

PETRO MARINE SERVICES

A Petroleum Marketing and Distribution Company

November 1, 2016

City and Borough of Sitka
100 Lincoln Street
Sitka, AK 99835

Dear Members of the Sitka Assembly:

I am writing on behalf of Petro Marine. Petro Marine wishes to express its concern over the City of Sitka's proposed remedies to deal with budget shortfalls stemming from the funding of Blue Lake Dam improvements.

Let me preface my remarks by stating that it is not the intent of this letter to be contentious. An adversarial relationship between Petro Marine and the City of Sitka is something we would scrupulously avoid. Our objective is to go on record expressing what we view as the role of city government and the role of a business entity, and how some recently proposed anti-heating fuel initiatives put forth by the Assembly violate the very essence of those roles.

Petro Marine's Role

Petro Marine has been doing business in Sitka since 1995. As a third generation Alaskan owned and operated company and a business fixture in the community, we take the matter of corporate responsibility seriously. We know that we not only have an obligation to our stakeholders, that is, our customers, suppliers, employees, and owners, but that we also serve a social purpose to the community at large. We provide goods and services, create good paying jobs with excellent benefits, and give back to the community regularly by funding events such as our annual Salvation Army Food Bank Fundraiser and by sponsoring and fully funding the annual 4th of July Fireworks event. We also make countless contributions throughout the year to various Sitka based organizations. 2016, year to date, we have donated approximately thirty thousand dollars to the Sitka Salmon Derby, Sitka High School Track, Sitka High School Yearbook, Sitka Youth, Sitka Chamber, the Longline Fisherman's Association, the Stardust Ball, Southeast Senior Services, and this list is not exhaustive.

Additionally, we constantly reinvest in our facilities to improve the quality of our brand and provide our customers with the best experience and value possible. In the past year, we fully upgraded our gas station and introduced a new brand, Petro 1, into the market. We also spent



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many thousands of dollars making aesthetic upgrades to the mural on our office building, and we are in the process of installing a new four million dollar marina at our south terminal to improve access and quality of service for all of our marine customers.

The City of Sitka's Role

We view city government's most critical purpose as serving the needs of its citizens. Those needs are met by maintaining and improving city infrastructure, providing basic services, and insuring the safety of the public. Furthermore, we also firmly believe that an equally critical role and key function of city government is to encourage local business growth.

The record of recent Assembly Meetings is clear and unambiguous in its intent to adopt policies directly targeting heating fuel and eliminating it as a source of energy for consumers and businesses. Whether it's the use of taxpayer dollars to fund the replacement of high volume furnaces and boilers with electric ones, selling electric power at artificially low rates to convert fuel users to electric, or the implementation of a proposed excise tax on heating fuel to discourage its use, the city is clearly setting forth proposals that we feel will have an adverse effect on business and the consumer. If one of the key roles of city government is in fact to encourage local business growth – and we believe it is - then it is quite apparent that the recent anti-heating fuel initiatives proposed by the Assembly are completely at odds with that standard.

If the City of Sitka persists in its attempts to rid the market of the use of heating fuel and is ultimately successful, the consequences will be costly, and the costs will end up being born by consumers. Heating fuel sales represent a large percentage of our overall book of business. The revenue generated by those sales are critical to our financial viability. If heating fuel sales are eliminated, it will force us to make up the large loss in revenue by cutting all unnecessary expenditures and by raising prices on all other products. Cutting expenditures would reduce, if not eliminate, our ability to fund the various Sitka organizations and annual events listed above. Raising prices would result in significant increased costs for customers and businesses purchasing gasoline, diesel fuel, marine fuels, avgas, jet fuel, and so on. While the thought of such a scenario is distasteful to us, the economic reality of the situation would force such moves. Moreover, if higher prices exceed what consumers are willing to pay, they could purposely reduce their consumption of fuel(s), businesses could do likewise, and transient marine customers could purchase fuel in other southeast markets, all of which would inconvenience the consumer along with reducing tax revenues for the city due to the reduction in fuel sales.



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While we are very sympathetic to the city's situation regarding its bond obligations, we strongly urge you to seek an alternative to eliminating heating fuel as the answer for making up the budget shortfall. Failure to do so could arguably give rise to a series of unfortunate events best characterized by the unanticipated outcomes implied in the Law of Unintended Consequences.

Our goal is to continue to perform in our role as an upstanding member of the Sitka business community for years to come. Our hope is that you view the role of city government as one that tends to the needs of its citizenry, supports and promotes the growth of the business community, and avoids the implementation of policies that hurt consumers and undermines commerce.

Respectfully,
Ken Bobbie

Kenneth Bobbie, Chief Marketing Officer
Petro 49 Inc.



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