



White Pater  
Rural Alaska Fuel Logistics

**“Created to serve the people of Rural Alaska.”**

NorthStar Gas, LLC was formed in July of 1998 to grant Native ownership of a fuel company, primarily to deliver bulk fuel to Rural Alaskan Villages. As a Native Owned Petroleum Retailer, NSG manages a gas station in Bethel, delivers Heating Fuel and Unleaded Gasoline in the Yukon Kuskokwim Delta Region. NorthStar Gas is 100% Native Owned by 2 Regional and 16 Village Corporations.

Western Alaska is a unique area within the State. There are no roads connecting communities, the only way these rural communities receive goods and services are either by water (Barges) or by air (Freight). Each community is a self contained entity with a city office, general store, school, power plant and tank farm and each of these businesses independently purchase their own fuel.

Rural Alaska receives their fuel only twice a year in the Spring & Fall if the conditions are right, unlike the rest of the world that is connected by a road system. When the ice goes out in the spring (May) the barge companies hit the water ways delivering fuel to communities in order of importance: Critically out of fuel, 1 to 2 weeks supply of fuel and then the regular delivery schedule. The fall delivery (Sept./Oct) is very important for this fuel is to last the community the entire winter. Once the rivers freeze there are no more water way fuel deliveries until the next spring (approx. 9 months). At this point the only way to bring fuel into a community is to fly the fuel in. Flying fuel in is limited to plane tank capacity and is also very expensive. All these fuel deliveries are dependent on weather and water levels.

In 2008 when oil was at 147.00 a barrel the delivered cost of a gallon of fuel ranged between 4.78 and 5.91.

- 4.78 = cost of fuel 4.12 with a transportation cost of .66 (Yukon, Coast & Lower Kuskokwim)
- 5.91 = cost of fuel 5.04 with a transportation cost of .87 (Middle & Upper Kuskokwim)
- Fuel Flown in cost 5.976 for Heating Fuel and 6.920 for Unleaded Gas per gallon

In 2009 when oil ranged between 58.00 and 70.00 a barrel the delivery cost of a gallon of fuel ranged between 3.95 and 6.14.

- 3.95 = cost of fuel 2.78 with transportation cost of 1.17 (Yukon, Coast & Lower Kuskokwim)
- 6.14 = cost of fuel 4.57 with transportation cost of 1.87 (Middle & Upper Kuskokwim)
- Fuel Flown in current cost 7.812 for Heating Fuel and 8.731 for Unleaded Gas per gallon

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Rural Alaska fuel costs are broken down in 3 (three) components:

- 1 – Market pricing (OPIS & Platt's & Anchorage Jet) on the day the fuel is lifted from the refinery.
- 2 – Transportation Costs – Transportation cost vary by location (Lower, Middle, Upper Kuskokwim, Coast & Yukon).
- 3 –OH&M & Community Profit Margin – Landed cost of fuel plus overhead & maintance plus a % profit margin. Each community's OH&M plus the % of profit margin varies and this is why you see the varied prices in neighboring communities.

Transportation of goods and services to Rural Alaska plays a major role in the delivered costs of all goods and services. From 2008 to 2009 fuel transportation costs have more than doubled while the cost of fuel has decreased by approximately 55%. Rural Alaska is a unique captured market where monopolies thrive. Competition is limited due to the expense of having barges built, and planes equipped to haul fuel. It cost approximately 5 to 8 million dollars for one barge and one tug to be built. Specialized barges are needed in Rural Alaska's unique shallow but wide river system.

Petroleum fuels will continue to dominate the heat, electricity and transportation markets in the foreseeable future. There is no magic solution to cure Alaska's high cost of energy. One recommended solution would be to bring in a rail road system connecting Rural Alaska communities to the major road systems.

We welcome the delegation of the Obama Administration into our communities to visit and see the challenges that the residents of Rural Alaska face on a daily basis. We need your help to continue to thrive under some of the harshest and economically trying conditions.

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