adequate information and safety system for customers including increased propane safety information and pamphlets distributed to the public with current information;
7. **Reduce** personal injury due to misuse or lack of knowledge of propane and propane systems;
8. **Reduce** property damage due to misuse or lack of knowledge of propane and propane systems;
9. **Reduce** insurance claims for damage resulting from misuse or lack of knowledge of propane and propane systems; and
10. **Much, much more.**



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STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

RANKING MINORITY MEMBER
FISCAL OVERSIGHT
GENERAL GOVERNMENT AND
HUMAN RESOURCES BUDGET
MEMBER
APPROPRIATIONS
JUDICIARY
KANSAS SECURITY COMMITTEE
JOINT COMMITTEE ON PENSIONS
AND INVESTMENTS
NCSL FISCAL AFFAIRS

JOE SHRIVER
REPRESENTATIVE, 79TH DISTRICT
COWLEY COUNTY
P. O. BOX 1324
ARKANSAS CITY, KANSAS 67005-7324
(620) 442-6522

STATE CAPITOL, ROOM 273-W
TOPEKA, KS 66612-1504
(785) 296-7648
1-800-432-3924

January 27, 2003

TO: Chairman, Dan Johnson
Members of the Agriculture Committee

RE: HB 2038

Thank you for allowing me to address the committee. I am Representative Joe Shriver from Arkansas City. My district includes the southern border counties of Chautauqua, Cowley and Sumner counties. I wish to offer my support for HB 2038 as proposed by the Propane Marketers Association of Kansas.

Kansans use over 192 million gallons of propane in residential, commercial, farming and ranching applications, and recreation and industrial uses. Safe use of propane provides a reliable use of a petroleum product that helps Kansans' everyday lives. Propane is a clean, safe and economical alternative fuel.

HB 2038 sets out to start a Propane Education and Research Council modeled from a national and state program in thirty states. The Kansas PERC (Propane Education and Research Council) could enhance propane safety, education and training for propane consumers and employees, improve propane technology and develop programs to educate the public about safety, environmental aspects and uses of propane.

House Agriculture Committee
January 27, 2003
Attachment 6

PAGE TWO

As a former firefighter/paramedic from the Arkansas City Fire Department, I have seen many of the problems propane can cause if it is not handled, stored or released properly. Last week in my legislative district in Hunnewell, Kansas, a propane explosion destroyed a family home and thus the lives of three families. This explosion which is currently under investigation, caused the loss of life of a grandmother, serious burns to her son and critical burns to his daughter who is fighting for survival in the burn unit of Via Christi St. Francis Hospital in Wichita, Kansas.

I ask you to help protect the lives of Kansans by passing HB 2038.

Thank you, Chairman Johnson and members of the committee.

Joe Shriver

Committee on Agriculture
House Bill No. 2038
January 27, 2003

Thank you for this opportunity to speak to you.

My name is Greg Noll. I have been employed by Ferrellgas for 26 years. Nationwide Ferrellgas services over 1 million customers and sells more than 1 billion gallons of propane per year. In Kansas, Ferrellgas services more than 30,000 customers and covers most of the state, either directly with Ferrellgas employees or in-directly with propane resellers who are customers of Ferrellgas. The propane we sell is used by residential customers to heat their homes, power their water heaters and cook; by Industrial/commercial customers for manufacturing and heating of factories and offices and by agriculture customers for heating shops and barns, running irrigation pumps and drying crops.

On behalf of the Propane Marketers Association of Kansas, a committee of PMAK members was selected to form The Kansas Propane Education and Research Council Committee. As chairman of the KanPERC committee, my task today is to seek your approval of our request to implement an assessment within our industry. This assessment will allow us to fund education and training sessions to better educate workers within our industry as well as training local Fire Departments and First Responders who may be called upon to assist in emergencies involving the product we sell.

Currently we must pay fees to sell our product now, such as freight charges, pipeline fees, tariff and terminal charges. An assessment of 2/10 of one cent per gallon will be a small price to pay for ensuring the safety of workers within our industry as well as the safety of our customers.

Even though the company I work for has extensive employee training and mandatory safety programs which are funded by company money, we support the KanPERC request because of what it will do statewide within our industry...it will help educate and keep people safe...not only those who sell propane but also those who use it.

When this bill was introduced to this committee two weeks ago, Chairman Johnson instructed members not to bring bills to the Ag committee that will require funding unless you bring some way to fund the request.

We are not asking for state funding of any type. We are simply asking you to allow us to fund our own safety and education program. We are asking that you allow this program to begin by giving your approval to the KanPERC.

Thank you for your time today.

Kansas House of Representatives
Committee on Agriculture
Honorable Dan Johnson:

RE: House Bill 2038

Thank you Mr. Chairman and Members of the committee.

I am Stanley Odle, Safety/Compliance Director of Farmway Co-op, Inc. headquartered in Beloit, KS. We operate a farm supply cooperative in Northcentral Kansas offering products and services to over 5,000 customers and patrons in 5 counties and surrounding counties. We have facilities in Washington, Cloud, Republic, Mitchell, and Lincoln Counties of Northcentral Kansas.

I have been safety and compliance director for eleven years. My first concern is the safety and health of the employees and customers. Commitment to these concerns is to provide incentive and full support of all safety procedure, training and eliminate hazards in the work place and in the communities we serve.

Having served on state and national committees in the propane industry, I have seen many aspects of the business. Safety, of course, is one of my most important concerns and my job. I take seriously efforts to thwart any issue of risk when it comes to keeping my employees, my customers and my communities safe from eminent dangers. One area of most importance to me is that KanPERC can help me complete an important effort of education of the public. Each year during the month of October, I have made special effort for our company to present safety and education information to our communities and customers. I feel that KanPERC would help our company complete our efforts by providing extra assistance to take the message to the farm/ranches and homes of this State.

It may be argued that the National program is an effort to do this. Having worked with the national program, I know that the funds are not enough to go through to you and your farm/ranch or home where you and your family reside with enough education and safety information. I hold some examples of what the national program has produced. I was instrumental in introducing the "Propane Regulatory Compliance Guide" published with funds from the national program. I am sure you can see these are valuable tools produced by national, however they fall short of taking the message to the farm/ranches and homes of our state and communities.

Until we as members of the propane industry and leaders of our communities place special effort on safety, education and research that reach the homes where our families and relatives live, will we succeed. Providing extra funding for our propane marketers to take the message of safety, education and research into our communities will we begin to succeed with our efforts and your response to this bill by passing House bill 2038.

I want to thank you Mr. Chairman and the members of this committee for spending time to make special effort to protect the members of our Great State and make propane an exceptional energy for all farm/ranches and homes.

KanPERC can work for all marketers in the State of Kansas and can assist with safety and education of our employees, customers and communities. We can improve existing propane technology and increase efficiencies to develop propane to fit many aspects of our energy needs remaining one of the most environmental friendly sources of energy today.

Again thank you for your time and I ask your support of this bill. Are there any questions from you or the committee?

Sincerely,


Stanley L. Odle
Safety/Compliance Director

House Agriculture Committee
January 27, 2003
Attachment 8

RURALGAS CO. INC.
P.O. BOX 367
NORTONVILLE, KS. 66060

RON AND HELEN DAVIS
OWNERS

BUS: 913-886-6420 HOME: 913-886-8471

Mr. Chairman, and Members of the Committee:

Thank you Mr. Chairman, members of the committee. My name is Ron Davis. My wife, Helen, and I own Ruralgas Co. in Nortonville, a town with the population of 650. I am also currently serving as the Vice President of the Propane Marketers Association of Kansas. Of all of the people that you will hear today talk about KanPERC, I may be a little different because not only do I own a propane company but I also serve as a Jefferson Country Fire Chief.

I would like to tell you a little about my company. Ruralgas was founded in 1945, over 57 years ago, and we strive to continue that tradition as a small business. I have been in the propane business for 27 years. We purchased Ruralgas 11 years ago. We are a small mom and pop propane marketer. In fact, about 60% of the propane marketers in the state of Kansas are our size. We have around 850 customers and employ 4 people including ourselves. This bill would be by far the best legislation for the propane industry and the public who deal with propane since I started in 1976.

KanPERC would allow all marketers, regardless of size to enhance propane safety, educate customers, and train employees. By pooling our funds we can achieve a broader coverage and a more constant message throughout our state.

On average, I spend about \$800 on education, seminars, and classes. I also do mailings to customers with safety information which averages \$900 per year. Under the program these costs would be dropped because the same services would be offered through the KanPERC program which would cost us approximately \$1,400 a year. A saving of \$300 or more per year.

I won't be passing the cost through to customers because the cost is considered a part of doing business. Right now the money that we set aside for education would be replaced by the funds we pay to KanPERC. It's just a cost of business similar to giving an employee a raise or buying a set of tires.

Besides being the owner of a propane business, I also serve as the Fire Chief of Jefferson County District 12 which includes Nortonville, 39 square miles of Jefferson County, and 39 square miles of Atchison County. We serve a population of about 1,200 with more than 50% being in the country and using propane.

KanPERC will provide training for those responding to propane emergencies statewide. Many other states already have these programs, but here in Kansas, we can not offer the Propane Emergencies program.

These programs could be wonderful training opportunities at reduced or no charge to rural volunteer departments in the state. This would be a great benefit to our ability to protect and serve, but at the same time keeping the limited resources that fire departments have for another use. The propane industry, through KanPERC, is committed to helping fire departments receive "Propane Emergencies" training. It has proven to be a very successful program in several other states that have created such an educational program, sponsored by the propane industry.

Thank you for taking time to listen to me speak about KanPERC, which we feel is important to the industry and public. I ask you to support House Bill 2038. I would be glad to answer any questions.



TRI STATE TANK, L.L.C.
TRUCK MOUNTED TANKS
BUILT FOR YOUR BUSINESS
REFINED FUEL
PROPANE
VACUUM

January 27, 2003

Mr. Chairman, Vice Chairman, ladies and gentlemen of this distinguished committee thank you for giving us the time to present our case for H.B. 2038 The Kansas Propane Education & Research Council (KanPERC), which we know will benefit Kansan's throughout the state because we have seen it work in neighboring states.

My name is Donald Sutton and I own and operate Tri State Tank, L.L.C. D/B/A TST in Kansas City, KS. I employ forty employees who build over four hundred propane delivery units, refined fuel delivery units and vacuum tank units. While the Midwest is our core market we have sold units in every state and export to countries around the world.

I currently serve as President of the Propane Marketers Association of Kansas (PMAK), and have been an active member of this association for the past twenty years. I am also currently serving as one of four elected Associate Directors on the Missouri Propane Gas Association Board of Directors. I am a member of the Technical and Standards Committee of the National Propane Gas Association, which works closely with The Department of Transportation and the National Fire Protection Association to review and update rules and regulations governing the handling and dispensing of propane.

Through my travels around the country, working with both state and national associations I have seen the benefits derived from the creation of such programs as KanPERC in Illinois, Missouri, Oklahoma, Nebraska and Colorado just to name a few

House Agriculture Committee
January 27, 2003
Attachment 10

I want to see Kansan's benefit from such a program as we have presented to you in H.B. 2038. It would be irresponsible of me as President of this association, knowing the benefits Kansans will gain from KanPERC, to ignore such an important issue. Therefore I have urged our membership at every opportunity to begin the process to create KanPERC, which is why we are here today.

Programs such as KanPERC have helped to reduce accidents in these states through continuous education of the public using radio advertising, production and mailing of safety brochures and visiting with both consumers and contractors at state fairs and home shows. Radio ads and safety brochures explain the dangers and expense of running out of gas, which has lead to fewer out of gas situations and therefore fewer accidents. Through training of fire service personnel property damage has been reduced but more importantly lives have been saved. Fire service personnel and other first responders have been provided training and education on how to safely approach a propane related accident and how to control a fire and reduce damage and loss of life. Through the assistance of programs, such as KanPERC, surrounding states have trained and educated thousands of workers, who install and service piping, appliances and storage tanks, on the approved standards found in NFPA 54 and 58 many of which do not work for members of our association. These workers are employees of contractors building new homes or remodeling existing structures. In the state of Missouri, for example all Sears HVAC personnel have been trained and certified to safely install and repair propane related equipment. This training was underwritten by The Missouri Propane Education and Research Council (MOPERC). Other states have provided free equipment, such as manometers used to leak test new and existing installations for leaks, while providing the

training to safely perform such a test. Training has been provided for hundreds of employees throughout the country who operate bottle-filling operations such as those found on truck rental lots, gas stations etc. These are but a few of the examples of what KanPERC can do for Kansans.

Through KanPerc we, as an industry, can provide continuing education for consumers about the benefits of propane and how to use it safely. We can provide continuing education and training to our members staffs and those of related companies on how to perform their jobs in a safe and efficient manner. We can continuously educate Emergency Responders as to the safe and responsible way to respond to propane related emergencies. KanPerc, once put into place will lead to saving lives, property, the environment and money.

I strongly encourage this committee to get behind H.B. 2038, The Kansas Propane Education and Research Council, and help us to move it through the legislature for the benefit of all Kansans.

Thank you!

Testimony of HB 2038
House Agriculture Committee
January 27, 2003
Prepared by Diane Gruver, Kansas Cooperative Council

Mr. Chairman and members of the Committee. I'm Diane Gruver, Executive Assistant of the Kansas Cooperative Council. I have worked at the Council for over 11 years and since the unfortunate loss of my boss Joe Lieber, the board has asked me to appear before you today.

The Council has a membership of nearly 200 cooperative businesses who have a combined total of nearly 200,000 Kansans. Many of our farm supply cooperatives sell propane and I'm here to ask you to support HB 2038, which establishes the Kansas Propane Education and Research Council.

As you've heard from speakers before me, this program can be very beneficial. Last summer and fall, Joe and Justin Holstin of the Propane Marketers Association of Kansas started discussing the ideas that this legislation covers. Joe was very supportive and felt that KanPERC would be beneficial to the cooperatives that are so important in the state of Kansas. As you know, the agriculture industry, and cooperatives in particular, are facing hard economic times from drought, low prices, and the ever increasing cost of insurance.

KanPERC can be a great resource to the cooperatives that have propane businesses. Many insurance companies already require certain levels of training in the state, and although some classes are offered to certify and train propane employees, much more could be made available with KanPERC. This program, as proposed, would allow for increased training for many cooperatives and their employees to better protect the public. The program would be a great benefit for the public as well, through increased safety awareness for consumers, an increased level of education for anyone who works with propane such as plumbers, and an increased understanding of propane characteristics by fire fighters when dealing with emergencies.

Many cooperatives in other states are already benefiting from programs very similar to KanPERC, and we feel that it is something that is necessary for the good of cooperatives, the farming community, and the public in Kansas.

We would ask that you support HB 2038. Thank you.



OFFICE OF THE

KANSAS STATE FIRE MARSHAL

Gale Haag
Fire Marshal

700 SW JACKSON ST, SUITE 600, TOPEKA, KS 66603-3714
PHONE (785) 296-3401 / FAX (785) 296-0151

Kathleen Sebelius
Governor

**Testimony in support of House Bill 2038
Creating the Kansas Propane education and Research Council**

House Committee on Agriculture

Date: January 27, 2003

By: Karl W McNorton, Director
Fire Prevention Division
Kansas State Fire Marshal's Office

The Kansas State Fire Marshal's Office as an agency is tasked statutorily with the regulation of safeguarding of life and property from the hazards of fire and explosion. The statute includes the keeping, use, sale, handling, transportation or disposition of other highly flammable materials.

We, by regulation, have adopted nationally recognized standards for the storage, dispensing, and transportation of Liquefied Petroleum Gas. For many years our agency has maintained a close relationship with the Petroleum Marketers Association of Kansas. We have supported the development of educational programs for members of their industry through our own Propane Advisory Board. We have also attended their organizational meetings and conferences and presented to their groups the design, plan submittal, and inspection criteria that we require.

We do not have the resources necessary to fulfill the needs of this industry and this bill will provide resources to educate not only members of their industry but also the consumers of propane and the fire service.

Our agency anticipates that the PERC council will provide necessary educational and training materials or aids to assist us or the fire service in the mitigation of any incidents or in providing quality inspection services. The state fire marshal's office would ask that the bill be amended in section 3 to add the state fire marshal or his/her designee be a permanent membership to this council.

Thank you for your time and attention.

House Agriculture Committee
January 27, 2003
Attachment 12

"Where fire safety is a way of life."

**Testimony to the
House Agriculture Committee
HB 2038
Presented by Patrick T. Lehman
For the Kansas Fire Service Alliance
January 27,2003**

Thank you Mr. Chairman, members of the committee. I am Pat Lehman and I represent the Kansas Fire Service Alliance. The Alliance is made up of the Kansas State Firefighters Association, the Kansas State Fire Chiefs Association, and the Kansas State Professional Fire Chiefs Association. On behalf of the Alliance, I am speaking in favor of HB 2038.

In Section 3, subsection (i), the purpose of this bill is to enhance consumer and employee safety and training programs to educate the public about the safety and environmental aspects of propane. We have been told that one use of the money collected would be to fund training for firefighters.

During the 2002 Legislative session, HB 2991 was passed and signed by the Governor. The bill established a 12-member Kansas Fire Service Training Commission to provide training and instruction for firefighters throughout the state through the fire service-training program currently operated by the University of Kansas (KU). It allows the Kansas Fire Service Training Program to receive any grants, gifts, contributions, or bequests to support and expand the training. Having the Kansas Fire Service Training Commission already established, it would appear that the requirements in HB 2038 would work well to further training for firefighters in Kansas.

The Kansas Fire Service Alliance endorses HB 2038 and we urge the committee to pass the bill favorably.

Thank you, Mr. Chairman, and I would be glad to stand for any questions.

Pat Lehman



KANOMA CO-OP ASSOCIATION

1112 East 4th St. - P.O. Box 58

COFFEYVILLE, KANSAS 67337

Telephone 620-251-2310

January 27, 2003

The Honorable Dan Johnson and Members of the Agriculture Committee:

I wanted to be there, but because of winter and this being my busy time, I decided to write you a letter expressing my opinion and the necessity of passing KanPERC legislation for the propane industry and the public.

My name is Chris McVey. I have been in the propane business for over twenty years, and I am the General Manager of the Kanoma Coop Association in Coffeyville, Kansas. Kanoma Coop currently has eight employees, serves about 1,200 customers, and operates in five counties including Montgomery, Labette, Chautauqua, Wilson, and Neosho.

With passage of House Bill 2038, my company will receive safety information for customers and employees. This bill includes necessary training information for public and rural fire departments. I feel we need to address these issues due to the misconception about propane safety in both the public and professional sectors.

On behalf of Kanoma Coop, please act favorably on the KanPERC Legislation, House Bill 2038.

Very truly yours,

Chris McVey
General Manager

House Agriculture Committee
January 27, 2003
Attachment 14

01/23/03

410 W. North
P.O. Box 671
Salina, KS 67402-0671
(785) 823-2287
I (800) 246-2350
Fax (785) 823-0822

314 Lincoln Ave.
P.O. Box 837
Clay Center, KS 67432-0837
(785) 632-3644
I (800) 427-4241
Fax (785) 632-3321

1710 E. 6th St.
Concordia, KS 66901
(785) 243-2800
I (800) 246-2370
Fax (785) 243-4598

3384 Excel Rd.
P.O. Box 971
Manhattan, KS 66505-0971
(785) 539-4399
I (866) 539-4399
Fax (785) 539-0148

215 N. Sheridan
P.O. Box 204
Minneapolis, KS 67467
(785) 392-2038
(800) 246-2360
Fax (785) 392-2575

3610 N. K-15 Hwy.
Newton, KS 67114
(316) 283-5530
I (800) 864-6379
Fax (316) 283-6663

To the Honorable Dan Johnson and Members of the Agriculture Committee,

Due to the fact that winter is our busy season, I am writing this letter to you to express my opinion and the necessity of passing KanPERC legislation for the propane industry and the public.

My name is Rick Payne, and I am Operations Manager of the Propane central, L.L.C. Currently Propane Central has 47 employees. We serve over 10,000 customers and operate in the 27 counties listed below:

Clay
Pottawatomie
Jackson
Riley
Washington
Marshall
Republic
Ottawa
Dickinson
Marion
Chase
Butler
Sedgwick
Reno
McPherson
Rice
Ellsworth
Lincoln
Mitchell
Jewell
Cloud
Geary
Saline
Russell
Harvey
Morris
And Wabaunsee

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January 27, 2003
Attachment 15



Our delivery area covers over 15, 000 square miles of the state. The companies that merged together to form Propane central had performed as *Safety First* type companies, several with over 30 years of incident free operation.

410 W. North
P.O. Box 671
Salina, KS 67402-0671
(785) 823-2287
I (800) 246-2350
Fax (785) 823-0822

With KanPERC, our company, as well as our fellow marketers will be able to continue in a safe operating manner. KANPERC will provide continued training for employees, but most of all, will provide education and awareness for the consumer.

Thank you, and on behalf of Propane Central, please act favorably on the KanPERC legislation House Bill 2038.

314 Lincoln Ave.
P.O. Box 837
Clay Center, KS 67432-0837
(785) 632-3644
I (800) 427-4241
Fax (785) 632-3321

Sincerely,

Rick Payne
Operations Manager
Propane Central, LLC

1710 E. 6th St.
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I (800) 246-2370
Fax (785) 243-4598

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