

Date: April 11, 2018
To: Co-Chairs Seaton and Foster, Members of the House Finance Committee
From: Kate Blair, Government and Public Affairs Manager
Re: Andeavor testimony on HB 411, 4/11/2018

Thank you for the opportunity to testify before you today on House Bill 411.

For the record, my name is Kate Blair and I am the Government and Public Affairs Manager for Andeavor, formerly known as Tesoro Corporation.

Andeavor operates ten refineries across the western United States, have an extensive logistics portfolio, a record of solid performance, and a solid platform for growth for years to come. Although we are a growing company, Andeavor has a proud Alaska legacy, with our first refinery located in Nikiski. We employ approximately 270 family wage jobs in Nikiski, Anchorage, and Fairbanks and have greater than 97% Alaska hire rates.

To understand why we are testifying tonight, it's helpful to understand our operations in the state. In addition to our refinery, Andeavor's Alaska assets include marine assets that bring North Slope crude from TAPS to our Nikiski refinery, and a 69-mile common-carrier pipeline from Nikiski to the Ted Stevens International Airport and to our two terminals at the Port of Alaska, where refined products such as jet fuel, ultra-low sulfur diesel, and gasoline, are stored and transported to our terminals in Fairbanks and throughout the state. We rely on consistent in-state production to manufacture the jet fuel that flies cargo jets out of the Ted Stevens International Airport, heat homes in the Interior, and to fuel the cars of Alaskans from Homer to Tok and everywhere in between.

We refine every drop of oil that comes out of the Cook Inlet basin, and we purchase North Slope crude straight from TAPS. In fact, we purchase approximately one-third of TAPS throughput, 160,000-170,000 barrels of North Slope crude per day, shipping it from Valdez for refining in Nikiski or to our refineries along the west coast. In 2016, we signed a royalty oil contract with the State that allows us to purchase 20,000- 25,000 barrels per day of the State's royalty share of oil, with a benefit to Alaska of \$45-56 million.

The increased investment and production since the passage of the Cook Inlet Recovery Act and the More Alaska Production Act (SB 21) have resulted in a stable, local supply for most of our crude. Declining production in either

region would result in our Kenai refinery importing more crude to meet the demands of the market. Every barrel of oil that we buy in state is a barrel that we don't need to import to supply the state's needs. Importing a majority of our crude supply could make local refining a less economical option than shipping in refined products from other areas of the West Coast.

As you assess another significant production tax change, we ask that you consider how the modifications will affect production, and in turn, in state manufacturing. If your goal is to have gasoline and jet fuel refined in-state, then your focus should be in continuing to mitigate production decline. We urge to maintain policies that support Alaska crude being refined by Alaskans for use in Alaska. The current policy supports long-term in-state refining. We are proud to partner with the people of Alaska as the providers of reliable transportation fuel, and hope to continue to do so for years to come.

Thank you for the opportunity to speak this evening, and I would be happy to answer any questions either now or after the hearing.