

CITY OF NIKOLAI BULK FUEL FACILITY



MONITORING PLAN AND RECOMMENDATIONS

Prepared for:
THE ALASKA ENERGY AUTHORITY (AEA)

DECEMBER 20, 2006

Prepared by:

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OVERVIEW

This Monitoring Plan and Recommendations was completed under contract to the Alaska Energy Authority as a follow-up to a Bulk Fuel Upgrade project in Nikolai, Alaska that constructed a new bulk fuel storage facility with four diesel storage tanks, one gasoline storage tank, dispensing tanks, a marine header and fuel transfer pipelines. A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the City of Nikolai's maintenance and operation and sustainability of the Bulk Fuel Upgrade (the "facility"). The City of Nikolai, (the "Primary Operator") is responsible to operate and sustain the newly installed facility according to the criteria and guidelines outlined in the Business Operating Plan.

Facility Participant

The facility participants are:

City of Nikolai

Primary Contact Name: *Peter Tony, Mayor*

Phone: (907) 293-2314 Fax: (907) 293-2481

Address: City of Nikolai, P.O. Box 9145, Nikolai, AK 99691

Usage: The City utilizes its assets to operate its utilities and to retail fuel.

Iditarod Area School District

Primary Contact Name: *Dave Shelborne, Maintenance Director*

Phone: (907) 524-3035 x 231 Fax: (907) 524-3933

Additional Contact Name: *Gary Heitz, Superintendent*

Phone: (907) 524-3033 Fax: (907) 524-3217

Address: IASD District Office, P.O. Box 90, McGrath, AK 99627

Usage: The IASD utilizes its assets to operate its physical plant and does not directly retail fuel.

Facility Components and Capacity

The following table provides a summary of the Nikolai bulk fuel tanks, by type of fuel, and their capacity:

Primary Storage/Dispensing	Number	Gallons Per Tank (Net)	Total Gallons (Net)
City			
Diesel			
Primary Storage	2	24,300	48,600
Primary Storage	2	9,000	18,000
Subtotal Diesel	4		66,600
Gasoline			
Primary Storage	1	24,300	24,300
Dispensing	1	3,600	3,600
Subtotal Gasoline	2		27,900
Total City	6		94,500
Iditarod Area School District			
Diesel			
Primary Storage	1	10,800	10,800
Intermediate Storage	1	3,600	3,600
Total IASD	2		14,400
Total Primary Storage/Dispensing	8		108,900
Day Tanks			
IASD – Diesel	2	100	200
Total Day Tanks	2		200

In addition to the fuel storage tanks, the City of Nikolai's bulk fuel facility has a number of pipelines and other key components:

Pipeline Components	Number
Marine Header	1
Filler Pipelines	2
Pipeline to School	1
Pipeline to Power Plant	1
Pipeline to retail dispenser	1
Single-fuel retail dispenser	1

Community Information

The village of Nikolai is located in interior Alaska on the South Fork of the Kuskokwim River, approximately 46 air miles east of McGrath. The population, predominantly Athabascan, has remained relatively stable for the past 35 years and practices a subsistence lifestyle. The economy of Nikolai is primarily based on subsistence activities.

Transportation to the village is by air or water, and the river is generally ice-free from June through October. A State-owned 4,003' long by 75' wide gravel airstrip is serviced by regular scheduled and charter flights. A 50-mile winter trail is marked to McGrath.

Selected demographic and historical data for the community is provided below:

Selected Statistics – Nikolai

Population	
2005 State Demographer est.	109
2000	100
1990	109
1980	91
1970	112
1960	85
1950	85
Housing (2000 Data)	
Occupied Housing	40
Vacant Housing Due to Seasonal Use	3
Other Vacant Housing	4
Economic Data (2000 Data)	
Unemployment Rate	35.5%
Median Household Income	\$11,250

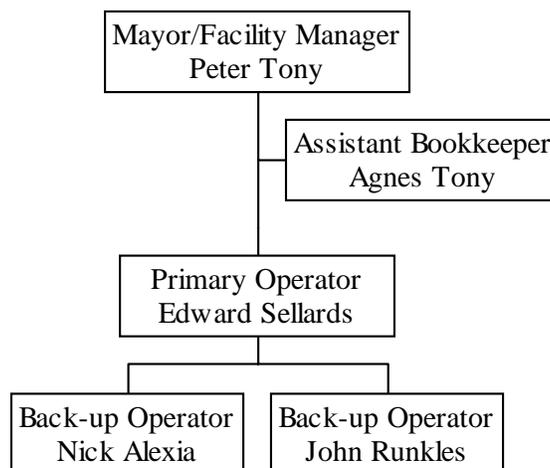
City of Nikolai

The City of Nikolai manages the following utilities and services: water and wastewater, fuel, light and power, cable TV, building and road construction, and public works. Residents and community facilities pay \$20 for wastewater services; they obtain water from individual wells or a community well and do not pay for this service. The electric utility in Nikolai is owned by Nikolai Light & Power Utility and operated by the City. Currently, residents are paying 28 cents/kWh with PCE for the first 500 kilowatts. Businesses and those requiring greater than 500 kilowatts pay 50 cents/kilowatt hour.

The City of Nikolai purchases fuel one time each year from Crowley Marine, except in emergency situations when fuel is flown in. The City last purchased gasoline for \$4.56 per gallon and diesel for \$4.24 per gallon. Gas and fuel are currently being sold for \$6/gallon. The City owns and operates a fuel truck for delivering heating fuel to homes and organizations.

Since the July 24, 2002 Business Operating Plan was finalized, there have been significant changes in management and staff. The previous City Administrator left two years ago and has not been replaced. Mayor, Peter Tony has assumed the position of Facility Manager; Agnes Tony is assisting with bookkeeping tasks; Edward Sellards is now the Primary Operator. The only staff member remaining from the 2002 organizational chart is Back-up Operator, Nick Alexia. Currently no one is being paid for their work at the Bulk Fuel Facility; work is being done on a volunteer basis. The following chart illustrates the volunteer employee staff relationships of the City of Nikolai facility: *

CITY OF NIKOLAI BULK FUEL FACILITY PROJECT STAFFING ORGANIZATIONAL CHART



*Dotted line indicates volunteer position.

Monitoring Site Visit

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage, Alaska, to conduct a site visit to the City of Nikolai facility and to develop a “*Monitoring Plan and Recommendations*” report. The scope of the assignment included working with the City to obtain information on existing management and operational systems, comparing those systems to Business Operating Plan requirements and other “best practices”, making recommendations for changes and/or training, developing on-going monitoring tools, and/or working to cure any deficiencies or defaults experienced by the City.

Aurora Consulting staff member, Carolyn Bettles, traveled to Nikolai December 11, 2006 to meet with City bulk fuel facility management and staff, including:

Contacts	Title
Peter Tony	Mayor
Edward Sellards	Primary Operator
Nick Alexia	Back-up Operator

Monitoring Plan and Recommendations

The following Monitoring Plan and Recommendations is organized into three sections:

- Management and Operational Skills
- Business Operating Plan Compliance
- Recommendations

Management and operational skills identify those skills and practices that are crucial to the short-term viability of a bulk fuel facility, while Business Operating Plan compliance areas identify those activities that are required by the Denali Commission approved Business Operating Plan.

Management skills include administration, fiscal systems, and collections. Operational skills include the ability to perform maintenance, repair, and operation of the bulk fuel facility. Both skill sets require knowledgeable and trained managers, bookkeepers, and facility operators to manage and operate the facility on a daily basis. In contrast, the business operating compliance section details the key activities and actions required to be completed by the facility in order to be in compliance with the terms and conditions of their Business Operating Plan.

Additionally, this report includes major recommendations for continued actions and training, which are detailed in the conclusion section of the report. These recommendations are limited to those actions necessary to meet the deficient management and operational skills or Business Operating Plan compliance areas.

BULK FUEL FACILITY MANAGEMENT/OPERATIONAL SKILLS

Financial Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Financial Management Skill Areas</i>
<i>Annual Budget</i>					
	x				Develop and utilize budgeting process
	x				Staff understanding of budget
<i>Bookkeeping</i>					
	x				Develop and track facility costs using a Chart of Accounts
x					Understands and tracks operation & management (O&M) costs
x					Understands and tracks renewal & replacement (R&R) costs
<i>Collection Policy</i>					
x					Policy in place
x					Policy implemented
x					Collections at appropriate level
<i>Business Operating Plan</i>					
	x				Policy board has general understanding of Plan and requirements
	x				Management has general understanding of Plan and requirements
	x				Staff has general understanding of Plan and requirements
		x			Management understands financial assumptions and tables
	x				Staff understands financial assumptions and tables
		x			Management capable of annual Plan update
		x			Staff capable of annual Plan update

Comments:

Annual Budget

The City of Nikolai City Council develops a budget for all of the City's operating programs and enterprises, including the bulk fuel facility. The Council initially worked with the Bulk Fuel Business Operating Plan to establish the budget, but this has not been done on an annual basis. Currently there are no financial policies and procedures in place. The Mayor hopes to correct this soon.

Bookkeeping

The City of Nikolai does not have a Chart of Accounts specific to the bulk fuel facility. QuickBooks software package is its bookkeeping system. In the absence of a City Administrator/Clerk, the Mayor, along with the assistance of City Council member and City employee, Agnes Tony, acting as Assistant Bookkeeper, manages the bank accounts, account payables, accounts receivable, and other general bookkeeping for the facility.

The Mayor knows of the Business Operating Plan but has not reviewed it recently and has not been able to familiarize himself with the financial requirements. He understands the difference between the O&M and R&R and that the costs must be tracked by separate accounts, but the means to do this have not been established.

Collections Policy

While there are a number of overdue accounts for diesel fuel, there is no collections policy in use. The council has discussed not delivering heating fuel to those customers who are not up-to-date on their account, but that has not been implemented. The Mayor indicated they could use some assistance in establishing a workable collections policy and learning how it could be administered. Gasoline is purchased on a cash basis through Willy's Store.

Business Operating Plan

The Mayor indicated the City Council has used the Business Operating Plan for some initial budgeting and planning activities, however he is not well informed on the specific requirements of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements, and the Secondary Operator Agreement.

Personnel Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Personnel Management Skill Areas
<i>Job Descriptions</i>					
		x			Job descriptions current for all positions
	x				Staff aware of/understand job descriptions
<i>Staffing</i>					
	x				Staffing adequate to operate & maintain the facility
<i>Training</i>					
		x			Staff has adequate training for job requirements
x					Ongoing training in place

Comments:

Job Descriptions

The Mayor reported that job descriptions do exist for the Bulk Fuel Operator staff positions and that they are up to date; the volunteer operations staff is not aware of the job descriptions.

Staffing

While the operational needs of the bulk fuel facility appear to be met more than adequately by volunteer operations staff, bookkeeping, planning, and financial tasks are not being done by the existing management staff due to, among other things, unfamiliarity with the business plan or not having sufficient resources to take care of the work.

Training

Bulk fuel facility staff and management have indicated Emergency Spill Response Training is of the utmost importance to them. For day-to-day operations, operations staff feels that, other than in the area of industrial electricity, they have more than adequate experience to anticipate and meet the operational needs of the facility. No one currently working for the facility has received bulk fuel facility-specific training. The Mayor would like to see someone receive the Bulk Fuel Manager training to better understand “tracking O&M and R&R costs for budgeting and fuel price setting.” He would also like to see someone take the Bulk Fuel Bookkeeper training. Other training requests include industrial electricity and hazmat/hazwoper as they relate to bulk fuel operations.

Currently, the City of Nikolai does not have a pro-active plan for seeking out training opportunities and providing on-going, needed training for staff members.

Operations Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Operations Management Skill Areas
<i>General Operations</i>					
			x		Management/staff have general understanding of operation needs
	x				System to schedule tasks for routine maintenance
	x				System to schedule tasks for non-routine maintenance
<i>Inventory Control</i>					
	x				Inventory control system in place
			x		Knows what parts to keep in inventory for routine maintenance
<i>Emergency/ Spill Response</i>					
		x			Staff can explain/locate oil spill response plan
x					Written safety policy

Comments:

General Operations

Management and staff expressed that they have a good understanding of operational needs and understand what maintenance functions need to be performed routinely and, which will need to occur on an as-needed basis. While they have not established formal systems to schedule routine maintenance functions, the operational needs appear to be met. The primary operator is in contact with the back-up operators so all stay informed of the current status of any maintenance and operations issues. R&R is also managed on an as-needed basis; as needed, the council approves any non-routine expenditures and actions.

Inventory Control

Currently, fuel inventories are maintained with weekly and monthly measurements of fuel levels and a projection of how much fuel will be needed before the next scheduled delivery. Measurements are recorded and reported to the Council. Fuel is ordered as approved by the Council. Minimal operational supplies are kept on hand – nuts and bolts, filters. There is no formal inventory listing or accounting. If something larger is needed, it is ordered.

Emergency/ Spill Response

The management of the facility has copies of the written spill response plans, which the operations staff was unable to locate during our visit. Management and staff indicated a need for Emergency Spill Response training. They are prepared to do what they can in an emergency. They know where the spill kits are located and their contents and feel prepared to handle a ground spill, but want some hands-on training for the “worst case scenario”.

BUSINESS OPERATING PLAN COMPLIANCE

Financial Management

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&M Account</i>			
	x		Accounting established
	x		Regular deposits into account
	x		Systems in place for \$5,000 authorizations
<i>R&R Account</i>			
	x		Accounting established
	x		Regular deposits into account
	x		Interest-bearing savings account
	x		Resolutions required
	x		2 signatures required
	x		Escrow account established
	x		Resolutions required
	x		2 signatures required
<i>Budgets</i>			
	x		O&M budget
	x		Prior to fiscal year
	x		R&R budget
	x		Prior to fiscal year
<i>Business Plan Updates</i>			
	x		Review assumptions
	x		Update tables
<i>Audits</i>			
	x		Annual audit conducted by qualified, independent auditor
	x		Copy to Denali Commission
<i>Annual Report</i>			
	x		Submitted to Denali Commission timely
	x		Summary of O&M and R&R Projects
	x		Expenditures and account balances
	x		Upcoming O&M and R&R budgets
	x		Updated business plan financial tables
	x		Other information
<i>Insurance</i>			
	x		General liability insurance in place
	x		Other insurance in place

Comments:

Overall, Nikolai's bulk fuel facility management appears to lack awareness and/or understanding of the requirements of the Business Operating Plan.

O&M Account

The city has no established accounting system for O&M, nor is it making required contributions to the bulk fuel facility account.

R&R Account

The City has not yet established an interest-bearing savings account for its R&R funds, nor is it setting money aside for the required deposits into the account.

Budgets

While in the past the City Council has reviewed the budget, and has made approved changes, it has not yet established on-going budgeting procedures, nor has it updated its annual operating or R&R budgets.

Business Plan Updates

The City of Nikolai has not updated the business plan and has not reviewed it recently. The Mayor said the city council does refer to it for budgeting purposes. It has never been updated.

Audit

The last audit was performed in 2004. The Mayor is now aware of the Denali Commission requirements regarding an annual audit.

Annual Report

The City of Nikolai has not submitted an annual report; they know they are required to do so and plan to work on it next year.

Insurance

Currently, the City of Nikolai is insured for its bulk fuel facility through the Alaska Municipal League Joint Insurance Association. At this time, the City has no paid employees, therefore, it carries no workers compensation insurance. The people doing work for the facility are doing so basically on a volunteer basis with little or no compensation.

Personnel Management

Yes	No	NA	Personnel Management Compliance Areas
<i>Facility Manager</i>			
x			Manager designated
	x		Changes reported to Denali Commission
<i>Staffing Adequate</i>			
	x		Staffing adequate
<i>Training Plan</i>			
	x		Training plan in place

Comments:

Facility Manager

Upon the departure two years ago of Roger Jenkins, City Administrator/Clerk, Peter Tony, City Mayor, became Facility Manager. He intends to recruit for the position and shift the Facility Manager responsibilities back to that position as soon as the City has the money to pay that position. This is a change from the original business plan, which has not yet been reported to the Denali Commission.

Staffing Adequate

Operational needs of the facility appear to be met with an average of about 20 hours of volunteer labor per week. Financial management, reporting, planning, and bookkeeping requirements are not being met by the existing management staff due to, among other things, unfamiliarity with the business plan requirements themselves or lack of sufficient resources to meet them.

Training Plan

There is no formal training program in place. Staff and management have indicated their needs for training with Emergency Spill Response topping their list.

Operations Management

Yes	No	NA	<i>Operations Management Compliance Areas</i>
<i>Facility Components in Good Working Order</i>			
x			Facility components in good working order
<i>SPCC</i>			
x			SPCC on-hand
x			SPCC current
<i>Facility Response Plan</i>			
x			Plan on-hand
x			Plan current
<i>Coast Guard Operations Manual</i>			
x			Manual on-hand
x			Manual current

Comments:

Facility Components in Good Working Order

In general, the facility components appear to be in good working order and have been well maintained.

SPCC/Facility Response Plan/Coast Guard Operations Manual

Although management has copies of the plans, the operations staff was unable to locate any the manuals during our visit.

RECOMMENDATIONS

The bulk fuel facility staff interviewed demonstrated a genuine interest in fully understanding and implementing the Business Operating Plan, and in the long-term sustainability of the facility. Management and staff made themselves available for a thorough site visit and answered questions regarding facility operations and implementation of the Business Operating Plan.

Based on those conversations and the site visit, we have a number of recommendations regarding systems, procedures, and operations. The following table outlines the systems and procedures that should be addressed by the City, areas where technical assistance/training may be warranted, and operational areas requiring follow-up. However, until such time as the facility is able to achieve financial self sufficiency, it may be unlikely or even impossible to implement any of the following recommendations.

Systems and Procedures	ASAP	Within year	On-Going
Develop procedures for completing & submitting annual reports	x		
Develop procedure for reviewing and updating budget annually	x		
Develop and implement a system for collecting on overdue accounts	x		
Develop Chart of Accounts specific to facility	x		
Develop financial policies & procedures to track and record O&M and R&R costs	x		
Develop procedure to document operational inventory supply	x		
Develop procedure to record and track maintenance functions		x	
Establish R&R bank account and begin making deposits	x		
Develop a written staff training plan		x	
Technical Assistance			
Updating business operating plan and financial assumptions			x
Using Quickbooks to track O&M and R&R costs	x		
Preparing and revising budgets		x	
Preparing and submitting Denali Commission report		x	
Training			
Emergency Response Spill and Coast Guard training	x		
Hazmat/Hazwoper training	x		
Bulk Fuel Managers training		x	
Bulk Fuel Bookkeepers training		x	
Industrial Electricity training		x	
Operations			
Develop system to schedule tasks for non-routine maintenance			x
Develop system to schedule tasks for routine maintenance		x	

TRIP PHOTOS



Contingency Tank.JPG



Control Panel.JPG



Dispenser Signage.JPG



Dispenser Signage2.JPG



Dispenser.JPG



Facility Signage.JPG



Facility Signage2.JPG



Facility Signage3.JPG



Fill Pipe.JPG



Fill Pipe2.JPG



Fill Pipes2.JPG



Fill Station.JPG



Fill Station3.JPG



Fill Station4.JPG



Fill Station5.JPG



Fill Station6.JPG



Foundation.JPG



Foundation2.JPG



Fuel Truck.JPG



Header.JPG



Pipelines.JPG



Pipelines2.JPG



Pump Shutoff.JPG



Spill Equipment1.JPG



Spill Equipment2.JPG



Spill Equipment3.JPG



Storage Facility.JPG



Storage Facility2.JPG



Tanks 5.JPG



Tanks1.JPG



Tanks2.JPG



Tanks3.JPG



Tanks4.JPG



Tanks6.JPG



Valve1.JPG