PETRO STAR INC.

April 4, 2022

The Honorable Josiah Patkotak
Alaska State House of Representatives
State Capitol Room 102
Juneau, AK 99801

Chairman Patkotak,

We write today in support of the proposed royalty-in-kind contract between the State of Alaska and Petro Star Inc. a wholly owned subsidiary of Arctic Slope Regional Corporation (ASRC). ASRC is a private, for-profit corporation that is owned by and represents the business interests of its approximately 13,000 Inupiat shareholders in the villages of Point Hope, Point Lay, Wainwright, Atqasuk, Utqiaġvik, Nuiqsut, Kaktovik and Anaktuvuk Pass. Petro Star Inc. is the only Alaska-owned refiner with refineries in North Pole and Valdez and fuel distribution facilities across the state. Today, Petro Star receives a portion of Alaska's royalty crude oil directly from the Trans-Alaska Pipeline System, from which it produces heating oil, commercial and military grade jet fuels, asphalt and ultra-low sulfur diesel fuels as well as specialty turbine fuels in partnership with Copper Valley Electric Association (CVEA) and Golden Valley Electric Association (GVEA).

Much of this refining capacity was made possible by the nearly $120 million investment ASRC made in Petro Star based on the *qualified in-state refinery tax credits* enacted by House Bill 247 in 2016[1] and while payment of those credits is still pending, the investments made continue to deliver significant value to the state and Alaskans. As articulated in the Best Interest Finding (BIF)[2] recently approved by the Alaska Royalty Board and our internal estimates, the sale of royalty oil to Petro Star will:

- Provide incremental direct revenue of $19.7 million to the state over the term of the contract;
- Provide total direct revenues to the state between $1.7 and $1.96 billion;
- Provide a critical source of asphalt in the interior that provides indirect savings of ~$130/ton to the state and Interior paving companies; and,
- Continue production of specialty turbine fuels that save electric utility ratepayers many millions of dollars annually.

[1] Ch. 4 4SSLA 16
[2] Final Best Interest Finding and Determination for the Sale of Alaska North Slope Royalty Oil to Petro Star Inc.

These benefits are ultimately made possible by the 275 employees who work at Petro Star – 99% of whom are Alaska residents. The approval of the proposed contract will ensure that these Alaskans continue to utilize the State's royalty oil for the maximum benefit of all Alaskans. We appreciate your prompt consideration of these contract and encourage its approval.

Sincerely,



Doug Chapados
President & CEO
PETRO STAR INC.