

PROPANE GAS
ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE
DU GAZ PROPANE



PROPANE

2008 ANNUAL REPORT

THE NATIONAL VOICE OF THE PROPANE INDUSTRY FOR 41 YEARS 1967-2008



Contact Us

Email: info@propanegas.ca

Web: www.propanegas.ca

Head Office

Propane Gas Association of Canada
800, 717 – 7th Avenue S.W.
Calgary, Alberta T2P 0Z3
Toll-free: 877.784.4636
Phone: 403.543.6500
Fax: 403.543.6508

Government Relations Office

Propane Gas Association of Canada
200, 440 Laurier Avenue West
Ottawa, Ontario K1R 7X6
Phone: 613.788.7983
Fax: 613.782.2228

The 2008 Annual Report can be downloaded in PDF format from the PGAC website at www.propanegas.ca

Benefits of Propane

Propane is Available

Propane is available in abundance in Canada. This country produces nearly 5% of the world supply and uses only a third of that domestically; the rest of Canada's propane is exported. The infrastructure is in place to transport, store, and dispense propane safely and efficiently to Canadians.

Propane is Clean

Propane is clean-burning and effectively competes with other fossil and renewable fuels on efficiency and greenhouse gas emissions in many applications. It also offers additional air quality advantages: when properly mixed with air to form a combustible mixture, propane emits virtually no soot, and low carbon monoxide, hydrocarbons, and oxides of nitrogen, which are the basic precursors of ground-level ozone, or smog. Its simple chemical make-up allows it to burn cleaner than coal, light and heavy petroleum fuels, ethanol, and even natural gas in some cases. Because propane is stored and transported under pressure, the transportation and storage system prevents any evaporative emissions. In the event of a leak, propane readily vaporises and eventually dissipates into the atmosphere. In an era of environmental concerns, propane stands above most fuels and rivals the cleanest.

Propane is Economical

Propane's exceptional value makes it the choice of hundreds of thousands of Canadians, for their homes, businesses, farms, and fleets. While the economics of using propane vary with each application, the common theme is value. For example, the U.S. Department of Energy reports that heating a home with gas costs half as much, on average, than heating with electricity. Add to that the fact that propane-fuelled furnaces last 5–10 years longer than electric heat pumps. When it comes to water heaters, propane heaters are often as much as 30% less expensive to operate than electric heaters, with twice the recovery rate, resulting in huge savings on electricity bills. As a transportation fuel in Canada, propane has historically enjoyed a significant price advantage: as much as 25% over regular gasoline.

Propane is Safe

Production, storage, transportation, and use are subject to strict standards and regulations. Propane is stored and used in sealed containers and fuel systems, and is only transferred from one container to another by trained personnel. Propane tanks are 20-times more puncture-proof than conventional gasoline tanks.

Propane is Portable

Propane can be stored, transported and used almost anywhere, and won't deteriorate over time. Storage cylinders and tanks come in a range of sizes; all built and transported according to highly regulated safety standards. In many cases, it's the only fuel used in remote locations because of its portability, especially for applications where demand patterns change, such as construction sites or cottages.

Propane is a Modern Energy

There are countless opportunities to take advantage of clean-burning propane. For propane at home and in the workplace, think cooking, heating, and cooling – appliances such as pool, patio, space and water heaters, clothes dryers, and refrigerators. For agriculture, think heating greenhouses and other buildings, weed and pest control, crop drying, waste incineration, and powering equipment. For industry, think forklifts and mobile generators, drying and curing paint, bricks, and ceramics, glazing pottery, metal heating, and processing. And of course, propane is a transportation fuel – new models of cars, trucks, and entire fleets are now available. Propane is ready to fuel the tools and toys you rely on for work and play.

Propane Partners with Other Energies

Non-fossil fuels, such as solar and wind are environmentally friendly, but have reliability limitations. The flexibility of propane makes it possible to partner with other energies to supplement energy requirements when the sun isn't shining or the wind isn't blowing. Technology exists to facilitate this automatic switching. Propane provides a rich source of hydrogen for fuel cells. An up-and-coming energy source, fuel cells create power and heat through an electrochemical process (rather than burning), which converts hydrogen and oxygen into electrical energy.

Thanks to World LP Gas Association (www.worldlpgas.com) and PERC (www.usepropane.com) for their contributions to this overview.



Pictured here is a photo of a PGAC poster on a transit shelter in front of the Prime Minister's office. Read more about the Government Relations activities of the PGAC starting on page 7.

“Establishing a presence on Parliament Hill among legislators and officials was a key focus of the PGAC’s Government Relations Office in Ottawa in 2008.”

*PGAC Chairperson
Dan McPhee*

Table of Contents

Message to Members	2
President's Message	3
About the PGAC	5
Our Membership	5
PGAC Goals	6
1. Creating an Environment for Growth	7
Advocacy	7
2. Enhancing Safety & Environmental Responsibility	11
Education and Training	11
Emergency Response	13
3. Fostering Leadership & Accountability	15
Representation on Industry Committees	15
National Technical/Regulatory Committee.....	15
National Auto Propane Committee	16
Provincial/Regional Propane Committees.....	17
Corporate Governance	19
PGAC Board of Directors	19
LPGERC Board of Directors.....	21
LPGERC Operating Committee.....	21
4. Providing Membership Value	22
Free Technical Assistance for Members	22
Equivalent Level of Safety (ELS) Permits.....	22
Preferred Rates on Commercial Insurance.....	22
Networking and Professional Development	23
Industry Communications	26
National Awards of Distinction	28
5. Managing Effectively	30
Effective, Efficient Administration.....	30
Retention and Recruitment	31
PGAC Long Service Awards Program	31
PGAC Financial Statements	32
List of Members as at December 31, 2008	46
PGAC Staff	49
LPGERC Staff	49

Message to Members

Dear PGAC members and friends,

2008 was a challenging year for Canada's propane industry. Coupled with the unfurling of a global economic crisis was an incredible period of extreme volatility in the energy markets. Amidst this unpredictable operating environment was a rare and devastating propane-related incident that brought the industry under intense scrutiny. During these turbulent times, members were able to rely on the strength and resources of the Association to ensure a steady focus on the industry's collective long-term priorities.

The PGAC unites the propane industry on many issues of importance. These include facilitating compliance with the rules and regulations through the services of the Propane Training Institute, the LPG Emergency Response Corporation, the committee network, and member communications. An equally important role is proactively representing the industry when changes to the regulatory framework are proposed that could impact propane operators in the future.

When it comes to these issues, the industry cannot take its eye off the ball. In 2008, the Association was diligent in representing and protecting the interests of members on many fronts, and communicating positive messages about our product and our industry to consumers, regulators, government officials, and other stakeholders.

Always critical to the success of the Association are the contributions of member volunteers. Despite the external pressures – or perhaps in some ways because of them – the PGAC paved inroads in 2008 with respect to member involvement. In particular, we experienced an increase in participation on PGAC Committees. This included the work of the new National Technical/Regulatory and



See page 20 for the identities of those pictured.

Auto Propane Committees, as well as notable progress by the provincial/regional committees on a variety of local issues and events. While we honour exceptional volunteers at our Annual Awards of Distinction ceremony each spring, it is important to acknowledge every volunteer, as it is only with the participation of members that the Association can be effective.

Going forward, we will continue to critically review the direction and progress of the Association to make sure we meet the evolving needs of our membership. We expect to build on the momentum gained as our members see their contributions materialize into results.

What follows is our detailed report on the initiatives and activities of the Association in 2008. We hope the presentation of facts clearly highlights the value in the work of Association as we strive to ensure a safe, prosperous, visible, and relevant Canadian propane industry. Thank you for your support and confidence.

PGAC Board of Directors

President's Message

2008 was a busy year. On behalf of our dedicated volunteer Board, our tireless staff, and our many industry volunteers, I am proud to say we have success stories to tell.

Especially significant was the addition of a new Government Relations office in Ottawa. With an enhanced presence among government officials and the expertise of an experienced in-house lobbyist, we were able to step up our capacity to identify and stay abreast of legislative changes that impact the industry, and to bring forward the industry's perspective for consideration on an expanded variety of files.

Also notable were positive changes in the output of the PGAC Committees. The establishment of new issue-specific committees, fixed schedules, accountable working groups, and improved follow-up communication, lead to meaningful progress on a number of fronts.

To mark the 10th anniversary of the PGAC's training division, the Propane Training Institute introduced a suite of new marketing materials to perk up the brand and equip the P•T•I training network with sales tools, which they put to good use by increasing sales over prior years. Internal administrative efficiencies also improved the bottom line by reducing the cost of sales.

The LPG Emergency Response Corporation, a PGAC subsidiary, had another stellar year, effectively training and managing their national response network and responding successfully to incidents involving Plan Participants without a single reportable injury.

One of the challenges we faced was vying for the attention of the federal government as they struggled with the instability of a minority in parliament and a federal election. It was disappointing to postpone the planned Federal Government Propane Day, and to leave some issues on the back



burner until a more conducive environment emerges.

Another major concern was the blow to public confidence in the safety of propane following a major propane incident in Toronto in August. While the PGAC was quick to respond with positive and reassuring messages about the depth and breadth of the safety systems in place, the public reaction was intense and far-reaching, resulting in what may be the beginning of a wave of regulatory change.

As your Association, we are here to monitor the legislative and regulatory landscape, to provide leadership on emerging issues, and to take our cue from you, the membership, on where to focus our efforts. We rely on your feedback and your participation to keep us moving in the right direction.

We hope you enjoy reading about what was accomplished on your behalf in 2008. Thank you for your on-going support and involvement.

Ann Marie Hann

Ann Marie Hann, President

PROPANE

A MESSAGE FROM THE PROPANE GAS ASSOCIATION OF CANADA

In response to the propane-related incident in the Toronto area on August 10th, the Propane Gas Association of Canada (PGAC) wishes to share the following statement and background information:

"Our thoughts are with the families and friends of the victims of this terrible tragedy, as well as the area residents who had been displaced from their homes.

While the facility involved in the recent incident is not a member of the PGAC, the propane industry wishes to advise that it takes safety matters very seriously. The Canadian propane industry has as its top priority the safety of the public, consumers and its employees.

The industry has a strong safety record overall and incidents of this nature are an extremely rare occurrence. The PGAC is offering its full cooperation and support to authorities as they conduct the investigation to determine the cause of this incident, so that future incidents like this may be prevented."

The PGAC is the national voice of the Canadian propane industry. Our mission is to support our members in the growth and development of a safe, environmentally responsible Canadian propane industry, for the benefit of all Canadians. Our 270+ members include propane producers, wholesalers, retailers and transporters, as well as manufacturers of appliances, cylinders and equipment.

FOR MORE INFORMATION:

Tracy Walden, Communications Manager
613.321.2276, twalden@propanegas.ca
www.propanegas.ca



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PROPANE FACTS:

- For Canada's propane industry, practices, procedures and facilities are required to be safe and compliant with municipal by-laws, and provincial and federal regulations.
- All employees who handle propane are required by law to be trained and provincially certified in the operation of the equipment and products they handle, complying with the standards and regulations that apply to all aspects of propane — production, storage, transportation and use.
- Equipment and appliances are required to meet strict regulatory standards and to have been installed, maintained and regularly inspected.
- Companies transporting propane are required by law to have an emergency response plan registered with Transport Canada. Major facilities are also required to have emergency plans registered with Environment Canada.
- Propane tanks are 20 times more puncture proof than conventional gasoline tanks.
- Propane is clean burning and effectively competes with other alternative and renewable fuels on greenhouse gas emissions, efficiency, and cost in many applications.

On August 25, the PGAC placed this message in Ottawa's Hill Times weekly newspaper following the significant propane incident that occurred in Toronto on August 10, 2008. See page 26 for more about the PGAC's industry communications.

" Without question, the most critical element in building and maintaining the confidence [in our product and our industry] of consumers, governments and the public, is ensuring compliance and due diligence regarding the rules and regulations that govern the industry."

PGAC President, Ann Marie Hann

About the PGAC

The Propane Gas Association of Canada (PGAC) is the national voice of the Canadian propane industry, a national member-driven organization established to support our members in matters affecting them individually and Canada's propane industry generally.

The PGAC provides industry-specific training and emergency response capability, a forum for government and regulatory advocacy, industry communications, networking, and professional development, all as a means to ensuring a safe, responsible, and thriving propane industry.

Representing 2.1% of Canada's energy mix, propane has an important role to play as a clean alternative energy source. The impact of the industry on the economy is significant, at over nine billion dollars, and affects the livelihood of tens of thousands of Canadians.

With safety of paramount importance to the industry, the PGAC's own Propane Training Institute (P•T•I) and the Liquefied Petroleum Gas Emergency Response Corporation (LPGERC; a subsidiary) are national leaders in propane safety training and emergency response respectively.

PGAC headquarters are in Calgary, Alberta, from which P•T•I and the LPGERC also manage their national operations. A government affairs presence is maintained in Ottawa, Ontario, where the PGAC's Government Relations are coordinated.

Our Membership

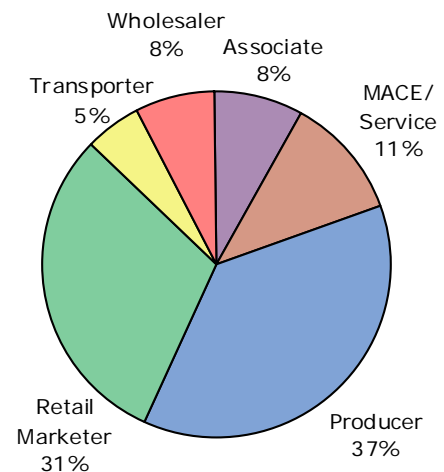
The propane industry is dominated by small- and medium-sized businesses that handle the wholesaling, retailing, marketing, transportation, equipment manufacturing, and service aspects of the business. The largest industry players are on the production side of the business and include some of Canada's well-known energy companies.

In 2008, the PGAC attracted 22 new members; eleven additional members were impacted by mergers and acquisitions. On December 31st, membership totalled 288, including 106 propane producers, 22 wholesalers, 88 retailers, 15 transporters, 33 manufacturers of appliances, cylinders and equipment (MACE/Service), and 24 associates.

Member Recruitment

Twenty-two new members joined the PGAC in 2008.

Membership By Category



About the PGAC

PGAC Goals

The day-to-day operations of the PGAC are guided by a Board-approved annual Business Plan. The objectives and activities pursued built upon work started in 2007, and were aligned closely with the following goals:

- 1. Creating an Environment for Growth –**
to support industry in the continued growth of propane usage in Canada.
- 2. Enhancing Safety & Environmental Responsibility –**
to support industry in its pursuit of an environmentally responsible and safe industry.
- 3. Fostering Leadership & Accountability –**
to maximize member and relevant stakeholder responsibility in ensuring an effective propane industry.
- 4. Providing Membership Value –**
to support Association members with excellent service.
- 5. Managing Effectively –**
to maximize administrative and financial effectiveness and efficiency of the Association, and to support Association employees in their pursuit of job satisfaction.

What follows is a summary of the activities and achievements experienced in 2008 in pursuit of Association goals, as well as a complete consolidated accounting of PGAC and LPGERC finances.

PGAC Vision

With proactive member participation, the Propane Gas Association of Canada will be an effective voice for the Canadian propane industry and offer premier services that add value for members.

PGAC Mission

The mission of the Propane Gas Association of Canada is to support its members in the growth and development of a safe, environmentally responsible Canadian propane industry, for the benefit of all Canadians.

1. Creating an Environment for Growth

Supporting industry in the continued growth of propane usage in Canada.

Growth at the industry level is about increasing value-added Canadian domestic demand and capturing a bigger piece of the Canadian energy pie, of which propane is currently 2.1%.

Advocacy

When it comes to establishing an environment for growth, advocacy is integral to how we support our members individually and the industry overall. Everyday, government officials and regulators address and resolve issues of public safety, shaping the operating environment for our members and Canada's propane industry.

Our role as a trade association is to provide a forum for the industry to work collectively to increase visibility, spell out where propane complements the objectives of government and regulators, and to ensure that the industry's views are considered where legislation, regulations, policies, codes, and programs are concerned.

In 2008, the PGAC had many opportunities to make this happen, and members were kept abreast of much of this work via 1075news alerts throughout the year.

Government Relations

In order to build trust, awareness, understanding, and recognition of how the industry can help governments and regulators achieve their objectives, the industry needs to provide an on-going presence at the table on issues of shared interest.

Building Trust and Profile

2008 brought evidence of a promising trend – the PGAC was proactively contacted on multiple occasions by government offices seeking PGAC input on legislation, regulations, policies, programs and other issues.

New Ottawa Office

To let stakeholders know about the new PGAC Government Relations office set up in Ottawa, in March 2008, the PGAC sent targeted letters to legislators and officials with contact information and basic information about Canada's propane industry.

As well, an ad was placed in the popular political publication, *The Hill Times*, and a regular Government Relations column was started in *Propane Canada* magazine (The Back Page).

1. Creating an Environment for Growth *(cont'd)*

This was the primary focus of the PGAC's Government Relations office, which was established in downtown Ottawa in March 2008, following the staffing of the new executive position, Vice-President, Government Relations, in January.

Some of the tactics employed by this office in 2008 included:

- Communicating broadly about the opening of the new office.
- Commissioning of a Reputational/Perception Audit to determine how the PGAC and the industry are perceived by important stakeholders. The results were used to develop and hone PGAC messaging (e.g., ad and poster campaigns; conference presentations; *Propane Canada* magazine submissions; media; and PGAC website).
- Developing a database of key contacts in the media and among stakeholders, legislators and officials, and establishing rapid-response protocol to facilitate regular and timely distribution of PGAC communications to these key contacts.
- Establishing strategic relationships through meetings with officials (e.g., those at Natural Resources Canada, Environment Canada, Transport Canada, Measurement Canada, Treasury Board, Finance, Regie des Batiments, and critics of these Ministries/departments within the Opposition parties).
- Making initial contacts with stakeholders with similar interests (e.g., Canadian Gas Association, Canadian Fertilizer Institute, Industrial Gas Users Association, Canadian Railways Association).
- Corresponding directly with federal Members of Parliament (e.g., providing them with constituency-friendly informational items about propane, such as householder BBQ Safety Tips; issuing congratulatory letters following the federal election).
- Participating in outreach activities to ensure a PGAC presence at key Ottawa events (e.g., 2008 federal budget reception, the Press Club, Ottawa Chamber of Commerce).

Propane is Great...

In 2008, a bilingual ad campaign with positive messaging about propane was executed in Ottawa.

Newspaper ads appeared in specific editions of *The Hill Times*. Poster ads with the same messaging ran for two months in the fall on downtown Ottawa transit shelters along the commuting routes of key officials.



1. Creating an Environment for Growth *(cont'd)*

- Implementing a monitoring system for political, legislative, and policy developments, allowing the PGAC to be more informed and proactive (e.g., federal and provincial budgets, BC's new Carbon Tax and Innovative Clean Energy Fund Levy, Measurement Canada initiatives, Environment Canada's GHG Emissions Program, Natural Resources Canada's Energy Efficiency Regulations, Ontario's Green Commercial Vehicle Program).
- Facilitating grass roots propane advocacy through the submission of industry position papers to provincial and federal pre-budget consultation processes, and the development of a Pre- and Post-Election Outreach Kit for members that outlined our industry's economic and job-creation contributions and opportunities to reduce greenhouse gas emissions through the use of propane.

National Propane Government Day

The 2008 PGAC Business Plan called for a National Propane Government Day in October 2008, an important advocacy event aimed at increasing awareness of the environmental and economic benefits associated with propane, and to further the dialogue on ways in which the industry and government decision-makers can work together to capitalize on these benefits.

With the instability of the minority Conservative government and Prime Minister Harper's decision to call a federal election for October, it was necessary to postpone the event until 2009. Progress continued on logistical planning, including venue arrangements, invitations, updating of the PGAC industry booth, and development of marketing collateral.

Over the course of 2008, Canada's propane industry increased its effectiveness as an advocacy force. With continued member involvement and an increasingly visible, active presence, we will further advance our efforts to secure an environment conducive to the growth of propane demand in Canada.

Ontario's Green Commercial Vehicle Program

When the Ontario government established its Green Commercial Vehicle Program (GCVP) for financial aid in purchasing dedicated alternative-fuel devices, dual-fuelled propane vehicles were initially left out. The PGAC and interested members lobbied for change and succeeded in having propane-powered vehicles retroactively accepted.

The Back Page

The PGAC contributed six Government Relations columns to *Propane Canada* magazine in 2008. Under the banner 'The Back Page', *PGAC Vice-President, Government Relations, Pierre Leduc*, wrote on the following:

- Sustained Advocacy and Industry Support Key to Effective Government Relations
- Getting the PGAC's Message Out
- Perceptions of the Propane Industry – Reputational Audit
- Perceptions of the Propane Industry – Post-Sunrise Incident
- PGAC Welcomes Newly Appointed Natural Resources Minister Lisa Raitt
- Promoting Safety and Growth

The articles were made available in both languages on the PGAC website.

1. Creating an Environment for Growth *(cont'd)*

PGAC Shippers' Group

The PGAC Shippers' Group, under the leadership of *Chairperson Maurice Gratton*, (NGL Supply Co. Ltd.), provides a forum for shipper members to exchange communications, collaborate, prepare position papers, and meet with railways, as a means to addressing collective shipping issues.

For example, in 2008, as a member of the Shippers' Council of Canada, the PGAC Shippers' Group submitted a position paper to the Canadian Transportation Agency, providing feedback on proposed changes to the Railway Switching Regulations.

Additionally, the Shippers' Group closely monitored Bill C-8, which clarified and strengthened shipper's rights provisions under the Canada Transportation Act.

As a member of the Coalition of Rail Shippers, the PGAC Shippers' Group submitted comments to Transport Canada on the terms of reference set out for the formal federal *Rail Service Review*.

Rail Service Review

The Shippers' Group also conducted a confidential rail services survey to gather data for an industry position paper to be prepared and submitted later in 2009 to the independent Review Panel to be struck as part of the federal *Rail Service Review* process.

“ PGAC membership includes both shippers and the railways, so we work very hard to seek a balance when it comes to resolving shippers' issues within the PGAC Shippers' Group.”

*Chairperson, PGAC Shippers' Group
Maurice Gratton*

2. Enhancing Safety & Environmental Responsibility

Pursuing an environmentally responsible, safe and effective propane industry.

The PGAC continues to support industry in its pursuit of an environmentally responsible, safe, and effective propane industry. While a variety of 2008 initiatives, services and activities of the PGAC contributed to progress in this regard, the most significant were the activities of the PGAC's Propane Training Institute and the Liquefied Petroleum Gas Emergency Response Corporation (LPGERC).

Education and Training

The PGAC offers state-of-the-art training and education programs to the industry through the Propane Training Institute (P•T•I), a division of the PGAC.

Every business day in 2008, P•T•I certified over 75 industry members who passed its government-recognized propane handling and awareness courses. In all, P•T•I issued nearly 19,000 new training certificates to successful students.

P•T•I managed this volume through strict and structured maintenance of an active network of nearly 1000 certified trainers and examiners who delivered P•T•I courses all across the country. P•T•I trainers and examiners must have a minimum of three years industry experience, proof of adequate insurance, and their status renewed every three years. In 2008, P•T•I completed a three-year review on 275 trainers and examiners and qualified 127 new trainers and examiners.

To facilitate ready access to this expansive training network and P•T•I offerings, P•T•I continued to work closely with four Regional Business Partners (Western region, Prairie region, Québec region, and Eastern region) to fulfill training requests.

In December, the PGAC awarded a contract to Edmonton-based Creating People Power Inc. (a PGAC member company) to review P•T•I's training programs. The initiative will begin with a full review of P•T•I training programs, including delivery, followed by an assessment of opportunities to expand offerings and delivery modes beyond current training.

2008 P•T•I Sales

In 2008, P•T•I achieved a 2.8% increase in sales, and a significant 7.4% decrease in the cost of sales due to internal efficiencies, resulting in a gross profit increase of 5.4% over 2007.

New P•T•I Newsletter

P•T•I issued its first newsletter in April 2008. The newsletter introduced new training manual and exam formats, a new P•T•I sales brochure, and new detailed course descriptions which were posted on the PGAC website.

The screenshot shows the cover of the P•T•I News newsletter, dated April 15, 2008. The main headline reads "P•T•I CELEBRATES ITS 10TH ANNIVERSARY". Below this, the primary focus for 2008 is the "Introduction of Enhanced Student and Trainer Materials Primary Focus in 2008". The newsletter content includes:

- Help your customers understand their requirements for training:**
 - Transition from overhead transparencies to PowerPoint;
 - Transition from marking templates to Examination Handbooks.
- New Version of P•T•I's 100-03 TDG Propane-Specific Course:**

As many of you are aware, Amendment 6 to Transportation of Dangerous Goods regulations was recently adopted. As a result, P•T•I is introducing an updated version of this program to satisfy the regulatory changes. The new version of the course will be shipping in May 5, 2008. Due to the multiple changes to regulations as a result of Amendment 6, the older version of the course will no longer be acceptable for use.
- Other Training Courses to Get a Face Lift:**

Trainers and Examiners will notice a new look for our student course manuals and exams. We are updating our current stock of materials during the month of May and replacing with updated materials which include many new features.
- New Features of Courses & Exams:**
 - Layout:** New 8 1/2" x 11 printing format with easier format for increased readability.
 - Colors:** Where appropriate, we have used colored pictures to enhance the learning experience.
 - Pictures:** In some cases, we have updated the pictures used in the training manuals.
 - Enhanced Practical:** Trainers will appreciate the new color photos to making the practical. Other than the student can demonstrate the skill or their career. In some cases, we have expanded the level of detail on the practical exam.
 - Optional Topics:** The Trainer will have discretion to identify some topics as being optional (such as printing and the resulting certificate will include those instructions).
- In addition to updated course manuals and exams, Trainers will receive new Examination Handbooks for each course.**
- We are also replacing overhead transparencies for Trainers with generic PowerPoint presentations.**
- Each course will also have a detailed PowerPoint presentation starting with 100-01 and 400-01 in May with other courses to be released during the rest of 2008.**

At the bottom of the newsletter, it states: "A division of the Propane Gas Association of Canada, Inc. (PGAC) 1877-184-8008. The Propane Training Institute is a division of PGAC. 1877-184-8008. P•T•I is a division of PGAC. 1877-184-8008. P•T•I is a division of PGAC. 1877-184-8008." The PGAC logo is also present.

2. Enhancing Safety & Environmental Responsibility *(cont'd)*

In 2008, ensuring a high level of integrity in the P•T•I administration process continued to be a priority. Internally, P•T•I staff continued to make process improvements to enhance production, inventory management, and distribution of training materials, ensuring delivery of quality training products and certificates to the training network and students in a timely and cost-effective manner.

With respect to marketing, in 2008, P•T•I focused on three key strategies aimed at increasing value for PGAC members and the industry. These included:

- Increasing the awareness of P•T•I and its courses within the propane industry, the regulatory community, and the end user community;
- Implementing sales management processes to enhance the activities of the current network of P•T•I Regional Business Partners;
- Developing a new course offering to enhance the existing slate of courses and improving the quality of trainer materials in order to improve delivery capabilities.

Finally, P•T•I continued to nurture relationships and partner on joint initiatives with various industry stakeholders with a shared interest in safety and compliance, such as the Canadian Standards Association, and the BC Safety Authority.



New Courses in 2008

In 2008, P•T•I released a new course, *Connection and Use of Construction Heaters Over 400,000 BTUH (400-03)*, as well as the French version of a similar course, *Connection and Use of Construction Heaters Up To 400,000 BTUH (400-01)*.

Partnering with Regulators

To assist companies found in non-compliance during inspection checks in BC, P•T•I continued to work with government regulators to disseminate course marketing materials.



P•T•I Celebrates 10 Years!

2008 marked the 10-year anniversary of the Propane Training Institute.

2. Enhancing Safety & Environmental Responsibility *(cont'd)*

Emergency Response

Another foundation of a safe industry is solid emergency preparedness and response capability. The PGAC offers this for its members through its subsidiary, the Liquefied Petroleum Gas Emergency Response Corporation (LPGERC).

Through member-exclusive services, the LPGERC makes accessible to members the emergency response capability necessary to handle incidents across the country involving liquefied petroleum gas (LPG) contained in rail cars, tank trucks, or stationary storage tanks (420lb/191kg or greater).

Specifically, the LPGERC provides emergency response services to Plan Participants who transport the following LPG products: Propane, Propylene, Isobutane, Butane, Butylene, Isobutylene, and Butadiene (stabilized).

LPGERC's emergency response services include well-trained and qualified people, modern equipment, knowledgeable advice, and timely assistance, allowing industry and first responders to deal effectively with an LPG emergency.

In 2008, the LPGERC served 195 Plan Participants, and responded to 17 incidents with a well-maintained network consisting of 9 Response Managers (RMs), 23 Response Team Leaders (RTLs), 35 Remedial Measures Advisors (RMAs), and a Home Base Coordinator (HBC) – all propane professionals working in the industry in strategic locations across Canada. Emergency responders were constantly available through a 24-hour activation telephone number.

Anytime an Emergency Response Assistance Plan (ERAP) was activated by a Plan Participant, technical and product experts (RMAs) were dispatched to the scene of the emergency. Where necessary, Response Teams were brought in with special equipment and expertise for such things as flaring or purging.



LPGERC Mandate

To provide emergency preparedness and response capability for Plan Participants.

LPGERC Mission

To provide a level of service to Plan Participants that will encompass trained and qualified people, quality equipment, knowledgeable advice, and timely assistance, allowing responders to deal effectively with an LPG emergency, safely and effectively.

2. Enhancing Safety & Environmental Responsibility *(cont'd)*

The LPGERC continued to execute its rigorous and comprehensive emergency response training program in 2008, ensuring response personnel completed their mandatory on-going training and testing requirements.

A number of training and audit verifications were conducted, including the national training session in Calgary, Alberta (May 28 through 31), and regional training sessions in seven different locations. Required training involves, on a rotating basis, 16 courses on a broad range of procedures, such as product transferring, vapour and liquid flaring, container purging, static electricity control, as well as First Aid, CPR, Hydrogen Sulphide (H₂S) Awareness, and more.

The LPGERC continues to be the benchmark for LPG emergency response in Canada. Reinforcing the value of its services in 2008, the LPGERC welcomed 13 new Plan Participants, and successfully responded to all incidents for which it was called upon.

A number of other notable, but behind-the-scenes, initiatives were undertaken in 2008 which quietly enhanced the value of LPGERC services for Plan Participants. They include:

- Production of a training video on butadiene and the new DryLok fittings;
- Updating of its LPG Emergency Assistance Plan;
- Updating of training courses including Personal Protective Equipment / Self-Contained Breathing Apparatus (PPE/SCBA), H₂S Awareness, and Transportation of Dangerous Goods (TDG);
- Delivery of various speaking engagements and communications to first responders; and
- Execution of various marketing and networking initiatives.

Injury-Free Since 1997

In 2008, the LPGERC continued its flawless injury-free record for LPGERC response personnel while responding to incidents.

Revised LPGERC Plan

Revisions to the LPG Assistance Plan were released in July and sent to all Plan Participants with a reminder to review the new plan carefully and to keep it readily accessible at all times. It is incumbent upon Plan Participants to understand their role in the Plan, to execute it if necessary, and to be able to explain it to regulatory authorities who may arrive unannounced at any time.

3. Fostering Leadership & Accountability

Maximize member and relevant stakeholder responsibility in ensuring an effective propane industry.

A major objective of the PGAC is to support the industry to ensure safe and compliant operations. Member involvement is essential for the full execution of this mandate and to enable the Association to maintain a high level of credibility when dealing with governments and other key stakeholders. The PGAC provides numerous opportunities for active involvement on issues of importance to members.

Representation on Industry Committees

In 2008, the PGAC continued to be represented on over two dozen national code and standards committees.

National Technical/Regulatory Committee

The PGAC National Technical/Regulatory Committee (NTRC) works on critical technical and regulatory issues facing the industry. Over the course of 2008, under the leadership of *Chairperson, Martin Clough* (Superior Propane), the work of this committee focussed primarily on the following files/issues:

- **Post-Toronto Incident** – leading the industry's public communications and advocacy effort with provincial regulators, including issuing news releases and preparing industry presentations and position papers, and attending numerous government-industry meetings regarding new provincial regulations.
- **Canadian Environmental Protection Act (CEPA)** – reviewing industry compliance requirements for Environmental Emergency (E2) Response Plans (EERPs);
- **Pressure Relief Valves (PRVs)** – developing a submission and other materials for presentation to the CSA B51 Code Committee opposing a proposal under consideration, calling for PRVs to be mandatorily serviced (i.e., replaced) every five years;

Safety and Compliance

In the July/August edition of *Propane Canada* magazine, *PGAC President, Ann Marie Hann*, addressed the importance of *Standing Together on Safety and Compliance*, in light of the significant propane incident on August 10, 2008, in Toronto. A copy of the article is available in *PGAC News* on the PGAC website.

Working on Industry's Behalf

PGAC Technical Advisor, David Stainrod, continued to work diligently on behalf of PGAC members, keeping PGAC members informed of emerging issues, and bringing PGAC positions to the table on many topics.

3. Fostering Leadership & Accountability *(cont'd)*

- **Pending Amendments to the TDG Act** – researching current trends in high-risk security regulation, and assessing the implications for future Canadian regulations;
- **Other Federal Government Legislation and Regulations** – such as amendments to the Weights and Measures Act, and addressing new TDG Regulation Amendments (rounds 6 and 7), as well as pending additional amendments;
- **Provincial Government Legislation and Regulations With Potential for National Precedent** – assessing new Ontario regulations following the Ontario Propane Safety Review;
- **National Codes, Standards and Other Issues** – discussing such matters as changes to the B149 national series of codes, and developing an industry position on the National Liberal Party's *Green Shift Plan*.

National Auto Propane Committee

Holding its first meeting in February 2008, the new National Auto Propane Committee serves the interests of member auto propane service suppliers and fuel marketers, and addresses challenges that face this particular sector of the industry.

Over the course of 2008, under the leadership of *Chairperson, Cameron Stewart* (MaX-Quip Inc.), the work of this Committee focussed primarily on the development and execution of a national sales-oriented marketing campaign on auto propane, directed at commercial light fleets and governments. Outcomes included the launch of a comprehensive new bilingual auto propane website, a marketing brochure, a sales letter, and media outreach.

Another initiative included consultations with Natural Resources Canada to address inaccuracies related to the profile of propane within the GHGenius Program, a federal program that analyzes the emissions of numerous energy sources used as transportation fuels.

Auto Propane Brochure

Members were invited to have this brochure customized with their company logo and contact information, which they could then circulate among existing and potential consumers.



3. Fostering Leadership & Accountability *(cont'd)*

Provincial/Regional Propane Committees

The PGAC supports a number of provincial/regional committees as part of its mandate to address the local interests of members. The PGAC supports these committees through regular attendance by the PGAC President, and the timely preparation and distribution of meeting agendas, notices, minutes, and follow-up alerts to the broader PGAC membership. Some of the issues discussed in 2008 include:

The BC Provincial Propane Committee:

- Limiting the application of the BC Carbon tax to grid propane distribution only;
- Advocating against expansion of the BC Innovative Clean Energy Fund levy;
- Collecting data on critical infrastructure and emergency-preparedness for the 2010 Winter Games;
- Reviewing the national standard for auto propane conversions (B149.5 Code) for full application and appropriateness in the BC context;
- Developing a standardized industry Safety Management Plan;
- Reviewing the issue of competition from natural gas in the forklift market;
- Monitoring labour mobility discussions between the governments of BC and Alberta;
- Collaborating with the BC Safety Authority on various issues;
- Preparing for the successful August seminar and golf tournament.

Alberta Meetings:

- Assessing the Alberta Natural Gas Rebate Pilot Program;
- Collaborating with the Alberta Department of Infrastructure and Transportation on the phasing out and repurposing of Q-Permits;

Provincial/Regional Chairpersons

BC – **Kevin O'Donnell**, TeamWorks Solutions Ltd.;
Alberta – **Bob Bush**, Canwest Propane Partnership;
Manitoba – **Blair Overby**, Federated Co-operatives Limited;
Atlantic – **George Connors**, Scotia Propane Ltd.

Provincial Associations

The PGAC collaborates with two provincial associations that exist to represent their respective provincial interests: the Association québécoise du propane (AQP) and the Ontario Propane Association (OPA).

Regional Safety Updates

To ensure members are kept up to date on provincial or regional safety matters, the PGAC regularly issues alerts advising members when authorities having jurisdiction (e.g., BC Safety Authority, Alberta Municipal Affairs, SaskPower, Ontario Technical Standards and Safety Authority, Service NS), issue safety bulletins, directives, updates, or recalls of relevance to industry.

3. Fostering Leadership & Accountability *(cont'd)*

- Updating members on gas code regulations;
- Working to develop awareness materials on the proper use of construction heaters with the provincial Department of Municipal Affairs and Housing;
- Delivering the annual Red Deer Seminar and supporting the two industry social clubs (Lamplighters and Kandlelighters) in hosting another successful golf tournament and associated activities.

Manitoba Provincial Propane Committee:

- Working to establish and leverage a new joint Government-Propane Industry Advisory Committee;
- Pursuing a provincial gas fitters apprenticeship designation;
- Improving communications regarding gas installations in hog barns via the Department of Labour and Immigration;
- Participating in government consultations on a new provincial Environmental Stewardship Program;
- Discussing various building codes and other provincial issues;
- Hosting a successful golf tournament.

Atlantic Provincial Propane Committee:

- Continuing to work with the Department of Labour and Workforce Development regarding proposed new Fuel Safety Regulations that already include many changes initiated by the Committee;
- Discussing options to address the continuing shortage of gas technicians;
- Discussing options to address over-regulation of the industry;
- Fostering relationships with the Atlantic regulators;

Advocacy Wins in Manitoba

After lobbying for enhanced communications between industry and the Department of Labour and Immigration at the 2007 Provincial Propane Government Day in Manitoba, the Manitoba Government established a Propane Industry Advisory Committee, which now meets semi-annually.

Following a considerable advocacy effort by the Manitoba Provincial Propane Committee, the Manitoba Apprenticeship and Trades Qualifications Board has finally recognized Gas Fitter as an official trade designation. A new board has been struck to oversee development of the training and certification requirements for the Gas Fitter trade.

Nova Scotia Fuel Safety Regulations

Some of the pending changes to the NS Fuel Safety Regulations that were proposed by the Atlantic Provincial Propane Committee included: reducing to one the number of signatures required on installation "Green Tags"; increasing the scope of work permissible for various classes of Gas Technicians; and increasing the BTU limit to permit more installations to be registered versus permitted (i.e., reducing administrative requirements).

More About Events

See page 23 for details on the regional networking events hosted by the Provincial/Regional Propane Committees.

3. Fostering Leadership & Accountability *(cont'd)*

- Hosting a successful lobster boil and inaugural golf tournament.

Saskatchewan Provincial Propane Committee:

- While now disbanded, the Committee did make a generous financial donation to the PGAC Awards of Distinction Program in support of student scholarships.

Corporate Governance

A demanding and invaluable opportunity for active member involvement and leadership is a volunteer position on the PGAC or LPGERC Boards of Directors, or the LPGERC Operating Committee. Employees of member companies stand for election to serve on any of these three important entities.

PGAC Board of Directors

The PGAC is governed by a volunteer Board of Directors, consisting of seven to nineteen individuals, all of whom are employees of active PGAC member companies. Directors are elected or appointed to serve two-year terms that begin and end at the Annual General Meeting (AGM), held in late spring each year. Day-to-day administration of the PGAC is overseen by President, **Ann Marie Hann**.

At the 2008 AGM on June 5, the following individuals were re-elected for two-year terms: **Don Bietz, Martin Clough, Bob Good, Maurice Gratton, Gerry Jones,** and **Peter Thorpe**.

Those confirming their commitment to serve the second year of their two-year volunteer term included: **Andy Gruszecki, Sharon Lemke, Dan McPhee, Jack Osland,** and **Paul Shoker**.

Interviews with the PGAC President

With the objective of sharing the good news about propane, *PGAC President, Ann Marie Hann*, gave two extensive media interviews, the first of which was published in the January/February edition of *Propane Canada* magazine, and the other in the on-line news publication, *execCanada*. A copy of the *Propane Canada* interview is available in *PGAC News* on the PGAC website. The other is in the *Industry News* archive on the PGAC website.

3. Fostering Leadership & Accountability *(cont'd)*

Sincere thanks were offered to those who served during the previous term for their time, dedication and contribution: **David Hall**, **Jon Huddle**, and **Guy Marchand**.

In September, the Board welcomed its newest member, **Bill Rawlusyk**.

Directors who served on the Board for all or part of 2008 included:

- **Don Bietz**, ECL Transportation Limited
Calgary, Alberta
- **Martin Clough**, Superior Propane
Calgary, Alberta
- **Bob Good**, Autogas Propane Ltd.
Burnaby, British Columbia
- **Maurice Gratton**, NGL Supply Co. Ltd.
Calgary, Alberta
- **Andy Gruszecki**, Provident Energy Ltd.
Calgary, Alberta
- **David Hall**, BP Canada Energy Company
Calgary, Alberta
- **Jon Huddle**, Diverso Supply Inc.
Cambridge, Ontario
- **Gerry Jones**, Metro Propane Inc.
Winnipeg, Manitoba
- **Sharon Lemke**, Blindman Valley Propane Co-op
Eckville, Alberta
- **Guy Marchand**, Budget Propane Inc.
Valleyfield, Quebec
- **Dan McPhee**, Shell Canada Limited
Calgary, Alberta
- **Jack Osland**, Mutual Propane Ltd.
Edmonton, Alberta
- **Bill Rawlusyk**, BP Canada Energy Company
Calgary, Alberta
- **Ninderpal (Paul) Shoker**, Spectra Energy
Empress L.P., Calgary, Alberta
- **Peter Thorpe**, Diversco Supply Inc.
Cambridge, Ontario

Paying Respects to Bob Good

September 21, 2008 was a sad day for the family of **Bob Good** (Autogas Propane Ltd.) of Burnaby, BC, and also for the propane industry. The PGAC offered condolences to the family on Bob's passing.



Bob was a longstanding member of the PGAC Board of Directors and the 2008 recipient of the prestigious PGAC President's Award for his lifelong contribution to the propane industry.



*The PGAC Board of Directors, as of December 31, 2008, as pictured on page 2, left to right: **Front row:** Dan McPhee (Chairperson), Ann Marie Hann. **Back row:** Sharon Lemke, Don Bietz, Bill Rawlusyk, Martin Clough, Andy Gruszecki. Photography compliments of Propane Canada magazine.*

3. Fostering Leadership & Accountability *(cont'd)*

LPGERC Board of Directors

The LPGERC is governed by a volunteer Board of Directors of its own, as well as a volunteer Operating Committee. Members of each must be employees of LPGERC Plan Participants. Day-to-day administration of the LPGERC is overseen by *General Manager*, **Scott Blaney**.

In 2008, the LPGERC welcomed two new Board members, **Paul Cahill** and **Jamie Moorhouse**, and one new Operating Committee member, **Adrian Michielsen**. The Board also thanked two retirees for their years of services, **David Hall** and **Ernie Wong**. Taking over as Chairperson to replace Mr. Hall was **Martin Clough**.

- **Martin Clough**, Superior Propane – Calgary, Alberta
- **Bob Bush**, Canwest Propane Partnership – Calgary, Alberta
- **Paul Cahill**, BP Canada Energy Company – Calgary, Alberta
- **Tom Fredericks**, ECL Transportation Limited – Calgary, Alberta
- **Maurice Gratton**, NGL Supply Co. Ltd. – Calgary, Alberta
- **David Hall**, BP Canada Energy Company – Calgary, Alberta
- **Jim MacKinnon**, Imperial Oil – Calgary, Alberta
- **Jamie Moorhouse**, Shell Canada Energy – Calgary, Alberta

LPGERC Operating Committee

- **Bruce Hall**, Petro-Canada – Calgary, Alberta
- **Dwight Jacobson**, Key Energy Transport – Calgary, Alberta
- **Pat Mason**, Spectra Energy Transmission – Taylor, British Columbia
- **John McCormack**, Superior Propane – Moncton, New Brunswick
- **Adrian Michielsen**, Imperial Oil – Calgary, Alberta
- **Derek Robertson**, ECL Transportation Limited – Calgary, Alberta
- **Ernie Wong**, Imperial Oil – Sarnia, Ontario

4. Providing Membership Value

Support Association members with excellent service.

There are many good reasons to join the PGAC. In addition to the many initiatives and services already detailed, which primarily covered the areas of government and regulatory advocacy, training, and emergency response, the PGAC also offers other services to members.

Free Technical Assistance for Members

To help propane companies navigate the complex array of legislation and regulations, the Propane Gas Association of Canada offers a free technical assistance service exclusively for members.

Equivalent Level of Safety (ELS) Permits

A person wishing to carry on special activities related to transporting dangerous goods under the TDG Regulations requires a special permit. As an exclusive service to members, the PGAC holds a number of these special permits on behalf of members.

Preferred Rates on Commercial Insurance

Through a partnership negotiated in 2006 with Rogers Insurance Ltd., PGAC members continue to be eligible for preferred rates on a comprehensive commercial insurance program designed exclusively for the propane industry.

Regulations Expertise

PGAC Technical Advisor, **David Stainrod**, contributed six columns to *Propane Canada* magazine in 2008, providing insight and guidance for industry members on the following issues:

- Regulatory Compliance: Operational Policies and Procedures
- Replacement of Pressure Relief Valves in ASME Propane Tanks
- Are Electric Power Meters a Source of Ignition?
- Policies and Procedures to Meet Code Requirements
- Unsafe Event Preparedness
- Drivers Filling Customer Containers

The articles are available in both languages on the PGAC website.

ELS Permits

Copies of all Equivalent Level of Safety (ELS) permits held by the PGAC for members can be accessed on the PGAC website.

Commercial Insurance

Details about PGAC Insurance benefits are available on the PGAC website under *About PGAC*.

4. Providing Membership Value *(cont'd)*

Networking and Professional Development

Each year, the PGAC hosts events to bring members together from all over North America, providing networking and professional development opportunities, and a forum to address issues of importance to the industry.

2008 PGAC National Conference and Golf Tournament

In 2008, the PGAC held its 41st annual conference in Kananaskis, Alberta, from June 4 to June 6, at the Delta Lodge at Kananaskis. The feedback from delegates was among the most positive received in many years, with great reviews of both the venue experience and the speaker line-up.

The sessions kicked off with two keynote speakers. The first was **Rick Roldan** from the National Propane Gas Association in the U.S., providing insight on U.S. advocacy priorities and the strategic importance of member engagement. Next up was **Roy Willis** from the Propane Education and Research Council, with a presentation outlining how the Council helps the industry grow and meet challenges in the U.S.

Following the opening remarks, session presenters from the membership, the industry, and the public sector shared ideas that could easily be translated to action plans, more informed decision-making and improved working environments for all facets of the industry. Presentations were made available in the secure members' area of the PGAC website or by CD to members, free of charge.



2008 PGAC Conference Committee

Cameron Stewart
(Chairperson), MaX-Quip Inc.;
Andy Burton,
AABCO Propane Inc.;
David Hall,
BP Canada Energy Company;
Sharon Lemke,
Blindman Valley Propane Co-op;
John Sereda,
Cal-Gas Inc.

2008 PGAC Golf Committee

Tony Giasson (Chairperson),
MaXfield Inc.;
Jon Huddle,
Diversco Supply Inc.;
Terry Lamb,
Manchester Tank Canada;
Steve Mayer,
Accu-Flo Meter Service Ltd.;
Budi Setiawan,
MaXfield Inc.

2008 PGAC Conference Major Sponsors

Platinum:
BP Canada Energy Company.
Gold:
Canadian National Railway;
Provident Energy Ltd.;
Superior Propane.
Silver:
Shell Canada Energy;
Spectra Energy Empress L.P.
Bronze:
Canwest Propane Partnership;
Gibson Energy ULC;
LPGERC;
Propane Training Institute;
UPS Logistics Technologies.

4. Providing Membership Value *(cont'd)*

Regional Events

Alberta Seminar & Golf Tournament

The PGAC and the Alberta Kandlelighters (an industry social club) collaborated on the organization of the 48th Annual PGAC Alberta Seminar & Kandlelighters' Golf Tournament, held on September 5 and 6, in Red Deer and Innisfail respectively.

Chairing the Seminar, **Darren Smith** (Mutual Propane Ltd.), welcomed fifty-three delegates and a multitude of speakers, including: ModuSpec Canada, Transport Canada, Alberta Advanced Education, Apprenticeship and Industry Training, Measurement Canada, and the Alberta Natural Gas Rebate Program.

In addition to Darren, other organizers included **Kevin Bigalow** (Accu-Flo Meter Service Ltd.), **Bruce Osborne** (Max-Quip Inc.), **Mark Stephenson** (Apollo Propane), and **Eric Wyatt** (AARCAM Propane & Construction Heat Ltd.).

Atlantic Meeting, Lobster Boil & Golf Tournament

On June 19, the Atlantic Propane Committee held a meeting followed by a Lobster Boil and an inaugural Golf Tournament in Charlottetown, PEI. PGAC member Wilson Fuel Company Limited donated a new golf plaque, which will be awarded annually in the future to the winning team. The annual tournament was named the *Peter Wilson Memorial Golf Tournament*, in honour of **Peter Wilson**.

2008 Alberta Seminar and Golf Major Sponsors

\$10,000 Hole-in-One Golf Sponsorship:

Rogers Insurance Ltd.

Seminar Gold:

MaX-Quip Inc.;

MaXfield Inc.

Seminar Silver:

Canwest Propane Partnership;

Gibson Energy ULC.

Seminar Bronze:

Rogers Insurance Ltd.

Plus dozens of hole/ prize/ trophy sponsors!



" 2008 marked the 48th Anniversary of the Alberta Seminar. The event has a rich history of technical excellence and industry support that pre-dates even the PGAC. We work hard every year to continue the tradition."

*Alberta Seminar Chairperson
Darren Smith*

4. Providing Membership Value *(cont'd)*

BC Seminar & Golf Tournament

The BC Provincial Propane Committee held a Seminar & Golf Tournament on August 12 at the Fort Langley Golf Course in Fort Langley, BC. Chairing the seminar, **Kevin O'Donnell** (TeamWorks Solutions Ltd.), welcomed 44 attendees as well as speakers from the BC Safety Authority, the BC Trucking Association, and Clean Energy Fuels (U.S.). Additionally, new products were introduced from Algas-SDI and Petro-Viron.

In addition to Kevin, other organizers included **Fred Attig** (Canwest Propane Partnership), **Brian Osland** (Dominion Fittings), and **Willie Stephen** (MaX-Quip Inc.).

Manitoba Golf Tournament & Meeting

The Manitoba Provincial Propane Committee held its 29th Golf Tournament at the Falcon Lake Golf Course and Hotel in Falcon Lake, Manitoba on June 19. The event was chaired by **Tom Cheret** (MaX-Quip Inc.).

2008 BC Seminar and Golf Major Sponsors

Seminar Sponsors:

Autogas Propane Ltd.;
Burden Propane Inc.;
Canwest Propane Partnership;
Superior Propane;
Supersave Propane Enterprises Ltd.

Hole and Prize Sponsors:

there were over two dozen hole and prize sponsors!

2008 Manitoba Committee Golf Tournament Major Sponsors

Blackmer;
Diversco Supply Inc.;
Fairview Fittings and Manufacturing Limited;
Manchester Tank Canada Ltd.;
Manitoba Propane Committee;
MaXfield Inc.;
MaX-Quip Inc.;
National Energy Equipment Inc.

4. Providing Membership Value *(cont'd)*

Industry Communications

The PGAC keeps members informed through relevant communications, employing a variety of communication tools and maintaining on-going two-way dialogue with members.

As a regular course of business, member service contacts are conducted within one week of approved membership, with subsequent follow-up at three months, six months and annually thereafter.

Building on steps taken in 2007 to implement a new professional look for PGAC communications to enhance brand recognition, the PGAC completed development of a formal Brand Guide and Policy in 2008. The new guide and policy raise the bar on expectations that PGAC communications, marketing, and organizational behaviour reflect the PGAC's mandate to be the credible, identifiable, and unified national voice for Canada's clean energy alternative.

1075news



alerts and bulletins – for communication of emerging issues, the PGAC sent 119 email alerts and 30 email bulletins to relevant member groups in 2008. All alerts and bulletins are archived in the secure members area of the PGAC website for continual access anytime.



bytes – members received the PGAC e-newsletter every month, with live links to important information sources including industry news, member news, career opportunities, coming events, and more. An archive of e-newsletters is available on the PGAC website for public and member access at any time.

TDG Amendment 6

When amendment No. 6 to the Clear Language Transportation of Dangerous Goods (TDG) Regulations was published in Part II of the Canada Gazette in February, the PGAC promptly provided information on the changes to members.

Targeted Email Distribution

Significant behind-the-scenes steps were taken in 2008 to allow for more targeted email distribution to members, in an effort to minimize unnecessary email traffic and maximize information flow.

Media Outreach

In 2008, the PGAC subscribed to a media database that facilitated the creation of targeted media lists for news releases, media advisories and media statements in support of communication efforts of the Association.

New PGAC Brand Guide



4. Providing Membership Value *(cont'd)*



talk – the PGAC published association news and editorial content in all six editions of *Propane Canada* magazine in 2008. This included a two-page insert (1075news talk), plus *The Back Page* (government relations column), and *Regulations* (technical column). In the first and fourth editions, the PGAC President submitted a topical address to the industry. Those who did not subscribe to the bi-monthly magazine could access the submissions in English or French on the PGAC website.



events – the PGAC released numerous and regular updates about PGAC events to members and industry stakeholders through email, direct mail, media and event web pages on the PGAC website.

Crisis Communications

Like any industry with a reputation to protect, the PGAC works hard to assist the industry in collective efforts to prepare for and make effective use of media attention, especially in the event of an incident.

Anytime an issue develops with the potential for media attention, the PGAC leads members through the communications process with whatever is needed – media tips, protocol suggestions, key messages, question and answer guides, access to training – to help members prepare.

In response to the Toronto incident on August 10, the PGAC immediately issued a media statement, placed abbreviated statements in select media, and conducted several media interviews. The objective was to reassure the public at large that despite the rare but serious impact of the Toronto incident, propane is still a safe product when handled properly and that the industry is governed by extensive safety regulations at all levels of government. The PGAC's response to the crisis was positively critiqued by business and public relations magazines who commented on its proactive and informative messaging.

Crisis Readiness Tip Sheet

In January, the PGAC proactively released a Crisis-Readiness Tip Sheet to members, with comprehensive and practical information about the whys and hows of dealing with the media. It is available in the secure members' area of the PGAC website.

Media Training

To proactively help members address the need for effective media relations, the PGAC partnered with another association to make media training available to members in early 2008.

4. Providing Membership Value *(cont'd)*

PGAC Website

Many enhancements were made to the PGAC website in 2008, to ensure consumers, members, and other stakeholders had access to current, reliable, and informative content. Highlights included:

- Addition of an all-new comprehensive consumer safety section;
- Launch of a new comprehensive auto propane website (www.propaneconversion.ca);
- Upgrading of the Profile Menu in the secure members' area, to allow members to manage personal information (e.g., phone, email, address, etc.) and select or deselect numerous email distribution and volunteer lists.
- Structural changes to the Industry News page to accommodate more news coverage;
- Addition of a new Industry Reports archive;
- More consistent updating of events on the PGAC website (e.g., Coming Events, Events Calendar).

National Awards of Distinction

In 2007, the PGAC introduced the PGAC Propane Awards of Distinction Program, an annual recognition program that features three prominent awards and a student scholarship.

As the program evolves, it grows in its capacity to showcase to competitors, governments, consumers, and stakeholders that the propane industry has strong leadership and an impressive commitment to a clean, safe, prosperous Canada.

As part of this evolution, in 2008, the presentation ceremony was upgraded to a prestigious dinner event – a decision that was well received, as demonstrated by the heartfelt words spoken on event night.

Most Popular Downloads

For 2008, website analysis showed that some of the most popular downloads were the newsletters, the conference brochures, the 2007 Annual Report, the Propane Market Study, the Propane Properties document, safety brochures, and the Membership Benefits brochure.

PGAC Media Room

The PGAC Media Room on the PGAC website continued to expand in 2008, with the addition of multiple releases and new Fact Sheets. Check it out under *About PGAC*.

2008 National Awards of Distinction – Financial Contributors

Major Sponsor:

BP Canada Energy Company.

Supporters:

Blindman Valley Propane Co-op;
Manchester Tank Canada Ltd.;
Superior Propane;
and the Saskatchewan Provincial Propane Committee.

Photography:

compliments of Propane Canada magazine.

4. Providing Membership Value *(cont'd)*

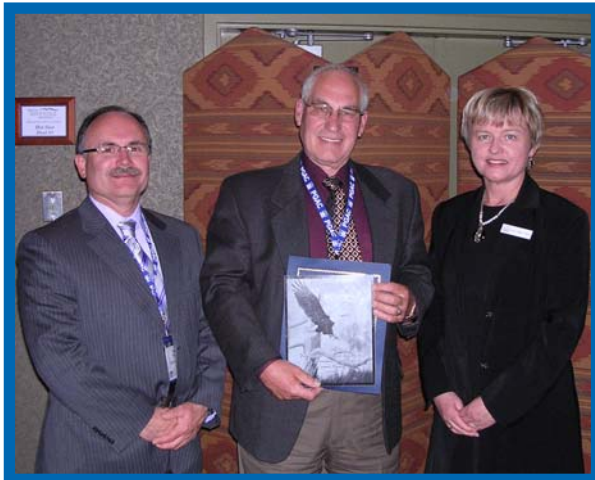
2008 National Award of Distinction – Winners



*Accepting the Presidential Award – Individual, on behalf of their father, **Bob Good** (Autogas Propane Ltd.), are sons **Bill Good** (left) and **Jamie Good** (right), from PGAC Board Chairperson, **Dan McPhee** and PGAC President, **Ann Marie Hann**.*



*Holding the Presidential Award – Company, on behalf of **Superior Propane**, are Superior Propane's **Martin Clough** and **John Gleason**.*



*Holding the Association Volunteer Service Award is the winner, **Carmen Swain** (Federated Cooperatives Limited); on the left is PGAC Board Chairperson, **Dan McPhee**; on the right is PGAC President, **Ann Marie Hann**.*

*Missing: W.L. Kurtze Scholarship Award winner, **Christopher Taylor**, apprentice with PGAC member AARCAM Propane and Construction Heat Ltd.*

5. Managing Effectively

Maximize administrative and financial effectiveness and efficiency of the Association. Support Association employees in their pursuit of job satisfaction.

Like any organization, to be effective, the PGAC must manage operations and finances effectively and provide an engaging working environment where employees are motivated and committed to achieving the objectives of the Association. The PGAC included a number of objectives and tactics in the 2008 business plan aimed at success in these areas.

Effective, Efficient Administration

In 2008, the PGAC completed the centralization of financial functions under the management of one department, a process that began in 2007. Similarly, the centralization of all internal administrative support services was completed. The result has been more capacity and accountability and overall enhancement in process, efficiency, and coordination of effort.

Another major project completed in 2008 was the review of the PGAC and LPGERC membership fee structure. The review led to adjustments in the structure to ensure member fees reflect current market realities, and remain fair and equitable for all members.

An external audit or review was conducted in 2008, with a new external auditor, namely Hudson LLP, appointed. This firm brings extensive experience with not-for-profit audits.

PGAC and LPGERC Staff

See page 49 for a complete list of PGAC and LPGERC Staff members.

New On-line Renewal Process

After extensive work in 2008 on administrative changes, members experienced a new fees renewal process in 2009.

Internal Savings

A 2008 review of insurance policies realized savings to the PGAC and LPGERC in excess of \$25,000.

Financial Control

To support on-going financial management, new cash flow management processes were implemented by the PGAC office.

IT Management

As part of the centralization of support services, an Information Technology (IT) review led to the hiring of a new IT service provider in 2008.

5. Managing Effectively *(cont'd)*

Retention and Recruitment

The PGAC includes human resource policy among its priorities. Retaining good employees and recruiting highly qualified individuals for vacancies is essential for gaining and maintaining momentum at the PGAC.

In 2008, the PGAC finalized and implemented its first official *Human Resources Policy and Procedure Manual*, which introduced a broad range of new policies and procedures aimed at setting the stage for harmonious employee/employer relations.

To ensure the PGAC benefits and pension offerings were competitive and the best value attainable, a market review of insurance companies was also conducted. The result was a change in benefits provider.

PGAC Long Service Awards Program

In 2008, one PGAC Long Service Award was presented to *Member Services Manager*, **Linda Kool**, with 5 years of service.



Annual Staff Performance Reviews

2008 saw the beginning of formal annual staff performance reviews, which reconciled HR policies, job descriptions, competencies, training and development plans, and possibly most importantly, expectations between employees and supervisors.

*Left to right: PGAC President, **Ann Marie Hann**, Long Service Award Winner, **Linda Kool**, PGAC Board Chairperson, **Dan McPhee**.*

PGAC Financial Statements

Auditors' Report

To the Members of Propane Gas Association of Canada Inc.

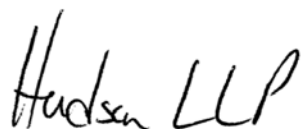
We have audited the consolidated statement of financial position of **Propane Gas Association of Canada Inc.** (the "Association") as at December 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as noted in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

Membership fee revenue of the Association, by its nature, is not susceptible to complete verification as it is impossible to determine the appropriate membership fee that each member should remit. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association for the fees that were remitted and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the membership fee revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The previous year was audited by another firm of chartered accountants who expressed a qualified opinion on the December 31, 2007 figures on February 19, 2008.



HUDSON LLP
Chartered Accountants

Calgary, Alberta
April 3, 2009



hudson ^{LLP}
CHARTERED ACCOUNTANTS

PGAC Financial Statements

Propane Gas Association of Canada Inc. Consolidated Statement of Financial Position

December 31	2008	2007
Assets		
Current		
Cash and cash equivalents	\$2,061,152	\$877,187
Marketable securities (Note 4)	727,832	728,758
Accounts receivable (Note 5)	232,877	187,888
Inventory	61,582	55,957
Prepaid expenses	121,492	61,633
	3,204,935	1,911,423
Property, plant and equipment (Note 6)	71,308	73,696
	\$3,276,243	\$1,985,119
Liabilities		
Current		
Accounts payable and accrued liabilities	\$275,128	\$232,356
Deferred revenue	1,472,640	466,650
	1,747,768	699,006
Net assets		
Invested In Property, Plant, And Equipment	71,308	73,696
Unrestricted	957,167	712,417
Internally Restricted (Note 7)	500,000	500,000
	1,528,475	1,286,113
	\$3,276,243	\$1,985,119

Contractual Commitments (Note 8)
Contingencies (Note 9)

Approved on behalf of the Board.

Original signed by Directors Dan McPhee and Andy Gruszecki.

The accompanying notes are an integral part of these consolidated financial statements.

PGAC Financial Statements

Propane Gas Association of Canada Inc. Consolidated Statement of Operations

Year ended December 31

Revenues	2008	2007
Activation fees	\$287,692	\$350,771
Convention, symposiums and seminars	91,150	77,048
Course fees	768,726	747,753
Interest and other	54,781	40,209
Member contributions	140,178	56,315
Membership fee	1,960,954	1,956,285
Miscellaneous revenue	-	5,170
	3,303,481	3,233,551
Direct expenses (Schedule 1)	797,239	901,419
	2,506,242	2,332,132
Expenditures		
Salaries and benefits	1,157,544	1,063,748
Advertising and marketing	249,322	61,577
Rent	168,661	128,686
Information technology	102,727	80,634
Insurance	75,362	87,203
Conference and meetings	70,525	65,585
Travel	54,882	45,722
Nationals	45,691	50,151
Equipment rental and maintenance	39,640	35,143
Translation	35,841	34,423
Professional fees	34,035	165,681
Office expenses	32,072	30,142
Regionals	31,615	45,645
Golf tournaments	28,164	12,918
Temporary staff and staff development	27,873	38,942
Telephone	27,831	26,722
Postage and delivery	21,155	14,838
Amortization	20,090	20,829
Business development	15,593	5,828
Dues and memberships	10,851	8,445
Communications	7,090	7,029
Bank charges and interest	4,208	7,932
Government and industry relations	2,813	134,545
Special projects	2,125	500
Miscellaneous	-	7,771
Membership expenses	-	5,227
Write down and bad debt	(1,830)	27,706
	2,263,880	2,213,572
Excess of revenues over expenditures	\$242,362	\$118,560

PGAC Financial Statements

Propane Gas Association of Canada Inc. Consolidated Statement of Changes in Net Assets

Year ended December 31

	Invested in property, plant, and equipment	Unrestricted	Restricted	Total 2008	Total 2007
Balance, beginning of year	\$73,696	\$712,417	\$500,000	\$1,286,113	\$1,167,553
Excess of revenues over expenditures	(20,090)	262,452	-	242,362	118,560
Purchase of property, plant and equipment	17,702	(17,702)	-	-	-
Balance, end of year	\$71,308	\$957,167	\$500,000	\$1,528,475	\$1,286,113

Propane Gas Association of Canada Inc. Consolidated Statement of Cash Flows

Year ended December 31

Cash flows from operating activities

	2008	2007
Excess of revenues over expenditures	\$242,362	\$118,560
Item not affecting cash		
Amortization	20,090	20,829
	262,452	139,389
Change in non-cash working capital items		
Accounts receivable	(44,989)	(39,396)
Inventory	(5,625)	29,695
Prepaid expenses	(59,859)	(7,637)
Accounts payable and accrued liabilities	42,772	46,067
Deferred revenue	1,005,990	408,779
	1,200,741	576,897

Cash flows from investing activities

Purchase of property, plant and equipment	(17,702)	(21,745)
Redemption of marketable securities	926	44,268
	(16,776)	22,523

Change in cash position

Cash, beginning of year	877,187	277,767
Cash, end of year	\$2,061,152	\$877,187

Cash consists of:

Cash and cash equivalents	\$1,508,057	\$826,518
Money market fund	553,095	50,669
	\$2,061,152	\$877,187

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

1. Nature of Operations

Propane Gas Association of Canada Inc. (the "Association") is registered as a society under the Canada Corporations Act. The Association is organized and operated primarily for the purpose of publicizing, improving and promoting the Canadian liquefied petroleum gas industry. The Association is a not-for-profit organization and under section 149(1) of the Income Tax Act is exempt from the payment of income taxes.

2. Change in Accounting Policy

Effective January 1, 2008, the Association adopted the following accounting standards on a prospective basis with no restatement of prior period financial statements.

Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation" replaced Section 3861 "Financial Instruments - Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements. The adoption of these new standards did not require any changes to the Association's accounting, but does require additional note disclosure.

Section 1535 "Capital Disclosures". This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The adoption of this new standard did not require any changes to the Association's accounting, but does require additional note disclosure.

Section 1400 "General Standards of Financial Statement Presentation". The section was amended to include requirements from management to assess and disclose an entity's ability to continue as a going concern.

Section 3031 "Inventories" which replaced Section 3030 "Inventories". This new standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs, administrative overheads that do not contribute to bringing the inventories to their present location and condition, and selling costs are specifically excluded from the cost of inventories and are expensed in the period incurred. Reversals of previous write-downs to net realizable value are now required when there is a subsequent increase in the value of inventories. The cost of inventories should be determined using either a first-in, first-out or weighted average cost formula. Techniques for the measurement of cost of inventories, such as the retail method or standard cost method, may be used for convenience if the results approximate actual cost. The new standard also requires additional disclosures including the accounting policies adopted in measuring inventories, the carrying amount of inventories, amount of inventories recognized as an expense during the period, the amount of write downs during the period and the amount of any reversal of write-downs that is recognized as a reduction of expenses. The adoption of this new standard did not require any changes to the Association's accounting, but does require additional note disclosure.

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

3. Significant Accounting Policies

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Consolidation

The consolidated financial statements include the accounts of the Association and its subsidiary corporation, LPG Emergency Response Corp. (LPG) which is wholly-owned. All inter-corporate balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable and accounts payable and accrued liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts held with financial institutions and investments in money market instruments with an initial maturity of three months.

Marketable Securities

The marketable securities consist primarily of fixed income instruments and are recorded at amortized cost.

Inventory

Inventory is valued at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost. The Association provides for amortization using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates are as follows:

Furniture and fixtures	20%
Computer equipment	30%
Equipment	20%

Revenue recognition

Revenue for services is recognized when the services are provided and ultimate collection is reasonably assured. The Association follows the deferral method of accounting for contributions. Membership dues are recognized in the year for which the dues are applicable. Dues paid in advance for the following year are recorded as deferred revenue. Interest revenue is recognized on the accrual basis for marketable securities. RMA (Remedial Measures Advisors) activation fees are recognized to recover costs from members who require emergency response. The cost of emergency response is billed out to members and represents a cost recovery only.

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

Pension plan

The Association maintains a defined contribution pension plan for its employees. The expense for this plan is equal to the Association's required contribution for the year. During the year, the Association's required contribution to the plan was \$50,507 (2007 - \$44,140). As of January 1, 2009, the Association moved the defined contribution pension plan into a Group Registered Savings Plan.

Foreign exchange

Monetary assets and liabilities of the Association which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations. Total exchange gains included in operations in the year is \$8,478 (2007 - \$998).

Financial instruments

The Association has classified the financial instruments as follows:

- Cash and cash equivalents is classified as financial assets "held-for-trading". They are measured at fair value and changes in fair value are recognized in operations.
- Marketable securities are classified as "held-to-maturity" and are measured at amortized cost.
- Accounts receivable are classified as "loans and receivables" and are measured at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts.
- Accounts payable and accrued liabilities are classified as "other financial liabilities" and are measured at amortized cost.

4. Marketable Securities

The marketable securities are Provincial government bonds and have varying maturities through 2015. The fair market value of marketable securities at December 31, 2008 is \$787,100 (2007 - \$757,840).

5. Accounts Receivable

	2008	2007
LPG Emergency Response Corp.	\$21,122	\$25,856
Propane Gas Association of Canada Inc.	211,755	162,032
	<u>\$232,877</u>	<u>\$187,888</u>

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

6. Property, Plant and Equipment

			2008	2007
	Cost	Accumulated amortization	Net	Net
Equipment	\$4,964	\$1,472	\$3,492	\$1,279
Furniture and fixtures	169,404	150,980	18,424	23,030
Computer equipment	173,749	124,357	49,392	49,387
	<u>\$348,117</u>	<u>\$276,809</u>	<u>\$71,308</u>	<u>\$73,696</u>

7. Internally Restricted Net Assets

The Association has internally restricted these funds for the purpose of funding future emergency response requirements. The amount which the Board of Directors feels will be necessary to fund all possible future emergency response requirements is \$500,000. As at December 31, 2008 the Association has restricted \$500,000 (2007 - \$500,000) for this purpose.

8. Contractual Commitments

The Association's total obligation, under various operating leases for its office premises, photocopier, water cooler and certain computer equipment and furniture are as follows:

2009	\$117,431
2010	106,981
2011	104,600
2012	103,784
2013	50,957
	<u>\$483,753</u>

The office lease expires March 31, 2013, the telephone service agreement expires June 28, 2012 and the water cooler lease expires in 2009 and will switch to quarterly prepayments.

9. Contingencies

Under the terms of the Association's by-laws, the Association indemnifies individuals who have acted at the Association's request to be a director and/or officer of the Association, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevent the Association from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

10. Financial Instruments

The Association's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Association's overall risk management program focuses on the unpredictability of market and seeks to minimize potential adverse effects on the Association's financial performance.

Risk management is the responsibility of the Board of Directors whose function is to identify, and evaluate financial risks. The Association's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities. The Association aims to develop a disciplined control environment in which all employees understand their roles and obligations. Risks are monitored and are regularly discussed by the Board of Directors.

(a) **Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. A significant portion of the Association's trade accounts receivable is from companies in the oil and gas industry, and as such, the Association is exposed to certain of the risks of that industry and risks losing membership revenue through mergers and acquisitions that occur between its members.

The objective of managing credit risk is to prevent losses in financial assets and it is the Association's experience that its credit worthiness of its accounts receivable is very good. If the Association's members do not pay their membership fees they risk losing their membership with the Association and LPG, if the members lose their membership with LPG they risk being shut down by Transport Canada.

(b) **Currency risk**

Currency risk is the risk to the Association's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. A portion of the Association's operations are denominated in United States dollars and accordingly the related financial assets and liabilities are subject to fluctuations in exchange rates. The Association does not have any exposure to any highly inflationary foreign currencies.

The Association has a cash balance of \$20,314 denominated in United States dollars, the Association's sensitivity to currency risk is limited to fluctuations in exchange rates related to this balance. The Association's sensitivity exposure to changes in foreign exchange rates is not considered to have a significant impact on the Association's reported excess revenues over expenses.

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

10. Financial Instruments, continued

(c) **Liquidity risk**

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Association's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Association achieves this by maintaining sufficient cash to meet their current liabilities as they become due. As at December 31, 2008, the Association was holding cash and cash equivalents of \$2,061,152 (2007 - \$877,187).

(d) **Fair value**

Financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable and accounts payable and accrued liabilities, the fair value of which are considered to approximate their carrying value.

11. Capital Management

The Association defines capital as its net assets and accordingly adjusts its membership fees charged based on gross LPG related volumes to maintain sufficient capital to meet the needs of its members. The Association's objective is to ensure that capital resources are readily available to meet its approved capital expenditure program and liabilities as they become due.

The Association monitors its capital through the use of detailed budgets that are approved by the Board of Directors and the actual results are compared to budget on a monthly basis. Changes to the activity of the Association's expenditures would be approved by the Board of Directors as needed.

12. Recent Accounting Pronouncements

The Accounting Standards Board (AcSB) has approved new accounting recommendations which have not yet come into effect. The following is a summary of the new recommendations:

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

12. Recent Accounting Pronouncements, continued

In September 2008 the AcSB issued a number of amendments to certain parts of the CICA Handbook which deal with accounting by not-for-profit organizations. These changes are summarized as follows:

i. Financial Statement Presentation By Not-For-Profit Organizations, Section 4400

This Section has been amended to:

- Eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so;
- Clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions; and
- Make Cash Flow Statements, Section 1540, applicable to not-for-profit organizations;

The amendments apply to financial statements relating to fiscal years beginning on or after January 1, 2009.

ii. Capital Assets Held By Not-For-Profit Organizations, Section 4430

This Section has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities in paragraph 4430.03 to clarify how to calculate the \$500,000 threshold if the organization is reporting net profits. For the purpose of this exemption calculation the gross revenues for those transactions would be used.

The amendments apply to financial statements relating to fiscal years beginning on or after January 1, 2009.

iii. Disclosure of Related Party Transactions By Not-For-Profit Organizations, Section 4460

This Section has been amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840. The amendments apply to financial statements relating to fiscal years beginning on or after January 1, 2009.

PGAC Financial Statements

Propane Gas Association of Canada Inc. Notes to the Consolidated Financial Statements

December 31, 2008

12. Recent Accounting Pronouncements, continued

iv. Disclosure of Allocated Expenses By Not-For-Profit Organizations, Section 4470

This new Section establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

The new requirements are effective for financial statements relating to fiscal years beginning on or after January 1, 2009.

Management is currently reviewing the impact that these pronouncements will have on the Association's financial statements.

Propane Gas Association of Canada Inc. Schedule to the Consolidated Financial Statements

Year Ended December 31

Consolidated Schedule of Direct Expenses

Schedule 1

	2008	2007
Activation	\$287,692	\$347,279
Equipment retainer contracts	203,473	216,504
Other direct expenses	169,771	199,879
RMA retainer contracts	136,303	137,757
	<u>\$797,239</u>	<u>\$901,419</u>

PGAC Financial Statements

Auditor's Report on Supplementary Information

To the Members of Propane Gas Association of Canada Inc.

We have audited and reported herein on the financial statements of **Propane Gas Association of Canada Inc.** (the "Association") for the year ended December 31, 2008.

Our audit was conducted in accordance with Canadian generally accepted auditing standards for the purpose of forming an opinion on the basis financial statements of the Association taken as a whole. The supplementary information included in the Schedules of Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



HUDSON LLP
Chartered Accountants

Calgary, Alberta
April 3, 2009



HUDSON^{LLP}
CHARTERED ACCOUNTANTS

PGAC Financial Statements

Propane Gas Association of Canada Inc. Consolidated Schedule of Expenditures

Year ended December 31

	PGAC	LPGERC	Total 2008	PGAC	LPGERC	Total 2007
Salaries and benefits	\$939,646	\$217,898	\$1,157,544	\$820,661	\$243,087	\$1,063,748
Advertising and marketing	193,843	55,479	249,322	34,241	27,336	61,577
Rent	140,782	27,879	168,661	103,762	24,924	128,686
Information Technology	97,524	5,203	102,727	60,532	20,102	80,634
Insurance	9,036	66,326	75,362	9,590	77,613	87,203
Conference and meetings	67,726	2,799	70,525	57,434	8,151	65,585
Travel	46,817	8,065	54,882	35,906	9,816	45,722
Nationals	-	45,691	45,691	-	50,151	50,151
Equipment rental and maintenance	39,640	-	39,640	35,143	-	35,143
Translation	35,071	770	35,841	32,732	1,691	34,423
Professional fees	15,530	18,505	34,035	156,085	9,596	165,681
Office expenses	25,560	6,512	32,072	12,711	17,431	30,142
Regionals	-	31,615	31,615	-	45,645	45,645
Golf tournaments	28,164	-	28,164	12,918	-	12,918
Temporary staff and staff development	27,873	-	27,873	38,942	-	38,942
Telephone	20,672	7,159	27,831	18,805	7,917	26,722
Postage and delivery	18,501	2,654	21,155	12,518	2,320	14,838
Amortization	15,941	4,149	20,090	16,363	4,466	20,829
Business development	9,243	6,350	15,593	1,397	4,431	5,828
Dues and memberships	10,661	190	10,851	8,235	210	8,445
Communications	6,224	866	7,090	4,982	2,047	7,029
Bank charges and interest	4,208	-	4,208	7,932	-	7,932
Government and industry relations	2,813	-	2,813	134,545	-	134,545
Special projects	-	2,125	2,125	-	500	500
Miscellaneous	-	-	-	7,771	-	7,771
Membership expenses	-	-	-	5,227	-	5,227
Write down and bad debt	(1,830)	-	(1,830)	27,706	-	27,706
	\$1,753,645	\$510,235	\$2,263,880	\$1,656,138	\$557,434	\$2,213,572

List of Members as at December 31, 2008

MACE*/Service

Accu-Flo Meter Service Ltd.
American Welding & Tank Co.
Blackmer
Cavagna North America Inc.
Diversco Supply Inc.
Dominion Fittings
E.R.L. Propane Sales & Service
Fairview Fittings & Manufacturing Limited
FSN Training & Development Inc.
Galaxy Gas Products
H & A Enterprises Ltd.
ITRON, Inc
Koch Fuel Product Inc.
Manchester Tank Canada Ltd.
MaXfield Inc.
MaX-Quip Inc.
MID:COM
MTN Training
National Energy Equipment Inc.
New Wave Learning Solutions
North American Satellite Corporation (NASCORP)
Petro-Viron Inc.
Pressure Vessel Services
Pro-Par (1978) Inc.
Proquip Sales Inc.
Rego Products/ECII
Sherwood, a division of Harsco Company
Slegers Engineering Inc.
TeamWorks Solutions Ltd.
Trinity Containers, LLC (wholly owned subsidiary of Trinity Industries, Inc.)
Worthington Cylinders of Canada Corp.
Xstrata Copper, Kidd Metallurgical Site

Producer

Advantage Oil & Gas Ltd.
Alpetro Resources Ltd.
AltaGas Ltd.

Anderson Energy Ltd.
Apache Canada Ltd.
ARC Resources Ltd.
Argosy Energy Inc.
ATCO Midstream
Barrick Energy Inc.
Baytex Energy Ltd.
BearsPaw Petroleum Ltd.
Berkana Partnership
Birchcliff Energy Ltd.
Bonavista Energy Trust
BP Canada Energy Company
Burlington Resources Canada Ltd.
Canadian Forest Oil Ltd.
Canadian Natural Resources Ltd.
Chevron Canada Ltd. (BC)
CKF Inc.
Coastal Resources Limited
Compton Petroleum Corp.
ConocoPhillips Canada Limited
Crescent Point Resources Limited Partnership
Crew Energy Inc.
Daylight Energy Ltd.
Devon Canada Corporation
Delphi Energy Corp.
Diversified CPC International, Inc.
EnCana National Gas Liquids
Enerchem International Inc.
Enerplus Resources Fund
EOG Resources Canada Inc.
ExxonMobil Canada Properties
FairWest Energy Corporation
FET Resources Ltd.
Galleon Energy Inc.
GasFrac Energy Services Inc.
Gibraltar Exploration Ltd.
Gibson Energy ULC
Gibson Gas Processing Limited
Glencoe Resources Ltd.
Harmattan Gas Processing L.P.
Harvest Operations Corp.

Highpine Oil & Gas Limited
Hunt Oil Company of Canada, Inc.
Husky Energy Inc.
IBERDROLA Canada Energy Services Ltd.
Imperial Oil
INEOS Canada Partnership
Irving Oil Limited
ISH Energy Ltd.
Mazepa Processing Partnership (MPP Ltd.)
MEC Operating Company
NAL Resources Limited
Nexen Inc.
North Atlantic Refining Limited
Nova Chemicals Corporation
Nuvista Energy Ltd.
Omers Energy Inc.
Open Range Energy Corp.
OPTI Canada
Orleans Energy Ltd.
Paramount Energy Operating Corp.
PENGROWTH CORPORATION
Penn West Petroleum Ltd.
Petrobank Energy and Resources Ltd.
Petro-Canada
Petromont and Company, Limited Partnership
Peyto Exploration & Development Corp.
PrimeWest Energy Inc.
Progress Energy Ltd.
Provident Energy Ltd.
Quatro Resources Inc.
Ravenwood Energy Gas Inc.
Rife Resources Ltd.
Seven Generations Energy Ltd.
Shapco Resources Ltd.
Shell Canada Energy
Shell Canada Upstream
Shell Chemicals Canada Inc.
Signalta Resources Limited
Spectra Energy Empress L.P.
Spectra Energy Midstream Corp.
Spectra Energy Transmission
Stonefire Energy Corp.

* Manufactures of Appliances, Cylinders and Equipment

List of Members as at December 31, 2008 *(cont'd)*

Producer (continued)

Suncor Energy Inc.
Sword Energy Inc.
Talisman Energy Inc.
TAQA North Ltd.
Taylor Gas Liquids L.P.
Terasen Energy Services
Trident Exploration Corporation
Trilogy Energy LP
Tristar Oil & Gas Ltd.
True Energy Trust
Twin Butte Energy Ltd.
Ultramar Ltd.
Unconventional Gas Resources Canada Operating, Inc. (UGR)
Vermilion Resources Ltd.
Vero Energy Inc.
Western Propane & Gas Services
Williams Energy (Canada) Inc.
Win Energy Corporation
Yellow Brick Energy Ltd.
Zargon Oil & Gas Ltd.

Retail Market

1st Propane of Whatcom County Inc.
5 Star Propane Ltd.
A&A Propane Delivery Service
Aabco Propane Inc.
Aarcam Propane & Construction Heat Ltd.
Air Liquide Canada Inc.
Apollo Propane Inc.
Arrow Fuel Co. Ltd.
Autogas Propane Ltd.
Bayne Propane
Blindman Valley Propane Co-op / NMR Propane 1994 Ltd.
Blue Flame Propane Inc.

Bow Valley Propane Association Limited
BP Propane Limited
Brican Propane Ltd.
Budget Propane Inc.
Burden Crane Truck Service
Burden Propane Inc.
Caledon Propane MB
Cal-Gas Inc.
Canwest Propane Partnership
Cariboo Propane Ltd.
Carling Propane Inc.
CHS Inc.
Coastal Propane Inc.
Crystal Flash Limited Partnership
D.S.S. (1983) Holdings Ltd.
Direct Energy Marketing Limited
Eagle Propane Sales Ltd.
Eastern Propane & Supplies Ltd.
EDPRO Energy Group Inc.
Federated Co-operatives Limited
Feeg's Propane Ltd.
Ferrell North America
Frontier Super Save
Gasex Propane Plus Ltd.
Green Roads Recycling Ltd.
Heat Seeker Propane Ltd.
Hensall District Co-op Inc.
Heritage Propane Ltd.
Humboldt Co-op Association Ltd.
J.P.'s Mobile Auto Service
Jade Mountain Propane Ltd.
Jepson Propane Ltd.
Joy Propane Ltd.
Keda Propane Ltd.
KRS Motors Inc.
La Coop fédérée
Lakes Gas Co.
Lloydminster and District Co-op. Ltd.

Lo-Cost
McRobert Fuels Limited
Metro Propane Inc.
Midwest Propane
Mobile Propane Services Inc.
Modern Propane Ltd.
Moncton Propane Services Inc.
Mutual Propane Ltd.
Neufeld Petroleum & Propane Ltd.
North Arm Transportation Ltd.
Parkland Industries Ltd.
Port Alice Gas Inc.
PPI Propanewest Products Inc.
Propane GRG Inc.
PTI Premium Camp Services Ltd.
R & M Propane Services Ltd.
Roland Boudreau Inc.
Ross Agri-Supplies Inc.
Royal Propane & Hearth
S.I.S. Propane Ltd.
Scotia Propane Ltd.
Shields Fuels Inc.
Smith's Cylinder Service Ltd.
Stittco Energy Limited
Stony Propane Ltd.
Super Save Enterprises Ltd.
Superior Propane
Supreme Tank Inc.
Sure-Fire Propane Ltd.
Terasen Gas Inc.
Triangle Three Services Ltd.
UFA Cooperative Ltd.
Ultimate Home Comfort
VI Propane Services Limited
Webster Propane Inc.
Wilson's Fuel Co. Limited
Yarrow Propane Service
Yukon Tire Centre

List of Members as at December 31, 2008 *(cont'd)*

Transporter

Acton Transport Ltd.
Atco Gas Ltd.
Canadian National Railway
Cape Breton & Central Nova Scotia
Railway Ltd.
ECL Transportation Ltd.
GATX Rail Canada
Keezer's Propane Service Ltd.
Key Energy Transport
Northwest Tank Lines Inc.
Procor Limited
Pro-Oil Inc.
Reimer Bulk Systems Inc.
SemStream, L.P.
Suburban Propane, L.P.
Transcourt Inc.

Wholesale Market

Aux Sable Canada LP
Canadian Enterprise Gas Products Ltd.
Centennial Energy, L.L.C.
Elbow River Marketing Limited
Partnership
Factor Gas Liquids Inc.
Gas Supply Resources Inc.
Gibson Energy Limited-NGL Marketing
KEYERA Energy Partnership
Kinetic Resources (LPG)
Link Petroleum Services Ltd.
Liquids Transloading Ltd.
MP Energy Partnership
NGL Supply Co. Ltd.
Petrogas Marketing Ltd.
Petrosol International Inc.
Plains Midstream Canada, L.P.(a
division of PMC (Nova Scotia)
Company)
Superior Gas Liquids
Targa Canada Liquids Inc.
Tidal Energy Marketing Inc.
Tombstone Energy Solutions, LP
Univar Canada Ltd.
Western Gas Liquids Canada

Associate

Action Insurance Group
Australian LPG Association Limited
Bulk Truck & Transport Service, Inc.
Cavens & Associates
Compressed Gas Association
Creating People Power Inc.
D.J. Stainrod & Associates Ltd.
Ditech Testing
Emerson Process Management
Regulator Technologies, Inc.
Entero Corporation
Fuel Cells Canada
Grizzly Resources Ltd.
Hall Technologies Ltd.
Jarco Propane Trucks
National Propane Gas Association
Newedge Canada Inc.
Permagas Inc.
Propane Canada
Pumps and Pressure Inc.
Purvin & Gertz Inc.
Rogers Insurance Ltd.
Sea-3, Inc.
Total Energy Corp.
Wolf Creek S.D. #72

PGAC Staff

President

Ann Marie Hann

General Manager

Propane Training Institute

Bill Egbert

Vice President

Government Relations

Pierre Leduc

Manager Member Services

Linda Kool

Business Manager

Sherry Salomons

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Administrative Coordinator

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Ryan Koudys

Documentation Administrator

Jean Stirling

LPGERC Staff

General Manager

Scott Blaney

Manager, Process & Administration

Kathleen Poirier



PROPANE GAS ASSOCIATION OF CANADA
800, 717-7TH AVENUE SW
CALGARY, ALBERTA T2P 0Z3

WWW.PROPANE.GAS.CA
1.877.784.4636