

NATIVE VILLAGE OF KWIGILLINGOK KWIG POWER COMPANY



MONITORING PLAN AND RECOMMENDATIONS

Prepared for:
ALASKA ENERGY AUTHORITY (AEA)

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Prepared by:

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TABLE OF CONTENTS

OVERVIEW	1
ELECTRIC UTILITY MANAGEMENT/OPERATIONAL SKILLS	5
Financial Management.....	5
Personnel Management	7
Operations Management.....	8
BUSINESS OPERATING PLAN COMPLIANCE	9
Financial Management.....	9
Personnel Management	11
Operations Management.....	12
RECOMMENDATIONS	13
TRIP PHOTOS	14

OVERVIEW

This Monitoring Plan and Recommendations was completed under contract to the Alaska Energy Authority (AEA) as a follow-up to an Electric Utility Upgrade project in Kwigillingok, Alaska. The renovated Electric Power Generation Facility is located near the washeteria, water treatment plant, and health clinic; and, consists of four diesel engine generators, automated switchgear, fuel handling, and a step-up transformer bank.

A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the Kwig Power Company's maintenance and operation and sustainability of the Electric Utility Upgrade (the "Facility"). The Kwig Power Company (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:

Kwig Power Company

Native Village of Kwigillingok

Primary Contact Name: *William Igkurak, Utility Clerk/Manager*

Phone: (907) 588-8626 Fax: (907) 588-8429

Address: Kwig Power Company

Native Village of Kwigillingok

P.O. Box 49

Kwigillingok, AK 99622

Facility Components & Capacity

The capacity of the electric facility is 640 Kw, using four generators (one at 90, two at 180 and one at 190). The generators feed automatic load sensing switchgear and step-up transformers and are sized so the largest generator is capable of handling peak loads.

Community Information

The Native Village of Kwigillingok is located on the western shore of Kuskokwim Bay, near the mouth of the Kuskokwim River; more than 77 river miles downstream from Bethel and approximately 388 miles southwest of Anchorage. The State-owned 3,000 foot gravel airstrip accommodates scheduled air service to and from Bethel. The village is also accessible by float plane and water transportation.

Kwigillingok residents are predominately Yup'ik Eskimo and practice a commercial fishing and subsistence lifestyle. Most of the workforce is employed in the school, village government, stores, and commercial fishing; commercial fishing permits are held by about 39 residents.

The Native Village of Kwigillingok administers and operates a number of social, community and economic businesses and services. These include the electric utility, the health clinic, washeteria, water and sewer utility, bulk fuel storage operations, airport maintenance, and the office of the Village Public Safety Officer.

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

Population (2000 Census Data)	
2008 (<i>electric utility Clerk/Manager estimate</i>)	350
2000	338
1990	278
1980	354
1970	148
Housing (2000 Data)	
Occupied Housing	73
Vacant Housing Due to Seasonal Use	0
Other Vacant Housing	5
Economic Data (2000 Data)	
Unemployment Rate	12.3%
Median Household Income	\$36,250

Native Village of Kwigillingok

The Native Village of Kwigillingok provides a variety of business and service activities in the community.

NATIVE VILLAGE OF KWIGILLINGOK CURRENT BUSINESSES AND SERVICES	
Business or Service	Description
Bulk Fuel Storage Facility	Bulk fuel tank farm operations
Electric Utility	Electricity provider
Village Health Clinic	Janitorial, maintenance, and utilities
Washeteria	Coin-op washer and dryer, showers, retail laundry supplies
Water and Sewer Utility	Water, sewer, honey bucket haul
Airport Maintenance	Clearing, grading landing strip
Village Public Safety Officer	Safety officers

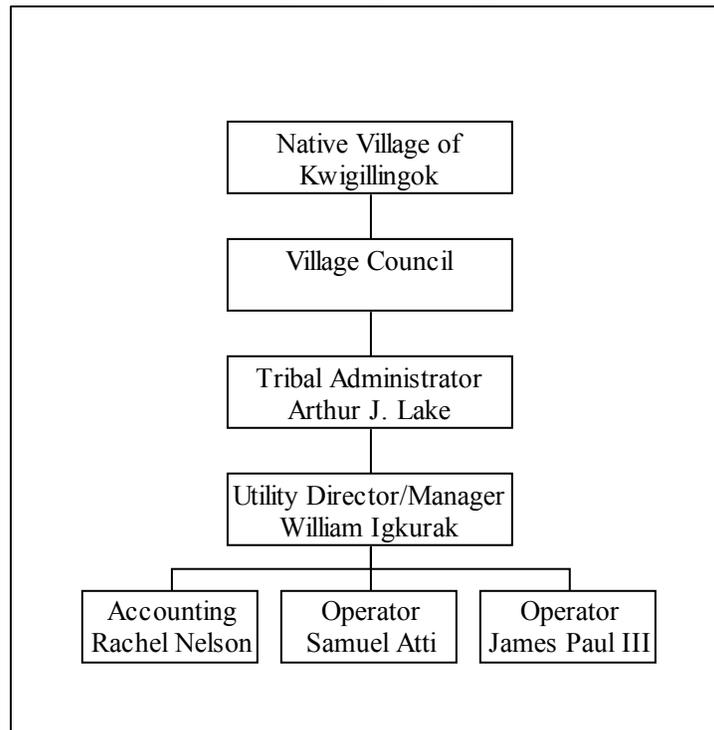
The Native Village of Kwigillingok owns and operates the community's electric utility, Kwig Power Company. The Power Company maintains the generator plant and services the customer's electric needs as well as collects fees. Customers are billed monthly from meter readings. The Utility participates in the Power Cost Equalization (PCE) Program; the current charge per kWh is \$.50 with PCE contributing \$.3479 up to the first 500 kWh for residential customers.

The Native Village of Kwigillingok Council approves the annual budget. Their fiscal year runs January through December. Manager, William Igkurak, oversees the expenditures made by the Power Company. He and the Village Council are authorized to sign Power Company

checks and authorize bank transactions; two signatures are required on checks. Rachel Nelson is the accounting clerk and is responsible for accounts receivable and accounts payable and all other general bookkeeping duties.

Since the Business Operating Plan, dated June 1, 2002, was finalized, one operator position has been eliminated and a different person is responsible for the accounting. These changes and the staff relationships are reflected in the following Kwig Power Company organizational chart:

**NATIVE VILLAGE OF KWIGILLINGOK
KWIG POWER COMPANY
FACILITY STAFFING**



Following are the current members of the Kwigillingok Village Council:

Kwigillingok Village Council	Position
Tom Andrew	President
Warren Lewis	Vice President
Peter Jimmy	Member
Joe Manchuak	Member
Johnny Friend	Member

Monitoring Site Visit

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage, Alaska, to conduct a site visit to the Native Village of Kwigillingok Electric Utility 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 the 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 traveled to Kwigillingok on February 26, 2008 to meet with electric facility management and staff, including:

Contacts	Title
William Igkurak	Kwig Power Company Utility Director/Manager
Rachel Nelson	Accounting
James Paul III	Electric Plant 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 an electric utility, while the 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 electric utility 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.

OVERVIEW OF ELECTRIC UTILITY 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		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
<i>Power Cost Equalization Program</i>					
				X	Participate fully in PCE program
				X	Understands PCE filing and reporting
				X	Staff completes PCE filings and reports

Comments:

Annual Budget

The Utility Director/Manager, William Igkurak, develops an annual budget for the Power Company, which is then approved by the Village Council. He uses this information to direct and track the activities of the electric utility. A copy of the FY '07 budget was available on request.

Bookkeeping

Kwig Power Company bookkeeping is done using QuickBooks software. Rachel Nelson, the accounting clerk, is responsible for managing the bank accounts, daily cash reports, account payables, accounts receivable, and other general bookkeeping duties including preparing payroll. The Utility Director/Manager is responsible for annual financial reports.

The Utility Director/Manager 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, however, while the budget differentiates between maintenance supplies, routine and

emergency repairs, the chart of accounts is less specific. The chart of accounts could be more detailed in the separation of these expenditures.

Collections Policy

More than half of the Kwig Power Company residential accounts are on the pre-pay meter system and pre-pay for the swipe cards. The remaining residential, about 30, and all commercial customers are billed monthly based on meter readings. Most accounts are current; with an estimated 98% collections rate. Any outstanding amounts are older debt and, in most cases, have established a payment program. Most payment programs consist of an agreed upon amount being paid on account each billing period or whenever a card is pre-paid. In rare cases, if customers cannot arrive at an agreement, the company reserves the right to terminate service.

Business Operating Plan

The Utility Director/Manager is familiar with the general terms and conditions of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements, and the Secondary Operator Agreement. The Council is generally familiar with the Business Operating Plan and its "big picture" concepts; but, does not have a working understanding of the Plan. The staff is not familiar with the business operating plan and follow the guidance of the Utility Director/Manager. And, while the Utility Director/Manager is familiar with the terms and condition of the business operating plan, he would require additional training, with MS Excel, to update the financial tables. That being said, he is capable of preparing an annual O&M budget and following the R&R annual payment schedule presented in the financial tables.

Power Cost Equalization

The Kwig Power Company participates fully in the PCE program and files the appropriate reports and paperwork.

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			On-going training in place

Comments:

Job Descriptions

Job descriptions exist for the electric utility staff positions and staff has a good understanding of their roles and responsibilities.

Staffing

It appears that the staffing level of the electric utility is adequate to operate and maintain the Facility.

Training

It is apparent that all of the management and staff of the electric utility facility have the basic training necessary for their job requirements. However, training is an on-going need, whether it is introducing new concepts and skills or reinforcing existing ones. Therefore, it would be beneficial for the accounting clerk both to take the AEA Utility Bookkeepers Training class and additional QuickBooks training. Although there is no formal, written training plan, the Kwig Power Company is responsive to training opportunities and staff members have successfully completed a variety of training courses. Currently underway is HAZWopper training.

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 to keep the electric utility functioning and servicing the community. A daily log is used as a guideline for daily tasks and inspections and these activities are documented. Other, less frequent, inspections and servicing appears to take place on an as needed basis, which for long term planning may be less than ideal.

Inventory Control

Management and staff indicated that the supply inventory on-hand was adequate. Some supplies are kept on-hand, but there is a reluctance to keep too much money tied up in potentially unneeded items. While there is no formal inventory, it appears that both the Utility Clerk/Manager and the Operators have a good idea of what they do have on-hand. If a part needs to be ordered, a note is made for the Manager's attention; Operators use the white board in the power plant and the Utility Clerk/Manager uses a list posted on his office door. The Utility Clerk/Manager then processes the request in a timely manner. He and staff know how, and from where, to order the needed items.

Emergency/Spill Response

The staff was able to locate Emergency/Spill Response plans and was generally familiar with their contents; staff seemed confident that they would be able to handle a fuel spill. A written safety policy is on-hand.

BUSINESS OPERATING PLAN COMPLIANCE

Financial Management

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&M Accounts</i>			
X			Accounting established
X			Regular deposits into operating accounts
X			Systems in place for \$5,000 authorizations
<i>R&R Accounts</i>			
X			Accounting established
	X		Regular deposits into accounts
X			Interest-bearing savings accounts
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 Accounts

The Native Village of Kwigillingok has established operating bank accounts at Wells Fargo Bank. Kwig Power Company operating and maintenance funds are deposited there. The Utility Clerk/Manager oversees the expenditures and transactions regarding that account. The Village Council and Utility Clerk/Manager are authorized to sign Power Company checks and authorize bank transactions; two signatures are required on checks. The Utility Clerk/Manager informs the Council in writing about large or non-routine checks, and, as necessary, obtains the additional authorization of the Tribal Administrator.

R&R Accounts

The Power Company has established an interest-bearing savings (money market) account at Wachovia Securities for its R&R funds. Deposits of \$8,500 were made for the first two operating years. However, the utility has struggled the last two years to make additional deposits. The December 2007 balance was \$18,800. A resolution is needed to withdraw funds from this account and two signatures are required on any transaction. An Escrow account for R&R funds is not yet required, since the fund balance is below \$100,000.

Budgets

The Manager, with the approval of the Village Council, has established on-going budgeting procedures for the operations of the electric utility. Once the budget is created by the Manager, it is approved by the Village Council. While funds are being budgeted for “Emergency Repairs”, no funds are currently being budgeted for the R&R account.

Business Plan Updates

To date, the Electric Utility Business Operating Plan assumptions and financial tables have not been updated. The Utility Clerk/Manager plans to look at them for the upcoming year.

Audit

An audit was conducted for FY 2006 by Newhouse and Vogler, CPA of Anchorage, Alaska. The Utility Clerk/Manager is preparing to schedule an audit for '07, a copy of which should be sent to the Denali Commission as part of the Annual Report due by March 31, 2008.

Annual Report

The power company's last fiscal year ended on December 31, 2007 – and, as such, their annual report is due to the Denali Commission by March 31, 2008. Plans to prepare a report for FY '07 are underway.

Insurance

The Kwig Power Company currently carries no liability insurance, though they have received quotes on coverage. They do carry workman's comp.

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

Manager and Utility Clerk, William Igkurak, has worked for the Kwig Power Company since 1984, first as the Bookkeeper, then, from 1985 – 1990, he was the Power Plant Operator and Manager. Since 1990, William Igkurak has been recognized as the Utility Director/Manager, managing both the power company and the water treatment plant.

Staffing Adequate

As mentioned previously, the current staffing seems to be adequate for the overall operation and maintenance of the facility.

Training Plan

The Utility Clerk/Manager is aware of the importance of keeping key employees sufficiently trained to ensure complete compliance with the Business Operating Plan. Staff has recently attended training sessions in QuickBooks, Advanced Power Plant Operations, PCE Reporting, Bookkeeping and Accounting, AVTEC Diesel Maintenance, and is currently receiving HAZWoper training. The accounting clerk has not yet had the AEA Utility Business Training course. While there is no formal training plan in place, he looks for and tries to take advantage of appropriate training opportunities for staff.

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 the site visit, no unusual issues with the physical facility were noticed.

SPCC/Facility Response Plan/Coast Guard Operations Manual

The Village has received its copies of the Facility's regulatory plans and its Operations Manual; and the staff was able to locate them.

RECOMMENDATIONS

All of the Utility management and staff interviewed demonstrated a genuine interest in fully understanding and implementing the Business Operating Plan. The management/staff made themselves available for a thorough site visit to answer questions and review the Business Operating Plan and facility operations, and expressed interest in fully complying with the terms and conditions of the Business Operating Plan and managing the Facility in a sustainable manner.

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

	ASAP	Within year	On-Going
Systems and Procedures			
Make a third deposit to the R&R account		X	
Include more specific breakdown of O&M and R&R expenses in annual budget and financial reports		X	
Submit Annual Report to Denali Commission	X		
Technical Assistance/Training			
Electric Utility Business Training for accounting clerk		X	
Develop plan for on-going training		X	
Operations			
Solicit information on liability and property insurance	X		
Purchase liability and property insurance		X	
Develop system to schedule routine and non-routine tasks for electric utility routine maintenance		X	
Develop a more formal means of tracking inventory		X	
Develop means by which policy making board and staff become more familiar with the Business Operating Plan			X

TRIP PHOTOS



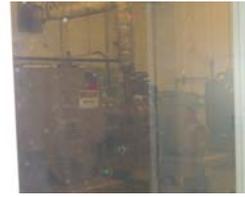
KPC Inventory2



KPC Inventory



KPC Powerplant.jpg



KPC Generator Room



KPC Storage Tanks



KPC Powerplant Porch



KPC Generators



KPC Generator 2



KPC Powerhouse signage



KPC Fuel Tank



KPC Operator



KPC Part



KPC Powerhouse



KPC Panel 2



KPC Office



KPC Manager



KPC Parts 2



KPC Panel