

Arctic Slope Regional Corporation

Path to a sustainable refining industry

April 2014



EXECUTIVE SUMMARY

The recent announcement by Flint Hills that it is closing its North Pole refinery has generated discussion across the state that has focused on how best to preserve surviving Alaska refiners. Petro Star Inc., with small refineries at North Pole and in Valdez, is the only Alaska-owned refinery in the state. Petro Star's owner, Arctic Slope Regional Corporation, is deeply interested in insuring that its doors remain open for business.

This presentation provides the following background information:

- ASRC's contribution to Alaska's economy
- Petro Star overview
- Refining operations
- Petro Star's contribution to Alaska's economy
- Current challenges
- Overview of Governor's Proposal



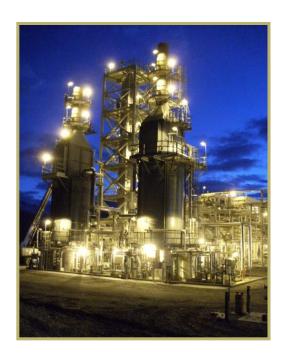
ASRC'S CONTRIBUTION TO THE ALASKA ECONOMY

2013

- Providing 4,200 full-time jobs in the state
- Paying approximately \$385 million in wages to employees in the state of Alaska
- Investing \$36.5 million in capital projects across the state including:
 - The Top of the World Hotel in Barrow
 - Rig Tenders Dock Facility in Nikiski
 - AES Facility in Deadhorse
- Distributing dividends in excess of \$110 million to our shareholders living in Alaska
- Sharing natural resource royalties in excess of \$87 million with other Alaska Native Regional Corporations
- Making charitable contributions of \$2.5 million to Alaska based charities
- Lending in excess of \$20 million to Alaska based small businesses



INTRODUCTION TO PETRO STAR















PETRO STAR OVERVIEW

- PSI is the only locally owned and operated refining and marketing company in Alaska
- The Company operates two refineries in the state, one in North Pole and one in Valdez, producing ultra low sulfur diesel (ULSD), jet fuel, marine diesel and heating oil
 - Constructed in 1992, the Valdez refinery was the last "green field" refinery built in the United States
 - In 2010, ASRC invested over \$150 million in the Valdez refinery, allowing the facility to produce ULSD
 - The Valdez refinery is one of only two instate refineries that can produce ULSD
 - In addition to its refineries, PSI operates marine terminals in Valdez, Kodiak and Dutch Harbor, as well as a heating oil distribution operations serving the communities of Valdez, Kodiak, and Fairbanks/North Pole

REFINING OPERATIONS



Valdez Refinery

- 60,000 barrel/day crude distillation unit
- 12,000 barrel/day distillate hydrotreater and associated process units
- 270 million gallon annual capacity
- Primary products are commercial and military specification jet fuels and ULSD
- Only Petro Star simultaneously produces year round
 both arctic grade and #2 marine/highway diesel

North Pole Refinery

- 22,000 barrel/day crude distillation unit
- 95 million gallon annual capacity
- Primary products include commercial and military spec jet fuels, home heating oil and low-sulfur diesel
- North Pole also serves as the bulk distribution point for ULSD sales within the Fairbanks-area and volumes destined for the North Slope





PETRO STAR'S 2013 CONTRIBUTION TO THE ALASKA ECONOMY

- Provided 304 full time positions in Alaska, including:
 - 151 in Fairbanks/North Pole
 - o 66 in Valdez
 - 25 in Kodiak
 - o 25 in Unalaska
- Paid salaries and wages of \$28 million, including
 - \$10.5 million in Fairbanks/North Pole
 - \$7.8 million in Valdez
 - \$1.5 million in Kodiak
 - \$1.8 million in Unalaska
- Produced 270 million gallons of refined products
 - 65 million gallons at the North Pole Refinery
 - 205 million gallons at the Valdez Refinery
 - Supplies100% of Alaska's military jet fuel demand (JBER, Eielson AFB, Ft. Wainwright, Coast Guard Air Station Kodiak) and 100% of USCG MGO (marine diesel fuel) demand in Kodiak and Unalaska\
- Re-invested approximately \$300 million in capital projects in Alaska, over the last seven years



PETRO STAR'S 2013 CONTRIBUTION TO THE ALASKA ECONOMY

Engaged 750 vendors statewide, including:

0	Interior	250
0	Valdez	100
0	Kodiak	70

Generated fuel sales of 282 million gallons, including:

0	Interior	82 million
0	Valdez	40 million
0	Kodiak	15 million
0	Unalaska	30 million

Provided products and services to more than 14,100 customers, including:

0	Interior	8,000+
0	Valdez	1,100+
0	Kodiak	4,000+
\circ	Unalaska	200+

Other significant Kodiak facts:

- o Petro Star supplies ~50% of the Kodiak's diesel, heating oil, and gasoline demand
- Petro Star provides 100% of the fuel requirements for Kodiak Electric Association, the City of Kodiak and Kodiak Island Borough School District
- Petro Star is the only propane distributor on Kodiak Island



CURRENT CHALLENGES

High cost crude oil

 Currently, Alaska North Slope (ANS) crude is one of the most expensive domestic crude oils available to U.S. West Coast refineries and far exceeds the market value of higher quality mid-continent crude now being railed to the West Coast

Trans Alaska Pipeline System (TAPS) Quality Bank Methodology

 The current TAPS Quality Bank methodology has evolved from its original purpose to become a profound burden on TAPS refiners like Petro Star and a profit center for royalty oil owners and TAPS shippers.

GOVERNOR'S PROPOSAL

Royalty Oil

 Benefit to in-state refiners because it expands the potential pool of available ANS crude.

In-State Refinery Tax Credit

 This provision is equitable because it is done on a per refinery basis, and aims to mitigate the high price of ANS crude.

Qualified In-State Refinery Infrastructure Expenditures Tax Credit

 This provision spurs reinvestment into the industry by in-state refiners with a reasonable cap. If refiners make significant infrastructure investments they are responsible for at least 90% of the total project cost.

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