



Chairman Barrasso, Ranking Member Carper, Members of the Committee on the Environment and Public Works:

Thank you for the opportunity to testify today in strong support of legislation that allows fuel retailers across the country to sell year-round, a fuel product approved by the federal government— just like every other transportation fuel on the market.

My name is Mike Lorenz, and I am the Executive Vice President of Petroleum Supply with Sheetz, a family owned convenience store chain based in Altoona, Pennsylvania. I've spent the last 17 years of my career with Sheetz, managing our fuel supply strategy. Prior to joining Sheetz, I worked for 22 years at Mobil Oil. I started out as a process engineer at the Buffalo refinery, but spent most my career in various supply and trading jobs, including overseas assignments in London and Amsterdam.

For more than 60 years, our mission at Sheetz has been to meet the needs of customers on the go, offer them a variety of high quality products, and let them choose. We don't create customer demand – we work to satisfy it. Their purchases, much like votes, show us which products they strongly prefer.

Recently, we have expanded our fuel product options, providing customers with the option of purchasing a 15 percent ethanol fuel, known as E15, at more than 190 of our stores – and adding more each month. This makes us the largest E15 retailer in the country. We have also expanded our fuel offering to include E85. We did all this on a voluntary basis because we believe that providing more fuel options – in the case of E15, one that is lower cost, high performing, and better for the environment – is appealing to our customers. Much like we offer everything from hot dogs to salads on the inside of our store, we firmly believe that customers like having the ability purchase a wide variety of products on the fuel island too.

So far, I can tell you offering E15 at our stores is working. Even though we have done little to market the product, customers are finding it. They are finding it because it is 3-10 cents cheaper than regular gasoline and is 88 octane instead of 87. That's what motivates fuel purchases – cost and performance. They don't care about fuel volatility, ethanol concentration, or the public policy behind renewable fuels. And, after millions of E15 transactions by thousands of E15 customers purchasing millions of gallons of E15, and driving millions of miles on the fuel, one thing is clear – we have not had a single customer complaint. Our customers like this fuel. And now, they also demand it.

But this has not been without a pretty major challenge – not being able to sell E15 in the summer to the same customers we sell to the rest of the year. Frankly, we think this problem is nothing



more than a technicality that can be easily fixed with no impact to consumers or the U.S. fuel supply chain.

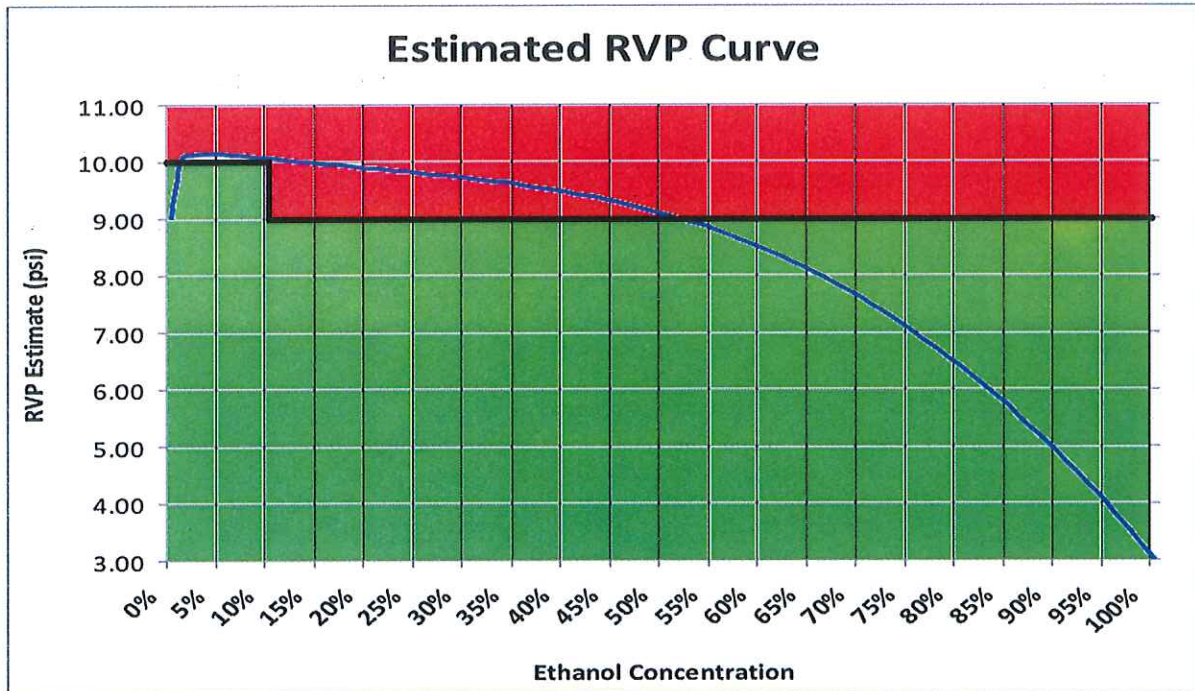
There is a clear option available to the Congress to ensure that this problem is addressed. The Consumer and Fuel Retailer Act (S. 517) lets consumers choose what fuel works best for them and I want to thank Senators Fischer, Ernst, Rounds, Moran, and Duckworth for their leadership on this issue.

There are several areas I'd like to touch on, but I want to make something very clear before I get started. Sheetz is not selling E15 because of ethanol producers; we sell it because there is a consumer demand for the fuel. We don't support this legislation because it is backed by corn farmers; rather we support this legislation because it allows us to sell a legal fuel to customers that want to buy it year-round. This lower cost, higher performing fuel allows Sheetz to provide superior selection and service to those who visit our stores.

What is Reid Vapor Pressure?

Reid Vapor Pressure, or RVP, is simply the term used to measure the evaporative emissions of a fuel. In 1990, Congress codified a previous EPA rule that limited RVP to 9 psi as part of a larger effort to combat smog during the summer fueling season, which in general lasts from June 1 until September 15. Under this provision, the law specifies that fuel blended with 10 percent ethanol (E10) would be granted a one pound per square inch (psi) waiver from Reid Vapor Pressure requirements, allowing E10 to be sold year-round nationwide.

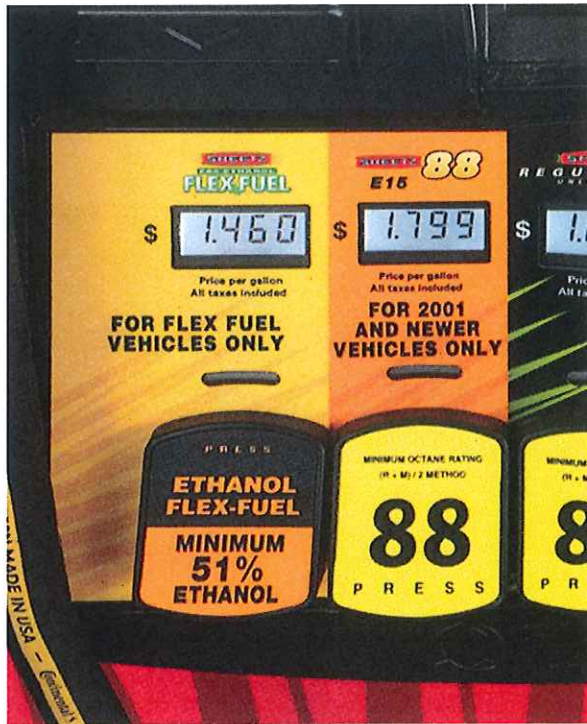
This 1 psi waiver was extended in part because ethanol blended fuels reduce other types of emissions, including carbon monoxide, tailpipe, and particulate emissions. The waiver as implemented by the Environmental Protection Agency (EPA) applied only to ethanol fuel blends E10 and lower, and excluded ethanol blends above 10 percent, even though the overall RVP decreases as the percentage of ethanol blends increases. Therefore, when E15 was approved as gasoline for 2001 and newer vehicles, it did not receive the same 1lb psi waiver that was extended to E10, and E15 cannot currently be sold year-round nationwide.



As you can see in the above graph, the legal requirement on RVP for fuel changes depending on the ethanol concentration. 10 percent and below must meet a 10 psi standard, while anything above 10 percent must meet a 9 psi standard. This illogical and non-uniform treatment does not exist for any other fuel. Worst of all, nothing in the fuel changes from May 31 to June 1, except that on May 31, vehicles 2001 and newer can use E15 (more than 90% of vehicles on the road), but on June 1, retailers either sell E15 to flex fuel vehicles only or stop offering the fuel altogether.

Labeling Conundrum:

No other fuel product on the market is treated like E15. Every other large-scale, commercially-available liquid fuel can be sold the same way year-round. However, in the case of E15, without the technical regulatory fix in S. 517, fuel retailers are forced to change fuels or re-label E15 as flex-fuel only during the summer fueling season (June 1 – September 15).



E15 labeling most of the year.



E15 labeling during summer months.

The number of stations selling E15 is rapidly growing, resulting in more pumps that need to be re-labeled twice a year, at an approximate annual cost of \$200 to switch labels at the beginning and end of the summer fueling season – on every single dispenser. With 830 retail stations in 29 states currently selling E15, it is estimated that roughly 9,960 fuel pumps sell E15. For 2017, this switching cost is almost \$2 million. That is \$2 million in lost revenue for other store upgrades. And that \$2 million nets the U.S. zero additional environmental benefit. Given that there could be 2,000 active E15 stations next year, the switching cost alone in 2018 could be almost \$5 million.

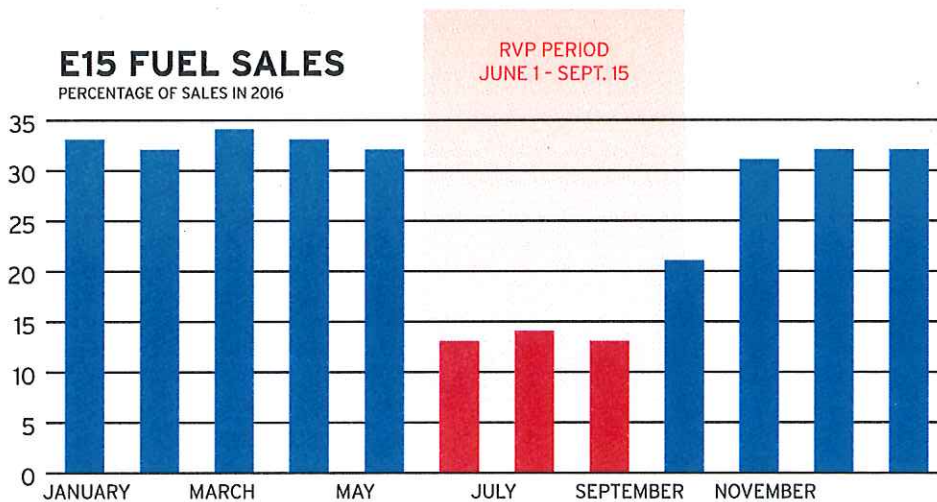
Fuel retailers such as Sheetz who want to give their customers a variety of fuel choices at the pump, are hamstrung by having to relabel E15 during the summer months. We are effectively restricted from being able to offer an additional approved fuel option to our customers at a lower price.

Relabeling E15 during the summer months has also proven to be harmful to our business. First and foremost, the confusion caused by changing labels increases the chances for misfuelling.



Our experience during the RVP season is that we lose 40 percent of our pre-June 1 customer base, even after the RVP season ended on September 16. So, without even marketing the fuel, we had solid customer adoption. And because of the confusion caused by the RVP season, we lost 2 out of every 5 customers. Customers want a cleaner, higher-octane and more affordable fuel option regardless of season.

Below is sales data from a Minneapolis, Minnesota, based E15 retail chain. One key strategy they took was to extensively market their E15 fuel coming out of RVP season. While that helped, they still lost a huge number of sales during the summer. It makes no sense to force a fuel retailer to see fuel sales plummet during the summer driving months simply because of an outdated regulation in desperate need of a simple technical fix.



Two Little Words

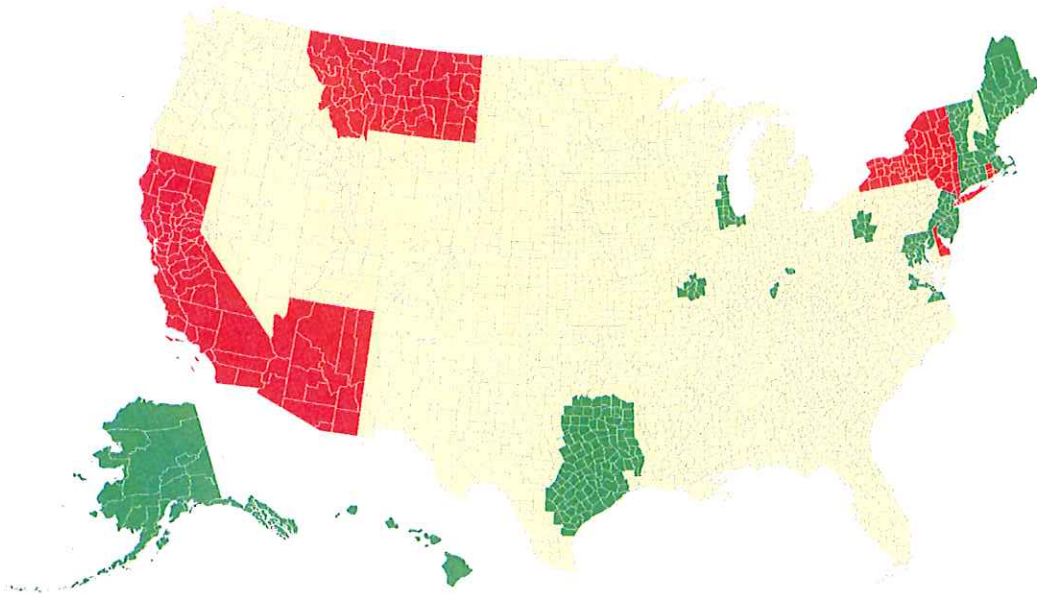
This bill literally adds two words to law – “or more” – after the portion of the underlying law that specifies that 10 percent ethanol is eligible to receive the one pound RVP waiver. This small, technical fix is simply about allowing greater consumer access for a fuel that is lower cost, higher performing, and better for the environment.

While today’s hearing may get drawn into a number of other issues, one important thing should be clear – this bill allows E15 to be sold year-round, just like every other fuel on the market. Below is a slide illustrating where the largest impacts of the current restrictive policy are located. The second map shows the profound change two little words can have on how E15 is sold in this country.



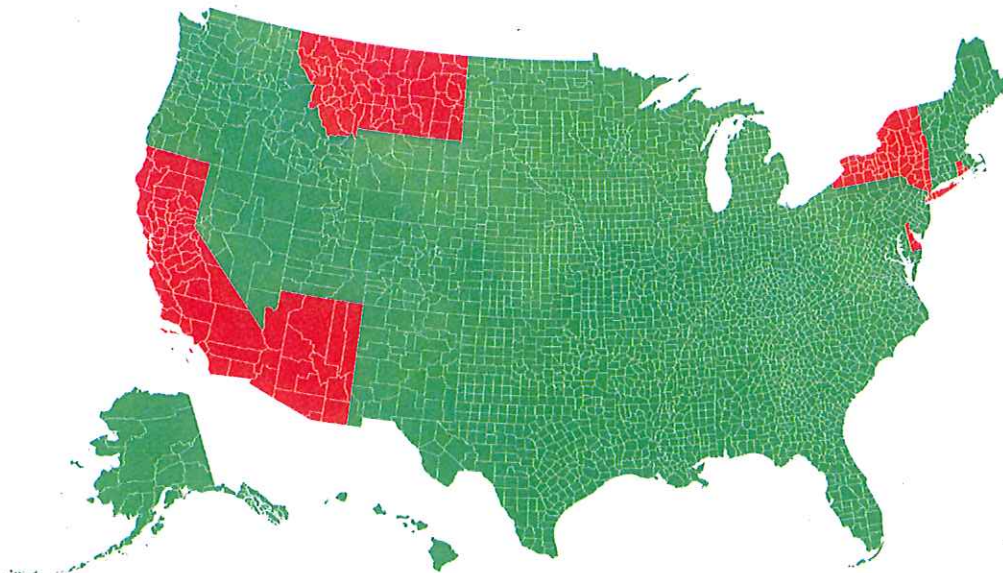
E15 Availability Without RVP Fix:

Green – available year-round
Tan/Yellow – Available September 16-May 31
Red – Unavailable (state restriction)



With RVP fix:

Green – available year-round
Tan/Yellow – Available September 16-May 31
Red – Unavailable (state restriction)



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E15 is safe:

E15 works well in modern cars and was approved for use in vehicles 2001 and newer in 2011. In the last 6 years, millions of gallons of E15 have been sold to consumers, and drivers have driven over a billion miles without incident.

In addition, E15 was by far the most tested new fuel approved by the EPA and the Department of Energy's Oak Ridge National Laboratory (ORNL). When the request for E15 to be legalized as a fuel was submitted, ORNL tested 86 low mileage vehicles up to 120,000 miles for a total of six million miles using E15. This testing did not reveal any problems with emissions equipment or engine durability.

Lastly, automakers approve E15 for use in nearly three-quarters of new cars, and EPA approves its use in all automobiles 2001 and newer, roughly 90 percent of cars on the road today.

Environmental Benefits:

E15 reduces emissions, protecting our health and our climate. A few key facts about the RVP waiver legislation:

- This legislation would allow the sale of a cleaner fuel like E15 that reduces smog and other harmful pollutants to occur year-round.
- This fix has no impact on the ability of states to apply Clean Air Act or state specific fuel regulations. In fact, the bill has a specific state-driven decision on the 1 pound waiver.
- Higher ethanol blends reduce emissions of particulate matter and other volatile chemicals.
- Ethanol helps to displace toxic fuel additives associated with cancer and asthma.
- Ethanol cuts carbon emissions by 43 percent compared to gasoline.
- With advancements in technologies, cellulosic biofuels can reduce greenhouse gas emissions by 85-95 percent compared to gasoline.
- Without consumer access to E15, there's little market potential to drive continued innovation in advanced and cellulosic biofuels.
- Global ethanol production and use is estimated to reduce greenhouse gas emissions by an amount equal to removing nearly 20 million cars from the road each year
- Without ethanol in the fuel supply, we are left with more toxic petroleum-based alternatives. Many of these additives have been linked to cancer, asthma, smog, and groundwater contamination.
- A recent study by the Biotechnology Innovation Organization (BIO) found that this legislation facilitating year-round E15 sales would result in significant GHG reductions –



7-10 million Metric tons of CO₂, the equivalent of taking 1.4 – 2.2 million cars off the road over the next ten years.

Non-vehicular engines

Sheetz appreciates the business from all its fuel customers, no matter the type of engine you use Sheetz fuel. Whether you are driving a Porsche or filling up a gas can for your lawnmower, Sheetz takes pride in providing adequate fueling options for their customers. This includes small engines like those made by Briggs and Stratton, as well as marine engines, motorcycles, and other off-road vehicles.

We are agnostic about what fuel is sold to consumers as long as they follow appropriate state and federal laws. At every station where we sell E15, Sheetz goes to great lengths to properly label

each pump to indicate that they are for certain vehicles only. E15 is NOT legal for small engines, motorcycles, or other off-road engines. In addition, E15 is an additive option. E10 – a fuel expressly warranted for small, marine, off-road, and motorcycle engines – is still available at all E15 stations across the country. In fact, with most retail configurations using blender pumps, EPA requires a dedicated E10 – or E0 – only hose somewhere on the premises specifically to prevent misfuelling.

ATTENTION
E15
Up to 15% Ethanol

Use only in

- 2001 and newer passenger vehicles
- Flex-fuel vehicles

Don't use in other vehicles, boats or gasoline-powered equipment. It may cause damage and is **prohibited** by federal law.



Recent data from the Federal Highway Administration calculated how much fuel was used by particular types of engines. This data suggests that less than 3 percent of all gasoline used was burned in boats, lawnmowers, and other recreation and off-road engines.

Our experience is that consumers are not confused about what type of fuel to purchase and we certainly encourage consumers to follow their owner's manual and fuel recommendation. Campaigns by industry



partners in the small engine, marine, motorcycle, and off-road engine sectors have been very effective at ensuring that the appropriate fuels for these types of engines are used.

Conclusion:

I again want to thank the Committee for this opportunity to testify today. I hope that my thoughts added to the discourse of this issue. I want to thank the cosponsors of this bill for their leadership and foresight in seeking a solution to this problem. And I want to close by reminding the Committee that this bill is simply about fixing an outdated rule that prevents fuel retailers like Sheetz from offering a legal fuel year-round and on the same footing as other gasoline grades.

I'd be happy to take any questions.