

CITY OF FALSE PASS BULK FUEL FACILITY



MONITORING PLAN AND RECOMMENDATIONS

Prepared for:
THE ALASKA ENERGY AUTHORITY (AEA)

MAY 15, 2005

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 False Pass, Alaska that constructed a new bulk fuel storage facility with three diesel storage tanks, one marine header and a fuel transfer pipeline. A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the City of False Pass' maintenance and operation and sustainability of the Bulk Fuel Upgrade (the "Facility"). The City of False Pass, (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 participant is:

City of False Pass

Primary Contact Name: John Nickels, Mayor

Phone: (907) 548-2319 Fax: (907) 548-2214

Address: City of False Pass, P.O. Box 50, False Pass, AK 99583

Usage: The City will utilize its facility assets to operate its utilities and to retail fuel.

Facility Components & Capacity

The following table provides a summary of the tankage, by type of fuel that is included in the Facility upgrade:

Primary Storage/Dispensing	Number	Gallons Per Tank (Gross)	Total Gallons (Gross)	Gallons Per Tank (Net)	Total Gallons (Net)
City					
# 2 Diesel Primary Storage	3	20,000	60,000	18,000	54,000
Total Primary Storage/Dispensing	3		60,000		54,000
Pipeline Components					
Marine Header	1				
Filler Pipelines (From header to facility)	1				

Community Information

The community of False Pass is located on the eastern shore of Unimak Island on a strait connecting the Pacific Gulf of Alaska to the Bering Sea and is 646 miles southwest of Anchorage. Transportation to the village is by air or water and, currently, False Pass has a

2,100-foot gravel runway owned and maintained by the State of Alaska, Department of Transportation and Public Facilities.

The community is primarily Unangan and the population has remained relatively stable for the past twenty years. The economy is typical of other regional villages and is primarily focused on salmon fishing and subsistence activities. Of the 40 houses, 22 are occupied and 2 are used only seasonally. Water is derived from a nearby spring and reservoir, is treated and stored in two 60,000-gallon tanks. The City operates the electric utility, bulk fuel facility, water system, landfill and sewer systems.

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

Selected Statistics – False Pass

Population	
2000	64
1990	68
1980	70
1970	36
1960	41
1950	42
Housing (2000 Data)	
Occupied Housing	22
Vacant Housing Due to Seasonal Use	2
Economic Data (2000 Data)	
Unemployment Rate	0%
Median Household Income	\$49,375

City of False Pass

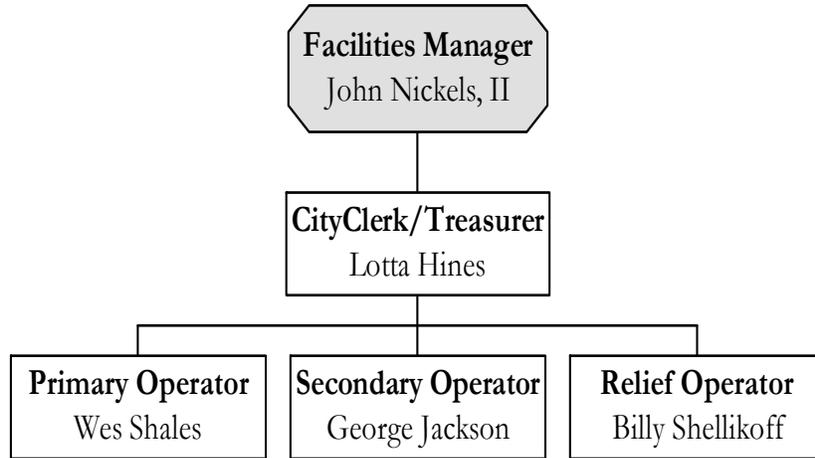
The City of False Pass manages the community’s utilities and public services: water, electric, sewage pump out, refuse collection services and landfill management. Currently, the community residents and local organizations pay for public services received. The City maintains the generator plant, monitors electric meters at residences and commercial businesses, and collects electrical fees. Currently, residents are paying approximately \$.33 per Kwh, after PCE, for the first 500 Kwh used, and then \$.42 per Kwh for anything over 500 Kwh. Commercial businesses are paying approximately \$.36 per Kwh.

The City of False Pass has only recently undertaken the purchase directly from Seattle of diesel fuel. Thus far, the City is utilizing its bulk fuel facility solely to store fuel for the City electric utility; however, it is anticipated that, as Peter Pan Seafoods Inc. withdraws from the market, the City will begin retailing fuel to local residents.

Since the Business Operating Plan, dated November 20, 2003, was finalized there has not been any staff turnover with either the management or staff of the City of False Pass bulk fuel facility.

The following chart illustrates the staff relationships of the City of False Pass Bulk Fuel Facility:

**CITY OF FALSE PASS
BULK FUEL FACILITY PROJECT
STAFFING ORGANIZATIONAL CHART**



Monitoring Site Visit

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage Alaska, to conduct a site visit to the City of False Pass facility and to develop a “*Monitoring Plan and Recommendations*”. 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, Ann Campbell, traveled to False Pass on March 29, 2005 through April 2, 2005 to meet with City bulk fuel facility management and staff, including:

Contacts	Title
John Nickels, II	City Mayor & Facility Manager
Lotta Hines	City Clerk/Treasurer
Wes Shales	Utility 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 are 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 this 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 False Pass develops an annual budget for all of the City's operating programs and enterprises, including the bulk fuel facility, which is a component of the electric utility enterprise. The bulk fuel manager and clerk are both involved in the annual budgeting process and both understand and are able to utilize the budget information. Additionally, the City of False Pass updates and reauthorizes its budget semi-annually to adjust for actual operations and to refine its budget estimates.

Bookkeeping

The City of False Pass has a Chart of Accounts and is using the Quickbooks Pro software package as its bookkeeping system. It is primarily the city clerk's job to manage the bank accounts, account payables, accounts receivable and other general bookkeeping for all of the City's operations and enterprises.

The City Clerk, Lotta Hines, is a Certified Municipal Clerk and has additional training as a Municipal Treasurer, on Quickbooks Pro and with other related subjects. At the time of our visit, the city clerk had reviewed and generally familiarized herself with the Business Operating Plan and associated financial requirements.

The facility manager and clerk fully understand the difference between the O &M and R&R costs that must be tracked by separate accounts, as indicated in the Business Operating Plan, and the City has established separate account codes in the Chart of Accounts for tracking R&R costs. The City has established an R&R interest-bearing account at the First National Bank of Alaska and has made a full year's deposit into the account.

Collections Policy

The City of False Pass currently does not retail or wholesale fuel to other users. The fuel stored at the bulk fuel facility is used to operate the City's electric utility. Currently, the electric utility collection rate is 97%.

Business Operating Plan

Both the facility manager/mayor and city clerk were able to locate and cogently discuss the general terms and conditions of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements and the Secondary Operator Agreement. Additionally, the mayor/facility manager has reviewed the Business Operating Plan with the City Council and has explained the R&R fund requirements, including its purpose and long-term objectives. To re-enforce the Council's understanding of, and commitment to, the R&R account - the City of False Pass has incorporated the R&R annual contribution as a separate line-item in its annual operating budget.

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

Job descriptions exist for all of the utility staff positions and staff has a good understanding of their bulk fuel facility roles and responsibilities.

Staffing

It appears that the staffing level of the City of False Pass bulk fuel facility is adequate to operate and maintain the Facility.

Training

All of the management and staff of the bulk fuel facility have adequate training for their job requirements. However, the facility manager, John Nickels, has indicated that, due to a series of unfortunate events, the hands-on training provided by CII, during the Facility turnover, was limited - because both the facility manager and primary operator were out of town during the walk-through. Additionally, the City of False Pass has not yet received their Operations Manual for the Facility. As a consequence of the limited training and lack of manuals, the management and staff of the False Pass bulk fuel facility are challenged to deal with operational issues that arise.

In more general terms, the City of False Pass seems to be responsive to training opportunities and staff members have successfully completed a wide variety of training courses.

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>					
		NA			Staff can explain/locate oil spill response plan
			x		Written safety policy

Comments:

General Operations

While the Facility has had fuel inventory since October 2004, the City has not actively begun transferring fuel to and/or from the Facility until February 2002. As such, the Facility management and staff are just beginning to address some operational issues such as routine maintenance schedules.

Management and staff expressed that they have a good understanding of operational needs and understand what routine maintenance functions need to occur. However, there are not yet established systems to schedule routine maintenance functions and in our meetings, with the facility manager and primary operator, we discussed the need for such systems. Currently, the City intends to utilize the R&R maintenance schedule contained within the Business Operating Plan as its non-routine maintenance guideline.

Inventory Control

Currently, minimal supplies are kept specifically for the Facility. This is in part due to the small scale of the Facility, the newness of the Facility, and the design of the Facility - all of which limit the range and quantity of required parts. The facility management is currently reviewing the efficacy of maintaining specific inventory of facility components.

Emergency/Spill Response

As mentioned earlier, the City of False Pass has not yet received its copies of the emergency/spill response plans to be prepared by AEA. However, the City of False Pass does have a signed reciprocal agreement with Peter Pan Seafoods to assist each other in the event of an emergency; and both entities have sufficient response equipment available at their locations.

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:

O&M Account

The City has an established operating bank account at the First National Bank of Alaska into which the bulk fuel operating funds are deposited. Currently, all bulk fuel facility expenses over \$5,000, or not authorized in the budget, must be approved by the City Council.

R&R Account

The City established an interest-bearing savings account at the First National Bank of Alaska for its R&R funds and made its first full-year's deposit into the account in February 2005.

Budgets

Currently, the bulk fuel facility is operated solely for the purpose of providing diesel fuel for the City's electric utility. As such, the bulk fuel facility expenses are incorporated into the electric utility enterprise fund accounting maintained by the City. Both the O&M and R&R expenses are budgeted annually and revised semi-annually.

Business Plan Updates

The City is aware that they are to be updating their business plan annually. We reviewed the requirement to annually update the business plan as well as the financial assumptions and tables.

Audit

The City of False Pass has an annual audit (2004 auditor - Marja Beltrami, CPA) and the 2004 audit currently is being finalized and contains no significant audit findings.

Annual Report

The City of False Pass has not operated the bulk fuel facility for one year, and therefore is not yet required to submit a report to the Denali Commission. In order to facilitate their annual budget and reporting processes, the City of False Pass intends to utilize its fiscal year - July through June - for reporting purposes. Therefore, it anticipates submitting its first annual report to the Denali Commission in July 2005.

Insurance

Currently, the City participates in the AML/JIA insurance program and has general liability, workers compensation and some property/inventory coverage for the Facility.

Personnel Management

Yes	No	NA	<i>Personnel Management Compliance Areas</i>
<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

John Nickels is the manager of the Facility - as designated in the Business Operating Plan.

Staffing Adequate

The current level of staff appears to be sufficient.

Training Plan

The facility manager is cognizant of the need for updated employee training and each of the key employees has received sufficient training to ensure complete compliance with the Business Operating Plan.

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

Our limited visual inspection of the Facility led us to conclude that, generally-speaking, the Facility seems to be in good repair and well-maintained. As mentioned earlier, it would be beneficial to establish some systems for Facility repairs and maintenance; however, the staff is dealing adequately with problems as they arise. Thus far, the only major maintenance issue encountered by the staff has been an problem with transferring fuel from the bulk fuel tanks – apparently the flow control devices are causing the fuel flow to be a “trickle” and staff are needing to “jerry-rig” the metering equipment to allow for a more normal fuel flow rate.

SPCC/Facility Response Plan/Coast Guard Operations Manual

The City of False Pass has not yet received its copies of the Facility’s regulatory plans or its Operations Manual, although it is their understanding that the manuals will be delivered soon.

RECOMMENDATIONS

All of the City management and staff interviewed demonstrated a genuine interest in fully understanding and implementing the Business Operating Plan. The City staff made themselves available for a thorough site visit to answer questions and review the Business Operating Plan and facility operations. The City management and staff expressed interest in fully complying with terms and conditions of the Business Operating Plan and managing the Facility in a sustainable manner. As indicated previously, the False Pass bulk fuel facility is very well managed operated and maintained; its staff is very experienced and well trained; and, its management is committed to compliance with the Business Operating Plan. As such, we have very few recommendations regarding systems, procedures or operations.

The following outlines the systems and procedures that should be addressed by the City, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

	ASAP	Within year	Long Term
Systems and Procedures			
Develop procedures for completing & submitting annual reports		x	
Develop a written staff training plan		x	
Technical Assistance			
Updating business operating plan and financial assumptions		x	
Preparing and submitting Denali Commission report	x		
Training			
Periodic, possibly annually, operations assistance/troubleshooting		x	
Operations			
Develop system to schedule tasks for routine maintenance		x	
Develop system to schedule tasks for non-routine maintenance			x
Improve understanding of what parts inventory to keep		x	

TRIP PHOTOS



City of False Pass Office.JPG



City Office.JPG



Danger Signage.JPG



Facility Fencing2.JPG



Facility Locks.JPG



False Pass Bulk Fuel Facility.JPG



False Pass Bulk Fuel Facility2.JPG



False Pass Facility Fencing.JPG



Fencing3.JPG



Fire Extinguisher at Site.JPG



Marine Header at Dock.JPG



Marine Header.JPG



Reminder Signage at Transfer Facility.JPG



Safety Signage at Facility.JPG



Safety Signage at Marine Header.JPG



Spill-Other Equipment Storage.JPG



Storage Tanks.JPG



Switches.JPG