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Full Speed Ahead

Utah's NGV
Market Revs Up

Ron Jibson,
Questar Gas

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Full Speed Ahead

Utah has increased its natural gas vehicle fueling capacity by 45 percent in the past year—and both automakers and the public are taking notice.



Ron Jibson,
president and CEO
of Questar Gas

THERE'S GOOD REASON PEOPLE LOOK AT QUESTAR GAS AND UTAH WHEN TALKING ABOUT NATURAL GAS VEHICLES (NGVs). CURRENTLY, THERE'S NO BETTER PLACE TO SEE HOW A NATURAL GAS UTILITY AND A STATE ARE BUILDING ONE OF THE COUNTRY'S BEST-DESIGNED SYSTEMS FOR FUELING CLEAN-BURNING NGVs. ■ AT QUESTAR GAS, WE'VE HAD THE OPPORTUNITY TO TESTIFY BEFORE A CONGRESSIONAL COMMITTEE, PARTICIPATE IN NATIONAL AND INTERNATIONAL DISCUSSIONS AND ADDRESS LOCAL ROTARY CLUBS, COMMUNITY GROUPS AND CHAMBERS, ANSWERING QUESTIONS ABOUT NGVs AND HOW WE HAVE HELPED UTAH OFFICIALS MEET THE GOALS OF A NEW INITIATIVE TO BUILD AN EFFECTIVE NGV REFUELING NETWORK AND HELP CLEAN THE AIR.

A Renewed Interest in NGVs

Interest in NGVs languished from the 1990s until 2008. Then gasoline prices hit \$4 per gallon, and the national and international press started calling about our pump price of 63 cents per gallon for compressed natural gas (CNG). "How could the price be so low?" they asked. We typically would give two reasons: our rates are among the lowest in the country, and we are taking the 50-cent-per-gallon federal excise tax for dispensing CNG and passing the credit along to motorists through a lower pump price.

The media weren't the only ones who noticed the sweet deal. Utah motorists were buying up every available NGV in the country yet paying a premium to do so. The fuel cost savings alone offered a quick payback on investment, so consumers were willing to let go of a little extra cash to get their hands on any vehicle fueled by natural gas.

The used NGVs on the market were built by Ford, General Motors and Chrysler during the late '90s and early 2000s. They were either bi-fuel, running on gasoline or natural gas with the flip of a switch, or they were designed to run exclusively on natural gas. The only automaker selling new NGVs was Honda; the local dealer had a waiting list of more than 300 and a delivery backlog of six months.

The increased demand for NGVs during this high-gasoline-priced period spurred more business for local conversion shops, piqued

public and media interest, and strained our refueling stations.

Compressors at our 19 Utah stations were designed to operate between two and five hours a day, maintaining a pressure of 3,000 pounds per square inch (psi) in storage cylinders at each site. The operating time on the compressors, however, jumped to 20 hours per day after the convoy of Utah-bound NGVs made its way into the state. Some NGV motorists could get only as much as 2,000 psi in their vehicle because cars were filling up one after the other—faster than the compressors could keep up.

Natural gas volumes for NGVs quadrupled from 100,000 gallons equivalent per month to nearly 400,000 gallons equivalent per month. It is estimated there are between 5,000 and 8,000 NGVs on Utah's roads, not including fleet vehicles that fill up at their own companies' sites.

Naturally, people questioned the value of investing in NGVs when refueling was so difficult. It was time for quick answers and action.

The state of Utah was swift in opening its six NGV refueling stations to the public and set its pump price to match ours. The new stations helped buy some time. Motorists were pleased to see the state's response, and the state acknowledged a need to do more. NGV motorists now had 25 sites from which to fuel.

Last year, while the country focused on growing corn to produce a vehicle fuel to

become less dependent on foreign oil, we and the state of Utah focused on natural gas. It only made sense since the state has abundant natural gas, even before producers announced additional natural gas supplies in shale-rock plays.

Former Utah Gov. Jon Huntsman partnered with us and announced plans to increase the state's NGV fueling infrastructure. Utah wanted to send a clear message that it was concerned about the environment and the country's dependence on foreign oil.

"I'm here to reiterate the call I issued during the State of the State address two weeks ago," Gov. Huntsman said at the reopening of a CNG

station. "If we are to provide energy security for our country and cleaner air for our children, we must first take steps in providing broad access to this clean, affordable, locally produced fuel."

We began upgrading stations and making plans for new ones. The state's public service commission also responded by approving an NGV rate that is consistent at all fueling sites. Currently, the price for natural gas is 93 cents per gallon—still significantly lower than most NGV refueling stations in the United States.

The Utah Model

Some people refer to our NGV fueling infrastructure as the Utah model. This assumption may imply that we carefully crafted a 20-plus-year plan and executed it with precision. In reality, the success we've built over the years is more the result of simply sticking to our commitment to provide fueling services to our customers who drive NGVs. There was no one else around to do it, so we stayed the course.

We first experimented with NGVs in 1981 when we converted 25 fleet vehicles and built a compressor station for fueling. For seven years, our mechanics tested parts, made adjustments and improved the vehicle conversions. By 1989, 21 of the original 25 vehicles were still on the road, we had installed a second station, and Ford and General Motors began testing other vehicle models with us. The public also started showing interest, so we provided full public access to our two CNG stations.

With nearly a decade of NGV experience, we were well positioned to take advantage of merging market forces that advanced natural gas as a viable vehicle fuel. If the Alternative Motor Fuels Act of 1988 was the platform for the Big Three automakers to test NGVs, then the National Energy Policy Act of 1992 was the springboard for getting vehicles on the road. In addition to the introduction of factory-built NGVs in the mid- to late 1990s, conversion shops were getting into the game, too.

We began working with Salt Lake City and state officials to help encourage the use of the clean-burning fuel as an alternative to gasoline. The Salt Lake City International Airport installed two stations: one for NGVs in a restricted area and another for the public. The city also offered up to a \$2,300 airport-entrance credit to ground-transportation providers such as taxis, limousines and shuttle services driving NGVs.



The biggest concern for natural gas vehicle (NGV) owners and makers is fueling; there simply haven't been enough places to fill up. Questar focused on two strategies: work with large fleet operators to install on-site stations and move Questar Gas-owned stations to locations where the public and the Questar Gas NGV fleet could conveniently refuel. Ideally, this meant finding locations with branded gasoline stations where the owners would allow Questar Gas to lease space for the fueling equipment and pay the operator for handling the transactions.

The state stepped in with an income tax credit of up to \$500 to businesses and individuals that purchased factory-built NGVs and a \$400 credit for converting from gasoline. This was in addition to a federal income tax deduction of up to \$2,000 for switching from gasoline to natural gas.

We even financed conversions and offered a lease program to help offset the cost of converting a vehicle in the mid-1990s. At the time, a vehicle conversion cost about \$5,000. Customers could finance the entire purchase, or they could pay \$600 to \$800 for the installation and lease the conversion kit for \$30 to \$40 per month, and the tanks or storage cylinders for \$9 to \$16 per month. Motorists, particularly fleet operators, could make the economics work because natural gas was selling for 60 cents per gallon and gasoline was at about \$1.50 per gallon.

The biggest concern for everyone was fueling; there weren't enough places to fill up. We focused on two strategies: work with large fleet operators to install on-site stations and move our stations to locations where the public and our NGV fleet could conveniently refuel. Ideally, this meant finding locations with branded gasoline stations where the owners would allow us to lease space for the fueling equipment and pay the operator for handling the transactions.

During this period, federal grants made it economically feasible for us and other Utah fleet operators to purchase and install compressor-station equipment, and the state began seeing the number of stations increase. We had installed 17 public NGV stations and assisted the state in building five semi-public NGV stations. In addition, more than 20 private companies installed stations at their own facilities to fuel their NGV fleet vehicles.

The effort to place NGV fueling equipment at independently owned, gasoline-branded stations was one strategy that helped grow Utah's NGV fueling infrastructure into what it is today. Costs were kept to a minimum with the use of grants to purchase the equipment, and land-lease agreements with station owners

made it economically feasible for us, station owners and NGV motorists.

The Big Three automakers responded positively to NGV fueling at stations like Chevron, Texaco and Phillips 66 in Utah. Posting CNG and its price on the stations' marquees also helped enhance motorists' perceptions of natural gas being used as a viable transportation fuel.



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—RON JIBSON, QUESTAR GAS

NGVs Accelerate into a New Decade

When all the right NGV pieces were in place during the 1990s, the American Gas Association (AGA) predicted there would be more than 12 million NGVs in the United States by 2010. The Natural Gas Vehicle Coalition predicted there would be many more. Instead, it is estimated about 120,000 NGVs are on U.S. roads today.

What happened? Some industry experts just shake their heads. Others point to a variety of reasons: the deadlines for government-mandated fleet conversions to cleaner alternative fuels kept changing, the incremental cost for buying NGVs over a gasoline-powered vehicle increased, there has been no place to fuel, the Big Three stopped producing NGVs for the U.S. market, government mandates and tax incentives ended or were adjusted downward, vehicle-conversion shops and service centers faded away and gasoline-powered vehicles found their way back onto fleet owners' purchasing contracts. But all of that is dust in the rearview mirror. Things are about to change.

The wake-up call for Americans occurred 16 months ago when gasoline prices increased to \$4 a gallon. It was an alarm heard by everyone—motorists, energy companies, environmentalists, automakers and politicians—and now

people are getting to work, and great things are beginning to happen.

Energy companies accelerated exploration and production, and consumers began trading in their SUVs for more fuel-efficient cars, while looking for other ways to conserve energy. More supplies, less demand and an economic crisis have brought gasoline prices down. Whether this is the snooze time between wake-up calls, or a longer period of stable gasoline prices, the natural gas industry has its headlights on fueling the transportation market. And this time, it's not just the utilities—some producers are moving into the driver's seat.



General Motors announced it could be producing a full-size **Chevrolet Silverado** and **GMC Sierra** to run on CNG as soon as 2012.

Today there is more natural gas in America than ever before. Thanks to new technologies, energy producers are tapping natural gas supplies in shale that have long existed but until recently could never be extracted. These new supplies have increased the future outlook for energy in the United States and can meet current natural gas demand for 100 years. Some experts project even longer.

There is so much supply that many North American independent natural gas exploration and production companies have joined forces to form an educational organization called America's Natural Gas Alliance (ANGA) to help spread the word. Together, ANGA members produce more than 40 percent of the total U.S. natural gas supply. ANGA now has partnered with AGA and Natural Gas Vehicles for America (NGVA) to help educate audiences about how natural gas can meet America's clean air, transportation and energy security needs.

In addition, AGA and ANGA formed a

natural gas vehicle collaborative. Its committees are organized, and comprehensive educational, marketing, technical and legislative action plans are in place. Five months ago, the collaborative met with executives from Ford, Chrysler and General Motors to persuade the Big Three to once again produce NGVs for the U.S. commercial fleet market. The meeting's goals were to express the industry's commitment to purchasing NGVs, reinforce the abundant natural gas supply, understand automakers' plans, explore partnership opportunities, and discuss potential fleet-model design and production.

The AGA-ANGA collaborative was pleased with the meetings and believes both the natural gas and automotive industries are on the road to a strong, successful relationship in growing the NGV market. Less than a month later, General Motors announced it could be producing a full-size Chevrolet Silverado and GMC Sierra to run on CNG as soon as 2012. That's good news because Questar Gas and others in Utah are building the stations to fuel them.

Back in the Beehive State, 22 Utah businesses, municipalities, agencies and school districts partnered together and applied for the U.S. Department of Energy's Clean Cities Recovery Act Awards. About six months ago, a \$14.9 million award was announced for Utah Clean Cities. The award will help create 16 new NGV public-fueling stations, upgrade 24 others and build three stations that dispense liquefied natural gas. Last year, Utah's NGV fueling capacity increased by 45 percent, and this year more stations and larger compressors are expected to increase capacity by another 50 percent. The award also will assist in offsetting a portion of the incremental costs for 678 alternative-fueled vehicles.

We plan to continue our efforts to expand the NGV market to benefit both the environment and consumers' wallets. For the foreseeable future, NGVs will be moving full speed ahead. ♡

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