



House Transportation Hearing
August 15, 2012
Testimony of Barbara Sexton
Director, Government Affairs
Chesapeake Energy Corporation

Good morning distinguished members of the House Transportation Committee. My name is Barbara Sexton, Director of Government Affairs for Chesapeake Energy. Thank you for the opportunity to participate in this hearing and engage in a dialogue on Alternative Fuels Revenue and the Motor License Fund as it relates to Natural Gas Vehicles (NGVs).

Chesapeake Energy is the second-largest producer of U.S. natural gas, a Top 15 producer of oil and natural gas liquids and the most active driller of new wells. Chesapeake is headquartered in Oklahoma City, Oklahoma, with over 13,500 employees throughout 17 states, including 1,200 employees located in Pennsylvania.

Nationally, Chesapeake has been instrumental in the promotion of the natural gas transportation market through the build out of natural gas refueling stations. Chesapeake has invested \$150 million in Clean Energy Corporation to expedite the construction of 150 LNG (liquefied natural gas) stations at existing truck stops nationwide for fueling heavy duty vehicles. In Pennsylvania, some of these Clean Energy LNG stations are underway in Carlisle, Mill Hall and Smithton.

In 2010, Chesapeake committed to converting its entire fleet to run on natural gas within four years. Chesapeake's current fleet inventory is 5,273 vehicles of which 1,893 vehicles run on CNG bi-fuel (meaning the vehicle runs on either regular or natural gas). In Pennsylvania, Chesapeake has a fleet of 233 light duty trucks with only 3 vehicles currently running on CNG. The majority of these vehicles are located in northeast Pennsylvania. This number will change dramatically this year as Chesapeake's Pennsylvania fleet will begin seeing its first mass fleet conversions in Athens, with the construction of a new fueling facility. In addition, Dandy Mini-Marts will be building three CNG stations in Towanda, Athens/ Sayre and Elmira, New York. One of Dandy Mini-Marts stations will be built from the Alternative Fuels Incentive Grant (AFIG) which was awarded to the Endless Mountains Transportation Authority. Chesapeake has committed to fuel 50 of its vehicles at this station, scheduled to open by the year's end. In the western half of Pennsylvania, Chesapeake partnered with Get-Go to build 20 CNG stations between Ohio, Pennsylvania, and West Virginia, along the I-79, & I-70



corridors. This partnership allows our fleets in Western Pennsylvania to be converted as well.

Partnering with retail fueling stations has proven to be successful in local markets in Oklahoma City. Chesapeake partnered with Love's stations and built 9 CNG stations with 3 more stations under construction. We have also partnered with OnCue to add 13 CNG stations in Oklahoma as well. Here in Pennsylvania, talks continue with Wawa, Sheetz and other local retailers for the building of CNG stations with financial support from Chesapeake.

The average price for CNG in Pennsylvania is approximately \$1.85. The price has been fairly consistent for the last 10 months. Natural gas has been cheaper than gasoline for the last six years. Nationwide, fleets like AT&T, Frito Lay, Verizon, UPS, Waste Management, US Foods, CocaCola, Ryder & J.B. Hunt have realized the economic advantage of running on CNG and LNG and are saving millions of dollars a year in fuel costs. Chesapeake will see a \$12 million a year fuel savings when our entire fleet is converted to CNG. With a fuel cost savings of \$1.50 per gallon, there is a growing interest in Pennsylvania to convert fleets and personal vehicles.

To understand why fleets are converting to natural gas, I am providing you with a quick break even analysis for a 2012 Ford F-250 Bi-Fuel Pickup (meaning it runs on either regular gasoline or CNG). Assuming the Ford F-250 drives 24,000 miles a year at 16 miles per gallon, uses 1,500 GGE (gas gallons equivalent) a year – and the fuel cost differential at the pump is \$1.50, the payback of the vehicle's \$9,000 premium will occur in four years with a Net life Cycle savings of \$4,500 considering a 100,000 mile turnover.

Chesapeake soon realized that cost was a major hurdle when considering vehicle conversion and new purchase of vehicles from the OEMs (original equipment manufacturer) due to the tanks in which natural gas is stored, accounting for 70% of the costs. In turn, a partnership was forged with 3M Innovations to develop a type 4 tank with 3M's known Nano technology which would reduce the weight of the CNG tanks by 10 -20% and reduce the cost up to 30%.

In March of this year, Chesapeake and General Electric (GE) announced a collaboration to develop infrastructure solutions that would help the development of natural gas as a transportation fuel. This new product known as "CNG in A Box" began production in August with 266 of these units being deployed nationwide, including one at our new fueling facility in Athens. "CNG In A Box" is a fully integrated CNG fueling supply system offering cost-effective plug and play simplicity for fleet and retail fueling stations seeking to offer CNG fuel. As this new station comes on-line in Athens,



Chesapeake Energy will acquire an Alternative Fuels License from the Department of Revenue and report taxes as required by the Liquid Fuels and Fuels Tax Act.

In addition to the economic benefits of natural gas as a transportation fuel, there are important environmental benefits which should be considered. Natural gas is clean and reduces Carbon Dioxide (CO₂) emissions by 20-30%; reduces Carbon Monoxide (CO) emissions by up to 75%; reduces Nitrogen Oxide (NO_x) emissions by approximately 50%; reduces volatile organic (VOCs) emissions by 55%; and reduces particulate matter emissions by up to 95%. Heavy duty natural gas engines are also quiet, with decibel levels 80-90% lower than diesel with torque and horsepower equivalent to diesel counter parts.

I appreciate the opportunity to share my comments with you today on the benefits of this clean, affordable, domestic transportation fuel.