ALASKA MUNICIPAL LEAGUE

Navigating a High-Cost Energy Landscape

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Risk Environment

Delays increase risk of:

- Limited fuel availability
- Higher costs
- Service disruptions

Utilities, schools, emergency services, transportation, and household

Fuel costs affect all community operations

- Public works and emergency response costs rise
- Utility rate increases likely
- Capital projects:
  - Higher bids
  - Delays
  - Reduced scope

Communities must plan for disruption

- Potential scenarios:
  - Delayed or missed barge deliveries
  - Fuel staged at regional hubs
  - Emergency aviation transport

Communities must secure fuel orders immediately

- Most rural communities rely on one annual delivery
- Narrow summer delivery window
- Procurement decisions happening right now
- Late action = fewer options, higher costs, greater risk

This year presents unusually high risk

- Global fuel supply constraints
- Rising transportation costs
- Reduced regional inventories
- Uncertainty in delivery timing

Transportation is a major risk driver

- Ocean shipping costs up to 3x last year
- Bering Strait ice may delay deliveries
- Low river levels may block barge access
- Some communities may lose direct delivery options

Fuel may not be available when needed

- Lower carryover inventories from winter
- Blended pricing can increase costs during spikes
- 30-day pricing models limit savings from short-term drops

Financial Threat

Availability > Price

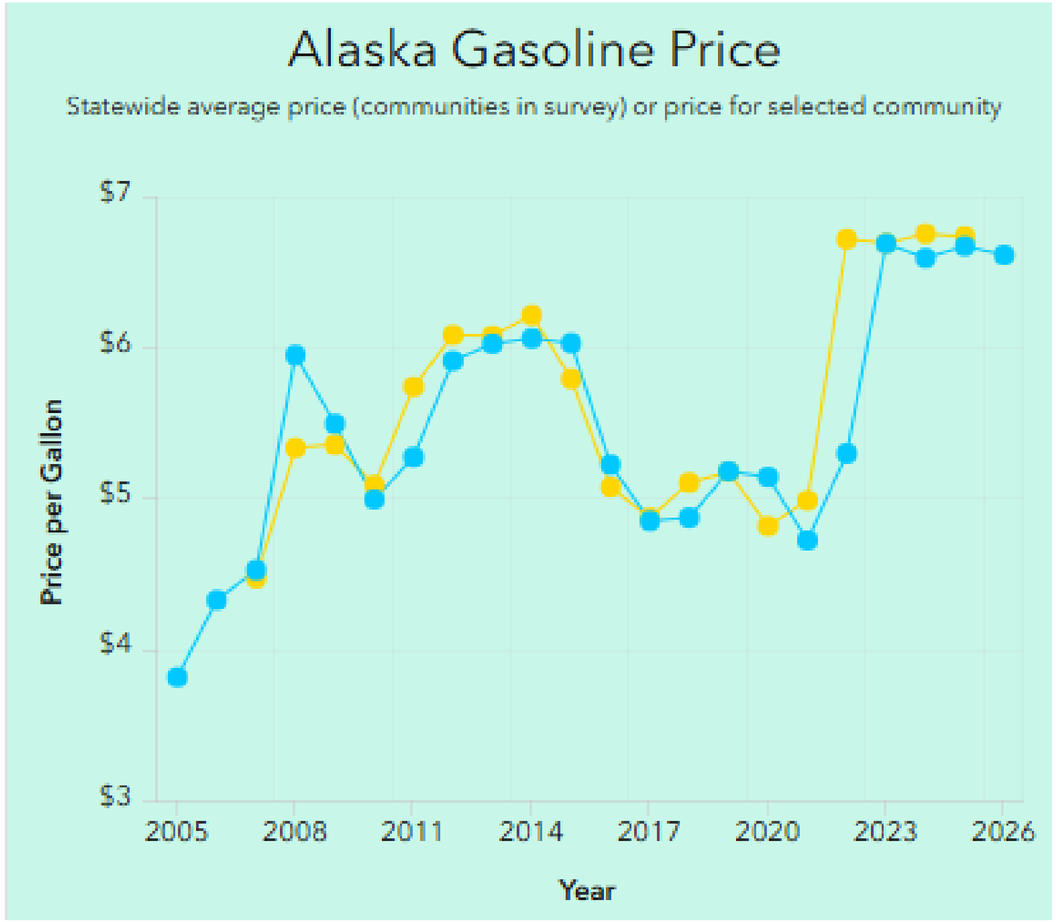
- Primary concern: fuel may not be available
- Late orders may face supplier capacity limits
  - No delivery options
- Worst case: reliance on air delivery
  - Extremely costly
  - Logistically constrained

Rising costs will strain communities and households

- Municipal and utility budgets under pressure
- Higher electricity and heating costs
- Increased burden on households

The issue is availability, not just price

- Early action reduces risk
- Delayed action increases:
  - Costs
  - Disruptions
  - Public safety concerns



State Options – Bulk Fuel Revolving Loan Fund

- Increase capitalization of the Bulk Fuel Revolving Loan Fund, administered by DCCED
- Increase cap on Bulk Fuel RLF from $750,000 to $1.5 million to account for potential doubling of costs
- Expand eligibility – school districts, heating fuel, etc.
- Reduce interest rate to 0% on difference in loan amount from last to this year, including for first time borrowers

Other State Options

- Pause collection of current motor fuel tax ($0.08) and refined fuel surcharge ($0.95).
- Borrow against PCE for public sector loans to local governments and school districts – to be paid back over xx number of years.
- Pause ICAP collection by DOT&PF on all FTA transfers.
- Increase Student Transportation funding for school districts.
- State plus-up of LIHEAP – Heating Assistance Program
- Invest in AHFC Home Weatherization Program
- DHS&EM plan for bulk purchase, and air freight fuel delivery – disaster funds?
- Evaluate feasibility of fuel price hedging / risk pool mechanisms (e.g. using financial hedging tools like swaps, futures, etc. and pooling multiple communities to manage fuel price risk collectively).
- Offer Technical Assistance – On call support to navigate price or supply crunch.

Local Action

Communities could act now to:

- **Act Early** to secure financing and protect cash flow**.** Ordering early, confirming quantities, building budget cushions for higher costs, and preparing for delivery disruptions. Build fuel cost escalation into budgets now, not later
- **Reduce demand through conservation,** manage fleet use tightly, inspect storage and fuel infrastructure, coordinate regionally, and communicate early with residents. Reducing demand is one of the few levers communities fully control.
- **Plan for multiple scenarios,** from costly but on-time delivery to severe shortages requiring rationing or emergency transport.
- **Regional Coordination:** Communities can reduce risk by working together rather than acting independently. Clear communication helps manage expectations and reduce panic, too.
- **Review and prioritize** critical services, and schedule preventive maintenance now to improve efficiency.

State Leadership

Coordination, Communication, and Capacity Building

1. State policy action
   - Bulk Fuel Revolving Loan Fund
   - Fee waivers or deferrals

2. State support for local action
   - Technical assistance
   - Access to funding or other programs

3. Cooperative action
   - Long term risk management
   - Communication and mitigation

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Appendix: Local Action

1. Procurement & Supply Security

Communities can prioritize certainty of supply over price optimization this year. The most effective action is to place orders immediately, even if pricing feels unfavorable, because availability is the primary risk. Beyond timing, communities can strengthen procurement outcomes by:

- Confirming order quantities early across all users (city, school, utility, clinic) to avoid under-ordering
- Building in a modest contingency volume if storage allows
- Requesting clear delivery timelines and cutoff dates from suppliers
- Exploring whether split sourcing (Crowley/Vitus) is feasible for risk diversification

Communities could also proactively ask suppliers:

- What is the latest date orders will be accepted?
- What happens if delivery cannot occur—where will fuel be staged?
- What priority system is used if supply is constrained?

Local Action

2. Financial & Budget Strategies

Given expected price increases, communities can act early to secure financing and protect cash flow. Key actions include:

- Apply immediately to the State Bulk Fuel Revolving Loan Fund, using estimates if necessary
- Build fuel cost escalation into FY budgets now, not later
- Identify internal reserves or contingency funds that could backstop higher fuel costs
- Work with utilities to model rate impacts early, rather than reacting mid-winter
- Increase utilization of rate-setting software and support

Communities can also reduce risk by:

- Structuring budgets around a “high-case” fuel price scenario
- Planning for delayed reimbursement cycles (state or federal)
- Coordinating with regional partners on joint advocacy for extended loan terms

Local Action

3. Fuel Conservation & Demand Management

Reducing demand is one of the few levers communities fully control.

Immediate steps include:

- Implementing fuel conservation policies across municipal operations
- Limiting non-essential vehicle and equipment use
- Optimizing fleet routing and scheduling
- Reducing idling and improving operator practices

For utilities and facilities:

- Adjust building operations to reduce heating demand where feasible
- Conduct quick energy audits of high-use facilities (schools, water plants, clinics)
- Encourage residents to adopt basic conservation practices
- Even small reductions in use can significantly extend supply in constrained conditions.

Local Action

4. Fleet & Equipment Management

Fleet operations are a major exposure point and should be actively managed.

Communities can:

- Review fleet usage and prioritize critical services only
- Schedule preventive maintenance now to improve fuel efficiency
- Identify opportunities to consolidate trips or share equipment
- Evaluate whether backup equipment (more efficient units) should be prioritized

If feasible:

- Stage fuel for emergency services separately
- Develop minimum fuel thresholds for essential operations

Local Action

5. Infrastructure & Storage

Storage capacity and condition directly affect resilience.

Communities can reduce risk by:

- Verifying available tank capacity and ensuring it can accommodate planned orders
- Inspecting tanks, piping, and containment systems before delivery season
- Addressing minor repairs immediately to avoid system failures during fill

Where possible:

- Evaluate whether temporary or modular storage could increase flexibility
- Coordinate with regional partners on shared or backup storage options
- Given long-term risks:
- Document infrastructure condition to support future funding requests

Local Action

6. Delivery & Logistics Contingency Planning

Communities can plan for scenarios where fuel does not arrive as expected.

Key actions:

- Identify whether their community is at risk of:
  - Barge delay
  - River access failure
  - Hub-only delivery
- Develop a plan for:
  - Secondary transport (air or smaller vessels)
  - Local distribution if fuel arrives late

Communities should also:

- Establish communication protocols with suppliers for real-time updates
- Identify local staging areas if fuel must be transferred or redistributed

Local Action

7. Regional Coordination

Communities can reduce risk by working together rather than acting independently.

Consider:

- Coordinating regional fuel orders or timing
- Sharing logistics information and delivery schedules
- Establishing mutual aid agreements for emergency fuel sharing (where feasible)

Regional organizations (boroughs, tribal consortia, utilities) can:

- Serve as coordination hubs
- Aggregate information on supply, pricing, and delivery risks

Local Action

8. Community Communication

Clear communication helps manage expectations and reduce panic.

Communities should:

- Inform residents early about expected fuel cost increases
- Communicate the importance of conservation
- Coordinate messaging with utilities and schools
- Transparency builds trust and helps avoid reactive decision-making later.

Local Action

9. Scenario Planning

Finally, communities should explicitly plan for multiple scenarios:

- Best case: fuel arrives on time at high cost
- Moderate disruption: delayed delivery or partial supply
- Severe disruption: fuel must be flown in or rationed

For each scenario, define:

- Priority uses (power, heat, emergency services)
- Rationing approaches if needed
- Financial implications