

Lane Clean Diesel Project
Meeting notes
September 29, 2004

In attendance: Cynthia Pappas and Marcy Parker – City of Springfield, Jim Carlson and Carlos Davis – City of Eugene, Sharon Banks and Drew Johnson – LRAPA, Brent Searle – Oregon Dept of Agriculture, David Monk – Oregon Toxics Alliance, Kevin Downing – Oregon DEQ, Rusty Rexius – Rexius, Ian Hill – Sequential Biofuels, Ron Berkshire – LTD, Mike Troxel – Cummins Northwest, Ron Tyree – Tyree Oil, Garry Likens – The Jerry Brown Company, Bob Cassidy, Doug Cross, Justin Klure – Oregon Department of Energy, Jim Krumsick – Balzhiser & Hubbard Engineers, Mel Chaput – ODOT, Jack Roberts – Lane Metro Partnerships, Josh Proudfoot and Scott Dybvad – Good Company.

Welcome – Jack Roberts

Introductions

Ground rules – Josh Proudfoot

Current diesel conditions and pending rule changes

- Presentation by Sharon Banks
 - New ultra low sulfur mandates by September 2006
 - Questions
 - Green Tags – environmental attributes associated with power production

Brainstorm of ideas on how to meet the upcoming rule changes, can we capitalize on those changes,

- Public entities partner for pass throughs - Business Energy Tax Credits (BETC) available to tax-paying entities for infrastructure or retrofit costs. Can pass through gov'tal agencies. 25-35% of cost. Must show the cost benefit, since most companies would rather spend later than now.
- Highlight high-profile projects – LTD, school buses
- Retrofits with EPA dollars
- Some organizations would rather wait
- 2 refineries in PNW have capability to produce Ultra Low Sulfur Diesel (ULSD). First step is to get ULSD in the pipeline to PDX, then Lane County from there. Reduction in transportation costs would lower price 4-5¢ per gallon. Tyree is bringing ULSD from Tacoma (via truck) for LTD. Best economics is in 10,000 gallon batches. Production is a refinery issue. Tyree could install or switch tanks to ULSD – it's a demand thing. Won't take much business to justify it. There will still be a premium (2-7¢, most recently 4¢ in Tacoma). Its price is relative to regular diesel. As demand goes up that differential will diminish. Four refineries north of Seattle serve the PNW region. The price difference at the rack in Portland is expected to be about the same (4¢). Distributors need to have a volume that justifies maintaining a truck. The state of Washington has a program to retrofit school buses that take the benefits of ULSD even further by reducing particulate matter (PM).

- Biodiesel is considered ULSD. There is a potential for production of bio-diesel here. 25-30¢ premium for B20 (20% biodiesel mix) and \$1.30 extra for B100. May be able to bring cost down thru local production, distribution and retail of biodiesel. This also creates an oil seed infrastructure for other bio-based products in the state. How do you stimulate demand enough to spark production? A 40 million gallon production facility would require 150-200,000 acres of crop, which would might also be able to provide animal feed, lubricants. Could be a rotational crop. Bring in subsidies and the extra cost is eliminated. Some states have mandated a B2 mix. Huge groundswell of public support for locally produced fuels. Sequential Biofuels is considering opening a biodiesel pump station in Lane County and would be interested in offering ULSD. There is some tension when people talk about ULSD and biodiesel, but they're compatible. If the country went whole hog for oil seed production, we could supply only 15% of the diesel needs. Daimler Chrysler is exploring producing biodiesel from forest waste.
- There is a catalyst that can be added to diesel that improves fuel efficiency by 10%.
- The state could take advantage of federal mandates for ULSD and combine that with an additional Oregon requirement to blend biodiesel. Currently B100 is coming in by rail from the Midwest to Tyree. They can blend any desired mix from that. The infrastructure is set for local production.
- Sulfur is a contaminant. There is some lubrication lost with the removal of sulfur. At a B2 level the lubrication can be fully recovered. ULSD will have some additives that increase lubricity.
- Refineries are looking out 12 months in advanced. When Conoco began making ULSD they had to stop making jet fuel. Other refiners consider ULSD but don't see the demand. They need to see a demand of 10,000 gallons per month (?) to justify.
- Tax credit programs need to be simple and easy to administer.
- Trademarked fuel with bumper stickers showing a bigger stake in the community. Could be a marketing tool for businesses. Great economic opportunity for fuel providers. Should strive to continue improving the fuel over time as opportunities present themselves. Info from Sharon's slides was informative. How do we get that to the public?

BREAK

Second meeting scheduled for October 19 from 9:30 to 11:30am at the Eugene Chamber (same place)

Brent Searle passed around three handouts.

Continued brainstorm

- Catalyst – Platinum Plus produced by Clean Diesel Products, Inc. helps new control equipment work better, improves efficiency by up to 10% per gallon. Costs 5¢ per gallon. Can be premixed with fuel. Can be used in ULSD and biodiesel. Helps reduce the knocks in biodiesel. Available now. Outstanding question – will it void the warranty? Sharon will look into it respond via email. Reduced consumption is not an issue for the suppliers (Tyree). Trucking companies would want to run their own tests to see if it works. Cooperative

contracting opportunities for public agencies to share – this may work to reduce costs to all.

- Delivery of ULSD from Tacoma to Eugene – 12-15,000 gallon loads are the most efficient. Need customer commitments for significant ULSD usage, then Tyree or Brown can store and distribute. They can blend with biodiesel (or the catalyst) on demand.
- Who will stick their neck out and state a guaranteed demand? Distributors need commitments of X gallons per year/month (Tyree and Brown will investigate). If Tyree sees development and people committing, they won't hesitate to bring ULSD down. Better be careful with that because we don't want to get ahead of refinery production (they're looking 12 months ahead). Brown or Tyree can handle the distribution side of it.
- Commitments
 - City of Eugene – 240,000 gallons between now and January 2006
 - City of Springfield – 150,000 gallons annually
 - Lane County School Districts – Sharon will be working with them over the next month – current usage
 - 4J – 15-20,000 gallons/month is their usage. No commitment yet.
 - LTD – budgetary process before commitment. It's a service vs. cost issue. Currently using some ULSD for a few buses.
 - State – needs to get the big players like Tri-Met involved. ODOT – looking at cost side, governor support, Mel Chaput will get a volume figure.
 - Garbage haulers are big users. Retrofit and higher fuel costs raise rates by about \$1.60 per year per customer (Portland study by Kevin Downing).
 - Rexius – Cities need to commit to support community members who stand behind these types of issues. If he can hear that it'll be valued by cities, they're in.
 - State contractors – typically use off-road diesel, which is 5,000 ppm so a change in their practices will have a big impact.

Goals for next meeting

- To do before
 - Fact sheet – Benefits of ULSD and how biodiesel comes into play. Maybe Kevin Downing can put something together or discuss.
- Additional groups to invite - 4J, EWEB, Sanipac, Lane County, UO, DAS, OSU (Brent Searle knows an expert there), Delta, Eugene Sand and Gravel.
- Determine commitments
- Scott will send list of attendees around
- Action plan
 - Volume commitments
 - PR / Branding discussion
 - Economic case for ULSD

To do before next meeting

- Rexius – Rusty Rexius
 - Platinum Plus testing
 - Invite contact at Delta to next meeting
- ODOT – Mel Chaput
 - Will determine usage in fleets from Salem south
- Tyree – Ron Tyree

- Platinum Plus testing
 - Develop model for fleet testing
 - Research on ease of selling tax credits
- Sequential Biofuels – Ian Hill
 - Involvement in PR branding development
- Oregon Toxics Alliance – David Monk
 - Work on PR side
- LRAPA – Sharon Banks and Drew Johnson
 - Determine school district demand and interest
 - Help with branding
 - Laidlaw
- City of Eugene – Jim Carlson and Carlos Davis
 - Testing Platinum Plus
 - Talk to solid waste people at the city about requirement for haulers
 - PR side involvement
- Cummins Northwest – Mike Troxel
 - Determine any experience with Platinum Plus and look into warranty questions
- City of Springfield – Marcy Parker and Cynthia Pappas
 - Explore contract specs
 - Determine volume commitment
 - Platinum Plus test
 - PR side
 - Share info with others
- DEQ – Kevin Downing
 - Contract specs to all
 - Talk to Mass contact about their specs
 - Explore other commitments in Willamette Valley
- Balzhiser & Hubbard Engineers – James Krumsick
 - Explore USGBC specs for green construction and emissions
- LTD – Ron Berkshire
 - Explore testing Platinum Plus
- The Jerry Brown Company – Garry Likens
 - Explore customer base for testers of Platinum Plus and interest in ULSD for commitments
- Oregon Department of Agriculture - Brent Searle
 - Share white paper on diesel (thru Scott)

Close of meeting

- Good Company commitments for next meeting
 - Determine appropriate persons at 4J, EWEB, Sanipac, Lane County, UO, DAS, OSU, Delta, and Eugene Sand and Gravel and extend invitations for next meeting.
 - Distribute list of meeting attendees and invitees to all
 - Distribute meeting notes to all