

Natural gas car conversion drives entrepreneurs

Companies also spot opportunities to satisfy need for filling stations

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More local entrepreneurs are entering the business of converting vehicles to run on natural gas, and they're also working to open and operate the fueling stations that will be needed to keep those vehicles running.

One company in this business is SSP Inc. of Twinsburg, a 200- employee manufacturer of tube and pipe valves and fittings that has started a subsidiary to capitalize on what it believes will be a groundswell of demand for vehicles powered by natural gas.

"This is a different, less risky type of startup," said SSP CEO Jeff King, who prior to working at SSP once tried to start a water reclamation company in Tempe, Ariz.

That effort ran out of money, Mr. King said, but the new subsidiary has both a source of capital and an engineering and manufacturing partner in SSP — not to mention a national trend that Mr. King expects to drive its growth.

That trend is shale gas, which is natural gas trapped in shale rock thousands of feet beneath the earth's surface, including under much of Ohio, Pennsylvania and the Appalachian states. The discovery of that gas — or, more importantly, the discovery of new techniques to extract it — has led to a decoupling of the cost of natural gas from that of other fossil fuels.

While the cost of a barrel of oil has jumped to around \$100 in the last decade and remains there, natural gas prices have been dropping as more shale gas comes to market. As a result, the amount of natural gas that can run a car for as long as a gallon of gasoline costs less than \$2, while the price of gasoline continues to approach \$4 per gallon.

SSP's startup will produce parts and sub-assemblies that can be used to convert conventional automobiles to run on natural gas. It sells them to those operating large fleets of vehicles and, it hopes, later will sell them to automotive original equipment manufacturers looking to integrate them into their production lines.

So far, it's a fairly small endeavor compared with SSP as a whole. Only 10 of the company's employees work at the subsidiary, called AFV LLC, the letters of which are taken from the words "alternative fuel vehicles." SSP said it's investing about \$2 million to start AFV, which should carry it through 2012, the company reports.

Another 10 or so employees have been loaned to the subsidiary at various times by SSP, and AFV is on track to do \$1 million in sales this year, said marketing director Reed Stith.

Next year, SSP projects the unit will employ 20, with sales of \$5 million. SSP believes it can produce \$8 million in annual revenues from the unit by 2013.

Two guys seek trucks

SSP has its own built-in supply chain for much of what it needs to make its kits, because it makes them itself. But even some local entrepreneurs without their own related manufacturing operations are getting in on the natural gas act.

Among them are Michael Battaglia and Nabil Sahlani, two East Side businessmen who hope to become modern-day Rockefellers of sorts — perhaps not in scope, but at least by getting in front of the need for natural gas filling stations the way old John D. got a jump on the gasoline refining business.

Mr. Battaglia said their company, CNG-One LLC, is in the midst of a private placement that will raise at least \$400,000, and possibly as much as \$1 million, when it closes at the end of this month.

In the meantime, the two are investing their own money. They've come up with their own conversion kit, using parts made mostly by local manufacturers of the valves, tubing and fittings needed to take natural gas from a pressurized tank in the back of a vehicle to its engine's combustion chambers.

They've also moved ahead with plans to develop both local filling stations and a showroom for natural gas vehicles. The partners have purchased a former John Deere dealership in Hudson, which consists of 6,000 square feet of office, garage and showroom space on two acres. They've also secured a former gasoline filling station on Mayfield Road in Cleveland Heights, which they say likely will be one of their first natural gas filling stations.

They're joining the ranks of other local entrepreneurs — such as Cleveland's Dan T. Moore and Mentor's Greg Osborne — in pursuing opportunities in the vehicle conversion and fueling arena. Mr. Osborne also is converting vehicles over to natural gas, as is Mr. Moore, who is developing a home filling station that consumers could attach to their existing home's natural gas line and use to fill cars in their own garages.

Like Messrs. Osborne and Moore, the operators of CNG-One hope to attract some fleet operators as their company's first customers. Mr. Battaglia said he is close to signing a company with a fleet of at least 150 pickup trucks he could convert. He declined to identify the company before a deal is signed, which he expects to happen in the next 90 days.

Will work for fuel

Andrew Chiarelli, alternative fuel vehicles manager at Motorcars Honda and Toyota in Cleveland Heights, is among the potential beneficiaries of local entrepreneurs' plans for natural gas fueling stations.

Consumers are ready to buy natural gas vehicles, but need to be assured they'll have places to fill them up, said Mr. Chiarelli, who has been selling natural gas cars, hybrids and other alternative fuel vehicles since 1998.

"Five fueling stations in each county, that's all it would take," he said.

A start would be CNG-One's planned station in Cleveland Heights, about 500 yards away from Mr. Chiarelli's dealership.

"That would help a lot," he said.