



*Path to a sustainable refining industry*

April 2014

PETRO STAR INC.

 arctic slope  
regional corporation

# PETRO STAR OVERVIEW

## 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
- Last “green field” refinery constructed in the U.S. (1992)
- ASRC invested over \$150 million in the Valdez refinery

### 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 OVERVIEW

## BACKGROUND INFORMATION

*Only locally owned and operated refining and marketing company in Alaska*

- **Two refineries**
  - North Pole
  - Valdez
- **Marine terminals in**
  - Valdez
  - Kodiak
  - Dutch Harbor
- **Products**
  - Ultra low sulfur diesel (ULSD)
  - jet fuel
  - marine diesel
  - heating oil
- **Heating oil distribution operations serving**
  - Valdez
  - Kodiak
  - Fairbanks/North Pole

# PETRO STAR OVERVIEW

## BACKGROUND INFORMATION

- **Engaged 750 vendors statewide, including:**
  - Interior 250
  - Valdez 100
  - Kodiak 70
  
- **Generated fuel sales of 282 million gallons, including:**
  - Interior 82 million
  - Valdez 40 million
  - Kodiak 15 million
  - Unalaska 30 million
  
- **Provided products and services to more than 14,100 customers, including:**
  - Interior 8,000+
  - Valdez 1,100+
  - Kodiak 4,000+
  - Unalaska 200+
  
- **Military support**
  - Supplies 100% of the military grade jet and marine diesel fuel
  - Eielson, JBER, Coast Guard Air Station Kodiak, Ft. Wainwright
  - Approximately 50-60 million gallons annually

# CURRENT CHALLENGES

## HIGH COST CRUDE OIL

### **ALASKA NORTH SLOPE (ANS) crude is**

- One of the most expensive domestic crude oils available to U.S. West Coast refineries
- Far exceeds the market value of higher quality mid-continent crude now being railed to the West Coast
- Only option for Trans Alaska Pipeline System refiners

### **DISADVANTAGE because:**

- In-state refiners must now compete with U.S. West coast and foreign imports from Asia and the Middle East produced from far lower cost crude oils
- Drive Alaska energy prices higher

# CURRENT CHALLENGES

## TRANS-ALASKA PIPELINE SYSTEM (TAPS) QUALITY BANK METHODOLOGY

- The modern Quality Bank proceedings have been in dispute nearly 25 years, since 1989
- Compensates shippers for a different quality crude oil tendered at Pump Station 1
- Refineries located along TAPS always pay the Quality Bank- all shippers and royalty oil owners share in the distribution of Quality Bank payments made by the refiners
- Petro Star has paid \$72M into the Quality Bank in 2013
- Quality Bank is broken because it consumes most of the available margin between refined products and ANS crude
- The current TAPS Quality Bank methodology has evolved from its original purpose to become a profound burden on TAPS refiners like Petro Star

# H.B. 287/HCR 22

## Petro Star and ASRC support H.B. 287 & HCR 22

### H.B. 287

#### ▪ **Royalty Oil**

- Benefit to in-state refiners because it expands the potential pool of available 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 60% of the total project cost.

### HCR 22

- Directs the Administration to resolve the Quality Bank dispute.

# CONTACT INFORMATION

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