

NATIVE VILLAGE OF NANWALEK BULK FUEL FACILITY



MONITORING PLAN AND RECOMMENDATIONS

Prepared for:
THE ALASKA ENERGY AUTHORITY (AEA)

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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 Nanwalek, Alaska that constructed a new bulk fuel storage facility with one diesel storage tank, one gasoline storage tank, fuel fill pipelines, a fuel transfer containment area, and a gasoline retail dispenser (with automatic card payment system). A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the Native Village of Nanwalek's maintenance and operation and sustainability of the Bulk Fuel Upgrade (the "Facility"). The Native Village of Nanwalek (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:

Native Village of Nanwalek a/k/a Nanwalek IRA Council

Primary Contact Name: *James Kvasnijoff, First Chief*

Phone: (907) 281-2274 Fax: (907) 281-2252

Address: Native Village of Nanwalek a/k/a/Nanwalek IRA Council

P.O. Box 8026, Nanwalek, AK 99603

Usage: The Council utilizes 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)
Village					
Diesel					
Primary Storage	1	27,000	27,000	24,300	24,300
Subtotal Diesel	1		27,000		24,300
Gasoline					
Dispensing	1	12,000	12,000	10,800	10,800
Subtotal Gasoline	1		12,000		10,800
Total Primary Storage/Dispensing	2		39,000		35,100

In addition to the fuel storage tanks, the Native Village of Nanwalek’s bulk fuel facility has a number of pipelines and other key components:

Pipeline/Components	Number
Fill pipelines (From hose stand to tanks)	2
Fill pipeline – to Dispenser	1
Gasoline Retail Dispenser	1
Truck Loading Area	1

Community Information

The village of Nanwalek is located at the southern tip of the Kenai Peninsula, 10 miles southwest of Seldovia and east of Port Graham. The community was, at one time, named English Bay, but then in 1991 the name was changed to Nanwalek, meaning “place by lagoon.” The community is a traditional Alutiiq village. The school, subsistence activities, and summer employment at the Port Graham cannery provide income. Seven residents hold commercial fishing permits.

Transportation to the village is by boat or aircraft. There is no road accessibility. Boats are the primary means of transportation for locals. The state ferry provides service to nearby Seldovia.

Water is derived from a surface stream and is treated; a new surface water source is under development. Nanwalek has a piped water and sewer system serving all homes in the village and most homes are completely plumbed.

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

Selected Statistics –Nanwalek

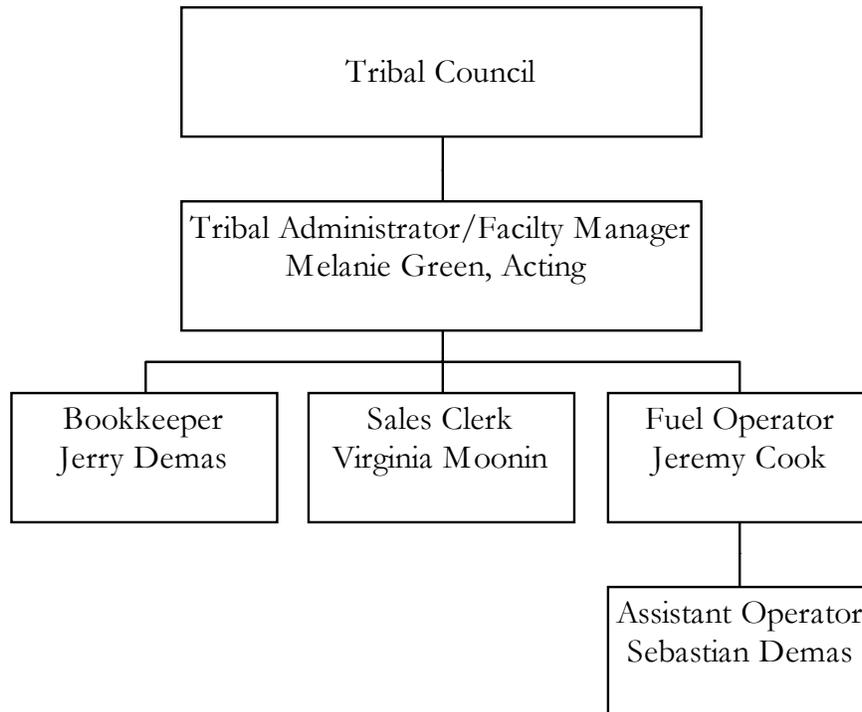
Population	
2005 (State Demographer est.)	222
2000	177
1990	158
1980	124
1970	58
1960	78
1950	75
Housing (2000 Data)	
Occupied Housing	45
Vacant Housing Due to Seasonal Use	7
Other Vacant Housing	2
Economic Data (2000 Data)	
Unemployment Rate	5.1%
Median Household Income	\$42,500

Native Village of Nanwalek

The Native Village of Nanwalek manages the following utilities and services: water treatment plan, sewer and waste facility, village health clinic, tribal environmental program, retail fuel sales, and a variety of social service programs. Water is derived from a surface stream and is treated by the Council. All homes in the village have piped water and sewer system. The village needs new water and sewer mains and a landfill expansion.

Since the Business Operating Plan, dated April 2, 2004, was finalized there has been some staff turnover – including a new tribal administrator, bulk fuel sales clerk, and bulk fuel operator. The following chart illustrates the staff relationships of the Native Village of Nanwalek Bulk Fuel Facility:

**NATIVE VILLAGE OF NANWALEK
BULK FUEL FACILITY PROJECT
STAFFING ORGANIZATIONAL CHART**



The Native Village of Nanwalek is encountering serious challenges maintaining its bulk fuel inventory. Two challenges are creating the most severe constraints – (1) insufficient cash flow and (2) extremely high fuel delivery costs. The Village has not collected sufficient cash through fuel sales to fund operations, repay loans and/or finance new fuel purchases. And, exacerbating the cash flow issue are the extremely high charges the Village is paying for barge and fuel truck delivery fees.

Monitoring Site Visit

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage, Alaska, to conduct a site visit to the Native Village of Nanwalek Bulk Fuel Facility and to develop a “*Monitoring Plan and Recommendations*”. The scope of the assignment included working with the Village 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 Village.

Aurora Consulting staff member, Ann Campbell, traveled to Nanwalek on September 6, 2006 to meet with Village bulk fuel facility management and staff, including:

Contacts	Title
Melanie Green	Acting Tribal Administrator
Jerry Demas	Bookkeeper
Virginia Moonin	Sales Clerk
Jeremy Cook	Facility 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 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>					
					No Budgeting in Place
					Develop and utilize budgeting process
					Staff understanding of budget
<i>Bookkeeping</i>					
	x				Develop and track facility costs using a Chart of Accounts
	x				Understand and track operation & management (O&M) costs
	x				Understand and track 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

Currently, the Native Village of Nanwalek is not utilizing a budget process for the bulk fuel facility.

Bookkeeping

The Native Village of Nanwalek has a Chart of Accounts and tracks overall and programmatic tribal expenses and revenues. However, because of financial difficulties facing the bulk fuel facility, the Native Village hasn't yet developed a budget and accounting system for the bulk fuel facility.

The Bookkeeper, Jerry Demas, has attended bulk fuel business plan training and other bookkeeping and business-related training. At the time of our visit, the Bookkeeper had reviewed and generally familiarized himself with the Business Operating Plan and associated financial requirements.

The Bookkeeper understands the difference between the O&M and R&R costs that must be tracked by separate accounts, as indicated in the Business Operating Plan. The Village has not yet established separate account codes in the Chart of Accounts for tracking R&R costs. The Village has, however, established an R&R interest-bearing account, with First National

Bank of Alaska, and while not currently making deposits into the account, the Village made partial deposits in 2005.

Collections Policy

The Village has a collections policy in place which seems to be working fairly well since customers are required to prepay for fuel purchases. The Village is experiencing one collection issue – they have not yet developed bookkeeping systems to track and reconcile the amounts of diesel fuel inventory that have been prepaid by customers. Therefore, the Village cannot be certain how much of their remaining diesel inventory is available for sale.

Business Operating Plan

The Facility staff was able to locate the Business Operating Plan, however, other than the Bookkeeper there is no general understanding of the Plan's terms and conditions among the Facility staff. The Bookkeeper is aware of the specific requirements of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements, and the Secondary Operator Agreement. Based upon conversation with facility staff, we believe the Tribal Council and Administrator have a poor working understanding of the Business Operating Plan, and its requirements.

Personnel Management

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

1	2	3	4	5	<i>Personnel Management Skill Areas</i>
<i>Job Descriptions</i>					
		None			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				On-going training in place

Comments:

Job Descriptions

Job descriptions do not exist for the Bulk Fuel Facility staff positions; partially due to the fact that the facility is experiencing financial difficulties and that no paid, full-time staffers have been hired. Currently, the Sales Clerks and Facility Operators are handling the bulk fuel responsibilities functions on a part-time, unfunded basis in-between performing the duties of their other routine, and full-time, positions elsewhere in the Village.

Staffing

It appears that the staffing level of the Nanwalek bulk fuel facility is a “mixed bag” – while the current “volunteers” are performing admirably, under somewhat trying circumstances, the facility is in need of a knowledgeable business manager and more fully training clerical staff. The current Facility Operator has attended the Bulk Fuel Operator Training at AVTEC and seems capable of the general, routine maintenance, and upkeep of the Facility.

Training

Both the Operator and Bookkeeper appear to have the basic training required for their job specific duties and functions. However, as noted above, none of the current Facility staff have the management experience or education to provide the much needed overall direction for the Facility. And, the Sales Clerk would probably benefit from basic bookkeeping and software training and basic training on distinguishing and tracking O&M and R&R costs, as well as fuel inventory management and tracking and fuel price setting.

Currently, the Native Village of Nanwalek 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				Know 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 routine maintenance functions need to occur. There are not yet established systems to schedule routine or non-routine maintenance functions. However, the Village Bookkeeper has indicated an intention to utilize the R&R maintenance schedule contained within the Business Operating Plan as its non-routine maintenance guideline.

Inventory Control

Currently, fuel inventories are not being reconciled between the physical inventories taken by the bulk fuel operator and fiscal inventories (that may be tracked by the accounting system). This is a particularly serious deficiency given the financial struggles experienced by the Facility and the relatively small inventory maintained – the Village lacks a reliable indicator of the actual amount of fuel inventory currently on hand. Additionally, minimal operational 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 should review the efficacy of maintaining specific inventory of facility components.

Emergency/Spill Response

The Facility staff was not able to locate Emergency/Spill Response plans; however the Facility Operator was familiar with location of spill response materials and seemed confident of his ability to initiate a response in the event of an incident.

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 Native Village of Nanwalek has not established a separate operating bank account into which the bulk fuel operating funds are deposited. The Village has established procedures for ensuring that all bulk fuel facility expenses over \$5,000, or not authorized in the budget, must be approved by the governing body. As mentioned previously, the current fuel prices are not sufficient to collect the required O&M surcharge.

R&R Account

The Village has established an interest-bearing savings account for its R&R funds with First National Bank of Alaska; however, it is not currently collecting sufficient revenue to allow for deposits into the account.

Budgets

The Native Village of Nanwalek has not yet established on-going budgeting procedures nor has it updated its annual operating or R&R budgets.

Business Plan Updates

The Native Village of Nanwalek has not updated the Business Operating Plan to reflect their current situation and their financial difficulties. The Bookkeeper has taken the Bulk Fuel Business Plan training and is aware that an update needs to be done annually.

Audit

The Native Village of Nanwalek has not had an audit yet that is inclusive of the bulk fuel facility; however one is currently being scheduled for November 2006.

Annual Report

The Native Village of Nanwalek's fiscal year will end on September 30, 2006 and their annual report will be due 90 days thereafter.

Insurance

Currently, the Native Village of Nanwalek does not have General Liability insurance for the Bulk Fuel Facility due to the exorbitant cost of such insurance. Neither is the Village setting aside \$.10 per gallon of throughput as part of its annual operating budget – due to financial difficulties. The Native Village does have required workers compensation insurance for its employees.

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

Technically, the Tribal Administrator is the Facility Manager for the Bulk Fuel Facility – the current Acting Administrator is Melanie Green. This is a change from the original business plan, which has not yet been reported to the Denali Commission.

Staffing Adequate

As mentioned previously, the current staffing presents two primary challenges for the bulk fuel operations – (1) there is no funding to pay operational staff, and (2) there is no experienced manager for the Facility.

Training Plan

As mentioned earlier, the Sales Clerk would benefit from formal training with bookkeeping, inventory control, and software training. Additionally, the Facility Operator would benefit from spill response and safety training, Advanced Operator Training and/or on-going operational training to increase his ability to deal with non-routine and unusual situations.

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. During our site visit, we did notice that the containment area was under-water (due to very high summer rainfalls) and that the cement foundations were experiencing some crumbling (see attached photos).

SPCC/Facility Response Plan/Coast Guard Operations Manual

The Native Village has received its copies of the Facility's regulatory plans and its Operations Manual; however the staff was not able to locate them during our visit.

RECOMMENDATIONS

All of the Village staff made themselves available for a thorough site visit to answer questions and review the Business Operating Plan and Facility operations. The Village staff expressed interest in fully complying with terms and conditions of the Business Operating Plan and managing the Facility in a sustainable manner; but were frustrated by the financial difficulties.

The bulk fuel financial difficulties facing the Native Village of Nanwalek are challenging ones – the Village still has an outstanding, overdue bulk fuel loan; the revenue generated over the past year has not been sufficient to fund operations or to hire experienced management; and, the Village probably won't have sufficient cash resources to replace the fuel inventory when it is depleted in the very near future. It does not appear that the Village currently has the financial resources to hire experienced management or engage professional assistance to deal with the bulk fuel issues.

Thus, it seems that the bulk fuel difficulties facing the Native Village of Nanwalek are systemic in nature, and, are not likely to be resolved without outside assistance. The Village needs specific assistance with the financial and management challenges it faces – assistance that probably will need to be intensive in nature and sustained over a minimum of two bulk fuel inventory “cycles”. The Native Village of Nanwalek is aware of these challenges and has discussed with the North Pacific Rim Housing Authority the idea of the Housing Authority assuming management and operation of the Facility.

In addition to the bulk fuel financial challenges, the following outlines the systems and procedures that should be addressed by the Village, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

Systems and Procedures	ASAP	Within year	On-Going
Update written job descriptions		x	
Develop financial policies & procedures to track and record costs	x		
Develop inventory and customer tracking systems	x		
Identify specific training needs and develop a written plan		x	
Technical Assistance			
Update business operating plan and financial assumptions		x	
Develop customer accounts systems	x		
Understand fuel prices and develop model for pricing	x		
Prepare and revise budgets		x	
Training			
Periodic, possibly annual, operations assistance/troubleshooting		x	
Cross train Village employees and staff		x	
Operations			
Develop system to schedule tasks for routine maintenance		x	
Develop system to schedule tasks for non-routine maintenance			x
Investigate “cheaper” fuel deliveries	x		
Improve understanding of what parts inventory to keep		x	

TRIP PHOTOS



BF Facility.JPG



BF Facility 2.JPG



Extinguisher -Signage.JPG



Dispensing Signage.JPG



Dispensing Safety Signage.JPG



Dispenser.JPG



Dispenser2.JPG



Dispenser3.JPG



Dispenser Fill Lines.JPG



Gasoline Tank.JPG



Tanks.JPG



Steps and Fencing.JPG



Emergency Shutoff.JPG



Tank Signage.JPG



Spill Supplies.JPG



Spill Supplies 2.JPG



Tanks 2.JPG



Extinguisher.JPG



Panel.JPG



Containment Water.JPG



Containment Water2.JPG



Containment Water3.JPG



Containment Water 4.JPG



Truck Fill Area.JPG



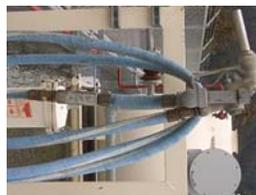
Truck Fill Area2.JPG



Truck Fill Area3.JPG



Headers.JPG



Fill Hose.JPG



Tank3.JPG



Tanks 4.JPG



Fill Lines.JPG



Fill Lines2.JPG



Crumbling Pad.JPG



Crumbling Pad2.JPG



Crumbling Pad3.JPG



Crumbling Pad4.JPG



Diesel Tank.JPG



Diesel Tank2.JPG



Gasoline Tank2.JPG



Gasoline Tank3.JPG