



Tesoro Alaska Company  
54741 Tesoro Road  
P.O. Box 3369  
Kenai, Alaska 99661

March 18, 2016

Representative Benjamin Nageak, Co-Chair House Resource Committee  
Representative David Talerico, Co-Chair House Resource Committee  
Members of the House Resource Committee  
State Capitol Building Room 124  
Juneau, Alaska 99801

Re: Support for House Bill 373

Dear Representatives,

I am writing to you in support for House Bill 373 "An Act approving and ratifying the sale of royalty oil by the State of Alaska to Tesoro Corporation and Tesoro Refining and Marketing Company LLC; and providing for an effective date."

Tesoro Corporation is a Fortune 100 company and is an independent refiner and marketer of petroleum products. Tesoro's refining operations started Alaska with the purchase of the Kenai refinery back in 1969.

Our Kenai refinery has the operational capacity to produce up to 72,000 barrels per day and is primarily focused on Jet and Diesel production followed by gasoline and gasoline blendstocks, heating oil and heavy fuel oils, propane and asphalt. We operate a 68-mile, common-carrier products pipeline that transports jet fuel, gasoline and diesel fuel to the Port of Anchorage and the Anchorage International Airport. The wholesale delivery of our products occurs through our terminals in Kenai, Anchorage, our Nikiski dock and the Port of Anchorage.

In addition to being the largest taxpayer in the Kenai Peninsula Borough, Tesoro is also able to provide around 225 family wage jobs at the refinery, along with about 30 full-time contractors that are working in and around the refinery year round. We provide retail fuels at our company-owned Tesoro 2-Go retail outlets as well as at numerous branded and unbranded outlets. We employ operators who work at our terminals in the Port of Anchorage and in Nikiski.

We are a major supporter of the Cook Inlet Regional Citizens Advisory Council (CIRCAC) and the largest member of the Cook Inlet Spill Prevention & Response team (CISPRI).

We actively support a wide range of local events and programs – from employee fundraising for the United Way to youth sports programs. Each year we sponsor all of the 5th and 6th grade classes on the Kenai Peninsula to conduct a mission at the Kenai Challenger Learning Center and we are the Signature Sponsor of “Caring for the Kenai” program.

Tesoro strongly urges you to support House Bill 373, "An Act approving and ratifying the sale of royalty oil by the State of Alaska to Tesoro Corporation and Tesoro Refining and Marketing Company LLC; and providing for an effective date."

This legislation is the result of constructive dialog and productive negotiations between the Department of Natural Resources and the Tesoro Corporation. By all accounts, our company was very impressed with the State’s ability to understand our issues and arrive at a mutually beneficial agreement that is truly a win-win for both parties as well as accommodating to the other refineries in the State.

For the State, the DNR estimates that it will continue to receive a price for its Royalty-in-Kind oil that exceeds the price it would have receive if it elected to keep its Royalty Oil in Value.

For Tesoro, this five year contract will provide us with a stable supply of ANS crude while also giving us the volumetric flexibility to help accommodate seasonal fluctuations in demand for refined products. The availability, flexibility and stability that this contract offers will have a positive impact on our ability to maintain our ongoing operations at our Kenai refinery.

In order to accommodate the needs of the other in-state refiners, Tesoro and the State modified this contract to reduce volumes as well as eliminate a proration clause and a five year extension option.

Tesoro believes in Alaska’s future and is committed to being an active corporate citizen. We look forward to continuing to provide Alaskans with clean burning fuels to keep your homes warm and your cars, boats and snow machines traveling across this great state.

I urge you to support House Bill 373.

Sincerely,



Matt Gill  
External Affairs Senior Manager  
Tesoro Alaska Company